NK Bank
(open joint stock company)

Financial statements
For the Year Ended December 31, 2013
and Auditor's Report

NK BANK
(open joint stock company)

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NK BANK
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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Management is responsible for the preparation of the financial statements that present fairly the financial position of NK Bank (open joint stock company) (hereinafter - the "Bank") as of December 31, 2013 and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards (hereinafter - "IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance;
- making an assessment of the Bank's ability to continue as a going concern.

Management is also responsible for:

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

The financial statements of the Bank for the year ended December 31, 2013 were approved by the Bank's Management Board on April 8, 2014.

On behalf of the Management Board:

Chairman of the Management Board	**Chief Accountant**
S.N. Smirnov	**E.M. Merkulova**
April 8, 2014	April 8, 2014
Moscow	Moscow

Deloitte.

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Moscow, 125047
Russia

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INDEPENDENT AUDITOR'S REPORT

To: Shareholders and the Board of Directors of NK Bank (open joint stock company)

We have audited the accompanying financial statements of NK Bank (open joint stock company) (hereinafter – the "Bank"), which comprise the statement of financial position as at December 31, 2013 the statements of profit or loss, other comprehensive income, changes in equity and cash flows for 2013, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the fair presentation of these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements.

Opinion

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

Deloitte & Touche

April 15, 2014
Moscow, Russian Federation

Ploutalova Svetlana Yevgenyevna, Partner
(qualification certificate no. № 01-000596 dated March 19, 2012)

ZAO Deloitte & Touche CIS

The Entity: NK Bank (open joint stock company)

Certificate of state registration №2755, issued by the Moscow Registration Chamber by 18.03.1994.

Certificate № 1027739028536 of registration in the Unified State Register of 30.07.2002., issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Address: 2, Miusskaya square, Moscow, Russia, 125047

Independent Auditor: ZAO “Deloitte & Touche CIS”

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

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

Certificate of membership in «NP «Audit Chamber of Russia» (auditors’ SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

NK Bank (open joint stock company)

Statement of financial position as at December 31, 2013

(in thousands of Russian Rubles)

	Note	December 31, 2013	December 31, 2012
ASSETS			
Cash and balances with the Central Bank of the Russian Federation	4	810 113	938 697
Precious metals	5	60 676	19 984
Financial assets at fair value through profit or loss	6	1 221 016	569 720
Due from banks and other financial institutions	7	1 944 545	705 977
Loans to customers	8, 28	8 276 062	7 245 432
Available-for-sale financial assets	9	75 867	87 274
Property, equipment and intangible assets	10	24 451	26 938
Other assets	11	11 077	8 042
Total assets		**12 423 807**	**9 602 064**
LIABILITIES			
Due to banks and other financial institutions	12	342 436	904 979
Customer accounts	13, 28	7 571 762	5 146 824
Debt securities issued	14	2 352 670	1 500 066
Subordinated debt	16	-	148 727
Other liabilities	15	39 359	33 193
Current income tax liabilities		15 004	13 078
Deferred income tax liabilities	25	1 638	1 756
Total liabilities		**10 322 869**	**7 748 623**
EQUITY			
Share capital	17	679 277	679 277
Share premium	17	449 358	449 358
Available-for-sale reserve		6 554	7 022
Additional paid-in capital	17	150 000	-
Retained earnings		815 749	717 784
Total equity		**2 100 938**	**1 853 441**
Total liabilities and equity		**12 423 807**	**9 602 064**

Approved by and signed on behalf of the Management Board

[ ]	Chairman of the Management Board	S.N. Smirnov
[ ]	Chief Accountant	E.M. Merkulova

April 8, 2014
Moscow

The notes on pages 10-42 form an integral part of these financial statements.

Открытое акционерное общество «НК Банк» * г. Москва * ОГРН 1027739028536 * Лицензия Банка России № 2755 * НК БАНК

NK Bank (open joint stock company)

Financial statement of profit and loss for the year ended December 31, 2013

(in thousands of Russian Rubles)

	Note	Year ended December 31, 2013	Year ended December 31, 2012
Interest income	18, 28	1 323 694	1 377 716
Interest expense	18,28	(581 923)	(551 473)
Net interest income before provision for impairment losses on interest bearing financial assets		**741 771**	**826 243**
Recovery of provision/(provision) for impairment losses on interest bearing assets	19, 28	67 401	(19 425)
NET INTEREST INCOME		**809 172**	**806 818**
Net loss on financial assets at fair value through profit or loss	20	(14 348)	(4 129)
Net gain on foreign exchange operations	21, 28	90 006	118 747
Net gain on available-for-sale financial assets		297	7 220
Fee and commission income	22, 28	78 763	71 797
Fee and commission expense	22	(14 757)	(13 314)
Provision for impairment of assets on other transactions	19	-	(102)
Dividends received		441	1 362
Loss from assignment of accounts receivable	23	(32 930)	-
Net loss on precious metals		(7 048)	-
Other income	28	2 240	7 330
NET NON-INTEREST INCOME		102 664	188 911
OPERATING INCOME		911 836	995 729
OPERATING EXPENSES	24, 28	(695 598)	(663 596)
PROFIT BEFORE INCOME TAX		**216 238**	**332 133**
Income tax expense	25	(62 723)	(57 328)
NET PROFIT FOR THE PERIOD		**153 515**	**274 805**

Approved by and signed on behalf of the Management Board

[ ]	Chairman of the Management Board	S.N. Smirnov
[ ]	Chief Accountant	E.M. Merkulova

April 8, 2014
Moscow

The notes on pages 10-42 form an integral part of these financial statements.

Открытое акционерное общество «НК Банк» * г. Москва * ОГРН 1027739028536 * Лицензия Банка России № 2753 * НК БАНК

NK Bank (open joint stock company)

Financial statement of other comprehensive income for the year ended December 31, 2013

(in thousands of Russian Rubles)

	Note	December 31, 2013	December 31, 2012
NET PROFIT		153 515	274 805
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		(586)	19 752
Income tax effect attributable to other components of comprehensive income	25	118	(1 756)
OTHER COMPREHENSIVE (LOSS)/INCOME AFTER INCOME TAX		(468)	17 996
TOTAL COMPREHENSIVE INCOME		153 047	292 801

Approved by and signed on behalf of the Management Board

[ ] Chairman of the Management Board S.N. Smirnov

[ ] Chief Accountant E.M. Merkulova

April 8, 2014

Moscow

The notes on pages 10-42 form an integral part of these financial statements.

(in thousands of Russian Rubles)

	Note	Share capital	Share premium	Available-for-sale reserve	Retained earnings	Additional paid-in capital	Total equity
Balance at January 1, 2012		**679 277**	**449 358**	**(10 974)**	**554 079**	**-**	**1 671 740**
Other comprehensive income for the year		-	-	17 996	274 805	-	292 801
Dividends paid	17	-	-	-	(111 100)	-	(111 100)
Balance at January 1, 2013		**679 277**	**449 358**	**7 022**	**717 784**	**-**	**1 853 441**
Other comprehensive income for the year		-	-	(468)	153 515	-	153 047
Dividends paid	17	-	-	-	(55 550)	-	(55 550)
Other changes	17	-	-	-	-	150 000	150 000
Balance at December 31, 2013		**679 277**	**449 358**	**6 554**	**815 749**	**150 000**	**2 100 938**

Approved by and signed on behalf of the Management Board

[ ] Chairman of the Management Board S.N. Smirnov

[Chief Accountant E.M. Merkulova

April 8, 2014
Moscow
The notes on pages 10-42 form an integral part of these financial statements.

NK Bank (open joint stock company)

Financial statement of cash flows for the year ended December 31, 2013

(in thousands of Russian Rubles)

	Note	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		216 238	332 133
Adjustments for non-cash items:			
(Recovery of provision)/provision for impairment losses on interest bearing assets		(67 401)	19 425
Provision for impairment of assets on other transactions		-	102
Net change in fair value of financial assets at fair value through profit or loss		8 554	(5 932)
Net gain on available-for-sale financial assets		(297)	(7 220)
Loss from assignment of accounts receivable		32 930	-
Depreciation and amortization		14 007	13 697
Loss on disposal of property, equipment and intangible assets		635	140
Dividends received		(441)	(1 362)
Net change in interest accruals		68 646	257 773
Loss from revaluation of foreign currency accounts and precious metals		21 185	117 948
Cash inflow from operating activities before changes in operating assets and liabilities		**294 056**	**726 704**
Increase/(decrease) of net cash flows from operating assets and liabilities			
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the Central Bank of the Russian Federation		(3 752)	(10 912)
Precious metals		(47 052)	122 851
Financial assets at fair value through profit or loss		(639 467)	(56 776)
Due from banks and other financial institutions		(97 795)	4 832
Loans to customers		(836 727)	99 230
Other assets		(3 035)	3 408
Increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		(562 543)	(209 594)
Customer accounts		2 225 247	(579 663)
Other liabilities		6 166	(10 669)
Cash inflow from operating activities before taxation		**335 098**	**89 411**
Income tax paid		**(60 797)**	**(45 618)**
Net cash inflow from operating activities		**274 301**	**43 793**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(12 155)	(4 200)
Proceeds on disposal of property, equipment and intangible assets		-	230
Dividends received		441	1 362
Purchase of available-for-sale financial assets		(370 000)	(879 130)
Proceeds from sale of available-for-sale financial assets		391 484	1 047 260
Purchase of held-to-maturity financial assets		(100 890)	(271 117)
Proceeds from repayment of held-to-maturity financial assets		103 569	281 566
Proceeds from assignment of accounts receivable		70 000	-
Net cash inflow from investing activities		**82 449**	**175 971**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in additional paid-in capital		150 000	-
Proceeds from placement of debt securities issued		5 125 700	5 074 303
Repayment of debt securities issued		(4 417 752)	(5 097 701)
Dividends paid on ordinary shares		(55 550)	(111 100)
Repayment of subordinated debt		(148 500)	-
Net cash inflow (outflow) from financing activities		**653 898**	**(134 498)**

(In thousands of Russian Rubles)

	Note	Year ended December 31, 2013	Year ended December 31, 2012
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		(2 520)	(3 799)
Net increase in cash and cash equivalents		**1 008 128**	**81 467**
Cash and cash equivalents at the beginning of the reporting period	4	**1 543 648**	**1 462 181**
Cash and cash equivalents at the end of the reporting period	4	**2 551 776**	**1 543 648**

Interest received and paid by the Bank during the year ended December 31, 2013 amounted to RUB 1,234,230 thousand and RUB 447,017 thousand, respectively.

Interest received and paid by the Bank during the year ended December 31, 2012 amounted to RUB 1,592,235 thousand and RUB 509,977 thousand, respectively.

Approved by and signed on behalf of the Management Board

[ ]	Chairman of the Management Board	S.N. Smirnov
[ ]	Chief Accountant	E.M. Merkulova

April 8, 2014
Moscow

The notes on pages 10-42 form an integral part of these financial statements.

1 Organization

NK Bank (open joint stock company) (the "Bank") is an joint-stock bank which was incorporated in the Russian Federation in 1993. The Bank is regulated by the Central Bank of the Russian Federation (the "CBR") and conducts its business under general license number 2755. The Bank's primary business consists of commercial activities, trading with securities, foreign currencies, originating loans and guarantees.

The registered office of the Bank is located at 2, Miusskaya square, Moscow, Russia.

The Bank has an additional office ("Ochakovo") located at building 14, block 6, Generala Dorokhova Street, Moscow

As at December 31, 2013 and 2012 the shares of the Bank were owned by the following shareholders (ultimate owners):

	December 31, 2013	December 31, 2012
Viktor Yevgenyevich Grigoriev	90,00%	90,00%
Larisa Leonidovna Drozdova	10,00%	7,00%
Dmitry Alexandrovich Drozdov	-	3,00%
	100,00%	100,00%

These financial statements were authorized for issue by the Bank's Management Board on April 8, 2014.

2 Basis of presentation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

Other basis of presentation criteria

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue to operate for the foreseeable future.

These financial statements are presented in thousands of Russian Rubles ("RUB thousand"), unless otherwise indicated. These financial statements of the Bank have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Bank maintains its accounting records in accordance with Russian Accounting Standards ("RAS"). These financial statements have been prepared from the statutory accounting records and have been adjusted to conform with IFRS.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 32.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit and loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

3 Significant accounting policies

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as financial assets at fair value through profit and loss.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of income on repurchase and reverse repurchase agreements

Gain/loss on the sale of the above instruments is recognized as interest income or expense in the statement of profit and loss based on the difference between the repurchase price accrued to date using the effective interest method and the sale price when such instruments are sold to third parties. When the repo/ reverse repo is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

Recognition of revenue – other

Recognition of fee and commission income

Loan origination fees (material) are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit or loss over the remaining period of the loan commitment.

Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit or loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in profit or loss when the syndication has been completed. All other commissions are recognized as services are rendered.

Recognition of dividend income

Dividend income is recognized on the date when the issuer declares payment (provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably).

Financial instruments

The Bank recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity financial assets", "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- acquired principally for the purpose of selling them in the near future;
- which are a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or;
- the financial asset forms part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Net gain or loss includes dividends and interest received on the financial asset. Fair value is determined in the manner prescribed in Note 29.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity financial assets before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available for sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the following two years.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available for sale or are not classified as (a) receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes that are traded in an active market, are classified as AFS and are stated at fair value. Fair value is determined in the manner described in Note 29. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and accounts receivable

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Securities repurchase and reverse repurchase agreements and securities lending transactions

In the normal course of business, the Bank enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilized by the Bank as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collateralized deposit received within depositary instruments with banks.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit collateralized by securities and other assets and are classified within due from banks and other financial institutions and/or loans and advances to customers.

The Bank enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the RF, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction.

The transfer of securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Breach of contract, such as default or delinquency in interest or principal payments;
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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 recognized, the previously recognized impairment loss is reversed through the profit and loss account The carrying amount of financial assets as of the date of reversal of impairment loss cannot exceed the carrying amount, which should have been recorded if impairment had not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of available-for-sale reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Write-off of loans to customers

Loans are written off against the provision for impairment losses when deemed uncollectible, including through repossession of collateral. Loans to customers are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of profit and loss (the statement of comprehensive income) in the period of recovery.

Derecognition of financial assets

A financial asset (or, where applicable a part of the financial asset or part of a group of similar financial assets) is derecognized where:

- A right to receive cash flows from the asset has expired;
- The Bank has transferred its rights to receive cash flows from the asset or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer required that the Bank either (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to receive the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the balance sheet. If substantially all the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Other financial liabilities

Other financial liabilities, including depository instruments with the the Central Bank of the Russian Federation, deposits by banks and customers, debt securities issued, other borrowed funds and other liabilities, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost. Interest expense is calculated using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated by Management as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Derivative financial instruments

The Bank enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Gains and losses arising from that are immediately recognized through financial results, except derivatives designated and effective as a hedging instrument.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Bank as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Bank as lessee

Assets held under finance leases are initially recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Bank's general policy on borrowing costs. Contingent rentals arising under finance leases are recognized as an expense in the period in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Office and computer equipment	10 - 25%
Cars and other equipment	20 - 25%
Other	33%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Actual cost of intangible assets is derecognized at the following annual rates:

Intangible assets	30 - 100%

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of property, equipment and intangible assets other than goodwill

At the end of each reporting period, the Bank reviews the carrying amounts of its property, equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange rates, using the RUB/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain/(loss) on precious metals operations.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, unrestricted balances on corresponded and term deposits with the Central Bank of the Russian Federation with original maturity of less than or equal to 90 days and amounts with original maturity of less than or equal to 30 days due from:
- banks in the countries that are members of the Organisation for Economic Co-operation and Development (the "OECD");
- central banks of the countries ranked highest according to classifications of Expert Credit Agencies;
- non-resident banks in the countries outside the OECD, but with a minimum international credit rank Ba3/BB-;
- resident banks that have a stable financial position according to the Bank's assessment.

The minimum reserve deposits with the CBR are subject to restrictions to their availability and therefore are not included in cash and cash equivalents.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income/statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Operating taxes

The Russian Federation also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the statement of profit and loss.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(in thousands of Russian Rubles, unless otherwise indicated)

When some or all of the economic benefits required to settle an obligation are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed in the financial statements unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed in the financial statements when an inflow of economic benefits is probable.

Fiduciary activities

The Bank provides depositary services to its customers, which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Bank's financial statements. The Bank accepts the operational risk on these activities, but the Bank's customers bear the credit and market risks associated with such operations. Revenue from the provision of trustee services is recognized as services are provided.

Foreign currencies

In preparing the financial statements of the Bank, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise. The exchange rates used by the Bank in the preparation of the financial statements as at year-end are as follows:

	December 31, 2013	December 31, 2012
RUB/USD	32,7292	30,3727
RUB/EUR	44,9699	40,2286
RUB/BYR 10,000	34,3073	35,3376
RUB/Gold bullion (1 ounce)	39 324,13	50 540,17

Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Bank's statement of financial position include available-for-sale financial assets revaluation reserve, which comprises changes in the fair value of available-for-sale financial assets.

Assets classified as held-for-sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Bank is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Bank will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Critical accounting judgments and key sources of estimation uncertainties

In the application of the Bank's accounting policies management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of receivables

The Bank regularly reviews its receivables for impairment. The Bank's impairment provisions are established to recognize incurred impairment losses in its portfolio of receivables. The Bank considers accounting estimates related to the provision for impairment of receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired receivables are based on recent performance experience, and (ii) any significant difference between the Bank's estimated losses and actual losses would require the Bank to record provisions which could have a material impact on its financial statements in future periods.

The provisions for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in the Russian Federation and what effect such changes might have on the adequacy of the provisions for impairment of financial assets in future periods.

Valuation of financial instruments

As described in Note 29, the Bank uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 29 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Adoption of new and revised standards

Adoption of new standards

Standards affecting the financial statements

The Bank has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (the IFRIC), which became effective for the Bank's annual financial statement for the year ended December 31, 2013:

Amendments to IFRS 7 *Financial Instruments: Disclosures*

In the current year, the Bank has applied the amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* for the first time. The amendments require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively. The adoption did not have any impact on the amounts or disclosures in the financial statements as the Bank does not have any offset arrangements.

Amendments to IAS 1 *Presentation of Financial Statements*

The Bank has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* in advance of their effective date (annual periods beginning on or after 1 July 2012). The amendments increase the required level of disclosure within the statement of comprehensive income.

The amendments require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that will be reclassified subsequently to profit or loss in accordance with the respective IFRS standard to which the item relates. The financial statements have also been amended to analyze income tax on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income has been restated to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, comprehensive income and total comprehensive income.

IFRS 13 *Fair Value Measurement*

In the current year, the Bank has applied IFRS 13 for the first time. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Bank has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the financial statements.

Standards and interpretations in issue but not yet adopted

***The Bank has not adopted** the following standards and interpretations in issue but not yet effective:*

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

• all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

• With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

The management of the Bank anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities (e.g. the Bank's investments in redeemable notes that are currently classified as available-for-sale financial assets will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognized in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

Amendments to IAS 32 *Financial Instruments: Presentation* clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement."

The management of the Bank does not anticipate that the application of the amendments to IAS 32 will have a significant impact on the Bank's financial statements as the Bank does not have any financial assets and financial liabilities that qualify for offset.

(in thousands of Russian Rubles, unless otherwise indicated)

4 Cash and balances with the Central Bank of the Russian Federation

	December 31, 2013	December 31, 2012
Balances with the Central Bank of the Russian Federation	595 924	727 437
Cash on hand	214 189	211 260
Total cash and balances with the Central Bank of the Russian Federation	**810 113**	**938 697**

The balances with the Central Bank of the Russian Federation as at December 31, 2013 and 2012 include RUB 100,906 thousand and RUB 97,154 thousand, respectively, which represent statutory reserve deposits with the Central Bank of the Russian Federation. The Bank is required to maintain minimum reserve deposits with the CBR at all times.

Cash and cash equivalents presented in the statement of cash flows comprise:

	December 31, 2013	December 31, 2012
Correspondent accounts with OECD banks	1 271 689	461 298
Cash and balances with the Central Bank of the Russian Federation	810 113	938 697
Term interbank loans with maturity within 30 days	510 310	170 052
Correspondent accounts with resident banks	60 570	70 755
Total	2 652 682	1 640 802
Less minimum reserve deposits with the Central Bank of the Russian Federation	(100 906)	(97 154)
Total cash and cash equivalents	**2 551 776**	**1 543 648**

5 Precious metals

As at December 31, 2013 and 2012 precious metals included gold in the Bank's vault with the carrying amount of RUB 60,676 thousand and RUB 19,984 thousand, respectively.

6 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	December 31, 2013	December 31, 2012
Financial assets held for trading:		
Debt securities	1 221 016	569 720
Total financial assets at fair value through profit or loss	**1 221 016**	**569 720**

Held-for-trading financial assets comprise:

Debt securities:	**Interest to nominal, %**	**December 31, 2013**	**Interest to nominal, %**	**December 31, 2012**
Bonds issued by Russian banks	8.50%-12.75%	920 255	8.5%-13.9%	339 247
Russian State Bonds (OFZ)	7.10%-12%	199 145	7.15%-11.2%	168 015
Russian corporate bonds	14.5%	51 632	8.25%-10.25%	62 458
Eurobonds	7.7%-9%	49 984	-	-
Total debt securities		**1 221 016**		**569 720**

As at December 31, 2013 and 2012 bonds issued by Russian banks comprised ruble-denominated bonds with maturities from April 2014 through January 2019 and from November 2013 through December 2017, respectively.

Russian State Bonds (OFZ) are ruble-denominated state securities issued with a discount to nominal cost and guaranteed by the RF Ministry of Finance. OFZ comprise short-term bonds.

As at December 31, 2013 and 2012 Russian corporate bonds comprised ruble-denominated bonds with maturities in October 2016 and from September 2017 through February 2021, respectively.

As at December 31, 2013 the Bank's portfolio included Eurobonds of CBOM Finance P.L.C. and VPB FUNDING LIMITED that are traded in international markets. The coupon income on these securities is payable twice a year. These securities mature in February 2018 and November 2016, respectively.

(in thousands of Russian Rubles, unless otherwise indicated)

7 Due from banks and other financial institutions

	December 31, 2013	December 31, 2012
Correspondent accounts of banks and overnight deposits	1 332 552	534 808
Term interbank loans and deposits	609 176	170 052
Other accounts with financial institutions	2 817	1 117
Total due from banks and other financial institutions	**1 944 545**	**705 977**

As at December 31, 2013 and 2012 the Bank had amounts due from the DEUTSCHE BANK group totaling RUB 1,261,286 thousand and RUB 453,045 thousand, respectively, which exceeded 10% of the Bank's equity.

8 Loans to customers

	December 31, 2013	December 31, 2012
Loans to customers	9 145 550	8 187 532
Less provision for impairment losses	(869 488)	(942 100)
Total loans to customers	**8 276 062**	**7 245 432**

The Bank provides loans to small and medium businesses, including from funds of Open Joint Stock Company "Russian Bank for Small and Medium Enterprises Support" allocated within the government's financial support program for SMEs. As at December 31, 2013 and 2012 loans to customers issued under the program amounted to RUB 300,651 thousand and RUB 826,784 thousand, respectively (Note 12).

As at December 31, 2013 and 2012 loans to customers totaling RUB 291,470 thousand and RUB 826,784 thousand, respectively, served as collateral for borrowings funds of Open Joint Stock Company "Russian Bank for Small and Medium Enterprises Support" (Note 12).

Movements in provisions for impairment losses on loans to customers for the years ended December 31, 2013 and 2012 are disclosed in Note 19.

The table below summarizes the amount of loans analyzed by type of collateral, rather than the fair value of the collateral itself:

	December 31, 2013	December 31, 2012
Loans collateralized by pledge of real estate	2 330 935	1 252 966
Loans collateralized by pledge of securities	678 408	225 605
Loans collateralized by the Bank's promissory notes	573 172	653 308
Loans collateralized by pledge of equipment	507 758	462 481
Loans collateralized by corporate guarantees	115 841	54 914
Loans collaterlized by deposits	105 196	-
Loans collateralized by receivables	88 583	997 658
Loans collateralized by goods	34 520	137 932
Unsecured loans	4 711 137	4 402 668
	9 145 550	8 187 532
Less provision for impairment losses	(869 488)	(942 100)
Total loans to customers	**8 276 062**	**7 245 432**

Risk concentrations on customer loan portfolio by industries were as follows:

	December 31, 2013	December 31, 2012
Individuals	2 445 168	1 412 934
Wholesale	2 132 153	2 048 123
Financial activities	2 069 629	1 799 527
Real estate operations	974 858	809 692
Machinery construction	435 338	429 490
Transport and communication	389 412	401 392
Light industry	249 000	284 000
Construction	186 426	656 121
Tourism	133 089	168 302
Hotels and restaurants	76 308	112 599
Science	27 910	-
Manufacturing	23 000	-
Food industry	3 000	-
Retail trading	259	55 501
Other	-	9 851
	9 145 550	8 187 532
Less provision for impairment losses	(869 488)	(942 100)
Total loans to customers	**8 276 062**	**7 245 432**

(in thousands of Russian Rubles, unless otherwise indicated)

As at December 31, 2013 and 2012 the Bank issued loans to 14 and 13 borrowers totaling RUB 4,509,282 thousand and RUB 3,703,401 thousand, respectively, which individually exceeded 10% of the Bank's equity.

As at December 31, 2013 and 2012 loans to customers were grouped into the following classes according to their features and nature of disclosure:

	December 31, 2013			December 31, 2012		
	Loans to customers	Provision	Net loans to customers	Loans to customers	Provision	Net loans to customers
Classes of loans to legal entities	**6 700 381**	**621 811**	**6 078 570**	**6 774 599**	**792 048**	**5 982 551**
Loans for current operations	5 604 599	529 779	5 074 820	5 963 231	671 963	5 291 268
Investment loans	574 523	21 141	553 382	456 475	78 826	377 649
Loans against turnover	521 259	70 891	450 368	354 893	41 259	313 634
Classes of loans to individuals	**2 445 169**	**247 677**	**2 197 492**	**1 412 933**	**150 052**	**1 262 881**
Targeted loans to individuals	1 945 937	193 819	1 752 118	1 002 166	98 823	903 343
Consumer loans	496 747	52 659	444 088	406 230	49 931	356 299
Plastic card overdrafts	2 485	1 199	1 286	4 537	1 298	3 239
Total loans to customers	**9 145 550**	**869 488**	**8 276 062**	**8 187 532**	**942 100**	**7 245 432**

The table below summarizes an analysis of loans to customers by impairment:

	December 31, 2013			December 31, 2012		
	Loans to customers	Provision	Net loans to customers	Loans to customers	Provision	Net loans to customers
Loans impaired individually	6 626 332	867 185	**5 759 147**	5 217 364	939 659	**4 277 705**
Unimpaired loans	2 472 893	-	**2 472 893**	2 931 675	-	**2 931 675**
Loans impaired collectively	46 325	2 303	**44 022**	38 493	2 441	**36 052**
Total loans to customers	**9 145 550**	**869 488**	**8 276 062**	**8 187 532**	**942 100**	**7 245 432**

The following table provides information on the loans that would have been past due or impaired if they had not been renegotiated:

	December 31, 2013			December 31, 2012		
	Loans to customers	Provision	Net loans to customers	Loans to customers	Provision	Net loans to customers
Classes of loans to legal entities	**1 594 890**	**182 488**	**1 412 402**	**756 019**	**117 141**	**638 878**
Other loans for current operations	1 185 775	170 458	1 015 317	745 626	116 494	629 132
Investment loans	409 115	12 030	397 085	-	-	-
Loans against turnover	-	-	-	10 393	647	9 746
Classes of loans to individuals	**678 504**	**103 938**	**574 566**	**514 399**	**12 059**	**502 340**
Targeted loans to individuals	460 352	58 136	402 216	496 626	11 170	485 456
Consumer loans	218 152	45 802	172 350	17 773	889	16 884
Total loans to customers	**2 273 394**	**286 426**	**1 986 968**	**1 270 418**	**129 200**	**1 141 218**

(in thousands of Russian Rubles, unless otherwise indicated)

9 Available-for-sale financial assets

Available-for-sale financial assets comprise:

	December 31, 2013	December 31, 2012
Debt securities	68 282	79 689
Equity securities	7 585	7 585
Total available-for-sale financial assets	**75 867**	**87 274**

Available-for-sale financial assets include:

Debt securities:

Title	Interest to nominal, %	December 31, 2013	Interest to nominal, %	December 31, 2012
Eurobonds	8.25%	68 282	8.25%	79 689
Total debt securities		**68 282**		**79 689**

Equity securities

Title	Ownership interest, %	December 31, 2013	Ownership interest, %	December 31, 2012
Corporate shares:				
Shares issued by OJSC MEUZ "Yuvelirprom"	0.69%	7 585	0.69%	7 585
Total equity securities		**7 585**		**7 585**

As at December 31, 2013 and 2012 the Bank's portfolio included Eurobonds of CBOM Finance P.L.C. that are traded in international markets. The coupon income on these securities is payable twice a year. The securities mature in August 2014.

10 Property, equipment and intangible assets

	Office and computer equipment	Cars and other equipment	Intangible assets	Other	Total
Net book value at January 1, 2013	**9 765**	**12 749**	**4 358**	**66**	**26 938**
Balance at beginning of the year	25 897	25 277	21 268	66	**72 508**
Additions	804	5 932	5 419	-	**12 155**
Disposals	(2 341)	(103)	(3 244)	-	**(5 688)**
Balance at the end of the period	**24 360**	**31 106**	**23 443**	**66**	**78 975**
Accumulated depreciation at the beginning of the year	(16 132)	(12 528)	(16 910)	-	**(45 570)**
Depreciation charge	(3 820)	(5 234)	(4 931)	(22)	**(14 007)**
Disposals	2 301	103	2 649	-	**5 053**
Accumulated depreciation at the end of the year	**(17 651)**	**(17 659)**	**(19 192)**	**(22)**	**(54 524)**
Net book value at December 31, 2013	**6 709**	**13 447**	**4 251**	**44**	**24 451**

	Office and computer equipment	Cars and other equipment	Intangible assets	Other	Total
Net book value at January 1, 2012	**12 496**	**16 729**	**7 580**	**-**	**36 805**
Balance at beginning of the year	25 586	25 149	22 870	-	**73 605**
Additions	1 146	1 266	1 722	66	**4 200**
Disposals	(835)	(1 138)	(3 324)		**(5 297)**
Balance at the end of the period	**25 897**	**25 277**	**21 268**	**66**	**72 508**
Accumulated depreciation at the beginning of the year	(13 090)	(8 420)	(15 290)		**(36 800)**
Depreciation charge	(3 877)	(5 222)	(4 598)	-	**(13 697)**
Disposals	835	1 114	2 978	-	**4 927**
Accumulated depreciation at the end of the year	**(16 132)**	**(12 528)**	**(16 910)**	**-**	**(45 570)**
Net book value at December 31, 2012	**9 765**	**12 749**	**4 358**	**66**	**26 938**

Property and equipment as at December 31, 2013 and 2012 included fully depreciated office and computer equipment and cars totaling RUB 8,472 thousand and RUB 9,638 thousand, respectively.

Intangible assets comprise trademark, software, patents and licenses.

(in thousands of Russian Rubles, unless otherwise indicated)

11 Other assets

	December 31, 2013	December 31, 2012
Other financial assets:		
Receivables on other transactions	450	85
Settlements on conversion and term transactions	-	269
Total other financial assets	450	354
Other non-financial assets:		
Advance payments	9 967	6 617
Taxes receivable, other than income tax	660	1 071
Total other assets	**11 077**	**8 042**

12 Due to banks and other financial institutions

	December 31, 2013	December 31, 2012
Term loans and deposits from other banks	340 522	900 761
Correspondent accounts and overnight deposits of other banks	1 914	4 218
Total due to banks and other financial institutions	**342 436**	**904 979**

Borrowings on interbank market are caused by the Bank's cooperation with the state bank for development - Open Joint Stock Company "Russian Bank for Small and Medium Enterprises Support" - on the program for support of small and medium business. As at December 31, 2013 and 2012 loans to customers issued under the program amounted to RUB 300,651 thousand and RUB 826,784 thousand, respectively (Note 8).

As at December, 31 2013 and 2012 borrowings from banks include a loan from Open Joint Stock Company "Russian Bank for Small and Medium Enterprises Support" of RUB 340,522 thousand and RUB 900,761 thousand, thousand, colateralized by pledge of loans to the customers in the amount of RUB 291,470 thousand and RUB 826,784 thousand, respectively (Note 8).

13 Customer accounts

	December 31, 2013	December 31, 2012
Commercial entities	2 929 225	1 622 968
Term deposits	1 614 613	407 822
Current and settlement accounts	1 314 612	1 215 146
Individuals	4 642 537	3 523 856
Term deposits	3 954 383	2 967 398
Current accounts and demand deposits	688 154	533 049
Letters of credit payable	-	23 409
Total customer accounts	**7 571 762**	**5 146 824**

The breakdown of customer accounts by industry was as follows:

	December 31, 2013	%	December 31, 2012	%
Machinery construction	1 012 751	13.4%	3 239	0.1%
Trade	580 791	7.7%	398 331	7.7%
Construction	415 150	5.5%	91 745	1.8%
Science and education	322 356	4.3%	188 749	3.7%
Financial activities	117 973	1.6%	345 355	6.7%
Real estate operations	105 055	1.4%	122 935	2.4%
Services	98 866	1.3%	96 006	1.9%
Equipment manufacturing	74 016	1.0%	2 316	0.0%
Health	38 883	0.5%	42 088	0.8%
Transport and communication	38 483	0.5%	46 816	0.9%
Culture and art	35 962	0.5%	34 721	0.7%
Hotels and restaurants	25 935	0.3%	13 389	0.3%
Chemicals	21 658	0.3%	203 764	4.0%
Information and computing services	18 381	0.2%	23 251	0.5%
Tourism	9 919	0.1%	1 715	0.0%
Printing industry	3 458	0.0%	707	0.0%
Food industry	3 222	0.0%	925	0.0%
Electric power industry	2 339	0.0%	1 309	0.0%
Light industry	1 568	0.0%	1 012	0.0%
Agriculture	1 181	0.0%	1 017	0.0%
Other production	883	0.0%	2 925	0.1%
Other	395	0.0%	653	0.0%
Individuals	4 642 537	61.3%	3 523 856	68.5%
Total customer accounts	**7 571 762**		**5 146 824**	

As at December 31, 2013 commercial customer accounts of RUB 1,006,400 thousand (13,29% of total customer accounts) were due to 1 customer, which represents a significant concentration.

(in thousands of Russian Rubles, unless otherwise indicated)

14 Debt securities issued

	December 31, 2013	December 31, 2012
Discounted promissory notes	2 352 621	1 500 066
Settlement promissory notes	49	-
Total debt securities issued	**2 352 670**	**1 500 066**

As at December 31, 2013 and 2012 commercial debt securities issued by the Bank totaling RUB 873,554 thousand and RUB 771,960 thousand, respectively, have been purchased by a customer (commercial organization). They account for 8,5% and 10% of the Bank's total liabilities at the reporting date, which represents a significant concentraiton.

15 Other liabilities

	December 31, 2013	December 31, 2012
Other financial liabilities:		
Payable to employees	23 565	24 030
Other liabilities	10 561	4 490
Total other financial liabilities	34 126	28 520
Other non-financial liabilities:		
Payable to the deposit insurance fund	4 470	3 621
Taxes payable, other than income tax	763	1 052
Total other liabilities	**39 359**	**33 193**

16 Subordinated debt

	Currency	Maturity year	Interest rate, %	December 31, 2012
Subordinated loan from LLC "Polikom-Vest"	RUB	2019	8	148 727
Total				**148 727**

The subordinated loan from LLC "Polikom-Vest" was fully repaid ahead of schedule on November 11, 2013.

17 Equity

As at December 31, 2013 and 2012 the Bank's share capital comprised:

	December 31, 2013				December 31, 2012			
	Number of shares	Par value of one share, RUB '000	Par value, RUB '000	Amount adjusted for inflation, RUB '000	Number of shares	Par value of one share, RUB '000	Par value, RUB '000	Amount adjusted for inflation, RUB '000
Ordinary shares	555 500	1	555 500	679 277	555 500	1	555 500	679 277
Total share capital	**555 500**		**555 500**	**679 277**	**555 500**		**555 500**	**679 277**

As at December 31, 2013 and 2012 the Bank's authorized share capital consisted of 749,600 ordinary shares with a par value of RUR 1,000 each. As at December 31, 2013 and 2012 the Bank's issued and fully paid share capital consisted of 555,500 ordinary shares with a par value of RUR 1,000 each. All shares are ranked equally and carry one vote.

As at December 31, 2013 and 2012 share premium of RUB 449,358 thousand represents an excess of the contributions received over the par value of the shares issued.

In order to increase the Bank's equity during 2013 shareholder were transferred to the Bank donated funds amounting to 150,000 rubles. The operation in the financial statements was recorded as additional paid-in capital.

During the period ended December 31, 2013 the Bank announced and paid dividends based on the results of its operations in 2012 of RUB 55,550 thousand.

During the period ended December 31, 2012 the Bank announced and paid dividends based on the results of its operations in 2011 of RUB 111,100 thousand.

The Bank's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created, as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Bank's statute that provides for the creation of a reserve for these purposes of not less than 5% of the Bank's share capital reported in its statutory books.

(In thousands of Russian Rubles, unless otherwise indicated)

18 Net interest income

	Year ended December 31, 2013	Year ended December 31, 2012
Interest income		
Interest income on assets recorded at amortized cost comprises:		
Interest on impaired financial assets	1 031 928	876 276
Interest on unimpaired financial assets	153 468	356 913
Interest on financial assets at fair value	138 298	144 527
Total interest income	**1 323 694**	**1 377 716**
Interest income on assets recorded at amortized cost comprises:		
Interest on loans to customers	1 160 108	1 191 322
Interest income on deposits with banks	22 609	31 452
Interest on financial assets held-to-maturity	2 679	10 415
Total interest income on assets recorded at amortized cost	**1 185 396**	**1 233 189**
Interest income on financial assets at fair value comprises:		
Interest on financial assets held for trading	125 885	130 747
Interest on financial assets available-for-sale	12 413	13 780
Total interest income on financial assets at fair value	**138 298**	**144 527**
Interest expense		
Interest on liabilities recorded at amortized cost	(581 923)	(551 473)
Total interest expense	**(581 923)**	**(551 473)**
Interest expense on financial liabilities recorded at amortized cost comprises:		
Interest expenses on customer accounts	(341 121)	(345 246)
Interest on debt securities issued	(180 665)	(118 591)
Interest expenses on balances due to banks and other financial institutions	(49 884)	(75 756)
Interest on subordinated debt	(10 253)	(11 880)
Total interest expense on financial liabilities recorded at amortized cost	**(581 923)**	**(551 473)**
Net interest income before provision for impairment losses on interest-bearing assets	**741 771**	**826 243**

19 Provision for impairment losses

The movements in the provision for impairment losses on interest bearing assets were as follows:

	Balance at December 31, 2012	Write offs	Recovery of the provisions	Balance at December 31, 2013
Change in provision for impairment losses on interest bearing assets				
On loans to customers	942 100	(5 211)	(67 401)	869 488
Total change in provision for impairment losses on interest bearing assets	**942 100**	**(5 211)**	**(67 401)**	**869 488**

	Balance at December 31, 2011	Write offs	Provisions	Balance at December 31, 2012
Change in provision for impairment losses on interest bearing assets				
On loans to customers	955 719	(33 044)	19 425	942 100
Total change in provision for impairment losses on interest bearing assets	**955 719**	**(33 044)**	**19 425**	**942 100**

(In thousands of Russian Rubles, unless otherwise indicated)

The movements in provisions for other assets were as follows:

	Balance at December 31, 2011	Write offs	Provision	Balance at December 31, 2012
Changes in provision for other assets				
Provision for impairment on other operations	-	(102)	102	-
Total change in provision for other assets	**-**	**(102)**	**102**	**-**

Outstanding loans and other assets written off against the provision in 2013 and 2012 were as follows:

- In view of termination of execution proceedings for the recovery of debt from an individual pursuant to the Amicable Agreement dated February 1, 2013 the Bank wrote off a portion of the outstanding amount (RUB 4,843 thousand) not covered by the repossession of collateral to the previously created provision.

- In view of the uncollectibility of balances due from an individual the Bank wrote off the outstanding RUB 368 thousand pursuant to the Management Board decision dated July 9, 2013 against the previously created provision. The amount written off included principal and interest.

- In view of termination of execution proceedings and expiry of limitation period in respect of amounts due from a legal entity pursuant to enforcement officer order dated December 18, 2012 the Bank wrote off the outstanding RUB 29,592 thousand (comprising principal and interest) plus state duties (legal costs) of RUB 102 thousand against the previously created provision.

- In view of termination of execution proceedings and expiry of limitation period in respect of amounts due from an individual pursuant to enforcement officer order dated November 13, 2012 the Bank wrote off the outstanding RUB 3,327 thousand (comprising principal and interest) against the previously created provision.

- In view of the expiry of limitation period in respect of balances due from an individual, the Bank wrote off the outstanding RUB 125 thousand (comprising principal and interest) against the previously created provision pursuant to the Management Board decision dated December 25, 2012.

20 Net loss on financial assets at fair value through profit or loss

	December 31, 2013			December 31, 2012		
	Fair value adjustment	Realized trading gains	Total	Fair value adjustment	Realized trading gains	Total
Net loss on financial assets initially designated as at fair value through profit or loss	(8 554)	(5 794)	**(14 348)**	5 932	(10 061)	**(4 129)**

21 Net gain on foreign exchange operations

Net gain on foreign exchange operations comprises:

	Year ended December 31, 2013	Year ended December 31, 2012
Dealing, net	61 215	137 735
Foreign exchange gains and losses, net	28 791	(18 988)
Total net gain on foreign exchange operations	**90 006**	**118 747**

22 Fee and commission income and expense

Fee and commission income and expense comprise:

	Year ended December 31, 2013	Year ended December 31, 2012
Fee and commission income		
Settlements	26 361	27 203
Cash operations and cash collection	24 979	16 193
Guarantees issued	13 049	5 402
Currency control	6 805	16 312
Providing of loans	3 493	1 096
Brokerage services	3 101	3 955
Other	975	1 636
Total fee and commission income	**78 763**	**71 797**
Fee and commission expense		
Settlements	(12 568)	(12 806)
Joining the Visa international payment system	(1 685)	-
Other	(504)	(508)
Total fee and commission expense	**(14 757)**	**(13 314)**

(in thousands of Russian Rubles, unless otherwise indicated)

23 Loss from assignment of accounts receivable

On November 29, 2013 the Bank entered into assignment agreements for loan receivables totaling RUB 102,930 thousand at the transaction date (comprising principal and interest). Cash consideration received amounted to RUB 70,000 thousand. Loss from the assignment totaled RUB 32,930 thousand.

24 Operating expenses

Operating expenses comprise:

	Year ended December 31, 2013	Year ended December 31, 2012
Staff costs	402 243	409 490
Operating leases	119 072	83 640
Insurance contributions	60 450	60 348
Depreciation and amortization expense	15 930	14 032
Depreciation and amortization expense	14 007	13 697
Security expenses	12 592	12 180
Telecommunications	11 514	11 054
Non-exclusive right to use software	11 128	11 737
Taxes, other than income tax	9 033	11 068
Property and equipment maintenance	6 590	6 987
Professional services	4 421	4 163
Advertising	2 471	2 766
Software product support	2 170	2 008
Banking system support	1 938	1 436
Rating assignment services	1 637	1 483
Purchase of stationery	1 486	2 168
Property insurance	891	944
Sale of property and equipment	635	140
Other	17 390	14 255
Total operating expenses	**695 598**	**663 596**

25 Income tax

The Bank measures and records its current income tax payable based on the tax accounts maintained and prepared in accordance with the tax regulations of RF which may differ from IFRS.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2013 and 2012 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at December 31, 2013 and 2012 comprise:

	December 31, 2013	December 31, 2012
Deductible temporary differences:		
Other liabilities	31 572	31 414
Loans to customers	26 473	1 400
Other assets	18 714	2 196
Total deductible temporary differences	**76 759**	**35 010**
Taxable temporary differences:		
Financial assets at fair value through profit or loss and available-for-sale	17 677	19 140
Property equipment and intangible assets	7 818	341
Debt securities issued	2 538	5 211
Precious metals	848	5 194
Total taxable temporary differences	**28 881**	**29 886**
Net deferred assets	47 878	5 124
Net deferred assets at the rate of 20%	**9 576**	**1 025**
Less unrecognized deferred tax asset	(9 576)	(1 025)
Net deferred tax liabilities	-	-

(In thousands of Russian Rubles, unless otherwise indicated)

Relationships between income tax expenses and accounting profit for the years ended December 31, 2013 and 2012 are explained below:

	Year ended December 31, 2013	Year ended December 31, 2012
Profit before income tax	216 238	332 133
Tax at the statutory tax rate (20%)	43 248	66 427
Tax effect of change in unrecognized deferred tax asset	10 134	(17 974)
Unrecognized loss carried forward	94	12
Effect of tax rate, different from the rate of 20%	(521)	(939)
Tax effect of permanent differences	9 768	9 802
Current income tax expense	62 723	57 328
Income tax expense for the year	**62 723**	**57 328**

Deferred income tax liabilities

	December 31, 2013	December 31, 2012
Beginning of the period	**1 756**	-
Change in deferred income tax for the period charged to equity	(118)	1 756
End of the period	**1 638**	**1 756**

26 Financial commitments and contingencies

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

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

The Bank applies the same credit policy to the contingent liabilities as it does to the balance-sheet financial instruments.

The risk-weighted amount is obtained by applying a credit conversion factor and counterparty risk weightings according to principles employed by the Basel Committee on Banking Supervision.

As at December 31, 2013 and 2012 the nominal or contract amounts and risk-weighted amounts were:

	December 31, 2013		December 31, 2012	
	Nominal amount	**Risk-weighted amount**	**Nominal amount**	**Risk-weighted amount**
Commitments on loans and unused credit lines	1 401 673	61 779	965 087	85 153
Guarantees issued	355 086	355 086	344 795	344 795
Letters of credit and other transaction related contingent obligations	-	-	23 409	23 409
Total loan commitments	**1 756 759**	**416 865**	**1 333 291**	**453 357**

Extension of loans to customers within credit line limits is approved by the Bank on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

Operating lease commitments – Building operating leases that the Bank has entered into as at December 31, 2013 and 2012 are cancellable.

Fiduciary activities – The Bank provides depositary services to its customers. As at December 31, 2013 and 2012 the Bank had customer securities totaling 19,005,328 items and 60,512,473 items, respectively, in its nominal holder accounts.

Legal proceedings – In the normal course of business, customers and counterparties can claim against the Bank. Management is of the opinion that no material losses will be incurred and, accordingly, no provision has been made in these financial statements.

Taxation – Provisions of the Russian tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the Russian tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the RF tax authorities often interpret the tax legislation not in favor of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities. It should be noted that the RF tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of "unjustified tax benefit", "primary commercial goal of transaction" and the criteria of "commercial purpose (substance) of transaction".

Such uncertainty could, in particular, be attributed to tax treatment of financial instruments/derivatives and determination of market price of transactions for transfer pricing purposes. It could also lead to temporary taxable differences occurred due to loan impairment provisions and income tax liabilities being treated by the tax authorities as an understatement of the tax base. The management of the Bank is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required.

Generally, taxpayers are subject to tax audits with respect to the three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also, according to the clarification of the Russian Constitutional Court the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayers has obstructed or hindered a tax inspection.

(in thousands of Russian Rubles, unless otherwise indicated)

Russia's transfer pricing legislation was amended effective 1 January 2012 . The above amendments introduce additional requirements with respect to the accounting for and documenting transactions. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. In view of the absence of application practice for the new transfer pricing rules and the uncertainty of wording of a number of their provisions, the likelihood of challenge by tax authorities of the Banks position with respect to application of those rules cannot be assessed reliably.

In 2010 Moscow Interdistrict Tax Office No. 50 held an audit for 2007-2009 followed by a decision that there were income tax arrears totaling RUB 4,994 thousand (offset of the arrears against overpayment of income tax). As at December 31, 2011 the Bank treated the assessed additional income tax of RUB 4,839 thousand as a contingent liability with low probability of occurrence. In 2012 the decisions concerning income tax arrears taken by the Moscow Interdistrict Tax Office No. 50 were completely invalidated by the Moscow Region Federal Arbitrazh Court.

Economic situation – Although in recent years there has been a general improvement in economic conditions in the Russian Federation, it continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses continue to change rapidly. Tax, currency and customs legislation within Russia is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russia. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

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

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

In March 2014, USA and EU imposed sanctions on a number of Russian officials, businessmen, and organizations. These sanctions, especially in case of further extension, may restrict access to international capital and export markets for Russian businesses, which might provoke capital flight, weakening of the Ruble, and other negative economic consequences. The impact of these events on the Bank's future performance and financial position is currently difficult to estimate.

According to the government statistics, inflation in Russia in 2013 and 2012 was 6,5% and 6,6%, respectively.

27 Subsequent events

There have been no significant events in the period between the balance sheet date and the date when the financial statements were authorized for issue.

28 Related party transactions

Related parties or transactions with related parties, as defined by IAS 24 "Related Party Disclosures", represent:

(a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Bank that gives them significant influence over the Bank; and that have joint control over the Bank;

(b) Associates – entities on which the Bank has significant influence and which are neither a subsidiary nor a joint venture of the investor;

(c) Joint ventures in which the Bank is a venturer;

(d) Members of key management personnel of the Bank or its parent;

(e) Close members of the family of any individuals referred to in (a) or (d);

(f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);

(g) Post-employment benefit plans for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Bank and related parties are disclosed below:

	December 31, 2013		December 31, 2012	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Loans to customers				
key management personnel of the Bank	2 600		2 433	
other related parties	5 578		22 512	
Total loans to customers	8 178	9 145 550	24 945	8 187 532
Provision for impairment losses on loans to customers				
key management personnel of the Bank	-		(13)	
other related parties	(262)		(37)	
Total provision for impairment losses on loans to customers	(262)	(869 488)	(50)	(942 100)

(in thousands of Russian Rubles, unless otherwise indicated)

Customer accounts				
entities with joint control or significant influence over the Bank	(227 710)		(3 840)	
key management personnel of the Bank	(123 282)		(87 120)	
other related parties	(352 997)		(196 427)	
Total customer accounts	(703 989)	7 571 762	(287 387)	5 146 824

The following amounts arising due to transactions with related parties were included in the statement of profit and loss for the years ended December 31, 2013 and 2012:

	Year ended December 31, 2013		**Year ended December 31, 2012**	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Interest income				
entities with joint control or significant influence over the Bank	549		141	
key management personnel of the Bank	514		215	
other related parties	10 763		3 472	
Total interest income	11 826	1 323 694	3 828	1 377 716
Interest expense				
entities with joint control or significant influence over the Bank	-		(1 088)	
key management personnel of the Bank	(5 233)		(3 025)	
other related parties	(3 029)		(4 463)	
Total interest expense	(8 262)	(581 923)	(8 576)	(551 473)
Recovery of provision/(provision) for impairment losses on interest bearing assets				
key management personnel of the Bank	13		(8)	
other related parties	(225)		-	
Total provision for impairment losses on interest bearing assets	(212)	67 401	(8)	(19 425)
Fee and commission income				
entities with joint control or significant influence over the Bank	586		537	
key management personnel of the Bank	517		574	
other related parties	348		1 501	
Total fee and commission income	1 451	78 763	2 612	71 797
Other income				
key management personnel of the Bank	76		-	
other related parties	14		-	
Total net gain on foreign exchange operations	90	2 240	-	7 330
Net gain on foreign exchange operations				
entities with joint control or significant influence over the Bank	(431)		2 063	
key management personnel of the Bank	415		544	
other related parties	(73)		1 461	
Total net gain on foreign exchange operations	(89)	90 006	4 068	118 747
Operating expenses				
key management personnel of the Bank	(73 954)		(4 168)	
other related parties	(49 111)		(64 807)	
Total operating expenses	(123 065)	(695 598)	(68 975)	(663 596)
Key management personnel compensation				
Payroll	(99 126)		(97 597)	
Insurance contributions	(10 735)		(10 888)	
Total key management personnel compensation	(109 861)	(461 416)	(108 486)	(467 829)

(in thousands of Russian Rubles, unless otherwise indicated)

29 Fair value of financial instruments

IFRS defines fair value as 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.

Estimated fair value of the Bank's financial instruments approximates their carrying amount.

The following methods and significant assumptions were used in assessing the value of the financial instruments below:

- The carrying amount is assumed to be a reasonable estimate of fair value of cash and balances with the CBR and statutory reserves with the CBR due to their short term environment and availability restrictions;

- The estimated fair value of quoted trading securities and derivative financial instruments, comprising financial assets at fair value through profit or loss, is determined based on quoted active market prices at the reporting date;

- The fair value of loans to banks provided during the period of one month to the reporting date is assumed to be the fair value amount for them;

- The fair value of loans to customers is estimated by applying market interest rates at the date of origination and market interest rates for similar loans at the year end less provisions for impairment losses;

- The fair value of promissory notes and bonds comprising available-for-sale investments category is estimated based on the quoted market prices. Investments in equity instruments, which do not have quoted market prices in an active market, are measured at cost as their fair value can not be measured reliably;

- Other financial assets and liabilities mainly comprise short-term receivables and payables, therefore their carrying amount is assumed to be a reasonable estimate of their fair value;

- The fair value of term deposits (included in customer accounts and deposits from banks) for deposits placed during The period of one month to The reporting date is assumed to be The fair value amount for them. The carrying amount of current customer accounts is assumed to be a reasonable estimate of their fair value due to The short-term environment and availability requirements of these types of liability;

- The fair value of issued promissory notes is based on expected cash flows discounted using market interest rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value and non-financial instruments, based on the fair value hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable in the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

	December 31, 2013			
	Level 1	Level 2	Level 3	**Total**
FINANCIAL ASSETS				
Cash and balances with the Central Bank of the Russian Federation	810 113	-	-	810 113
Financial assets at fair value through profit or loss	1 221 016	-	-	1 221 016
Due from banks and other financial institutions	-	1 944 545	-	1 944 545
Loans to customers	-	8 276 062	-	8 276 062
Available-for-sale financial assets	68 282	-	7 585	75 867
Other financial assets	-	450	-	450
Total financial assets	**2 099 411**	**10 221 057**	**7 585**	**12 328 053**
FINANCIAL LIABILITIES				
Due to banks and other financial institutions	-	342 436	-	342 436
Customer accounts	-	7 571 762	-	7 571 762
Debt securities issued	-	2 352 670	-	2 352 670
Other financial liabilities	-	34 126	-	34 126
Total financial liabilities	-	**10 300 994**	-	**10 300 994**

(in thousands of Russian Rubles, unless otherwise indicated)

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Cash and balances with the Central Bank of the Russian Federation	938 697	-	-	938 697
Financial assets at fair value through profit or loss	569 720	-	-	569 720
Due from banks and other financial institutions	-	705 977	-	705 977
Loans to customers	-	7 245 432	-	7 245 432
Available-for-sale financial assets	79 689	-	7 585	87 274
Other financial assets	-	354	-	354
Total financial assets	**1 588 106**	**7 951 763**	**7 585**	**9 547 454**
FINANCIAL LIABILITIES				
Due to banks and other financial institutions	-	904 979	-	904 979
Customer accounts	-	5 146 824	-	5 146 824
Debt securities issued	-	1 500 066	-	1 500 066
Other financial liabilities	-	28 520	-	28 520
Subordinated debt	-	148 727	-	148 727
Total financial liabilities	-	**7 729 116**	-	**7 729 116**

There were no transfers between Level 1, 2 and 3 during the period.

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

30 Regulatory matters

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the principles employed by the Basel Committee.

As at December 31, 2013 the Bank's total capital amount for capital adequacy purposes was RUB 2,100,938 thousand and tier 1 capital amount was RUB 2,094,384 thousand with ratios 19.08% and 19.02%, respectively.

As at December, 31 2012 the Bank's total capital amount for capital adequacy purposes was RUB 2,001,941 thousand and tier 1 capital amount was RUB 1,846,419 thousand with ratios 22.53% and 20.78%, respectively.

As at December 31, 2012 the Bank included in the computation of total capital for capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayment of the Bank's liabilities to all other creditors.

31 Capital management

The Bank's capital is managed in order to comply with the capital adequacy requirements established by the Central Bank of the Russian Federation, ensure the Bank's capability, and maintain the amount of capital meeting the recommendations of the Basel Committee on Banking Supervision as provided in New Basel Capital Accord (Basel I).
The Bank manages its capital to ensure that the Bank will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

According to the requirements of the Central Bank of the Russian Federation the minimal capital adequacy rate comprises 10% of the risk-weighted assets estimated in compliance with Russian Accounting Standards. The Bank's capital adequacy rate as at December 31, 2013 was 14,43% (unaudited).

The Bank's capital structure consists of debt, which includes subordinated debt disclosed in Note 16 and shareholders' equity, comprising issued capital, additional paid-in capital , reserves and retained earnings as disclosed in statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As part of this review, the Management Board considers the cost of capital and the risks associated with each class of capital.

The Bank's overall capital risk management policy remains unchanged from 2012.

32 Risk management policies

Risk management is fundamental to the Bank's banking business. The main risks inherent to the Bank's operations are those related to:

- credit risk
- liquidity risk
- market risk
- operational risk

The risk management responsibilities in the Bank are distributed among the following managements bodies and structural entities:

- The Bank's Board of Directors defines the banking risk strategy and policies, sets forth comprehensive banking risk limits and evaluates the Bank's effectiveness in the implementation of the approved banking risk management policies and monitoring the risk level;

- The Management Board is responsible for the implementation of the banking risk management strategy and policies as approved by the Board of Directors. The competence of the Board of Directors also includes analyzing the quality of banking risk management, setting the limits for particular transactions of the Bank and ensuring control over compliance, approval of internal regulations as part of the general risk management organization policies as approved by the Board of Directors, and introducing restrictions to (imposing moratorium on) operations;

- Within his competence, the Chairman of the Board: organizes and ensures effectiveness of the banking risk management system, including organization of risk monitoring and measurement systems; organization of complete and reliable reporting on banking risk management; determines the Bank's organizational structure (including authorities and responsibility of structural divisions and/or responsible persons) to ensure effective risk management; organizes activities to improve the skills of the Bank's staff engaged in banking risk management;

- The Bank's Credit Committee performs assessment and management of risks the bank undertakes when granting loans, issuing guarantees, investing in third party promissory notes, purchasing receivables, providing funds against assignment of monetary claims; takes measures to minimize and reduce concentration of credit and other banking risks (provision of loans to related borrowers, selected industries, regions, etc.);

- The Bank's Asset and Liabilities Management Committee manages liquidity risk, interest risk, stock market risk and currency risk, as well as the Bank's balance sheet structure;

- The Bank's Technological Committee ensures effectiveness of and decrease in the risk level of the Bank's activities through optimization, regulation and automation of the current and planned business processes.

- The Risk Analysis and Assessment Department ("RAAD") is the key structural unit charged with risk assessment and analysis. RAAD's competence includes the following key matters: realization of banking risk management policy; risk assessment and monitoring on an ongoing basis; control over compliance with the acceptable levels of banking risks; reporting identified risks to the Bank's management bodies; preparation of management reporting in accordance with stipulated risk management procedures in respect of specific risks; development of proposals and measures to mitigate risks; participation in discussions of risk management quality with the Management Board and the Board of Directors.

The key risk management functions of the Bank's structural divisions include: organizing control over the factors affecting banking risks in accordance with the internal documents in place; timely notification of RAAD on the factors affecting the risk level; control over the implementation of appropriate changes in the Bank's internal documents and procedures in case of changes in the terms of banking operations (transactions); participation in the development of, and proposing changes to, the Bank's internal documents concerning the structural division's activities.

The Bank has set the tasks and objectives for the banking risk management system, and identified key stages and methods of banking risk management.

Credit risk

The Bank is exposed to credit risk which is the risk that the Bank will incur losses if the debtor fails to discharge an obligation to the Bank fully, partially, or in due time, in accordance with terms of the contract.

Credit risk is managed in accordance with the established competencies by the Bank's Management Board, Credit Committee and Risk Analysis and Assessment Department.

To mitigate credit risk ,the Bank reduces excessive concentration of assets by setting limits on counterparties and groups of related counterparties. Requests for limits are initiated by respective business units.

The analysis of the borrower's financial situation and the assessment of the credit risk are undertaken by the Risk Analysis and Assessment Department.

Limits are set by the Credit Committee or the Management Board (for financial institutions and issuers) or the Chairman of the Management Board or an authorized employee (for small limits prescribed by the Bank's Credit Policy).

Limits for borrowers and counterparties are set as requests are received and then monitored and revised on an ongoing basis. Limits of lending "against turnover" are revised at least once a month.

Credit risk is assessed using methods set out in the Bank's internal documents.

A counterparty financial analysis includes analysis of the borrower's business, financial position, credit history, nature of the financed transaction and purpose of the loan. The financial position of legal entity borrowers is analyzed on a quarterly basis, counterparty banks are monitored monthly. The solvency of individual borrowers is analyzed on a quarterly basis using a special technique.

To reduce the level of credit risk the Bank accepts various types of collateral for loans (pledge, guarantees, sureties, etc.). The Bank evaluates collateral providers. Collateral evaluation is performed by independent valuers. The Bank requires that the real estate, equipment and goods accepted as collateral be insured.

However, collateral or guarantee for certain loans cannot be obtained. Such loans are monitored continuously.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring.

Maximum credit risk exposure

The Bank's maximum exposure to credit risk varies significantly and is dependent on the level of risks inherent in respective assets.

The following table presents the maximum exposure to credit risk of financial assets and contingent credit liabilities. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

(in thousands of Russian Rubles, unless otherwise indicated)

December 31, 2013

	Maximum credit risk exposure	Collateral
Balances with the Central Bank of the Russian Federation	595 924	-
Financial assets at fair value through profit or loss	1 221 016	-
Due from banks and other financial institutions	1 944 545	-
Loans to customers	8 276 062	(4 434 413)
Available-for-sale financial assets	68 282	-
Other financial assets	450	-
Commitments on loans and unused credit lines	1 401 673	-
Guarantees issued	355 086	-

December 31, 2012

	Maximum credit risk exposure	Collateral
Balances with the Central Bank of the Russian Federation	727 437	-
Financial assets at fair value through profit or loss	569 720	-
Due from banks and other financial institutions	705 977	-
Loans to customers	7 245 432	(3 784 864)
Available-for-sale financial assets	79 689	-
Other financial assets	354	-
Commitments on loans and unused credit lines	965 087	-
Letters of credit payable	23 409	-
Guarantees issued	344 795	-

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

Balances with the CBR as at December 31, 2013 and 2012 included RUB 595,924 thousand and RUB 727,437 thousand, respectively. The credit rating of the Russian Federation according to the international rating agencies corresponded to investment level BBB.

The following table details credit ratings of financial assets of the financial assets held by the Bank that are neither past due nor impaired:

December 31, 2013

	A	BBB	<BBB	Not rated	Total RUB '000
Financial assets at fair value through profit or loss	-	199 145	954 685	67 186	1 221 016
Due from banks and other financial institutions	1 261 286	413 356	269 591	312	1 944 545
Loans to customers	-	-	-	2 472 893	2 472 893
Available-for-sale financial assets	-	-	68 282	7 585	75 867
Other financial assets	-	-	-	450	450

December 31, 2012

	A	BBB	<BBB	Not rated	Total RUB '000
Financial assets at fair value through profit or loss	-	168 015	371 484	30 221	569 720
Due from banks and other financial institutions	453 045	191 085	61 552	295	705 977
Loans to customers	-	-	-	2 931 675	2 931 675
Available-for-sale financial assets	-	-	79 689	7 585	87 274
Other financial assets	-	-	-	354	354

(in thousands of Russian Rubles, unless otherwise indicated)

The Bank classifies loans to customers according to internal ratings:

Rating 1

Analysis of the borrower's production, finance and business activities and other borrower data, including external circumstances, indicate the stability of production, positive net assets, profitability and solvency and there are no negative conditions (tendencies) that can affect the borrower's financial stability in the long term. Such negative conditions (tendencies) include material decrease in the production growth rates, profitability ratios, material increase in payables and/or receivables and other circumstances that are not related to seasonal factors;

Rating 2

Analysis of the borrower's production, finance and business activities and/or other borrower data indicate that there are no direct threats to the current financial position, though there are negative circumstances (tendencies) in the borrower's activity that can cause financial difficulties in the foreseeable future (a year or less) if the borrower fails to take measures to improve the situation;

Rating 3

Analysis of the borrower's production, finance and business activities and/or other borrower data indicate that there are threatening negative circumstances in (tendencies) in the borrower's activity and they can cause insolvency of the borrower. Threatening negative circumstances in (tendencies) in the borrower's activity can include: loss-making activity, negative or materially decreased net assets, material reduction of the production volume, substantial growth of payables and/or receivables.

As at December 31, 2013 and 2012 the internal rating assessments technique involves a point-based system based on the borrower's financial performance and other factors.

The internal ratings assigned by the Bank to loans to customers are specified below:

	December 31, 2013	December 31, 2012
Rating 1	1 371 595	1 018 377
Rating 2	6 305 686	5 706 581
Rating 3	598 781	520 474
Total loans to customers	**8 276 062**	**7 245 432**

The banking industry is generally exposed to credit risk through its financial instruments and contingent liabilities. The exposure is monitored on a regular basis to ensure that the credit limits and creditworthiness guidelines established by the Bank's risk management policy are not breached.

Geographical concentration

The Bank has a country risk, i.e. the risk that the Bank may incur losses due to the failure of foreign counterparties (legal entities, individuals) to fulfill their obligations due to economic, political or social changes, as well as due to the fact that currency of a monetary liability may be inaccessible to a counterparty due to specific provisions of national legislation (regardless of the financial position of this counterparty).

The Bank operates in the Russian Federation. The Bank's customer base generating income and resources is also located in the Russian Federation.

The Bank's foreign assets subject to country risk include loans to non-resident legal entities and individuals and balances on correspondent accounts with non-resident banks, with the absolute majority of such non-residents located in jurisdictions with the best country rates according to classification of Export Credit Agencies participating in the Agreement between OECD members on the basic principles of provision and utilization of officially supported export credits.

Geographical analysis of the Bank's assets and liabilities as at December 31, 2013 and 2012 is provided below:

				December 31, 2013
	RF	OECD countries	Non-OECD countries	Total
FINANCIAL ASSETS				
Cash and balances with the Central Bank of the Russian Federation	810 113	-	-	810 113
Financial assets at fair value through profit or loss	1 221 016	-	-	1 221 016
Due from banks and other financial institutions	573 989	1 271 689	98 867	1 944 545
Loans to customers	7 892 884	361 904	21 274	8 276 062
Available-for-sale financial assets	75 867	-	-	75 867
Other financial assets	450	-	-	450
Total financial assets	**10 574 319**	**1 633 593**	**120 141**	**12 328 053**
FINANCIAL LIABILITIES				
Due to banks and other financial institutions	342 428	-	8	342 436
Customer accounts	7 520 607	20 999	30 156	7 571 762
Debt securities issued	1 147 636	873 554	331 480	2 352 670
Other financial liabilities	34 115	-	11	34 126
Total financial liabilities	**9 044 786**	**894 553**	**361 655**	**10 300 994**
Net position	**1 529 533**	**739 040**	**(241 514)**	

(in thousands of Russian Rubles, unless otherwise indicated)

	RF	OECD countries	Non-OECD countries	December 31, 2012 Total
FINANCIAL ASSETS				
Cash and balances with the Central Bank of the Russian Federation	938 697	-	-	938 697
Financial assets at fair value through profit or loss	569 720	-	-	569 720
Due from banks and other financial institutions	244 659	461 298	20	705 977
Loans to customers	6 684 374	253 310	307 748	7 245 432
Available-for-sale financial assets	87 274	-	-	87 274
Other financial assets	354	-	-	354
Total financial assets	**8 525 078**	**714 608**	**307 768**	**9 547 454**
FINANCIAL LIABILITIES				
Due to banks and other financial institutions	903 760	-	1 219	904 979
Customer accounts	5 095 891	41 651	9 282	5 146 824
Debt securities issued	549 345	771 960	178 761	1 500 066
Other financial liabilities	28 518	-	2	28 520
Subordinated debt	148 727	-	-	148 727
Total financial liabilities	**6 726 241**	**813 611**	**189 264**	**7 729 116**
Net position	**1 798 837**	**(99 003)**	**118 504**	

Market risk

Market risk is a risk that the Bank may incur losses due to adverse changes in the value of trading financial instruments and derivatives of the Bank, as well as foreign exchange rates and (or) precious metals rates. Therefore, market risks include stock market risk, currency risk and interest rate risks.

The main objective of market risk management is to minimize losses due to adverse changes in market prices of equity instruments; and to take measures to keep the market risk at a level which would not threaten the Bank's financial stability and interests of its creditors and depositors.

Methods aimed at market risk mitigation include diversification; hedging of open positions; ongoing monitoring of investments; non-performance of operations with unreasonably volatile positions; setting limits on financial instruments and securities issuers and control of compliance; setting stop-loss limits; setting limits on net positions; assessment of risks in accordance with internal documents developed on the basis of the Bank of Russia's regulations; forecasting net currency positions values in foreign currencies and precious metals and control of compliance with the limits; distribution of authorities in decision-making in the Bank's operations.

Interest rate risk

Interest risk is a risk of financial losses resulting from adverse changes in the interest rates on the assets, liabilities, and off-balance sheet instruments of the Bank. The objective of interest rate risk management is to maintain the risk accepted by the Bank at a level determined by the Bank in accordance with its strategic tasks. The Bank's priority is to ensure maximum safety of assets and equity on the basis of decrease (elimination) of possible losses and lost profit on the Bank's investments in financial instruments. The Bank has established a list of financial instruments sensitive to interest rate fluctuations for the purpose of identification and assessment of interest rate indicators. Changing this list can imply changes/occurrences of additional factors affecting the level of new interest rate risk accepted by the Bank. To estimate the interest rate risk the Bank uses interest margin calculation and gap analysis, which cover all the material sources of interest rate risk inherent in the operations and transactions conducted by the Bank.

The table below provides a general analysis of the Bank's interest rate risk prepared on the basis of weighted average interest rates at year end.

	December 31, 2013			December 31, 2012		
	RUB	USD	EUR	RUB	USD	EUR
FINANCIAL ASSETS						
Financial assets at fair value through profit or loss	11,7%	8,12%	-	10,28%	-	-
Available-for-sale financial assets	-	8,25%	-	-	8,25%	-
Due from banks and other financial institutions	6,51%	0,5%	0,3%	4,67%	0,02%	0,10%
Loans to customers	13,29%	12,76%	12,89%	14,00%	12,62%	13,63%
FINANCIAL LIABILITIES						
Due to banks and other financial institutions	6,9%	-	-	7,69%	-	-
Customer accounts	8,03%	6,92%	5,48%	8,84%	7,69%	5,89%
Debt securities issued	9,59%	8,97%	10,75%	7,47%	10,57%	10,75%

(in thousands of Russian Rubles, unless otherwise indicated)

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

	December 31, 2013		December 31, 2012	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
Impact on profit before tax				
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss	36 630	(36 630)	17 092	(17 092)
Due from banks and other financial institutions	52 974	(52 974)	17 696	(17 696)
Loans to customers	248 282	(248 282)	217 363	(217 363)
Available-for-sale financial assets	2 048	(2 048)	2 391	(2 391)
FINANCIAL LIABILITIES				
Due to banks and other financial institutions	(10 216)	10 216	(27 023)	27 023
Customer accounts	(167 070)	167 070	(101 257)	101 257
Debt securities issued	(70 579)	70 579	(45 002)	45 002
Net impact on profit before tax	**92 071**	**(92 071)**	**81 260**	**(81 260)**
Impact on equity:	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss	29 304	(29 304)	13 673	(13 673)
Due from banks and other financial institutions	42 379	(42 379)	14 157	(14 157)
Loans to customers	198 625	(198 625)	173 890	(173 890)
Available-for-sale financial assets	1 639	(1 639)	1 913	(1 913)
FINANCIAL LIABILITIES				
Due to banks and other financial institutions	(8 173)	8 173	(21 618)	21 618
Customer accounts	(133 656)	133 656	(81 005)	81 005
Debt securities issued	(56 463)	56 463	(36 002)	36 002
Net impact on equity	**73 657**	**(73 657)**	**65 008**	**(65 008)**

Currency risk

Currency risk is the risk of losses due to adverse change of foreign exchange and (or) precious metals rates on the Bank's open positions in foreign currencies and (or) precious metals. The objectives of currency risk management include minimizing the Bank's losses when building assets and liabilities with the use of foreign currencies; preventing non-compliance with the Russian currency legislation and foreign currency control regulations when conducting foreign currency operations and performing foreign currency control agent functions.

The main methods of currency risk management used by the Bank include calculation of net currency position values and compliance with the established limits; limiting of operations with instruments denominated in a foreign currency and precious metals; forecasting of rates; hedging; diversification; insurance (selection by the Bank of the currency for the contract price as a method of currency risk insurance). The objective is to set the contract price in such a currency of which the fluctuations will be favorable; to structurally balance assets and liabilities; accounts receivable and payable.

The Treasury Department of the Bank performs daily monitoring of the Bank's open currency position to ensure its compliance with the requirements of the CBR. Compliance with these requirements is monitored by the Risk Analysis and Assessment Department.

(in thousands of Russian Rubles, unless otherwise indicated)

The Bank's currency positions as at December 31, 2013 were as follows:

	RUB	USD	EUR	Gold	Other currency	Total
FINANCIAL ASSETS						
Cash and balances with the Central Bank of the Russian Federation	649 446	107 625	53 042	-	-	810 113
Financial assets at fair value through profit or loss	1 171 032	49 984	-	-	-	1 221 016
Due from banks and other financial institutions	549 857	1 253 004	141 682	-	2	1 944 545
Loans to customers	5 100 960	2 418 762	756 340	-	-	8 276 062
Available-for-sale financial assets	7 585	68 282	-	-	-	75 867
Other financial assets	450	-	-	-	-	450
Total financial assets	**7 479 330**	**3 897 657**	**951 064**	**-**	**2**	**12 328 053**
FINANCIAL LIABILITIES						
Due to banks and other financial institutions	342 388	30	18	-	-	342 436
Customer accounts	3 910 549	2 869 625	785 320	6 261	7	7 571 762
Debt securities issued	1 116 088	983 294	253 288	-	-	2 352 670
Other financial liabilities	34 126	-	-	-	-	34 126
Total financial liabilities	**5 403 151**	**3 852 949**	**1 038 626**	**6 261**	**7**	**10 300 994**
Open position	**2 076 179**	**44 708**	**(87 562)**	**(6 261)**	**(5)**	

The Bank's currency positions as at December 31, 2012 were as follows:

	RUB	USD	EUR	Gold	Other currency	Total
FINANCIAL ASSETS						
Cash and balances with the Central Bank of the Russian Federation	779 192	122 171	37 334	-	-	938 697
Financial assets at fair value through profit or loss	569 720	-	-	-	-	569 720
Due from banks and other financial institutions	218 605	423 064	64 287	-	21	705 977
Loans to customers	4 488 141	2 246 832	510 459	-	-	7 245 432
Available-for-sale financial assets	7 585	79 689	-	-	-	87 274
Other financial assets	354	-	-	-	-	354
Total financial assets	**6 063 597**	**2 871 756**	**612 080**	**-**	**21**	**9 547 454**
FINANCIAL LIABILITIES						
Due to banks and other financial institutions	904 935	28	16	-	-	904 979
Customer accounts	2 576 369	2 175 786	386 646	8 015	8	5 146 824
Debt securities issued	492 641	935 666	71 759	-	-	1 500 066
Other financial liabilities	28 520	-	-	-	-	28 520
Subordinated debt	148 727	-	-	-	-	148 727
Total financial liabilities	**4 151 192**	**3 111 480**	**458 421**	**8 015**	**8**	**7 729 116**
Open position	**1 912 405**	**(239 724)**	**153 659**	**(8 015)**	**13**	

	RUB	USD	EUR	Gold	Other currency	Total
Payables on spot contracts	(91 101)	(121 491)	-	-	-	**(212 592)**
Receivables on spot contracts	121 491	91 101	-	-	-	**212 592**
Net spot position	**30 390**	**(30 390)**	**-**	**-**	**-**	
TOTAL OPEN POSITION	**1 942 795**	**(270 114)**	**153 659**	**(8 015)**	**13**	

(in thousands of Russian Rubles, unless otherwise indicated)

Currency risk sensitivity

The following table details the Bank's sensitivity to an increase and decrease in the USD and the EUR exchange rates against the RUB. As at December 31, 2013 the ranges from +13% to -2% for USD and from +11% to 0% for EUR represent the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the possible change in foreign currency exchange rates on the basis of assessment of internal and external factors (balance of payments, situation in Euro zone, Forex market and oil prices). The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the end of the period for a respective change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations with the Bank where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

	December 31, 2013		December 31, 2012	
	RUB/USD +13%	RUB/USD -2%	RUB/USD +7%	RUB/USD -5%
Impact on profit before tax	(13 471)	11 651	15 942	(14 225)
Impact on equity	(10 777)	9 321	12 754	(11 380)
	RUB/EUR +11%	RUB/EUR 0%	RUB/EUR +4%	RUB/EUR -4%
Impact on profit before tax	3 100	2 790	224	(205)
Impact on equity	2 480	2 232	179	(164)

Limitations of sensitivity analysis

The sensitivity tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective actions. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in stockholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Stock market risk

The Bank's security portfolio is exposed to stock market risk, i.e. the risk that losses may be incurred due to adverse changes in market prices of equity instruments of the trade portfolio and derivatives under the influence of factors related both to the issuer of equity instruments and to general fluctuations of market prices of financial instruments.

The main methods of stock market risk management used by the Bank include setting limits (per securities issuers; market; dealer; stop-loss, etc.); hedging; diversification; forecasting; technical stock market analysis; assessment of the financial market situation; analysis of economic and financial market indicators; assessment of an issuer's financial position; setting limits on the duration of investments in financial instruments.

As at December 31, 2013 and 2012 the Bank's security portfolio consisted primarily of debt securities.

The table below represents an analysis of sensitivity to price risk based on the balance sheet position for equity investments at the reporting date.

If equity prices had been higher/lower:

	December 31, 2013		December 31, 2012	
	Increase by 10%	Decrease by 5%	Increase by 5%	Decrease by 5%
Impact on equity:				
Available-for-sale financial assets	759	(379)	379	(379)
Total effect on equity	**759**	**(379)**	**379**	**(379)**

Liquidity risk

Liquidity risk is a risk that the bank may incur losses due to the failure to perform its obligations in full.

The key elements of liquidity management and assessment include:

- the procedure of managing current (daily) payment position (daily payment position is managed by the Treasury via transactions in the domestic and external financial markets with a view to maximize the efficiency of the use of the Bank's funds while complying with all its obligations);

- analysis of the risk of loss of liquidity due to gaps in the maturities of assets and liabilities (management of assets and liabilities depending on maturities, calculation of the excess (deficit) of liquidity, and the ratio of excess (deficit) of liquidity). RAAD analyses the liquidity risk on a continuous basis with respect to the aggregate value of national currency exposure as a result of all the transactions entered and performs a preliminary analysis of the impact of planned major transactions on the level of liquidity;

- daily monitoring of future expected cash flows on customers' and banking operations, which is a part of assets/liabilities management process.

(in thousands of Russian Rubles, unless otherwise indicated)

An analysis of the balance sheet interest rate risk and liquidity risk as at December 31, 2013 is presented below:

	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Maturity undefined	Total
FINANCIAL ASSETS							
Financial assets at fair value through profit or loss	1 221 016	-	-	-	-	-	**1 221 016**
Due from banks and other financial institutions	1 666 936	-	98 866	-	-	-	**1 765 802**
Loans to customers	770 253	1 676 539	2 646 983	3 179 575	2 712	-	**8 276 062**
Available-for-sale financial assets	-	-	68 282	-	-	-	**68 282**
Total interest-bearing financial assets	3 658 205	1 676 539	2 814 131	3 179 575	2 712	-	**11 331 162**
Cash and balances with the Central Bank of the Russian Federation	709 207	-	-	-	-	100 906	**810 113**
Due from banks and other financial institutions	178 743	-	-	-	-	-	**178 743**
Available-for-sale financial assets	-	-	-	7 585	-	-	**7 585**
Other financial assets	450	-	-	-	-	-	**450**
Total financial assets	**4 546 605**	**1 676 539**	**2 814 131**	**3 187 160**	**2 712**	**100 906**	12 328 053
FINANCIAL LIABILITIES							
Due to banks and other financial institutions	28 652	12 224	27 246	272 400	-	-	**340 522**
Customer accounts	571 752	1 774 045	2 935 769	279 035	8 395	-	**5 568 996**
Debt securities issued	96 898	300 828	1 645 841	309 054	-	-	**2 352 621**
Total interest-bearing financial liabilities	697 302	2 087 097	4 608 856	860 489	8 395	-	**8 262 139**
Due to banks and other financial institutions	1 914	-	-	-	-	-	**1 914**
Customer accounts	2 002 766	-	-	-	-	-	**2 002 766**
Debt securities issued	49	-	-	-	-	-	**49**
Other financial liabilities	30 589	-	3 537	-	-	-	**34 126**
Total financial liabilities	**2 732 620**	**2 087 097**	**4 612 393**	**860 489**	**8 395**	-	**10 300 994**
Liquidity gap	1 813 985	(410 558)	(1 798 262)	2 326 671	(5 683)	100 906	
Interest sensitivity gap	2 960 903	(410 558)	(1 794 725)	2 319 086	(5 683)	-	
Cumulative interest sensitivity gap	2 960 903	2 550 345	755 620	3 074 706	3 069 023	3 069 023	
Cumulative interest sensitivity gap as a percentage of total financial assets	24%	21%	6%	25%	25%	25%	

(in thousands of Russian Rubles, unless otherwise indicated)

An analysis of the balance sheet interest rate risk and liquidity risk as at December 31, 2012 is presented below:

	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Maturity undefined	Total
FINANCIAL ASSETS							
Financial assets at fair value through profit or loss	569 720	-	-	-	-	-	**569 720**
Due from banks and other financial institutions	589 865	-	-	-	-	-	**589 865**
Loans to customers	1 018 125	798 100	3 524 772	1 774 774	129 661	-	**7 245 432**
Available-for-sale financial assets	-	-	-	79 689	-	-	**79 689**
Total interest-bearing financial assets	2 177 710	798 100	3 524 772	1 854 463	129 661	-	**8 484 706**
Cash and balances with the Central Bank of the Russian Federation	841 543	-	-	-	-	97 154	**938 697**
Due from banks and other financial institutions	116 112	-	-	-	-	-	**116 112**
Available-for-sale financial assets	-	-		7 585	-	-	**7 585**
Other financial assets	354	-	-	-	-	-	**354**
Total financial assets	**3 135 719**	**798 100**	**3 524 772**	**1 862 048**	**129 661**	**97 154**	**9 547 454**
FINANCIAL LIABILITIES							
Due to banks and other financial institutions	13 151	32 177	414 734	290 699	150 000	-	**900 761**
Customer accounts	470 493	679 648	1 779 082	438 209	7 788	-	**3 375 220**
Debt securities issued	-	64 746	671 272	764 048	-	-	**1 500 066**
Subordinated debt	-	-	227	-	148 500	-	**148 727**
Total interest-bearing financial liabilities	483 644	776 571	2 865 315	1 492 956	306 288	-	**5 924 774**
Due to banks and other financial institutions	4 218	-	-	-	-	-	**4 218**
Customer accounts	1 771 604	-	-	-	-	-	**1 771 604**
Other financial liabilities	25 243	-	3 277	-	-	-	**28 520**
Total financial liabilities	**2 284 709**	**776 571**	**2 868 592**	**1 492 956**	**306 288**	-	**7 729 116**
Liquidity gap	851 010	21 529	656 180	369 092	(176 627)	97 154	
Interest sensitivity gap	1 694 066	21 529	659 457	361 507	(176 627)	-	
Cumulative interest sensitivity gap	1 694 066	1 715 595	2 375 052	2 736 559	2 559 932	2 559 932	
Cumulative interest sensitivity gap as a percentage of total financial assets	18%	18%	25%	29%	27%	27%	

(in thousands of Russian Rubles, unless otherwise indicated)

Term deposits of individuals are presented on the basis of contractual maturities. However, such deposits may be withdrawn by customers on demand.

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

The following table presents an allocation of undiscounted cash flows of the Bank's financial liabilities (both interest and principal cash flows) and the Bank's unrecognized credit commitments on the basis of their earliest possible contractual maturity as at December 31, 2013 and 2012. The total nominal amount of cash outflows presented in the table represents undiscounted contractual cash flows on financial liabilities or contingent commitments. The cash flows expected by the Bank from these financial liabilities and unrecognized credit commitments may differ from the analysis below:

	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Balance as at December 31, 2013
FINANCIAL LIABILITIES						
Due to banks and other financial institutions	28 652	17 413	41 663	318 883	-	406 611
Customer accounts	573 280	1 796 160	3 060 493	309 549	15 108	5 754 590
Debt securities issued	97 409	305 184	1 730 059	345 224	-	2 477 876
Total interest-bearing financial liabilities	699 341	2 118 757	4 832 215	973 656	15 108	8 639 077
Due to banks and other financial institutions	1 914	-	-	-	-	1 914
Customer accounts	2 002 766	-	-	-	-	2 002 766
Debt securities issued	49	-	-	-	-	49
Other financial liabilities	30 589	-	3 537	-	-	34 126
Total financial liabilities	**2 734 659**	**2 118 757**	**4 835 752**	**973 656**	**15 108**	**10 677 932**
Credit related commitments	**31 110**	**149 030**	**1 393 603**	**183 015**	-	**1 756 758**

	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total as at December 31, 2012
FINANCIAL LIABILITIES						
Due to banks and other financial institutions	13 151	48 696	446 910	367 490	155 257	1 031 504
Customer accounts	471 807	688 146	1 882 244	489 406	15 109	3 546 712
Debt securities issued	-	65 364	710 098	942 835	-	1 718 297
Subordinated debt	-	-	12 107	47 520	172 097	231 724
Total interest bearing financial liabilities	484 958	802 206	3 051 359	1 847 251	342 463	6 528 237
Due to banks and other financial institutions	4 218	-	-	-	-	4 218
Customer accounts	1 771 604	-	-	-	-	1 771 604
Other financial liabilities	25 243	-	3 277	-	-	28 520
Total financial liabilities	**2 286 023**	**802 206**	**3 054 636**	**1 847 251**	**342 463**	**8 332 579**
Credit related commitments	**13 110**	**60 885**	**1 075 790**	**183 506**	-	**1 333 291**

Operational risk

Operational risk is a risk of loss resulting from the fact that the Bank's internal rules and procedures for banking and other transactions are inadequate to the nature and scope of its business and/or the current legislative requirements; from failure by the Bank's employees or other persons to comply with such internal rules and procedures (through unintentional or deliberate action, or omission); from inadequacy/insufficiency of the operational features/characteristics of informational, technical and other systems used by the Bank and/or their failures/breakdowns; and from external impacts.

The Bank regularly monitors and assesses operational risk. As part of operational risk management system, the Bank identifies and assesses operational risk with regard to all current operations, banking products, processes and systems. New operations, banking products, processes and technologies are checked for operational risk exposure.

The main method of mitigation for the operational risk is the development of the organizational structure of the Bank, internal rules and procedures for banking and other transactions. A special focus is placed on compliance with the principle of the segregation of powers, procedures of approval (agreement), accountability for and control over banking operations and other transactions.

The Bank uses the following methods to mitigate the operational risk:
- day-to-day control over the compliance with the limits for operations and control over distribution of authorities when performing banking transactions exceeding the established limits;
- regular reconciliations between the data received from internal accounting for transactions and accounting and depositary accounting data;
- segregation of access rights to information and other resources;
- provision of personalized access to the Bank's information resources for the employees by using unique personal identification code and confidential passwords;
- control over compliance with the document flow rules;
- entering into contracts providing for full financial liability;
- property insurance.

To reduce the probability of losses arising from computer system failures the following measures are taken:
- automatic information duplication and back up;
- development and updating of emergency action plans and disaster recovery plans;
- drills to train the steps to be taken in case of breakdown of different automated systems.

A special focus is placed on technological risks and risks associated with the implementation of new technologies within the risk management framework. For this purpose, project solutions and quality of their implementation, organization of technological processes, information flows and management processes, vulnerability to technological and technical risks are examined and assessed.

The Bank assesses operational risk level using basic indicator approach. The Bank performs data collection with regard to operational risks and losses, has created internal data base on operational losses, as well as regularly monitors its operational risks and material exposure to loss per types of operational risk and business lines.

Approved by and signed on behalf of the Management Board

[ ]	Chairman of the Management Board	S.N. Smirnov
[ ]	Chief Accountant	E.M. Merkulova

April 8, 2014
Moscow