GROUP OF JOINT-STOCK COMMERCIAL BANK TRANSCAPITALBANK (CLOSED JOINT STOCK COMPANY)

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor’s Report

31 December 2013

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Independent Auditor's Report

To the Shareholders and Board of Directors of Joint-Stock Commercial Bank "Transcapitalbank" (Closed Joint Stock Company):

We have audited the accompanying consolidated financial statements of Joint-Stock Commercial Bank "Transcapitalbank" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for 2013, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

31 March 2014

Moscow, Russian Federation

O. Kucherova, Director (licence no. 01-000397), ZAO PricewaterhouseCoopers Audit

Audited entity: Joint-Stock Commercial Bank "Transcapitalbank".

State registration certificate № 2210, issued by the Central Bank of the Russian Federation on 24 December 1992.

27/35 Vorontsovskaya Str., 109147 Moscow, Russian Federation.

Independent auditor: ZAO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683 in the register of auditors and audit organizations

In thousands of Russian Roubles	Note	31 December 2013	31 December 2012
Assets			
Cash and cash equivalents	7	18 228 991	10 479 733
Mandatory cash balances with CBRF		968 049	1 060 146
Due from other banks		210 241	150 795
Trading securities	8	17 296 493	10 115 748
Loans and advances to customers	9	101 911 406	90 553 197
Repurchase receivables related to trading securities	8	-	1 336 840
Investment securities held to maturity		97 258	-
Investment in associate	10	-	69 718
Deferred tax asset	20	159 680	229 730
Intangible assets	11	186 209	170 292
Premises and equipment	11	898 229	932 108
Other financial assets		462 199	55 768
Other assets		468 244	440 830
Total assets		**140 886 999**	**115 594 905**
Liabilities			
Due to other banks	12	20 350 409	21 932 653
Customer accounts	13	81 498 089	65 580 171
Debt securities in issue	14	15 864 534	7 415 678
Current income tax liability		16 089	47 303
Deferred income tax liability	20	79 824	77 984
Other financial liabilities		128 000	211 370
Other liabilities		300 326	268 191
Subordinated debt	15	6 629 913	6 846 770
Total liabilities		**124 867 184**	**102 380 120**
Equity			
Share capital	16	2 533 352	2 448 128
Share premium	16	4 566 362	4 012 406
Translation reserve		-	(5 520)
Retained earnings		8 920 101	6 759 771
Total equity		**16 019 815**	**13 214 785**
Total liabilities and equity		**140 886 999**	**115 594 905**

Approved for issue and signed on 31 March 2014.

O.V.Gryadovaya
Chairperson of the Board

S.M.Golovanova
Chief Accountant

In thousands of Russian Roubles	**Note**	**2013**	**2012**
Interest income	17	13 110 917	11 142 891
Interest expense	17	(6 725 464)	(5 462 101)
Net interest income		**6 385 453**	**5 680 790**
Provision for loan impairment	9	(790 185)	(777 867)
Net interest income after provision for loan impairment		**5 595 268**	**4 902 923**
Fee and commission income	18	1 831 951	1 540 310
Fee and commission expense	18	(385 050)	(289 246)
(Losses, net of gains)/gains less losses from trading securities		(201 836)	252 048
Gains less losses from trading in foreign currencies		407 867	476 385
Losses, net of gains from financial derivatives		(101 416)	(707 746)
Foreign exchange translation (losses, net of gains)/gains less losses		(188 997)	24 275
Release of provision/(provision) for credit related commitments	24	600	(600)
Release of other provisions/(other provisions)		60 066	(37 761)
Share of result and impairment of associate	10	(76 618)	(23 295)
Other operating income		40 009	121 426
Administrative and other operating expenses	19	(4 286 729)	(3 649 505)
Profit before tax		**2 695 115**	**2 609 214**
Income tax expense		(534 785)	(526 458)
Profit for the year		**2 160 330**	**2 082 756**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation to the presentation currency		6 900	(3 870)
Income tax recorded directly in other comprehensive income		(1 380)	774
Other comprehensive income/(loss) for the year	20	**5 520**	**(3 096)**
Total comprehensive income for the year		**2 165 850**	**2 079 660**

In thousands of Russian Roubles	**Share capital**	**Share premium**	**Retained earnings**	**Translation reserve**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2012	**2 444 642**	**4 012 406**	**4 677 142**	**(2 424)**	**11 131 766**	**579**	**11 132 345**
Profit for the year	-	-	2 082 756	-	2 082 756	-	2 082 756
Other comprehensive income	-	-	-	(3 096)	(3 096)	-	(3 096)
Total comprehensive income for 2012	-	-	2 082 756	(3 096)	2 079 660	-	2 079 660
Disposal of subsidiary	-	-	(127)	-	(127)	(579)	(706)
Acquisition of treasury shares	(4 600)	-	-	-	(4 600)	-	(4 600)
Sale of treasury shares	8 086	-	-	-	8 086	-	8 086
Balance at 1 January 2013	**2 448 128**	**4 012 406**	**6 759 771**	**(5 520)**	**13 214 785**	**-**	**13 214 785**
Profit for the year	-	-	2 160 330	-	2 160 330	-	2 160 330
Other comprehensive income	-	-	-	5 520	5 520	-	5 520
Total comprehensive income for 2013	-	-	2 160 330	5 520	2 165 850	-	2 165 850
Share issue	85 224	553 956	-	-	639 180	-	639 180
Balance at 31 December 2013	**2 533 352**	**4 566 362**	**8 920 101**	**-**	**16 019 815**	**-**	**16 019 815**

In thousands of Russian Roubles	Note	2013	2012
Cash flow from operating activities			
Interest received		12 919 181	11 150 913
Interest paid		(6 712 336)	(5 522 421)
Fees and commissions received		1 777 460	1 643 816
Fees and commissions paid		(389 194)	(287 429)
Losses, net of gains received from trading securities		(41 676)	(49 976)
Income received from trading in foreign currencies		407 867	476 385
Losses, net of gains from FX financial derivatives		(108 616)	(617 840)
Other operating income received		54 719	96 480
Administrative and other operating expenses paid		(4 067 913)	(3 433 204)
Income tax paid		(496 652)	(345 894)
Cash flows from operating activities before changes in operating assets and liabilities		**3 342 840**	**3 110 830**
Net (increase)/decrease in:			
- mandatory cash balances with the CBR		92 097	(162 058)
- trading securities and repurchase receivables related to trading securities		(5 690 933)	1 271 087
- due from other banks		(50 157)	(984)
- loans and advances to customers		(10 382 037)	(16 565 058)
- held to maturity investments		(71 933)	-
- other assets		(456 078)	(30 134)
Net increase/(decrease) in:			
- due to other banks		(2 791 661)	5 615 162
- customer accounts		14 418 425	4 308 865
- debt securities in issue		8 390 432	(250 811)
- other liabilities		2 496	(20 494)
Net cash from/(used in) operating activities		**6 803 491**	**(2 723 595)**
Cash flows from investing activities			
Acquisition of premises, equipment and intangible assets	11	(221 666)	(237 814)
Proceeds from disposal of premises and equipment		39 006	1 296
Net cash used in investing activities		**(182 660)**	**(236 518)**
Cash flows from financing activities			
Proceeds from subordinated debt		-	2 250 201
Repayment of subordinated debt		(572 000)	-
Issue of ordinary shares	16	639 180	-
Disposal of subsidiary		-	(705)
Acquisition of treasury shares	16	-	(4 600)
Disposal of treasury shares	16	-	8 086
Net cash from financing activities		**67 180**	**2 252 982**
Effect of exchange rate changes on cash and cash equivalents		1 061 247	(151 048)
Net increase/(decrease) in cash and cash equivalents		**7 749 258**	**(858 179)**
Cash and cash equivalents at beginning of the year	7	**10 479 733**	**11 337 912**
Cash and cash equivalents at the end of the year	7	**18 228 991**	**10 479 733**

1. Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013 for Join-Stock Commercial Bank "Transcapitalbank" (the "Bank") and its subsidiaries including a leasing company OJSC "Oblik", a Eurobond SPV Transregionalcapital Ltd, a mortgage SPV CJSC "IATCB-1" and an asset holding company LLC "Tritail" (together referred to as the "Group").

The Bank does not have any direct or indirect shareholdings in the subsidiaries Transregionalcapital Ltd and CJSC "MA TKB-1". SPV Transregionalcapital Ltd was established to raise capital by the issue of eurobonds and CJSC "MA TKB-1" was established to issue bonds on domestic market and secured by mortgage loans.

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

As at 31 December 2013 and 31 December 2012 the following shareholders owned more than 5% of the outstanding shares:

Shareholder	31 December 2013	31 December 2012
European Bank for Reconstruction and Development	28.59%	28.59%
Olga Viktorovna Gryadovaya	22.04%	21.85%
Leonid Nikolaevich Ivanovsky	12.24%	12.16%
Deutsche Investitions und Entwicklungsgesellschaft	9.14%	9.14%
International Finance Corporation	7.72%	7.72%
Other (less than 5% individually)	20.27%	20.54%
Total	**100.00%**	**100.00%**

Principal activity. The Group's principal business activity is banking operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation ("CBRF") since 1992. The Bank operates under license number 2210. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law №177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank has 18 (2012: 19) branches within the Russian Federation. The Group had 2 447 employees at 31 December 2013 (2012: 2 248 employees).

Registered address and place of business. The Bank's registered address is: Russian Federation, 109147 Moscow, 27/35 Vorontsovskaya Str. The Bank's principal place of business is: Russian Federation 105062 Moscow, 24/2 Pokrovka Str.

Presentation currency. These consolidated financial statements are presented in Russian Roubles ("RR"), unless otherwise stated.

2. Operating Environment of the Group

***Russian Federation*.** The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations (Note 24). The political and economic turmoil witnessed in the region, including the developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the Rouble and making it harder to raise international funding. At present, there is an ongoing threat of sanctions against Russia and Russian officials the impact of which, if they were to be implemented, are at this stage difficult to determine. The financial markets are uncertain and volatile. These and other events may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict.

2 Operating Environment of the Group (Continued)

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

3. Summary of Significant Accounting Policies

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

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

3 Summary of Significant Accounting Policies (Continued)

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost.The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries and associates. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

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

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

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

The Group uses the last bid price as the quoted market price for financial assets and the last asking price as the quoted market price for financial liabilities.

3 Summary of Significant Accounting Policies (Continued)

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 27.

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

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

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

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within six months

The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through the profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through the profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future, or until maturity.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss for the year as interest income. Dividends are included in dividend income when the Group's right to receive the dividend payment is established, and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

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

3 Summary of Significant Accounting Policies (Continued)

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

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment.
The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Group obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

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

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

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed.

This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

3 Summary of Significant Accounting Policies (Continued)

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Credit related commitments. The Group issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period. The principal criteria used to determine that there is objective evidence that expenditure to settle the commitment is required are the same to those principal criteria used to determine that there is objective evidence that an impairment loss has occurred for financial assets carried at amortised cost.

In cases where the fees are charged periodically in respect of an outstanding commitment, they are recognised as revenue on a time proportion basis over the respective commitment period.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as loans and receivables upon transfer of the loss compensation to the guarantee's beneficiary. The principal criteria used to determine that there is objective evidence that expenditure to settle the commitment is required are the same to those principal criteria used to determine that there is objective evidence that an impairment loss has occurred for financial assets carried at amortised cost.

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

3 Summary of Significant Accounting Policies (Continued)

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. An investment is not classified as a held-to-maturity investment if the Group has the right to require that the issuer repay or redeem the investment before its maturity, because paying for such a feature is inconsistent with expressing an intention to hold the asset until maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. Investment securities held to maturity are carried at amortised cost.

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment where required. The cost of premises and equipment of acquired subsidiaries is the estimated fair value at the date of acquisition.

All other items of premises and equipment are stated at cost less accumulated depreciation and impairment losses, where required.

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

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

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

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

	Useful lives in years
Premises	50
Office and computer equipment	3 to 10

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

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

Intangible assets. The Group’s intangible assets other than goodwill have definite useful life and primarily include capitalised computer software.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 1 to 5 years.

3 Summary of Significant Accounting Policies (Continued)

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

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of finance lease receivables. The Group uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred, as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables’ net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred), discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

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

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

Debt securities in issue*.* Debt securities in issue include promissory notes, bonds, certificates of deposit and debentures issued by the Group. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Subordinated debt. Subordinated debt is debt which ranks after other debts should a Bank fall into receivership or be closed. Subordinated debt is carried at amortized cost.

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

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Group does not apply hedge accounting.

3 Summary of Significant Accounting Policies (Continued)

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

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

Deferred income tax is not recognised on post acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Group controls the subsidiary’s dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

Treasury shares. Where the Bank or its subsidiaries purchase the Bank's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Bank until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity.

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

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

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

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees relating to investment funds are recorded rateably over the period that the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. Different entities within the Group may have different functional currencies, based on the underlying economic conditions of their operations. In particular the Bank has Russian Roubles ("RR") as its functional currency, as its activities are mostly based in the Russian Federation and are dependent on the condition of the Russian economy. Management evaluates the appropriateness of the respective functional currencies for the entities of the Group from time to time, so that the functional currency of any entity of the Group may change, once the economic conditions it is reliant on so dictate.

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

3 Summary of Significant Accounting Policies (Continued)

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

Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognized in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognized in other comprehensive income.

The results and financial position of each group entity are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

When control over a foreign operation is lost, the exchange differences previously recognised in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

At 31 December 2013, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 32.7292 (2012: USD 1 = RR 30.3727), EUR 1 = RR 44.9699 (2012: EUR 1 = RR 40.2286).

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

***Segment reporting*.** Segments are reported in a manner consistent with the internal reporting provided to the Group’s chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Amendments of the financial statements after issue. The Board of Directors have the power to amend the financial statements after issue.

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 643 821 thousand (2012: RR 749 187 thousand), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows from individually significant loans (top 10), which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RR 149 597 thousand (2012: RR 207 757 thousand), respectively.

Structured entities. Judgement is also required to determine whether the substance of the relationship between the Group and a structures entities of the Group to control the structured entities, Management takes into consideration the factors presented in IFRS 10 “Consolidated Financial Statements“.

Non-consolidation of the special purpose entities would decrease the Group's total consolidated assets by RR 3 972 136 thousand (2012: nil). The impact on the consolidated profit after tax would be a decrease by RR 7 255 thousand (2012: nil).

5. Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2013:

IFRS 10 “Consolidated Financial Statements” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Standard did not have any material impact on the Group’s consolidated financial statements.

IFRS 11 “Joint Arrangements” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Venturers”. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Standard did not have any material impact on the Group’s consolidated financial statements.

5 Adoption of New or Revised Standards and Interpretations (Continued)

IFRS 12 "Disclosure of Interests in Other Entities" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements previously found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Standard did not have any material impact on the Group's consolidated financial statements.

IFRS 13 "Fair Value Measurement" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Standard did not have any material impact on the Group's consolidated financial statements. The Group uses the same valuation model as it complies with definition of fair value (the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date).

AS 27 "Separate Financial Statements" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013) was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 "Consolidated Financial Statements". The Standard did not have any material impact on the Group's consolidated financial statements.

IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The amended standard did not have any material impact on the Group's consolidated financial statements

Amendments to IAS 1 "Presentation of Financial Statements" (issued in June 2011, effective for annual periods beginning on or after 1 July 2013) changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income". The amended standard resulted in changed presentation of consolidated financial statements, but did not have any impact on measurement of transactions and balances.

Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The amended standard did not have any material impact on the Group's consolidated financial statements.

"Disclosures - Offsetting Financial Assets and Financial Liabilities" - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that enable users of an entity's consolidated financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment had an impact on disclosures but had no effect on measurement and recognition of financial instruments.

5 Adoption of New or Revised Standards and Interpretations (Continued)

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 “Borrowing costs”, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 now requires disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual consolidated financial statements. The amended standards did not have any material impact on the Group’s consolidated financial statements.

“Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12” (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 “Consolidated Financial Statements”. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The amended standards did not have any material impact on the Group’s consolidated financial statements.

Other revised standards and interpretations: IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”, considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation did not have an impact on the Group’s consolidated financial statements. Amendments to IFRS 1 “First-time adoption of International Financial Reporting Standards - Government Loans”, which were issued in March 2012 and are effective for annual periods beginning 1 January 2013, give first-time adopters of IFRSs relief from full retrospective application of accounting requirements for loans from government at below market rates. The amendment is not relevant to the Group.

6. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later, and which the Group has not early adopted.

IFRS 9 “Financial Instruments: Classification and Measurement”. Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity’s business model is to hold the asset to collect the contractual cash flows, and (ii) the asset’s contractual cash flows represent payments of principal and interest only (that is, it has only “basic loan features”). All other debt instruments are to be measured at fair value through profit or loss.

6 New Accounting Pronouncements (Continued)

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment and its impact on the Group.

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

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

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

6 New Accounting Pronouncements (Continued)

Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Group is currently assessing the impact of the amendments on the disclosures in its financial statements.

Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any material impact on the Group's financial statements.

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

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

IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

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

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

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

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

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

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

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

6 New Accounting Pronouncements (Continued)

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

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

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

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

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

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

7. Cash and Cash Equivalents

In thousands of Russian Roubles	31 December 2013	31 December 2012
Cash on hand	2 345 825	2 311 696
Cash balances with the CBRF (other than mandatory reserve deposits)	3 618 102	4 425 874
Correspondent accounts and overnight placements with other banks	10 885 349	1 082 912
Short-term settlements with settlement centers and brokers	888 598	1 558 841
Placements with other banks with original maturities of less than three months	491 117	1 100 410
Total cash and cash equivalents	**18 228 991**	**10 479 733**

7 Cash and Cash Equivalents (Continued)

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

In thousands of Russian Roubles	**Cash balances with the CBRF, excluding mandatory reserves**	**Correspondent accounts and overnight placements**	**Short-term settlements with settlement centers and brokers**	**Placements with other banks**	**Total**
Neither past due nor impaired					
- CBRF	3 618 102	-	-	-	3 618 102
- AA- to AA+ rated	-	821 500	-	-	821 500
- A- to A+ rated	-	7 014 140	-	-	7 0 14 140
- BBB- to BBB+ rated	-	587 862	866 354	-	1 454 216
- BB- to BB+ rated	-	2	-	-	2
- B- to B+ rated	-	2 427 934	-	-	2 427 934
- Unrated	-	33 911	22 244	491 117	547 272
Total cash and cash equivalents, excluding cash on hand	**3 618 102**	**10 885 349**	**888 598**	**491 117**	**15 883 166**

As of 31 December 2013 placements with other banks with original maturities of less than three months in amount of RUR 491 117 thousand are represented by deposits with Russian subsidiary of Industrial and Commercial Bank of China.

The credit quality of cash and cash equivalents balances at 31 December 2012, is as follows:

In thousands of Russian Roubles	**Balances with the CBRF, excluding mandatory reserves**	**Correspon-dent accounts and overnight placements**	**Short-term settlements with settlement centers and brokers**	**Placements with other banks**	**Total**
Neither past due nor impaired					
- CBRF	4 425 874	-	-	-	4 425 874
- AA- to AA+ rated	-	16 927	-	-	16 927
- A- to A+ rated	-	470 770	-	-	470 770
- BBB- to BBB+ rated	-	73 088	1 540 397	1 000 164	2 613 649
- BB- to BB+ rated	-	366 616	-	-	366 616
- B- to B+ rated	-	1 530	-	-	1 530
- Unrated	-	153 981	18 444	100 246	272 671
Total cash and cash equivalents, excluding cash on hand	**4 425 874**	**1 082 912**	**1 558 841**	**1 100 410**	**8 168 037**

As of 31 December 2013 short term settlements with settlement centres and brokers included balances with the National Clearing Centre in the amount of RR 866 354 (31 December 2012: RR 1 540 397 thousand).

7 Cash and Cash Equivalents (Continued)

Operating transactions that did not require the use of cash and cash equivalents that were excluded from the consolidated statement of cash flows are as follows:

In thousands of Russian Roubles	**2013**	**2012**
Non-cash operating activities		
Acquisition of repossessed collateral in exchange for loans and advances to customers	25 104	69 225

Geographical, currency, interest rate and maturity analyses of cash and cash equivalents are detailed in Note 22.

8. Trading securities and repurchase receivables related to trading securities

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Russian government bonds	9 495 923	9 346 019
Corporate bonds	7 656 898	769 729
Total debt securities	**17 152 821**	**10 115 748**
Corporate shares	143 672	-
Total trading securities	**17 296 493**	**10 115 748**
Repurchase receivables related to trading securities		
Corporate bonds	-	1 336 840
Total repurchase receivables related to trading securities	**-**	**1 336 840**
Total trading securities and repurchase receivables related to trading securities.	**17 296 493**	**11 452 588**

Corporate shares are shares of Russian companies.

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data using bid prices from the Moscow exchange, the Group does not analyse or monitor impairment indicators.

8 Trading securities and repurchase receivables related to trading securities (Continued)

Analysis by credit quality of debt trading securities is as follows at 31 December 2013:

In thousands of Russian Roubles	**Russian government bonds**	**Corporate bonds**	**Total**
Neither past due nor impaired (at fair value)			
- BBB- to BBB+ rated	9 495 923	7 656 898	17 152 821
Total debt trading securities	**9 495 923**	**7 656 898**	**17 152 821**

Analysis by credit quality of debt trading securities and reperchaise receivables related to debt trading securities is as follows at 31 December 2012:

In thousands of Russian Roubles	**Russian government bonds**	**Corporate bonds**	**Total**
Neither past due nor impaired (at fair value)			
- BBB- to BBB+ rated	9 346 019	2 085 435	11 431 454
- Lower than BB- rated	-	21 134	21 134
Total debt trading securities and repurchase receivables related to debt trading securities	**9 346 019**	**2 106 569**	**11 452 588**
Total debt trading securities	**9 346 019**	**2 106 569**	**11 452 588**

The credit ratings are based on Standard & Poor's ratings where available, or Moody's or Fitch rating converted to the nearest equivalent on the Standard & Poor's rating scale.

The Bank is licensed by the Federal Commission on Securities Markets for trading in securities.

Repurchase receivables related to trading securities represent securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or re-pledge. Bank does not have repurchase receivables related to trading securities at 31 December 2013. At 31 December 2012 included in repurchase receivables are securities effectively pledged under sale and repurchase agreements whose fair value is RR 1 336 840 thousand. Refer to Notes 12, 24.

Geographical, maturity and interest rate analysis of trading securities and repurchase receivables are disclosed in Note 22.

9. Loans and Advances to Customers

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Loans to legal entities:		
- Loans to large corporate customers	38 825 672	35 431 841
- Loans to small and medium-sized entities	45 677 645	46 084 336
Loans to individuals:		
- Mortgage loans	17 587 938	11 458 476
- Personal and consumer loans	4 943 534	3 818 395
- Car loans	1 010 133	1 070 813
- Other	304 698	181 210
Total loans and advances to customers (before impairment)	**108 349 620**	**98 045 071**
Less: Provision for loan impairment	(6 438 214)	(7 491 874)
Total loans and advances to customers	**101 911 406**	**90 553 197**

Under small and medium-sized entities the Group considers entities, which employ less than 250 employees with annual turnover not exceeding RR 1 800 000 thousand.

During 2013 the Group reconsidered classification of loans to individuals and transferred loans in amount of RR 824 417 thousand from loans to individuals to legal entities loans as at 31 December 2012 due to economic nature of the transactions.

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

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Personal and consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Provision for loan impairment at 1 January 2013	**1 371 582**	**5 591 188**	**254 266**	**164 490**	**101 803**	**8 545**	**7 491 874**
Provision for impairment during the year	(479 961)	1 137 794	39 733	116 646	11 980	11 815	838 007
Amounts written off during the year as uncollectible	-	(1 443 366)	-	(2 369)	(17 834)	(2 211)	(1 465 780)
Disposal of loans	-	(397 771)	(18 909)	-	(3 523)	(5 684)	(425 887)
Provision for loan impairment at 31 December 2013	**891 621**	**4 887 845**	**275 090**	**278 767**	**92 426**	**12 465**	**6 438 214**

The category change of one client resulted in recovery of provisions within loans to large corporate customers segment and caused provisioning within SME segment in amount of RR 401 355 thousand.

9 Loans and Advances to Customers (Continued)

The provision for impairment during 2013 differs from the amount presented in profit or loss for the year due to RR 47 822 thousand, recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

Movements in the provision for loan impairment during 2012 are as follows:

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Personal and consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to individuals**	**Total**
Provision for loan impairment at 1 January 2012	**1 115 153**	**5 978 078**	**385 791**	**139 628**	**114 502**	**44 949**	**7 778 101**
Provision for impairment during the year	395 836	479 902	(124 606)	45 461	1 632	(20 358)	777 867
Amounts written off during the year as uncollectible	(95 411)	(708 759)	(6 144)	-	(4 514)	(16 046)	(830 874)
Disposal of loans	(43 996)	(149 127)	(775)	(20 599)	(9 817)	-	(224 314)
Disposal of subsidiary	-	(8 906)	-	-	-	-	(8 906)
Provision for loan impairment at 31 December 2012	**1 371 582**	**5 591 188**	**254 266**	**164 490**	**101 803**	**8 545**	**7 491 874**

During 2013 year the Bank disposed loans to customers under cession and other agreements with the total gross value of RR 1 275 625 thousand (2012: RR 1 036 960 thousand) with cash proceeds of RR 722 787 thousand (2012: RR 773 122 thousand) and receivable cash proceeds with carrying value of RR 126 950 thousand (2012: RR 39 524 thousand). As of the date of disposal during the year ended 31 December 2013 these loans were provided for impairment in the total amount of RR 425 888 thousand (2012: RR 224 314 thousand). The release of provision from the loans disposal during 2013 year recognized in the consolidated statement of comprehensive income was RR 120 276 thousand (2012: gain of RR 125 957 thousand).

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

	31 December 2013		**31 December 2012**	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Trade	32 308 046	30	28 354 868	29
Individuals	23 846 303	22	16 528 894	17
Industry	8 955 161	8	7 652 638	8
Autodealing, repair and servicing	6 389 393	6	7 082 918	7
Construction	5 810 770	5	5 568 760	6
Food industry	5 078 854	5	6 723 645	7
Energy	4 811 951	4	5 537 626	6
Real estate	4 723 019	4	4 712 812	5
Machinebuilding industry	3 879 250	4	4 792 676	5
Service companies	3 697 305	3	2 373 484	2
Construction of infrastructural objects	2 615 258	2	1 848 935	2
Leasing companies	2 032 897	2	1 803 405	2
Agricultural	1 557 184	2	1 220 019	1
Transport and communications	1 253 128	1	2 080 642	2
Investment and insurance companies	577 009	1	1 283 234	1
Other	814 092	1	480 515	0
Total loans and advances to customers (before impairment)	**108 349 620**	**100**	**98 045 071**	**100**

9 Loans and Advances to Customers (Continued)

Trade segment is represented primarily by food products trade, consumer products trade (cosmetics, clothes, furniture), oil products and fuel, computer equipment, automobiles and components.

Industrial sector is represented by metal product manufacturing and processing enterprises, chemical and textile industry enterprises.

At 31 December 2013, the Group had 18 groups of borrowers (2012: 16 borrowers) with aggregated loan amounts above 5% of the Group's total capital in accordance with the requirements of the Basel Accord as disclosed in Note 23. The total aggregate amount of these loans as at 31 December 2013 is RR 28 293 711 thousand (2012: 26 423 552), or 26,2% (2012: 27%) of the gross loan portfolio.

The Group has transferred a pool of fixed interest rate mortgage loans to individuals to finance the purchase of habitation to Closed Joint Stock Company "Mortgage agent TKB-1", a Russia-based special purpose entity. At 31 December 2013 the amount of loans securitised was RR 4 355 649 thousand (2012: nil). The subsidiary is consolidated due to the requirements stated in IFRS 10 "Consolidated Financial Statements". For the carrying amount of the corresponding asset backed securities refer to Notes 14 and 25.

At 31 December 2013 the Group has loans amounting to RR 2 325 898 thousand (2012: RR 2 082 568 thousand) put up as collateral in the Open Joint-Stock Company «Russian Bank for Small and Medium Enterprises Support» (SME Bank) under the Government SME Lending Support Program; also loans of RR 293 831 thousand (2012: RR 554 142 thousand) collateralized under the Mortgage Agreement with Deutsche Investitions und Entwicklungsgesellschaft and European Bank for Reconstruction and Development.

Information about collateral at 31 December 2013 is as follows:

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Personal and consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Unsecured loans	9 235 281	12 879 798	1 728 684	1 239 443	57 956	303 310	25 444 472
Loans collateralised by:							
- real estate	8 035 310	13 291 820	750 384	16 298 015	525	-	38 376 054
- corporate guarantees	9 819 509	7 443 241	186 224	50 480	32	1 388	17 500 874
- goods in turnover	7 080 450	5 669 004	-	-	-	-	12 749 454
- equipment	1 611 237	4 063 772	77 662	-	951 590	-	6 704 261
- receivables	2 106 260	1 517 754	-	-	-	-	3 624 014
- mortgage certificates and other securities	617 625	631 198	1 976 831	-	-	-	3 225 654
- Group's debt securities	320 000	105 900	200 401	-	-	-	626 301
- cash deposits	-	75 158	23 348	-	30	-	98 536
Total loans and advances to customers	**38 825 672**	**45 677 645**	**4 943 534**	**17 587 938**	**1 010 133**	**304 698**	**108 349 620**

9 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2012 is as follows:

In thousands of Russian Roubles	**Loans to large corporate customers**	**Loans to small and medium-sized entities**	**Personal and consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Unsecured loans	8 391 633	9 719 337	1 533 703	1 050 474	20 495	181 210	20 896 852
Loans collateralised by:							
- real estate	8 491 665	14 973 822	462 936	10 389 282	-	-	34 317 705
- goods in turnover	8 103 425	5 962 793	-	-	-	-	14 066 218
- corporate guarantees	5 290 413	6 765 477	452 193	18 720	-	-	12 526 803
- equipment	1 755 304	4 367 627	106 843	-	1 049 391	-	7 279 165
- receivables	2 722 754	2 722 772	185 000	-	-	-	5 630 526
- mortgage certificates and other securities	621 679	613 575	1 037 205	-	525	-	2 272 984
- Group's debt securities	54 968	902 299	10 579	-	-	-	967 846
- cash deposits	-	56 634	29 936	-	402	-	86 972
Total loans and advances to customers	**35 431 841**	**46 084 336**	**3 818 395**	**11 458 476**	**1 070 813**	**181 210**	**98 045 071**

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

As at 31 December 2013 consumer loans besides loans granted to the employees of the Bank's corporate clients included express consumer loans granted to "walk-in" customers in the amount of RR 49 577 thousand or 1% of total consumer loans portfolio (31 December 2012: RR 5 349 thousand or 0.13%).

9 Loans and Advances to Customers (Continued)

The Group estimates its loan loss provision using a Methodology for determining the borrower's credit rating. Credit rating is a complex estimate of a borrower's financial stability and solvency and is expressed as scores assigned to creditworthiness based on assessed factors. Such factors include: estimate of the borrower's financial situation on the basis of indicators derived from financial statements, assessment of the borrower's business risk (reputation and market data on the borrower's business); estimate of movement on settlement/current accounts of the borrower with the Bank (cash flow adequacy); evaluation of the shareholder (founder) structure; statistics of repayment of the previously issued loans (credit history).

Creditworthiness rating of a corporate customer determines the amount of estimated loan loss provision and the credit risk rating category.

In accordance with the Methodology the following ratings are assigned:

Rating	Description of Rating
A1	Credit risk is practically non-existent
A2	Minimal risk: the most reliable borrowers
A3	Low risk: reliable borrowers
B1	Low risk: good borrowers
B2	Moderate risk: fairly reliable borrowers
B3	Medium risk: average borrowers
B4	Acceptable risk: borrowers with creditworthiness below average
B5	Maximum allowable risk: fairly good borrowers
C1	High risk: borrowers with unsatisfactory creditworthiness
C2	Very high risk: sub-standard loans
C3	Loans with expected default
D	Default

The estimated loan loss provision is adjusted for collateral based on the application of various discount factors to the assessed fair value of collateral and depending on collateral liquidity and quality.

9 Loans and Advances to Customers (Continued)

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

In thousands of Russian Roubles	**Loans to large corporates**	**Loans to small and medium-sized entities**	**Personal and consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Neither past due nor impaired loans (provided for impairment on collective basis)							
A1	-	7 307	-	-	-	-	7 307
A2	-	7 446	-	-	-	-	7 446
A3	25 647 645	21 280 030	2 908 942	3 217 249	164 138	8 600	53 226 604
B1	11 667 685	13 188 936	1 702 796	13 810 276	748 465	282 800	41 400 958
B2	875 853	4 448 080	305	-	-	-	5 324 238
B3	-	3 550	3 338	19 725	-	-	26 613
B5	44 779	-	-	-	-	-	44 779
C1	-	252 782	-	-	189	-	252 971
Total not impaired loans (gross)	**38 235 962**	**39 188 131**	**4 615 381**	**17 047 250**	**912 792**	**291 400**	**100 290 916**
Past due, but not impaired loans (provided for impairment on collective basis)							
- less than 30 days overdue	-	11 167	2 698	75 243	935	1 095	91 138
- 30 to 90 days overdue	-	9 117	2 969	131 151	1 422	1 602	146 261
- 91 to 180 days overdue	-	32 788	3 141	14 583	1 203	527	52 242
Total past due but not impaired loans (gross)	**-**	**53 072**	**8 808**	**220 977**	**3 560**	**3 224**	**289 641**
Loans individually/collectively determined to be impaired							
- impaired but not past due	-	2 929 817	82 714	28 221	3 420	904	3 045 076
- less than 30 days overdue	-	-	-	-	-	272	272
- 30 to 90 days overdue	-	678	8 566	1 207	-	382	10 833
- 91 to 180 days overdue	-	30 376	7 536	25 951	5 514	2 162	71 539
- 181 to 360 days overdue	-	171 778	25 619	138 791	1 386	1 035	338 609
- over 360 days overdue	589 710	3 303 793	194 910	125 541	83 461	5 319	4 302 734
Total loans individually/collectively determined to be impaired (gross)	**589 710**	**6 436 442**	**319 345**	**319 711**	**93 781**	**10 074**	**7 769 063**
Total loans and advanced to customers (gross)	**38 825 672**	**45 677 645**	**4 943 534**	**17 587 938**	**1 010 133**	**304 698**	**108 349 620**
Less impairment provision	**(891 621)**	**(4 887 845)**	**(275 090)**	**(278 767)**	**(92 426)**	**(12 465)**	**(6 438 214)**
Total loans and advances to customers	**37 934 051**	**40 789 800**	**4 668 444**	**17 309 171**	**917 707**	**292 233**	**101 911 406**

Loans to large corporates and small and medium-sized entities included in total loans individually/collectively determined to be impaired are provided for imparment individually. Loans to individuals are provided for impairment on collective basis.

9 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2012 is as follows: methodology is as follows:

In thousands of Russian Roubles	**Loans to large corporates**	**Loans to small and medium-sized entities**	**Personal and consumer loans**	**Mortgage loans**	**Car loans**	**Other loans to indivi-duals**	**Total**
Neither past due nor impaired loans (provided for impairment on collective basis)							
A1	-	1 678	-	-	-	-	1 678
A2	-	53 100	-	-	-	-	53 100
A3	20 170 361	18 653 670	2 908 423	10 628 729	912 732	149 364	53 423 279
B1	10 923 010	13 887 989	528 259	238 916	40 913	19 165	25 638 252
B2	2 948 223	5 211 745	-	-	-	-	8 159 968
B3	16 820	827 425	5 711	102 405	127	-	952 488
C1	-	254 582	1 156	-	306	-	256 044
C2	-	64 104	-	-	-	-	64 104
Total not impaired loans (gross)	**34 058 414**	**38 954 293**	**3 443 549**	**10 970 050**	**954 078**	**168 529**	**88 548 913**
Past due, but not impaired loans (provided for impairment on collective basis)							
- less than 30 days overdue	-	92 554	1 010	41 147	-	276	134 987
- 30 to 90 days overdue	-	1 854	187	35 838	5 957	1 275	45 111
- 91 to 180 days overdue	-	268 451	1 765	77 890	353	106	348 565
Total past due but not impaired loans (gross)	**-**	**362 859**	**2 962**	**154 875**	**6 310**	**1 657**	**528 663**
Loans individually/collectively determined to be impaired							
- impaired but not past due	802 709	1 719 940	146 880	42 759	5 211	1 275	2 718 774
- less than 30 days overdue	-	-	-	-	396	-	396
- 30 to 90 days overdue	-	10 453	167	11 193	1 669	53	23 535
- 91 to 180 days overdue	-	16 904	20 052	50 957	4 670	1 439	94 022
- 181 to 360 days overdue	203 847	2 302 202	5 013	147 483	8 465	4 059	2 671 069
- over 360 days overdue	366 871	2 717 685	199 772	81 159	90 014	4 198	3 459 699
Total loans individually/collectively determined to be impaired (gross)	**1 373 427**	**6 767 184**	**371 884**	**333 551**	**110 425**	**11 024**	**8 967 495**
Total loans and advanced to customers (gross)	**35 431 841**	**46 084 336**	**3 818 395**	**11 458 476**	**1 070 813**	**181 210**	**98 045 071**
Less impairment provision	**(1 371 582)**	**(5 591 188)**	**(254 266)**	**(164 490)**	**(101 803)**	**(8 545)**	**(7 491 874)**
Total loans and advances to customers	**34 060 259**	**40 493 148**	**3 564 129**	**11 293 986**	**969 010**	**172 665**	**90 553 197**

9 Loans and Advances to Customers (Continued)

The primary factors that the Group considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any. As a result, the Group presents above an ageing analysis of loans that are determined to be impaired.

Past due, but not impaired, loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

For the purpose of credit quality analysis, loans to individuals are grouped by type of credit products into homogeneous sub-portfolios with similar risk characteristics. The Group analyses each portfolio by the ageing of past due debts.

The financial effect of collateral is presented by disclosing impact of collateral and other credit enhancements on impairment provisions recognised at the end of the reporting period. Without holding collateral and other credit enhancements, the impairment provisions would be higher by the following amounts:

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Loans to legal entities:		
- Loans to large corporate customers	443 087	498 025
- Loans to small and medium-sized entities	1 519 663	2 183 104
Loans to individuals:		
- Personal and consumer loans	4 968	1 789
- Mortgage loans	132 293	52 624
- Car loans	977	148
Total effect of collateral on provision	**2 100 988**	**2 735 690**

Loans and advances to legal entities include:

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Originated loans	107 235 519	96 654 371
Finance lease receivables	1 114 101	1 390 700
Less: Provision for loan impairment	(6 438 214)	(7 491 874)
Total loans and advances to customers	**101 911 406**	**90 553 197**

9 Loans and Advances to Customers (Continued)

The components of finance lease receivables as of 31 December 2013 and 2012 are as follows:

In thousands of Russian Roubles	31 December 2013	31 December 2012
Total future minimum lease payments	1 386 757	1 803 685
Less: unearned finance income	(272 656)	(412 985)
Finance lease receivables	**1 114 101**	**1 390 700**
Current portion	589 785	606 078
Long-term portion	524 316	784 622
Finance lease receivables	**1 114 101**	**1 390 700**

The total future minimum lease payments due from customers under finance lease as of 31 December 2013 and 2012 are as follows:

In thousands of Russian Roubles	31 December 2013	31 December 2012
Not later than one year	760 848	836 008
Later than one year not later than five years	625 909	921 378
Later than five years	-	46 299
Total future minimum lease payments	**1 386 757**	**1 803 685**

Refer to Note 27 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 22. Information on related party balances is disclosed in Note 29.

10. Investment in Associate

In November 2009 the Group created a new company CIS Factors Holding B.V., incorporated in the Netherlands, with the aim to serve as an investment vehicle for a factoring company.

As of 31 December 2013 investment in associate is represented by 40% interest in CIS Factors Holding B.V. (2012: 40%). Other shareholders as of 31 December 2013 are the FIMBank Group - 40% (2012: 40%) and International Financial Corporation (IFC) - 20 % (2012: 20%).

The table below summarises the movements in the carrying amount of the Group's investment in associate.

In thousands of Russian Roubles	31 December 2013	31 December 2012
Carrying amount at 1 January	**69 718**	**96 882**
Share of result and impairment of associate	(76 618)	(23 294)
Translation to presentation currency	6 900	(3 870)
Carrying amount at 31 December	**-**	**69 718**

10. Investment in Associate (Continued)

The table below represents summarised financial information of the associate.

In thousands of Russian Roubles	31 December 2013	31 December 2012
Assets	553 981	1 195 310
Liabilities	568 813	1 021 004
Revenue	130 974	141 005
Net losses	(178 849)	(37 520)

11. Premises, equipment and intangible assets

In thousands of Russian Roubles	Premises	Equipment	Construc-tion in progress	Land	Total premises and equipment	Intangible assets
At cost						
At 1 January 2012	**723 459**	**731 756**	**35 373**	**1 032**	**1 491 620**	**299 603**
Additions	34 656	99 596	14 196	-	148 448	89 366
Put into operation	-	34 881	(34 881)	-	-	-
Disposals	-	(37 469)	-	-	(37 469)	(4 207)
At 31 December 2012	**758 115**	**828 764**	**14 688**	**1 032**	**1 602 599**	**384 762**
Additions	922	127 182	11 084	956	140 144	81 522
Put into operation	-	12 211	(13 271)	-	(1 060)	1 060
Disposals	(34 163)	(30 191)	-	-	(64 354)	(2 705)
At 31 December 2013	**724 874**	**937 966**	**12 501**	**1 988**	**1 677 329**	**464 639**
Accumulated depreciation, amortization						
At 1 January 2012	**58 251**	**518 155**	**-**	**-**	**576 406**	**162 691**
Charge for the period	14 609	116 581	-	-	131 190	55 147
Disposals	-	(37 105)	-	-	(37 105)	(3 368)
At 31 December 2012	**72 860**	**597 631**	**-**	**-**	**670 491**	**214 470**
Charge for the period	15 280	122 950	-	-	138 230	65 987
Disposals	(569)	(29 052)	-	-	(29 621)	(2 027)
At 31 December 2013	**87 571**	**691 529**	**-**	**-**	**779 100**	**278 430**
Carrying amount						
At 31 December 2012	**685 255**	**231 133**	**14 688**	**1 032**	**932 108**	**170 292**
At 31 December 2013	**637 303**	**246 437**	**12 501**	**1 988**	**898 229**	**186 209**

Construction in progress consists of construction and refurbishment of branch premises and equipment. Upon completion, assets are transferred to premises and equipment.

The Group tested its own premises for impairment and identified no indication of impairment of premises.

12. Due to Other Banks

In thousands of Russian Roubles	31 December 2013	31 December 2012
Trade and ECA covered finance	8 038 746	7 881 250
Syndicated loans	5 222 197	3 857 149
Special purpose-oriented program	4 249 047	6 128 238
Short-term placements of other banks	1 664 600	782 070
Sale and repurchase agreements with other banks	-	1 184 603
CBR loans	1 001 733	1 954 350
Correspondent accounts and overnight placements of other banks	174 086	144 993
Total due to other banks	**20 350 409**	**21 932 653**

At 31 December 2012, included in amounts due to other banks are liabilities of RR 1 184 603 thousand from sale and repurchase agreements disclosed in Note 8.

Under Trade and Export Credit Agency ("ECA") covered finance the Group understand short-term financing of international trade transactions and medium- and long-term financing of capital expenditures under insurance cover by export credit agencies. Under special purpose-oriented program the Group understand spectial purpose-oriented financing from international and russian development institutes.

Refer to Note 27 for the disclosure of the fair value of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 22. Information on related party balances is disclosed in Note 29.

13. Customer Accounts

In thousands of Russian Roubles	31 December 2013	31 December 2012
Legal entities		
- Current/settlement accounts	22 130 300	20 686 833
- Term deposits	26 472 097	18 461 987
Individuals		
- Current/demand accounts	2 279 265	2 130 565
- Term deposits	30 616 427	24 300 786
Total customer accounts	**81 498 089**	**65 580 171**

Economic sector concentrations within customer accounts are as follows:

	31 December 2013		31 December 2012	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	32 895 694	40	26 431 351	40
Trade	11 669 641	14	9 467 420	14
Finance and insurance	8 089 519	10	6 781 844	10
Construction and real estate	7 881 262	10	8 783 250	13
Energy and petrochemical sectors	7 829 216	10	1 411 618	2
Machine building	3 832 087	5	2 772 499	4
Science, education, medicine	3 247 235	4	2 797 184	4
Services	3 211 016	4	3 147 003	5
Agriculture, food and timber industry	1 118 879	1	2 157 200	3
Transport and communications	539 003	1	737 461	2
Metallurgy and coal industry	457 537	1	372 656	1
Publishing industry	447 959	-	-	-
Financial lease	24 561	-	145 758	1
Other	254 480	-	574 927	1
Total customer accounts	**81 498 089**	**100**	**65 580 171**	**100**

13. Customer accounts (Continued)

At 31 December 2013, the Group had 36 customers (2012: 24 customers) with balances above RR 300 000 thousand. The aggregate balance of these customers was RR 26 934 190 thousand (2012: RR 13 033 388 thousand) or 33.1% (2012: 19.9 %) of total customer accounts.

Refer to Note 27 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 22. Information on related party balances is disclosed in Note 29.

14. Debt Securities in Issue

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Promissory notes	8 491 997	5 593 425
Bonds issued on domestic market and secured by mortgage loans	4 014 064	-
Bonds issued on domestic market	2 873 250	1 807 226
Saving certificates	475 159	-
Deposit certificates	10 064	15 027
Total debt securities in issue	**15 864 534**	**7 415 678**

At 31 December 2013 the Group had debt securities in issue held by 8 counterparties (2012: 7 counterparties) with balances above RR 300 000 thousand. The aggregate balance of these balances was RR 5 792 437 thousand (2012: RR 3 734 275 thousand) or 36.6% (2012: 51.7%) of total debt securities in issue.

Promissory notes comprise of securities issued by the Bank with a discount to face value or with interest accrual and bear an effective interest rate from 0.5% p.a to 11% p.a depending on the type of issue and currency of the security (2012: from 0.5% p.a. to 11% p.a.). As at 31 December 2013 these promissory notes have maturity dates ranging January 2014 to February 2017 (2012: from January 2013 to September 2015).

In 2013 the Bank issued on the Moscow Exchange a tranche of 2 000 000 RR denominated non-convertible bonds with a nominal amount of RR 1 thousand each and a coupon rate of 9.7% per annum until 10 June 2014 and maturity in May 2023. The holders of these bonds have a right to require the Bank to repurchase these bonds at nominal amount on10 June 2014.

On 27 December 2013 the Group issued bonds on domestic market secured by the mortgage loans pool of RR 4 414 295 thousand issued by the Bank. The senior tranche of these mortgage bonds in the amount of RR 4 117 989 was acquired by the State Agency for Housing Mortgage Lending. The notes bear a fixed interest rate of 8% per annum payable semi-annualy from the issuance until maturity on 2045.

In 2011 the Bank issued on the Moscow Exchange a tranche of 1 800 000 RR denominated non-convertible bonds with a nominal amount of RR 1 thousand each and a coupon rate of 8.15% per annum until 18 September 2012, 10.25% per annum until 17 September 2013 and 9.25% until 17 March 2015 and maturity in March 2016. The holders of these bonds have a right to require the Bank to repurchase these bonds at nominal amount on 17 March 2015. On 24 September 2013 at official offer the Bank redeemed bonds in the amount of RR 1 109 006 thousand of this tranche at par value and resold RR 149 007 thousand at the end of 2013.

Refer to Note 27 for the disclosure of the fair value of each class of debt securities in issue. Interest rate analyses of debt securities in issue are disclosed in Note 22.

15. Subordinated Debt

Name	Currency	Maturity date (year)	Interest rate, %	31 December 2013	31 December 2012
Eurobonds issued	USD	2017	7.74%	3 345 102	3 105 837
Bonds issued on domestic market	RUR	2018	13.00%	1 007 120	1 006 770
Vnesheconombank	RUR	2019	6.50%	986 748	987 098
European Bank for Reconstruction and Development	RUR	2022	13.93%	-	574 118
INRS International servises	EUR	2017	9.00%	456 463	402 286
Dolmiano Investments Limited	USD	2018	7.50%	164 688	151 864
Diolon Shipping Limited	USD	2016	6.60%	138 979	128 969
Dolmiano Investments Limited	USD	2017	9.00%	133 887	121 491
Dolmiano Investments Limited	USD	2016	6.60%	130 917	121 491
Dolmiano Investments Limited	USD	2017	8.60%	99 599	92 424
Diolon Shipping Limited	USD	2016	8.30%	99 550	92 379
Dolmiano Investments Limited	USD	2016	8.50%	66 860	62 043
Total subordinated debt				**6 629 913**	**6 846 770**

Subordinated debt ranks after other creditors in case of liquidation.

Refer to Note 27 for the disclosure of the fair value of subordinated debt. Interest rate analysis of subordinated debt is disclosed in Note 22. Information on related party balances is disclosed in Note 29.

16. Share Capital

In thousands of Russian Roubles except for number of shares	Number of outstanding shares	Ordinary shares	Share premium	Total
At 1 January 2012	**2 087 158**	**2 444 642**	**4 012 406**	**6 457 048**
Acquisition of treasury shares	(1 224)	(4 600)	-	(4 600)
Sale of treasury shares	1 224	8 086	-	8 086
At 31 December 2012	**2 087 158**	**2 448 128**	**4 012 406**	**6 460 534**
Share issue	85 224	85 224	553 956	639 180
At 31 December 2013	**2 172 382**	**2 533 352**	**4 566 362**	**7 099 714**

In February 2013 the CBRF registered an additional issue of 85 224 common shares of the Bank with a par value of RR 1 000 each (the price of share was RR 7 500 each).

As of 31 December 2013 the total authorised number of ordinary shares is 2 561 046 thousand shares (2012: 2 561 046 thousand shares), with a par value of RR 1000 per share (2012: RR 1000 per share). As at 31 December 2013 2 172 382 issued ordinary shares are fully paid (2012: 2 087 158). Each ordinary share carries one vote.

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

17. Interest Income and Expense

In thousands of Russian Roubles	2013	2012
Interest income		
Loans and advances to customers	12 137 920	10 292 443
Debt trading securities	893 652	773 003
Due from other banks	59 090	58 955
Debt investment securities held to maturity	10 355	-
Correspondent accounts with other banks	9 900	18 490
Total interest income	**13 110 917**	**11 142 891**
Interest expense		
Term deposits of individuals	2 251 124	1 714 928
Term deposits of legal entities	1 592 006	1 520 809
Term placements of other banks	1 370 037	1 100 253
Debt securities in issue	840 695	552 397
Subordinated debt	546 532	496 935
Current/settlement accounts	125 024	76 508
Correspondent accounts of other banks	46	271
Total interest expense	**6 725 464**	**5 462 101**
Net interest income	**6 385 453**	**5 680 790**

Interest income includes RR 448 068 thousand (2012: RR 356 953 thousand) interest income, recognised on impaired loans to customers.

18. Fee and Commission Income and Expense

In thousands of Russian Roubles	2013	2012
Fee and commission income		
Performance guarantees issued	574 001	383 954
Plastic cards	408 739	295 786
Settlement transactions	314 981	319 636
Financial guarantees issued	187 902	194 733
Cash transactions	146 252	141 535
Cash collection and recounts	93 442	89 860
Currency control	90 662	95 702
Banknote transactions and operations with precious coins	8 131	12 637
Other	7 841	6 467
Total fee and commission income	**1 831 951**	**1 540 310**
Fee and commission expense		
Plastic cards	233 793	173 913
Settlement transactions	66 176	41 699
Financial guarantees received	60 051	55 381
Banknote transactions	6 904	11 214
Cash collection	6 685	6 586
Other	11 441	453
Total fee and commission expense	**385 050**	**289 246**
Net fee and commission income	**1 446 901**	**1 251 064**

19. Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	2013	2012
Staff costs		2 005 765	1 798 977
Insurance expenses on transportation of valuables		439 952	228 598
Social security tax		422 326	367 396
Office rent		275 221	241 825
Maintenance		163 067	143 721
Communication expenses		154 363	130 429
Depreciation of premises and equipment	11	138 230	131 190
Taxes other than on income		138 143	130 895
Deposit insurance program charge		117 556	93 321
Security expenses		111 166	102 907
Professional services		84 122	72 948
Other insurance expenses		68 627	56 306
Amortisation of intangible assets	11	65 987	55 147
Advertising and other business development expenses		33 253	32 144
Other		68 951	63 701
Total administrative and other operating expenses		**4 286 729**	**3 649 505**

Included in staff costs are statutory pension contributions of RR 322 968 thousand (2012: RR 283 464 thousand).

20. Income Taxes

(a) Components of income tax expense

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

In thousands of Russian Roubles	2013	2012
Current tax	464 275	486 274
Deferred tax	70 510	40 184
Income tax expense for the year	**534 785**	**526 458**

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

The income tax rate applicable to the majority of the Group's 2013 income is 20% (2012: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	2013	2012
Profit before tax	2 695 115	2 609 214
Theoretical tax charge at statutory rate (2013: 20%; 2012: 20%)	539 023	521 843
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	22 981	38 847
- Income on government securities taxed at different rates	(27 219)	(34 232)
Income tax expense for the year	**534 785**	**526 458**

20 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20% (2012: 20%).

In thousands of Russian Roubles	1 January 2013	Credited/ (charged) to profit or loss	Credited/(charged) to other comprehensive income	31 December 2013
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment:	(15 837)	(3 050)	-	(18 887)
Loan impairment provision	(104 691)	(5 228)	-	(109 919)
Fair valuation of trading securities	(23 916)	32 032	-	8 116
Translation reserve	1 380	-	(1 380)	-
Other provisions	25 062	(14 875)	-	10 187
Accrued interest on loans and advances to customers	240 767	38 526	-	279 293
Other accruals	100 955	(130 048)	-	(29 093)
Other	6 010	13 973	-	19 983
Deferred tax asset	**229 730**	**(68 670)**	**(1 380)**	**159 680**
Tax effect of taxable temporary differences				
Premises and equipment	(77 984)	1 835	-	(76 149)
Other	-	(3 675)	-	(3 675)
Deferred tax liability	**(77 984)**	**(1 840)**	**-**	**(79 824)**

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

20 Income Taxes (Continued)

In thousands of Russian Roubles	1 January 2012	Credited/ (charged) to profit or loss	Charged to other comprehensive income	31 December 2012
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment:	(17 210)	1 373	-	(15 837)
Loan impairment provision	11 317	(116 008)	-	(104 691)
Fair valuation of trading securities	36 490	(60 406)	-	(23 916)
Fair valuation of investment securities available for sale	-	-	-	-
Translation reserve	606	-	774	1 380
Other provisions	18 347	6 715	-	25 062
Accrued interest on loans and advances to customers	171 744	69 023	-	240 767
Other accruals	42 734	58 221	-	100 955
Other	6 954	(944)	-	6 010
Deferred tax asset	**270 982**	**(42 026)**	**774**	**229 730**
Tax effect of taxable temporary differences				
Premises and equipment	(79 826)	1 842	-	(77 984)
Deferred tax liability	**(79 826)**	**1 842**	**-**	**(77 984)**

(d) Current and deferred tax effects relating to each component of other comprehensive income

Current and deferred tax effects relating to each component of other comprehensive income are as follows:

	2013			2012		
In thousands of Russian Roubles	Before-tax amount	Income tax expense	Net-of-tax amount	Before-tax amount	Income tax benefit	Net-of-tax amount
- Exchange differences on translation to presentation currency	6 900	(1 380)	5 520	(3 870)	774	(3 096)
Other comprehensive income/(expense)	**6 900**	**(1 380)**	**5 520**	**(3 870)**	**774**	**(3 096)**

21. Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Chairperson of the Management Board of the Bank.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of five main business segments:

- **Treasury –** includes money market operations, brokerage and custody services, transactions with securities and foreign currency, REPO agreements and operations with derivative financial instruments.
- **International financing** – raising funds on international capital markets.
- **Central Management** – this segment performs the centralized risk management, and is responsible for infrastructure maintenance and development.
- **Retail banking** – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- **Corporate banking** – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products;

(b) Factors that management used to identify the reportable segments

The Group’s segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on Russian accounting standards and on standalone financial reporting of the Bank in particular, adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

(i) the fair value changes in available for sale securities are reported within the segments’ profits or losses rather than in other comprehensive income; The securities presented in the portfolio ”trading securities” are subject to revaluation at average market quotes, rather than at the last bid price;

(ii) the depreciation rates of fixed assets differ from the depreciation rates applied under IFRS; the value of the fixed assets purchased before 1 January 2003 is not adjusted for inflation;

(iii) income taxes are not allocated to segments;

(iv) loan provisions are recognised based on management judgement and availability of information, rather than based on the incurred loss model prescribed in IAS 39;

(v) commission income relating to lending is recognised immediately rather than deferred using the effective interest method; and

(vi) the segmental financial reporting, analyzed by the CODM, does not include operating results of the subsidiaries; the operating results analysis is delegated on a regular basis to the subsidiaries’ management. The information about operating results of the subsidiaries is quarterly reported to the Chairperson of the Bank’s Management Board

21. Segment Analysis (Continued)

The Group calculates the volume of allocated and raised resources within the segments. This calculation is based on the ratio of allocated and raised resources with regard to liquidity and types of foreign currencies (roubles, dollars, euro) for each accounting period. Internal allocation and funding rates are equal and are based on average market borrowing rates.

Expenses, which can not be directly charged to a segment, are allocated. The principles of allocation are selected in accordance with the objective expense allocation basis such as: salary fund, staff number, occupied working area.

When defining profit or loss of an operational segment, the Bank allocates amortization costs within its operational segments. However, this principle is not applied to book value of fixed assets.

The CODM estimates the segment results based on profit before income tax.

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2013 is set out below:

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Assets		
Treasury	31 010 464	15 070 752
Corporate banking	80 654 720	79 796 526
Retail banking	27 238 543	18 493 524
International financing	101 607	137 321
Central management	1 313 786	1 350 313
Total reportable segment assets	**140 319 120**	**114 848 436**
Liabilities		
Treasury	16 402 858	14 623 818
International financing	19 229 640	18 421 431
Corporate banking	56 901 717	42 876 610
Retail banking	33 037 514	26 572 662
Central management	57 317	57 332
Total reportable segment liabilities	**125 629 046**	**102 551 853**

21. Segment Analysis (Continued)

In thousands of Russian Roubles	**Treasury**	**Corporate banking**	**Retail banking**	**International financing**	**Central management**	**Total**
2013						
External revenues:						
- Interest income	75 449	9 039 088	2 876 334	-	-	11 990 871
- Fee and commission income	2 521	1 312 441	461 512	-	-	1 776 474
- Other operating income	-	38 465	36 936	-	-	75 401
Revenues from other segments						
- Interest income	1 070 314	-	420 211	1 253 119	1 945 565	4 689 209
Total revenues	**1 148 284**	**10 389 994**	**3 794 993**	**1 253 119**	**1 945 565**	**18 531 955**
Interest expense	(1 490 850)	(2 235 205)	(2 247 924)	(851 605)	-	(6 825 584)
Interest expense to other segments	-	(4 689 209)	-	-	-	(4 689 209)
Provision for loan impairment	(412)	(815 225)	(53 957)	-	-	(869 594)
Provision for credit related commitments	(8)	(86 513)	(3 025)	-	-	(89 546)
Fee and commission expense	(12 367)	(79 716)	(251 157)	(269 289)	-	(612 529)
Gains less losses from trading securities	751 384	21 147	-	-	-	772 531
Gains less losses from trading in foreign currencies	337 761	(47 789)	-	-	-	289 972
Administrative and other operating expenses	(118 861)	(1 424 084)	(1 027 400)	(42 608)	(1 383 516)	(3 996 469)
Depreciation and amortisation	(3 869)	(46 552)	(29 824)	(1 395)	(31 972)	(113 612)
Segment result	**611 062**	**986 848**	**181 706**	**88 222**	**530 077**	**2 397 915**

21 Segment Analysis (Continued)

In thousands of Russian Roubles	**Treasury**	**Corporate banking**	**Retail banking**	**International financing**	**Central management**	**Total**
2012						
External revenues:						
- Interest income	95 078	8 150 032	1 936 968	-	-	10 182 078
- Fee and commission income	3 831	1 291 234	346 446	-	-	1 641 511
- Other operating income	-	58 147	49 007	-	-	107 154
Revenues from other segments						
- Interest income	502 493	-	577 829	1 169 089	2 293 289	4 542 700
Total revenues	**601 402**	**9 499 413**	**2 910 250**	**1 169 089**	**2 293 289**	**16 473 443**
Interest expense	(1 303 798)	(1 854 088)	(1 711 073)	(894 274)	-	(5 763 233)
Interest expense to other segments	-	(4 542 700)	-	-	-	(4 542 700)
Provision for loan impairment	(20 086)	(995 671)	(201 532)	-	-	(1 217 289)
(Provision)/relase of provision for credit related commitments	-	49 762	(8 443)	-	-	41 319
Fee and commission expense	(25 998)	(74 888)	(195 925)	(204 145)	-	(500 956)
Gains less losses from trading securities	975 407	41 269	-	-	-	1 016 676
Gains less losses from trading in foreign currencies	350 662	(4 823)	-	-	-	345 839
Administrative and other operating expenses	(91 971)	(1 541 757)	(699 369)	(36 580)	(1 061 840)	(3 431 517)
Depreciation	(2 851)	(48 198)	(18 956)	(1 134)	(32 918)	(104 057)
Segment result	**482 767**	**528 319**	**74 952**	**32 956**	**1 198 531**	**2 317 525**

(e) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Total consolidated revenues comprise interest income, fee and commission income and other operating income.

In thousands of Russian Roubles	**2013**	**2012**
Total revenues for reportable segments	**18 531 955**	**16 473 443**
(a) interest income on securities	904 007	773 002
(b) interest income on leasing operations	264 753	232 236
(c) intergroup adjustments	(155 275)	(93 853)
(d) intersegment results	(4 689 209)	(4 542 699)
other	126 646	(60 797)
Total consolidated revenues	**14 982 877**	**12 781 332**

21. Segment Analysis (Continued)

(a) Interest income on securities is included within gains less losses from trading securities in the segment reporting.
(b) Interest income on leasing operations is arising from the leasing subsidiary of the Bank. Financial results from subsidiaries are excluded from the segment reporting results.
(c) Interest income from subsidiaries of the Bank is not eliminated from the total interest income of the Bank for the segment reporting results.
(d) intersegment results are results arising from trading between segments

In thousands of Russian Roubles	**2013**	**2012**
Total reportable segment result	**2 397 915**	**2 317 525**
(e) provisions for credit related commitments	150 212	(41 919)
(f) provisions for loans impairment	79 409	439 422
(g) accruals	62 059	(102 718)
(h) other comprehensive income	5 520	(3 096)
Profit or loss before tax	**2 695 115**	**2 609 214**

(e) Provisions for credit related commitments impairment in segment reporting is based on the statutory provision methodology of the Bank, which is different from the provision methodlogy applied by the Group in these consolidated financial statements
(f) Provision for loan impairment in segment reporting is based on the statutory provision methodology of the Bank, which is different from the provision methodlogy applied by the Group in these consolidated financial statements.
(g) Accruals are mainly represented by differencies in accounting of operating expenses and commissions.
(h) Other comprehensive income includes results from associate, which are excluded from segment reporting results.

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Total reportable segment assets	**140 319 120**	**114 848 436**
(i) loans to customers	465 723	487 897
(j) income tax	159 680	211 314
(k) effect of consolidation	(115 608)	273 245
(l) revaluation of securities	(18 463)	6 999
other	76 547	(232 986)
Total consolidated assets	**140 886 999**	**115 594 905**

(i) loan provisions are recognised based on management judgement and availability of information, rather than based on the incurred loss model prescribed in IAS 39;
(j) difference is related to deffered tax;
(k) the segmental financial reporting, analyzed by the CODM, does not include operating results of the subsidiaries
(l) the fair value changes in available for sale securities are reported within the segments’ profits or losses rather than in other comprehensive income; The securities presented in the portfolio ”securities available for sale” and ”trading securities” are subject to revaluation at average market quotes, rather than at the last bid price

21. Segment Analysis (Continued)

In thousands of Russian Roubles	31 December 2013	31 December 2012
Total reportable segment liabilities	**125 629 046**	**102 551 853**
(m) effect of consolidation	190 057	180 992
(n) other reserves	(655 945)	(449 510)
other	(295 974)	96 785
Total consolidated liabilities	**124 867 184**	**102 380 120**

(m) the segmental financial reporting, analyzed by the CODM, does not include operating results of the subsidiaries
(n) difference is related to provisions for contingent liabilities

(f) Analysis of revenues by products and services

The Group’s revenues are analysed by products and services in Notes 17 (interest income), Note 18 (fee and commission income).

(g) Geographical information

The Group operates in the Russian Federation. Substantially all revenues of the Group were received from counterparties that conduct their business in the Russian Federation.

(h) Major customers

The Group has no clients whose revenues represent 10% or more of the total revenues.

22. Financial Risk Management

The risk management structure is based on the break-even principle and is aimed at the best balance between profitability and level of the risks taken.

The Board of Directors, executive bodies, collective bodies (committees) of the Bank regularly receive necessary and sufficient information about the level of risks and their influence on the changes of capital adequacy, about the facts of excess of the assigned risk level: violation of limits, restrictions and established procedures, results of stress testing.

Risk management system comprises all the directions of the Bank’s activity and influences the decision making process on all levels beginning with strategic and ending with operating tasks.

The risk management function within the Group is carried out in respect of financial and operational risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish limits for each type of risk, and then ensure that exposure to risks stays within these limits. The risk management function is aimed at decreasing the probability of unforeseen losses resulting from the influence of internal and external non-financial factors and at cutting down costs on financing liquidation of these losses.

22. Financial Risk Management (Continued)

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group’s lending and other transactions with counterparties giving rise to financial assets. The primary objective of credit risk management is to generate maximum profitability subject to the level of assumed credit risk. This objective is achieved due to setting up a system of effective tools allowing minimization of likelihood of default on principal amount and interest on loans issued. The main instrument of credit risk management is administration of loans, including a set of sequential actions performed at different stages of transactions exposed to credit risk. The principal instrument for credit risk regulation is setting limits for financial instruments on borrowers and counterparties, assessment of the borrowers’ and counterparties' financial position in order to set loan loss provisions and assessment of collateral quality.

The Group’s maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 24.

The risk evaluation and decision making processes are strictly regulated. The Group has separated the functions of credit risk management and issue of loans. The Group has established efficiently functioning collegial bodies responsible for setting limits on counterparties and making credit and investment decisions.

The Credit Committee is authorised to develop and implement the Bank’s current and longterm credit policy and performs the following principal functions:

– makes decisions on issue (renewal) of loans;

– makes decisions on formation of the loan portfolio structure;

– makes decisions on bad debts and loans issued to borrowers with declining financial position;

– makes decisions on sale of collateral;

– makes decisions on issuing loans to borrowers in the Bank's branches.

Some duties of the Credit Committee are imposed on Small Credit Committees and Credit Commissions which make decisions regarding a limited range of transactions within the framework of specific programs for provision of credit products to legal entities and individuals (the “lending programs”). Committees and commissions review credit transactions within their limits and authorities. Credit limits within which the committees and commissions make decisions are set by the Bank’s Executive Board.

Risk Management Committee carries out the following functions:

– approves limits for different types of risks;

– makes decisions related to changes in the structure of portfolio investments, attraction and allocation of resources;

– monitors the effect of current fluctuations of market prices on financial instruments and makes decisions on formation or reduction of relevant financial instruments portfolios;

– monitors changes in currency positions in the event of unfavourable fluctuations of foreign exchange rates;

– reviews and provides recommendations on changes in interest rates for assets and liabilities in the event of changes in the money market situation.

22. Financial Risk Management (Continued)

The Limits Committee performs the following main functions:

– sets limits on counterparties in the interbank lending market and on issuers in the securities market;

– sets individual limits on employees of the Bank's Treasury.

For the purpose of mitigation of its credit risk level, the Group has developed a system of limits allowing to limit exposure to credit risk. The Bank's credit policy sets portfolio limits on its loan portfolio. The Bank's Executive Board sets limits on lending by branches. The Credit Committee sets limits on credit products for borrowers and counterparties. Decisions on transactions with the Bank's related parties (limited up to 3% of the Bank's equity per related borrower) and insiders (limited up to 2% of the Bank's equity per insider) are made by the Credit Committee and in other cases by the Board of Directors. The Risk Management Committee sets limits on industry diversification of loan portfolio and limits on concentration of major loans. Limits on financial instruments on counterparty banks and issuers of securities are set by the Limits Committee. Limits are monitored on a regular basis and revised as required, but not less than once a year.

Credit limits directly depend on financial performance of borrower and on credit rating being an integral estimation of the borrower's financial stability and solvency. Internal credit rating is expressed as scores assigned to creditworthiness based on estimated factors:

– borrower's financial position;

– review of the borrower's business reputation and information of its operations;

– estimation of turnover on the borrower's accounts with the Bank (stability of cash flows);

– assessment of the shareholding (foundation) structure;

– credit history.

The Bank follows a conservative lending policy. In a complex foreign economic environment the effective risk management system is a priority to the Bank. Credit products are granted only after detailed assessment of all the risks connected with the borrower's activity.

Loans are usually issued against a liquid collateral, including costs of sale of the collateral and sufficient coverage of the loan principal and interest. The most relevant indicators of the collateral analysis are sufficiency and liquidity of the collateral received. The Group actively applies collateral insurance. Credit quality of the loans and fair value of collateral are monitored on a continuing basis.

The Group diversifies its loan portfolio by risk groups, industries and regions in accordance with set limits.

The Group's divisions involved in lending transactions perform ageing analysis of outstanding loans and follow up past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 9.

The Group's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the Statement of Financial Position unless otherwise stated in these financial statements. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

22. Financial Risk Management (Continued)

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Components of the market risk include sensitivity of the Group’s assets and liabilities to fluctuations in interest rates, foreign exchange rates, market value of securities and other financial instruments. The instruments of market risk regulation are:

– setting personal limits of open positions per dealers;

– setting limits on financial instruments;

– setting stoploss limits on traded instruments;

– gap management to maintain the risk within the Group’s general policy.

Risk Management Committee sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk.

Currency risk is determined as probability of negative fluctuations in foreign currency exchange rates resulting in losses from re-assessment of market value of assets and liabilities. The Group is exposed to foreign currency exchange risk on open positions (mainly USD/RR and EUR/RR exchange rate fluctuations). The Group manages currency risk by controlling its open foreing exchange currency position projecting changes in the exchange rate of the Russian rouble and other macro-economic indicators to minimize losses from sizeable fluctuations in the exchange rates of national and foreign currencies.

The Bank`s Treasury undertakes daily aggregation of the currency position of the Group and takes measures for minimizing of the Group’s currency risk exposure. The Group uses swaps, forwards and USD futures contracts tradable on Moscow Exchange as the main instruments for risk management. For the purpose of currency risk analysis, the following actions are taken in respect of each currency in which the Group holds an open currency position:

– dynamic of fluctuation of the exchange rate of currency is analysed;

– factors impacting exchange rate of the relevant currency are analysed;

– feasibility of setting long (short) position is determined;

– aggregate amount of profit/loss arising from revaluation of the position is determined;

– ratio between the calculated aggregate amount of income (losses) and equity is determined.

Based on the performed currency risk analysis:

– the maximum amount of currency position is determined (limiting of the currency position); and

– the maximum amount of ratio of losses from position revaluation is set (limiting of losses: stoploss).

Risk Management Committee sets limits in respect of currency risk both overnight and intraday positions, and monitors compliance.

22. Financial Risk Management (Continued)

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

In thousands of Russian Roubles	Russian Roubles	US Dollars	Euros	Other	Total
At 31 December 2013					
Monetary financial assets	99 680 601	25 772 556	13 633 691	87 789	139 174 637
Monetary financial liabilities	85 310 757	24 205 693	14 919 619	34 876	124 470 945
Less fair value of currency deriveatives	6 667	(7 971)	1 622	357	675
Currency derivatives	252 471	(1 221 874)	1 100 101	(131 373)	(675)
Net position including currency derivatives	**14 628 982**	**337 018**	**(184 205)**	**(78 103)**	**14 703 692**
At 31 December 2012					
Monetary financial assets	96 624 944	12 234 670	4 769 595	123 018	113 752 227
Monetary financial liabilities	72 419 767	19 240 355	10 244 209	82 311	101 986 642
Less fair value of currency deriveatives	29 581	(1 721)	524	-	28 384
Currency derivatives	(12 865 934)	7 531 800	5 305 750	-	(28 384)
Net position including currency derivatives	**11 368 824**	**524 394**	**(168 340)**	**40 707**	**11 765 585**

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Group's gross exposure.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 26. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

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

	31 December 2013		**31 December 2012**	
In thousands of Russian Roubles	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 20% (2012: strengthening by 20%)	91 717	91 717	104 879	104 879
US Dollar weakening by 20% (2012: weakening by 20%)	(91 717)	(91 717)	(104 879)	(104 879)
Euro strengthening by 20% (2012: strengthening by 20%)	(36 680)	(36 680)	(16 439)	(16 439)
Euro weakening by 20% (2012: weakening by 20%)	36 680	36 680	16 439	16 439

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

22. Financial Risk Management (Continued)

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

Losses arising from interest risk are measured as follows:

– likely reduction of difference between interest received and paid;

– likely decrease of fair value of the Group’s assets estimated based on future cash flows formed as a difference between interest paid and received.

Interest rate risk management covers all assets and liabilities of the Bank, as well as offbalance sheet accounts related to arising of interest rate risk. In order to determine the potential exposure of the Group to interest rate risk, gap analysis and duration method are applied. For gap analysis, the level of asset and liability gap sensitive to changes in interest rates is applied as the main indicator measuring the interest rate risk. For duration method analysis, the amount of interest rate risk giving rise to decrease of the Bank’s economic value by more than 20% of equity is treated as critical.

In order to minimise the interest rate risk, loan agreements provide for periodic revision of interest rates depending on changes in the market interest rates.

Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Group’s exposure to interest rate risks. The table presents the aggregated amounts of the Group’s financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**More than 1 year**	**Total**
31 December 2013					
Total financial assets	32 847 709	16 765 869	39 612 608	38 091 774	127 317 960
Total financial liabilities	15 936 180	18 345 962	38 240 136	29 894 000	102 416 278
Net interest sensitivity gap at 31 December 2013	**16 911 529**	**(1 580 093)**	**1 372 472**	**8 197 774**	**24 901 682**
31 December 2012					
Total financial assets	22 868 052	16 350 987	35 184 690	29 315 437	103 719 166
Total financial liabilities	12 755 479	7 433 801	41 899 255	18 611 776	80 700 311
Net interest sensitivity gap at 31 December 2012	**10 112 573**	**8 917 186**	**(6 714 565)**	**10 703 661**	**23 018 855**

At 31 December 2013, if interest rates at that date had been 200 basis points lower (2012: 200 basis points lower) with all other variables held constant, profit for the year would have been RR 991 572 thousand (2012: RR 1 072 722 thousand) higher, mainly as a result of lower interest expense on variable interest liabilities. At the same time, the amount of income is decreased due to interest payments under deposits placed with the Bank earlier with fixed interest rates.

22. Financial Risk Management (Continued)

If interest rates had been 200 basis points higher (2012: 200 basis points higher), with all other variables held constant, profit would have been RR 991 572 thousand (2012: RR 1 072 722 thousand) lower, mainly as a result of higher interest expense on variable interest liabilities. At the same time, the amount of expense is decreased due to relatively cheap deposits attracted earlier and under loans with fixed interest rate.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	31 December 2013				31 December 2012			
In % p.a.	**RR**	**USD**	**Euro**	**Other**	**RR**	**USD**	**Euro**	**Other**
Assets								
Cash and cash equivalents:								
- correspondent accounts	-	-	-	-	-	-	-	-
- placements with other banks with original maturities of less than three months	4,5	1,0	-	-	3,5	-	-	-
Due from other banks	2,0	9,3	7,0	-	-	9,1	8,1	-
Debt trading securities and repurchaise receivables related to debt trading securities	6,0	2,0	1,1	0,0	6,4	1,1	-	-
Loans and advances to customers:								
- legal entities	12,3	9,8	7,5	7,4	11,4	7,5	5,9	7,9
- individuals	13,7	12,3	11,5	-	13,8	13,6	11,2	-
- finance lease	25,3	-	13,3	-	25,8	-	17,4	-
Investments securities held to maturity	-	7,5	-	-	-	-	-	-
Liabilities								
Due to other banks	7,4	2,8	2,5	2,3	7,8	2,9	2,6	2,8
Customer accounts								
- term deposits of individuals	10,0	5,4	5,3	-	9,8	5,6	5,3	-
- term deposits of legal entities	7,8	6,0	4,0	-	7,9	5,7	4,9	-
Debt securities in issue	8,5	3,7	3,8	-	8,8	5,1	3,3	-
Subordinated debt	9,8	7,7	9,0	-	10,7	7,7	9,0	-

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

Other price risk. The Group has exposure to equity price risk. The principal methods of equity risk management applied by the Group are:

– estimation of the issuer's financial position;

– setting limits per issuers of securities;

– setting limits on transactions with securities;

– setting period for investments in financial instruments.

22. Financial Risk Management (Continued)

When equity risk is measured, the level of change in the price of this security within the set period of time is estimated. The following factors are taken into consideration:

– retrospective date on price fluctuations;

– issuer's nature.

– market liquidity of this securityRatings assigned by recognised rating agencies to these securities and their description as financial instruments;

– level of concentration of the Group's position in securities of one issuer or in a range of its issues.

In order to minimise the level of equity risk, the Risk Management Committee sets nominal limits by types of financial instruments determining the amount of current position thereon as at the end of the day. These limits are applied for control over trading operations.

To ensure an integral control over risks, limits on issuers are applied in dealing with securities. All transactions with securities and financial derivatives on securities are carried out within set limits on issuers.

Transactions in equity products are monitored and authorised by the Group's Treasury Department within the set limits.

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

Geographical risk concentrations.

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

In thousands of Russian Roubles	**The Russian Federation**	**Non-OECD**	**OECD**	**Total**
Assets				
Cash and cash equivalents	8 310 548	4 819	9 913 624	18 228 991
Mandatory cash balances with CBRF	968 049	-	-	968 049
Due form other banks	210 241	-	-	210 241
Loans and advances to customers	99 622 473	984 337	1 304 596	101 911 406
Trading securities	17 296 493	-	-	17 296 493
Investment securities held to maturity	97 258	-	-	97 258
Other financial assets	462 051	-	148	462 199
Total financial assets	**126 967 113**	**989 156**	**11 218 368**	**139 174 637**
Liabilities				
Due to other banks	6 236 914	105 983	14 007 512	20 350 409
Customer accounts	80 309 065	50 482	1 138 542	81 498 089
Debt securities in issue	15 864 534	-	-	15 864 534
Other financial liabilities	127 486	-	514	128 000
Subordinated debt	1 993 868	1 290 942	3 345 103	6 629 913
Total financial liabilities	**104 531 867**	**1 447 407**	**18 491 671**	**124 470 945**
Net position in on-balance sheet financial instruments	**22 435 246**	**(458 251)**	**(7 273 303)**	**14 703 692**
Credit related commitments (Note 24)	**8 296 514**	**18 902**	**257 162**	**8 572 578**

22. Financial Risk Management (Continued)

The geographical concentration of the Group's financial assets and liabilities at 31 December 2012 is set out below:

In thousands of Russian Roubles	The Russian Federation	Non-OECD	OECD	Total
Assets				
Cash and cash equivalents	9 870 121	1 966	607 646	10 479 733
Mandatory cash balances with CBRF	1 060 146	-	-	1 060 146
Due form other banks	150 795	-	-	150 795
Loans and advances to customers	88 437 911	1 348 691	766 595	90 553 197
Trading securities	10 115 748	-	-	10 115 748
Repurchase receivables	1 336 840		-	1 336 840
Other financial assets	55 635	-	133	55 768
Total financial assets	**111 027 196**	**1 350 657**	**1 374 374**	**113 752 227**
Liabilities				
Due to other banks	8 724 339	21 728	13 186 586	21 932 653
Customer accounts	65 062 797	82 584	434 790	65 580 171
Debt securities in issue	7 415 678	-	-	7 415 678
Other financial liabilities	190 181	674	20 515	211 370
Subordinated debt	1 993 869	1 172 946	3 679 955	6 846 770
Total financial liabilities	**83 386 864**	**1 277 932**	**17 321 846**	**101 986 642**
Net balance sheet position	**27 640 332**	**72 725**	**(15 947 472)**	**11 765 585**
Credit related commitments (Note 24)	**11 323 460**	**85 431**	**187 601**	**11 596 492**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. Refer to Note 9.

Liquidity risk.

Liquidity risk is the risk of losses as a result of inability of the Group to meet its obligations in full. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by Risk Management Committee of the Group. The aim of liquidity risk management is to maximize profit while keeping up necessary and sufficient level of liquid assets.

22. Financial Risk Management (Continued)

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

Liquidity risk is managed by the Group’s Risk Management Committee. Current liquidity is managed by the Treasury Department which carries out transactions in the money markets to maintain current liquidity and optimise cash flows. The Bank’s Liquidity Division is operating within the Treasury Department and carrying out planning and management of instant and shortterm liquidity, as well as calculations and analysis of mediumterm and longterm liquidity. The Treasury Department receives information on financial assets and liabilities and then provides for an adequate portfolio of shortterm liquid assets, largely made up of shortterm liquid trading securities, deposits with banks and other interbank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

An instrument for projecting short term liquidity is the calendar of payments representing the schedule of projected cash flows both for actual balance sheet data and for projected data received from business units.

GAP analysis is an instrument for projecting structural liquidity allowing to make a conclusion on the level of structural matching of the balance sheet assets and liabilities.

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

The liquidity management of the Group requires considersation of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Russia. These ratios are:

- Instant liquidity ratio (N2, min 15%), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 82.36% at 31 December 2013 (2012: 60.4%);

- Current liquidity ratio (N3, min 50%), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 97.66% at 31 December 2013 (2012: 66%%);

- Long-term liquidity ratio (N4, max 120%), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The ratio was 75.64% at 31 December 2013 (2012: 100.3%)

To prevent violation of statutory liquidity ratios set by the Central Bank of Russia the Risk Management Committee set internal liquidity ratios: in respect of N2 - minimum 20%, N3 – minimum 60% and N4 – maximum 110%.

In order to minimise the risk of liquidity loss, the Group’s dependency on interbank transactions is analysed, as well as transactions of major clients and concentration of credit risks.

The table below shows liabilities at 31 December 2013 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Net settled derivatives are included at the net amounts expected to be paid.

22. Financial Risk Management (Continued)

Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

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

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

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

In thousands of Russian Roubles	**Less than 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Due after 5 years**	**Total**
UNDISCOUNTED FINANCIAL LIABILITIES						
Due to other banks	2 038 027	1 813 922	10 897 370	4 796 567	2 644 175	22 190 061
Customer accounts	34 161 883	8 320 330	25 875 242	16 789 064	-	85 146 519
Debt securities in issue	825 097	1 859 452	8 359 690	4 307 477	4 128 320	19 480 036
Financial liabilities	80 303	6 781	29 009	11 907	-	128 000
Subordinated debt	13 852	230 921	395 378	7 239 880	1 050 184	8 930 215
Gross settled derivative financial instruments:						
- inflows	(8 225 192)	(532 679)	-	-	-	(8 757 871)
- outflows	8 227 942	266 743	-	-	-	8 494 685
Financial guarantees	36 466	1 294 250	3 971 172	1 721 351	-	7 023 239
Performacne guarantees	1 815 781	4 170 180	9 926 844	8 433 402	328 337	24 674 544
Letters of credit	279 812	882 888	386 639	-	-	1 549 339
Undrawn revocable credit lines	23 386 473	-	-	-	-	23 386 473

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

22. Financial Risk Management (Continued)

The undiscounted maturity analysis of financial liabilities at 31 December 2012 is as follows:

In thousands of Russian Roubles	**Less than 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
UNDISCOUNTED FINANCIAL LIABILITIES						
Due to other banks	4 340 774	1 711 967	11 863 829	5 409 029	929 990	24 255 589
Customer accounts	28 968 852	5 644 629	27 036 350	6 114 469	-	67 764 300
Debt securities in issue	384 868	634 504	4 202 302	2 194 005	-	7 415 679
Subordinated debt	11 821	720 936	394 995	6 061 215	2 332 266	9 521 233
Financial liabilities	33 828	8 215	115 825	53 502	-	211 370
Gross settled derivative financial instruments:						
- inflow	(12 284 488)	-	(671 518)	(455 591)	-	(13 411 597)
- outflow	12 294 564	-	669 317	465 600	-	13 429 481
Financial guarantees	2 395 268	867 121	3 648 872	3 177 253	-	10 088 514
Performance guarantees	3 318 869	2 388 624	7 894 394	6 918 256	23 365	20 543 508
Letters of credit	74 605	26 357	522 184	885 432	-	1 508 578
Undrawn revocable credit lines	20 445 577	-	-	-	-	20 445 577

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

The table below represents maturity analysis of non-financial assets and liabilities:

In thousands of Russian Roubles	**Current**	**Non-current**	**Total**
At 31 December 2013			
Other assets	425 465	42 779	468 244
Other liabilities	263 540	36 786	300 326
At 31 December 2012			
Other assets	367 839	72 991	440 830
Other liabilities	266 841	1 350	268 191

22. Financial Risk Management (Continued)

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities of financial assets and financial liabilities, which may be summarised as follows at 31 December 2013:

In thousands of Russian Roubles	**Less than 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
ASSETS						
Cash and cash equivalents	18 228 991	-	-	-	-	18 228 991
Mandatory balances with CBRF	404 926	93 843	286 135	183 145	-	968 049
Due from banks	6 006	-	204 235	-	-	210 241
Trading securities	17 296 493	-	-	-	-	17 296 493
Investments held to maturity	-	97 258	-	-	-	97 258
Loans and advances to customers	7 742 648	16 668 611	39 408 373	23 084 925	15 006 849	101 911 406
Other financial assets	45 415	544	167 958	12 750	235 532	462 199
TOTAL FINANCIAL ASSETS	**43 724 479**	**16 860 256**	**40 066 701**	**23 280 820**	**15 242 381**	**139 174 637**
Due to other banks	1 984 291	1 700 113	10 472 812	3 793 391	2 399 802	20 350 409
Customer accounts	34 089 882	7 900 475	24 089 088	15 418 644	-	81 498 089
Debt securities issued	725 226	1 671 995	7 792 325	3 062 104	2 612 884	15 864 534
Subordinated debt	-	78 258	19 215	5 545 692	986 748	6 629 913
Other financial liabilities	80 303	6 781	29 009	11 907	-	128 000
TOTAL FINANCIAL LIABILITIES	**36 879 702**	**11 357 622**	**42 402 449**	**27 831 738**	**5 999 434**	**124 470 945**
Liquidity gap	**6 844 777**	**5 502 634**	**(2 335 748)**	**(4 550 918)**	**9 242 947**	**14 703 692**
Cumulative liquidity gap	**6 844 777**	**12 347 411**	**10 011 663**	**5 460 745**	**14 703 692**	**-**

The entire portfolio of trading securities is classified within demand and less than one month based on management's assessment of the portfolio's realisability.

22. Financial Risk Management (Continued)

The expected maturities are as follows at 31 December 2012:

In thousands of Russian Roubles	**Less than 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
ASSETS						
Cash and cash equivalents	10 479 733	-	-	-	-	10 479 733
Manadatory cash balances with CBRF	465 907	85 683	417 991	90 565	-	1 060 146
Due from other banks	-	-	88 480	62 315	-	150 795
Loans and advances to customers	9 824 650	16 350 994	35 123 153	20 379 909	8 874 491	90 553 197
Trading securities	10 115 748	-	-	-	-	10 115 748
Repurchase receivables	1 336 840	-	-	-	-	1 336 840
Other financial assets	29 500	20	26 115	133	-	55 768
Total financial assets	**32 252 378**	**16 436 697**	**35 655 739**	**20 532 922**	**8 874 491**	**113 752 227**
LIABILITIES						
Due to other banks	4 356 135	1 602 191	11 350 545	4 532 854	90 928	21 932 653
Customer accounts	28 820 776	5 300 338	25 856 766	5 602 291	-	65 580 171
Debt securities in issue	384 867	634 504	4 202 302	2 194 005	-	7 415 678
Subordinated debt	-	77 617	577 456	4 053 086	2 138 611	6 846 770
Other financial liabilities	33 828	8 215	115 825	53 502	-	211 370
Total financial liabilities	**33 595 606**	**7 622 865**	**42 102 894**	**16 435 738**	**2 229 539**	**101 986 642**
Net liquidity gap	**(1 343 228)**	**8 813 832**	**(6 447 155)**	**4 097 184**	**6 644 952**	**11 765 585**
Cumulative liquidity gap	**(1 343 228)**	**7 470 604**	**1 023 449**	**5 120 633**	**11 765 585**	**-**

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

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

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

23. Management of Capital

The Group's objectives when managing capital are to ensure that all Group entities continue as a going concern in the foreseeable future while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's Board of Directors reviews capital structure on a regular basis, at least quarterly. Within the scope of this review the Board considers the cost of capital and the risks inherent to each class of capital. On the basis of the Board's recommendations the Group maintains capital adequacy and balances overall capital structure by additional share issue and receipt of subordinated loans.

Under the capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. As at 31 December 2013, this minimum level is 10%. During 2013 and 2012 financial years and as of 31 December 2013 and 2012 the Bank was in compliance with the statutory capital adequacy ratio.

Under the current capital requirements set by the Central Bank of Russia, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. Regulatory capital is based on the Bank's reports prepared under Russian accounting standards and comprises:

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Net assets under Russian GAAP	13 833 762	11 452 753
Less intangible assets	(7 854)	(785)
Plus subordinated debt	5 252 684	6 304 089
Total regulatory capital	**19 078 592**	**17 756 057**

Group also monitors capital adequacy calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks.

23 Management of Capital (Continued)

The table below shows the Group's capital structure and calculation of capital adequacy ratio in accordance with requirements of the Basel Accord I as at 31 December 2013 and 2012:

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Tier 1 capital:		
Share capital	2 533 352	2 448 128
Share premium	4 566 362	4 012 406
Retained earnings	8 920 101	6 759 771
Translation reserve	-	(5 520)
Goodwill	(47 476)	(47 476)
Total tier 1 capital	**15 972 339**	**13 167 309**
Tier 2 capital		
Subordinated debt	5 080 045	6 360 330
Total tier 2 capital	**5 080 045**	**6 360 330**
Total capital	**21 052 384**	**19 527 639**
Risk weighted assets	**144 691 520**	**132 257 787**
Capital expressed as a percentage of risk-weighted assets	**14,5%**	**14,8%**
Tier 1 capital expressed as a percentage of risk-weighted assets	**11,0%**	**10,0%**

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants under liabilities incurred by the Group. Under these covenants the Group has to maintain the total capital ratio at a level not less then 12%. As of 31 December 2013, as of 31 December 2012 and during respective financial years the Group has complied with all imposed capital requirements.

24. Contingencies and Commitments

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

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

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

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.Management believes that it is pricing policy is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

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

Capital expenditure commitments. The Group had no contractual capital expenditure commitments as at 31 December 2013 and as at 31 December 2012.

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

In thousands of Russian Roubles	**2013**	**2012**
Not later than 1 year	295 092	216 566
Later than 1 year and not later than 5 years	465 058	450 465
Later than 5 years	20 689	8 236
Total operating lease commitments	**780 839**	**675 267**

Compliance with covenants. The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. Management believes that the Group was in compliance with covenants at 31 December 2013 and 31 December 2012.

24. Contingencies and Commitments (Continued)

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

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

Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Financial guarantees	7 023 239	10 088 514
Letters of credit and other contingencies related to settlement transactions	1 549 339	1 508 578
Less: Provision for credit related commitments	-	(600)
Total credit-related commitments, net of provision	**8 572 578**	**11 596 492**
Performance guarantees	**24 674 544**	**20 543 508**

Credit related commitments are irrevocable or are revocable only in response to a material adverse change.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cashflows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests.

24. Contingencies and Commitments (Continued)

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was RR 47 953 thousand at 31 December 2013 (2012: RR 101 845 thousand).

Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Russian Roubles	30 219 541	27 835 700
US Dollars	1 488 127	2 544 851
Euros	1 509 019	1 689 207
Other	30 435	70 842
Total	**33 247 122**	**32 140 600**

Movements in provisions for credit related commitments are as follows:

In thousands of Russian Roubles	**2013**	**2012**
Carrying amount at 1 January	**-**	**600**
Provision / (Recovery of provision) for credit related commitments	-	(600)
Carrying amount at 31 December	**-**	**-**

Assets pledged and restricted. Mandatory cash balances with the Bank of Russia in the amount of RR 968 049 thousand (2012: RR 1 060 146 thousand) represent mandatory reserve deposits, which are not available to finance the Group's day-to-day operations.

The Group had assets pledged as collateral with the following carrying value:

		31 December 2013		**31 December 2012**	
In thousands of Russian Roubles	**Notes**	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**
Repurchase receivables related to trading securities	8; 12	-	-	1 336 840	1 184 603
Loans and advance to customers	9; 12	4 355 649	4 014 064	-	-
Loans and advance to customers	9; 12	2 325 898	3 069 205	2 082 568	2 733 754
Loans and advance to customers	8; 15	293 831	280 017	554 142	354 348
Other financial assets		235 532	4 014 064	-	-
Total		**7 210 910**	7 363 286	**3 973 550**	4 272 705

25. Transfers of Financial Assets

(a) Transfers that did not qualify for derecognition of the financial asset in its entirety.

The Group transferred financial assets in transactions that did not qualify for derecognition in the current and prior periods.

Sale and repurchase transactions. At 31 December 2012, the Group had trading securities represented by corporate bonds of RR 1 336 840 thousand (Note 8) that were subject to obligation to repurchase the securities for a pre-determined price. Refer to Note 12 for the carrying value of obligations from these sale and repurchase transactions. As the transfer did not meet criteria for derecognition of the securities, at 31 December 2012 the sale proceeds of RR 1 184 603 thousand were recognised as borrowings and are presented in Note 12.

Securitisation transaction. In addition, at 31 December 2013 the Group transferred mortgage loans of RR 4 355 649 thousand to a securitisation structured entity that the Group consolidates because it acquired all of its subordinated borrowings amounting to RR 457 555 thousand and receives benefits from these loans. This transaction was the first mortgage securitization in the Russian market which structure included Lenders mortgage insurance. Refer to Note 14 for carrying value of the related borrowings that are represented by senior notes issued by the securitisation special purpose entity to third party investors.

(b) Transfers that qualified for derecognition of the financial asset in its entirety.

In 2013 financial year the Group sold of loans to customers with the total gross value of RR 1 275 624 thousand (2012: RR 1 036 960 thousand) under cession agreements agreements to unrelated third party. Refer to Note 9.

26. Derivative Financial Instruments

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

	2013		2012	
In thousands of Russian Roubles	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange forwards, futures and swaps: fair values, at the end of the reporting period, of				
- USD receivable on settlement (+)	2 879 491	294 458	5 321 562	494 383
- USD payable on settlement (-)	(1 023 468)	(3 512 769)	(471 556)	(880 808)
- Euros receivable on settlement (+)	134 910	989 338	120 686	5 652 117
- Euros payable on settlement (-)	(22 485)	-	(265 911)	(201 143)
- RR receivable on settlement (+)	913 634	3 338 979	448 340	918 918
- RR payable on settlement (-)	(2 774 052)	(1 087 681)	(5 132 311)	(6 032 661)
- Other currencies receivable on settlement (+)	-	74 118	-	
- Other currencies payable on settlement (-)	(97 233)	(107 915)		
Net fair value of foreign exchange forwards	**10 797**	**(11 472)**	**20 810**	**(49 194)**

26. Derivative Financial Instruments (Continued)

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

27. Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

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

	31 December 2013		**31 December 2012**	
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 1**	**Level 2**
FINANCIAL ASSETS				
Trading securities	17 296 493	-	10 115 748	-
Repurchase receivables (trading securities)	-	-	1 336 840	-
Other financial assets		-	597	-
- Derivative financial instruments	10 797	-	20 810	-
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**17 307 290**	**-**	**11 473 995**	**-**
FINANCIAL LIABILITIES				
Other financial liabilities				
- Derivative financial instruments	11 472	-	28 685	20 509
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	**11 472**	**-**	**28 685**	**20 509**

The Group uses a valuation technique to measure the fair value of currency swaps that are not traded in an active market. However, in accordance with IFRS, the fair value of an instrument at inception is generally the transaction price.

The Group used discounted cash flows model to assess fair value for level 2 measurements at 31 December 2012.

27. Fair Value of Financial Instruments (Continued)

(b) Assets and liabilities not measured at fair value are represented below:

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

	31 December 2013			31 December 2012		
In thousands of Russian Roubles	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique not based on observable market data technique (Level 3)**	**Carrying value**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique not based on observable market data technique (Level 3)**	**Carrying value**
FINANCIAL ASSETS						
Cash and cash equivalents						
- Cash in hand	2 345 825	-	2 345 825	2 311 696	-	2 311 696
- Cash balances with the CBRF (other than mandatory reserve deposits)	3 618 102	-	3 618 102	4 425 874	-	4 425 874
- Correspondent accounts and overnight placements with other banks	10 885 349	-	10 885 349	1 082 912	-	1 082 912
- Short-term settlements with settlement centers and brokers	888 598	-	888 598	1 558 841	-	1 558 841
- Placements with other banks with original maturities of less than three months	491 117	-	491 117	1 100 410	-	1 100 410
Mandatory cash balances with CBRF	968 049	-	968 049	1 060 146	-	1 060 146
Due from other banks	210 241	-	210 241	150 795	-	150 795
Loans and advances to customers						
- Loans to large corporate customers	-	37 934 051	37 934 051	-	34 060 259	34 060 259
- Small and medium-sized entities	-	40 789 800	40 789 800	-	40 493 148	40 493 148
- Mortgage loans	-	17 309 171	17 309 171	-	11 293 986	11 293 986
- Personal and consumer loans	-	4 668 444	4 668 444	-	3 564 129	3 564 129
- Car loans	-	917 707	917 707	-	969 010	969 010
- Other	-	292 233	292 233	-	172 665	172 665
Other financial assets	-	451 402	451 402	-	34 361	34 361
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	**19 407 281**	**102 362 808**	**121 770 089**	**11 690 674**	**90 587 558**	**102 278 232**

27. Fair Value of Financial Instruments (Continued)

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

	31 December 2013				31 December 2012			
In thousands of Russian Roubles	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique not based on observable market data technique (Level 3)**	**Carrying value**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique not based on observable market data technique (Level 3)**	**Carrying value**
FINANCIAL LIABILITIES								
Due to other banks								
- Term placements of other banks	-	-	20 176 323	20 176 323	-	-	20 603 057	20 603 057
- Sale and repurchase agreements with other banks	-	-	-	-	-	1 184 603	-	1 184 603
- Correspondent accounts and overnight placements of other banks	-	174 086	-	174 086	-	144 993	-	144 993
Customer accounts								
- Current/settlement accounts of legal entities	-	22 130 300	-	22 130 300	-	20 686 833		20 686 833
- Term deposits of legal entities	-	-	26 472 097	26 472 097	-	-	18 461 987	18 461 987
- Current/demand accounts of individuals	-	2 279 265	-	2 279 265	-	2 130 565		2 130 565
- Term deposits of individuals	-	-	30 616 427	30 616 427	-	-	24 300 786	24 300 786
Debt securities in issue								
- Promissory notes	-	-	8 491 997	8 491 997	-	-	5 593 425	5 593 425
- Bonds issued on domestic market	2 873 250	-		2 902 050	1 824 802	-		1 807 226
- Debentures	-	-	475 159	475 159	-	-	-	-
- Deposit certificates	-	-	10 063	10 063	-	-	15 027	15 027
- Bonds issued on domestic market and secured by Mortgage loans	4 014 064	-		4 014 064	-	-		-
Other financial liabilities	-	-	116 528	116 528	-	-	162 176	162 176
Subordinated debt	-	-	6 629 913	6 621 048	-	-	6 846 770	6 641 753
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	**6 887 314**	**24 583 651**	**92 988 507**	**124 479 407**	**1 824 802**	**24 146 994**	**75 983 228**	**101 732 431**

27. Fair Value of Financial Instruments (Continued)

For assessment of fair value of financial instruments categorized at Level 3, the Group uses discounted cash flows model.

For the financial instruments with maturity more than one year the Group discounts monthly payments at weighted average rate by product type and currency type calculated based on contractual rates for respective financial instrumetns issued/obtained by the Group during the last quarter before the reporting date.

28. Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables form a separate category.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2013:

In thousands of Russian Roubles	**Loans and receivables**	**Held to maturity**	**Finance lease recei-vables**	**Available-for-sale assets**	**Trading assets**	**Assets desig-nated at FVTPL**	**Total**
Assets							
Cash and cash equivalents	18 228 991	-	-	-	-	-	18 228 991
Mandatory cash balances with CBRF	968 049	-	-	-	-	-	968 049
Trading securities	-	-	-	-	17 296 493	-	17 296 493
Due from other banks	210 241	-	-	-	-	-	210 241
Loans and advances to customers:							
- Loans to legal entities	77 650 848	-	1 073 003	-	-	-	78 723 851
- Loans to individuals	23 187 555	-	-	-	-	-	23 187 555
- Held to maturity investments	-	97 258	-	-	-	-	97 258
Other financial assets	451 254	-	-	148	-	10 797	462 199
Total financial assets	**120 696 938**	**97 258**	**1 073 003**	**148**	**17 296 493**	**10 797**	**139 174 637**

28. Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2012:

In thousands of Russian Roubles	**Loans and receivables**	**Finance lease receivables**	**Available-for-sale assets**	**Trading assets**	**Assets designated at FVTPL**	**Total**
Assets						
Cash and cash equivalents	10 479 733	-	-	-	-	10 479 733
Mandatory cash balances with CBRF	1 060 146	-	-	-	-	1 060 146
Trading securities	-	-	-	10 115 748	-	10 115 748
Due from other banks	150 795	-				150 795
Loans and advances to customers:						
- Loans to legal entities	72 679 754	1 341 864	-	-	-	74 021 618
- Loans to individuals	16 531 579		-	-	-	16 531 579
Repurchase receivables related to trading securities	-	-	-	1 336 840	-	1 336 840
Other financial assets	34 362	-	147	-	21 259	55 768
Total financial assets	**100 936 369**	**1 341 864**	**147**	**11 452 588**	**21 259**	**113 752 227**

As of 31 December 2013 and 31 December 2012, all of the Group’s financial liabilities except for derivatives were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

29. Related Party Transactions

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

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

In thousands of Russian Roubles	**Shareholders with significant influence**	**Key management personnel**	**Associates**	**Other related parties**
Gross amount of loans and advances to customers (contractual interest rate: 14%-16.0%)	31	-	-	-
Due to other banks (contractual interest rate: 2.4% -9.1%)	7 047 124	-	-	44 636
Customer accounts (contractual interest rate: 3.0%- 13%)	1 037 299	1 481	72 899	1 591
Commitments on credit lines	12 569	3 100	-	-

29. Related Party Transactions (Continued)

The income and expense items with related parties for the year ended 31 December 2013 were as follows:

In thousands of Russian Roubles	**Shareholders with significant influence**	**Key management personnel**	**Associates**	**Other related parties**
Interest income	3 515	56	28 018	-
Interest expense	272 262	-	-	5 002
Fee and commission income	27	16	-	49
Fee and commission expense	-	-	44	3
Administrative and other operating expenses:				
- salary	108 216	8 983	-	-
- social security tax	11 887	999	-	-
- rent	-	-	-	69 712
- professional services	7 868	-	-	-

Aggregate amounts lent to and repaid by related parties during the year ended 31 December 2013 were:

In thousands of Russian Roubles	**Shareholders with significant influence**	**Key management personnel**	**Associates**	**Other related parties**
Amounts lent to related parties during the period	-	900	379 500	-
Amounts repaid by related parties during the period	-	900	879 500	-

At 31 December 2012, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Shareholders with significant influence**	**Key management personnel**	**Associates**	**Other related parties**
Gross amount of loans and advances to customers (contractual interest rate: 10%-12.0%)	38 221	-	500 000	-
Due to other banks (contractual interest rate: 2.8% -6.1%)	3 233 618	-	-	124 299
Customer accounts (contractual interest rate: 2.8- 13.8%)	933 559	46 197	3 847	2 544
Subordinated debt (13.9%)	579 402	-	-	-
Commitments on credit lines	17 403	1 500	-	-

29. Related Party Transactions (Continued)

The income and expense items with related parties for the year period ended 31 December 2012 were as follows:

In thousands of Russian Roubles	**Shareholders with significant influence**	**Key management personnel**	**Associate**	**Other related parties**
Interest income	4 129	15	50 381	-
Interest expense	433 998	657	-	11 517
Fee and commission income	67	21	512	51
Fee and commission expense	-	-	59	3
Administrative and other operating expenses:				
- salary	100 017	23 350	-	-
- social security tax	10 816	2 673	-	-
- rent	-	-	-	69 712
- professional services	8 320	-	-	-

Aggregate amounts lent to and repaid by related parties during 2012 were:

In thousands of Russian Roubles	**Shareholders with significant influence**	**Key management personnel**	**Associate**	**Other related parties**
Amounts lent to related parties during the period	-	-	1 649 000	-
Amounts repaid by related parties during the period	4 373	506	1 508 000	-

Other related parties are represented by parent company of one of key shareholders and company owned by one of key management personnel.

Key management compensation is presented below:

In thousands of Russian Roubles	**2013 Expenses**	**2012 Expenses**
Short-term benefits:		
- Salaries	85 741	83 784
- Short-term bonuses	31 458	39 583
Total	**117 199**	**123 367**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

30. Events after the end of the reporting date

In February 2014 the Group sold the share in associated company CIS Factors Holding B.V., incorporated in the Netherlands with no significant impact on its reported financial result.

As of 28 March 2014 the principal rate of exchange was USD 1 = RR 35.581, EUR 1 = RR 49.0484.

O.Kucherova, Director
ZAO PricewaterhouseCoopers Audit

31 March 2014

79 (seventy nine) pages are numbered, bound and sealed.