OJSC “Bank Saint Petersburg” Group

International Financial Reporting Standards Consolidated Financial Statements and Auditors’ Report

31 December 2013

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Auditors' Report

To the Shareholders and Supervisory Board of OJSC "Bank Saint Petersburg"

We have audited the accompanying consolidated financial statements of OJSC "Bank Saint Petersburg" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of 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.

Auditors' 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 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.

Audited entity: OJSC "Bank Saint Petersburg".

Registered by Central Bank of Russian Federation on 3 October 1990, Registration No. 436.

Entered in the Unified State Register of Legal Entities on 6 August 2002 by Saint Petersburg Authority of the Ministry of taxes and levies of the Russian Federation, Registration No. 1027800000140. Certificate series 78 No. 003196015.

Address of audited entity: 64A, Malookhtinskij prospect, Saint Petersburg, 195112, Russian Federation.

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

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.

Kouznetsov A.A.
Deputy director
Power of attorney dated 11 October 2013 No. 112/13
ZAO KPMG
17 March 2014
Moscow, Russian Federation

In thousands of Russian Roubles	Note	2013	2012
ASSETS			
Cash and cash equivalents	6	40 060 452	43 938 151
Mandatory reserve deposits with the Central Bank of the Russian Federation		2 800 069	3 125 502
Trading securities	7	17 592 638	11 463 053
Trading securities pledged under sale and repurchase agreements	8	51 728 946	35 291 039
Financial instruments at fair value through profit or loss		-	608 568
Amounts receivable under reverse repurchase agreements	9	14 853 880	9 082 398
Due from banks	10	8 617 294	2 899 159
Loans and advances to customers	11	250 884 103	222 378 920
Investment securities available-for-sale	12	3 324 758	3 521 259
Investment securities held-to-maturity		-	31 361
Prepaid income tax		59 678	-
Investment property	13	1 653 115	2 855 756
Premises, equipment and intangible assets	14	13 806 328	13 971 681
Other assets	15	2 631 567	2 199 386
Long-term assets held for sale	16	1 409 491	-
TOTAL ASSETS		**409 422 319**	**351 366 233**
LIABILITIES			
Due to banks	17	70 540 988	52 254 302
Customer accounts	18	253 127 291	222 796 734
Bonds issued	19	20 218 789	16 883 584
Other debt securities issued	20	8 507 340	5 244 334
Other borrowed funds	21	7 579 426	11 410 628
Income tax liability		-	37 664
Deferred tax liability	28	954 172	604 705
Other liabilities	22	818 358	1 815 783
TOTAL LIABILITIES		**361 746 364**	**311 047 734**
EQUITY			
Share capital	23	3 721 734	3 648 110
Share premium	23	21 393 878	18 448 915
Revaluation reserve for premises		3 339 031	3 339 031
Revaluation reserve for investment securities available-for-sale		399 674	1 888 686
Retained earnings		18 821 638	12 993 757
TOTAL EQUITY		**47 675 955**	**40 318 499**
TOTAL LIABILITIES AND EQUITY		**409 422 319**	**351 366 233**

Approved for issue and signed on behalf of the Supervisory Board on 17 March 2014.

A.V. Savelyev
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

The notes are an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Note	2013	2012
Interest income	25	30 831 525	27 361 167
Interest expense	25	(17 459 532)	(15 379 021)
Net interest income		**13 371 993**	**11 982 146**
Provision for loan impairment	10, 11	(4 495 069)	(6 389 937)
Net interest income after provision for loan impairment		**8 876 924**	**5 592 209**
Net (losses) gains from trading securities		(218 148)	136 911
Net gains from investment securities available-for-sale		2 567 339	38 072
Net gains (losses) from trading in foreign currencies		288 547	(800 392)
Net gains from foreign exchange translations		1 752 626	1 493 137
Fee and commission income	26	3 172 456	2 753 204
Fee and commission expense	26	(494 588)	(404 075)
Recovery of impairment for credit related commitments	22	153 207	28 946
Gain on disposal of investment property		-	214 199
Other net operating income (expenses)		63 808	(57 437)
Administrative and other operating expenses:	27		
- Staff costs		(3 309 775)	(3 059 023)
- Costs related to premises and equipment		(1 179 540)	(1 181 178)
- Other administrative and operating expenses		(3 189 390)	(2 971 560)
Profit before tax		**8 483 466**	**1 783 013**
Income tax expense	28	(1 788 203)	(479 513)
Profit for the year		**6 695 263**	**1 303 500**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation of investment securities available-for-sale transferred to profit or loss upon disposal		(2 424 695)	-
Gain (loss) from revaluation of investment securities available-for-sale		643 940	(492 217)
Deferred income tax recognised in equity related to other comprehensive income		291 743	98 443
Items that will not be reclassified to profit or loss:			
Net changes in revaluation reserve for premises		-	254 740
Deferred income tax recognised in equity related to other comprehensive income		-	(50 948)
Other comprehensive loss for the year, net of income tax	24	**(1 489 012)**	**(189 982)**
Total comprehensive income for the year		**5 206 251**	**1 113 518**
Basic earnings per ordinary share (in Russian Roubles per share)	29	**16.09**	**1.73**
Diluted earnings per ordinary share (in Russian Roubles per share)	29	**16.09**	**1.73**

A.V. Savelyev
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

In thousands of Russian Roubles	Note	Share capital	Share premium	Revaluation reserve for premises	Revaluation reserve for investment securities available-for-sale	Retained earnings	Total equity
Balance as at 1 January 2012		**3 648 110**	**18 448 915**	**3 346 303**	**2 282 460**	**12 297 015**	**40 022 803**
Other comprehensive income recognized in equity	24	-	-	203 792	(393 774)	-	(189 982)
Profit for the year		-	-	-	-	1 303 500	1 303 500
Disposals of premises		-	-	(211 064)	-	211 064	-
Total comprehensive income for the year ended 31 December 2012		**-**	**-**	**(7 272)**	**(393 774)**	**1 514 564**	**1 113 518**
Dividends declared							
- ordinary shares	30	-	-	-	-	(33 079)	(33 079)
- preference shares	30	-	-	-	-	(784 743)	(784 743)
Balance as at 31 December 2012		**3 648 110**	**18 448 915**	**3 339 031**	**1 888 686**	**12 993 757**	**40 318 499**
Other comprehensive income recognized in equity	24	-	-	-	(1 489 012)	-	(1 489 012)
Profit for the year		-	-	-	-	6 695 263	6 695 263
Total comprehensive income for the year ended 31 December 2013		**-**	**-**	**-**	**(1 489 012)**	**6 695 263**	**5 206 251**
Issue of shares	23	73 624	2 944 963	-	-	-	3 018 587
Dividends declared		-	-	-	-	-	-
- ordinary shares	30	-	-	-	-	(33 079)	(33 079)
- preference shares	30	-	-	-	-	(834 303)	(834 303)
Balance as at 31 December 2013		**3 721 734**	**21 393 878**	**3 339 031**	**399 674**	**18 821 638**	**47 675 955**

A.V. Savelyev
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

In thousands of Russian Roubles	Note	2013	2012
Cash flows from operating activities			
Interest received on loans and correspondent accounts		26 201 903	23 184 558
Interest received on securities		4 205 946	3 646 165
Interest received on securities pledged under sale and repurchase agreements		728 108	529 187
Interest paid on due to banks		(3 640 890)	(2 383 026)
Interest paid on customer deposits		(11 047 172)	(10 284 722)
Interest paid on other debt securities issued		(286 822)	(347 321)
Net payments from securities trading		(418 471)	(265 903)
Net payments from trading in foreign currencies		(127 059)	(734 633)
Fee and commissions received		3 158 220	2 773 546
Fee and commissions paid		(494 588)	(404 075)
Other operating expenses paid		(99 294)	(24 974)
Staff costs paid		(3 490 904)	(3 151 503)
Premises and equipment costs paid		(534 921)	(542 108)
Administrative and operating expenses paid		(3 234 415)	(2 964 040)
Income tax paid		(1 244 335)	(379 090)
Cash flows from operating activities before changes in operating assets and liabilities		**9 675 306**	**8 652 061**
Changes in operating assets and liabilities			
Net decrease (increase) in mandatory reserve deposits with the Central Bank of the Russian Federation		325 433	(147 206)
Net (increase) decrease in trading securities		(5 680 745)	17 723 450
Net increase in trading securities pledged under sale and repurchase agreements		(16 472 661)	(20 154 274)
Net decrease (increase) in financial instruments at fair value through profit or loss		664 907	(626 795)
Net increase in amounts receivable under reverse repurchase agreements		(5 772 976)	(1 219 090)
Net (increase) decrease in due from banks		(5 718 687)	90 803
Net increase in loans and advances to customers		(30 988 369)	(20 664 174)
Net (increase) decrease in other assets		(1 011 815)	595 180
Net increase in due to banks		18 309 892	25 001 923
Net increase(decrease) in customer accounts		27 610 311	(640 298)
Net increase (decrease) in other debt securities issued		2 993 726	(3 963 892)
Net (decrease) increase in other liabilities		(179 021)	241 274
Net cash (used in) received from operating activities		**(6 244 699)**	**4 888 962**
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets	14	(486 184)	(912 127)
Proceeds from disposal of premises and equipment and intangible assets		6 888	470 218
Net disposals of investment securities available-for-sale		2 840 449	2 886 592
Proceeds from disposal of investment securities available-for-sale		26 043	38 072
Proceeds from disposal of investment property		-	2 099 901
Dividend income received		72 919	28 561
Net cash received from investing activities		**2 460 115**	**4 611 217**

In thousands of Russian Roubles	Note	2013	2012
Cash flows from financing activities			
Issue of ordinary shares:			
- share capital	23	73 624	-
- share premium	23	2 944 963	-
Issue of bonds		8 190 130	8 067 643
Repurchase of bonds		(5 469 314)	(2 687 788)
Proceeds from other borrowed funds		2 216 162	459 011
Repayment of other borrowed funds		(6 643 099)	(585 606)
Interest paid on bonds issued		(1 602 437)	(1 050 722)
Interest paid on other borrowed funds		(784 609)	(941 855)
Dividends paid	30	(866 762)	(818 066)
Net cash (used in) received from financing activities		**(1 941 342)**	**2 442 617**
Effects of exchange rate changes on cash and cash equivalents		**1 848 227**	**(779 952)**
Net (decrease) increase in cash and cash equivalents		**(3 877 699)**	**11 162 844**
Cash and cash equivalents at the beginning of the year		43 938 151	32 775 307
Cash and cash equivalents at the end of the year	6	**40 060 452**	**43 938 151**

A.V. Savelyev
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

1 Introduction

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013 for OJSC “Bank Saint Petersburg” (the “Bank”) and its subsidiaries, together referred to as the “Group” or OJSC “Bank Saint Petersburg” Group”. A list of subsidiaries is disclosed in note 37.

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as the result of the corporatization process of the former Leningrad regional office of Zhilsotsbank.

As at 31 December 2013 management controls 50.1% of the ordinary shares of the Bank (2012: 54.2%), including: 21.7% of the ordinary shares are controlled by Mr. A.V. Savelyev (2012: 28.1%), 19.9% of the ordinary shares are controlled by “MALVENST INVESTMENTS LIMITED” (2012: 18.2%), 7.7% of the ordinary shares are controlled by “ISSARDY HOLDING LIMITED” (2012: 1.2%). Mr. A.V. Savelyev has an option maturing at the end 2015 to purchase a 100.0% share in the company “WELLFAME PACIFIC LIMITED”, which owns 100.0% of shares of “MALVENST INVESTMENTS LIMITED” and 100.0% of shares of “ISSARDY HOLDING LIMITED” (2012: Mr A.V. Savelyev had an option maturing at the end 2015 to purchase a 100.0% share in the company “WELLFAME PACIFIC LIMITED”, which owned 100.0% of shares of “MALVENST INVESTMENTS LIMITED”). There is no contractual agreement between any members of the management team and Mr. A. V. Savelyev on joint control of the Bank.

The remaining ordinary shares of the Bank are held as follows: 9.3% of the shares are owned by East Capital Group (2012: 9.4%), and 5.5% of the shares are owned by the EUROPEAN BANK OF RECONSTRUCTION AND DEVELOPMENT (2012: 6.2%). The remaining 35.1% (2012: 31.4%) of the shares are widely held.

Principal activity. The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under a general banking license issued by the Central Bank of the Russian Federation (the “CBRF”) since 1997. The Bank takes part in the state deposit insurance system introduced by Federal Law No.177-FZ “On Retail Deposit Insurance in the Russian Federation” dated 23 December 2003. Indemnity of the deposits placed in respect of which an insured event happens, is paid to a depositor in the amount of 100% of total deposits, but limited to RR 700 thousand.

As at 31 December 2013, the Bank has five branches within the Russian Federation: three branches are located in the North-West region of Russia, one branch is in Moscow, one branch is in Nizhniy Novgorod and thirty eight outlets (2012: five branches within the Russian Federation: three branches are located in the North-West region of Russia, one branch is in Moscow, one branch is in Nizinniy Novgorod and thirty six outlets).

Registered address and place of business. The Bank’s registered address and place of business is: 195112, Russian Federation, Saint Petersburg, Malookhtinsky Prospect, 64A.

Presentation currency. These consolidated financial statements are presented in thousands of Russian Roubles (RR thousands).

2 Operating Environment of the Group

Russian Federation. The economy of the Russian Federation displays certain characteristics of developing markets including relatively high inflation and interest rates.

The economic growth of Russian economy for 2013 was moderate. The GDP real growth rate of the Russian Federation for 2013 according to the estimates of the Russian Federal State Statistics Service was 1.3%. The growth of the Industrial Production Index in 2013 amounted to 0.3% in comparison with the previous year. The economic growth was accompanied by a gradual increase in household income.

At the same time such negative factors as high levels of capital outflow, and fluctuation of exchange rates of the major foreign currencies were observed.

The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. In addition, the contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

The future economic development of the Russian Federation is largely dependent upon the effectiveness of the economic, financial and monetary measures undertaken by the Government, together with the tax, legal, regulatory, and political developments.

Management cannot foresee all factors that can affect the development of the banking sector and the economy as a whole as well as the impact (if any) they can have on the financial position of the Group in the future. Management believes that it takes all the necessary steps to sustain the stability and development of the Group's business.

3 Basis of Preparation and Significant Accounting Policies

Basis of Preparation. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by initial recognition of financial instruments at fair value, measurement at fair value of trading securities and financial assets available-for-sale and the revaluation of premises. The principle accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies are consistently applied to all the periods presented in these consolidated financial statements.

Consolidation. Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsidiaries are accounted for in consolidated financial statements using the acquisition method. Acquired identifiable assets, liabilities and contingencies as a result of business combination are stated at fair value as at the acquisition date irrespective of non-controlling interest.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree if the business combination is achieved in stages) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. If the amount is negative ("negative goodwill") it is recognized in profit or loss after the management has assessed whether all acquired assets and all assumed liabilities and contingencies are identified and analyzed correctness of their estimate.

3 Basis of Preparation and Significant Accounting Policies (continued)

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

Intercompany transactions, balances and unrealized gains arising from intercompany transactions are eliminated; unrealized 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.

Key measurement terms. Depending on their classification financial instruments are carried at cost, fair value, or amortized cost as described below.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. *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 stock exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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 in the principal market. Fair value of an instrument is best evidenced by the quoted price for that instrument in an active market. Fair value is the current bid price for financial assets and current asking price for financial liabilities that are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or the current value of investments are used for determination of the fair value of financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data.

Amortised cost is the historical value of an asset less any principal repayments, plus accrued interest, and for financial assets less any write-off for impairment losses incurred. Accrued interest includes amortization of transaction costs deferred at initial recognition and amortisation of any premium or discount to maturity 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.

3 Basis of Preparation and Significant Accounting Policies (continued)

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 discounted value calculation includes all fees and charges paid and received between the parties to the contract that form an integral part of the effective interest rate (refer to Income and Expense Recognition Policy).

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

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date when the Group commits to buy or sell financial asset. All other acquisition transactions are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Derecognition of financial assets. The Group derecognizes 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 transfer arrangement while (i) also transferring substantially all the risks and benefits of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and benefits of ownership but not retaining control of the assets. 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 imposing additional restrictions on the sale.

Foreign currency translation. The functional currency of the Group is the currency of the primary economic environment in which the Group operates. The Bank’s and its subsidiaries’ functional currency and the Group’s presentation currency is the national currency of the Russian Federation, i.e. Russian Rouble.

Monetary assets and liabilities are translated into Russian Roubles at the official CBRF exchange rate at the respective reporting date. Foreign exchange gains and losses on monetary assets and liabilities translated at the CBRF official exchange rate as at the end of the year are included in the profit or loss for the year (as foreign exchange translation gains less losses). Non-monetary items are translated at historical rates. Effects of exchange rate differences on the fair value of equity securities are recorded as part of the fair value translation gain or loss.

As at 31 December 2013, the official rate of exchange used for translating foreign currency balances was USD 1 = RR 32.7292 and EURO 1 = RR 44.9699 (2012: USD 1 = RR 30.3727 and EURO 1 = RR 40.2286).

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within a day and are subject to insignificant change in value. All short term interbank placements, including overnight deposits, are included in cash and cash equivalents, all other interbank placements are recognized in due from banks. Amounts that relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

3 Basis of Preparation and Significant Accounting Policies (continued)

Mandatory reserve deposits with the CBRF. Mandatory cash balances with the CBRF are carried at amortized cost and represent non-interest bearing deposits in the CBRF that are not available to finance day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Trading securities. Trading securities include financial assets at fair value through profit or loss that are classified as held for trading, as they are 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 the period from one to six months.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss as interest income. Dividends are included in other operating income when the Group’s right to receive the dividend payment is established and provided the dividend is likely to be received. 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 banks. Amounts due from banks are recorded when the Group advances money to counterparty banks with no intention of trading the instrument. Amounts due from banks are carried at amortized cost.

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 amortized cost.

Impairment of financial assets carried at amortized cost. Impairment losses are recognized in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and that have an impact on the amount or timing of the estimated future cash flows 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 when assessing whether a financial asset is impaired is its overdue status and realisability of related collateral, if any.

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

- any installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems
- the borrower experiences significant financial difficulty as evidenced by 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
- the value of collateral significantly decreases as a result of deteriorating market conditions
- implementation of the borrower’s investment plans is delayed or
- the Group expects difficulties in servicing the borrower’s debt due to volatility of the borrower’s cash flows caused by its cyclic activity or irregularity of proceeds.

3 Basis of Preparation and Significant Accounting Policies (continued)

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 assessed 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.

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

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

Uncollectible assets are written off against the related impairment allowance recorded in the statement of financial position after all the necessary procedures to recover the asset fully or partially have been completed and the amount of the loss has been determined.

Investment securities available-for-sale. This classification includes investment securities that the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available for sale at the time of purchase.

Investment securities available-for-sale are carried at fair value. Certain types of investment securities available-for-sale are carried at cost when the Group cannot measure their fair value with sufficient level of reliability. Dividends on available-for-sale equity investments are recognised in profit or loss when the Group’s right to receive payment is established and it is probable that the dividends will be collected. All other components of changes in the fair value are recognised directly in equity until the investments are derecognised or impaired, when the cumulative gain or loss previously recognised in other comprehensive income is recognized in profit or loss for the year.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events (loss events) that occurred after the initial recognition of investment securities available-for-sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. Accumulated impairment losses calculated as the difference between the acquisition cost and the current fair value less impairment loss for the asset that was initially recognized in profit or loss are transferred from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and subsequent gains are recognized in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Advances receivable. Advances receivable are recognised if the Group makes a prepayment under a contract for services that are not yet provided, and are recorded at amortised cost.

3 Basis of Preparation and Significant Accounting Policies (continued)

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 a contract or custom to sell or repledge the securities, in which case they are reclassified as trading securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to banks or customer accounts, as appropriate.

Securities purchased under agreements to resell ("reverse repo agreements"), which provide the Group with a creditor's return, are recorded as amounts receivable under reverse repurchase agreements. The difference between the sale and repurchase price is treated as interest income and accrued over the life of the repo agreements using the effective interest method.

Investment securities held-to-maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturity, which management has the firm intention and ability to hold to maturity. Management determines the classification of investment securities held-to-maturity at their initial recognition and reassesses the appropriateness of that classification at each reporting date. Investment securities held-to-maturity are measured at amortised cost.

Promissory notes purchased. Promissory notes purchased are included in due from banks or loans and advances to customers, based on their economic substance and are recorded and subsequently remeasured and accounted in accordance with the accounting policies for this category of assets.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, or revalued amounts, as described below, less accumulated depreciation and impairment, where required.

Premises are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. Any increase in the carrying value as a result of revaluation is recognized in other comprehensive income and in revaluation reserve in equity. Any decrease in value accounted against previous increases of the same asset is recognized in other comprehensive income and reduces the revaluation reserve previously recognized in equity. All other decreases in value are recognized in profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset.

Construction in progress is carried at cost less 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.

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

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

If impaired, premises and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss to the extent it exceeds the previous revaluation surplus in equity. 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.

3 Basis of Preparation and Significant Accounting Policies (continued)

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

Premises: 50 years

Office and computer equipment: 5 years

Leasehold improvements: over the term of the underlying lease.

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 was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset to the end of its physical life. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets. All intangible assets have definite useful lives and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 to 4 years. All other costs associated with computer software, e.g. its maintenance, are recognised when incurred.

Investment property. Investment property is property not occupied by the Group and held either to earn rental income or for capital appreciation or for both.

Investment property is stated at acquisition cost less accumulated amortisation and impairment (if necessary). In case of indications of impairment of investment property the Group evaluates its recoverable amount, which is calculated as the higher of its value in use and fair value less disposal costs. A decrease in carrying value of investment property to its recoverable amount is recognised in profit or loss. Impairment loss recognised in previous years is recovered if there was a change in estimates used to evaluate the recoverable amount of the asset.

Subsequent expenditure is capitalised only when the Group receives the related future economic benefits and the cost can be reliably measured. All other repair and maintenance costs are recognised as an expense as incurred. If the owner occupies the investment property, it is transferred to the category “Premises and Equipment”.

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

Long-term assets held for sale. Long-term assets and disposal groups (which may include both long term and short term assets) are presented in the statement of financial position as long-term assets held for sale if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting date. These assets are reclassified when all of the following conditions are met: (a) assets are available for immediate sale in their present condition; (b) management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Long-term assets or disposal groups classified as held-for-sale in the current period’s statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current reporting period.

3 Basis of Preparation and Significant Accounting Policies (continued)

Long-term assets and disposal groups held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Held-for-sale premises and equipment (included in the disposal group) are not depreciated or amortised.

Liabilities directly associated with the disposal groups that will be transferred in the disposal transaction are presented separately in the statement of financial position.

Due to banks. Amounts due to banks are recorded when cash or other assets are advanced to the Group by counterparty banks. The non-derivative financial liability is carried at amortised cost.

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

Other debt securities issued*.* Other debt securities issued include bonds, promissory notes and certificates of deposit 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 other income.

Other borrowed funds*.* Other borrowed funds include liabilities to credit and corporate entities and financial institutions attracted for target financing and are carried at amortised cost.

Derivative financial instruments. Derivative financial instruments 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 recognised as gains less losses in accordance with the nature of transaction in profit or loss. The Group does not enter into derivative instruments for hedging purposes.

Income taxes. Tax expenses are provided for in the consolidated financial statements in accordance with the effective Russian legislation using tax rates and legislative regulations enacted or substantively enacted by the reporting date. The income tax charge comprises current tax charge and deferred tax and is recognised in profit or loss except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, 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 previous periods. Taxable profits or losses are based on estimates if financial statements are approved prior to filing relevant tax returns. Taxes, other than on income, are recorded in administrative and other operating expenses.

Deferred income tax is calculated on the basis of balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply in the period when the temporary differences or deferred tax losses will be realized. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. Uncertain tax positions are reassessed by management at every reporting date. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date 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 reporting date.

3 Basis of Preparation and Significant Accounting Policies (continued)

Provisions for liabilities and future expenses. Provisions for liabilities and future expenses are non-financial liabilities of uncertain timing or amount. Related provisions are provided for in the financial statements where the Group has liabilities (legal or constructive) as a result of a past event, 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 performed its obligations under the contract and are carried at amortised cost.

Credit related commitments. The Group enters into credit related commitments, including commitments to provide loans, letters of credit and financial guarantees. Financial guarantees and letters of credit represent irrevocable commitments 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 letters of credit 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, other than the commitment to originate loans, if there is a probability that the Group concludes certain loan agreements and is not planning to disburse the loan immediately. Such commission income related to loan origination commitment is recognised as future period profit and is included in the loan’s carrying amount upon initial recognition. At each reporting date, the commitments 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 commitment at the reporting date.

Share premium. When shares are issued, the excess of contributions received, net of transaction costs, over the nominal value of the shares issued is recorded as share premium in equity.

Preference shares. Preference shares that are not mandatorily redeemable and with discretionary dividends, are classified as equity.

Dividends. Dividends in relation to ordinary shares are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the financial statements are approved for issue are disclosed in the Events after the reporting period note. The statutory accounting reports are the basis for payment of dividends and other profit distribution. Russian legislation identifies the basis of profit distribution as the current year net profit.

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 includes as part of interest income and expense, all fees and charges paid and received between the parties to the contract that form an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fee and commission income/expenses attributable to the effective interest rate include fees received or paid in connection with 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.

When loans or other debt instruments become doubtful of timely collection, they are written off to recoverable value with subsequent recognition of interest income based on the effective interest rate that was used to discount future cash flows with the purpose of determination of recoverable value.

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.

3 Basis of Preparation and Significant Accounting Policies (continued)

Fiduciary assets. Assets held by the Group in its own name, but on the account and at the expense of third parties, are not reported in the consolidated statement of financial position. The analysis of such balances and transactions is presented in note 34. Commissions received from fiduciary activities are shown in fee and commission income.

Offsetting. Financial assets and liabilities are offset and the net amount is 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.

Accounting for the effects of hyperinflation. The Russian Federation previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 “Financial Reporting in Hyperinflationary Economies” (IAS 29). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date.

The characteristics of the economic environment of the Russian Federation indicate that hyperinflation ceased from 1 January 2003. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current as at 31 December 2002 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index, published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992.

Staff costs and related contributions. Wages, salaries, contributions to 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 employees.

Segment reporting. Segment reporting is prepared based on the internal management reports regularly reviewed by the chief operating decision maker. Segments with a majority of revenue, financial result or assets equal to at least ten percent of those from all the segments are reported separately.

The Group’s operations are neither seasonal nor cyclic by nature.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts of assets and liabilities recognised in the consolidated financial statements. Estimates and judgments 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 professional judgments and estimates in the process of applying the accounting policies. Judgments 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 portfolio to assess impairment. In determining whether an impairment loss should be recorded in the profit or loss for the year, the Group makes professional judgments 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.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

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. To the extent that a one month delay in repayment of principal and interest on 5% of the total loans and advances to customers occurred, the allowance would be approximately RR 112 229 thousand higher (2012: RR 96 815 thousand higher).

Revaluation of investment securities available-for-sale. The fair values of investment securities available-for-sale are determined by using valuation methods prepared by management. The market value is assessed using the comparison approach, i.e. comparison with other values of similar entities. For details please refer to note 35.

Revaluation of premises. The fair values of premises are determined by using valuation methods and are based on their market value. Market values of premises are estimated by an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of premises of similar location and category. The market value is assessed using sales comparison approach, i.e. comparison with other premises that were sold or are offered for sale. For details please refer to note 14. To the extent that the assessed fair value of premises differs by 10%, the effect of the revaluation adjustment would be RR 1 250 042 thousand (before deferred tax) as at 31 December 2013 (2012: RR 1 255 024 thousand).

5 Adoption of New or Revised Standards and Interpretations

New standards and interpretations have been published, a part of which is obligatory for annual reporting periods beginning on or after 1 January 2013:

IFRS 10 "Consolidated Financial Statements" is effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). The adoption of IFRS 10 had no significant effect on the consolidated financial statements.

IFRS 11 "Joint Arrangements" is effective for annual periods beginning on or after 1 January 2013 with retrospective application required. The new standard supersedes IAS 31 "Interests in Joint Ventures". The main change introduced by IFRS 11 is that all joint arrangements are classified either as joint operations, which are consolidated on a proportionate basis, or as joint ventures, for which the equity method is applied. The type of arrangement is determined based on the rights and obligations of the parties to the arrangement arising from joint arrangement's structure, legal form, contractual arrangement and other facts and circumstances. The adoption of IFRS 11 had no effect on the consolidated financial information since the Group is not involved in any joint venture.

IFRS 12 "Disclosure of Interests in Other Entities" is effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

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

IFRS 13 "Fair Value Measurement" is effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The relevant disclosures are presented in note 35.

IAS 27 *Separate Financial Statements.* This standard was amended and currently it is aimed at setting accounting and disclosure requirements for investments in subsidiaries, joint ventures or associates in the preparation of separate financial statements. Requirements for consolidated financial statement were replaced with IFRS 10 "Consolidated financial statements".

Amendment to ***IAS 1 "Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income".*** The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted.

Amendments to **IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*** contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The Group included relevant disclosures in the consolidated financial statements that are required under amendments to IFRS 7.

The following new standards, amendments to standards and interpretations are not yet effective as at 31 December 2013, and are not applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective:

IFRS 9 *Financial Instruments* is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates general hedge accounting. The final standard is expected to be issued in 2014 and will be effective for annual period beginning on or after 1 January 2018. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

Amendments to **IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*** do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.

Except for cases described above, the new standards and interpretations are not expected to significantly affect the consolidated financial statements.

Various ***Improvements to IFRSs*** have been dealt with on a standard-by-standard basis and are effective not earlier than 1 January 2014. The Group has not yet analysed the likely impact of the improvements on its financial position or performance unless otherwise stated above.

6 Cash and Cash Equivalents

In thousands of Russian Roubles	2013	2012
Cash on hand	6 272 138	4 744 470
Cash balances with the CBRF (other than mandatory reserve deposits)	11 191 175	7 012 569
Correspondent accounts and overnight placements with banks		
- Russian Federation	14 365 383	381 668
- other countries	4 704 211	9 800 827
Settlement accounts with trading systems	3 527 545	21 998 617
Total cash and cash equivalents	**40 060 452**	**43 938 151**

Correspondent accounts and overnight placements with banks of the Russian Federation and settlement accounts with trading systems are mainly represented by balances with Russian stock-exchanges and clearing houses.

Currency and interest rate analyses of cash and cash equivalents are disclosed in note 32.

7 Trading Securities

In thousands of Russian Roubles	2013	2012
Corporate bonds	11 275 394	6 289 390
Municipal bonds	2 892 211	52 119
Corporate Eurobonds	2 157 309	4 858 333
Federal loan bonds	1 246 783	231 706
Total debt securities	**17 571 697**	**11 431 548**
Corporate shares	20 941	31 505
Total trading securities	**17 592 638**	**11 463 053**

Corporate bonds are interest bearing Russian Rouble denominated securities issued by Russian companies and traded in the Russian market. These bonds have maturity dates from 23 January 2014 to 23 September 2032 (2012: from 15 February 2013 to 17 January 2032); coupon rates of 6.5% - 15.0% p.a. (2012: 6.5% - 15.0% p.a.) and yields to maturity from 2.1% to 34.3% p.a. as at 31 December 2013 (2012: from 2.3% to 14.2% p.a.), depending on the type of bond issue.

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Moscow, St. Petersburg, Moscow Region, Samara Region, Nizhni Novgorod Region, Belgorod Region, Tula Region, Voronezh Region, Volgograd Region, Tomsk Region, Krasnoyarsk Territory, Stavropol Territory, Sakha Republic (2012: municipal administrations of Moscow, St. Petersburg, Moscow Region and Samara Region). These bonds are sold at a discount to nominal value, have maturity dates from 16 April 2014 to 4 November 2020 (2012: from 11 June 2013 to 19 November 2015); coupon rates of 7.0% to 12.0% p.a. (2012: 7.0% to 15.0% p.a.) and yields to maturity from 6.3% to 9.2% p.a. as at 31 December 2013 (2012: from 6.0% to 8.4% p.a.), depending on the type of bond issue.

Corporate Eurobonds are interest bearing securities denominated in Russian Rouble and foreign currency issued by non-residential companies for the benefit of credit organizations – residents of the Russian Federation traded in the international and Russian over-the-counter markets. Corporate Eurobonds have maturity dates from 18 March 2015 to 28 October 2020 (2012: from 18 March 2014 to 13 December 2022); coupon rates of 3.7% to 8.6% p.a. (2012: 4.4% to 8.8% p.a.) and yields to maturity from 2.1% to 8.9% p.a. as at 31 December 2013 (2012: from 3.1% to 7.2% p.a.).

Federal loan bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 3 August 2016 to 19 January 2028 (2012: from 3 June 2015 to 3 August 2016); coupon rates of 6.2% to 8.2% p.a. (2012: 6.5% to 7.0% p.a.) and yields to maturity from 6.7% to 8.0% p.a. as at 31 December 2013 (2012: from 6.3% to 6.6% p.a.), depending on the type of bond issue.

7 Trading Securities (continued)

Corporate shares are shares of Russian companies and global depositary receipts on shares of Russian companies.

Trading securities are carried at fair value which also reflects the credit risk of these securities.

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

In thousands of Russian Roubles	Corporate bonds	Municipal bonds	Corporate Eurobonds	Federal loan bonds	Total
Not overdue or impaired					
Group A	8 021 614	2 234 806	1 065 644	1 246 783	12 568 847
Group B	1 469 875	533 354	1 091 665	-	3 094 894
Group C	891 606	124 051	-	-	1 015 657
Group D	892 299	-	-	-	892 299
Total debt trading securities	**11 275 394**	**2 892 211**	**2 157 309**	**1 246 783**	**17 571 697**

Debt trading securities are divided by credit rating of the issuer defined by rating agencies Moody's, S&P and Fitch into the following groups:

Group A – debt financial securities with credit rating of the issuer at least BBB-, according to S&P rating agency or equivalent rating of other agencies.

Group B – debt financial securities with credit rating of the issuer between BB- and BB+, according to S&P rating agency or equivalent rating of other agencies.

Group C – debt financial securities with credit rating of the issuer between B- and B+, according to S&P rating agency or equivalent rating of other agencies.

Group D – debt financial securities with credit rating of the issuer below B-, according to S&P rating agency or equivalent rating of other agencies, and without credit rating.

Analysis by credit quality of debt trading securities outstanding at 31 December 2012 is as follows:

In thousands of Russian Roubles	Corporate bonds	Municipal bonds	Corporate Eurobonds	Federal loan bonds	Total
Not overdue or impaired					
Group A	3 209 682	52 113	1 599 659	231 706	5 093 160
Group B	1 167 171	6	2 817 163	-	3 984 340
Group C	834 059	-	441 511	-	1 275 570
Group D	1 078 478	-	-	-	1 078 478
Total debt trading securities	**6 289 390**	**52 119**	**4 858 333**	**231 706**	**11 431 548**

The Bank is licensed by the Federal Agency of the Russian Federation for Financial Markets for trading in securities.

Currency and maturity analyses of trading securities are disclosed in note 32.

In 2008 the Group reclassified certain financial assets from trading securities to investment securities held-to-maturity, loans and advances to customers and due from banks. See notes 10, 11.

8 Trading Securities Pledged Under Sale and Repurchase Agreements

(In thousands of Russian Roubles)	**2013**	**2012**
Corporate bonds	36 660 302	28 688 598
Corporate Eurobonds	6 868 657	1 881 322
Eurobonds of the Russian Federation	2 722 173	-
Federal loan bonds	2 624 778	847 493
Municipal bonds	2 459 922	3 873 626
Total debt securities pledged under sale and repurchase agreements	**51 335 832**	**35 291 039**
Corporate shares	393 114	-
Total trading securities pledged under sale and repurchase agreements	**51 728 946**	**35 291 039**

Corporate bonds are interest bearing Russian Rouble and foreign currency denominated securities issued by Russian companies and traded in the Russian market. These bonds have their maturity dates from 4 February 2014 to 17 February 2032 (2012: from 15 February 2013 to 17 February 2032); coupon rates of 2.0% to 15.0% p.a. (2012: 6.8% to 15.0% p.a.); and yields to maturity from 1.5% to 12.5% p.a. as at 31 December 2013 (2012: from 2.3% to 10.2% p.a.). The term of the corresponding repurchase agreements is between 10 and 21 calendar days (2012: between 12 and 14 calendar days), with effective rates from 5.5% to 5.6% p.a. (2012: 5.6% p.a.).

Corporate Eurobonds are interest bearing securities denominated in Russian Rouble and foreign currency issued by non-residential companies for the benefit of credit organizations – residents of the Russian Federation traded in the international and Russian over-the-counter markets. Corporate Eurobonds have maturity dates from 18 March 2015 to 29 May 2018 (2012: 20 February 2015); coupon rates from 5.1% to 9.1% p.a. (2012: 3.3% p.a.) and yields to maturity from 2.1% to 8.5% p.a. (2012: 1.4% p.a.) as at 31 December 2013. The term of the corresponding repurchase agreements is between 10 and 21 calendar days (2012: 14 calendar days), with an effective rate of 5.5% p.a. (2012: 5.6% p.a.).

Eurobonds of the Russian Federation are interest bearing Russian Rouble and foreign currency denominated securities issued by the Ministry of Finance of the Russian Federation and are traded in the international market. These Eurobonds have maturity dates from 10 March 2018 to 31 March 2030; coupon rates from 7.5% to 7.9% p.a.; and yields to maturity from 5.6% to 7.0% p.a. as at 31 December 2013. The term of the corresponding repurchase agreements is between 10 and 21 calendar days, with an effective rate of 5.5% p.a. (2012: no such securities).

Federal loan bonds are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation. These bonds have maturity dates from 3 August 2016 to 19 January 2028 (2012: from 15 July 2015 to 3 August 2016); coupon rates from 6.2% to 8.2% p.a. (2012: from 6.5% to 6.9% p.a.) and yields to maturity from 6.7% to 8.0% p.a. depending on the type of bond issue (2012: from 6.4% to 6.6% p.a.) as at 31 December 2013. The term of the corresponding repurchase agreements is between 10 and 21 calendar days (2012: 14 calendar days), with effective rates from 5.2% to 5.5% p.a. (2012: 5.6% p.a.).

Municipal bonds are Russian Rouble denominated securities issued by the municipal administrations of Moscow, Nizhni Novgorod Region, Belgorod Region, Tula Region, Voronezh Region, Volgograd Region (2012: municipal administrations of Moscow, Saint-Petersburg). These bonds are sold at a discount to nominal value, have maturity dates from 21 July 2014 to 14 June 2018 (2012: from 1 September 2013 to 19 November 2015); coupon rates of 7.0% to 10.0% p.a. (2012: 7.0% to 15.0% p.a.) and yields to maturity from 6.6% to 8.2% p.a. (2012: from 6.0% to 7.6% p.a.) as at 31 December 2013, depending on the type of bond issue. The term of the corresponding repurchase agreements is between 10 and 21 calendar days (2012: 14 calendar days), with an effective rate of 5.5% p.a. (2012: 5.6% p.a.).

8 Trading Securities Pledged Under Sale and Repurchase Agreements (continued)

Analysis of debt trading securities pledged under sale and repurchase agreements outstanding at 31 December 2013 by their credit quality is as follows:

(In thousands of Russian Roubles)	**Corporate bonds**	**Corporate Eurobonds**	**Eurobonds of the Russian Federation**	**Federal loan bonds**	**Municipal bonds**	**Total**
Group A	19 546 558	4 887 474	2 722 173	2 624 778	2 017 764	**31 798 747**
Group B	13 188 887	1 981 183	-	-	442 158	**15 612 228**
Group C	2 918 075	-	-	-	-	**2 918 075**
Group D	1 006 782	-	-	-	-	**1 006 782**
Total debt trading securities pledged under sale and repurchase agreements	**36 660 302**	**6 868 657**	**2 722 173**	**2 624 778**	**2 459 922**	**51 335 832**

Analysis of debt trading securities pledged under sale and repurchase agreements outstanding at 31 December 2012 by their credit quality is as follows:

(In thousands of Russian Roubles)	**Corporate bonds**	**Corporate Eurobonds**	**Federal loan bonds**	**Municipal bonds**	**Total**
Group A	18 299 060	1 881 322	847 493	3 873 626	**24 901 501**
Group B	8 906 688	-	-	-	**8 906 688**
Group C	1 482 850	-	-	-	**1 482 850**
Total debt trading securities pledged under sale and repurchase agreements	**28 688 598**	**1 881 322**	**847 493**	**3 873 626**	**35 291 039**

For definition of Groups refer to note 7.

The Group transfers or sells securities under agreements to repurchase to a third party as collateral for borrowed funds. These financial assets may be repledged or resold by counterparties in the absence of default by the Group, but the counterparty has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received included in due to banks and customer accounts as appropriate (note 17 and 18).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Group acts as an intermediary.

Currency and maturity analyses of trading securities pledged under sale and repurchase agreements are disclosed in note 32.

9 Amounts Receivable Under Reverse Repurchase Agreements

(In thousands of Russian Roubles)	**2013**	**2012**
Amounts receivable under reverse repurchase agreements with customers	7 960 798	5 464 666
Amounts receivable under reverse repurchase agreements with banks	6 893 082	3 617 732
Total amounts receivable under reverse repurchase agreements	**14 853 880**	**9 082 398**

As at 31 December 2013 amounts receivable under reverse repurchase agreements represent agreements with customers and banks that are secured by federal loan bonds, corporate bonds and corporate shares (2012: federal loan bonds, corporate bonds and corporate shares).

As at 31 December 2013 the fair value of securities that serve as collateral under reverse repurchase agreements is RR 17 672 095 thousand (2012: RR 11 669 535 thousand), out of which corporate shares with a fair value of RR 5 822 539 thousand, corporate bonds with a fair value of RR 4 173 360 thousand, federal loan bonds with a fair value of RR 1 984 122 thousand and Eurobonds of the Russian Federation with a fair value of RR 926 215 thousand are pledged under sale and repurchase agreements (2012: corporate shares with a fair value RR 3 341 325 thousand, corporate bonds with a fair value of RR 1 800 752 thousand and federal loan bonds with a fair value RR 947 813 thousand are pledged under sale and repurchase agreements), corporate shares with a fair value of RR 124 419 thousand were sold by the Group (refer to note 17 and 18). In all cases, collateral securing individual reverse repurchase agreements equals or exceeds the amount of the accounts receivable.

Currency and maturity analyses of amounts receivable under reverse repurchase agreements are disclosed in note 32.

10 Due from Banks

In thousands of Russian Roubles	**2013**	**2012**
Term placements with banks	8 648 818	2 916 959
Allowance for impairment	(31 524)	(17 800)
Total due from banks	**8 617 294**	**2 899 159**

Movements in the allowance for impairment of due from banks are as follows:

In thousands of Russian Roubles	**2013**	**2012**
Allowance for impairment as at 1 January	**17 800**	**6 589**
Provision for impairment during the year	13 724	11 211
Allowance for impairment as at 31 December	**31 524**	**17 800**

As at 31 December 2013, the carrying value of securities reclassified in 2008 from trading securities to due from banks amounts to RR 502 130 thousand before the allowance for impairment (2012: RR 582 341 thousand).

Reclassified securities with a carrying value of RR 502 130 thousand are securities pledged under repurchase agreements in due to banks. As at 31 December 2013 the fair value of these securities amounts to RR 503 504 thousand (2012: RR 580 587 thousand). Refer to note 17.

The Bank uses a system of limits for granting loans to banks, as shown in note 32. The current interbank loan portfolio is used for short-term placement of temporarily available cash.

10 Due from Banks (continued)

Analysis by credit quality of term placements with banks as at 31 December 2013 is as follows:

In thousands of Russian Roubles	Interbank loans and deposits	Promissory notes of other banks	Securities reclassified in 2008 into due from banks	Total
Group A	2 523 398	-	502 130	3 025 528
Group B	2 341 125	1 473 405	-	3 814 530
Group C	1 695 735	-	-	1 695 735
Group D	113 025	-	-	113 025
Total term placements with banks	**6 673 283**	**1 473 405**	**502 130**	**8 648 818**

Term placements with banks are divided by credit quality depending on the credit rating of the credit organization defined by rating agencies Moody's, S&P and Fitch into the following groups:

Group A – credit organizations with credit rating at least BBB-, according to S&P rating agency or equivalent rating of other agencies,

Group B – credit organizations with credit rating between BB- and BB+, according to S&P rating agency or equivalent rating of other agencies.

Group C – credit organizations with credit rating between B- and B+, according to S&P rating agency or equivalent rating of other agencies.

Group D – credit organizations with credit rating below B-, according to S&P rating agency or equivalent rating of other agencies, and without credit rating.

Analysis by credit quality of term placements with banks as at 31 December 2012 is as follows:

In thousands of Russian Roubles	Interbank loans and deposits	Promissory notes of other banks	Securities reclassified in 2008 into due from banks	Total
Group A	60 138	493 624	501 823	1 055 585
Group C	1 780 856	-	80 518	1 861 374
Total term placements with banks	**1 840 994**	**493 624**	**582 341**	**2 916 959**

Loans to banks are not secured. No placements with banks are impaired or past due.

Currency, maturity and interest rate analyses of due from banks are disclosed in note 32.

11 Loans and Advances to Customers

In thousands of Russian Roubles	2013	2012
Corporate loans		
- loans to finance working capital	154 322 226	148 714 049
- investment loans	67 330 522	58 806 465
- loans to entities financed by the government	17 407 831	16 238 473
Loans to individuals		
- mortgage loans	20 302 459	11 605 606
- car loans	3 947 168	2 620 226
- consumer loans to VIP clients	5 653 604	4 461 511
- other loans to individuals	7 868 581	4 057 101
Allowance for impairment	(25 948 288)	(24 124 511)
Total loans and advances to customers	**250 884 103**	**222 378 920**

As at 31 December 2013 the carrying value of securities reclassified from trading securities to loans and advances to customers in 2008 amounts to RR 296 279 thousand before impairment (2012: RR 421 146 thousand).

Reclassified securities with a carrying value of RR 291 257 thousand are securities pledged under repurchase agreements in due to banks. As at 31 December 2013 the fair value of these securities amounts to RR 296 426 thousand (2012: reclassified securities with a carrying value of RR 416 111 thousand are securities pledged under repurchase agreements in due to banks. The fair value of these securities amounts to RR 433 514 thousand). Refer to note 17.

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

	Corporate loans			Loans to individuals				
In thousands of Russian Roubles	Loans to finance working capital	Investment loans	Loans to entities financed by the government	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	**Total**
Allowance for impairment at 31 December 2012	**18 615 565**	**4 531 482**	**375 992**	**237 246**	**47 245**	**223 532**	**93 449**	**24 124 511**
Provision (recovery) for impairment during the year	4 773 701	(337 175)	(218 483)	38 325	(50)	123 762	101 265	**4 481 345**
Loans sold	(123 327)	(39 712)	-	-	-	-	(2 941)	**(165 980)**
Amounts written off as non-recoverable	(2 471 880)	-	-	(6 798)	(3 017)	-	(9 893)	**(2 491 588)**
Allowance for impairment at 31 December 2013	**20 794 059**	**4 154 595**	**157 509**	**268 773**	**44 178**	**347 294**	**181 880**	**25 948 288**

11 Loans and Advances to Customers (continued)

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

	Corporate loans			Loans to individuals				
In thousands of Russian Roubles	Loans to finance working capital	Investment loans	Loans to entities financed by the government	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	**Total**
Allowance for impairment at 31 December 2011	**15 819 683**	**4 521 475**	**95 266**	**367 702**	**83 618**	**375 449**	**87 081**	**21 350 274**
Provision (recovery) for impairment during the year	6 039 360	127 829	280 726	(88 302)	(28 439)	39 236	8 316	**6 378 726**
Loans sold	(433 155)	-	-	(5 183)	(6 311)	-	-	**(444 649)**
Amounts written off as non-recoverable	(2 810 323)	(117 822)	-	(36 971)	(1 623)	(191 153)	(1 948)	**(3 159 840)**
Allowance for impairment at 31 December 2012	**18 615 565**	**4 531 482**	**375 992**	**237 246**	**47 245**	**223 532**	**93 449**	**24 124 511**

Economic sector risk concentrations within the customer loan portfolio as at 31 December are as follows:

	2013		2012	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Construction	42 323 170	15.3	34 962 243	14.2
Individuals	37 771 812	13.6	22 744 444	9.2
Trade	35 081 826	12.7	27 783 619	11.3
Leasing and financial services	31 707 561	11.5	27 900 667	11.3
Production and food industry	26 367 208	9.5	18 288 054	7.4
Real estate	21 175 211	7.6	21 566 300	8.7
Entities financed by the government	17 407 831	6.3	17 186 936	7.0
Heavy machinery and ship building	15 467 219	5.6	24 673 744	10.0
Sports and health and entertainment organisations	11 362 699	4.1	6 320 276	2.6
Oil and gas extraction and transportation	9 680 543	3.5	16 399 614	6.7
Transport	8 218 649	3.0	7 649 308	3.1
Energy	5 888 993	2.1	6 637 383	2.7
Telecommunications	3 314 707	1.2	3 061 887	1.2
Chemical industry	717 132	0.3	691 285	0.3
Other	10 347 830	3.7	10 637 671	4.3
Total loans and advances to customers (before allowance for impairment)	**276 832 391**	**100.0**	**246 503 431**	**100.0**

As at 31 December 2013, the 20 largest groups of borrowers have aggregated loan amounts of RR 81 979 460 thousand (2012: RR 81 077 349 thousand), or 29.6% (2012: 32.9%) of the loan portfolio before impairment.

11 Loans and Advances to Customers (continued)

Loans and advances to customers and the related allowance for impairment and an analysis of their credit quality as at 31 December 2013 are as follows:

In thousands of Russian Roubles	**Gross loans and advances to customers**	**Allowance for impairment**	**Net loans and advances to customers**	**Allowance for impairment to loans and advances to customers, %**
Corporate loans:				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	193 147 046	(5 148 014)	187 999 032	2.67
Watch list loans not past due	11 646 832	(655 240)	10 991 592	5.63
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	15 758 930	(7 145 041)	8 613 889	45.34
Overdue:				
- less than 5 calendar days	1 033 319	(42 420)	990 899	4.11
- 6 to 30 calendar days	228 432	(19 012)	209 420	8.32
- 31 to 60 calendar days	115 923	(3 574)	112 349	3.08
- 61 to 90 calendar days	1 810 082	(56 160)	1 753 922	3.10
- 91 to 180 calendar days	3 696 893	(2 450 650)	1 246 243	66.29
- 181 to 365 calendar days	1 265 176	(619 744)	645 432	48.98
- more than 365 calendar days	10 301 671	(8 910 033)	1 391 638	86.49
Uncollectible loans	56 275	(56 275)	-	100.00
Total corporate loans	**239 060 579**	**(25 106 163)**	**213 954 416**	**10.50**
Loans and advances to individuals:				
- mortgage loans	20 302 459	(268 773)	20 033 686	1.32
- car loans	3 947 168	(44 178)	3 902 990	1.12
- consumer loans to VIP clients	5 653 604	(347 294)	5 306 310	6.14
- other loans to individuals	7 868 581	(181 880)	7 686 701	2.31
Total loans and advances to individuals	**37 771 812**	**(842 125)**	**36 929 687**	**2.23**
Total loans and advances to customers	**276 832 391**	**(25 948 288)**	**250 884 103**	**9.37**

11 Loans and Advances to Customers (continued)

In thousands of Russian Roubles	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	Total loans and advances to individuals
Loans to individuals					
Standard loans not past due	19 883 089	3 857 976	5 059 846	7 637 650	36 438 561
Overdue:					
- less than 5 calendar days overdue	8 544	10 550	-	10 797	29 891
- 6 to 30 calendar days	69 689	11 875	80 299	19 116	180 979
- 31 to 60 calendar days	49 184	6 110	63 450	21 865	140 609
- 61 to 90 calendar days	14 720	4 301	-	15 977	34 998
- 91 to 180 calendar days	48 563	13 572	67 627	54 000	183 762
- 181 to 365 calendar days	80 565	12 103	35 933	48 790	177 391
- more than 365 calendar days	148 105	30 681	346 449	60 386	585 621
Total loans and advances to individuals (before allowance for impairment)	**20 302 459**	**3 947 168**	**5 653 604**	**7 868 581**	**37 771 812**
Allowance for impairment	**(268 773)**	**(44 178)**	**(347 294)**	**(181 880)**	**(842 125)**
Total loans and advances to individuals (after allowance for impairment)	20 033 686	3 902 990	5 306 310	7 686 701	**36 929 687**

11 Loans and Advances to Customers (continued)

Loans and advances to customers and the related allowance for impairment and an analysis of their credit quality as at 31 December 2012 are as follows:

In thousands of Russian Roubles	**Gross loans and advances to customers**	**Allowance for impairment**	**Net loans and advances to customers**	**Allowance for impairment to loans and advances to customers, %**
Corporate loans:				
Loans collectively assessed for impairment, but not individually impaired				
Standard loans not past due	177 749 879	(5 866 194)	171 883 685	3.30
Watch list loans not past due	13 405 600	(967 235)	12 438 365	7.22
Individually assessed loans, for which specific indications of impairment have been identified				
Not past due	20 716 804	(7 615 450)	13 101 354	36.76
Overdue:				
- less than 5 calendar days	80 780	(1 813)	78 967	2.24
- 6 to 30 calendar days	1 379 277	(1 257 548)	121 729	91.17
- 181 to 365 calendar days	2 573 143	(1 680 901)	892 242	65.32
- more than 365 calendar days	7 752 555	(6 032 949)	1 719 606	77.82
Uncollectible loans	100 949	(100 949)	-	100.00
Total corporate loans	**223 758 987**	**(23 523 039)**	**200 235 948**	**10.51**
Loans and advances to individuals:				
- mortgage loans	11 605 606	(237 246)	11 368 360	2.04
- car loans	2 620 226	(47 245)	2 572 981	1.80
- consumer loans to VIP clients	4 461 511	(223 532)	4 237 979	5.01
- other loans to individuals	4 057 101	(93 449)	3 963 652	2.30
Total loans and advances to individuals	**22 744 444**	**(601 472)**	**22 142 972**	**2.64**
Total loans and advances to customers	**246 503 431**	**(24 124 511)**	**222 378 920**	**9.79**

11 Loans and Advances to Customers (continued)

In thousands of Russian Roubles	Mortgage loans	Car loans	Consumer loans to VIP clients	Other loans to individuals	Total loans and advances to individuals
Loans to individuals					
Standard loans not past due	11 284 663	2 566 667	4 090 370	3 972 520	21 914 220
Overdue:					
- less than 5 calendar days overdue	-	2 732	-	4 038	6 770
- 6 to 30 calendar days	41 372	1 921	18 518	4 739	66 550
- 31 to 60 calendar days	22 793	4 842	-	4 634	32 269
- 61 to 90 calendar days	17 926	1 631	-	1 500	21 057
- 91 to 180 calendar days	43 818	2 503	42 558	5 738	94 617
- 181 to 365 calendar days	20 631	1 849	235 148	18 977	276 605
- more than 365 calendar days	174 403	38 081	74 917	44 955	332 356
Total loans and advances to individuals (before allowance for impairment)	**11 605 606**	**2 620 226**	**4 461 511**	**4 057 101**	**22 744 444**
Allowance for impairment	**(237 246)**	**(47 245)**	**(223 532)**	**(93 449)**	**(601 472)**
Total loans and advances to individuals (after allowance for impairment)	**11 368 360**	**2 572 981**	**4 237 979**	**3 963 652**	**22 142 972**

Management estimates loan impairment for individually assessed corporate loans, for which specific indications of impairment have been identified, based on an analysis of the expected future cash flows based primarily on collateral. The principal collateral taken into account in the estimation of future cash-flows comprises real estate. Valuations for real estate are discounted by 30-50 percent to reflect current market conditions.

For portfolios of loans for which no indications of impairment are identified, in determining the impairment allowance, the Group adjusts historic loss rates to factor in the deterioration/improvement of the loan portfolio, as evidenced by the rate of increase/decrease in the level of impaired and overdue loans arising from current market conditions. The impairment allowance reflects management's estimate of the losses in the portfolio as at 31 December 2013 and 31 December 2012. The financial effect of collateral on measuring credit risk is nil.

The Group estimates the impairment allowance of loans to individuals based on an analysis of future cash flows for impaired loans and based on its past historical loss experience for loans for which no indications of impairment have been identified. Management adjusts historic loss rates to factor in the current deterioration/improvement of the loan portfolio. The principal collateral taken into account in the estimation of future cash-flows comprises mainly real estate and cars. Valuations for real estate and cars are discounted by 10-20 percent to reflect current market conditions.

Loans and advances to customers are classified as "Standard loans not past due" when they do not have any overdue payments as at the reporting date and management does not have any information indicating that the borrower is not able to repay the loan in full and in time.

Loans and advances to customers are classified as "Watch list loans not past due" when they have moderate credit risk. The comprehensive analysis of operating and financial position of the borrower and other information, including the external environment, indicates the stable position of the borrower, however there are some negative factors that may have an impact on the ability of the borrower to repay its loan in the future on a timely basis.

11 Loans and Advances to Customers (continued)

The primary factors that the Group considers when deciding whether a loan is individually impaired are its overdue/restructured status and/or occurrence of any factors that may make it doubtful whether the borrowers are able to repay the full amounts owed on a timely basis.

The following table provides information on collateral securing corporate loans, net of impairment, by types of collateral presented on the basis of excluding overcollateralization at 31 December 2013 and 2012:

In thousands of Russian Roubles	**2013**	**2012**
Cash	5 077 033	806 044
Real estate	102 425 169	84 245 660
Motor vehicles	506 587	325 763
Equipment	16 816 257	18 114 548
Sureties	58 390 682	55 454 694
Other collateral	14 432 228	25 409 087
No collateral	16 306 460	15 880 152
Total corporate loans	**213 954 416**	**200 235 948**

The recoverability of corporate loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

The Group has standard non-delinquent loans, for which fair value of collateral was assessed at the loan inception date and not updated for further changes, and loans for which fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date.

Information on valuation of collateral is based on when this estimate was made, if any. For loans secured by multiple types of collateral, the collateral that is most relevant for impairment assessment is disclosed.

There are highly reliable borrowers included in loans to finance working capital, for which the Group considers it appropriate to issue loans without collateral.

Mortgage loans are secured by the underlying housing real estate. Mortgage loans amount does not exceed 85% of real estate cost. Auto loans are secured by the underlying cars.

Management estimates that the impairment allowance on loans to corporate customers would have been RUB 14 457 243 thousand higher without taking into consideration collateral value (2012: RUB 18 093 112 thousand).

Interest income on overdue and impaired loans during 2013 amounts to RR 535 874 thousand (2012: RR 637 820 thousand).

Currency and maturity and interest rate analyses of loans and advances to customers are disclosed in note 32. Fair value analysis of loan and advances to customers is disclosed in note 35. The information on related party transactions is disclosed in note 36.

12 Investment Securities Available-For-Sale

Investment securities available-for-sale are represented by corporate shares of Russian and foreign companies and shares of a close-ended real estate mutual investment fund.

Some of these investment securities do not have a quoted market price in an active market and their fair value cannot be reliably measured. The fair value of securities which can be reliably measured amounts to RR 1 121 334 thousand as at 31 December 2013 (2012: RR 3 317 843 thousand). Refer to note 35.

Currency and maturity analyses of investment securities available-for-sale are disclosed in note 32.

13 Investment Property

In thousands of Russian Roubles	**2013**	**2012**
Land	1 441 617	2 638 631
Premises	220 463	220 447
Accumulated depreciation	(8 965)	(3 322)
Total investment property	**1 653 115**	**2 855 756**

Investment property represents land plots and buildings.

Changes in investment property during the year are as follows:

In thousands of Russian Roubles	**2013**	**2012**
Gross balance as at 1 January	2 859 078	4 562 817
Receipts	1 438 162	-
Transfers from other categories	-	220 447
Transfers and disposals	(2 635 160)	(1 924 186)
Gross balance as at 31 December	**1 662 080**	**2 859 078**

The fair value of investment property as at 31 December 2013 is RR 1 662 080 thousand (2012: RR 3 254 435 thousand).

The estimate of fair values of investment property are obtained from an independent appraiser, who holds a recognised and relevant professional qualification and who has experience in valuation of investment property of similar location and category. The fair value is assessed using the sales comparison approach, i.e. comparison with other premises that were sold or are offered for sale. The fair value estimate of investment property is classified to level 3 of hierarchy.

14 Premises, Equipment and Intangible Assets

In thousands of Russian Roubles	Note	Premises	Office and computer equipment	Construction in progress	Intangible assets	Total
Cost as at 1 January 2012		13 064 144	2 227 842	43 035	11 869	15 346 890
Accumulated depreciation and impairment loss		(228)	(1 205 055)	-	(7 098)	(1 212 381)
Net book amount as at 1 January 2012		**13 063 916**	**1 022 787**	**43 035**	**4 771**	**14 134 509**
Additions		172 550	349 860	386 236	3 481	912 127
Transfers between categories		-	32 075	(32 075)	-	-
Disposals		(659 752)	(18 864)	-	-	(678 616)
Depreciation and amortisation charge	27	(281 257)	(367 979)	-	(1 883)	(651 119)
Revaluation		254 740	-	-	-	254 740
Recovery of impairment		40	-	-	-	40
Net book amount as at 31 December 2012		**12 550 237**	**1 017 879**	**397 196**	**6 369**	**13 971 681**
Cost as at 31 December 2012		12 550 425	2 416 003	397 196	15 350	15 378 974
Accumulated depreciation and impairment loss		(188)	(1 398 124)	-	(8 981)	(1 407 293)
Net book amount as at 31 December 2012		**12 550 237**	**1 017 879**	**397 196**	**6 369**	**13 971 681**
Additions		18 717	314 232	150 323	2 912	486 184
Transfers between categories		216 421	2 127	(218 548)	-	-
Disposals		(2 472)	(4 158)	-	-	(6 630)
Depreciation and amortisation charge	27	(282 486)	(361 427)	-	(994)	(644 907)
Net book amount as at 31 December 2013		**12 500 417**	**968 653**	**328 971**	**8 287**	**13 806 328**
Cost as at 31 December 2013		12 783 088	2 632 768	328 971	17 953	15 762 780
Accumulated depreciation and impairment loss		(282 671)	(1 664 115)	-	(9 666)	(1 956 452)
Net book amount as at 31 December 2013		**12 500 417**	**968 653**	**328 971**	**8 287**	**13 806 328**

Construction in progress in 2013 mainly consists of refurbishment of branch and outlet premises.

Premises were valued as at 31 December 2012 by an independent appraiser. The valuation was based on market comparisons.

As at 31 December 2013 the Group did not revalue premises due to non-significant changes in their fair values. As at 31 December 2013 and 2012 the carrying value includes revaluation of premises in the total amount of RR 4 173 787 thousand. The Group has recorded a deferred tax liability of RR 834 756 thousand related to the amount of the revaluation reserve. The fair value estimate of premises is classified to level 3 of hierarchy.

If premises were recorded at cost less accumulated depreciation, their carrying value as at 31 December 2013 would amount to RR 8 989 686 thousand (2012: RR 8 928 413 thousand).

15 Other Assets

In thousands of Russian Roubles	2013	2012
Plastic cards receivables	686 939	605 756
Fair value of derivative financial instruments	418 587	394 006
Settlements on operations with securities	143 510	41 559
Settlements on foreign exchange	52 367	-
Receivables for fees from customers	40 166	33 895
Total other financial assets	**1 341 569**	**1 075 216**
Deferred expenses	882 717	733 701
Receivables and advances	200 150	265 062
Prepaid taxes	99 452	31 453
Prepaid rent	14 281	28 295
Other	93 398	65 659
Total other non-financial assets	**1 289 998**	**1 124 170**
Total other assets	**2 631 567**	**2 199 386**

Other financial assets do not include individually impaired and overdue assets. No provision was created for other financial assets in 2013 and 2012.

Receivables and advances relate to the purchase of new computer software and equipment, as well as prepayments for repair works on existing premises and equipment.

Currency and maturity analyses of other assets are disclosed in note 32.

16 Long-term assets held for sale

In thousands of Russian Roubles	2013	2012
Land	1 099 805	-
Property	309 686	-
Total long-term assets held for sale	**1 409 491**	**-**

During the third quarter of 2013 as a result of bankruptcy proceedings the Group obtained property and land, which were pledged as collateral for corporate loans. The Group decided to sell such property and land.

In 2013 the Group also decided to sell a property complex, which earlier was being held for capital appreciation.

Currency and maturity analyses of long-term assets held for sale are disclosed in note 32.

17 Due to Banks

In thousands of Russian Roubles	2013	2012
Amounts payable under sale and repurchase agreements	53 590 226	35 729 688
Term placements of banks	16 734 658	16 173 913
Correspondent accounts of banks	216 104	350 701
Total due to banks	**70 540 988**	**52 254 302**

As at 31 December 2013 included in due to banks are sale and repurchase agreements with credit institutions in the amount of RR 53 590 266 thousand (2012: RR 35 729 688 thousand). Securities pledged under these sale and repurchase agreements are securities:

from trading portfolio, including corporate bonds with fair value of RR 36 660 302 thousand, corporate Eurobonds with fair value of RR 6 868 657 thousand, Eurobonds of the Russian Federation with fair value of RR 2 722 173 thousand, federal loan bonds with fair value of RR 2 624 778 thousand, municipal bonds with fair value of RR 2 459 922 thousand, and corporate shares with fair value of RR 393 114 thousand (2012: corporate bonds with fair value of RR 28 688 598 thousand, municipal bonds with fair value of RR 3 873 626 thousand, corporate Eurobonds with fair value of RR 1 881 322 thousand and federal loan bonds with fair value of RR 847 493 thousand);

reclassified in 2008 from trading securities to loans to customers, which are municipal bonds with fair value of RR 296 426 thousand (2012: municipal bonds with a fair value of RR 388 241 thousand and corporate bonds with a carrying value of RR 45 273 thousand);

reclassified in 2008 from trading securities to due from banks, which are corporate bonds with fair value of RR 503 504 thousand (2012: corporate bonds with a fair value of RR 580 387 thousand),

transferred to the Group under reverse repurchase agreement (without initial recognition), which are corporate bonds with fair value of RR 4 173 360 thousand, federal loan bonds with fair value of RR 1 984 122 thousand, eurobonds of the Russian Federation with fair value of RR 926 215 thousand and corporate shares with fair value of RR 5 822 539 thousand (2012: corporate shares with fair value of RR 2 982 075 thousand, corporate bonds with fair value of RR 1 800 752 thousand and federal loan bonds with fair value of RR 947 813 thousand).

As at 31 December 2013, included in due to banks there is fair value of securities sold short, in amount of RR 122 536 thousand, which serve as collateral under sale and repurchase agreements (2012: no such securities).

Currency, maturity and interest rate analyses of due to banks are disclosed in note 32.

18 Customer Accounts

In thousands of Russian Roubles	2013	2012
State and public organisations		
- Current/settlement accounts	905 604	835 462
- Term deposits	57	-
Other legal entities		
- Current/settlement accounts	54 979 453	51 466 052
- Term deposits	71 936 160	68 966 817
- Amounts payable under sale and repurchase agreements	1 884	308 259
Individuals		
- Current accounts/demand deposits	30 461 432	23 381 940
- Term deposits	94 842 701	77 838 204
Total customer accounts	**253 127 291**	**222 796 734**

State and public organisations exclude government owned profit oriented businesses.

18 Customer Accounts (continued)

Economic sector concentrations within customer accounts are as follows:

	2013		2012	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	125 304 133	49.5	101 220 144	45.4
Construction	31 815 454	12.6	34 034 534	15.3
Financial services	24 971 358	9.9	24 000 909	10.8
Trade	18 301 513	7.2	12 831 709	5.8
Manufacturing	11 088 227	4.4	12 433 943	5.6
Real estate	10 782 393	4.3	10 521 306	4.7
Art, science and education	10 679 615	4.2	7 499 361	3.4
Transport	7 188 330	2.8	5 114 334	2.3
Cities and municipalities	2 635 690	1.0	4 432 721	2.0
Public utilities	927 092	0.4	2 972 475	1.3
Medical institutions	774 258	0.3	525 956	0.2
Communications	695 118	0.3	1 019 745	0.5
Energy	497 836	0.2	777 445	0.3
Other	7 466 274	2.9	5 412 152	2.4
Total customer accounts	**253 127 291**	**100.0**	**222 796 734**	**100.0**

As at 31 December 2013, included in customer accounts there is fair value of securities sold short, in amount of RR 1 884 thousand, which serve as collateral under sale and repurchase agreements (2012: no such securities).

As at 31 December 2013, there are no sale and repurchase agreements with legal entities included in customer accounts collateralised by securities transferred to the Bank under reverse repurchase agreement (without initial recognition) (2012: included in customer accounts are sale and repurchase agreements with legal entities in the amount of RR 308 259 thousand, securities pledged under these sale and repurchase agreements are corporate shares with the fair value of RR 359 250 thousand transferred to the Bank under reverse repurchase agreement (without initial recognition). Refer to note 9.

As at 31 December 2013, customer accounts include deposits amounting to RR 3 440 676 thousand representing security for irrevocable liabilities on import letters of credit (2012: RR 529 578 thousand).

Currency and maturity and interest rate analyses of customer accounts are disclosed in note 32. Fair value analysis of customer accounts is disclosed in note 35. The information on related party transactions is disclosed in note 36.

19 Bonds Issued

In thousands of Russian Roubles	**2013**	**2012**
Bonds	10 209 883	10 674 577
Subordinated Eurobonds	10 008 906	6 209 007
Total bonds issued	**20 218 789**	**16 883 584**

On 8 October 2012 the Group issued Russian Rouble denominated interest-bearing bonds (one bond – RR 1 000, the bonds were placed at nominal value), in the amount of 5 000 000 items. These bonds have a maturity of 1 092 days and a coupon period of 182 days. As at 31 December 2013, the carrying value of these bonds is RR 5 091 347 thousand with coupon rate 8.65% p.a. (2012: carrying value of these bonds is RR 5 096 984 thousand with a coupon rate of 9.5% p.a.).

20 Bonds Issued (continued)

On 12 September 2013 the Group issued Russian Rouble denominated interest-bearing bonds (one bond – RR 1 000, the bonds were placed at nominal value), in the amount of 5 000 000 items. These bonds have a maturity of 1 092 days, with early redemption option in September 2014, coupon period of 182 days, and the placement rate of 8.5% is set for two coupon periods. As at 31 December 2013, the carrying value of these bonds is RR 5 118 536 thousand.

In July 2007 the Group placed 1 000 interest-bearing US Dollar-denominated subordinated Eurobonds (one bond – USD 100 000). The issue was arranged by J.P. Morgan and UBS. The issue was registered on the Irish Stock Exchange. As at 31 December 2013, the carrying value of these bonds is USD 102 348 thousand, the equivalent of RR 3 349 767 thousand (2012: USD 102 141 thousand, the equivalent of RR 3 102 288 thousand). These subordinated Eurobonds mature on 25 July 2017, have a nominal coupon rate of 7.63% p.a. and effective interest rate of 8.17% p.a.

In October 2012 the Group placed 505 interest-bearing US Dollar-denominated subordinated Eurobonds (one bond – USD 200 000). The issue was arranged by BNP Paribas and UBS. The issue was registered on the Irish Stock Exchange. As at 31 December 2013, the carrying value of these bonds is USD 102 272 thousand, the equivalent of RR 3 347 273 thousand (2012: USD 102 278 thousand, the equivalent of RR 3 106 719 thousand). These subordinated Eurobonds mature on 24 October 2018, have a nominal coupon rate of 11.0% p.a. and effective interest rate of 11.54% p.a.

In October 2013 the Group placed 500 interest-bearing US Dollar-denominated subordinated Eurobonds (one bond – USD 200 000). The issue was arranged by J.P. Morgan and VTB Capital. The issue was registered on the Irish Stock Exchange. As at 31 December 2013, the carrying value of these bonds is USD 101 190 thousand, the equivalent of RR 3 311 866 thousand (2012: no such bonds). These subordinated Eurobonds mature on 22 April 2019, have a nominal coupon rate of 10.75% p.a. and effective interest rate of 11.26% p.a.

In the event of liquidation of the Bank, the claims for repayment of subordinated Eurobonds are subordinated to the claims of other creditors and depositors.

On 9 April 2013 the Group redeemed Russian Rouble denominated interest-bearing bonds issued on 13 April 2010. As at 31 December 2012 the carrying value of these bonds was RR 46 910 thousand with a coupon rate of 8.0% p.a.

On 23 September 2013 the Group redeemed Russian Rouble denominated interest-bearing bonds issued on 27 September 2010. As at 31 December 2012 the carrying value of these bonds was RR 5 113 504 thousand with a coupon rate of 9.0% p.a.

On 12 December 2013 the Group redeemed Russian Rouble denominated interest-bearing bonds issued on 16 December 2010. As at 31 December 2012 the carrying value of these bonds was RR 417 179 thousand with a coupon rate of 9.0% p.a.

Currency and maturity and interest rate analyses of bonds issued are disclosed in note 32.

20 Other Debt Securities Issued

In thousands of Russian Roubles	2013	2012
Promissory notes	8 507 338	5 228 677
Deposit certificates	2	15 657
Total other debt securities issued	**8 507 340**	**5 244 334**

Currency and maturity and interest rate analyses of other debt securities issued are disclosed in note 32.

21 Other Borrowed Funds

In thousands of Russian Roubles	**2013**	**2012**
Subordinated loans	4 047 873	5 333 607
VTB Bank	1 968 665	2 915 434
EBRD	771 571	2 051 128
AKA AFK	581 697	260 372
Nordic Investment Bank	209 620	302 671
Eurasian Development Bank	-	395 090
KFW IPEX-Bank GmbH	-	152 326
Total other borrowed funds	**7 579 426**	**11 410 628**

In June 2009 the Group attracted a subordinated loan from the European Bank for Reconstruction and Development ("EBRD") in the amount of USD 75 000 thousand. The loan is granted for the period of 10 years and 6 months with maturity in 2020, with the option of bullet repayment in 2014. As at 31 December 2013, the carrying value is USD 78 903 thousand, the equivalent of RR 2 582 447 thousand (2012: USD 78 746 thousand, the equivalent of RR 2 391 728 thousand). The interest rate during the first five years is 13.40%.

In August 2009 the Group attracted a subordinated loan from Vnesheconombank (VEB) in the amount of RR 1 466 000 thousand maturing in 2014. As at 31 December 2013, the carrying value is RR 1 465 426 thousand (2012: RR 1 465 892 thousand). The subordinated loan had an initial interest rate of 8.0% p.a. In August 2010 the interest rate was decreased to 6.50% p.a.

In the event of liquidation of the Bank, the claims for repayment of subordinated loans are subordinated to the claims of all other creditors and depositors.

On 22 March 2013 the Group attracted a loan from VTB Bank (Deutschland) to finance trade contracts of clients in the amount of USD 20 000 thousand and interest rate of LIBOR + 3.25% p.a. and maturing on 17 September 2014. As at 31 December 2013 the carrying value is USD 20 017 thousand, the equivalent of RR 655 139 thousand. As at 31 December 2013 the interest rate is 3.49% p.a.

On 18 August 2013 the Group attracted a loan from VTB Bank (Deutschland) to finance trade contracts of clients in the amount of USD 20 000 thousand, an interest rate of LIBOR + 3.25% p.a. and maturing on 6 February 2015. As at 31 December 2013 the carrying value is USD 20 087 thousand, the equivalent of RR 657 441 thousand. As at 31 December 2013 the interest rate is 3.49% p.a.

On 5 September 2013 the Group attracted a loan from VTB Bank (Deutschland) to finance trade contracts of clients in the amount of USD 20 000 thousand, an interest rate of LIBOR + 3.25% p.a. and maturing on 27 February 2015. As at 31 December 2013 the carrying value is USD 20 046 thousand, the equivalent of RR 656 085 thousand. As at 31 December 2013 the interest rate is 3.49% p.a.

On 14 December 2010 the Group attracted a loan from the EBRD to finance small and medium enterprises in the amount of USD 65 000 thousand with contractual maturity in March 2014. As at 31 December 2013, the carrying value is USD 22 040 thousand, the equivalent of RR 721 366 thousand (2012: USD 65 998 thousand, the equivalent of RR 2 004 537 thousand). The fixed interest rate is 5.55% p.a.

On 21 May 2012 the Group attracted a loan under a revolving loan agreement with the EBRD to finance trade contracts of clients in the amount of USD 1 528 thousand. The loan matures on 21 May 2015. As at 31 December 2013, the carrying value is USD 1 534 thousand, the equivalent of RR 50 205 thousand (2012: USD 1 534 thousand, the equivalent of RR 46 591 thousand). The interest rate is LIBOR + 4.0%, which as at 31 December 2013 is 4.35% p.a.

21 Other Borrowed Funds (continued)

On 3 December 2012 the Group attracted the first tranche of a credit facility provided by AKA Ausfuhrkredit-Gesellschaft m.b.H. in the amount of EUR 6 472 thousand. The total amount of the credit facility equals EUR 36 739 thousand. The Group used the amount to finance trade contracts of clients. The Group will start scheduled redemption not later than on 30 March 2015, and the loan maturity is on 30 September 2017. As at 31 December 2013, the carrying value is EUR 6 497 thousand, the equivalent of RR 292 169 thousand. (2012: EUR 6 472 thousand, the equivalent of RR 260 372 thousand). The interest rate is EURIBOR + 1.75%, which as at 31 December 2013 is 2.09% p.a. (2012: 1.99% p.a.).

On 31 January 2013 the Group attracted the second tranche of a credit facility provided by AKA Ausfuhrkredit-Gesellschaft m.b.H. in the amount of EUR 2 542 thousand. The total amount of the credit facility equals EUR 36 739 thousand. The Group used the amount to finance trade contracts of clients. The Group will start scheduled repayment not later than on 30 March 2015, and the loan maturity is on 30 September 2017. As at 31 December 2013, the carrying value is EUR 2 554 thousand, the equivalent of RR 114 837 thousand. The interest rate is EURIBOR + 1.75%, which as at 31 December 2013 is 2.09% p.a.

On 13 November 2013 the Group attracted the third tranche of a credit facility provided by AKA Ausfuhrkredit-Gesellschaft m.b.H. in the amount of EUR 2 119 thousand. The total amount of the credit facility equals EUR 36 739 thousand. The Group used the amount to finance trade contracts of clients. The Group will start scheduled repayment not later than on 30 March 2015, and the loan maturity is on 30 September 2017. As at 31 December 2013, the carrying value is EUR 2 124 thousand, the equivalent of RR 95 531 thousand. The interest rate is EURIBOR + 1.75%, which as at 31 December 2013 is 2.02% p.a.

On 21 January 2013 the Group attracted the first tranche of a credit facility provided by AKA Ausfuhrkredit-Gesellschaft m.b.H. in the amount of EUR 915 thousand. The total amount of the credit facility equals EUR 5 080 thousand. The Group used the amount to finance trade contracts of clients. The Group will repay the loan in two equal payments on 30 May and 30 June 2014. As at 31 December 2013, the carrying value is EUR 919 thousand, the equivalent of RR 41 335 thousand. The interest rate is EURIBOR + 1.75%, which as at 31 December 2013 is 2.09% p.a.

On 4 February 2013 the Group attracted the second tranche of a credit facility provided by AKA Ausfuhrkredit-Gesellschaft m.b.H. in the amount of EUR 458 thousand. The total amount of the credit facility equals EUR 5 080 thousand. The Group used the amount to finance trade contracts of clients. The Group will repay the loan in two equal payments on 30 May and 30 June 2014. As at 31 December 2013, the carrying value is EUR 459 thousand, the equivalent of RR 20 629 thousand. The interest rate is EURIBOR + 1.75%, which as at 31 December 2013 is 2.09% p.a.

On 13 November 2013 the Group attracted the third tranche of a credit facility provided by AKA Ausfuhrkredit-Gesellschaft m.b.H. in the amount of EUR 381 thousand. The total amount of the credit facility equals EUR 5 080 thousand. The Group used the amount to finance trade contracts of clients. The Group will repay the loan in two equal payments on 30 May and 30 June 2014. As at 31 December 2013, the carrying value is EUR 382 thousand, the equivalent of RR 17 196 thousand. The interest rate is EURIBOR + 1.75%, which as at 31 December 2013 is 2.02% p.a.

On 6 September 2007 and 20 November 2007 the Group attracted four tranches of a credit facility provided by Nordic Investment Bank. The Group used the amount to fund certain projects. The Group has started the scheduled redemption of this amount. The loan maturity date is on 3 October 2015. As at 31 December 2013 USD 22 205 thousand of the principal debt was redeemed. As at 31 December 2013, the carrying value is USD 6 404 thousand, the equivalent of RR 209 620 thousand (2012: USD 9 965 thousand, the equivalent of RR 302 671 thousand). The interest rate ranges from LIBOR + 2.6% p.a. to LIBOR + 2.95% p.a., depending on maturity dates of the tranches. As at 31 December 2013 the interest rates ranged from 3.22% to 3.32% p.a.

21 Other Borrowed Funds (continued)

On 16 January 2013 the Group repaid the loan attracted from VTB Bank (Deutschland) AG to finance trade contracts of clients in the amount of USD 20 000 thousand and an interest rate of LIBOR + 4.25% p.a. As at 31 December 2012 the carrying value was USD 15 058 thousand, the equivalent of RR 457 356 thousand. As at the date of repayment the interest rate was 4.584% p.a.

On 25 January 2013 the Group repaid the loan attracted from VTB Bank (Deutschland) AG to finance trade contracts of clients in the amount of USD 20 000 thousand and an interest rate of LIBOR + 3.5% p.a. As at 31 December 2012 the carrying value was USD 20 132 thousand, the equivalent of RR 611 461 thousand. As at date of repayment the interest rate was 3.814% p.a.

On 20 February 2013 the Group repaid the loan attracted from VTB Bank (France) to finance trade contracts of clients in the amount of USD 20 000 thousand and an interest rate of LIBOR + 4.25% p.a. As at 31 December 2012 the carrying value was USD 20 363 thousand, the equivalent of RR 618 467 thousand. As at the date of repayment the interest rate was 4.968% p.a.

On 27 February 2013 the Group repaid the loan attracted from VTB Bank (Deutschland) to finance trade contracts of clients in the amount of USD 20 000 thousand and an interest rate of LIBOR + 3.5% p.a. As at 31 December 2012 the carrying value was USD 20 087 thousand, the equivalent of RR 610 094 thousand. As at the date of repayment the interest rate was 3.925% p.a.

On 17 June 2013 the Group repaid the loan attracted from KFW IPEX-Bank GmbH in the amount of USD 35 000 thousand. As at 31 December 2012 the carrying value was USD 5 015 thousand, the equivalent of RR 152 326 thousand. The interest rate was LIBOR + 6.12%, and was fixed at 9.987% p.a. for the loan period.

On 16 August 2013 the Group repaid the loan attracted from VTB Bank (France) to finance trade contracts of clients in the amount of USD 20 000 thousand and an interest rate of LIBOR + 3.95% p.a. As at 31 December 2012 the carrying value was USD 20 349 thousand, the equivalent of RR 618 056 thousand. As at the date of repayment the interest rate was 4.409% p.a.

On 28 August 2013 the Group repaid in advance a subordinated loan in the amount of EUR 36 690 thousand with a fixed interest rate of 14.50% p.a. and maturity in December 2014. As at 31 December 2012 the carrying value was EUR 36 690 thousand, the equivalent of RR 1 475 987.

On 24 December 2013 the Group repaid the loan attracted from the Eurasian Development Bank (“EBD”) to finance trade contracts of clients in the amount of USD 13 000 thousand. As at 31 December 2012, the carrying value was USD 13 008 thousand, the equivalent of RR 395 090 thousand. The interest rate was LIBOR + 2.75%, which as at the date of repayment was 3.16% p.a.

In the event of liquidation of the Bank, the claims for repayment of subordinated loans are subordinated to the claims of all other creditors and depositors.

The Group is required to meet certain covenants attached to syndicated loans, subordinated loans and funds from EBRD, Nordic Investment Bank, EDB, VTB Bank (Deutschland) AG, VTB Bank (France). Non-compliance with such covenants may result in negative consequences for the Group including an increase in the cost of borrowings and declaration of default (except for subordinated loans). As at 31 December 2013 and 31 December 2012, the Group fully meets all covenants of the loan agreements.

Currency and maturity analyses of other borrowed funds are disclosed in note 32. The information on related party transactions is disclosed in note 36.

22 Other Liabilities

In thousands of Russian Roubles	Note	2013	2012
Fair value of derivative financial instruments		145 375	626 583
Plastic card payables		101 290	129 039
Payables to customers		63 773	182 515
Fair value of guarantees and import letters of credit		20 395	34 631
Dividends payable	30	3 743	3 123
Other		381	26
Total other financial liabilities		**334 957**	**975 917**
Taxes payable		102 452	154 706
Commitments to employees		91 070	276 047
Allowance for credit related commitments	34	8 850	162 057
Other		281 029	247 056
Total other non-financial liabilities		**483 401**	**839 866**
Total other liabilities		**818 358**	**1 815 783**

Analysis of movements in the allowance for credit related commitments during 2013 and 2012 is as follows:

In thousands of Russian Roubles	2013	2012
Allowance at 1 January	**162 057**	**191 003**
Recovery of impairment for credit related commitments during the year	(153 207)	(28 946)
Allowance at 31 December	**8 850**	**162 057**

Currency and maturity analyses of other liabilities are disclosed in note 32.

23 Share Capital

In thousands of Russian Roubles	Number of outstanding ordinary shares (thousand)	Number of outstanding preference shares (thousand)	Ordinary shares	Preference shares	Share premium	Total
As at 1 January 2012	**300 719**	**85 311**	**3 405 448**	**242 662**	**18 448 915**	**22 097 025**
New shares issued	-	-	-	-	-	**-**
As at 31 December 2012	**300 719**	**85 311**	**3 405 448**	**242 662**	**18 448 915**	**22 097 025**
New shares issued	138 835	(65 211)	138 835	(65 211)	2 944 963	**3 018 587**
As at 31 December 2013	**439 554**	**20 100**	**3 544 283**	**177 451**	**21 393 878**	**25 115 612**

As at 31 December 2013 the nominal registered amount of issued share capital prior to restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002, is RR 459 654 thousand (2012: RR 386 030 thousand). As at 31 December 2013, all of the outstanding shares are authorised, issued and fully paid in.

All ordinary shares have a nominal value of RR 1 per share (2012: RR 1 per share). Each share carries one vote.

As at 31 December 2013, the Group has one type of preference shares with a nominal value of RR 1 in the amount of 20 100 000 shares.

23 Share Capital (continued)

Preference shares carry no voting rights and are non-redeemable.

Type A preference shares with a nominal value of RR 1 in the number of 65 211 000 shares were converted into ordinary shares on a one-for-one basis on 15 May 2013.

At the end of 2012, prior to conversion, the dividend per one type A preference share was Rouble denominated and was set at 13.5% of the placement price of one type A preference share fixed in US dollars. The Rouble equivalent is calculated using the exchange rate set by the CBRF as at the date the Supervisory Board accepts recommendations in respect of the amount of dividends on type A preference shares.

If shareholders do not declare dividends on preference shares, owners of preference shares gain the same voting rights as ordinary shareholders until the preference dividend is paid. Preference shares are not cumulative.

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

On 22 June 2013 the Group registered an additional issue of ordinary shares. The placement of additional ordinary shares was completed as at 9 September 2013 with 73 624 065 ordinary shares realized at price RR 41 per share. The total amount of newly issued shares comprised RR 3 018 587 thousand. On 11 September 2013 the report on issuance results was sent to the CBRF.

24 Other Comprehensive Income (Loss) Recognized in Equity

The analysis of other comprehensive income by each component of equity is as follows:

In thousands of Russian Roubles	**Note**	**Revaluation reserve for premises**	**Revaluation reserve for investment securities available-for-sale**	**Total comprehensive income (loss)**
Year ended 31 December 2012				
Items that will be reclassified subsequently to profit or loss:				
Loss from revaluation of investment securities available-for-sale		-	(492 217)	**(492 217)**
Deferred income tax recognised directly in other comprehensive income	28		98 443	**98 443**
Items that will not be reclassified to profit or loss:				
Income from revaluation of premises and equipment		254 740	-	**254 740**
Deferred income tax recognised directly in other comprehensive income	28	(50 948)		**(50 948)**
Total other comprehensive income (loss)		**203 792**	**(393 774)**	**(189 982)**
Year ended 31 December 2013				
Items that will be reclassified subsequently to profit or loss:				
Revaluation of investment securities available-for-sale transferred to profit or loss upon disposal		-	(2 424 695)	**(2 424 695)**
Gain from revaluation of investment securities available-for-sale		-	643 940	**643 940**
Deferred income tax recognised directly in other comprehensive income	28	-	291 743	**291 743**
Total other comprehensive income (loss)		**-**	**(1 489 012)**	**(1 489 012)**

25 Interest Income and Expense

In thousands of Russian Roubles	**2013**	**2012**
Interest income		
Loans and advances to customers	25 620 647	22 833 895
Trading securities	4 182 182	3 648 688
Amounts receivable under reverse repurchase agreements	726 614	543 483
Due from banks	272 827	272 453
Correspondent accounts with banks	29 255	62 648
Total interest income	**30 831 525**	**27 361 167**
Interest expense		
Term deposits of legal entities	5 164 482	5 251 751
Term deposits of individuals	5 809 097	4 812 678
Due to banks	3 569 840	2 506 763
Bonds issued	1 660 162	1 181 363
Other borrowed funds	755 747	935 910
Other debt securities issued	318 442	352 457
Current/settlement accounts	181 762	338 099
Total interest expense	**17 459 532**	**15 379 021**
Net interest income	**13 371 993**	**11 982 146**

26 Fee and Commission Income and Expense

In thousands of Russian Roubles	2013	2012
Fee and commission income		
Settlement transactions	1 071 696	953 054
Guarantees and letters of credit issued	844 232	726 298
Plastic cards and cheque settlements	839 231	700 294
Cash transactions	198 711	189 092
Cash collections	154 052	134 046
Custody operations	24 580	22 997
Foreign exchange transactions	10 326	13 225
Other	29 628	14 198
Total fee and commission income	**3 172 456**	**2 753 204**
Fee and commission expense		
Plastic cards and cheque settlements	267 855	181 689
Settlement transactions	74 770	76 178
Guarantees and letters of credit	72 354	73 088
Securities	34 379	33 463
Foreign exchange transactions	9 479	10 694
Banknote transactions	8 128	7 578
Other	27 623	21 385
Total fee and commission expense	**494 588**	**404 075**
Net fee and commission income	**2 677 868**	**2 349 129**

Information on related party transactions is disclosed in note 36.

27 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	2013	2012
Staff costs		3 309 775	3 059 023
Depreciation and amortisation of premises, equipment and intangible assets	14	644 907	651 119
Taxes other than on income		577 868	579 991
Other costs, related to premises and equipment		534 633	530 059
Contributions to deposits insurance system		428 971	358 046
Information and consulting services		346 200	308 737
Rent expenses		227 853	220 467
Security expenses		212 329	219 587
Transportation costs		210 848	220 947
Advertising and marketing services		191 817	120 586
Postal, cable and telecommunication expenses		133 455	119 457
Professional services		34 173	41 340
Charity expenses		14 150	22 732
Other administrative expenses		811 726	759 670
Total administrative and other operating expenses		**7 678 705**	**7 211 761**

28 Income Taxes

Income tax expense comprises the following:

In thousands of Russian Roubles	2013	2012
Current tax	1 146 993	907 947
Deferred tax	641 210	(428 434)
Income tax expense for the year	**1 788 203**	**479 513**

The income tax rate applicable to the majority of the Group’s 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	**8 483 466**	**1 783 013**
Tax charge at statutory rate	1 696 693	356 603
- Non deductible expenses	119 271	167 503
- Income on government securities taxed at different rates	(27 761)	(44 593)
Income tax expense for the year	**1 788 203**	**479 513**

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for IFRS financial reporting purposes and their income 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%), except for income on state securities which is taxed at 15% (2012: 15%).

In thousands of Russian Roubles	31 December 2012	Charged to profit or loss	Charged directly to equity	31 December 2013
Tax effect of deductible temporary differences				
Provision for loan impairment	93 157	(2 000)	-	91 157
Accrued income/expense	149 752	147 985	-	297 737
Valuation of bonds issued at amortised cost	61 872	11 588	-	73 460
Valuation of other borrowed funds at amortised cost	35 488	(5 772)	-	29 716
Valuation of investment securities held-to-maturity at amortised cost	951	(951)	-	-
Valuation of due from banks at amortised cost	-	(686)	-	(686)
Valuation of trading and other securities at fair value	298 612	(862 108)	291 743	(271 753)
Premises and equipment	(1 218 601)	110 959	-	(1 107 642)
Other	(25 936)	(40 225)	-	(66 161)
Recognised deferred tax liability	**(604 705)**	**(641 210)**	**291 743**	**(954 172)**

28 Income Taxes (continued)

In thousands of Russian Roubles	31 December 2011	Charged to profit or loss	Charged directly to equity	31 December 2012
Tax effect of deductible temporary differences				
Provision for loan impairment	77 597	15 560	-	93 157
Accrued income/expense	301 525	(151 773)	-	149 752
Valuation of bonds issued at amortised cost	35 762	26 110	-	61 872
Valuation of other borrowed funds at amortised cost	36 677	(1 189)	-	35 488
Valuation of investment securities held-to-maturity at amortised cost	941	10	-	951
Valuation of due from banks at amortised cost	643	(643)	-	-
Valuation of trading and other securities at fair value	(305 254)	505 423	98 443	298 612
Premises and equipment	(1 293 597)	125 944	(50 948)	(1 218 601)
Other	65 072	(91 008)	-	(25 936)
Recognised deferred tax liability	**(1 080 634)**	**428 434**	**47 495**	**(604 705)**

29 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares in issue during the year less treasury stock.

As at 31 December 2013 the Group has no potentially dilutive shares. Thus, diluted earnings per share equals to basic earnings per share. Refer to note 23.

In 2012 the Bank had convertible preference shares, however their effect on earnings per share was anti-dilutive.

Basic earnings per share are calculated as follows:

In thousands of Russian Roubles	2013	2012
Profit attributable to Group's shareholders	6 695 263	1 303 500
Less preference dividends	(834 303)	(784 743)
Profit attributable to ordinary shareholders of the Bank	**5 860 960**	**518 757**
Weighted average number of ordinary shares in issue (thousands)	364 201	300 719
Basic earnings per share (expressed in RR per share)	**16.09**	**1.73**

30 Dividends

In thousands of Russian Roubles	2013 Ordinary	2013 Preference, type A	2013 Preference	2012 Ordinary	2012 Preference, type A	2012 Preference
Dividends payable as at 1 January	**3 123**	**-**	**-**	**3 367**	**-**	**-**
Dividends declared during the year	33 079	832 092	2 211	33 079	782 532	2 211
Dividends paid during the year	(32 459)	(832 092)	(2 211)	(33 323)	(782 532)	(2 211)
Dividends payable as at 31 December	**3 743**	**-**	**-**	**3 123**	**-**	**-**
Dividends per share declared during the year (RR per share)	**0.11**	**12.80**	**0.11**	**0.11**	**12.00**	**0.11**

All dividends were declared and paid in Russian Roubles.

31 Segment Analysis

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Management Board performs the responsibilities of the chief operating decision maker.

Description of products and services that constitute sources of revenues of the reporting segments

The Group is organised on a basis of three main business segments:

- Corporate banking – settlement and current accounts, deposits, overdrafts, loans and other credit facilities, foreign currency transactions with commercial and state entities.

- Operations on financial markets – financial instruments trading, loans and deposits on the interbank market, dealing in foreign exchange and derivative financial instruments.

- Retail banking – private banking services, private customer current accounts, deposits, retail investment products, custody, credit and debit cards, consumer loans, mortgages and other loans to individuals and VIP clients.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income/expense. Interest charged for these funds is based on market interest rates. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of assets and liabilities of the Group, but excluding some premises, equipment and intangible assets, long-term assets held-for-sale, investment property, other assets and liabilities and balances on taxation settlements. Internal charges and transfer pricing adjustments are reflected in the performance of each business segment.

31 Segment Analysis (continued)

Factors used by management to define reporting segments

The Group’s segments are strategic business units that offer different products and services for different clients. They are managed separately because they require different technology and marketing strategies and level of service.

Evaluation of profit or loss, and assets of operating segments

The Management Board analyses the financial information prepared in accordance with the requirements of Russian accounting standards. This financial information differs in some aspects from the information prepared in accordance with IFRS:

(i) resources are usually redistributed among segments using internal interest rates set by the Treasury department. These interest rates are calculated based on the basic market interest rates, contractual maturity dates and observable actual maturity dates of customer accounts balances

(ii) differences in the classification of securities to portfolios

(iii) income tax is not distributed to segments

(iv) provision for loan impairment are recognized based on Russian legislation, and not on the basis of the model of “incurred losses” specified in IAS 39

(v) fee and commission income on lending operations is recognized immediately and not in the future periods using the effective interest rate method

(vi) liabilities for unused vacations are not taken into account.

The Management Board evaluates the business segment results based on the amount of profit before income tax.

31 Segment Analysis (continued)

Information on profit or loss, assets and liabilities of reporting segments

Segment information for the Group's main reporting business segments for the years ended 31 December 2013 and 31 December 2012 is set out below (in accordance with the management information).

In thousands of Russian Roubles	Corporate banking	Operations on financial markets	Retail banking	Unallocated	Eliminations	Total
2013						
External revenues	24 077 751	4 388 144	4 847 309	-	-	**33 313 204**
Revenues from other segments	9 170 970	36 180 150	8 059 255	-	(53 410 375)	**-**
Total revenues	**33 248 721**	**40 568 294**	**12 906 564**	**-**	**(53 410 375)**	**33 313 204**
Total revenues comprise:						
- Interest income	30 810 318	40 550 510	11 846 312	-	(53 410 375)	29 796 765
- Fee and commission income	2 185 540	17 784	1 016 898	-	-	3 220 222
- Other operating income	252 863	-	43 354	-	-	296 217
Segment results	**(295 646)**	**6 736 462**	**850 134**	**-**	**-**	**7 290 950**
Unallocated costs	-	-	-	(2 924 701)	-	(2 924 701)
Profit before tax						**4 366 249**
Income tax expense	-	-	-	(1 158 543)	-	(1 158 543)
(Loss) profit	**(295 646)**	**6 736 462**	**850 134**	**(4 083 244)**	**-**	**3 207 706**
Segment assets	**235 137 440**	**140 046 986**	**44 237 783**	**30 838 671**	**-**	**450 260 880**
Other segment items						
Depreciation and amortization charge	(158 872)	(29 174)	(110 721)	(224 557)	-	(523 324)
Provision for loan impairment	(5 358 185)	(3 501)	(815 062)	-	-	(6 176 748)

31 Segment Analysis (continued)

In thousands of Russian Roubles	Corporate banking	Operations on financial markets	Retail banking	Unallocated	Eliminations	Total
2012						
External revenues	22 711 881	3 034 049	2 960 494	-	-	**28 706 424**
Revenues from other segments	8 259 615	23 468 260	5 966 789	-	(37 694 664)	**-**
Total revenues	**30 971 496**	**26 502 309**	**8 927 283**	**-**	**(37 694 664)**	**28 706 424**
Total revenues comprise:						
- Interest income	28 746 238	26 462 880	8 160 317	-	(37 694 664)	25 674 771
- Fee and commission income	2 047 879	27 812	760 419	-	-	2 836 110
- Other operating income	177 379	11 617	6 547	-	-	195 543
Segment results	**(3 485 686)**	**8 549 606**	**354 801**	**-**	**-**	**5 418 721**
Unallocated costs	-	-	-	(3 449 923)	-	(3 449 923)
Profit before tax						**1 968 798**
Income tax expense	-	-	-	(856 623)	-	(856 623)
(Loss) profit	**(3 485 686)**	**8 549 606**	**354 801**	**(4 306 546)**	**-**	**1 112 175**
Segment assets	**221 677 791**	**109 344 762**	**28 565 154**	**20 510 835**	**-**	**380 098 542**
Other segment items						
Depreciation and amortization charge	(153 354)	(23 041)	(113 709)	(243 011)	-	(533 115)
Provision for loan impairment	(6 762 048)	(7 550)	(141 303)	-	-	(6 910 901)

A reconciliation of segment information under management accounting with IFRS assets as at 31 December 2013 and 31 December 2012 is set out below:

In thousands of Russian Roubles	2013	2012
Total segment assets	**450 260 880**	**380 098 542**
Adjustment of allowance for impairment	(25 979 812)	(24 163 219)
Adjustments of income / expense accruals	1 640 228	1 620 481
Premises, equipment and intangible assets depreciation and fair value adjustment	(1 182 952)	(647 271)
Fair value and amortized cost adjustments	485 113	267 936
Income tax adjustments	59 677	-
Elimination of assets additionally recognized in management accounting	(13 442 292)	(4 525 075)
Other adjustments	(2 418 523)	(1 285 161)
Total assets under IFRS	**409 422 319**	**351 366 233**

31 Segment Analysis (continued)

A reconciliation of segment information under management accounting with IFRS profit before tax for the years ended 31 December 2013 and 31 December 2012 is set out below:

In thousands of Russian Roubles	2013	2012
Total segment profit before tax	**4 366 249**	**1 968 798**
Adjustment of provision for loan impairment	1 873 026	3 250 360
Adjustments of income / expense accruals	(144 037)	(631 674)
Premises, equipment and intangible assets depreciation, amortisation and fair value adjustments	(102 394)	(2 120)
Fair value and amortized cost adjustments	2 680 127	(2 721 786)
Other adjustments	(189 505)	(80 565)
Total profit before tax under IFRS	**8 483 466**	**1 783 013**

Geographical information. The major part of the Group's activity is concentrated in the North-West region of the Russian Federation. Activity is also carried out in Moscow and the Privolzhsky regions.

There are no external customers (groups of related customers) with income from operations which exceed 10% of total income from operations.

32 Risk Management

The risk management function is carried out in respect of financial risks (credit, market and liquidity risks), operational, geographical risks and legal risks. Market risk includes currency, equity and interest rate risks.

The primary objectives of the financial risk management function are to establish and ensure compliance with risk limits and other risk restrictions. Geographical risk management includes making decisions and setting limits for transactions with counterparties – residents of countries with different levels of economic development with due consideration of geographical risk factors. The operational, legal and reputation risk management functions are intended to ensure proper functioning of internal policies and procedures, development and implementation of measures to minimize these risks.

Risk management system includes establishment, implementation and monitoring of financial risk management policies and procedures to be further updated depending on changes in the macroeconomic situation, current conditions of the banking system in the Russian Federation, economic performance of clients (principally – depositors and borrowers) and regulatory changes.

In 2013 the Bank completed the realization of main directions of strategy 2010 on development of the new business model "Universal Bank in St.-Petersburg". In accordance with the strategy the following projects were successfully implemented:

- Launch of "Credit Factory"
- Implementation of multi-channel model of client service by development of remote channels
- System optimization/standardization of banking processes.

In the end of 2013 new strategy for 2014-2017 "Building-up efficient bank with scalable business-model" was adopted.

32 Risk Management (continued)

The main bodies performing the financial risk management functions are the Supervisory Board, Management Board, Asset and Liability Management Committee, Large Credit Committee, Corporate and Retail Credit Committee and the Technical Policy Committee.

The Supervisory Board is responsible for consideration of risk at the strategic level, i.e. it determines the level of risk the Bank may accept to achieve the desired level of profit. Accordingly, the Supervisory Board approves risk management policy, makes decisions on significant interested party transactions in respect of which there is an interest, in accordance with the legislation, and on transactions with related parties exceeding limits established under the Credit Policy. The Audit Committee attached to the Supervisory Board evaluates the effectiveness of actual internal control procedures and risk management procedures. The Risk Committee attached to the Supervisory Board and established in 2012 is responsible for compliance with financial and non-financial risk management policy. The Supervisory Board approves the Risk Management Policy, the compliance with which is supervised by reviews and approvals of the Group's quarterly risk management reports, both consolidated and by types of risk.

The Management Board is responsible for overall organization of the financial risk management system. The Management Board is responsible for the control over timely and adequate identification of risks and their exposure, for development of policies and procedures necessary to limit risk exposures. The Management Board coordinates different department actions in case of threat or actual liquidity crisis, approves internal documents in respect of risk management, approves risk management reports.

The Asset and Liability Management Committee is responsible for day-to-day financial risk management (except for credit risk).

The Asset and Liability Management Committee makes decisions on structural management of the statement of financial position and the related liquidity risks, and on determining and changing market and interest rate risk limits. The Asset and Liability Management Committee coordinates the main principles and procedures of financial risk management (except for credit risk) and has the right to make decisions on financial risk management in case of emergency.

The Technical Policy Committee reviews management of operational risks, associated with information technologies and the IT infrastructure of the Bank.

The Banking Risks Department is responsible for the establishment of the effective risk management system, and compliance with the acceptable level of total, market, operational, legal and reputation risk exposure, as well as credit risk in respect of money markets transactions. The Banking Risks Department monitors the risk management system related to market, credit (in respect of financial institutions and securities issuers), operational, legal and reputation risks, initiates the development of methods of assessment of current risk levels, management procedures for these risks, compliance by divisions with existing procedures and limits restricting the level of these risks. The Banking Risks Department coordinates the management of operational, legal and reputation risks.

The Management Board, Large Credit Committee, Corporate and Retail Credit Committee, and Small Credit Committees of the branch subdivisions are responsible for making decisions on management of credit risks. The Management Board approves the Credit Policy annually. The Large Credit Committee makes decisions on credit risk-related transactions with the largest corporate customers. Corporate and Retail Credit Committee and Small Credit Committees of the branches make decisions on credit risk-related transactions with the corporate and retail customers. Decision making function on standard loans to individuals, with involvement of underwriters, is centralized in Standard Retail Lending Products Department.

Current management of credit risk is mostly performed by its specialized subdivision, the Credit Risk Division, exercising operational control over credit risk levels.

32 Risk Management (continued)

Distressed assets management is carried out by a separate business subdivision.

Management is responsible for identifying and assessing risks, designing measures for prevention of risks and monitoring their effectiveness. Management constantly monitors the effectiveness of internal controls over risk management and introduces changes to existing controls if necessary.

Management believes that the Bank complies with the CBRF requirements for risk management. Risk management systems are appropriate for the scale, nature and complexity of operations.

Credit risk. The Group is exposed to credit risk which is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations.

The Group considers credit risk to include all financial assets recognized in the consolidated statement of financial position except for assets deposited in the CBRF.

The approach of the Group to credit risk management is defined in the Credit Policy. The Credit Policy is aimed at formulation of the main principles of credit transactions and credit risk, providing for implementation of the aims and goals of the Group strategy concerning the structure, volume and quality of loan portfolio.

Risk management tools

To maintain credit risks at an appropriate level the Group uses the following *risk management tools.*

For separate borrowers:

- assessment of the borrowers' financial positions upon loan application and during ongoing loan monitoring
- assessment of credit risk and formation of loan impairment allowance in the amount of possible losses from the transaction
- structuring of credit transactions in compliance with the requirements of the Group
- evaluation of the market value of the collateral for a loan, control over availability and integrity of the collateral, and evaluation of financial position and creditworthiness of guarantors
- inquiry for credit reports from credit history bureau ("CHB") and taking the information from CHB into consideration during the analysis of the loan application
- for credit transactions with individuals, requiring scoring evaluation of creditworthiness of the borrower – consideration of scoring grade during the analysis of the loan application
- for credit transactions with legal entities – consideration of the internal credit rating of the borrower during the analysis of the loan application
- for credit transactions with financial institutions – assessment of financial position and credit risk of the counterparty during establishment of limits for the counterparty
- when setting limits on transactions with securities which bear credit risk – assessment of financial position and credit risk of the issuer
- control over meeting the requirements of the Credit Policy for setting the authorities on decision making in respect of credit operations, and control over the reflection of terms of credit transactions in the loan agreement or other agreements, as approved by the relevant authorities or officials
- control over timely performance of the borrowers' obligations to the Group stipulated by the credit agreements
- insurance of the collateral.

32 Risk Management (continued)

For the loan portfolio in general:

- establishment of authorities for bodies and officials
- establishment and control over the limits of credit risk
- control over covenants established by certain agreements with the lenders.

Reporting forms

Management controls credit risks and the loan portfolio quality based on regular (daily, weekly and monthly) reports.

Decision to grant loans

For credit risk management purposes the Bank established a decision-making system for granting loans (except for standard loans granted to individuals under the preapproved programs). The branches and the head office have Small Credit Committees, which grant loans within the established limits. The specific limits are determined in the Credit Policy on the basis of credit performance in the previous year, and quality of loan portfolios.

Decisions on loans above the limits of authority of Small Credit Committees is taken by the Corporate and Retail Credit Committee if the client is not related to the largest corporate clients or by the Large Credit Committee if the client relates to the largest corporate clients. Decisions on loans above the limits of authority of the Large Credit Committee are taken by the Management Board.

The loans to the borrowers related to the Group are granted with prior consent of the Supervisory Board.

Limits for credit risk management purposes

When establishing limits for groups of borrowers, the Group takes into account both the requirements of Russian regulatory authorities and those of global financial institutions that are the Group's creditors.

The Group establishes individual limits in respect of borrowers and groups of related borrowers. When establishing a limit the Group takes into account all information available. When establishing an individual limit, the Group performs comprehensive analysis of the financial statements, cash flows, available credit history of each borrower or a group of related borrowers, the needs of each borrower or the group of related borrowers for credit resources, as well as availability of loan repayment sources. The Group also takes into account the property pledged as collateral for the loan.

The Credit Policy is consistent for unrecognised financial instruments and recognised financial instruments. The Credit Policy establishes unified procedures of transaction approvals, risk mitigating limits and monitoring procedures. The borrower is entitled to use any products supporting the use of unrecognised financial instruments for lending (guarantees, unsecured letters of credit, credit facilities, etc.) within established limits.

The Bank uses the system of limits restricting the maximum debt of counterparty banks and financial companies when conducting transactions in the interbank lending market and performing purchase and sale of financial assets, including foreign exchange transactions associated with counterparty credit risk in settlements. The respective limits are established for each credit institution and financial company on the basis of a creditworthiness analysis performed by Large Credit Committee within its authority scope and by the Management Board. The limits established for resident banks are subject to review at least each quarter. The limits established for non-resident banks are subject to review at least semi-annually.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

32 Risk Management (continued)

The maximum exposure to credit risk from financial assets is as follows:

In thousands of Russian Roubles	2013	2012
ASSETS		
Cash and cash equivalents	33 788 314	39 193 681
Mandatory reserve deposits with the Central Bank of the Russian Federation	2 800 069	3 125 502
Trading securities	17 571 697	11 431 548
Trading securities pledged under sale and repurchase agreements	51 335 832	35 291 039
Financial instruments at fair value through profit or loss	-	608 568
Amounts receivable under reverse repurchase agreements	14 853 880	9 082 398
Due from banks	8 617 294	2 899 159
Loans and advances to customers	250 884 103	222 378 920
Investment securities held-to-maturity	-	31 361
Other financial assets	1 341 569	1 075 216
Total maximum exposure	**381 192 758**	**325 117 392**

For the analysis of collateral held against loans and advances to customers and concentration of credit risk refer to note 11.

The maximum exposure to credit risk from contractual credit related commitments at the reporting date is presented in note 34.

Geographical risk. Geographical risk is almost fully defined by the country risk of the Russian Federation. The exposure to geographical risk of other countries is limited since substantially all assets and liabilities are concentrated in the Russian Federation.

Saint Petersburg is the largest center of North-Western part of the Russian Federation with a diversified economy. This is why the historic business concentration of providing services to individuals and legal entities in Saint Petersburg is an advantage for the Group.

Market risks. The Group is exposed to the market risks arising from open positions in interest rate, currency and equity instruments that are exposed to general and specific market movements. These are defined as follows:

- currency risk - risk of losses due to exchange rate fluctuations
- interest rate risk - risk of losses due to fluctuations of market interest rates
- other price (equity) risk - risk of losses due to movements in quotations of the equity instrument.

The Banking Risks Department is responsible for developing methods of appraisal of the current level of market risks (with the exception of interest rate risk), management procedures for these risks, and for identification and analysis of the current risk level.

The Treasury Department is responsible for development of methods for evaluation and procedures of operational management of interest rate risk.

Market risk management is defined as a method of limitation of possible losses from open positions which can be incurred by the Group within a set period of time due to movements in exchange rates, securities quotations and interest rates by way of establishing a system of position limits on financial instruments and sensitivity limits, as well as stop-loss limits (maximum loss limits, in case of violation of which the position is closed) and VaR limits (limits on maximum VaR).

32 Risk Management (continued)

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates, prices and interest rates over a specified time horizon and to a given level of confidence. The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VaR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and assets.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid assets as follows:

- the use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those that are of an extreme nature
- a 1-day holding period assumes that all positions can be liquidated or hedged within that period
- the use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR estimate
- VaR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day
- the VaR measure is dependent upon the position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The limitations of the VaR methodology are recognised by supplementing VaR limits with other limits mentioned above (position limits and stop-loss limits).

A summary of the VaR estimates of losses as at 31 December 2013 and 31 December 2012 is as follows:

In millions of Russian Roubles

Financial instruments	31 December 2013	31 December 2012
Shares	11	10
Bonds	163	96
Eurobonds	76	37
Foreign currency	16	17
Precious metals	4	-
Money market	4	7
Aggregated VaR	206	112

The VaR estimates stated above are calculated for the trading portfolio of equity and debt financial instruments, for the open currency position of the Bank and for the portfolio of derivative financial instruments.

The Banking Risks Department prepares proposals to establish market risk limits applied by the Bank (hereinafter including VaR limits). Limits are established by the Management Board, Large Credit Committee and Asset and Liability Management Committee in accordance with their authority. Compliance with market risk limits is daily controlled by the Operations Department (back office).

Currency risk. Currency risk is the risk of changes in income or carrying value of financial instruments due to exchange rate fluctuations.

The Department of Financial Markets Operations currently manages the open currency position within the limits set by the Asset and Liability Management Committee.

For currency risk management purposes the Group also uses the system of mandatory limits established by the CBRF, including limits on open positions in a foreign currency (up to 10% of the capital calculated in accordance with the CBRF regulations) and the limit on the open position in all foreign currencies (up to 20% of the capital calculated in accordance with the CBRF regulations).

32 Risk Management (continued)

The Group follows a conservative currency risk management policy and opens currency positions primarily in the currencies most frequently used in the Russian Federation (US Dollars and Euros).

The Group takes into account changes in foreign currency volatility levels by preparing and submitting for approval of the Asset and Liability Management Committee proposals concerning changes in internal limits of currency risks.

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2013. The Group does not use this currency risk analysis for management purposes.

In thousands of Russian Roubles	RR	US Dollars	Euro	Other	Total
ASSETS					
Cash and cash equivalents	20 353 343	16 476 209	3 163 736	67 164	40 060 452
Mandatory cash balances with the Central Bank of the Russian Federation	2 800 069	-	-	-	2 800 069
Trading securities	16 354 816	1 237 822	-	-	17 592 638
Trading securities pledged under sale and repurchase agreements	45 285 675	6 443 271	-	-	51 728 946
Amounts receivable under reverse repurchase agreements	14 187 295	666 585	-	-	14 853 880
Due from banks	6 768 812	1 444 562	403 920	-	8 617 294
Loans and advances to customers	194 846 457	42 730 490	13 307 156	-	250 884 103
Investment securities available-for-sale	3 212 878	111 880	-	-	3 324 758
Prepaid income tax	59 678	-	-	-	59 678
Investment property	1 653 115	-	-	-	1 653 115
Premises, equipment and intangible assets	13 806 328	-	-	-	13 806 328
Other assets	2 276 785	169 630	174 224	10 928	2 631 567
Long-term assets held for sale	1 409 491	-	-	-	1 409 491
TOTAL ASSETS	**323 014 742**	**69 280 449**	**17 049 036**	**78 092**	**409 422 319**
LIABILITIES					
Due to banks	70 488 554	24 619	27 815	-	70 540 988
Customer accounts	203 911 165	32 691 178	15 692 226	832 722	253 127 291
Bonds issued	10 209 883	10 008 906	-	-	20 218 789
Other debt securities issued	6 000 560	1 534 451	972 329	-	8 507 340
Other borrowed funds	1 465 426	5 532 303	581 697	-	7 579 426
Deferred tax liabilities	954 172	-	-	-	954 172
Other liabilities	787 082	6 498	24 778	-	818 358
TOTAL LIABILITIES	**293 816 842**	**49 797 955**	**17 298 845**	**832 722**	**361 746 364**
Less fair value of currency derivatives	(273 212)	-	-	-	(273 212)
Net recognised position, excluding currency derivative financial instruments	**28 924 688**	**19 482 494**	**(249 809)**	**(754 630)**	**47 402 743**
Currency derivatives	**16 571 867**	**(16 118 639)**	**(927 150)**	**747 134**	**273 212**
Net recognised position, including currency derivative financial instruments	**45 496 555**	**3 363 855**	**(1 176 959)**	**(7 496)**	**47 675 955**

32 Risk Management (continued)

The table below summarises the exposure to foreign currency exchange rate risk as at 31 December 2012. The Group does not use this currency risk analysis for management purposes.

In thousands of Russian Roubles	RR	US Dollars	Euro	Other	Total
ASSETS					
Cash and cash equivalents	14 362 884	3 004 028	26 526 141	45 098	43 938 151
Mandatory cash balances with the Central Bank of the Russian Federation	3 125 502	-	-	-	3 125 502
Trading securities	6 604 720	4 858 333	-	-	11 463 053
Trading securities pledged under sale and repurchase agreements	33 409 717	1 881 322	-	-	35 291 039
Financial instruments at fair value through profit or loss	-	608 568	-	-	608 568
Amounts receivable under reverse repurchase agreements	7 544 053	1 538 345	-	-	9 082 398
Due from banks	2 839 021	60 138	-	-	2 899 159
Loans and advances to customers	189 392 973	23 514 212	9 471 735	-	222 378 920
Investment securities available-for-sale	3 450 627	70 632	-	-	3 521 259
Investment securities held-to-maturity	31 361	-	-	-	31 361
Investment property	2 855 756	-	-	-	2 855 756
Premises, equipment and intangible assets	13 971 681	-	-	-	13 971 681
Other assets	2 011 927	106 053	73 946	7 460	2 199 386
TOTAL ASSETS	**279 600 222**	**35 641 631**	**36 071 822**	**52 558**	**351 366 233**
LIABILITIES					
Due to banks	51 095 056	1 133 382	25 864	-	52 254 302
Customer accounts	180 077 030	25 673 278	16 365 626	680 800	222 796 734
Bonds issued	10 674 577	6 209 007	-	-	16 883 584
Other debt securities issued	2 618 784	1 170 028	1 455 522	-	5 244 334
Other borrowed funds	1 465 892	8 208 377	1 736 359	-	11 410 628
Income tax liability	37 664	-	-	-	37 664
Deferred tax liability	604 705	-	-	-	604 705
Other liabilities	1 643 720	45 858	126 205	-	1 815 783
TOTAL LIABILITIES	**248 217 428**	**42 439 930**	**19 709 576**	**680 800**	**311 047 734**
Add fair value of currency derivatives	232 577	-	-	-	232 577
Net recognised position, excluding currency derivative financial instruments	**31 615 371**	**(6 798 299)**	**16 362 246**	**(628 242)**	**40 551 076**
Currency derivatives	**10 598 886**	**6 280 579**	**(17 756 819)**	**644 777**	**(232 577)**
Net recognised position, including currency derivative financial instruments	**42 214 257**	**(517 720)**	**(1 394 573)**	**16 535**	**40 318 499**

32 Risk Management (continued)

The table below summarises the foreign currency exchange rate risk for monetary financial instruments as at 31 December 2013:

In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Derivative financial instruments**	**Net currency position**
Russian Roubles	300 182 412	292 075 588	16 571 867	24 678 691
US Dollars	68 998 939	49 791 457	(16 118 639)	3 088 843
Euro	16 874 812	17 274 067	(927 150)	(1 326 405)
Other	67 164	832 722	747 134	(18 424)
Total	**386 123 327**	**359 973 834**	**273 212**	**26 422 705**

The table below summarises the foreign currency exchange rate risk for monetary financial instruments as at 31 December 2012:

In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Derivative financial instruments**	**Net currency position**
Russian Roubles	257 133 925	245 931 339	10 598 886	21 801 472
US Dollars	35 423 698	42 394 072	6 280 579	(689 795)
Euro	35 997 876	19 583 371	(17 756 819)	(1 342 314)
Other	45 098	680 800	644 777	9 075
Total	**328 600 597**	**308 589 582**	**(232 577)**	**19 778 438**

The currency derivatives position in each column represents the fair value at the reporting date of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount). The net total represents the fair value of the currency derivative financial instruments.

An analysis of sensitivity of profit after tax and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2013 and 31 December 2012 and a simplified scenario of a 10% change in USD and Euro to Russian Rouble exchange rates, assuming that all other variables remain unchanged is as follows:

In thousands of Russian Roubles	**As at 31 December 2013**	**As at 31 December 2012**
10% appreciation of USD against RR	247 107	(55 184)
10% depreciation of USD against RR	(247 107)	55 184
10% appreciation of Euro against RR	(106 112)	(107 385)
10% depreciation of Euro against RR	106 112	107 385

Movements in other currency exchange rates will have no material effect on the profit or loss of the Group.

32 Risk Management (continued)

Interest rate risk. The Group is exposed to fluctuations in market interest rates which can affect its financial position and cash flows. As a result of such changes interest margins and accordingly profit may decrease.

The table below summarises the effective interest rates by currency for major financial instruments. The analysis is prepared based on effective rates as at 31 December 2013 and 31 December 2012 used for amortisation of the respective assets/liabilities.

	2013				2012			
In % p.a.	**RR**	**USD**	**Euro**	**Other**	**RR**	**USD**	**Euro**	**Other**
ASSETS								
Cash and cash equivalents	1.35	0.00	0.00	0.00	0.89	0.01	0.00	0.00
Debt trading securities	8.13	3.94	-	-	9.03	4.66	-	-
Debt trading securities pledged under sale and repurchase agreements	7.86	2.50	-	-	7.77	1.40	-	-
Financial instruments at fair value through profit and loss	-	-	-	-	-	6.00	-	-
Amounts receivable under reverse repurchase agreements	6.32	9.75	-	-	6.70	5.84	-	-
Due from banks	6.72	0.50	1.38	-	5.28	0.00	-	-
Loans and advances to customers	10.61	7.69	7.70	-	10.35	8.15	7.72	-
Investment securities held-to-maturity	-	-	-	-	0.00	-	-	-
LIABILITIES								
Due to banks	5.25	0.00	0.00	-	5.81	0.27	0.00	-
Customer accounts								
- current and settlement accounts	0.26	0.03	0.05	0.00	0.52	0.01	0.02	0.00
- term deposits								
- individuals	8.25	4.38	3.41	3.15	8.46	4.87	4.26	3.60
- legal entities	7.50	4.43	1.85	1.08	7.88	3.56	1.98	2.10
Bonds issued	8.85	10.32	-	-	9.81	9.83	-	-
Other debt securities issued	5.31	2.85	3.80	-	5.36	3.65	2.67	-
Other borrowed funds	6.72	8.82	2.07	-	6.69	7.51	12.63	-

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

Interest rate risk management represents management of assets and liabilities to maximize profit and reduce losses from possible fluctuations in interest rates and the structure of assets and liabilities.

An analysis of sensitivity of profit after tax and equity to changes in the interest rates (repricing risk), based on a simplified scenario of a 1% symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2013 and 2012, is as follows. Interest rate risk management is an important part of overall risk management and significantly affects the financial performance. Interest rate risk management is performed centrally on continuing basis by the Management Board, Asset and Liability Management Committee and Treasury Department.

In thousands of Russian Roubles	**As at 31 December 2013**	**As at 31 December 2012**
1% parallel fall	1 058 866	1 099 346
1% parallel rise	(1 058 866)	(1 099 346)

32 Risk Management (continued)

The Group uses the following interest rate risk management tools:

- approval of structure of limits and restrictions for interest rate risk
- approval of the asset and liability structure
- management of interest rates and their limits for different financial instruments
- implementation and facilitation of new banking products
- approval of methods (procedures) for interest rate risk evaluation
- financial instrument transactions
- constant interest rate risk monitoring.

Management uses a GAP report as the major analytical form for interest rate risk. The analysis is carried out by major currencies distributed according to the revaluation intervals.

For the purposes of interest rate risk evaluation the Group utilizes Interest Rate Risk Management Report that additionally takes into account items of floating capital and statistically stable liabilities that are resistant to interest rate risk with the average interest rate revaluation interval of four years.

The Group maintains the ratio of total capital used to cover the interest rate risk to capital at a level not more than 30%.

It also measures the sensitivity of annual net interest income to changes in the general level of interest rates as an additional method for interest rate risk evaluation.

Apart from the indices mentioned above the Group calculates the potential effect of interest GAPs that is a change in the present value of assets and liabilities in case of change in the interest rates in accordance with expectations (the forecasted yield curve).

The Group has the same expectations for 2014 regarding interest rate risk in case of possible increase in rates for US dollar-denominated and euro-denominated resources. To manage interest rate risk the Group set interest rates for placements and borrowings targeting the market pertaining to interest rates of competitors. At the end of 2013 the Group increased the interest rate GAP for commercial balances.

Other price (equity) risk. The Group is exposed to open position risk with regard to equity instruments due to movements in their quotations.

The limits for particular issuers are set based on analysis of the credit quality of the security issuer and evaluation of liquidity and volatility of financial instruments. In addition to particular limits there is a cumulative limit for the amount of open equity positions.

If the risk becomes material the mitigation arrangements are determined by the Management Board.

32 Risk Management (continued)

Liquidity risk. Liquidity risk arises when the maturities of assets and liabilities do not match. The Group is exposed to daily calls on its available cash resources from customer accounts, overnight deposits, current accounts, term 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.

The purpose of liquidity management is to create and maintain the structure of assets and liabilities by categories and maturities which will enable the Group to ensure timely payments of its obligations and meeting demands of customers. Liquidity management requires maintaining sufficient amount of liquid assets to be used in case of unforeseen circumstances. In accordance with the results of analysis of the macroeconomic conditions or the state of the banking market, as well as the general trends in activity, management may demand higher amounts of liquidity, if required.

The Group seeks to maintain a diversified and stable structure of funding sources. 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. In spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and past experience indicate that these customer accounts provide a long-term and stable source of funding.

The basis for managing short-term liquidity (less than 3 months) is making liquidity provisions sufficient not only for current standard activities but also to provide the Bank with the funds during a period of possible unplanned funds withdrawal caused by macroeconomic events or events directly associated with the Bank.

Liquidity management is regulated by an internal regulation approved by the Supervisory Board.

Management applies the following main instruments for liquidity management:

- Managing the volume and structure of the liquid assets portfolio. Management maintains a portfolio of liquid assets (including trading securities) that can be used for prompt and loss-free funding;

- In certain cases management may impose restrictions on some transactions to regulate the structure of assets and liabilities. The limits are set when other instruments of liquidity management are insufficient to maintain liquidity;

- Raising long-term funds. During 2013, the Group raised significant amounts on the global long-term debt. Refer to notes 19 and 21.

32 Risk Management (continued)

The Bank performs current liquidity management (for the period of up to seven days) on a daily basis. It is implemented based on statistical and chronological analysis of the balances of customer current accounts, forecasted customer deposits, movement of funds on accounts and analysis of the information on obligations and requirements under term contracts in short-term periods. This analytical data serves as a basis for management of the liquidity position.

Short-term (for the period of up to 3 months) liquidity monitoring ensures creation of an asset portfolio which may cover all needs of the current liquidity management within the planning time horizon as well as provide the Bank with the funds in case of possible client funds withdrawal. The parameters of possible funds withdrawal are set and reviewed periodically by the Asset and Liability Management Committee and the Management Board.

Long-term (over 3 months) liquidity monitoring is based on analysis of liquidity gaps. The Group evaluates the liquidity gap through comparison of assets and liabilities by their terms. When attributing assets and liabilities to different term categories the Group takes into account both the contractual term and expected maturity and the statistical data on sustainability, and for securities it uses estimated disposal period without incurring losses. The Group regards equity as a long-term funding source and, therefore, accounts for it by the longest remaining maturity period. Management analyses the liquidity gaps for assets and liabilities broken down by various terms on an accrual basis.

When performing its operating activity the Bank also focuses on compliance with the requirements of the CBRF on maintaining sufficient liquidity ratios (instant liquidity ratio - N2, current liquidity ratio - N3, long-term liquidity ratio - N4).

According to the daily calculations, as at 31 December 2013 and 2012 the Bank complied with the liquidity ratios established by the CBRF.

32 Risk Management (continued)

Below is the IFRS liquidity position at 31 December 2013. The Group does not use the presented analysis by contractual maturity for liquidity management purposes. The following table shows assets and liabilities by their remaining contractual maturity, with the exception of financial instruments at fair value through profit or loss, which are shown in the category “Demand and less than 1 month”.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years or no maturity**	**Total**
ASSETS						
Cash and cash equivalents	40 060 452	-	-	-	-	40 060 452
Mandatory cash balances with the Central Bank of the Russian Federation	1 279 292	829 809	532 872	139 928	18 168	2 800 069
Trading securities	17 592 638	-	-	-	-	17 592 638
Trading securities pledged under sale and repurchase agreements	51 728 946	-	-	-	-	51 728 946
Amounts receivable under reverse repurchase agreements	14 187 295	666 585	-	-	-	14 853 880
Due from banks	4 423 365	3 691 799	-	502 130	-	8 617 294
Loans and advances to customers	5 453 141	49 999 247	46 967 194	118 879 056	29 585 465	250 884 103
Investment securities available-for-sale	-	-	-	-	3 324 758	3 324 758
Prepaid income tax	-	59 678	-	-	-	59 678
Investment property	-	-	-	-	1 653 115	1 653 115
Premises, equipment and intangible assets	-	-	-	-	13 806 328	13 806 328
Other assets	433 880	1 182 621	113 992	815 294	85 780	2 631 567
Long-term assets held for sale	-	-	1 409 491	-	-	1 409 491
TOTAL ASSETS	**135 159 009**	**56 429 739**	**49 023 549**	**120 336 408**	**48 473 614**	**409 422 319**
LIABILITIES						
Due to banks	62 271 644	3 759 964	4 509 380	-	-	70 540 988
Customer accounts	115 637 190	75 021 237	48 175 762	12 650 550	1 642 552	253 127 291
Bonds issued	-	-	-	16 906 923	3 311 866	20 218 789
Other debt securities issued	2 287 098	3 502 505	1 393 009	1 324 728	-	8 507 340
Other borrowed funds	-	818 652	2 218 297	1 960 030	2 582 447	7 579 426
Deferred tax liability	-	-	-	-	954 172	954 172
Other liabilities	539 114	258 147	10 995	7 525	2 577	818 358
TOTAL LIABILITIES	**180 735 046**	**83 360 505**	**56 307 443**	**32 849 756**	**8 493 614**	**361 746 364**
Net liquidity gap	**(45 576 037)**	**(26 930 766)**	**(7 283 894)**	**87 486 652**	**39 980 000**	**47 675 955**
Cumulative liquidity gap as at 31 December 2013	**(45 576 037)**	**(72 506 803)**	**(79 790 697)**	**7 695 955**	**47 675 955**	

32 Risk Management (continued)

Below is the IFRS liquidity position at 31 December 2012.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years or no maturity	Total
ASSETS						
Cash and cash equivalents	43 938 151	-	-	-	-	43 938 151
Mandatory cash balances with the Central Bank of the Russian Federation	1 439 617	1 053 940	488 139	143 064	742	3 125 502
Trading securities	11 463 053	-	-	-	-	11 463 053
Trading securities pledged under sale and repurchase agreements	35 291 039	-	-	-	-	35 291 039
Financial instruments at fair value through profit or loss	-	608 568	-	-	-	608 568
Amounts receivable under reverse repurchase agreements	6 341 438	2 740 960	-	-	-	9 082 398
Due from banks	555 138	1 750 021	594 000	-	-	2 899 159
Loans and advances to customers	6 612 229	45 051 078	50 510 537	104 289 325	15 915 751	222 378 920
Investment securities available-for-sale	-	-	-	-	3 521 259	3 521 259
Investment securities held-to-maturity	31 361	-	-	-	-	31 361
Investment property	-	-	-	-	2 855 756	2 855 756
Premises, equipment and intangible assets	-	-	-	-	13 971 681	13 971 681
Other assets	1 000 138	412 405	70 565	644 957	71 321	2 199 386
TOTAL ASSETS	**106 672 164**	**51 616 972**	**51 663 241**	**105 077 346**	**36 336 510**	**351 366 233**
LIABILITIES						
Due to banks	45 880 047	5 474 437	899 818	-	-	52 254 302
Customer accounts	102 609 914	75 135 429	34 799 428	10 199 061	52 902	222 796 734
Bonds issued	-	46 910	5 530 683	8 199 272	3 106 719	16 883 584
Other debt securities issued	1 433 757	2 264 717	1 307 358	238 502	-	5 244 334
Other borrowed funds	1 068 817	2 093 653	1 725 912	4 130 518	2 391 728	11 410 628
Income tax liability	-	37 664	-	-	-	37 664
Deferred tax liability	-	-	-	-	604 705	604 705
Other liabilities	959 869	619 279	161 163	72 836	2 636	1 815 783
TOTAL LIABILITIES	**151 952 404**	**85 672 089**	**44 424 362**	**22 840 189**	**6 158 690**	**311 047 734**
Net liquidity gap	**(45 280 240)**	**(34 055 117)**	**7 238 879**	**82 237 157**	**30 177 820**	**40 318 499**
Cumulative liquidity gap as at 31 December 2012	**(45 280 240)**	**(79 335 357)**	**(72 096 478)**	**10 140 679**	**40 318 499**	

Management believes that available undrawn credit lines with other banks and financial institutions of RR 51 950 000 thousand in total and stability of customer accounts will fully cover the liquidity gap in the tables above.

32 Risk Management (continued)

In accordance with Russian legislation, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The amount of such deposits as at 31 December 2013 and 2012, by each time band, is as follows:

In thousands of Russian Roubles	2013	2012
Demand and less than 1 month	12 140 438	9 706 533
From 1 to 6 months	42 115 072	38 236 619
From 6 to 12 months	33 981 795	24 104 697
From 1 to 5 years	6 605 396	5 737 377
More than 5 years	-	52 978
Total term deposits of individuals	**94 842 701**	**77 838 204**

The main differences between liquidity tables prepared under IFRS by contractual maturity and the tables prepared for management purposes are as follows:

1. The total assets differ because the impairment allowance on loans and advances to customers recorded by the Group is presented on the liabilities side for management purposes, whereas for IFRS purposes loans and advances to customers is reduced by the allowance;
2. The Bank applies internal methods to determine the maturity of deposits on demand since these deposits are considered to be a long-term source of funding. Therefore, current accounts of legal entities and individuals have longer maturity periods in calculating liquidity for management purposes;
3. The Bank also applies internal methods to account for the trading securities portfolio that take into account market conditions and actual opportunities to sell and use assets as collateral.

The tables below show distribution of financial liabilities as at 31 December 2013 and 31 December 2012 by remaining contractual maturity. The amounts in the tables reflect contractual undiscounted cash flows and differ from the amounts in the statement of financial position which are based on discounted cash flows. The Bank does not use the presented analysis of undiscounted cash flows in its liquidity management.

As at 31 December 2013:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
LIABILITIES						
Non-derivative financial liabilities						
Due to banks	62 413 515	3 946 072	4 524 534	-	-	70 884 121
Customer accounts	115 794 233	76 660 900	50 524 144	13 825 059	2 339 902	259 144 238
Bonds issued	124 862	785 280	910 142	21 286 671	3 448 839	26 555 794
Other debt securities issued	2 291 823	3 556 030	1 449 031	1 455 950	-	8 752 834
Other borrowed funds	164 884	890 891	2 486 776	3 318 704	2 954 385	9 815 640
Other financial liabilities	189 582	-	-	-	-	189 582
Derivative financial instruments						
- inflow	(73 184 282)	-	-	-	-	(73 184 282)
- outflow	72 807 426	-	-	-	-	72 807 426
Total future undiscounted cash flows	**180 602 043**	**85 839 173**	**59 894 627**	**39 886 384**	**8 743 126**	**374 965 353**

32 Risk Management (continued)

As at 31 December 2012:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
LIABILITIES						
Non-derivative financial liabilities						
Due to banks	45 949 245	5 615 530	948 485	-	-	52 513 260
Customer accounts	102 736 537	76 768 186	36 610 060	10 860 864	74 721	227 050 368
Bonds issued	115 872	701 069	6 183 675	11 261 408	3 405 084	21 667 108
Other debt securities issued	1 456 168	2 287 528	1 355 814	260 667	-	5 360 177
Other borrowed funds	1 241 226	2 330 086	2 101 515	5 669 145	3 052 793	14 394 765
Other financial liabilities	349 334	-	-	-	-	349 334
Derivative financial instruments						
- inflow	(120 182 537)	-	-	-	-	(120 182 537)
- outflow	120 378 233	-	-	-	-	120 378 233
Total future undiscounted cash flows	**152 044 078**	**87 702 399**	**47 199 549**	**28 052 084**	**6 532 598**	**321 530 708**

Credit related commitments are disclosed in note 34.

Operational risk. The Group manages operational risk by mitigation to the acceptable level through undertaking certain measures to prevent situations which may originate the risk and by insuring of those types of operational risks which cannot be managed.

There is an approved business continuity plan intended to avoid interruptions in activity or/and recovery actions for the Bank in case of emergency. Attached to this plan are detailed instructions for the employees of the Bank for different emergency situations.

Legal risk. The Group uses standard legal documents for the majority of its transactions. In exceptional cases all non-standard documents have to be agreed before the transaction.

33 Management of Capital

The objectives when managing capital are (i) to comply with the capital requirements set by the CBRF, (ii) to safeguard the Group’s ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio of at least 8% based on the April 1998 Basel Prudential Requirements for Banks (Basel I), in accordance with financial covenants set in borrowing agreements.

(i) Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets (“statutory capital adequacy ratio”) of at least 10%. Regulatory capital and capital adequacy is based on reports prepared under Russian statutory accounting standards and comprises:

In thousands of Russian Roubles	**31 December 2013 (unaudited)**	**31 December 2012 (unaudited)**
Total capital	49 879 175	42 774 144
Total regulatory capital adequacy ratio	13.91%	12.00%

The capital adequacy ratio set by the CBRF is managed by the Treasury Department through monitoring and forecasting its components.

33 Management of Capital (continued)

Based on the calculations performed on the daily basis by the Planning and Financial Control Department, Management believes that as at 31 December 2013 and 2012 the capital adequacy ratio was not below the minimum requirement.

(ii) Arrangements to safeguard the Group’s ability to continue as a going concern are performed under the Strategic Development Plan and divided into long-term and short-term capital management.

In the long-term the Bank plans its business scope under strategic and financial plans developed along with identification of the risks and corresponding capital requirements for three years and one year, respectively. When the required amount of capital is defined the Bank determines the sources of its increase: borrowings on capital markets, share issue and approximate scope thereof. The target scope of business and the amount of capital, as well as the sources of the capital increase are approved collegially by the following management bodies in order of the established priority: the Asset and Liability Management Committee, Management Board, Supervisory Board.

In the short-term, with due account of the necessity to comply with the CBRF requirements, the Bank determines the capital surplus/deficit within the period from one to three months and develops the respective plan to increase assets. In some cases management uses administrative measures to influence the structure of assets and liabilities through interest rate policy, and in exceptional cases, through setting limits for certain active transactions. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

(iii) According to the loan agreement with the EBRD the Bank has a commitment to maintain the total capital adequacy ratio of 11%, which is calculated under the requirements of Basel I (refer to note 21).

This ratio is calculated on a quarterly basis; the forecasted amount of capital and capital adequacy ratio are defined in the Strategic Development Plan which takes into account compliance with the capital adequacy requirements.

Starting from 1 April 2013 the Bank calculates the amount of capital in accordance with the CBRF requirements based on Basel III requirements. The amount of capital and capital adequacy ratios were used by the CBRF in 2013 for information purposes and not for supervision purposes.

33 Management of Capital (continued)

Below is the capital and capital adequacy ratio calculated in accordance with Basel I:

In thousands of Russian Roubles	31 December 2013	31 December 2012
Capital	**58 011 836**	**48 887 152**
Tier 1	**43 937 250**	**35 090 782**
Paid-in share capital	3 721 734	3 648 110
Reserves and profit	**40 215 516**	**31 442 672**
Including:		
- Share premium	21 393 878	18 448 915
- Retained earnings	18 821 638	12 993 757
Tier 2	**14 074 586**	**13 796 370**
Revaluation reserve for premises	3 339 031	3 339 031
Revaluation reserve for investment securities available-for-sale	399 674	1 888 686
Subordinated loans	10 335 881	8 568 653
Risk weighted assets	**405 306 109**	**354 489 186**
Risk weighted banking assets	281 665 898	254 098 198
Risk weighted trading assets	85 854 763	59 851 613
Risk weighted unrecognized exposures	37 785 448	40 539 375
Total capital adequacy ratio	**14.31%**	**13.79%**
Total tier 1 capital	**10.84%**	**9.90%**

The Group was in compliance with the minimum capital adequacy ratio agreed with the creditors as at 31 December 2013 and 2012.

In October 2013 the Group placed US Dollar-denominated subordinated Eurobonds for the total amount of USD 100 million and maturity in five and a half years. These Eurobonds were registered as a part of additional statutory capital by the CBRF on 29 November 2013.

34 Contingencies, Commitments and Derivative Financial Instruments

Litigation. From time to time and in the normal course of business, third parties’ claims against the Group are received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of known claims and accordingly no loss provision has been made in these consolidated financial statements.

Tax legislation. Russian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. In October 2010, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of scrutiny by tax authorities.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover a longer period.

34 Contingencies, Commitments and Derivative Financial Instruments (continued)

Management believes that its interpretation of the relevant legislation is appropriate and the tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2013 and 31 December 2012 no provision for potential tax liabilities was recorded.

Capital expenditure commitments. At 31 December 2013 the Group had no contractual capital expenditure commitments in respect of reconstruction and purchase of premises (2012: none).

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**
Less than 1 year	68 465	50 917
1 to 5 years	92 411	43 547
Total operating lease commitments	**160 876**	**94 464**

Compliance with covenants. The Group should observe certain covenants, primarily, relating to loan agreements with foreign and international financial institutions. Covenants include:

General conditions in relation to activity, such as business conduct and reasonable prudence, conformity with legal requirements of the country in which the Group is located, maintenance of accurate accounting records, implementation of controls, performance of independent audits, etc.;

Restrictive covenants, including constraints (without lender’s consent) in respect of dividend payments and other distributions, changes in the shareholder structure, limits on use of assets and some agreements;

Financial covenants, such as meeting certain capital adequacy requirements, credit portfolio diversification, limitation of risks associated with related and unrelated parties, the share of overdue balances in the credit portfolio, meeting certain requirements to the level of risk provisions, monitoring the expenditure patterns;

Reporting requirements, obliging the Group to provide its audited financial statements to the lender, as well as certain additional financial information and any other documents upon request.

Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default.

As at 31 December 2013 and 2012, management believes that the Group was in compliance with all covenants.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and 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 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.

34 Contingencies, Commitments and Derivative Financial Instruments (continued)

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to credit risk as at the year end in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the 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	Note	2013	2012
Guarantees issued		36 398 614	39 796 361
Revocable undrawn credit lines		17 444 209	20 783 754
Import letters of credit		4 982 718	3 353 517
Allowance for impairment	22	(8 850)	(162 057)
Total credit related commitments		**58 816 691**	**63 771 575**

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 disbursed. The maturity of credit related commitments depend on types of guarantees and undrawn credit lines and are mainly classified into category of On demand and less than 1 month.

The following table provides information on collateral securing guarantees issued, net of allowance for credit losses, by types of collateral presented on the basis of excluding overcollateralization at 31 December 2013 and 2012:

In thousands of Russian Roubles	2013	2012
Surety	3 814 685	6 195 400
Promissory notes	2 198 049	475 940
Real estate	2 098 448	214 160
Deposits	870 727	595 158
Movable property	429 091	482 063
Other collateral	6 107 620	1 506 116
No collateral	20 879 994	30 283 238
Total collateral for guarantees issued	**36 398 614**	**39 752 075**

As at 31 December 2013, customer accounts include deposits amounting to RR 3 440 676 thousand representing security for irrevocable liabilities on import letters of credit (2012: RR 529 578 thousand). Refer to note 18.

34 Contingencies, Commitments and Derivative Financial Instruments (continued)

Fiduciary assets. These assets are not included in the consolidated statement of financial position as they are not the Group's assets. Nominal values disclosed below are normally different from the fair values of the respective securities. In accordance with the common business practices no insurance cover is provided for these fiduciary assets. The fiduciary assets fall into the following categories:

In thousands of Russian Roubles	**2013 Nominal value**	**2012 Nominal value**
Corporate shares held in custody of:		
- National Depository Centre	386 261	1 396
- other registrars and depositories	186 149	355 281
- registers of share issuers	288 414	1 464 195
Municipal bonds held in custody of:		
-St. Petersburg Settlement and Depository Centre	58	-
-National Depository Centre	1 293	1 293

Derivative financial instruments. Currency derivative financial instruments have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in foreign exchange rates. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

The table below shows fair values, at the reporting date, of currencies receivable or payable under foreign exchange forwards and futures contracts, and interest rate forward contracts. The table reflects contracts with settlement dates after the relevant reporting period. The amounts under these contracts are shown before the netting of any counterparty positions (and payments). The contracts on foreign exchange derivatives are short term in nature. The contracts on interest rate derivatives are long term in nature.

	2013		**2012**	
In thousands of Russian Roubles	**Net asset forwards**	**Net liability forwards**	**Net asset forwards**	**Net liability forwards**
Foreign exchange forwards, options: fair values, at the reporting date, of				
- USD receivable on settlement (+)	15 740 020	12 172 741	19 812 408	39 236 654
- USD payable on settlement (-)	(30 981 708)	(14 012 849)	(19 622 444)	(37 662 550)
- Euros receivable on settlement (+)	422 105	6 520 650	6 545 193	4 614 220
- Euros payable on settlement (-)	(7 869 905)	-	(4 012 440)	(21 553 313)
- RR receivable on settlement (+)	32 852 211	7 523 486	12 617 033	37 536 021
- RR payable on settlement (-)	(8 786 039)	(14 083 649)	(14 173 185)	(24 153 463)
- Other currency receivable on settlement (+)	654 053	101 969	838 410	7 739
- Other currency payable on settlement (-)	-	(8 888)	-	(201 372)
Total on foreign exchange forwards, options	**2 030 737**	**(1 786 540)**	**2 004 975**	**(2 176 064)**

	2013		**2012**	
In thousands of Russian Roubles	**Net asset futures**	**Net liability futures**	**Net asset futures**	**Net liability futures**
Foreign exchange futures: fair values, at the reporting date, of				
- USD receivable on settlement (+)	821 320	716 584	1 395 605	4 913 538
- USD payable on settlement (-)	(369 899)	(1 187 255)	(17 428)	(2 679 744)
- Euros payable on settlement (-)			-	(3 350 479)
- RR receivable on settlement (+)	369 899	1 187 255	17 428	6 030 223
- RR payable on settlement (-)	(821 320)	(716 584)	(1 395 605)	(4 913 538)
Total on foreign exchange futures	**-**	**-**	**-**	**-**

34 Contingencies, Commitments and Derivative Financial Instruments (continued)

	2013		2012	
In thousands of Russian Roubles	**Net asset forwards**	**Net liability forwards**	**Net asset forwards**	**Net liability forwards**
Interest rate forwards: fair values, at the reporting date, of				
- USD receivable on settlement (+)	982 087	-	-	904 540
- USD payable on settlement (-)	-	-	-	-
- RR receivable on settlement (+)	-	28 633	-	57 287
- RR payable on settlement (-)	(952 183)	(29 842)	-	(1 023 315)
Total on interest rate forwards	**29 904**	**(1 209)**	**-**	**(61 488)**

	2013		2012	
In thousands of Russian Roubles	**Net asset forwards**	**Net liability forwards**	**Net asset forwards**	**Net liability forwards**
Unlisted options: fair values, at the reporting date, of:				
- USD transactions	761	(441)	-	-
Total on unlisted options	**761**	**(441)**	**-**	**-**
Net fair value of derivative financial instruments	**2 061 402**	**(1 788 190)**	**2 004 975**	**(2 237 552)**

Currency and other derivative financial instruments are usually subject to trade on over-the-counter markets with professional participants based on standardized contracts. The total fair value of derivative financial instruments can vary significantly with time.

35 Fair Value of Financial Instruments

Methods and assumptions used in calculation of the fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. The best evidence of fair value is price quotations in an active market.

The estimated fair values of financial instruments are determined using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management uses all available market information in estimating the fair value of financial instruments.

The fair value of instruments with floating interest rates usually equals their carrying value. The fair value of instruments with fixed interest rates and fixed maturity dates that do not have market prices is based on discounted cash flows using current interest rates for instruments with similar credit risk and maturity date. For effective interest rates by currency for major financial instruments refer to section "Interest rate risk" in note 32.

35 Fair Value of Financial Instruments (continued)

The Group measures fair values for financial instruments recorded on the statement of financial position at fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable market inputs, either directly (i.e, as prices) or indirectly (i.e, derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable market inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Management uses professional judgment for allocation of financial instruments between categories of the fair value evaluation hierarchy. If the observable data used for fair value evaluation require significant adjustments they are categorised as Level 3.

The following table provides an analysis of financial instruments recognized at fair value by evaluation categories as at 31 December 2013:

In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**
FINANCIAL ASSETS			
Trading securities			
- Corporate bonds	11 239 639	35 755	-
- Municipal bonds	2 892 211	-	-
- Corporate Eurobonds	2 157 309	-	-
- Federal loan bonds	1 246 783	-	-
- Corporate shares	20 941	-	-
Trading securities pledged under sale and repurchase agreements			
- Corporate bonds	36 615 177	45 125	-
- Corporate Eurobonds	6 868 657	-	-
- Eurobonds of the Russian Federation	2 722 173	-	-
- Federal loan bonds	2 624 778	-	-
- Municipal bonds	2 459 922	-	-
- Corporate shares	393 114	-	-
Investment securities available-for-sale			
-Corporate shares	1 121 334	-	-
Other financial assets			
- Net fair value of derivative financial instruments	-	273 212	-
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	**70 362 038**	**354 092**	**-**

35 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognized at fair value by evaluation categories as at 31 December 2012:

In thousands of Russian Roubles	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
Trading securities			
- Corporate bonds	6 289 390	-	-
- Corporate Eurobonds	4 858 333		
- Federal loan bonds	231 706	-	-
- Municipal bonds	52 119	-	-
- Corporate shares	31 505	-	-
Trading securities pledged under sale and repurchase agreements			
- Corporate bonds	28 688 598	-	-
- Municipal bonds	3 873 626	-	-
- Corporate Eurobonds	1 881 322		
- Federal loan bonds	847 493	-	-
Financial instruments at fair value through profit or loss			
- Credit linked notes	-	608 568	-
Investment securities available-for-sale			
- Corporate shares	-	-	3 317 843
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	**46 754 092**	**608 568**	**3 317 843**
FINANCIAL LIABILITIES			
Other financial liabilities			
- Net fair value of derivative financial instruments	-	232 577	-
TOTAL FINANCIAL LIABILITIES RECOGNIZED AT FAIR VALUE	**-**	**232 577**	**-**

During 2013 the Group transferred investment securities available-for-sale from Level 3 to Level 1 of fair value hierarchy. The carrying amount of transferred assets amounted to RR 3 317 843 thousand. Assets were transferred from Level 3 to Level 1 due to the listing of the shares and appearance of an active market for this instrument.

Changes in fair value of financial assets available-for-sale attributable to Level 3 in the fair value hierarchy for the years 2013 and 2012 are as follows:

In thousand of Russian Roubles	Note	2013	2012
Fair value as at 1 January		**3 317 843**	**3 774 109**
Other comprehensive (loss) income	24	-	(492 217)
Disposals		(3 317 843)	-
Acquisitions		-	35 951
Fair value as at 31 December		**-**	3 **317 843**

35 Fair Value of Financial Instruments (continued)

The following table provides fair values of financial assets carried at amortized cost as at 31 December 2013 and 2012:

	2013		2012	
In thousands of Russian Roubles	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
FINANCIAL ASSETS CARRIED AT AMORTISED COST				
Loans and advances to customers				
Corporate loans				
- loans to finance working capital	133 528 167	137 927 760	130 098 484	130 912 477
- investment loans	63 175 927	64 417 073	54 274 983	54 048 685
- loans to entities financed by government	17 250 322	17 720 278	15 862 481	15 869 249
Loans to individuals				
- mortgage loans	20 033 686	20 561 867	11 368 360	11 756 538
- car loans	3 902 990	3 996 215	2 572 981	2 646 779
- consumer loans to VIP clients	5 306 310	5 416 290	4 237 979	4 272 214
- other loans to individuals	7 686 701	8 249 207	3 963 652	4 219 572
Investment securities held-to-maturity	-	-	31 361	6 263
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	**250 884 103**	**258 288 690**	**222 410 281**	**223 731 777**

The following table provides fair values of financial liabilities carried at amortized cost as at 31 December 2013 and 2012:

	2013		2012	
In thousands of Russian Roubles	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST				
Customer accounts				
State and public organisations				
- Current/settlement accounts	905 604	905 604	835 462	835 462
- Term deposits	57	-	-	-
Other legal entities				
- Current/settlement accounts	54 979 453	54 979 453	51 466 052	51 466 052
- Term deposits	71 936 160	71 892 168	68 966 817	69 365 757
- Amounts payable under sale and repurchase agreements	1 884	1 884	308 259	308 259
Individuals				
- Current accounts/demand deposits	30 461 432	30 461 432	23 381 940	23 381 940
- Term deposits	94 842 701	97 637 472	77 838 204	79 718 617
Bonds issued				
- Bonds	10 209 883	10 221 300	10 674 577	10 681 137
- Subordinated Eurobonds	10 008 906	10 203 773	6 209 007	6 115 061
Other debt securities issued				
- Promissory notes	8 507 338	8 659 592	5 228 677	5 230 806
- Deposit certificates	2	2	15 657	15 609
Other borrowed funds				
-Subordinated loans	4 047 873	3 744 532	5 333 607	4 990 665
-VTB Bank	1 968 665	1 928 275	2 915 434	2 873 920
-EBRD	771 571	755 539	2 051 128	1 933 780
-AKA AFK	581 697	544 476	260 372	258 717
-Nordic Investment Bank	209 620	201 982	302 671	286 701
-Eurasian Development Bank	-	-	395 090	387 637
-KFW IPEX-Bank GmbH	-	-	152 326	150 781
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	**289 432 846**	**292 137 484**	**256 335 280**	**258 000 901**

35 Fair Value of Financial Instruments (continued)

Financial instruments recognized at fair value. Trading securities, trading securities pledged under sale and repurchase agreements, investment securities available-for-sale, derivative financial instruments are carried at fair value in consolidated financial statements.

According to the Group estimates, fair values of financial assets and liabilities, except for those disclosed in tables above, do not differ significantly from their carrying values.

Fair value hierarchy for assets and liabilities disclosed in tables above is as follows:

- bonds issued – level 1
- investment securities held to maturity – level 1
- customer accounts – level 2
- other debt securities issued – level 2
- other borrowed funds – level 3
- loans and advances to customers - level 3

The Group’s accounting policy on recognition of financial instruments carried at fair value is disclosed in note 3.

Loans and receivables carried at amortised cost. The fair value of instruments with floating interest rates usually equals to their carrying value. If market situation significantly changes the interest rates on loans and advances to customers and loans to banks with fixed interest rate may be revised. Therefore, interest rates on loans and advances to customers issued just before reporting date do not significantly differ from current interest rates on new instruments with similar credit risk and maturity date. If interest rates on earlier issued loans, according to the Group estimates, significantly differ from current interest rates for similar instruments as at reporting date, the Group determines estimated fair value for these loans. The estimate is based on discounted cash flows using current interest rates for new instruments with similar credit risk and maturity date. Discounting rates depend on currency, maturity date and counterparty.

The following table provides analysis of interest rates on loans and advances to customers and loans to banks as at 31 December 2013 and 2012:

	2013	**2012**
Loans and advances to customers:		
Corporate loans	2.28% - 26.30% p.a.	2.30% -28.70% p.a.
Loans to individuals	4.30% - 26.30% p.a.	3.89% -14.69% p.a.

The estimated fair values of other financial assets, including receivables, approximates to their amortised cost due to their short-term nature.

Financial liabilities carried at amortised cost. The estimated fair value of instruments with fixed interest rates and fixed maturity dates that do not have market prices is based on discounted cash flows using current interest rates for new instruments with similar credit risk and maturity date. Discounting interest rates depend on currency, maturity date and as at 31 December 2013 ranged from 0.1% p.a. to 16.12% p.a. (2012: from 2.56% p.a. to 16.50% p.a.).

36 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form. Mr. Savelyev, through his direct share ownership, option agreements, position as chairman of the management board and together with other members of management have de facto control of the Bank in accordance with the accounting definition contained in IFRS 10.

Transactions are entered into in the normal course of business with shareholders, management and companies controlled by the Group’s shareholders and management.

As at 31 December 2013, the outstanding balances with related parties are as follows:

In thousands of Russian Roubles	**Shareholders**	**Key management personnel**	**Other related parties**
Loans and advances to customers (contractual interest rates: 6.0% – 22.0% p.a.)	50 002	78 595	290 895
Impairment allowance for loans and advances to customers	(791)	(1 234)	(28 779)
Investment securities available-for-sale	-	-	2 000 008
Customer accounts (contractual interest rates: 2.5% - 10.0% p.a.)	1 917 946	831 189	3 204 274
Other borrowed funds (contractual interest rates: 4.4% - 13.4% p.a.)	3 354 018	-	-

Other borrowed funds include subordinated debt. Refer to note 21.

The income and expense items with related parties, other than compensation to the members of the Supervisory Board and Management Board, for the year 2013 are as follows:

In thousands of Russian Roubles	**Shareholders**	**Key management personnel**	**Other related parties**
Interest income	5 271	9 497	34 827
Interest expense	(497 676)	(29 668)	(75 540)
Recovery of provision for loan impairment	23	223	2 484
Fee and commission income	58	570	6 802

Aggregate amounts lent to and repaid by related parties during 2013 are:

In thousands of Russian Roubles	**Shareholders**	**Key management personnel**	**Other related parties**
Amounts lent to related parties during the period	12 431	74 916	56 488
Amounts repaid by related parties during the period	13 711	88 133	75 491

36 Related Party Transactions (continued)

As at 31 December 2012, the outstanding balances with related parties are as follows:

In thousands of Russian Roubles	Shareholders	Key management personnel	Other related parties
Loans and advances to customers (contractual interest rates: 6.25% – 22.5% p.a.)	51 282	91 812	309 898
Impairment allowance for loans and advances to customers	(814)	(1 457)	(31 263)
Customer accounts (contractual interest rates: 2.3% - 10.0% p.a.)	1 042	4 264	3 104 246
Other borrowed funds (contractual interest rate: 4.5% - 13.4% p.a.)	4 442 855	-	-

Other borrowed funds are represented by the subordinated debt, note 21.

The income and expense items with related parties, other than compensation to the members of the Supervisory Board and management, for the year 2012 are as follows:

In thousands of Russian Roubles	Shareholders	Key management personnel	Other related parties
Interest income	3 960	12 754	29 820
Interest expense	(451 903)	(30 276)	(67 273)
(Provision) recovery of provision for loan impairment	(469)	860	(4 018)
Fee and commission income	1 217	923	6 815

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

In thousands of Russian Roubles	Shareholders	Key management personnel	Other related parties
Amounts lent to related parties during the period	40 872	24 628	203 338
Amounts repaid by related parties during the period	7 590	53 660	263 336

In 2013, total remuneration of members of the Supervisory Board and Management Board of the Bank, including pension contributions and discretionary bonuses, amounts to RR 509 759 thousand (2012: RR 411 055 thousand).

37 Consolidation of Companies

The Group's consolidated financial statement includes:

Name	Country of incorporation	Principal activities	Ownership %	
			2013	**2012**
BSPB-Trading Systems	Russian Federation	Operation on financial market	**100**	**100**

The Bank uses structured entity BSPB Finance PLC for issue of bonds on the international capital market (refer to note 19).

BSPB Finance PLC is the issuer of a structured debt – loan participation notes issued solely to finance loans to the Bank. Loan participation loans represent secured debt, where the issuer pledges all amounts received and/or receivable under loan agreements with the Bank. The Bank compensates the issuer all one-off and future expenses related to issuance and servicing of the loans.

38 Events after the reporting period

On 10 February 2014 the Group acquired 100% shares of CJSC IKB "Evropeyskiy". The acquisition is not expected to have a significant impact on the statement of financial position or results of operation.

A.V. Savelyev
Chairman of the Management Board

N.G. Tomilina
Chief Accountant