Annual Report

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Russian Agricultural Bank

2013 Annual Report Contents

Statement of the Chairman of the Management Board

2013 marked a new milestone in Russian economic development. The past year has allowed us to take stock of Russia's initial results as a WTO member, and the fulfillment of priority tasks set out by the Russian President in May 2012, which were aimed at developing all spheres of domestic life. Today, we can undoubtedly say that the track chosen by the Russian government is the only right one. It is the effective driving force behind all of Russia's transformations.

The President of Russia Vladimir Putin, delivering his annual Address to the Federal Assembly, said that it is necessary to make the countryside a more attractive place to live and work. The President noted that considerable money has already been invested in developing the agriculture sector and the sector has showed a positive dynamic. "The foremost task now is to encourage people to stay in the countryside and build a modern and comfortable infrastructure in rural areas," Vladimir Putin said. This task is exactly our priority. Russian Agricultural Bank was initially created to ensure stable welfare growth for those who work towards national agribusiness prosperity.

Today, Russian Agricultural Bank is a universal commercial bank that makes a tangible contribution to one of the key sectors of the Russian economy. Russian Agricultural Bank accounts for about 50% of all loans to extended agribusiness. These achievements became possible thanks to the systematic work carried out within the framework of the adopted Development Strategy through 2020. It should be mentioned that this document is not only elaborated taking into account the State Program on Agribusiness Development and Regulation of Farm Produce, Raw Materials and Foodstuffs Markets 2013-2020 but also aligned with its main provisions.

The Strategy stipulates the Bank's organic development through 2020, and today we can see serious progress in its implementation. As compared to 2012, the Bank's net profit has doubled. In 2013, our loan portfolio increased by RUB 169 billion, or 15%, and amounted to RUB 1.274 trillion. In particular, corporate loans increased 13% and exceeded RUB 1.026 trillion, retail loans - by 25% up to RUB 274.3 billion. Total assets in 2013 have increased 15% to reach RUB 1,816.3 billion. During the first year, lending extended under the State Program on Agribusiness Development and the Regulation of Farm Produce, Raw Materials and Foodstuffs Markets 2013-2020 amounted to RUB 563 billion. Since the start of State Program implementation in 2008, Russian Agricultural Bank has provided RUB 2.3 trillion in loans.

Russian Agricultural Bank can justly be referred to as the blood circulation system of modern agribusiness, providing effective financial instruments to implement national-scale strategic projects. We have made great progress and today we have set serious new tasks for ourselves. Despite the objective factor of a slowdown in global economic growth, Russian Agricultural Bank plans to gradually increase net profit and grow lending. I believe that the Bank will continue to make a tangible contribution to industrial development and the economy in general, and, as a result, will motivate people to live and work in rural areas, for the benefit and progress of our country.

Dmitry N. Patrushev
Chairman of the Management Board and CEO
Russian Agricultural Bank

Russian Agricultural Bank Annual Report 2013

1. Key Financial Highlights[1]

USD million	FY 2011	FY 2012	FY 2013
Summary of consolidated income statement			
Net interest income	1,665.1	1,857.5	1,996.7
Net fee and commission income	130.5	207.4	255.4
Profit before tax	10.9	27.0	16.5
Profit for the year	**1.8**	**4.7**	**22.3**
Summary of consolidated balance sheet			
Cash and cash equivalents	4,160.2	3,501.5	3,924.4
Mandatory cash balances with the Central Bank of the Russian Federation	261.4	301.4	266.9
Securities	3,351.4	3,004.8	4,204.4
Due from other banks	1,228.8	1,512.3	1,315.8
Loans and advances to customers	28,065.1	35,255.6	38,528.7
Premises and equipment	779.3	759.6	753.3
Other assets	2,042.8	2,706.3	2,053.4
Total assets	**39,889.0**	**47,041.5**	**51,046.9**
Due to other banks	2,808.0	4,489.4	4,573.2
Customer accounts	18,860.1	18,356.1	22,063.1
Promissory notes issued	625.1	765.0	952.5
Other borrowed funds	10,636.6	14,516.5	13,742.8
Derivative financial instruments	23.0	173.2	29.0
Other liabilities	291.3	405.0	464.3
Subordinated debts	1,776.1	1,820.0	2,262.5
Total liabilities	**35,020.2**	**40,525.3**	**44,087.4**
Total equity	**4,868.8**	**6,516.2**	**6,959.5**
Total liabilities and equity	**39,889.0**	**47,041.5**	**51,046.9**

1 Source: Audited Financial Statements (IFRS) as of December 31, 2011, December 31, 2012 and December 31, 2013. Bank of Russia RUB/USD exchange rates: December 31, 2011 – 32.20, December 31, 2012 – 30.37, December 31, 2013 – 32.73.

Strong Capitalization
Capital Adequacy

USD million / %	FY 2011	FY 2012	FY 2013
Tier I Capital	4,838.7	6,450.7	6,924.8
Tier II Capital	1,780.9	1,822.0	2,189.4
Total Capital	6,619.6	8,272.7	9,114.2
Total RWA	36,992.0	51,366.4	50,749.9
Tier I Capital / RWA [2]	13.2	12.6	13.6
Total Capital Ratio [2]	**18.0**	**16.1**	**18.0**

Note: Forward-looking statements

This report contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of Russian Agricultural Bank. These statements involve risk and uncertainty, because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. The statements are based on current expected market and economic conditions, the existing regulatory environment and interpretations of IFRS that are applicable to past, current and future periods. Nothing in this report should be construed as a profit forecast.

2 Note: Calculated based on Basel II requirements.

2. Bank Profile[3]

Russian Agricultural Bank is 100% state owned. It was established in 2000. The Bank's priority is providing financial support to Russian agribusiness, fishery and forestry enterprises and developing rural territories, which the state recognizes as strategically important.

As the main lender to Russian agribusiness, Russian Agricultural Bank possesses unparalleled knowledge of this market. The Bank offers a wide range of financial products and services to agribusiness and the rural population, which makes up 30% of Russia's total population. The branch network with 78 branches and more than 1,500 additional offices covers almost 85% of Russia's territory. The Bank continually enhances its product range to accomplish state policy goals and to meet the needs of its target demographic segments.

Consistent with Russian government policy objectives set forth by the State Program on Agribusiness Development 2013-2020, Russian Agricultural Bank plays a key role in rural development, ensuring the sustainable growth of agribusiness and related sectors.

Russian Agricultural Bank is among the Top 5 Russian banks based on key performance indicators (KPIs).[4]

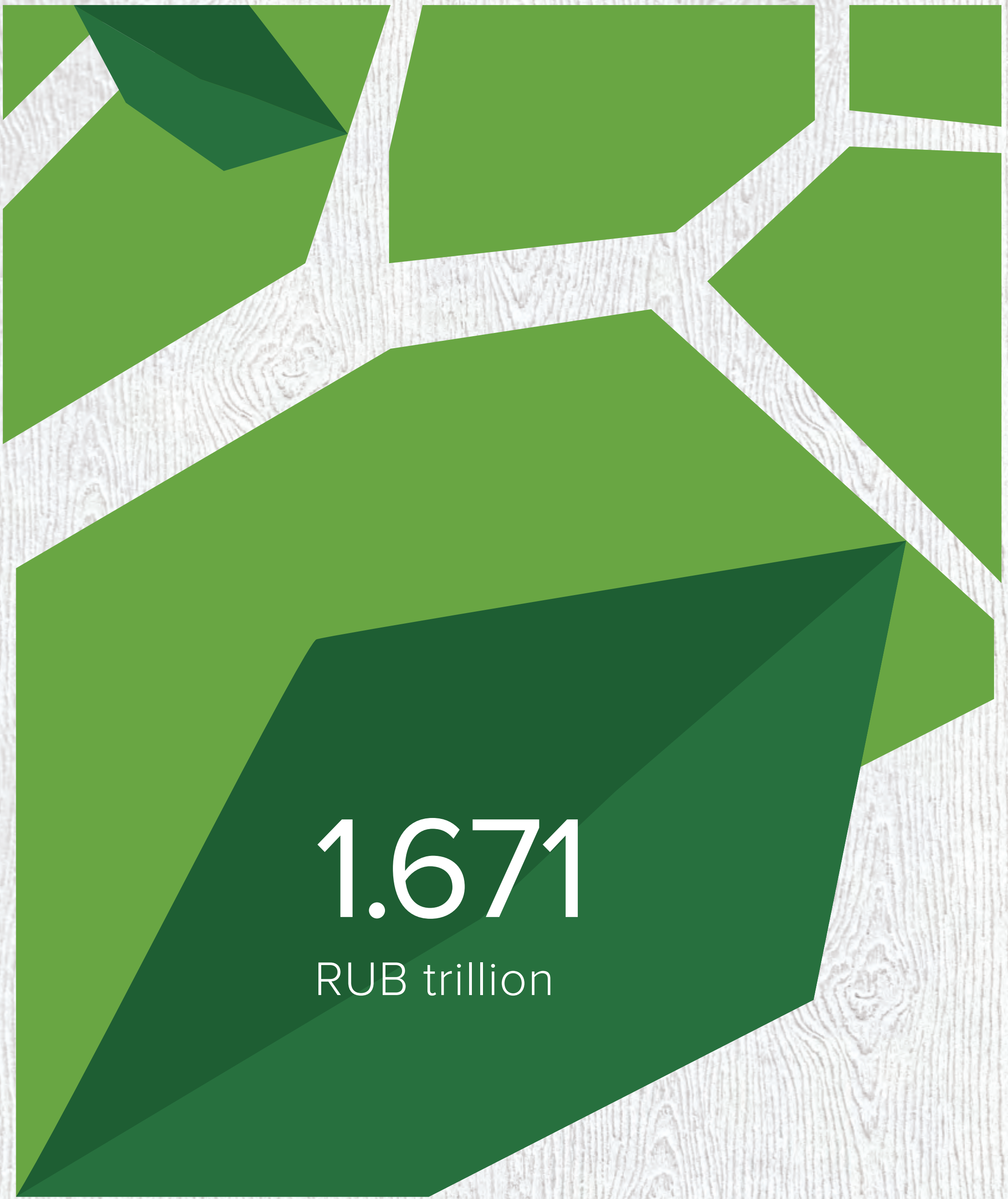
RUB 218.8 bln Share Capital FY2013 IFRS	**RUB 1,670.8 bln** Total Assets FY2013 IFRS	**RUB 1,261.0 bln** Loan Portfolio FY2013 IFRS	**36,349** Head Count FY2013 IFRS
No. 2 Largest branch network in the Russian Federation	**No. 4** Largest bank by capital	**No. 5** Largest bank by assets	**No. 159** Among the Top 1000 banks globally

Mission and Strategy

Russian Agricultural Bank's mission is to implement the Russian government's financial policy in agribusiness by:

- Ensuring the availability of affordable banking products and services to Russia's agribusiness, including: fishery and forestry enterprises and the population of small towns and rural areas;
- Contributing to the development and operation of Russia's credit and financial system;
- Fostering the development of Russia's agribusiness, including: fishery and forestry industries, and rural areas.
- Bringing financial services to rural areas where no other credit institutions are present.

3 Note: Financial data in this section is prepared under RAS as of January 1, 2014.
4 Source: Company information, RBC Rating, Expert RA, The Banker.



RusAg's total assets reached
RUB 1.671 trillion,
growing by 17% in 2013

The Development Strategy through 2020, which was adopted in 2012, facilitates achieving Russian Agricultural Bank's mission. The Strategy envisages further expansion of the Bank's business with a focus on:

- Maintaining leading positions in lending and other financial services to agribusiness, fishery and forestry sectors, and in facilitating rural development;
- Implementing federal and regional programs that are focused on:
    - Ensuring national food security;
    - Achieving Russia's status as the world's leading food producer and exporter;
    - Maintaining social stability and development in rural areas, upgrading financial literacy and the living standards of the country's rural population.
- Ensuring sustainable development and increasing Bank efficiency:
    - Transforming the Bank's operating model and IT systems to reduce operating expenses;
    - Developing interest and commission products across all segments, offering a wide range of customized products;
    - Expanding the regional network via the development of low-cost and highly efficient sales channels;
    - Growing the customer base by offering a wide range of affordable, high quality banking products and services to both corporate and retail customers.

For 2014, the Bank set the following strategic objectives as priorities:

- Enhancing credit process sophistication and loan portfolio quality;
- Building a well-balanced funding base;
- Developing small, micro and retail business;
- Controlling expenses and increasing profitability.

The Bank's long-term development baseline consists of considering the Strategy through 2020, the Russian Federation Food Security Doctrine and the State Program 2013-2020, which envisage integrated development of the whole agribusiness sector, including:

- Increasing agricultural producers' profitability as a condition for transitioning to the innovative agribusiness development model;
- Developing all types of small businesses in rural areas, including supporting entry-level farmers;
- Encouraging sustainable development in rural areas;
- Developing cooperation and integration in agribusiness.

Market Position

Russian Agricultural Bank consistently holds Top 5 rankings in Russia based on key performance indicators (KPIs)[5] :

No. 1 – in lending to agriculture and agribusiness;
No. 2 – by branch network;
No. 2 – by lending to small- and medium-sized businesses;
No. 4 – by loan portfolio;
No. 4 – by capital;
No. 5 – by assets.

5 Source: Expert RA rankings, RBC rankings, Company information.

The Bank ranks 159th by capital in the Top 1000 World Banks 2013 ranking (as published by The Banker magazine).

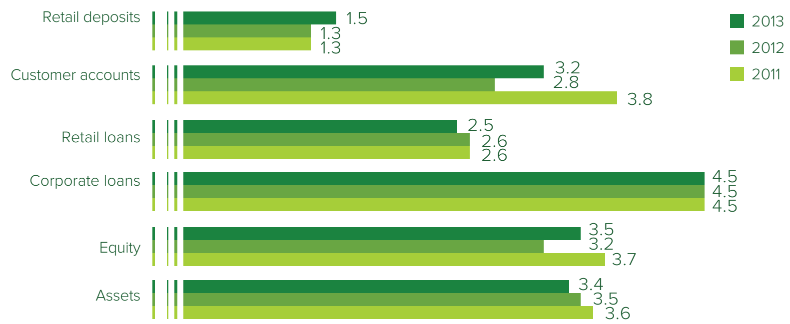
Since its founding in 2000, Russian Agricultural Bank has become a financial institution that is vital to the system, as well as an acknowledged leader in lending to agribusiness and related sub-sectors, with the following market shares:

- Agriculture, fishery, forestry, hunting and related services – 40.7%;
- Food and beverage production, including tobacco – 16.5%;
- Production of machinery and equipment for agriculture and forestry – 8.5%.

Russian Agricultural Bank's branch network includes 78 regional branches, more than 1,500 offices and 360 representatives covering more than 85% of Russia's territory. Nationwide, the Bank serves more than 5 million clients. The Bank's local presence provides a significant marketing advantage, as well as ensuring access to the regional client base. The Bank is widely known as a reliable banking partner to major global financial institutions, with a correspondent network of more than a hundred banks and a geographically diverse investor base.

Russian Agricultural Bank's growth is consistent with the Russian banking system, as a whole. In 2013, lending to non-financial organizations grew 12.7% and to the retail sector - by 28.7%. The Bank's growth was 13.6% and 24.9%, respectively. The Bank's share in corporate lending (within the sector) amounted to 4.5%.

Russian Agricultural Bank's share in the Russian banking sector[6], %



Comparative Dynamics for 2013 Key Financial Indicators[6], %

6 Source: Bank of Russia, Russian Agricultural Bank information.

3. Operating Environment

3.1 Macroeconomic Climate and Outlook

In 2013, the global economy developed against a background of easing monetary policy carried out by the Central Banks of major developed countries. Expansionary measures pre-determined an increase in global business activity. Advanced economies experienced strengthening growth, whereas emerging markets saw a decline.

Despite an increase in global economic activity and world trade volume in H2 2013, the pricing environment for the commodities market remained unfavorable. World prices for primary commodities dropped significantly in 2013. The exception, however, was oil – given lingering geopolitical risks, prices stood at around historic highs (the average price for Urals crude in 2013 was USD108.3/barrel).

According to the Russian Federal State Statistics Service (Rosstat), Russia's GDP in 2013 grew 1.3%, industrial production – up 0.3%. The production of manufacturing industries remained at the previous period's level. According to preliminary estimates, profits for large- and medium-sized enterprises decreased 15% compared with 2012. Fixed capital investments decreased 0.3%. Among major economic sectors, agriculture showed a record growth of 6.2%. Retail trade turnover increased 3.9% and fee-based consumer services grew 2.1%, due to an increase in the real income of the personal sector (3.3%) and a 25% increase in bank lending.

The increase in revenues was primarily due to a 5.2% increase in real wages at a relatively stable unemployment level. Although the inflation rate at 6.5% exceeded the forecast value by 1 percentage point, it remained below the previous year's level. Relatively stable prices on the world oil market helped to maintain the country's trade surplus and reduce the federal budget deficit to a minimum of 0.3% of GDP. Russian ruble depreciation in H2 2013 contributed to the Bank of Russia transitioning from a policy of maintaining a stable exchange rate to an inflation control policy. The Bank of Russia's policy is aimed at increasing the competitiveness of Russian exporters on the growing markets of developed countries.

In 2014, the economy will continue to grow at a moderate pace. Consumer demand will remain the main driver of economic growth, but its effect will subside. The stimulating effect of devaluation will be limited. At the current level of oil prices, Russia is able to maintain inflation at a relatively moderate 4.5-5.5% p. a. No significant improvement is expected in the pricing environment for other commodity groups.

The growth rate for capital investments will be 1.5-2 times more than the GDP growth rate and will reach 4-5% per annum, but this will not be a major driver of economic development. Ruble devaluation will increase budget revenues and the trade balance. At the same time, it will raise the inflation risk and enhance capital outflow. The 2014 inflation level could exceed the target set by the Bank of Russia (5%). Public finances provide substantial reserves to maintain macroeconomic stability in Russia.

The above forecasts are only general guidelines and are a subject to change.

3.2 Banking Sector

In 2013, banking sector assets grew 16%, which is significantly ahead of the nominal GDP growth rate. As a consequence, the assets to GDP ratio increased from 80% to 86% during the year. Over the same period, total capital increased 15.6%, resulting in a decrease in the capital adequacy ratio (N1 – the Bank of Russia) from 13.7% to 13.5%.

In terms of Russia's economic deceleration, as well as a contraction in organizations' financial performance, the borrowing demand for corporations remained moderate. In 2013, the growth rate for corporate loans stood at 12.7%, which corresponds to the previous year's level. The volume of lending to agribusiness companies during the reporting period increased almost 16.5%. The growth rate for retail lending decreased from 39.4% in 2012 to 28.6% in 2013.

In 2013, outstanding debt within the corporate portfolio remained at the previous year's level. Within the retail portfolio, outstanding debt increased by more than 40%, while the share of overdue loans in the non-financial sector declined from 4.6% to 4.1%, and for retail loans it increased from 4.0% to 4.4%.

In 2013, customer accounts increased 16%, including the growth rate for settlement and other corporate accounts and deposits that amounted to 13.3%; retail deposits grew 19%. Low investment activity contributed to the growth in corporate deposits. Rising incomes in turn contributed to retail deposit growth. Also, the growth in banks' ruble resource base was supported by currency revaluation against the backdrop of ruble devaluation.

Given the 2013 liquidity shortage, a major part of the expansion of financial institutions' resource base was due to funds raised from the Bank of Russia. In 2013, banks' debt to the regulator increased more than 80%.

Russian financial institutions received profits in the amount of RUB 993.6 billion for 2013. Compared with 2012, financial institutions' profit decreased 1.8%, which is explained by the slowdown in more profitable retail lending, as well as the increase in loan loss provisions.

Key indicators for the Russian banking sector [7]

	2013 RUB billion	Change in % from the previous year	2012 RUB billion	Change in % from the previous year
Assets	57,423	16	49,509	19
Total equity	7,064	16	6,113	17
Loans to the non-financial sector	22,499	13	19,971	13
Loans to individuals	9,957	29	7,737	39
Deposits (excluding non-residents)	14,516	12	12,897	7
Individual deposits	16,957	19	14,251	20

7 Source: the Bank of Russia.

In 2014, the banking system will develop under moderate economic growth. Increasing uncertainty in relation to the Ukrainian crisis will have a negative impact. The dollarization of savings could enhance the ruble liquidity shortage, and also borrowing conditions on external financial markets are expected to get tougher.

The economic slowdown will have a restraining effect on the growth in corporate lending. The increase in the population's debt burden, combined with tighter regulation by the Bank of Russia, will further reduce retail lending growth rates. However, the yield/quality ratio of this segment will still be high enough to maintain its attractiveness.

In general, given the level of banking service penetration within the Russian economy, it is expected that banking system assets will continue to grow faster than nominal GDP during the next few years.

Monetary Policy Objectives and Tasks in 2014, and for 2015-2016[8]

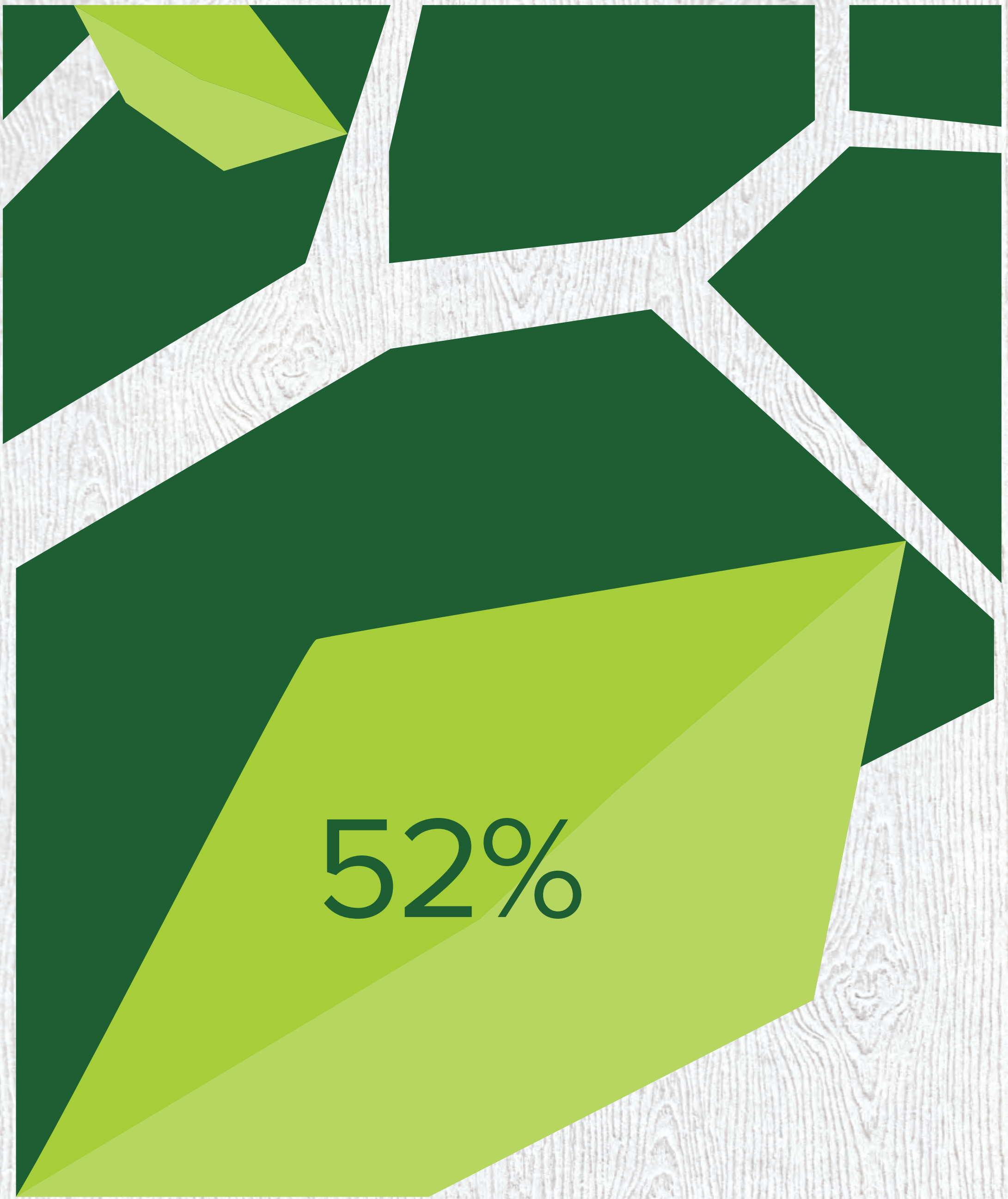
- The Bank of Russia's objective in the coming years is to gradually reduce consumer price growth and to ensure price stability. The 2014 inflation target is set at 5.0%. By 2015, the Bank of Russia plans to complete transitioning to an inflation targeting regime;
- By 2015, there will be a gradual increase in exchange rate flexibility and a transition to a floating exchange rate regime. These measures, as well as budgetary rules, will contribute to a consistent reduction in the influence exerted by the budgetary and foreign exchange channels on the cost of funds in financial markets, which eventually influence inflation dynamics;
- The country will strive to enhance the efficiency of the interest rate policy through measures to develop infrastructure and increase the depth of financial markets, as well as by fine-tuning the Bank of Russia payment system;
- The banking sector and financial markets will be enhanced, including through the implementation of Basel III;
- Banking sector liquidity will be managed via refinancing operations.

3.3 Agribusiness Sector

In 2013, agriculture was one of the drivers of economic growth. The agricultural production index stood at 106.2% vs. 95.2% in 2012, mainly due to a significant increase in crop production. The 2013 Russian grain yield amounted to 92.4 million tons, which is 30.3% growth y-o-y. The ongoing development of meat production also helped explain the increase. In 2013, the volume of agricultural production amounted to RUB 3,790.8 billion; the share of agribusiness in the nation's GDP amounted to 6.3%, including: food production, fishery and forestry.

The crop production index reached 112.3%. Russia holds leading positions in terms of the gross grain corn yield at 10.68 million tons (or 30.1% more than in 2012), rapeseed was 1.4 million tons, sunflowers stood at 10.2 million tons (27.7% more than the 2012 level), and a record sugar beet harvest – more than 432 centners per hectare with a gross yield of 37.7 million tons.

8 Source: the Bank of Russia Official Report on Monetary Policy, February 2014.



RusAg's share in lending to domestic agriculture amounted to 52% in 2013

Animal breeding, in general, showed a positive trend. The production index in the sub-sector amounted to 100.5%. In 2013, livestock and poultry production grew 5% and reached 12.2 million tons. Agribusiness enterprises increased meat production 11.1%, including producing pigs for slaughter – 24.7%, and poultry production increased 6.1%.

In 2013, the Government launched the new State Program on Agribusiness Development and the Regulation of Farm Produce, Raw Materials and the Foodstuffs Markets for 2013-2020. The State Program expands the scope and substitutes the 2008-2012 State Program on Agribusiness Development and the 2006-2007 National Priority Project on Agribusiness Development, and also includes measures necessary to support agricultural production in view of WTO requirements.

Government Support Measures[9]

- President Vladimir Putin, delivering his annual 2013 Address to the Federal Assembly, stated that the industry has displayed a very positive trend. As a result, Russia has achieved complete self-sufficiency with many domestic goods. President Putin also emphasized the necessity of creating conditions in rural areas that would motivate people to live and work there;
- According to President Putin, agribusiness producers have substantially contributed to Russian economic development in 2013 and have also encouraged economic growth as a whole. The Russian Government provides a variety of support measures for agribusiness producers, such as: reduced lending and leasing rates, new types of subsidies, and prolonging impaired loans due to unfavorable weather conditions, droughts and floods. The Government has always supported agribusiness producers, and it will continue to follow that policy.

In 2013, the consolidated budget stipulated RUB 268 billion for agribusiness support, including RUB 198 billion from the federal budget and approximately RUB 70 billion from regional budgets. The provided support allowed positive trends to be maintained in agribusiness production, despite numerous industry-specific risks. These risks, which have affected agriculture development in 2013 include natural disasters in some regions (droughts and floods), as well as the influence of the situation on global markets, such as the decline in prices for corn and sunflower in H2 2013.

The share of farms and individual entrepreneurs in the agricultural production structure is constantly growing: in 2013, these facilities produced almost 25% of domestic grain, 30% of sunflowers and more than 10% of sugar beets, as well as 5.9% of milk. Farms and individual entrepreneurs also raised 3.3% of livestock and poultry.

In 2013, agricultural exports fell 6.7%. This stands in sharp contrast to 2012 when it grew almost 25% due to the 2010-2011 grain embargo. The volume of exported poultry has doubled compared with 2012: in 2013, the country exported more than 50,000 tons. The export of rapeseed oil and soybean oil increased significantly. Other exported goods include fish and canned fish, bread and flour, and confectionery products.

In 2013, agricultural lending rose at a rapid rate. The growth in the total volume of loans amounted to approximately 16%; short-term loans increased 18.6%, and investment rose 11.7%, up to RUB 366 billion.

9 Source: the Russian Government.

Agribusiness Development in 2014[10]

- As of March 2014, Russia has exported 19.8 million tons of grain, which is a 41% increase compared with the same period in the previous year;
- As of January 1, 2014, grain reserves reached 28.9 million tons, which is 14.6% more than the 2012 level;
- 2014 forecast: grain yield – 95 million tons; grain export – 22 million tons; and the agricultural production index – 102-102.5%;
- From 2014-2020, RUB 170-220 billion will be extended annually from the federal budget and RUB 80-130 billion will be spent from regional budgets. Total expenditures for the State Program 2013-2020 implementation may reach RUB 2.2 trillion.

Despite all these difficulties, agribusiness and the sector, as a whole, have confirmed that this is an investment-attractive industry. Stable consumer demand growth and the ruble devaluation will contribute to sustainable production dynamics, as well as due to import substitution and the implementation of significant export potential.

The development of market infrastructure and vertical agricultural cooperation will expand market access for agribusiness producers and increase their share in the final output and final price. This includes: socially developing rural areas, implementing new credit and insurance products, and others.

10 Source: Russian Ministry of Agriculture, Russian Federal State Statistics Service.

4. Management Discussion and Analysis

4.1 Financial and Operating Performance[11]

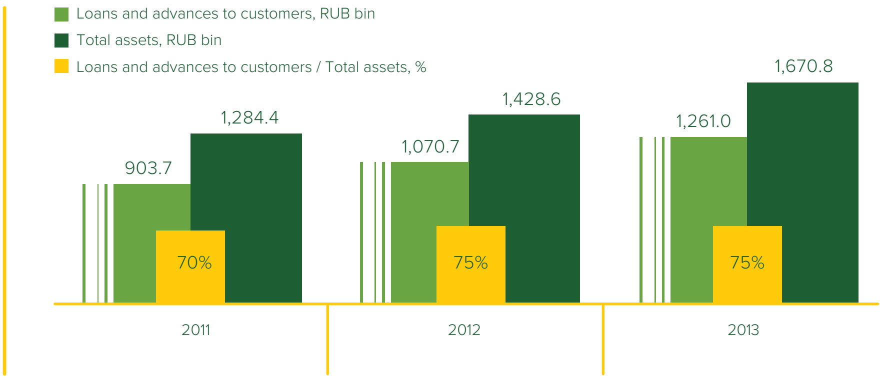
2013 was noted as a challenging year for the banking sector both in Russia and abroad. Despite that, the Bank demonstrated positive dynamics for its main performance indicators during the reporting period. The Bank's loan portfolio before impairment increased RUB 207 billion (18%) and amounted to RUB 1.375 trillion, as of December 31, 2013. The corporate loan portfolio grew RUB 156 billion (16%) to RUB 1.125 trillion, the retail loan portfolio — by RUB 51 billion (26%) and reached RUB 251 billion. Customer accounts increased RUB 165 billion (30%) and totaled RUB 722 billion, with retail customer accounts rising RUB 61 billion up to RUB 249 billion (32%).

The Bank's assets increased RUB 242 billion (17%) to RUB 1.671 trillion. The Bank's equity grew RUB 30 billion (15%) and reached RUB 228 billion following a RUB 30 billion capital increase in December 2013 in the form of an additional share issue.

Assets and Liabilities

In 2013, assets and the Bank's loan portfolio showed soft growth in line with management expectations and objectives. The share of corporate and retail loans (75%) consistently played a dominant role in the Bank's asset structure, indicating a historically high degree of customer credit loyalty.

Growing Assets Base



The share of cash and cash equivalents accounted for 8% of the Bank's total assets, financial instruments and securities –11%, amount due from other banks – 3%, and premises and other assets –3%.

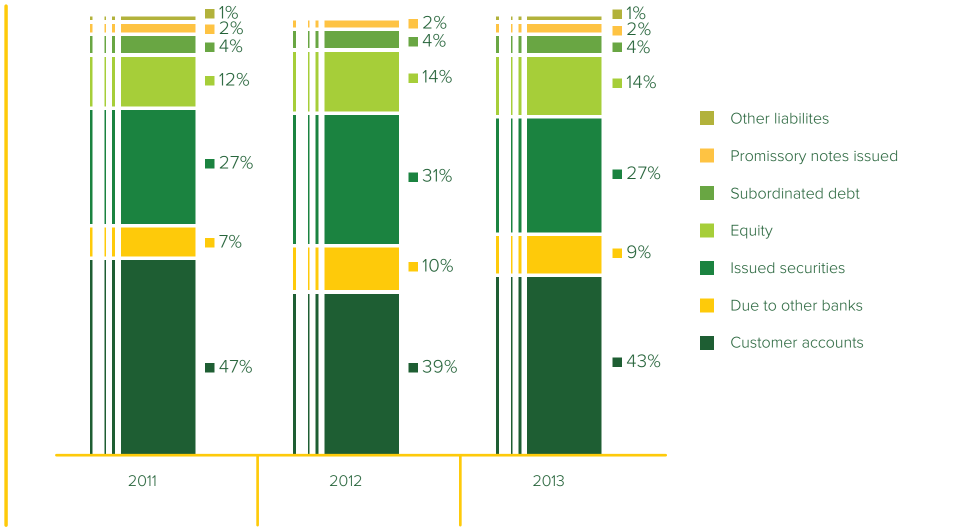
11 Note: Financial data in this section is prepared under IFRS as of December 31, 2013. All data in percentage (%) terms is calculated based on Russian ruble-denominated financial results. Some detailed information on Russian Agricultural Bank's business performance is prepared under RAS as of January 1, 2014.

RusAg's loan portfolio reached RUB 1.261 trillion in 2013, showing 18% growth

Assets Structure Dynamics

Russian Agricultural Bank's liabilities are reasonably well diversified. In 2013, customer accounts made up the largest share of the Bank's liabilities structure – 43%. The share of issued securities accounted for 27% of the Bank's total liabilities, equity and the amount due to other banks – 14% and 9%, respectively.

Liabilities Structure Dynamics



Capital

Russian Agricultural Bank enjoys consistent support from its sole shareholder – the Government of the Russian Federation in the form of ongoing capital injections, which provide for additional increases in lending to corporate and retail clients across Russia.

In December 2013, the Russian Government increased the capital of Russian Agricultural Bank RUB 30 billion (USD 1 billion). As of December 31, 2013, the Bank's share capital amounted to RUB 218 billion (USD 6.7 billion) and total capital reached RUB 251.2 billion (USD 8.3 billion).

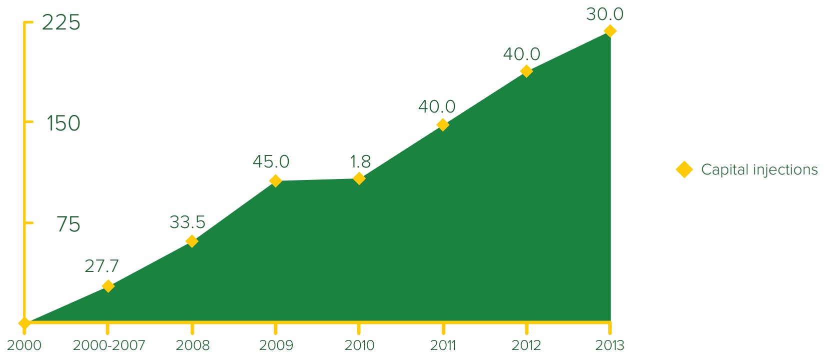
The Government is committed to funding further capital increases for Russian Agricultural Bank to support lending activity under the State Program on Agribusiness Development 2013-2020.

The share capital increase allowed the Bank to maintain its capital adequacy at a traditionally high level. The Bank's capital ratios comply with Russian Central Bank requirements and Basel recommendations.

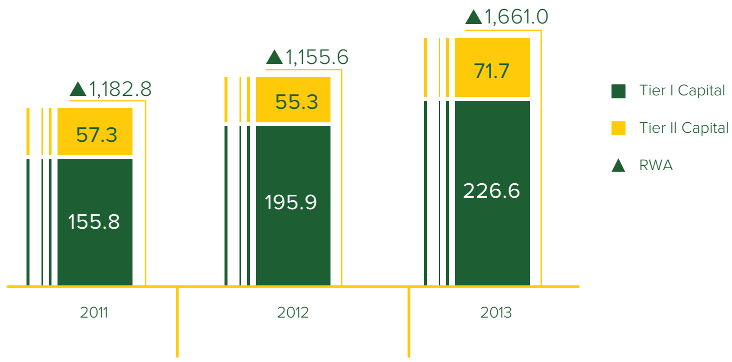
Capital Adequacy

Basel II Capital Ratios	2013	2012
Tier I Capital Ratio	13.6%	12.6%
Total Capital Ratio	18.0%	16.1%

Share Capital Growth, RUB bln



Capital, RUB bln



Customer Base

Russian Agricultural Bank offers a wide range of products and attractive solutions in both the retail and corporate business. The Bank does its best to ensure that its customers receive professional advice and dedicated and personalized service.

The Bank has a nation-wide network of more than 1,600 points of sale, including those in small settlements and remote regions. The network covers 85% of Russian territory, providing potential and existing clients with access to financial services throughout the country.

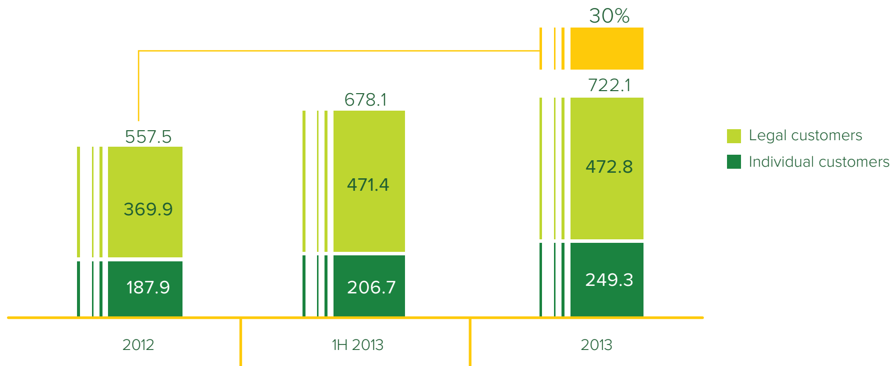
In 2013, the Bank continued to elaborate on and expand its deposit product range. The possibility of receiving open accounts via ATMs and the Internet office project were realized in 2013. Retiree deposits remained the most popular program; they account for 40% of the Bank's liabilities portfolio.

The Bank's status as a state-owned institution, together with its competitive products and services, customer-focused approach and strong regional presence, are highly attractive to Russia's rural population. In 2013, the number of clients grew to 5.1 million. The number of individual clients reached 4.9 million, which represents 19% growth compared with 2012. The number of corporate clients stood at 190.1 thousand.

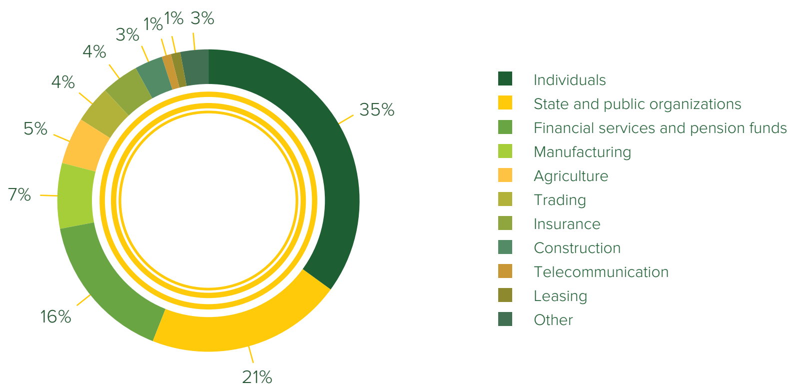
In 2013, customer accounts increased 30% or RUB 165 billion (USD 5 million) and totaled RUB 722 billion (USD 22 billion). Corporate and retail customer accounts grew in line with the Bank's plans to increase its customer base.

The accounts of corporate clients grew 9% to RUB 318 billion (USD 9.7 billion). Retail customer account balances rose RUB 61 billion (USD 1.9 million) up to RUB 249 billion (USD 7.6 million) (32%). In total, the funds raised from corporate and retail clients (except for state and public organizations) grew 18% and reached RUB 567 billion (USD 17.3 billion). Resources raised from state and public organizations reached RUB 155 billion (USD 4.7 billion). Strong deposit growth enabled the Bank to continue to meet customers' borrowing demand.

Deposit Growth, RUB bln



Customer Accounts by Sector



218

RUB billion

The Bank's share capital grew RUB 30 billion, or 16%, in 2013 and totaled RUB 218 billion

Loan Portfolio and Diversification

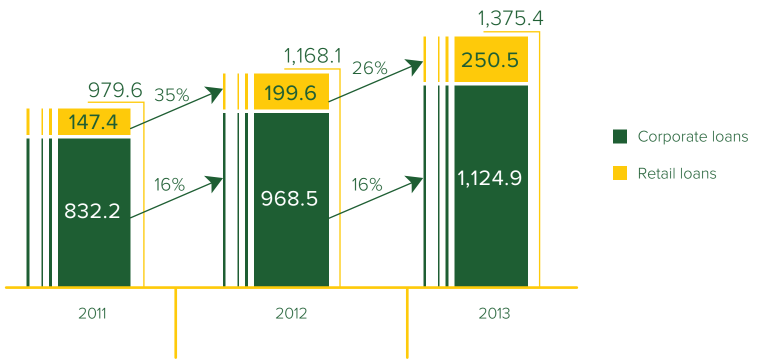
In 2013, the loan portfolio grew 19%, totaling RUB 1.4 trillion (USD 42 billion) before provisions. The corporate loan portfolio increased 18% to RUB 1.1 trillion (USD 34 billion), the retail loan portfolio – up 26% to RUB 251 billion (USD 7.7 billion).

The corporate segment remains the key to the Bank's business, with loans to corporate customers representing 82% of the total loan book. However, in line with management plans, growth in the retail portfolio has outstripped growth in the corporate loan portfolio. Loans to individuals represent 18% of the gross loan portfolio.

Consumer lending remains the most in-demand banking product for individual clients and accounts for 40% of retail loans, loans to personal household plots owners – 27%, loans for the purchase of machinery and equipment - 11% and loans for seasonal field work – 5%.

The growth in the retail loan portfolio was mainly due to the Pension Credit Program (90% growth), mortgage lending (62% growth), and unsecured consumer lending (69% growth). Consumer lending remains the most demanded product type by private clients. The Bank elaborates on new products and services to meet client needs. A new credit product – the credit card with a grace period was introduced in 2013.

Loan Portfolio Structure, RUB bln



The Bank's loan portfolio is well-diversified within the agribusiness sector and related sub-sectors, as well as across the whole agribusiness chain.

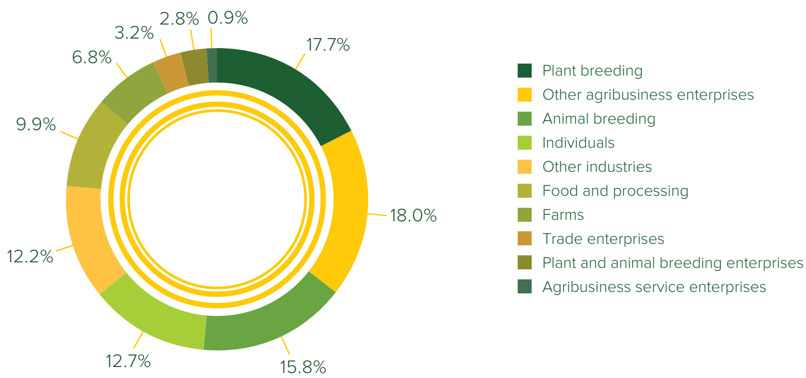
Agribusiness is a highly diversified sector with more than 20 sub-sectors and related industries, which provides for multiple lending areas within the framework of the agribusiness production chain. With Russia's second largest branch network, spanning 85% of Russia's territory, the Bank is well-positioned to diversify its loan portfolio across the country. This will minimize the influence of negative weather conditions in different regions on loan portfolio quality.

During the reporting period, the Bank provided financial support to agribusiness enterprises across all stages of the production cycle: from primary agricultural production, to storage and processing, and to final output and marketing.

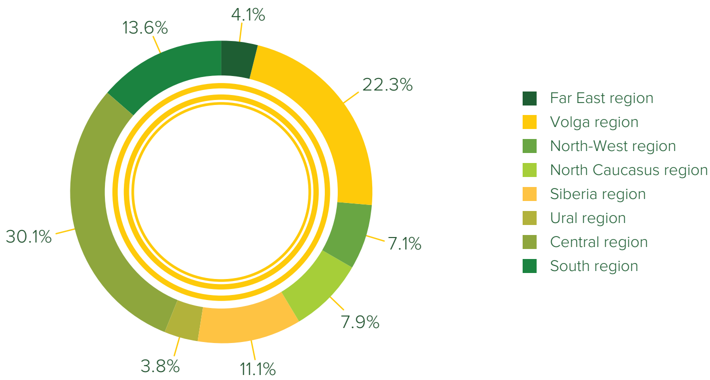
Customer accounts grew by
RUB 165 billion, or 30%,
in 2013 to reach RUB 722 billion

Loan Portfolio Diversification across the Agribusiness Production Chain

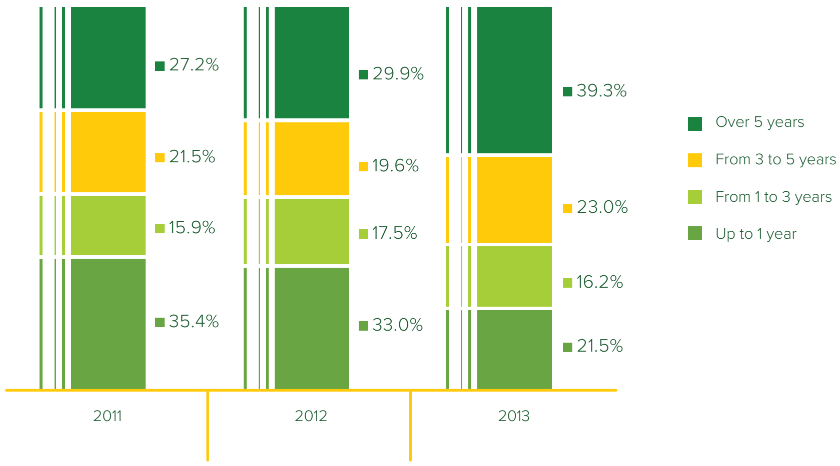
Loan Portfolio Diversification by Sector



Loan Portfolio Diversification by Region

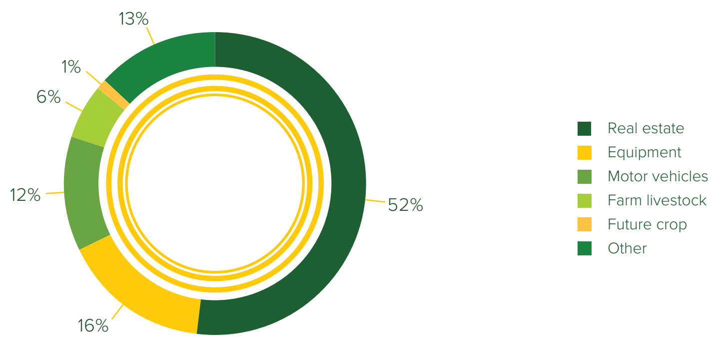


Corporate Loan Portfolio by Maturity



In 2013, despite slowing growth rates in the Russian economy, the Bank's loan book quality showed positive dynamics. The share of non-performing loans in the corporate portfolio decreased to 8.6% (2013) from 9.1% (2012). The NPL level reflects the impact of unfavorable weather conditions in 2012-2013 on agribusiness and the ongoing consequences of the 2009-2010 drought. Loan loss provisions are maintained at an appropriate level. Provisions are based on estimated future cash flows arising from borrower performance and, if applicable, collateral realization - 97% of the loan portfolio is collateralized and 80% of the collateral portfolio is comprised of highly liquid pledge types.

Collateral Structure



Subsidized Lending

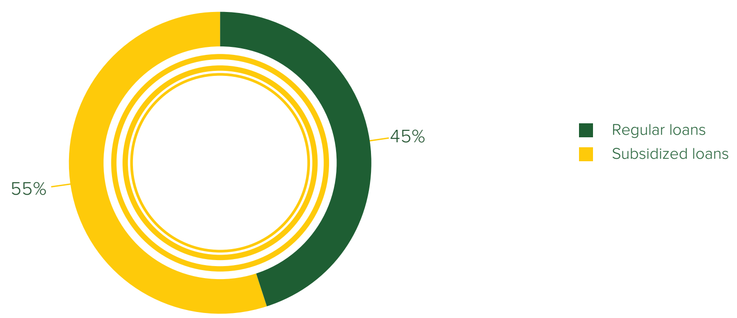
Borrowers participating in State Programs on Agribusiness Development are eligible for a partial compensation of interest rate expenses under the loan agreement. For a borrower to receive compensation from the appropriate budget, a loan must be granted to agricultural producers, farmers, small- and medium-sized enterprises, agricultural cooperatives or personal household plot owners to purchase agricultural machinery or equipment, seeds, fodder, fertilizers or other similar products that are required for seasonal work and other products that comply with a list approved by the Russian

Ministry of Agriculture. The borrower must also have a good credit history and be in good financial condition. A borrower can receive a subsidy in the next period only if he / she has shown positive payment discipline in previous periods. Subsidized lending is one of the most effective measures to foster agribusiness development and to support agricultural producers.

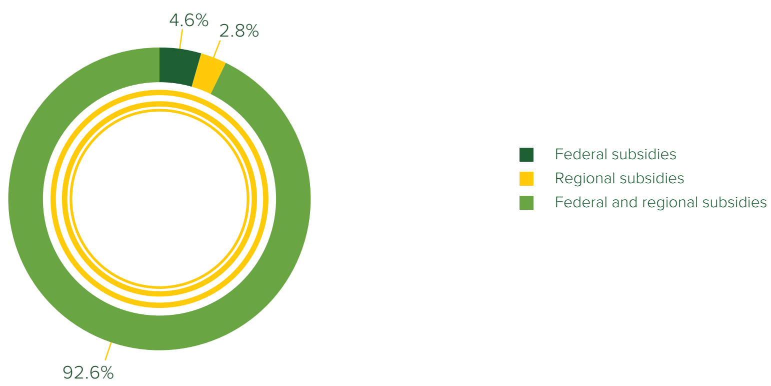
Russian Agricultural Bank is a key participant in federal and regional programs under which agricultural producers receive compensation via subsidies from federal and regional budgets, respectively, for interest disbursements.

Subsidized loans are granted on the same basis as regular loans. Subsidy availability for a borrower does not require the Bank to approve such a loan. Depending on the purpose of the loan and the borrower category, loans subject to subsidies may have a maturity of up to ten years.

Corporate Loan Portfolio Structure



Subsidy Sources



In 2013, the federal budget allocated more than RUB 76 billion (USD 2.3 billion) to compensate borrowers’ interest expenses.

1.125

RUB trillion

The Bank's corporate loan portfolio
increased by 18%
up to RUB 1.125 trillion

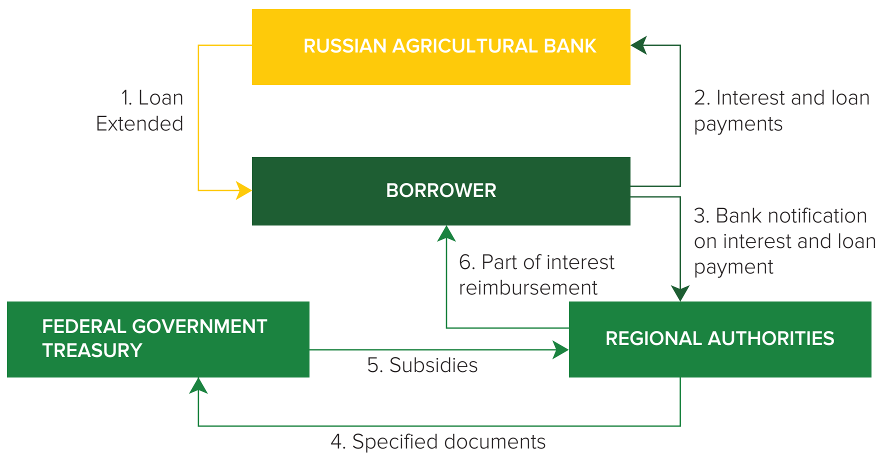
Borrowers are eligible for the following interest rate subsidies:

- Corporate: 2/3 of the Bank of Russia refinancing rate from the federal budget, up to 1/3, but not less than 20% of the refinancing rate from the regional budget;
  - Dairy production – 80% of the refinancing rate from the federal budget and not less than 20% of the refinancing rate from the regional budget;
  - Livestock meat production – 100% of the Bank of Russia refinancing rate from the federal budget and up to 3% over the refinancing rate from the regional budget.
- Individuals and farmers: 95% of the Bank of Russia refinancing rate from the federal budget, and the remaining 5% compensated from regional budgets.

Subsidy calculations are based on the Bank of Russia's refinancing rate, which is currently set at 8.25%.

Subsidized lending allows Russian Agricultural Bank to upgrade the quality of its loan portfolio; timely payments on subsidized loans are stated in the Law as a condition for the State to compensate borrowers' interest expenses.

Procedure for Subsidized Loans Reimbursement

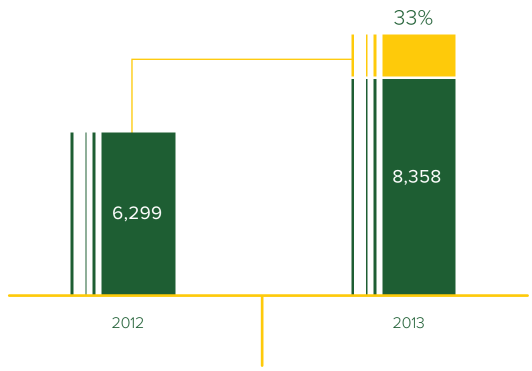


Income and Expenses

As the sole shareholder of Russian Agricultural Bank, the Government of the Russian Federation does not set profitability and operational efficiency as key targets. However, the Bank continuously works to achieve positive financial results and upgrade operational efficiency.

In 2013, Russian Agricultural Bank's efforts to upgrade performance efficiency resulted in 16% growth in the Bank's net interest income to RUB 65 billion (USD 2 billion). Net fee and commission income increased 33% and reached RUB 8 billion (USD 245 million). During the reporting period, 48% of fee and commission income was generated from cash transactions, 27% - from agency fees from the sales of insurance contracts. Russian Agricultural Bank's 2013 profit was RUB 729 million (USD 22 million).

Net Fee and Commission Income, RUB mln



In 2013, interest expenses increased 10%. Total administrative and other operating expenses went up 10% compared with the previous period. Staff costs accounted for 66% of the total net increase in administrative and other operating expenses and included both statutory social security and contributions to both State and non-State pension funds.

Russian Agricultural Bank continued to focus on balancing growth and returns while maximizing operating efficiency and value creation. The Bank works on this task by reducing risks, optimizing the capital base, and pursuing a strict cost management policy. Russian Agricultural Bank believes that growth and savings are not mutually exclusive. That is why, notwithstanding the importance of loan portfolio growth and customer base expansion, the Bank considers cost-cutting to be a top priority.

2014 Outlook

Key 2014 targets are:

- Upgrading the quality of the loan portfolio;
- Ensuring a balance between the size and structure of the loan portfolio and funds attracted from customers;
- Upgrading operational efficiency and profitability by maintaining the Bank's position in agribusiness financing.

4.2 Contribution to Agribusiness Development[12]

Russian Agricultural Bank plays a fundamental role in financing domestic agribusiness development. The Bank's mission and strategy focuses on financing and fostering the development of agribusiness (including fishery and forestry enterprises), and the population of small towns and rural areas as its core goals. The Bank's strategy is consistent with the 2020 State Program, which provides measures for the integrated development of agribusiness and related sectors.

Moreover, starting in 2013, the Bank became an effective instrument for supporting national agriculture, forestry and fishery after WTO accession.

Russian Agricultural Bank plays a major role in implementing federal and regional agribusiness development programs. The Bank has cooperation agreements in place to implement State Programs and support agribusiness with the administrations of Russia's republics and regions.

12 Note: Financial data in this section is prepared under RAS as of January 1, 2014. Bank of Russia RUB/USD exchange rates: December 31, 2012 – 30.37, December 31, 2013 – 32.73.

Russian Agricultural Bank, as the key financial institution for agribusiness development, plays a significant role in implementing state food security policy. Financing for long-term investment projects and seasonal field works, ensuring the availability of lending in complex climatic and economic conditions, have secured high growth rates for domestic agricultural production. In 2013, this indicator increased 6.2%.

In 2013, the State Program stipulated RUB 198 billion for agriculture support, with RUB 162.38 billion allocated to support agricultural production and the social development of rural areas.

Overall, since the start of implementing the National Priority Project "Agribusiness Development" and within the framework of State Programs on Agribusiness Development, the Bank has provided 1.7 million loans that added up to RUB 2.5 trillion. The Bank has financially supported the implementation of 4,555 investment projects on the construction, overhaul and renovation of agribusiness facilities.

Allocations from the federal budget to support start-up farmers amounted to RUB 2 billion and RUB 1 billion was allocated from regional budgets. Farms invested RUB 0.4 billion of their own resources.

RUB 1.5 billion was invested in supporting family livestock farm development, with regions attracting RUB 1.5 billion and farmers committing more than RUB 1.9 billion of private investments.

Within the context of implementing the State Program on Agribusiness Development, as well as other governmental support measures, and despite the new challenges related to adapting to the WTO environment, the Russian agricultural sector has demonstrated growth during the past five years. Agricultural production rates reached 106.2%, which includes 112.3% in plant breeding and 100.5% in animal breeding.

State Program on Agribusiness Development

Starting in 2013, the Bank became the key financial institution supporting the implementation of the State Program on Agribusiness Development and Market Regulation for Agricultural Products, Raw Materials and Foodstuffs for 2013-2020.

Major guidelines for the Bank's lending support to agribusiness are determined by its active participation in State Program implementation.

In 2013, the Bank extended 541 thousand loans to the agribusiness sector in the total amount of RUB 562.9 billion (USD 17.2 billion); 55% of these are short-term loans. The total agribusiness portfolio grew 27.5% to RUB 1,027.5 billion (USD 31.5 billion) from RUB 806.1 billion (USD 26.5 billion).

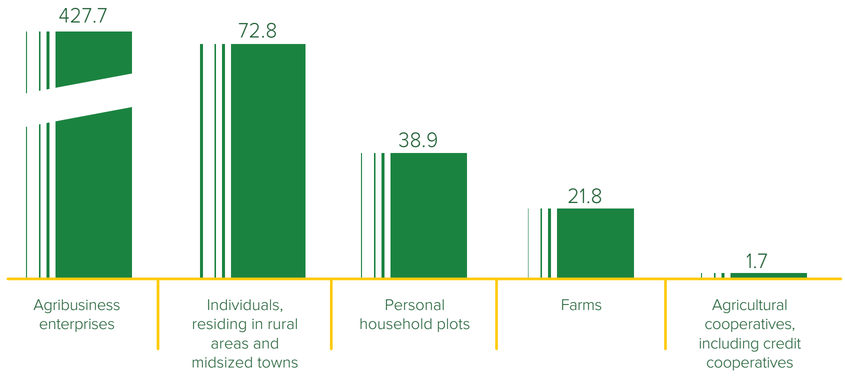
As of YE2013, the share of agribusiness in the Bank's loan portfolio stood at 80.7%.

The Bank's loan portfolio within the framework of State Program implementation comprises the following entities:

- Agribusiness enterprises – 76% or RUB 427.7 billion (USD 13.1 billion);
- Individuals, residing in rural areas and mid-sized towns[13] – 12.9% or RUB 72.8 billion (USD 2.2 billion);
- Owners of personal household plots – 6.9% or RUB 38.9 billion (USD 1.2 billion);
- Farms – 3.9% or RUB 21.8 billion (USD 0.7 billion);
- Agricultural consumer cooperatives – 0.3% or RUB 1.7 billion (USD 52 million).

13 Note: Settlements with a population of up to 100,000.

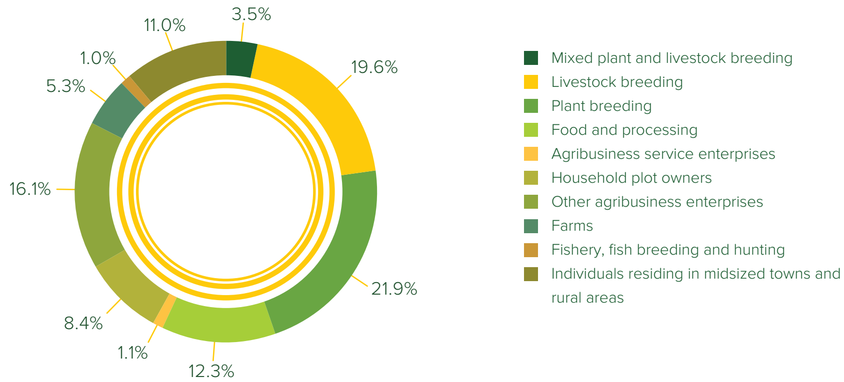
Breakdown of agribusiness loan portfolio by types of borrowers, RUB bln



As of YE2013, agricultural producers accounted for 46% of the financial resources allocated to agribusiness. The share of loans to personal household plots owners stood at 8.4%, loans to farms – 5.3%, loans to the food and processing industry accounted for 12.3%, and agribusiness service enterprises – 1.1%.

Structure of the Agribusiness Loan Portfolio

Breakdown of agribusiness loan portfolio by subsectors



Russian Agricultural Bank extends lending under several major directions within the framework of the State Program on Agribusiness Development.

- Financing seasonal field works. In 2013, the Bank issued RUB 184.2 billion (USD 5.6 billion) in loans for this purpose;
- Financing investment projects for constructing and upgrading livestock (including poultry) facilities. In 2013, within this segment, the Bank extended RUB 43.4 billion (USD 1.3 billion), 47% growth compared with 2012;
- Special corporate lending programs for agricultural equipment and machinery purchases. In 2013, for these purposes, the Bank extended RUB 28.8 billion (USD 0.9 billion);
- Financing the purchase of farm animals. For this purpose, during the reporting period, the Bank issued RUB 4.7 billion (USD 144 million) in loans.

From 2006-2013, within the framework of the Priority National Project and the implementation of the State Program on Agribusiness Development, Russian Agricultural Bank provided financial resources to enterprises and farmers for 4,555 investment projects to construct and upgrade livestock (including poultry) and other agribusiness facilities, in the total amount of RUB 324.9 billion (USD 9.9 billion).

The Bank also extended 8.7 thousand loans in the amount of RUB 21.8 billion (USD 0.7 billion) to farmers.

Personal household owners received 136 thousand loans in the total amount of RUB 38.9 billion (USD 1.2 billion), a 3.2% increase as compared with YE2012.

As part of implementing state support measures to small businesses, the Bank has worked out a wide range of products, including: working capital finance and investment purposes, adapted for the specific features of these businesses. For example, the Bank offers loans against warranties provided by guarantee funds as well as special blank loans.

Supporting start-up farmers is one of the key measures of the State Program on Small Business Support.

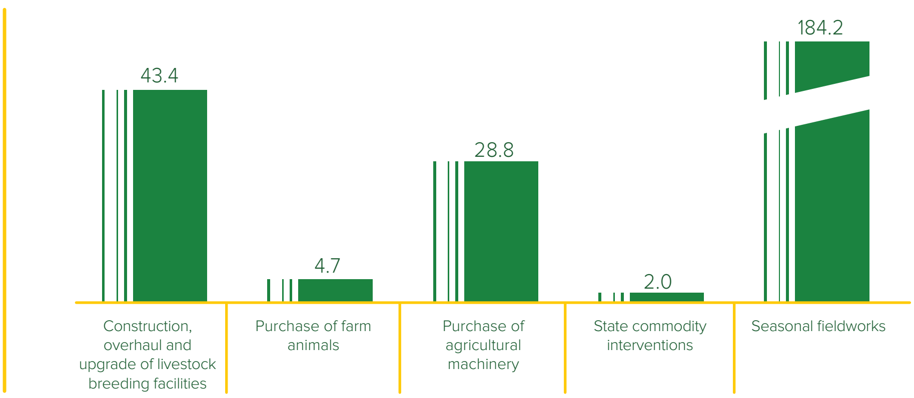
To this end, the Bank has developed a special loan “Become a Farmer,” which is available for setting up green field projects in rural areas. In 2013, the Bank extended 103 loans in the total amount of RUB 126.6 million (USD 3.9 million).

Since 2009, the Bank has taken part in implementing a special purpose program on family livestock breeding farm development.

For the period from 2009 till 2013, the Bank extended RUB 2 billion (USD 61 million) for these purposes, RUB 312 million (USD 9.6 million) of this was in 2013. The loan book extended under this program amounted to RUB 1.72 billion (USD 53 million) as of YE2013.

The total investment loan book provided to farms, individual entrepreneurs and agricultural consumer cooperatives for livestock breeding as of January 1, 2014 amounted to RUB 13.6 billion (USD 0.4 billion), with RUB 7.3 billion (USD 0.2 billion) devoted to constructing, upgrading and overhauling livestock breeding facilities.

Breakdown of lending to agribusiness by purpose, RUB bln



Financing Grain Purchases and Commodity Interventions

Since 2005, in accordance with a Government resolution, Russian Agricultural Bank has served the function of the state agent and has provided financial resources for grain market purchasing interventions.

2.4

RUB trillion

In 2008-2013, RusAg provided RUB 2.4 trillion for financing the State Programs on Agribusiness Development

Ensuring the Repayment of Outstanding Loans

Since 2002, Russian Agricultural Bank has acted as a state agent for recovering loans from legal entities, constituent entities and municipalities in favor of the Russian Federation.

In 2013, the Bank maintained analytical records on 147 liabilities in the total amount of RUB 0.8 billion (USD 24 million) and also conducted the required actions to establish the rights of claim of the Russian Ministry of Finance to 472 debt liabilities from borrowers with an outstanding principal of RUB 1.4 billion (USD 43 million).

The Bank submitted 9 claims to institute enforcement proceedings and to seize the borrower's property. The Bank interacted with bailiff services to control 95 enforcement proceedings against borrowers.

In total, the Bank enforced the recovery of RUB 7.3 billion (USD 0.2 billion) to the federal budget during the 2002-2013 period.

Financial Rehabilitation of Agribusiness Enterprises

Since 2002, Russian Agricultural Bank has implemented governmental policy on the financial rehabilitation of agricultural producers. Within the framework of performing its state agent function, the Bank ensures the monitoring of financial standings by regions and by participating borrowers.

Financial support to companies involved in financial rehabilitation programs is constantly increasing. Thus, the loan portfolio of agricultural producers participating in the financial rehabilitation program increased RUB 2 billion (USD 61 million) and amounted to RUB 53.2 billion (USD 1.6 billion) during the reporting period.

The Bank's participation in 2013 helped decrease the restructured debts of participating borrowers by RUB 2.9 billion (USD 88 million).

2014 Outlook

The Bank's long-term guidelines are defined taking into account core targets of the Bank's Strategy, Russia's Food Security Doctrine, and the State Program for Agribusiness Development 2013-2020, which stipulate Russian agribusiness development, including:

- Increasing the profitability of agricultural producers – a condition for transitioning to an innovative agribusiness development model;
- Developing all types of small businesses in rural areas, including supporting start-up farmers;
- Providing for the sustainable development of rural areas;
- Developing cooperation and integration in rural areas;
- Further diversification along the whole value chain in agribusiness, forestry, fishery and related industries.

Therefore, as the key financial institution for implementing both federal and regional government programs, the Bank intends to grow its share in lending to agribusiness, and the fishery and forestry spheres.

Furthermore, the Bank will continue to effectively support agribusiness, rural areas, and fishery and forestry within the WTO framework.

4.3 International Operations

As one of the major banks on the home front, Russian Agricultural Bank also strives to build strong international ties with foreign financial and non-financial institutions. The Bank enjoys a solid record of being internationally recognized as a highly-reliable and transparent partner. Its investment grade credit ratings from leading rating agencies confirm Russian Agricultural Bank's financial strength, while the diversified investor base supports the Bank's flawless reputation amid the international business community.

Russian Agricultural Bank is ranked 159th by capital in the World Top-1000 bank rating (as seen in the July 2014 issue of The Banker magazine). The Bank is No. 4 among Russia's largest banks.

In 2013, for the first time, Russian Agricultural Bank entered the list of the Top 500 Banking Brands, which was jointly released by The Banker magazine and Brand Finance consultancy. In the new edition of the ranking, the Bank made a strong debut at number 337 worldwide and was ranked number 7 among Russian banks. The Bank's brand received an "A" grade, which stands for "Strong" and is conceptually similar to a credit rating.

While its core business is concentrated in Russia, Russian Agricultural Bank has been consistently increasing its international presence. The growing volume of inter-bank operations with foreign counter-agents and intensive structural finance business development allow the Bank to claim to be a visible player on the global financial market. Expanding its international business, Russian Agricultural Bank receives wide recognition from foreign partners as a Russian-based institution that cooperates both within the country and across boarders.

Correspondent Relations

Within the framework of a strategy to enhance and diversify its correspondent bank network, in 2013, Russian Agricultural Bank continued to develop and expand its correspondent relations with international counterparts. The Bank's network is currently comprised of more than one hundred banks worldwide. It creates a solid base for carrying out comprehensive financial operations in the interests of both the Bank and its clients.

To strengthen and expand correspondent relations with both domestic and foreign financial institutions during the reporting period, the Bank has:

- Opened 15 new loro accounts. There are now 82 such accounts;
- Opened 16 new nostro accounts, including 10 impersonal metal accounts. The total number of accounts opened in the Head office reached 76;
- The Bank signed 12 interbank cooperation agreements on the interbank and foreign exchange markets. At present, Russian Agricultural Bank has 204 such agreements;
- Increased the number of transfers processed through its own correspondent network and continued the process of modernizing the Bank's settlement system. Russian Agricultural Bank was 1st among the 100 largest global SWIFT member banks, demonstrating a 420% increase in traffic. At year-end 2013, Russian Agricultural Bank ranked 76th in terms of the number of financial messages, having gained 116 positions compared with 2012 (when it ranked 192nd). Based on the total number of SWIFT messages, the Bank ranked 61st, demonstrating 429% growth;

- Signed 3 agreements for securities market transactions, the number of master agreements reached 66 by year-end;
- Signed 2 confidentiality agreements with foreign financial institutions paving the way for future transaction business;
- Issued mid-term interbank loans in the total amount of USD 258.5 million.

During the reporting period, Russian Agricultural Bank achieved remarkable results in building up partnerships with Russian and international financial institutions:

- Recorded 10.6% growth in the number of counter-parties and issuers covered by the Bank's credit limits - from 180 to 199;
- Russian Agricultural Bank established new types of credit limits, namely for REPO deals, operations with derivatives, precious metals (incl. precious coins), and transactions within the framework of the agreement with the State Corporation Deposit Insurance Agency when the Bank acts as an agent for compensating payments for other banks' depositors;
- The Bank also started establishing limits via distant banking channels.

In total, in 2013, Russian Agricultural Bank established or revised credit limits for 218 counter-parties/issuers. While the Bank established credit limits for 38 new counter-parties/issuers, 19 credit limits were closed as a result of the regular financial analysis of existing counter-parties/issuers.

Capital and Money Markets

Russian Agricultural Bank is an active player in both international and domestic capital markets.

The Bank offers a comprehensive range of debt instruments to reduce risks by placing funds in the market and to raise additional funds, via: REPO operations, ruble-denominated bonds, loan participation notes, government and municipal debt securities, corporate debt securities, and promissory notes and equities.

In 2013, the Bank arranged a number of borrowings which generated strong demand from both domestic and international investors:

- In January 2013, Russian Agricultural Bank placed a CNY 1 billion debut bond due in February 2016 with a coupon rate of 3.6% per annum. The final book was substantially oversubscribed with orders from more than 70 investors from Hong Kong, Singapore and the rest of Asia, as well as Europe. The issue was priced at the tight end of the price guidance of 3.60 - 3.70%;
- In January 2013, Russian Agricultural Bank placed a RUB 10 billion Eurobond due in February 2018. The placement was completed January 29 with the coupon set at 7.875% p.a.;
- In July 2013, the Bank attracted USD 800 million by placing a Eurobond due in July 2018. The Eurobond was issued under Rule 144A / Reg S and listed on the Irish Stock Exchange. The initially indicated size was almost 5 times oversubscribed. The issue was priced at the tight end of the revised price guidance of 5.1 – 5.2%. The price had initially been announced at 5.4% p.a. The coupon rate of 5.1% p.a. is a historical minimum yield for the Bank's USD-denominated public borrowings;

4,555

investment projects

In 2006 - 2013, the Bank has financially supported the implementation of 4,555 investment projects on the construction, overhaul and renovation of livestock (poultry) breeding facilities

- In July 2013, Russian Agricultural Bank closed the order book for its Series 21 bond issue with nominal value of RUB 10 billion. The book opened on July 23 with a coupon guidance of 7.90%-8.05% p.a. The level of demand allowed the order book to close with an almost double oversubscription with the coupon set at 7.85% p.a. The bonds' maturity was 10 years, with a put option in 2 years;
- In October 2013, the Bank attracted a subordinated deposit of USD 500 million. The Eurobonds are due in October 2023 with a current coupon rate of 8.5%;
- In November 2013, Russian Agricultural Bank placed its Series 23 local bond issue with a nominal value of RUB 5 billion. The book was opened with a coupon guidance of 8.00%-8.20% p.a. Favorable market conditions made it possible to close the order book with significant oversubscription and the coupon set at 8.10% p.a. The bonds' maturity was 10 years, with a put option in 3 years;
- In February 2014, Russian Agricultural Bank placed a USD 500 million tap to its 5.1% USD 800 million Loan Participation Notes due July 25, 2018. The tap was priced at 4.7%.

Investor Relations

Building strong communication with the international business community is a key element for the Bank's success on global capital markets. Russian Agricultural Bank has proved itself to be a transparent, reliable and flexible partner for its existing and potential investors by constantly delivering required information in the right way, at the right time.

In 2013, following 2012 annual results, Russian Agricultural Bank organized numerous major and regular events where senior management explained the Bank's strategies and operating performance to global investors. The Bank proactively enhanced investor relations activities by participating in related conferences, holding due diligence calls and gathering investor feedback. During the reporting period, the Bank's senior executives held a series of roadshows and non-deal roadshows. Through these activities, alongside the regular release of financial reports, Russian Agricultural Bank diligently highlighted its differentiated competitive advantages to the market and effectively promoted the investment community's understanding of the Bank's investment value.

The IR team at Russian Agricultural Bank continually updates its investor relations web page where investors can easily access Bank information and documents which are subject to disclosure, including: statutory documents, internal regulations and policies, annual reports, financial statements (both consolidated and interim), ratings information, material facts and other relevant data. In addition to the website, Russian Agricultural Bank eagerly provides investors with other communication channels, such as conference calls, email newsletters and direct meetings.

This thorough and consistent approach has logically resulted in strong and sustainable relationships between the Bank and foreign and Russian institutional investors in recent years.

Ratings

Russian Agricultural Bank's ability to access capital markets on a cost-effective basis is dependent upon investors' confidence in the Bank. As this confidence is in many ways based on independent credit ratings, Russian Agricultural Bank continues its policy of maximum transparency, which has been hailed by the world's leading rating agencies.

The following table presents the Bank`s major credit ratings and outlooks as of July 2014:

Fitch Ratings

Long-term Issuer Default Rating	**BBB- / Negative**
Short-term Issuer Default Rating	**F3**
National Long-term Rating	**AA+(rus) / Stable**
Support Rating	**2**
Viability Rating	**b-**
Senior Unsecured Debt Rating	**BBB-**
Subordinated Debt Rating	**BB+**

Moody's Investors Service

Long-term Deposit Rating	**Baa3 / Negative**
Short-term Deposit Rating	**Prime-3**
National Scale Long-term Rating	**Aaa.ru**
Bank Financial Strength Rating	**E+ / Negative**
Long-term Foreign and Local Currency Senior Debt Rating	**Baa3 / Negative**
Long-term Subordinated Debt Rating	**Ba3 / Negative**

Trade and Structured Finance

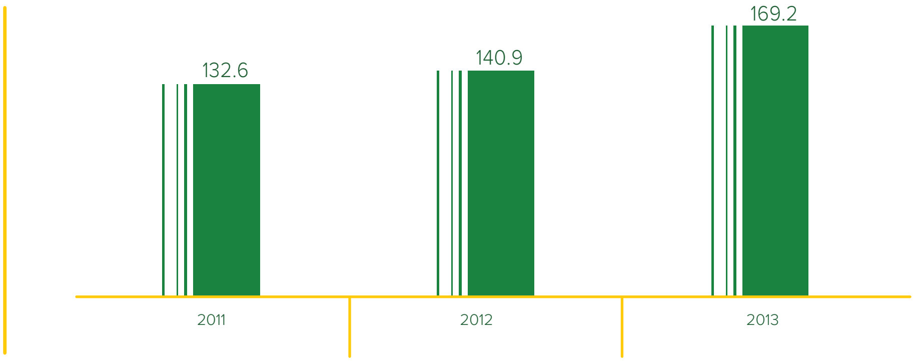
Today, Russia's agribusiness and related industries are an emerging powerhouse with huge export potential. Thanks to State support and Government's efforts to stimulate and intensify export-oriented production, the industry is turning into an internationally competitive player on a growing number of markets.

Acting as the Government's agent to implement national agribusiness policy, Russian Agricultural Bank effectively supports its clients in their international activities with a special focus on export deliveries.

During the reporting period, the Bank and its partners signed 58 export-related trade finance deals totaling USD 169.2 million. They promoted the deliveries of chemical fertilizers, metallurgical production, and agricultural equipment, etc.

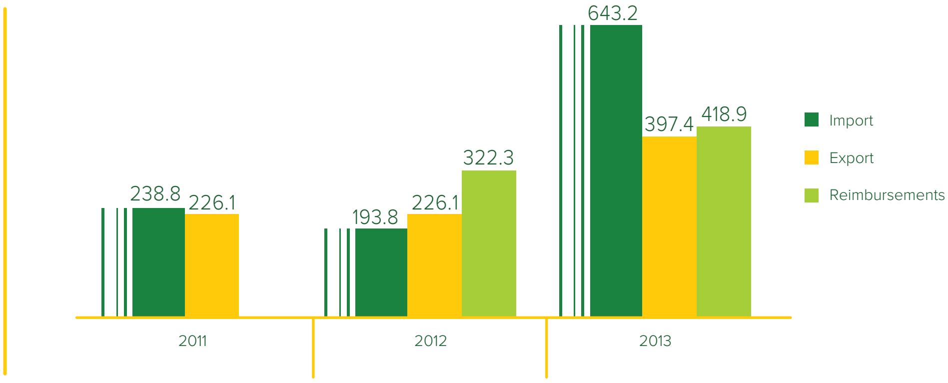
An important milestone for the Bank was an agreement with the Russian Agency for Export Credit and Investment Insurance (EXIAR), which was established in 2011 to support the export of Russian goods and services and has a total insurance capacity of RUB 300 billion. The agreement was signed within the framework of implementing a USD 5.4 million project on exporting Russian-made combines to the Republic of Kazakhstan. Proceeding from this successful experience, Russian Agricultural Bank will engage in further work on promising projects which bring additional support to domestic producers and generate positive financial results for the Bank.

Russian Export Financing, USD mln



During the reporting period, the Bank set up 190 import letters of credit in the amount of USD 643.2 million and advised on 124 guarantees totaling USD 397.4 million. In 2013, Russian Agricultural Bank also carried out 131 operations to reimburse letters of credit issued by counter-party banks for more than USD 418.9 million.

Foreign Trade Transactions with Letters of Credit (as a settlement form), USD mln

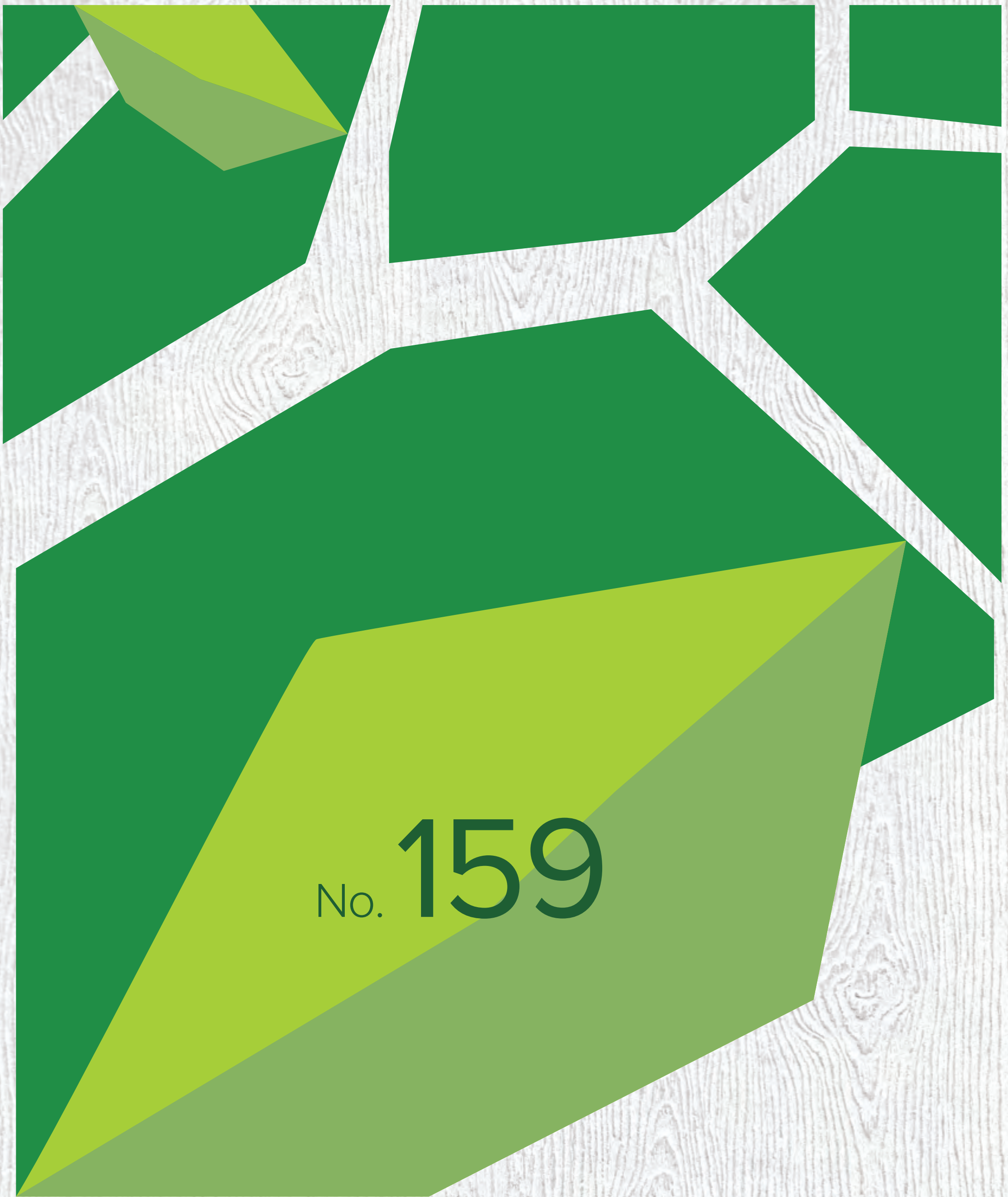


In 2013, Russian Agricultural Bank implemented 76 structured finance transactions in the amount of USD 82.8 million and attracted 10 loans for up to a one-year term from Russian and international financial institutions in the total amount of USD 542.3 million. These resources contributed substantially to Bank's clients growing trade operations.

International Cooperation

As a specialized financial institution with an in-depth focus on agribusiness, Russian Agricultural Bank strives to further expand its competence, share experiences with international and domestic partners and peers, and have its own opinion on topical issues in the financial services and agribusiness spheres. The Bank's participation in several inter-governmental commissions and membership in international business councils provides Russian Agricultural Bank with unique opportunities to adopt best international practices and solutions, deliver its views to professional society, and influence the decision- and law-making process.

Russian Agricultural Bank is an active member of the following organizations: the Association of Russian Banks, the Association of Regional Banks of Russia, the US-Russia Business Council, the Canada Eurasia Russia Business Association (CERBA), the



No. 159 in terms of Tier I capital
in the Top-1000 ranking
of the largest banks globally
(The Banker, July 2014)

Russian-Chinese Business Council and the International Confederation of Agricultural Credit (CICA).

The Bank's representatives regularly participate in international conferences, meetings, forums and other events held on topical issues both in Russia and abroad. Such activities not only provide valuable information, but also play an important role in strengthening cooperation with existing counter-agents and helping the Bank find new partners for future projects.

4.4 Payment Cards

In 2013, Russian Agricultural Bank continued to actively cooperate with the international payment systems, VISA and MasterCard. The Bank strives to promptly adopt cutting-edge technologies provided by the partners to enable its customers to engage in the full range of modern payment instruments. These efforts are aimed at both retaining existing clients and attracting technology-hungry customers on the highly competitive market.

In accordance with the Federal law "On the National Payment System," Russian Agricultural Bank renewed its participation in the VISA and MasterCard payment systems after their re-registration by the Bank of Russia.

Introducing new payment solutions, Russian Agricultural Bank completed certification in MasterCard's MoneySend service and has successfully put the system into operation. Another MasterCard product that was certified by the Bank was the PayPass franchise. Following certification, the Bank started issuing MasterCard PayPass cards to individual customers which enhanced the Bank's position as an innovation pioneer in Russia's retail banking market.

Proceeding with "contactless" technology, Russian Agricultural Bank has also finished certification of VISA the PayWave franchise, in terms of acquiring and issuing cards.

In 2013, Russian Agricultural Bank signed bilateral agreements with Alfa-Bank and Promsvyazbank to merge their ATM networks. This increased the total number of commission-free cash machines available to Russian Agricultural Bank g retail clients 120%, up to 7,600 units. Merging ATM networks substantially improved the availability of services for individual customers and facilitated card operations throughout the country.

As of January 1, 2014, Russian Agricultural Bank had issued 2.5 million payment cards. The number of Bank cards in circulation rose 273 thousand in 2013 (12% growth), with the payroll segment growing 33 thousand. The number of credit cards with a grace period skyrocketed from 1.6 to 34 thousand.

In 2013, the total commission income from the Bank's acquisition network was RUB 54.5 million, which is 32% growth compared with 2012. The revenues rose primarily due to the relocation of ineffective terminals (470 terminals were relocated in 2012 and 420 were moved in 2013). Additionally, Russian Agricultural Bank introduced a rent fee for terminal-users with low turnover.

With the main performance indicator of the acquisition network being the income per terminal ratio, Russian Agricultural Bank demonstrated a remarkable improvement in its acquisition business efficiency, witnessing a 27% increase in the ratio (from RUB 874/one terminal per month in 2012 to RUB 1,113 in 2013). This is in line with the adopted payback period for a terminal (18 months), which means that one unit must generate not less than RUB 922 per month.

The number of the Bank's ATMs in service grew 10% in 2013 and stood at 3,157 units (at YE2013). Russian Agricultural Bank is number 3 among Russia's largest banks in the number of cash machines[14].

In August 2013, Russian Agricultural Bank purchased 300 brand new cash machines to make a substantial step in expansion of its ATM network. The equipment was installed and put into operation on October-November, 2013.

The expansion of the ATM network was accompanied by a growing number of cards in service. Such approach allowed the Bank not only to maintain but even improve the ratio of cards per one cash machine by 9% (from 733 to 797). The record ratio is spotted in Dagestan and Chechen branches with 3,261 and 2,459 payment cards per one ATM accordingly.

The growing number of cards in service made a positive impact on card accounts balances. The balances have proportionally lifted up transfer income by 33.9% (from RUB 733 billion to 982 billion). With increasing commission and interest incomes, the net operating income per one ATM rose 21.5% (from RUB 449 thousand to 545 thousand).

Russian Agricultural Bank strongly believes that its prompt introduction of new technologies, innovative products and user-friendly payment environment are vital elements for successful development on the retail banking market in Russia. In 2014 and further on, the Bank plans to stick to this strategy and continually bring on the market new products and solutions making payment operations for its clients faster, easier and safer.

14 Source: According to RBC, as of July 1, 2013.

5. Controls and Procedures

Risk management is integral to Russian Agricultural Bank's operations and to achieving the Bank's long-term goals. The Bank's sustainable and stable development depends on the ability to identify and exploit opportunities generated by the Bank's business and the environment in which it conducts its operations. Risk is inherent in every material business activity that the Bank undertakes. Russian Agricultural Bank's risk management strategy is based on clearly understanding and identifying various risks, carrying out a disciplined risk assessment, controlling and mitigating procedures and conducting continuous monitoring. The process incorporates internal controls that ensure that the Bank's risk management accommodates changes in either the business environment or regulatory guidelines.

Russian Agricultural Bank manages different types of risks with the objective of maintaining an appropriate risk-reward ratio while remaining within the risk appetite set forth by strategic tasks. The priority is to ensure the maximum preservation of assets and capital by minimizing risk exposure, which can lead to unforeseen losses.

5.1 Risk Management

Risk management framework

Risk is an integral part of the banking business and the Bank aims to deliver superior shareholder value by achieving an appropriate trade-off between risk and returns.

Russian Agricultural Bank has a clear framework for identifying and managing risk, both at an operational and strategic level.

Risk management is structured to ensure the conscious handling and professional management of credit, liquidity, market, and operational risk to ensure an appropriate risk-reward ratio.

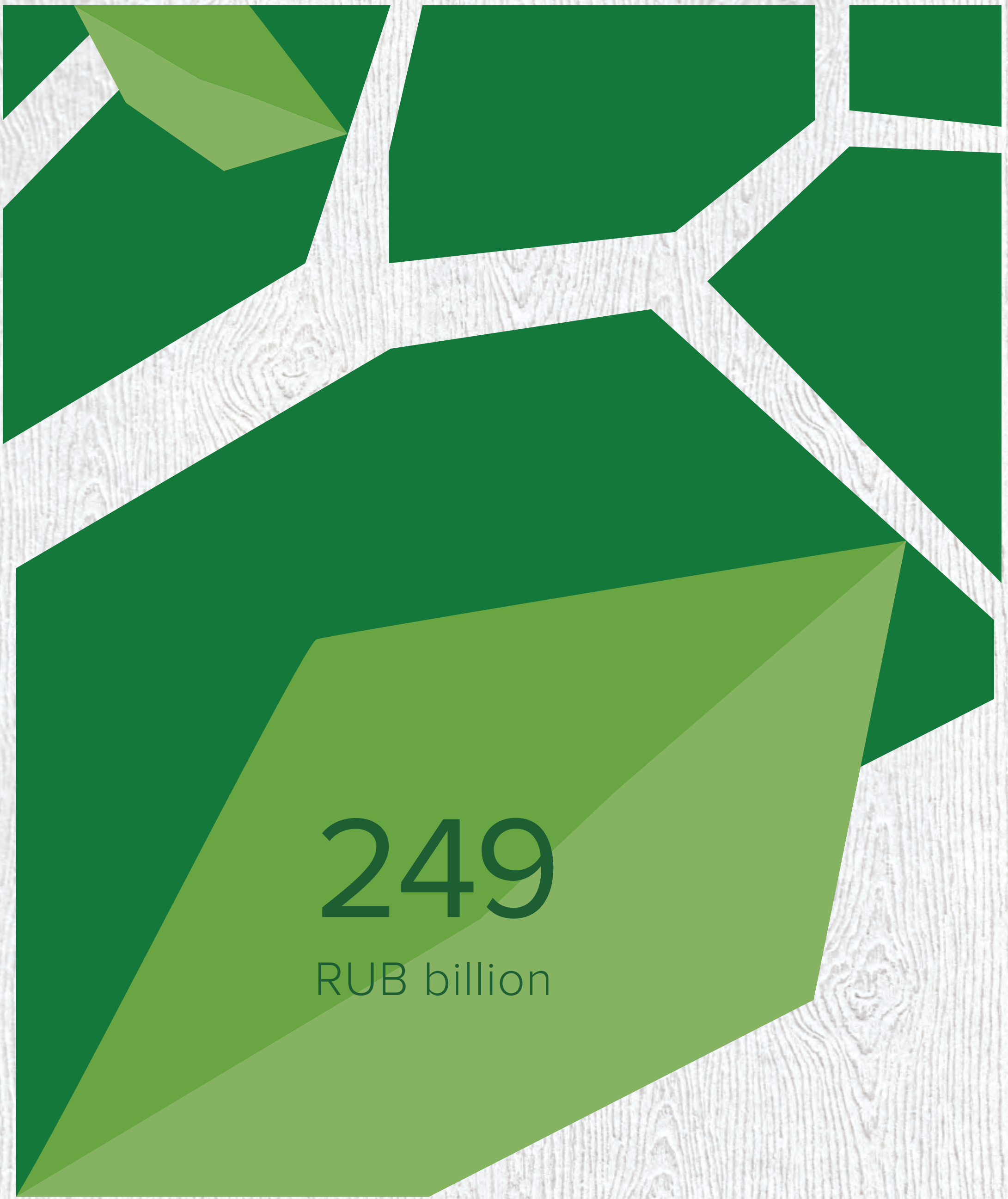
The Bank's risk identification and mitigation processes have been designed to be responsive to the changing environments in which Russian Agricultural Bank operates. The risk management system is regularly reviewed with respect to compliance with business development and international best practices.

On a regular basis, the Bank's authorized bodies consider the Bank's performance, approve and revise risk management procedures to facilitate the early detection of changes in external and internal factors, and minimize adverse consequences for the Bank.

The Bank's Supervisory Board approves the in-house risk management policy and is generally responsible for creating and monitoring the functioning of the Bank's risk management system. Decisions related to significant risks also fall within the limits of its authority. The Audit Committee assists the Supervisory Board in overseeing the overall effectiveness of the risk management and internal control system.

The Bank's Management Board monitors the functioning of the risk management system, approves documents and procedures for identifying, evaluating, and determining the risk tolerance level, and selects response actions - acceptance, limitation, re-allocation, hedging, and avoidance - and the monitoring thereof.

Day-to-day risk management is carried out by the Bank's Management Board, its Chairman, and special collegial bodies and groups, as well as by certain internal divisions and officials operating within their authorities.



Retail customer accounts showed 32% increase and amounted to RUB 249 billion

The Risk Management Department and the Risk Control and Assessment Services in the Bank's branches are responsible for risk evaluation and control and perform their functions independently from the Bank's business units. The Risk Management Department is responsible for implementing the principles and methods for identifying, evaluating and monitoring financial, as well as operational, risk, including on the regional level.

The Bank's authorized bodies review the Bank's performance on a regular basis, and approve and adjust measures to identify and minimize adverse consequences at an early stage.

2013 Focus Areas

In 2013, the Bank continued to build on Russian Agricultural Bank's culture of risk management discipline. With a view to promoting stable operation, the Bank advanced comprehensive risk management development within the framework of the Plan approved by the Bank's Management Board.

As part of upgrading the credit risk process, Russian Agricultural Bank has completed developing an internal rating system to evaluate corporate borrowers. The Bank has also implemented numerous procedures for setting, reviewing and controlling credit risk limits in financial markets, as well as for evaluating country risk. The Bank has introduced a series of measures to strengthen work with problem loans and to set up an infrastructure that provides for all possible ways to resolve problem loans. The Bank invited an experienced consultant with international market expertise into Russian Agricultural Bank to work on the above issues.

The Bank has a multi-tier limit system for accepting different types of risk. The Bank constantly monitors its counter-parties' creditworthiness and develops recommendations on changing existing limits and transaction parameters. With a view to increasing efficiency, the Bank has elaborated on a target limit system with optimized, limit-setting and calculation procedures. Currently, system implementation is under way.

As part of retail credit risk management, in 2013, the Bank has completed the replication of the 'Credit Decision Line' throughout the branch network. Within the framework of the project, the Bank has automated and centralized decision-making for numerous consumer lending products. Currently, the Bank is working on replicating the decision-making process for car loans, household plot owners, credit cards with grace periods and mortgages.

As part of financial market risk management, the Bank has upgraded the process of follow-up limit control related to foreign exchange and money market operations. With the purpose of upgrading efficiency and engaging in the comprehensive control of credit and market risks, in 2012, the Bank put into operation an automated module for foreign exchange and money market limit control and started implementing the module for securities market limit control.

During the reporting period, to enhance operational risk management, the Bank continued upgrading methodologies that are compliant with Bank of Russia and Basel II recommendations. The Bank also undertook measures to prepare for the installation of integral industrial IT solution for operational risk management.

2014 Priorities

Upon Plan completion, the Bank intends to bring risk management to a new qualitative level.

The 2014 Plan envisages:

- Engaging in the trial launch of internal credit rating models (the IRB-approach). These models will allow the Bank to upgrade the credit decision making process, optimizing credit risk assessment procedures and segmenting the corporate loan portfolio by credit risk levels;
- Further upgrading of the limit policy, continuing implementation of the target limit system, which is aimed at optimizing the Bank's limit structure, limit setting and calculation procedures, further upgrading of the risk-weighted pricing policy, credit decision authorities, and elaborating on the losses estimation model in the event of default.

Russian Agricultural Bank proposes undertaking the following measures in 2014:

- Increasing the timeliness and comprehensive control of market risks, which are accepted by the Bank. In particular, the Bank plans to launch a limit control module in foreign exchange and money markets. The Bank also plans to expand the functionality of the automated system for managing funding for trade finance operations;
- Upgrading the efficiency of procedures for identifying, analyzing and evaluating information on operational risks and losses incurred as a result of the Bank's exposure to said risks;
- Elaborating timely measures to minimize operational risks and the consequences of their occurrence. Consistently, the installation of an integral industrial IT solution for operational risk management remains one of the Bank's priorities.

Upon Plan completion, Russian Agricultural Bank envisages a system quality upgrade. Given the appropriate technology and organizational infrastructure, the Bank's risk management can be (to the maximum degree possible) brought in line with best international practices and Basel II requirements. These changes will lead to the Bank's increased financial stability and investment attractiveness in line with its long-term strategy.

Risk Profile

Credit Risk

Credit risk is the risk of losses arising due to the failure to perform or the inappropriate performance by the borrower of his/her financial obligations to the Bank. Efficient credit risk management is achieved through the balanced distribution of decision-making authorities among the Bank's various management bodies.

Credit risk is evaluated at the level of asset portfolios that are exposed to this type of risk, by counter-parties' (groups of counter-parties) credit risks, as well as by countries and industries. Individual counter-party risks are assessed based on the comprehensive and objective analysis of the counter-party's business, taking into account their creditworthiness, cash flows, management, and other relevant available information.

The Bank manages risk concentration in its loan portfolio by setting limits on lending operations by regions, and types of loans, as well as by single-name borrowers (and / or groups of related borrowers).

When implementing its lending and investment programs, the Bank prioritizes the agricultural industry and related sectors that service the needs of agricultural producers. In doing so, industry concentration risks are mitigated by:

- Lending to the whole value creation chain (production, storage, processing and sales);
- Focusing on different borrower specializations in different regions;
- Combining several production types by agricultural producers within one enterprise;
- Diversifying by investing in highly efficient and sustainable projects in other economic spheres;
- Capping exposure to a single-name borrower.

To minimize risks, the Bank accepts certain types of loan security in the form of property and property rights pledges.

As of January 1, 2014, the share of agribusiness in the Bank's loan portfolio amounted to 72%. Loan portfolio concentration at the branch level is capped at 15% of the Bank's total loan book. This ratio is highest in the Krasnodar branch and stood at 6.8% as of January 1, 2014. As of January 1, 2014, the Bank was also in compliance with the Bank of Russia ratio for maximum risk per group of related borrowers.

Liquidity Risk

Liquidity risk is defined as the risk that the Bank will be unable to meet its obligations in a timely and complete manner. The Bank is exposed to daily calls on its available cash resources from customer accounts, demand deposits, maturing inter-bank loans (deposits), term deposits and issued securities, loan drawdowns, and guarantees, as well as from margins and other calls on cash-settled derivative instruments. The Bank does not maintain cash resources to cover all these needs, as experience shows that a minimum re-investment level for maturing funds can be predicted with a high degree of certainty.

The Bank analyzes and assesses liquidity risk by:

- Evaluating and analyzing the Bank's correspondent current account balances;
- Conducting an asset and liability maturities mismatch analysis (GAP-analysis);
- Analyzing and assessing actual values and dynamics of interest rate risk indicators;
- Carrying out stress testing.

The Bank manages liquidity risk by:

- Managing the asset-liability structure;
- Setting and controlling limits and liquidity indicators, both those set by the CBR and internal ones, calculated by the Bank itself;
- Maintaining a liquidity cushion;
- Prioritizing liquidity over profit maximization;
- Engaging in prior planning and preparing measures aimed at maintaining and restoring liquidity in unfavorable conditions.

To control the Bank's liquidity position, the Assets and Liabilities Management Committee (ALCO) has determined a set of ratios, restricting the level of the Bank's exposure to assets that mature either in less than 90 days or in more than 1 year.

Information on the structure and maturity gaps of financial assets and liabilities is used to maintain sufficient liquidity. For this purpose, the Bank's Treasury maintains an appropriate short-term liquid assets portfolio, which mainly comprises liquid trading securities, deposits with banks and other inter-bank market instruments.

As of January 1, 2014, the Bank was in compliance with Bank of Russia liquidity ratios.

Liquidity management carried out by the Bank ensures compliance with regulatory ratios, and stable business performance, including optimized utilization of current facilities, maintenance of medium-term liquidity and, in terms of strategic planning, identification of long-term funding requirements.

The Bank will closely monitor the credit risk level in its corporate loan portfolio and will further diversify its funding base to ensure compliance with both medium- and long-term liquidity targets.

Market Risk

Market risk is the risk of losses arising from unfavorable changes in the market value of financial instruments within the Bank's trading portfolio and derivative financial instruments, as well as in foreign currency and precious metals exchange rates.

The Bank takes on market risk exposure via its open positions in (a) currency; (b) interest; and (c) equity products.

The Bank manages market risk by:

- Setting and controlling structural and position limits, as well as stop-loss limits;
- Diversifying and hedging accepted risks;
- Conducting prior planning and preparing measures aimed at minimizing losses in case of unfavorable changes.

The Bank's authorized bodies perform a qualitative evaluation of market risk based on expert analysis.

The Bank carries out a daily assessment of equity, currency and interest rate risks arising from market uncertainty based on VAR (Value-at-Risk) analysis, which represents a statistical assessment of maximum losses for a given time period with a specified confidence level. In addition to VAR, the Bank also calculates the ES indicator (the Expected Shortfall), which represents the monetary value of expected losses in case of excess VAR.

As of January 1, 2014, the Bank's exposure to market risk in its securities portfolio, relative to total equity, was negligible.

Currency Risk

Currency risk is the risk of incurring losses due to unfavorable changes in the foreign currency and precious metals exchange rates via open positions in foreign currencies and/or precious metals.

The Bank manages currency risks by identifying operations that impact the Bank's currency position, evaluating and analyzing the structure of assets and liabilities in foreign currencies, and regulating and setting limits for the execution of certain operations which involve currency risk, as well as their hedging. The Bank enters forwards, SWAPs and other types of derivative financial instruments, which are designed to effectively hedge currency risk.

As of January 1, 2014, the Bank was in compliance with all CBR ratios that regulate currency positions. The open currency position on the same date amounted to 0.4% of the Bank's total equity.

Interest Rate Risk

Interest rate risk is the risk of incurring losses due to an unfavorable change in the balance sheet and off-balance sheet instruments' interest rates.

The principal method for measuring interest rate risk is evaluating the repayment/re-pricing maturity gaps between the Group's assets and liabilities which are sensitive to interest rate level changes - the GAP method. Furthermore, the Bank analyzes and assesses actual values and dynamics for interest rate risk values - the coefficient method.

Moreover, the Bank evaluates the interest rate risk down to certain operations by analyzing expected cash flow changes in case of changes in market conditions, financial positions and / or actions undertaken by the Bank's clients and/or counter-parties.

Equity Risk

Equity risk is the risk of incurring losses due to unfavorable changes in the market price of the equity trading portfolio and derivative instruments (due to the impact of issuer-related factors and general market price volatility).

The Bank employs a system of mitigating equity risk, comprising limits set for the securities portfolio and sub-portfolios, as well as aggregate limits for the trading portfolio, meaning first and foremost, stop-loss limits.

Operational Risk

Operational risk is the risk of loss(es) resulting from inadequate or failed internal processes, systems, and people, or external events.

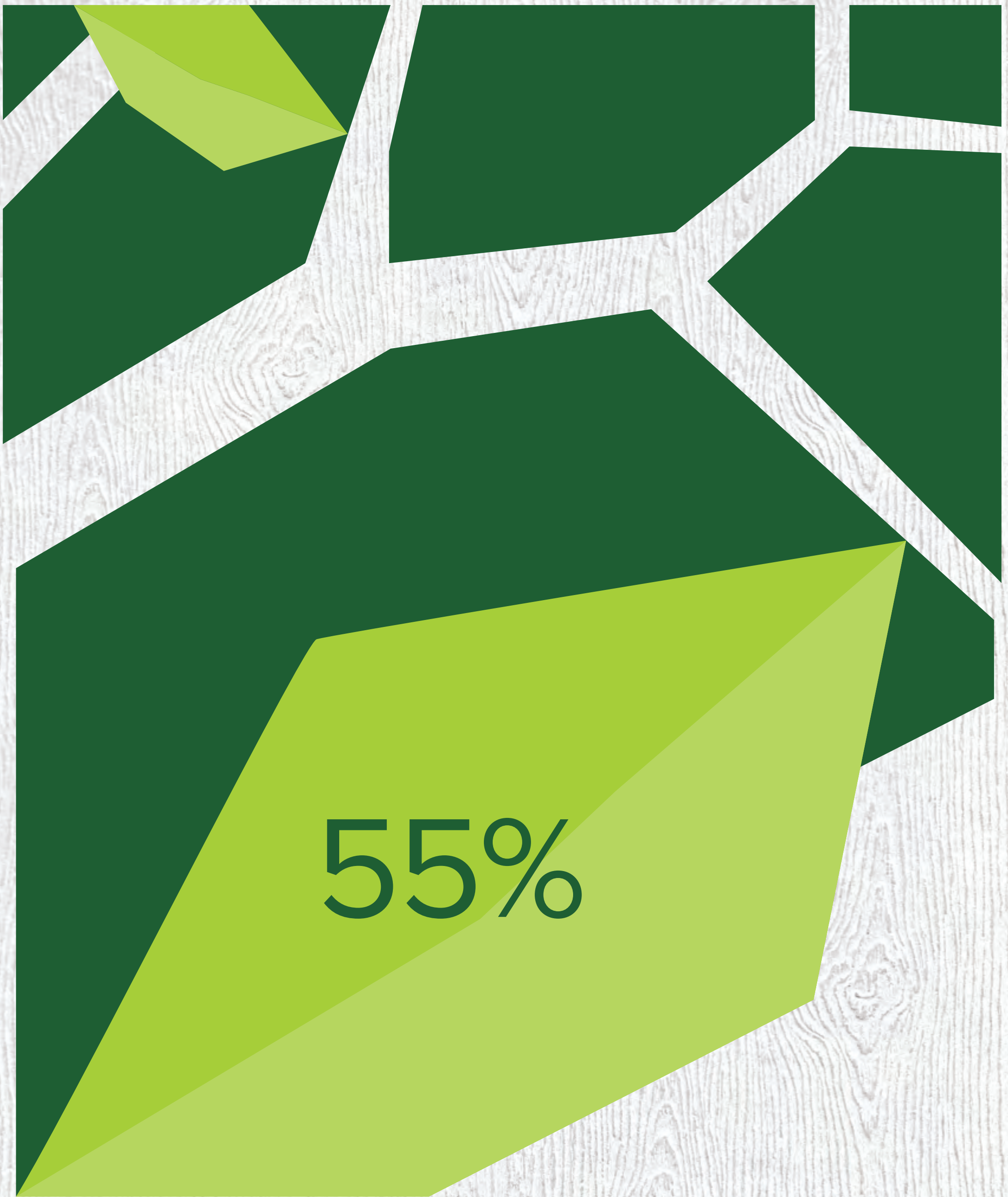
The qualitative evaluation of the operational risk level is carried out via expert analysis. Operational risk monitoring is carried out by the Bank's divisions, including at the branch level, on a regular basis by applying the warning signals system.

Russian Agricultural Bank maintains a database that accumulates comprehensive information on operational risk events and related losses, their types and amounts, and the dates of loss occurrence (recovery).

The Bank works out business continuity and recovery plans designed to minimize losses and to be invoked under negative circumstances that can affect the Bank's operations.

The Bank also monitors legal, reputation and strategy risks.

The established risk management framework is designed to provide reasonable assurance that the Bank's assets are safeguarded, and that the risks accepted by the business are being assessed and mitigated, which is aligned with long-term strategic objectives, in particular, preservation of the Bank's assets and capital.



SMEs account for 55%
of the Bank's corporate loan portfolio

5.2 Internal Control

The Internal Control Service is an independent, objective assurance function that reports directly to the Audit Committee of the Supervisory Board and makes recommendations on the efficiency of risk management procedures, compliance with regulators' requirements, and also reports the timeliness, reliability and economic efficiency of operations. The scope of Internal Audit includes reviewing and evaluating the adequacy, effectiveness, and sustainability of risk management procedures, internal control systems, information systems and governance processes.

It assists the Bank in achieving its objectives by bringing a systematic, disciplined, risk-based approach to evaluating and upgrading the effectiveness of the Company's risk management, control, and governance processes.

Internal Control ensures that rules and regulations regarding security and risk management (as established by corporate governance) are incorporated into the Bank's business procedures.

The Internal Control Service annually draws up an audit plan comprising a revisions schedule based on the adopted methodology of the Bank's risks and internal control assessment, which takes into account changes in the Bank's internal control system and new business segments.

The plan necessarily includes the audits of branches that have significant exposure to credit risk in their loan portfolios. The Head office audit plan comprises audits of business processes that involve: high credit, market, operational and reputation risks. On a monthly basis, the Internal Control Service carries out audit reviews on how internal controls function across credit operations.

In 2013, internal auditors at the Head office-level conducted 86 audits, including: 76 planned and extraordinary audits of branch operations, 10 planned and extraordinary audits at Head office departments, 6 audits of the Bank's subsidiaries, and 3 audits of representative offices.

Branch-level internal auditors carried out 2,186 audits of branches and additional offices during 2013, including end-to-end checks in the following directions:

- Credit operations;
- Operations with payment cards;
- Information technology;
- Human resources management;
- Anti-money laundering and terrorism financing measures;
- Internal economic transactions.

On an ongoing basis, the Internal Control Service monitors the Bank's operations in the financial market, including changes in internal and external regulations, compliance with approved limits, proprietary securities transactions, and brokerage operations.

The internal auditor, within the sphere of financial market operations, has carried out a compliance audit with the qualification requirements of Russian legislation by employees executing financial market operations and checks on the Bank's compliance with Russian legislation and Federal Financial Markets Service regulations.

In addition, the internal auditor for financial market operations carried out the following checks:

- Routine monitoring of the Bank's operations in financial markets as part of controlling the deals' pricing aspects, economic efficiency and substantiation (including: repurchase agreements), analyzing large-scale and back-to-back transactions, and the correct maintenance of internal and depositary registers;
- Regularly auditing the reliability and timeliness of the Bank's reports as a professional securities market participant, as well as the adequacy of provisions for possible losses from securities transactions;
- Controlling legislative compliance on the use of insider information and market manipulation.

Regarding enhancing further internal controls, the Bank has prioritized the application of computer technologies and the development of IT audits.

5.3 Anti-money Laundering and Terrorism Financing Policy

Russian Agricultural Bank is committed to complying with strict anti-money laundering principles and requires the same from its management team and employees. As a socially responsible organization, the Bank remains resolute about tackling financial crimes by maintaining an advanced and effective system for the prevention of money laundering and financing of terrorism. This system is constantly adapted to the latest international regulations and has the capacity to detect new techniques utilized by criminal organizations.

The Bank has established and operates a system of specialized internal controls based on Financial Action Task Force (FATF) recommendations, the Basel Committee on Banking Supervision and Wolfsberg principles. These principles underlie the Bank's Anti-money Laundering and Terrorism Financing (hereinafter - AML/FT) Policy.

To underpin risk management efficiency and its strong business reputation, the Bank's management team has circulated the AML policy and guidelines, which were designed to prevent, detect and combat money laundering and terrorism financing, in all internal divisions, branches and additional offices.

Russian Agricultural Bank carries out regular staff trainings to provide the skills required to implement anti-money laundering policies and to counteract terrorism financing. Twenty training seminars to prevent money laundering were held in 2013 for more than 990 employees. 465 introductory trainings were given to newly hired employees.

The Bank has implemented the "Know Your Client" (KYC) policy to identify clients a priori. The criteria for evaluating the risk level for a client's potential involvement in legalizing proceeds from criminal activities (more commonly known as "money laundering") and terrorism financing are set by the Bank's Internal Control Rules. If the Bank considers the risk to be high, it will closely monitor all transactions from that particular client's accounts.

The Bank takes reasonable and available steps under the given circumstances to identify the client's beneficial owners. All information received during client identification is regularly updated, as data changes occur, or depending on the risk level of a client's potential involvement in money laundering and/or terrorism financing.

When establishing account relationships with a partner bank, Russian Agricultural Bank inquires whether the correspondent bank has implemented AML/FT procedures, including client identification. In cases in which the partner bank has not implemented these measures, the Bank will refrain from establishing correspondent relations with that particular institution.

Russian Agricultural Bank does not establish or maintain correspondent relations with non-resident banks that have no permanent governing bodies in the countries in which they have been registered.

The Bank undertakes measures aimed at avoiding correspondent relations with non-resident banks whose accounts are used by banks that have no permanent governing bodies in the countries in which they have been registered.

On a daily basis, Russian Agricultural Bank monitors all operations via a special automated banking system and, in accordance with Russian legislation, forwards information about transactions that are subject to AML to the Federal Financial Monitoring Service.

If a party, either an individual or legal entity, performing a banking transaction is known to be involved in extremist activities, the Bank will suspend this party's operations.

The Bank's AML/FT Policy is compulsory for all employees at both the Head office and the branch levels.

The Bank's effective risk management and optimized security system standards meet the highest anti-money laundering standards and enable the Bank to identify, analyze and assess potential threats and to undertake appropriate measures to avoid these risks.

A total of 144.5 thousand transactions subject to mandatory control and/ or raising suspicion were detected in 2013 both by AML officers at the Bank's branches and the Head office team. In 2013, annual and quarterly reports were issued for review by the supervisory and management bodies, where corresponding recommendations and measures to be undertaken to improve and strengthen systems were registered.

In 2014, Russian Agricultural Bank will proceed with elaborating on new supervisory tools and conducting personnel training programs throughout the branch network and at the Head office, which were designed to raise personnel awareness on these issues. These measures will further ensure the Bank's compliance with AML/FT policies.

6. Corporate Governance

Russian Agricultural Bank regards good corporate governance practices as a key to long-term success, creating trust and engagement between the Bank and its shareholder, employees and clients.

The corporate governance structure ensures a proper balance of governance bodies, leverages authority and distributes the management process based on a four tier system that comprises the General Shareholders Meeting (represented by the sole shareholder, the Federal Agency for State Property Management (Rosimushchestvo)), the Supervisory Board, the Management Board and the Chairman of the Management Board.

An effective system of mechanisms and approaches (directing and controlling the Bank) ensures that decision-making is fast, transparent and results-oriented. It enables the Bank to effectively control risks, and to promptly react to any changes in the business or economic environment.

Rosimushchestvo exercises the powers of the General Shareholders Meeting. Thus, Supervisory Board composition is determined according to the direction of Rosimushchestvo upon the instructions of the Russian Government. The Chairman of the Supervisory Board is chosen by a vote among Supervisory Board members following Government recommendations.

The Supervisory Board plays a major role in ensuring effective interactions between the shareholders and management and preventing conflicts of interest.

Specialized committees under the Supervisory Board perform a preliminary review and prepare recommendations on issues within the competence of the Board.

All issues concerning operational and strategic management, financial planning, asset and liability management, and business segments that are submitted for approval to the Supervisory Board, pass preliminary review by the Management Board.

The Revision Commission is the body responsible for controlling the Bank’s financial and business activity.

The Corporate Secretary is responsible for ensuring procedures aimed at championing the rights and interests of the Bank’s shareholders.

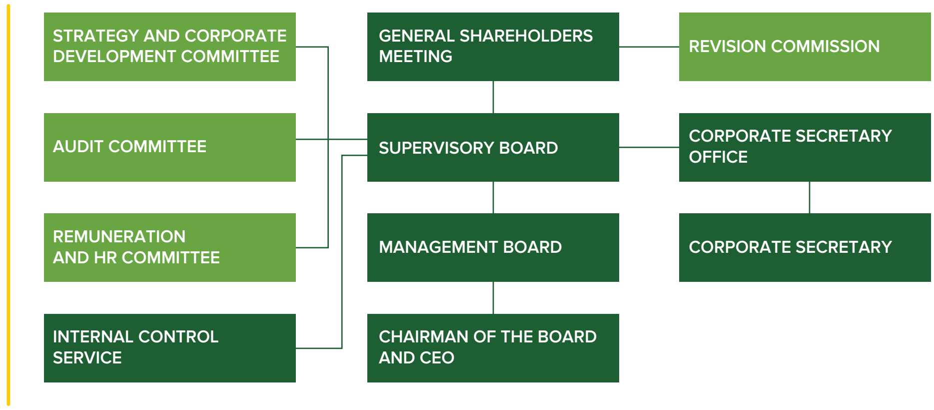
The Bank has drawn up and follows all requirements of the internal documents, compulsory for joint stock companies (Charter documents, Provisions on the Supervisory Board and Management Board, and the Revision Commission, etc.).

Governance issues are regularly discussed at the Supervisory Board and General Shareholders Meeting.

The Bank continues to adhere to previously established corporate governance principles which have proved to be appropriate and applicable. These are:

- Disclosure and transparency;
- The role and responsibilities of the Board;
- Integrity and ethical behavior.

Russian Agricultural Bank's corporate governance framework



The Supervisory Board

The role and responsibilities of the Supervisory Board, which consists of seven members, are set out in the Bank's Charter. These responsibilities include: considering and approving the corporate strategy, risk management policy, and annual reports and business plans. The Supervisory Board also provides advisory assistance to the Management Board on comprehensive issues, in accordance with the Bank's core values of transparency, trust and integrity.

The presence of independent directors with solid industry expertise on the Board ensures that the Bank will continue its development under the leadership of highly competent professionals with a deep understanding of the economic and business environment.

Chairman of the Supervisory Board

Mukhadin A. Eskindarov	Rector of the Financial University under the Government of the Russian Federation

Members of the Supervisory Board

Artem D. Avetisyan	Head of the "New business" Division of the autonomous non-commercial organization "Agency for Strategic Initiatives" (independent director)
Anna G. Belova	Professor at the Federal State Autonomous Educational Institution of Higher Professional Education, "National Research University – 'Higher School of Economics'" (independent director)
Andrey Y. Ivanov	Deputy Finance Minister of the Russian Federation

Ilya V. Lomakin-Rumyantsev	Senior Research Scientist at the Federal State Educational Institution of Higher Professional Education M.V.Lomonosov Moscow State University Director for Strategic Planning and Development of "LM-Invest. Agency for Economic Institutions Promotion"
Dmitry N. Patrushev	Chairman of the Board and CEO of JSC "Rosselkhozbank"
Dmitry V. Yuriev	Deputy Minister of Agriculture of the Russian Federation

There are three committees operating under the Supervisory Board:

The Audit Committee	Reviews the Bank`s accounting and risk policies, as well as the internal control environment.
The Strategic Planning and Development Committee	Sets forth and supervises general and priority strategic objectives, makes recommendations on the Bank's dividend policy and evaluates the Bank`s operational efficiency.
The Human Resources and Remuneration Committee	Approves the Human Resources Policy and the remuneration policy for senior executives.

The Revision Commission

The Revision Commission is the body responsible for controlling the Bank's financial and business activity. It carries out the revision of current operations' compliance with the financial plan, analyzes the Bank's financial position, evaluates the functioning of internal control and risk management systems, and checks the legitimacy of selected transactions.

The Revision Commission is elected according to an order of Rosimushchestvo, which exercises rights as the Bank's sole shareholder.

The Commission comprises 5 members and currently includes representatives of Rosimushchestvo, the Russian State Duma, the Federal Service for Financial and Budgetary Oversight, and the Russian Institute of Directors.

The Corporate Secretary

The Corporate Secretary is responsible for ensuring procedures aimed at championing the rights and interests of the Bank's shareholders. The Secretary participates in arranging the General Shareholders Meeting and Supervisory Board meetings and works out resolutions that need the approval of the Bank's shareholder. The Corporate Secretary secures effective cooperation between the shareholder and the Bank's management team.

The Management Board

The Chairman of the Board and the Management Board are Russian Agricultural Bank's sole and collective executive bodies. They perform general duties related to achieving the Bank's key business goals, accomplishing long-term targets set forth by the shareholder, supervising the compliance of Bank operations with all relevant laws and regulations, overseeing the introduction and functioning of appropriate risk management systems (including: defining the Bank's risk appetite), monitoring the environment in which the Bank operates, and strengthening the Bank's corporate culture.

Dmitry N. Patrushev	Chairman of the Board and CEO
Boris P. Listov	First Deputy Chairman of the Board
Victoria V. Kirina	Deputy Chairwoman of the Board
Kirill Y. Levin	Deputy Chairman of the Board
Dmitry G. Sergeev	Deputy Chairman of the Board
Aleksey Y. Zhdanov	Deputy Chairman of the Board
Evgeny V. Kryukov	Deputy Chairman of the Board
Edward A. Issopov	Deputy Chairman of the Board

The Management Board is supported by a number of specialized committees and commissions, including, but not limited to:

The ALCO Committee

Headed by the Deputy Chairman of the Management Board.

Committee members comprise the Deputy Chairman of the Management Board, the Chief Accountant, and representatives of the following departments: Treasury, Capital Markets, Financial Institutions, Finance and Planning, Risk Management, Marketing and Credit Management, Large Business, Mid-sized, Small, and Retail Business, and Legal.

The ALCO Committee's primary task is to review the implementation of policies on attracting and placing funds in financial markets, the sale and purchase of securities, foreign currencies and precious metals, issuing and repaying debt securities, the internal allocation of resources, market and liquidity risk management, and working out tariffs and interest rate policy.

The Senior Credit Committee

Headed by the Deputy Chairman of the Management Board.

Committee members comprise the Deputy Chairmen of the Management Board, and representatives of the following departments: Risk Management, Finance and Planning, Marketing and Credit Management, Security, Large Business, Mid-sized, Small, and Retail Business, Treasury, Problem Loan Management, Legal, and Credit Support.

The Senior Credit Committee plays a key role in implementing and modifying the Bank's credit policy. Its tasks include minimizing credit risk and maximizing the return on lending operations both in domestic and foreign currencies. The Committee also monitors the quality of the Bank's loan portfolio and supervises decision-making process efficiency. The Credit Committee is authorized to make credit decisions without the Management Board's special approval on deals not exceeding 1% of the Bank's capital.

The Junior and Micro Credit Committees

The primary task of the Junior and Micro Credit Committees is reviewing issues related to implementing the Bank's credit policy, minimizing credit risks and ensuring rewards from operations that carry credit risk, as well as increasing the quality of the loan portfolio, and ensuring the efficiency of lending operations by increasing the quality and timeliness of decision-making when supporting credit transactions.

The Junior Credit Committee considers and sets individual credit limits for borrowers

251

RUB billion

RusAg's retail loan portfolio grew by RUB 51 billion, or 26%, in 2013 and reached RUB 251 billion or groups of inter-related borrowers at no more than RUB 500 million. Another task is considering additional limits for Bank branches when default limits need to be raised.

The Junior Credit Committee

Chaired by the Head of Risk Management.

Committee members comprise representatives of the following departments: Security, Retail Business, Risk Management, Credit Support, Problem Loan Management, Legal, Treasury, Large, Small, Mid-sized and Micro Business, and Finance and Planning.

The Micro Credit Committee

Committee members comprise the Deputy Chairmen of the Management Board, representatives of the Risk Management, Retail Business, Micro Business, Small and Mid-sized Business Departments.

The Finance Committee

Headed by the Deputy Chairman of the Management Board.

Committee members comprise the Deputy Chairman of the Management Board, the Chief Accountant, and representatives of the following departments: Finance and Planning and Branch Network Development.

Business planning, cost control, pricing policy and profitability analysis are the main issues that the Finance Committee works on. Its activities are aimed at constantly upgrading the Bank's financial and operating performance management.

The Problem Loan Management Committee

Headed by the Deputy Chairman of the Management Board.

Committee members comprise the Deputy Chairmen of the Management Board, and representatives of the following departments: Risk Management, Security, Problem Loan Management, Branch Network Development, Credit Support, Large, Mid-sized, Small and Micro Business, and the Legal, Treasury and Tax Departments.

The Problem Loan Management Committee's main function is on organizing a comprehensive system for distressed debt recovery and settlement, and the management of problem and non-core assets. The Committee is responsible for working out a range of instruments both for the Bank's Head office and branches to ensure that non-performing and/or restructured loans generate financial returns.

The Branch Network Committee

Headed by the Deputy Chairman of the Management Board.

Committee members comprise the Deputy Chairmen of the Management Board and representatives of the following departments: Branch Network Development, Marketing and Credit Management, Finance and Planning, Human Resources, Administrative, Large, Small and Retail Business, and Security.

The Branch Network Committee reviews issues on implementing the Bank's branch network development policy, setting up points-of-sale and assessing the efficiency of branches and representative offices, coordinating government and regulatory relations activities at branches, and guiding the Bank on how to better capitalize on Russia's second largest nationwide branch network.

The Strategy and Corporate Development Committee

Headed by the Deputy Chairman of the Management Board.

Committee members comprise the Deputy Chairmen of the Management Board, the Chief Accountant, and representatives of the following departments: Strategy and Corporate Development, Problem Loan Management, Finance and Planning, Risk Management, Legal, Financial Institutions, Branch Network Development, and Marketing and Credit Management.

The Strategy and Corporate Development Committee elaborates on recommendations and proposals for the Management Board related to general strategy and corporate development, and project and overall corporate management.

The Corporate Ethics Committee

Headed by the Deputy Chairman of the Management Board.

The Committee comprises representatives of the following departments: Human Resources, Security, Legal, and Branch Network Development.

The Corporate Ethics Committee is responsible for promoting unified corporate values and ethical rules among the Bank's staff. The Committee exercises general control over employees' observation of labor legislation, internal norms and codes, principles of subordination and any other rules that regulate the Bank's working environment.

The Management Committee "Credit Decision Line"

Headed by the First Deputy Chairman of the Management Board.

The Committee comprises the Deputy Chairman of the Management Board, the Chief Accountant, and representatives of the following departments: Small Business, Retail Business, Automated Systems, Risk Management, Legal, Security, Strategy and Corporate Development, and Internal Control.

The Management Committee "Credit Decision Line" is focused on initially implementing and further developing scoring models that are applied in different business segments. The Committee's primary mission is to provide the Bank with an optimized and up-to-date credit scoring methodology proceeding from real business needs.

The Technological Committee

Headed by the Deputy Chairman of the Management Board.

Committee members comprise the Deputy Chairman of the Management Board, the Chief Accountant, and representatives of the following departments: Automated Systems, Financial Institutions, Strategy and Corporate Development, Finance and Planning, Risk Management, Security, Marketing and Credit Management, Branch Network Development, Treasury, Operations, and Retail Business.

The Technological Committee functions as an internal think tank in technological development. The Committee is responsible for ensuring that the Bank's IT infrastructure is up-to-date. It analyzes the latest trends and suggests the introduction of new hard- and software solutions. The Committee acts as a mediator to harmonize the technological development process when two or more business divisions are involved.

7. Corporate and Social Responsibility

Corporate social responsibility (CSR) is an integral part of Russian Agricultural Bank's core operations. The Bank's unique role in developing national agriculture underpins the continuous effort towards pursuing CSR policy. The focus areas of the Bank's CSR-related activities comprise developing rural territories and mid-sized cities, promoting innovations and resource-efficient technologies in agribusiness, supporting small businesses, upgrading the living standards of the rural population, and developing rural infrastructure.

Extensive outreach to regional communities is crucial to the Bank's mission accomplishment given that more than 90% of its assets are located in Russian regions. The Bank takes advantage of its countrywide footprint and partners with governments in the territories where its branches operate to prepare and implement regional development strategies.

Small- and medium-sized business support is an important task on the state level and is one of the Bank's focal points. The Bank strives to develop products and services - both financial and non-financial - that in addition to direct benefits generate additional value via creating a favorable business environment, supporting the creation of new jobs and contributing to social and economic sustainability.

Sustainable Business Practices

For the Bank, sustainability means building a successful business today, while ensuring long-term value creation for the Bank's customers, people, shareholders and the wider community.

The Bank's sustainability approach is closely connected with its strategic priorities, in the first place - maintaining social stability and rural development, increasing financial literacy and upgrading the living standards of the rural population.

The Bank's sustainable business practices are made up of the following:

- Providing accessible, innovative and environmentally-friendly banking products and services for agricultural commodity producers and Russia's rural population;
- Implementing the Government's socio-economic and lending policies;
- Facilitating domestic and foreign investments in the Russian agribusiness sector;
- Ensuring the sustainable development of agribusiness and Russia's rural regions;
- Preserving and restoring natural resources, and reducing the environmental impact of the Bank's activities via the application of voluntary environmental responsibility mechanisms.

Since the Bank's inception, special focus has been maintained on combining the efforts of state and regional authorities and businesses to benefit economic development. As part of this effort, in 2013, the Bank signed 15 bilateral cooperation agreements with regional authorities to implement the State Program on Agribusiness Development 2013-2020. This type of cooperation facilitates increased lending to regional agribusiness, including financing investment projects and infrastructure development, as well as the implementation by regional authorities of priority state policy directions in economic, social, educational and other spheres.

Access to Financing

Increasing the availability of financial resources for small businesses and the rural population is an important task on the state level and is also one of the Bank's priorities. This is crucial for achieving inclusive and sustainable economic growth. Supporting agribusiness creation gives rise to new job opportunities for young people. Russian Agricultural Bank's lending to individuals and businesses helps support job creation and economic development across the regions in which the Bank is present.

In 2013, the Bank grew its agribusiness portfolio RUB 33.2 billion, supporting the sector's development across its footprint. During the year, Russian Agricultural Bank continued to focus on upgrading product and service offerings to meet the requirements of all participants in the rural and semi-urban economy, including: farmers, small business patterns, household plot owner, and larger agricultural producers.

In almost every region, the Bank provides financial support to rural entrepreneurs employed in trade, tourism, household services and other services not directly related to agribusiness. Thanks to this, the commercial sector, in fact, is also engaged in developing rural territories.

Russian Agricultural Bank's branch network, which comprises 78 branches and more than 1,500 additional offices, is the second largest in Russia. The Bank leverages its widespread branch network, which covers 85% of Russian territory, to participate in financing various regional programs aimed at the economic and social development of Russian constituents, as well as enhancing the accessibility of banking services to populations in remote areas — thereby ensuring their engagement and overall well-being.

The Bank actively develops its branch network, ensuring access to the full range of banking products and services across all client segments. The vast point-of-sales network ensures access for every rural inhabitant to special purpose loans, deposits, cash services for upgrading living conditions and setting up private businesses.

Moving forward, the Bank will focus on leveraging its branch network to deliver better service targeted towards customers in rural and semi-urban areas across different segments in the entire agribusiness value chain.

Social Commitment

As the key financial institution for agribusiness financial support, Russian Agricultural Bank, for more than 10 years now, has participated in sustainability programs focused on social aspects and initiated by the Russian Government. The objectives of these programs include: providing affordable financing to agribusiness enterprises, upgrading financial performance, thus promoting the well-being of the rural population, and ensuring sustainable and comprehensive development for national agribusiness.

The Bank is engaged in implementing the following programs:

- Rural areas development program. Russian Agricultural Bank acts as the Government's agent in implementing the Program by supporting residential construction projects in rural areas. This program also involves lending to individuals residing in towns and rural areas who are employed in agricultural production;
- Recovery of loans extended from the Russian federal budget and extra-budgetary sources to legal entities engaged in agribusiness from 1992 to 2000;

- Implementation of the Federal Law "On the Financial Rehabilitation of Agricultural Enterprises." Since 2003, Russian Agricultural Bank has monitored the financial standing of enterprises participating in rehabilitation;
- Financing grain purchases and commodity interventions – lending to federal agents participating in the government grain price stabilization program, 3 year tenor;
- Seasonal field works financing: Russian Agricultural Bank holds a 75% share in financing seasonal field works. In 2013, the Bank issued more than RUB 180 billion (ca. USD 5 billion) in loans for this purpose;
- Lending program for purchasing modern machinery and technology. Russian Agricultural Bank provides lending to implement the Government policy on agricultural equipment upgrades; machinery is pledged as collateral for such loans and is insured in favor of the Bank;
- Financing investment projects for constructing and upgrading livestock breeding facilities;
- Financing the purchase of farm animals;
- Lending to agricultural credit and consumer cooperatives. Russian Agricultural Bank assists credit and consumer cooperatives development as an important tool for rural economic and financial stabilization. Russian Agricultural Bank provides loans to agricultural consumer and credit cooperatives, as well as information support, including legal and financial consulting services, through its branch network;
- Development of family-operated livestock breeding farms;
- Federal and regional programs under which agricultural producers receive partial compensation for their interest expenses in the form of a subsidy.

The Bank offers more than 30 types of loan facilities, tailored to meet individual needs, to Russian farmers.

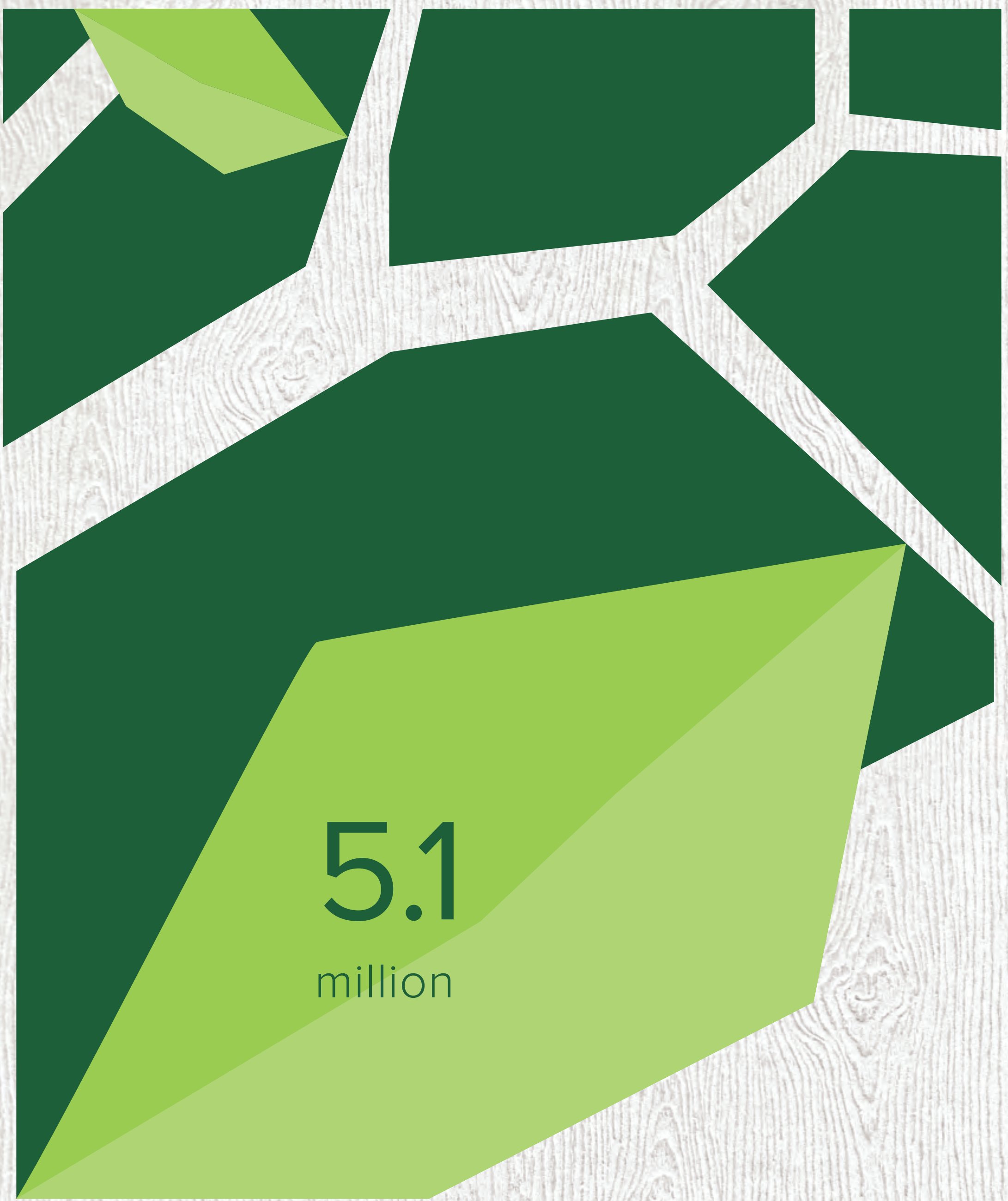
To facilitate upgrading housing conditions, Russian Agricultural Bank engages in mortgage lending to young families (under Federal Special Purpose Programs) and military servicemen (pursuant to Federal Law No. 117-FZ (dated August 20, 2004) "On the Mortgage Savings System of Housing Provisions for Military Servicemen").

The Bank undertakes efforts to make its purchasing processes transparent, efficient and non-discriminatory and promotes compliance with the Federal Procurement Law. To this end, the Bank has implemented and closely monitors adherence to the provisions of the Internal Regulation "On the Organization of Procurement Activity".

Russian Agricultural Bank's international operations facilitate the inflow of foreign investments into the Russian agricultural sector. The Bank is an active member of the Russian-Chinese Business Council, the US-Russia Business Council and the International Confederation of Agricultural Credit (CICA), and the Canada Eurasia Russia Business Association (CERBA), which adds to the Bank's potential to further develop its business and international cooperation in the agribusiness lending sphere.

Russian Agricultural Bank is a financial partner of the Strategic Initiatives Agency. This partnership promotes socially important projects with a focus on implementing innovations and upgrading the agribusiness investment climate.

The Bank has adopted and implemented voluntary environmental responsibility principles to preserve and restore natural resources, and to reduce the environmental footprint from Bank activity, as well as to raise social responsibility awareness.



The number of clients is over 5.1 million

When implementing voluntary ecological responsibility mechanisms, the Bank strives to comply with local and international ecological standards and norms, provisions expenses related to ecological aspects of the Bank's activity, including for environmental protection, rationalizes and controls performance related to the input (raw materials, energy, and water) and output (waste) of tangible resources per one employee (per one unit of usable space), optimizes the use of the Bank's resources, including by reducing electricity and heating usage, and water via the application of resource-efficient technologies, and automates control of resource use and conservation ('smart office' policies).

Socially Responsible Practices

Russian Agricultural Bank's corporate culture is based on innovation principles, while also recognizing the importance of traditions, and is aimed at strengthening team cooperation towards achieving common corporate goals.

The Bank organizes various corporate events: team building activities, CSR, sporting and client events, arts and professional contests. In 2013, the Head office and branches held 1,700 events and campaigns. The annual "Best in Profession" contest has been held for 4 years in succession with the goal of encouraging employees' strong performance. In 2013, 380 employees took part in this contest; 19 were ultimately recognized as winners. In 2013, the Bank held a contest to change its corporate anthem. 37 works were submitted to the contest, including 10 musical scores. The winner was awarded a golden distinction sign.

HR Policy priority involves: recognizing employees' merits and fairly assessing their contribution to achieving tasks set out by the shareholder. The Bank's non-financial motivation includes: commendations, letters of appreciation and other incentives awarded by the senior staff to the most effective employees. In 2013, more than 400 employees were given awards by the Bank to mark their achievements.

Russian Agricultural Bank believes that corporate social responsibility means a constant ambition to upgrading living standards for its employees and the society as a whole. This lofty goal translates into the Bank's motivation for providing a helping hand to communities within its reach via charitable activities, sponsorship and donations and for encouraging the positive impact of the Bank's operations on its wide and diverse stakeholder range.

The Bank aims to ensure a favorable working environment, as well as good health and skill development for its employees.

The Bank's internal social policy is aimed at providing social protection for its employees based on responsibility and mutual respect principles. Employment benefits include: medical insurance, medical services in the office, workplace accident insurance, one-time financial allowances in the case of certain family circumstances, compensation vouchers for staying at health resorts, and corporate discounts from partner companies. In extraordinary cases, the Bank can provide additional financial aid to its employees.

As part of internal communications development, the Human Resources Department held a campaign to educate personnel on corporate ethics principles that are applicable for the Bank. The principles were presented on easy-to-read signs throughout the Head office.

The Bank maintains an open dialogue between staff and management on the internal website where employees can discuss important questions and get a detailed answer to their questions or make a proposal for increasing effectiveness, upgrading business processes, or working environment.

The Bank insures 2,401 Head office employees and more than 20,000 branch employees under the voluntary medical insurance program. 477 Head office employees and 6,495 branch employees were insured under the Bank's accident insurance program.

Russian Agricultural Bank carries out activities to provide for the occupational safety of its employees. The Bank's objectives are to identify, remove, reduce or control material risks relating to fires and accidents or injuries to employees, customers and visitors, including appropriate education on workplace safety and safe behaviors, certifying that workplaces comply with ecological safety standards, and investigating health accidents and professional diseases, including providing for comprehensive medical check-ups.

Maintaining employee health is one of the priority projects for the Bank's internal social policy. A healthy lifestyle is one of the Bank's core principles as stated in the Corporate Ethics Code. Providing additional sports social benefits is a significant task for the Bank's HR policy.

The Head office and the branches have set up different sports teams, such as: the mini-football, volleyball, and hockey team. These teams have participated in numerous sporting events on the regional and federal levels. The Bank's sportsmen took part in the 3rd Corporate Spartakiad (on the occasion of Russian Agricultural Bank's anniversary). Since 2007, the Bank's volleyball and skiing teams have taken part in the all-Russian Summer and Winter Rural Games.

Volunteer projects evidence the Bank's commitment to socially responsible practices. The Bank actively encourages its staff to volunteer their time and core skills to benefit their local communities. The "Volunteer Descent" project supports socially-oriented organizations in almost all of the Bank's branches. Starting from 2010, the Bank has implemented the "Project PRO: Pass to Profession" project, that includes career guidance excursions for high school students and children from orphanages.

Head office volunteers carried out 6 campaigns and 2 charity auctions that raised RUB 319 thousand. The funds were used for holding activities for boarding school children and war veterans.

The Bank's experience in supporting the volunteer movement was presented at a conference at the Russian Civic Chamber. Bank representatives took part in an ad hoc group to work out the "Volunteering 2020" road map, which will be reviewed by the Russian Government.

Russian Agricultural Bank will continue working to ensure that rural populations, even from the most remote areas, have access to modern banking products.

Sponsorship and Charity

Charitable activity is driven by the Bank's intrinsic sense of humanity and its commitment to being a responsible corporate citizen.

Russian Agricultural Bank pays significant attention to social development in the regions of its presence, as well as tangibly contributes to upgrading the living standards of the population in rural and semi-urban areas. In the course of developing its charity policy, the Bank has decided on charitable initiatives that are related to key priorities related to Russia's social and economic development and defined by Bank shareholders – namely, developing the health care and education system, preserving the country's cultural and historical heritage and promoting spirituality.

In 2013, as part of its charity program, Russian Agricultural Bank implemented projects in 4 principal spheres: social support, education, spiritual education, and sports and physical education.

With the aim of promoting communities' social support, the Bank provided financial aid to individuals, a non-profit fund and a veterans' organization.

One priority project is financially supporting architectural monuments and spiritually significant culture objects. The Bank supports restoring numerous churches and cathedrals. Special mention should be made about support for an agricultural project at the Trinity St. Sergius Lavra. The monastery expanded its animal breeding farm and apiary. The Bank's charitable fund supports the restoration of the Voskresensky New Jerusalem Stauropegial Monastery. The Charity Fund for Monastery Reconstruction was established at the initiative of former Russian President Dmitry Medvedev and the late Moscow and all-Russian Patriarch Alexy II. This initiative contributes significantly to further developing national identity.

The Bank supports art and culture as the General Partner of a Moscow-based theater under the artistic direction of Armen Dzhigarkhanyan.

The Bank holds Donor Day annually. In 2013, 100 employees donated blood and funds for young patients at the Federal Research and Clinical Center for Children's Hematology, Oncology and Immunology.

Beginning in 2008, the Bank has implemented a scholarship program for agrarian universities, which contributes to the increased role of higher education in rural development. Russian Agricultural Bank focuses on educating highly-qualified professionals in key rural specializations and retaining young specialists in rural areas, since these are key conditions for Russia's agribusiness development.

Support for Far East Flood Victims

In July 2013, due to heavy rains in the Far East, five regions suffered floods. Approximately 150 settlements were flooded; and 55,000 people were affected by the disaster. The Bank made the decision to set up a center to coordinate measures to react to flood consequences. The focus was on providing comprehensive support, including: real time consultations, donations and the renegotiation of loans. In September, Russian Agricultural Bank started a campaign to collect financial support for residents of the 4 most affected regions – the Khabarovsk and Primorsky Territories, and the Jewish Autonomous and Amur Regions. Bank clients and employees have donated approximately RUB 12.8 million to Far East flood victims.

Russian Agricultural Bank was awarded the desktop medal "Mothers' Sacred Hands" for the financial support of Far East flood victims by a local community fund.

Recognition

Russian Agricultural Bank's activities aimed at Russia's social development and upgrading the population's living standards are marked by the National Banking Award presented by the Association of Russian Banks in the category "2013 Socially Responsible Bank."

As part of the initiative to support industry-specific mass media, the Bank has sponsored TV shows broadcast on major federal channels that raise agricultural issues.

The Bank's business events sponsorship contributes to economic development. In 2013, the Bank became a partner of the 11 largest specialized events, including: the Saint Petersburg Economic Forum, the Golden Autumn Exhibition, and the XXIV Congress of the Association of Farms and Agricultural Cooperatives of Russia. The Bank became the primary sponsor of the XXV Annual Convention of the Association of Russian Banks, which is a forum for fostering dialogue with the wider banking community.

Taking heed of its vast branch network, Russian Agricultural Bank became a sponsor for 18 business events in 15 Russian regions.

The Bank has allocated approximately RUB 177 million for sponsorship and charitable activities in 2013.

The Bank will further pursue the adopted CSR policies, placing a special focus on its unique role as a financial institution that was established to finance the strategically important agricultural industry.

8. Intangible assets

8.1 Regional Perspective

In 2013, Russian Agricultural Bank continued to develop its strong regional franchise throughout Russia. With the second largest nation-wide branch network in the country, the Bank enjoys solid positions in both urban and rural areas. An important trend for 2013 was the shift from further branch network expansion to optimization.

As of January 1, 2014, Russian Agricultural Bank was made up of 78 regional branches and 1,521 points of sale, including:

- Additional offices — 1,446;
- Operational offices — 68;
- Separate cash desks — 7.

Developing its regional network, Russian Agricultural Bank seeks to secure a broad territorial coverage which is fairly important for business expansion in rural and/or remote areas. In 2013, Bank's branches covered 85% of Russia's territory. The total number of points of sale remained stable during the reporting period as the Bank concentrated on upgrading efficiency. Introducing new functions available via the Internet office and the contact center allowed the Bank to cut operational network expenses and boost returns on each point of sale. Another important step in optimizing the operational environment was the merger of ATM networks with Alfa-Bank and Promsvyazbank. This significantly increased the number of commission-free cash machines for the Bank's customers and provided better coverage in areas where it is not economically feasible to have a separate operational office.

Throughout 2013, the Krasnodar, Moscow, Rostov, Altai and Voronezh branches were the Top-5 largest units in terms of assets, with total assets of RUB 309 billion (compared with 262 billion in 2012), which represents 22% of total branch network assets. The 22% share for the Top-5 regional branches did not change during the reporting period which illustrates organic and homogeneous growth for the whole network in 2013.

The five largest branches include 185 front offices, which account for 12% of the Bank's total network sales locations. The Krasnodar, Rostov and Altai branches operate the largest number of sales points at 45 units each. The local territorial coverage varies from 78% to 100%.

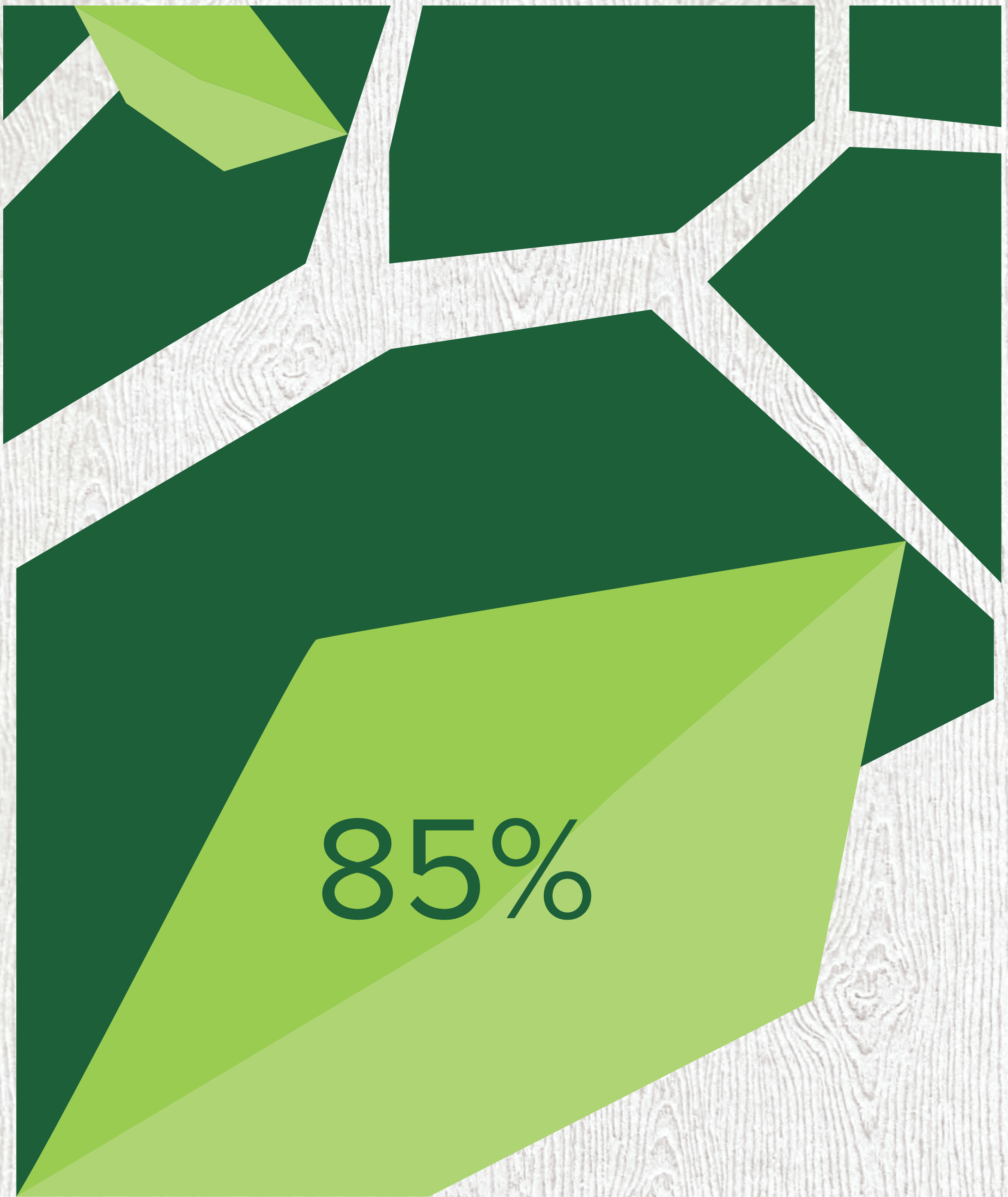
Financial results of the Top-5 branches, as of January 1, 2014:

Customer lending:

- Total lending volume — RUB 268 billion;
- The share of the Top-5 branches in the lending activity of the entire branch network — 22%;
- Growth in lending volume in 2013 - RUB 42 billion.

Customer deposits:

- Total volume of attracted deposits — RUB 74 billion;
- The share of Top-5 branches in attracting deposits within the entire branch network — 16%.



The 2nd largest network in Russia
covering over 85% of the country’s territory

Russian Agricultural Bank presently has 5 representative offices in CIS countries. These offices are located in Belarus, Tajikistan, Kazakhstan, Azerbaijan and Armenia. With the strategy to further increase international operations, the Bank will seek out opportunities to expand its foreign presence in CIS countries and beyond.

8.2 Human Resources

The high degree of professionalism of Russian Agricultural Bank's employees, as well as its elaborate and streamlined Human Resources Management Policy (HR Policy), are the two principal elements underlying Russian Agricultural Bank's sound performance.

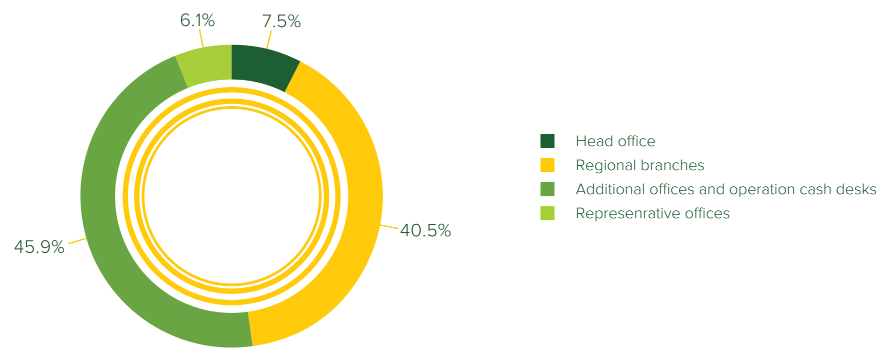
The Bank's Human Resources Management Policy is aligned with its strategic goals while simultaneously adhering to socially responsible business practices.

The main constituents of Russian Agricultural Bank's HR management are sound financial and non-financial motivation, systematic recruitment and appraisal, motivation, training and development, and strong internal social policy.

Personnel Profile

As of December 31, 2013, the total head count amounted to 33,018[15] (as compared with 31,863 as of December 2012). Thanks to enhancing the motivation system and increasing labor efficiency, the Bank has been able to accomplish the adopted goals without substantial personnel growth.

Staff Breakdown

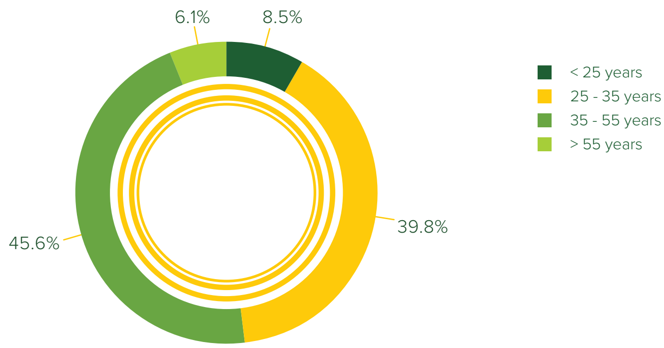


In 2013, the actual number of Bank employees reached 33,018, including:

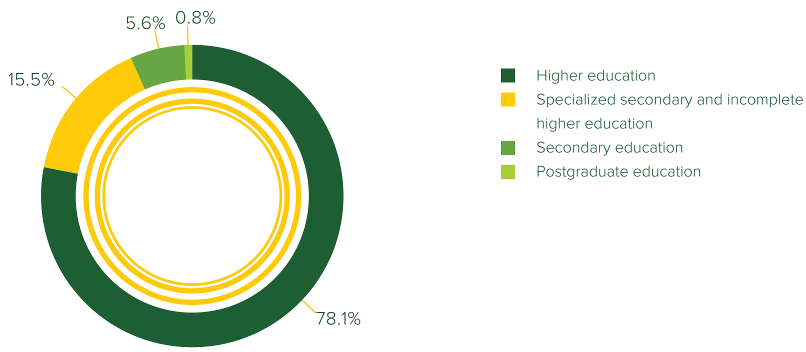
- Head office – 2,466;
- Regional branches and additional offices – 30,534;
- Representative offices – 18.

15 Note: The total number of personnel for Russian Agricultural Bank as a standalone. The number does not include contract employees.

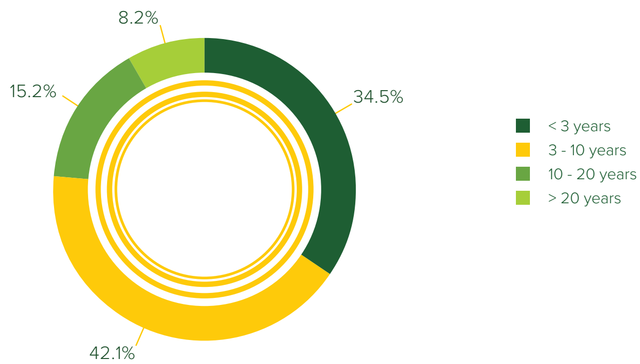
Staff Breakdown by Age[16]



Staff Breakdown by Education[16]



Staff Breakdown by Work Experience in the Banking Sector[16]



For the most part, the Bank’s staff has higher education and considerable prior banking industry experience. The Bank’s workforce is mostly of working age; the average age is 37. 78% of the Bank’s employees have received a higher education. More than 65% of employees have 3 or more years of work experience in the banking sector.

16 Source: Bank information as of December 31, 2013.

Recruitment and Appraisal

The Bank strives to employ the best talent within the market while adhering to fair selection and equal opportunity principles in the recruitment process. When recruiting new staff, the Bank is guided by professional expertise criteria. The Bank's specific role in agribusiness financing prompts the necessity of having and upgrading professional banking sphere knowledge, as well as information about the agricultural industry and related sub-sectors. All employees must pass a half-day introductory course.

The Bank understands that investing in human capital is essential for achieving corporate goals. The Bank systematically develops internal and external succession pools, ensuring timely and effective recruiting for vacant executive positions, as well as minimizing management turnover rates. In 2013, the Bank continued to invest in its industry-academia initiatives to build a talent pool with the required knowledge and skills for the banking sector.

External succession pool development is carried out in the following directions:

- Developing cooperation with more than 140 universities, including: the Finance University under the auspices of the Russian Government, the Plekhanov Russian University of Economics, and the Stavropol State Agrarian University;
- Having a student scholarship program;
- Ensuring an internship program for university students – 2,242 trainees, 34 of whom were recruited;
- Setting up finance students' teams in branch banks. A total of 673 students took part in these projects.

The student scholarship program was established in 2008. Its primary goals are supporting young agrarian students and retaining young professionals in rural areas, as well as strengthening the Bank's attractiveness as an employer brand. In 2012-2013, 46 agrarian universities functioning within the Russian Agricultural Ministry system took part in the student scholarship program. More than 180 students and post-graduate students were awarded Bank scholarships.

The Bank has implemented an internal succession plan under which employees can be promoted based on their performance. For this purpose, a special Nominations Commission was established at the Bank. The Nominations Commission conducts ongoing succession planning and recommends candidates for executive positions in both the Head office and Bank branches.

The comprehensive personnel assessment system is designed to ensure the necessary qualifications and performance by executive personnel in both the Bank branches and the Head office.

In 2013, under the comprehensive business appraisal plan, the HR Division carried out assessment procedures at 76 branches. In total, 2,086 employees have undergone a comprehensive appraisal and 1,603 employees have taken proficiency tests.

Based on personnel assessment results, the Bank has determined the need for further employee professional training and development.

Motivation, Training and Development

The Bank is committed to helping the staff perform at their best and unlock their full potential through ongoing training and development. The Bank strives to ensure employee performance recognition and an increase in their potential for achievement via intensive training, as well as to promote their personal well-being (and that of their dependents). To this end, the Bank has put into place a motivation and incentive policy.

The Bank established its internal employee pool in 2007 and today, it comprises more than 2,500 employees. In 2013, depending on the position level, about 12% of vacant management positions were filled with reserve pool members.

The internal talent pool ensures timely and prompt recruiting for vacant management positions. The talent pool also mitigates HR risks and shortens the employee adaptation period when appointed to management positions, provides career growth opportunities to all employees and motivates the staff to upgrade their educational and professional qualification. This ensures the development, progress and retention of the Bank's best employees.

Russian Agricultural Bank's Retail Banking Unit has developed the unique system of motivation contests. Contests are designed to increase employee efficiency, enhance service quality, surpass performance plans and achieve target indicators within the framework of ad hoc contests that are held among teams and individual employees. Contests motivate employees at branches to maximize results, and to effectively implement the launch of new products, sales models and pilot projects. In Q4 2013, Russian Agricultural Bank held the first ad hoc contest for car loan sales. The Bank awarded the best front office sales officer and the best branch employee responsible for loan sales through the partner channel.

The Bank is pursuing a competitive compensation policy. Compensation for work done is supplemented by a bonus system which is tied to achieving key performance indicators (KPIs).

The Bank's non-financial motivation includes: commendations, letters of appreciation and other incentives awarded by senior staff to the most effective employees. In 2013, more than 400 employees were given awards to mark their achievements. The Bank holds professional excellence contests and contests to reward business activity results for both department staff teams and individual employees. Winners receive Letters of Appreciation and Certificates of Merit. The "Best in Profession" contest has been held 4 years in succession with the goal of encouraging employees' strong performance. In 2013, 380 employees took part in this contest; 19 of them were ultimately recognized as winners. This has tangibly contributed to development of the Bank's corporate culture.

Professional Development

The Bank focuses on providing its staff with professional learning and personal development opportunities. This approach contributes to preserving and accumulating Bank expertise.

The Bank has a unified training system, which comprises both external and internal training across all employee grades. In 2013, 12,447 employees, which represents 26% growth compared with 2012 numbers, received on-site training in the form of seminars, video courses, and tests.

Employees are encouraged to learn proactively through user-friendly online resources, on-the-job learning and mentoring. In 2013, 56,949 employees received distance training, which is a 24% increase compared with 2012.

Russian Agricultural Bank has established its own Corporate University, which operates through training centers at the Head office and in the regions, offering business-focused training and employee development programs.

The primary tasks of the Corporate University include:

- Developing a unified system for planning and implementing training programs;
- Implementing programs to upgrade employee qualifications;
- Equipping branch specialists with the requisite functional knowledge (covering product features, processes and regulations) and essential customer service and sales skills;
- Developing training programs for point–of-sale staff.

In 2013, key corporate training achievements were:

- Creating client communication and presentation skills trainings;
- Developing a continuous education system and qualification upgrade within the retail business;
- Enhancing the on-site and distance training system;
- Developing and implementing qualification upgrade programs for the Chief Accountant and Management Board members;
- Creating an Internal Coaching system;
- Conducting a client-oriented approach, offering cross sales trainings for business segments;
- Providing qualification upgrades for the Bank's branch management;
- Providing open format trainings for Head office employees on a cost free basis.

The Corporate University has implemented the following socially-oriented projects:

- Providing financial literacy seminars for the children of Head office employees;
- Offering business simulation games for students of the Russian Government Finance University.

In 2013, Corporate University conducted a total of 240 trainings, which is 18% growth compared with 2012. Corporate University's goal is to create a unified and accessible educational environment for all employees that would promote professional and personal growth and contribute to building a highly qualified team aspiring to achieve common goals.

Corporate Culture and Employee Responsibility

For Russian Agricultural Bank, a large employer with clearly defined strategic purposes, it is vital to involve and engage its employees. The Bank's corporate culture promotes mutual respect for employees and creates a motivating and comfortable environment to attract and retain the best people and to encourage staff to work towards common corporate goals. In light of this broad objective, Russian Agricultural Bank considers employee care and merit recognition to be priority directions for its internal social policy.

Employees - under the internal social policy – are eligible for social protection based on the responsibility and partnership principles. Employment benefits include: medical insurance, medical services in the office, workplace accident insurance, one-time financial allowances for certain family circumstances, and discounts from partner companies. In extraordinary cases, the Bank can provide additional financial aid.

Russian Agricultural Bank makes all mandatory contributions to the Russian Social and Pension Funds, in accordance with applicable Russian legislation. Pensions are duly provided to former employees via the Bank's own established pension fund – the APK Fund.

Russian Agricultural Bank carries out activities to ensure the occupational safety of its employees. The Bank focuses on preventing workplace accidents, health accidents and professional diseases, providing workplace safety and safe behavior education, and certifying workplaces in terms of ecological safety, including providing for employees' comprehensive medical checkups. As part of its health and safety strategy, the Bank has developed the "Absolute Rules" list to draw attention to common causes of fatalities and serious injuries.

Employees have ample opportunities to follow a healthy lifestyle thanks to the Bank's internal social policy. The Bank actively promotes its employees' participation in sporting activities. The Bank has established mini football, volleyball, skiing, and hockey teams.

The Bank maintains a consistent approach in rewarding personnel, based on their performance, and efforts towards business success. The Bank also supports workforce retention and employee performance by actively engaging employees via communication and participation in various social, cultural and sports activities.

Russian Agricultural Bank ensures an ongoing employee-manager dialogue. The Bank maintains an open dialogue between staff and management via the internal website where personnel can discuss important questions or make a proposal on increasing overall effectiveness or upgrading business processes.

All employees participate in a year-round performance management process that assesses individual achievements, skills and knowledge. The Bank has implemented a special personnel succession plan under which successful employees can be promoted internally. This process supports staff development, links behavior to corporate values and helps ensure that employees have the skills required for effective client management, and in the long-term to that they can help implement the Bank's ambitious strategic goals. The Bank holds a series of professional contests to adequately recognize its employees' professional achievements.

In December 2013, Russian Agricultural Bank completed a large-scale project for analyzing and studying corporate culture. The goal was to carry out a profound study of the Bank's corporate culture and determine further development targets aimed at accomplishing the Bank's Strategy through 2020. Employees participated in elaborating on the target corporate culture model. A series of business simulation games, requiring the participation of various departments took place in the Head office.

The completed study helped the Bank work out a "road map" towards a new corporate culture that will contribute to increasing Russian Agricultural Bank 's overall effectiveness.

Open and regular communication is fundamental to employee engagement and involvement. Agrocredit magazine and Utrenniy Express newspaper are important components of the internal communications framework. The magazine provides employees with an opportunity to better understand the Bank's mission and strategy, its organization, branch performance, and recent events and developments and to believe that they are an integral part of the entire Bank network. The newspaper gives employees a clear picture of the Bank's latest developments and serves as a platform for employee surveys/receiving feedback on corporate social and charity activities.

2014 Focus Areas

In 2013, the Bank made significant strides towards strengthening its corporate culture, increasing employee engagement, and recruiting and retaining a highly qualified workforce. In 2013, the Bank undertook further steps towards accomplishing long-term strategic goals (set forth in the Development Strategy through 2020). Human capital investments are among the most important building blocks for this. Consequently, ongoing staff management and development are among the Bank's priority tasks.

In 2014, Russian Agricultural Bank will continue developing an ongoing employee training system, including: comprehensive training and qualification upgrade courses for core business segments; management, sales and communication skills training, implementing the "Internal Coaching" program, conducting on-site trainings, and opening the Corporate University branch in the Far East.

The Bank will uphold its commitment to responsible employer principles and will aspire to create a work environment that both motivates and rewards all staff members.

8.3 Information Technology

Russian Agricultural Bank is a nation-wide financial institution with more than 1,500 additional offices operating under 78 regional branches serving 5 million private and corporate customers. Securing prompt and flawless service of each of them is a challenging task. Therefore, this is where information technology comes into play. IT allows different units of the Bank to function as a unified structure and provide clients with a full range of services both on- and off-line 24 hours a day. This is why Russian Agricultural Bank sees IT as an essential element of its development within Russia's highly competitive banking market.

In 2013, Russian Agricultural Bank continued its IT evolution in line with a strategy aimed at introducing modern hard- and software from leading Russian and international developers and maximizing business process centralization.

Among the systems and upgrades which were successfully installed and put into operation at the Bank during the reporting period are the following:

- An automated loan applications processing system, Release I (retail loans);
- E-storage of an accounting documents archive;
- Automated data download from the ISB BIScuit environment to the Bank's Centralized Storage System;
- An automated human resources management system;
- Software and hardware upgrades of the Bank's processing center platform;
- New Internet office functions.

Proceeding with the further unification and centralization of major operating processes in 2013, the Bank introduced the following solutions:

- Launching the automated loan applications processing system (Release I) across the whole regional branch network;
- Centralizing additional offices' internal processes under the ISB BIScuit-based back office within regional branch headquarters;
- Installing the ECM (IBM Filenet) platform for accounting processes;
- Launching development of a unified pledge registration database.

Russian Agricultural Bank maintains a fast pace in the non-stop process of upgrading its CRM systems. After successfully introducing the retail business CRM, the Bank has started working on a corporate division system to simplify and optimize services to corporate clients. Another important step in developing the customer service environment was the launch of the regional contact center which secured an effective communication channel with clients across a wide range of issues.

When it comes to modern banking, it is as much about how technological it is as who it is for. The Bank proudly positions itself as a pioneer provider of modern financial services for many companies and ordinary Russians who have discovered high-tech banking solutions available across the country with Russian Agricultural Bank. This story wouldn't be possible without a comprehensive and thorough approach to IT development. And that is why the Bank will continue to focus on the technological component of its business in tough competition for market leadership.

9. Consolidated Financial Statements

Russian Agricultural Bank Group
for the year ended 31 December 2013

with Independent Auditor's Report

Contents **Page**

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улучшаем мир

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Independent auditor's report

To the Shareholder and Supervisory Board of Russian Agricultural Bank Group

We have audited the accompanying consolidated financial statements of Russian Agricultural Bank and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2013, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the fairness of these consolidated financial statements based on our audit.

We conducted our audit in accordance with the Federal Standards on Auditing effective in the Russian Federation and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Other matters

The consolidated financial statements of Russian Agricultural Bank and its subsidiaries for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 10 April 2013.

Oleg V. Youshenkov
Partner
Ernst & Young LLC

31 March 2014

Details of the audited entity

Name: Russian Agricultural Bank
Record made in the State Register of Legal Entities on 22 October 2002, State Registration Number 1027700342890.
Address: 119034, Moscow, Gagarinsky pereulok, 3.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Non Profit partnership “Russian Audit Chamber” (“NP APR”). Ernst & Young LLC is registered in the register of auditors and audit organizations of NP APR, number 3028, and also included in the control copy of the register of auditors and audit organizations, main registration number 10201017420.

Consolidated Statement of Financial Position
as at 31 December 2013

In millions of Russian Roubles	Note	31 December 2013	31 December 2012
ASSETS			
Cash and cash equivalents	7	128 444	106 342
Mandatory cash balances with the Central Bank of the Russian Federation		8 735	9 153
Trading securities	8	2 810	19 220
Financial instruments designated at fair value through profit or loss	10	12 220	12 550
Due from other banks	11	43 065	45 930
Derivative financial instruments	35	25 667	18 659
Loans and advances to customers	12	1 261 046	1 070 712
Investment securities available for sale	13	50 299	44 036
Investment securities held to maturity	14	11 291	27 999
Investment securities pledged under repurchase agreements	9	73 210	20 632
Deferred income tax asset	28	7 868	5 100
Intangible assets	15	1 769	1 723
Premises and equipment	15	24 655	23 068
Current income tax assets		22	2 464
Other assets	16	18 833	15 724
Assets of the disposal groups held for sale and assets held for sale	39	830	5 338
TOTAL ASSETS		**1 670 764**	**1 428 650**
LIABILITIES			
Derivative financial instruments	35	950	5 261
Due to other banks	17	149 680	136 343
Customer accounts	18	722 125	557 476
Promissory notes issued and deposit certificates	19	31 174	23 234
Bonds issued	20	449 803	440 866
Deferred income tax liability	28	1 358	2 065
Current income tax liability		508	-
Other liabilities	21	13 330	8 824
Subordinated debts	22	74 053	55 274
Liabilities directly associated with the disposal groups held for sale		-	1 410
TOTAL LIABILITIES		**1 442 981**	**1 230 753**
EQUITY			
Share capital	23	218798	188798
Revaluation reserve for premises		1232	1270
Revaluation reserve for investment securities available for sale		(1285)	(271)
Retained earnings		7863	7117
Equity attributable to the Bank's shareholder		**226608**	**196914**
Non-controlling interest		**1175**	**983**
TOTAL EQUITY		**227783**	**197897**
TOTAL LIABILITES AND EQUITY		**1670764**	**1428650**

Approved for issue and signed on behalf of the Management Board on 31 March 2014.

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D.N. Patrushev
Chairman of the Management Board

____
E.A. Romankova
Chief Accountant

In millions of Russian Roubles	Note	2013	2012
Interest income	24	152 591	135 903
Interest expense	24	(87 238)	(79 490)
Net interest income		**65 353**	**56 413**
Provision for loan impairment	11, 12	(27 003)	(26 603)
Net interest income after provision for loan impairment		**38 350**	**29 810**
Fee and commission income	25	9 302	7 104
Fee and commission expense	25	(944)	(805)
Gains less losses from trading securities		42	8
(Losses net of gains)/gains less losses from financial instruments designated at fair value through profit or loss		(398)	1 854
Losses net of gains from investment securities available for sale		(51)	(207)
(Losses net of gains)/gains less losses from investment securities held to maturity		(1)	158
Foreign exchange translation (losses net of gains)/gains less losses		(9 589)	5 042
Gains less losses/(losses net of gains) from derivative financial instruments		3 450	(10 035)
Gains less losses from dealings in foreign currencies		50	5 310
Provision for credit related commitments and other assets impairment	16, 34	(617)	(192)
Losses net of gains from early redemption of bonds issued and subordinated debts		(39)	(14)
Gains from non-banking activities		5 702	5 863
Losses from non-banking activities		(8 033)	(9 726)
Losses on disposal of subsidiaries	39	(551)	(52)
Other operating income		688	326
Administrative and other operating expenses	27	(36 822)	(33 624)
Profit before tax		**539**	**820**
Income tax credit/(expense)	28	190	(676)
Profit for the year		**729**	**144**
Profit/(loss) is attributable to:			
Shareholder of the Bank		840	365
Non-controlling interest		(111)	(221)
Profit for the year		**729**	**144**
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of tax:			
Securities available for sale:			
- Revaluation of securities at fair value		(1 318)	575
- Realised revaluation reserve (at disposal)		51	207
Income tax	28	253	(155)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of tax		**(1 014)**	**627**
Other comprehensive income/(loss) that not to be reclassified to profit or loss in subsequent periods:			
Revaluation of premises		-	341
Income tax	28	-	(68)
Net other comprehensive income that not to be reclassified to profit or loss in subsequent periods, net of tax		**-**	**273**
Total other comprehensive (loss)/income		**(1 014)**	**900**
Total comprehensive (loss)/income for the year		**(285)**	**1 044**
Total comprehensive (loss)/income is attributable to:			
Shareholder of the Bank		(174)	1 265
Non-controlling interest		(111)	(221)
Total comprehensive (loss)/income for the year		**(285)**	**1 044**

		Attributable to Shareholder of the Bank	
In millions of Russian Roubles	**Note**	**Share capital**	**Revaluation reserve for premises**
Balance at 31 December 2011		**148 798**	**1 050**
Profit/(loss) for the year, net of tax		-	-
Other comprehensive income, net of tax		-	273
Total comprehensive income/(loss), net of tax		**-**	**273**
Share issue	23	40 000	
Change in ownership interests and disposal of subsidiaries		-	-
Depreciation of revaluation reserve for premises		-	(53)
Dividends declared	29	-	-
Balance at 31 December 2012		**188 798**	**1 270**
Profit/(loss) for the year, net of tax		-	-
Other comprehensive loss, net of tax		-	-
Total comprehensive (loss)/income, net of tax		**-**	**-**
Share issue	23	30 000	-
Change in ownership interests and disposal of subsidiaries		-	-
Depreciation of revaluation reserve for premises		-	(38)
Dividends declared	29	-	-
Balance at 31 December 2013		**218 798**	**1 232**

Attributable to Shareholder of the Bank				
Revaluation reserve for securities available for sale	**Retained earnings**	**Total**	**Non- controlling interest**	**Total equity**
(898)	**7 017**	**155 967**	**808**	**156 775**
-	365	365	(221)	144
627	-	900	-	900
627	**365**	**1 265**	**(221)**	**1 044**
		40 000		40 000
-	-	-	396	396
-	53	-	-	-
-	(318)	(318)	-	(318)
(271)	**7 117**	**196 914**	**983**	**197 897**
-	840	840	(111)	729
(1 014)	-	(1 014)	-	(1 014)
(1 014)	**840**	**(174)**	**(111)**	**(285)**
-	-	30 000	-	30 000
-	(1)	(1)	303	302
-	38	-	-	-
-	(131)	(131)	-	(131)
(1 285)	**7 863**	**226 608**	**1 175**	**227 783**

In millions of Russian Roubles	Note	2013	2012
Cash flows from operating activities			
Interest received		133 223	120 322
Interest paid		(86 726)	(70 989)
Expenses incurred from trading in securities and financial instruments designated at fair value through profit or loss		(16)	(23)
Expenses incurred from derivative financial instruments		(7 870)	(876)
Income received from dealing in foreign currencies		50	5 310
Fees and commissions received		9 268	7 039
Fees and commissions paid		(944)	(805)
Other operating income received		337	372
Net insurance income received		631	994
Income received from non-banking activities		4 642	6 733
Losses incurred from non-banking activities		(6 541)	(10 146)
Administrative and other operating expenses paid		(36 287)	(30 884)
Income tax paid		(376)	(1 847)
Cash flows from operating activities before changes in operating assets and liabilities		**9 391**	**25 200**
Changes in operating assets and liabilities			
Net decrease/(increase) in mandatory cash balances with the Central Bank of the Russian Federation		419	(736)
Net decrease/(increase) in trading securities		15 422	(18 210)
Net decrease in financial instruments designated at fair value through profit or loss		837	-
Net decrease/(increase) in due from other banks		4 732	(8 673)
Net increase in loans and advances to customers		(190 662)	(178 618)
Net increase in other assets		(2 246)	(133)
Net increase in due to other banks		9 892	46 287
Net increase/(decrease) in customer accounts		164 355	(51 821)
Net increase in promissory notes issued and deposit certificates		7 735	2 983
Net increase in other liabilities		1 697	525
Net cash from/(used in) operating activities		**21 572**	**(183 196)**
Cash flows from investing activities			
Acquisition of premises and equipment	15	(1 226)	(1 877)
Proceeds from disposal of premises and equipment		208	282
Acquisition of intangible assets	15	(602)	(704)
Acquisition of investment securities available for sale		(134 039)	(91 406)
Proceeds from disposal of investment securities available for sale		90 873	104 892
Acquisition of investment securities held to maturity		(596)	-
Proceeds from redemption of investment securities held to maturity		1 720	3 432
Net cash (used in)/from investing activities		**(43 662)**	**14 619**
Cash flows from financing activities			
Issue of ordinary shares	23	30 000	40 000
Proceeds from bonds issued		72 396	112 799
Repayment of bonds issued		(74 716)	(4 858)
Proceeds from sale of previously bought back bonds issued		7 533	2 318
Buy back of bonds issued		(11 499)	(2 419)
Proceeds from subordinated debts		16 134	-
Proceeds from sale of previously bought back subordinated debts		1	1 148
Buy back of subordinated debts		(73)	(1 474)
Proceeds from sale of interest in subsidiary		61	-
Dividends paid	29	(131)	(318)
Net cash from financing activities		**39 706**	**147 196**
Effect of exchange rate changes on cash and cash equivalents		**4 486**	**(6 228)**
Cash and cash equivalents classified as part of disposal groups held for sale		**-**	**(8)**
Net increase/(decrease) in cash and cash equivalents		**22 102**	**(27 617)**
Cash and cash equivalents at the beginning of the period	7	106 342	133 959
Cash and cash equivalents at the end of the period	**7**	**128 444**	**106 342**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (the "IASB") for the year ended 31 December 2013 for Open Joint-Stock Company Russian Agricultural Bank (the "Bank") and its subsidiaries (together referred to as the "Group").

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

The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

The Group's structure comprises of Open Joint-Stock Company Russian Agricultural Bank and its subsidiaries. Principal subsidiaries of the Bank are RSHB Insurance (ownership interest of the Bank is 51%), RSHB Capital S.A. (special purpose entity incorporated for Eurobonds issue for the Bank), RSHB Asset Management (ownership interest of the Bank is 100%) and 30 companies operating in agricultural and other industries (ownership interest of the Bank is from 75% to 100%).

Principal activity. The Bank's principal business activity is commercial and retail banking operations in the Russian Federation with emphasis on lending to agricultural enterprises. The main objectives of the Bank are:

- to participate in realisation of the monetary policy of the Russian Federation in the area of agricultural production;
- to develop within the agricultural industry a national system of lending to the domestic agricultural producers; and
- to maintain an effective and uninterrupted performance of the settlement system in the area of agricultural production across the Russian Federation.

The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation ("CBRF") since 13 June 2000. The Bank participates in the State deposit insurance scheme, which was introduced by the Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank has 78 (31 December 2012: 78) branches within the Russian Federation. The Bank's registered address is 119034 Russia, Moscow, Gagarinsky Pereulok, 3. The Bank's principal place of business is 119019 Russia, Moscow, Arbat, 1.

The number of the Group's employees as at 31 December 2013 was 36 349 (31 December 2012: 35 458).

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

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation. Refer to Note 34.

In August 2013 heavy rains in the Far-Eastern federal district resulted in floods that caused serious damages to several regions where the Group's branches, clients and borrowers are located.

In the summer 2012, several Russian regions were affected by abnormal climate conditions (drought). This event had significant negative consequences, including a decrease of wheat harvest, that affected financial state of Bank's borrowers and consequently loan loss provision rates. The Russian Government announced state support for drought-affected regions.

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Russian financial and corporate sectors.

2 Operating Environment of the Group (Continued)

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by banks currently operating in the Russian Federation. 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.

Management is unable to reliably determine the effects on the Group's future financial position of any potential further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current circumstances.

3 Summary of Significant Accounting Policies

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

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

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

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interest that does not present ownership interest is measured at fair value.

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

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

3 Summary of Significant Accounting Policies (Continued)

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

Non-controlling interest is that part of the net results and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest form a separate component of the Group's equity.

Purchases and sales of non-controlling interest. The Group applies the economic entity model to account for transactions with non-controlling shareholders. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded directly in equity.

The Group recognizes the difference between sales consideration and carrying amount of non-controlling interest sold in the consolidated statement of changes in equity.

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

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

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

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

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

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 36.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include interbank loans, deposits and reverse sale and repurchase agreements with other banks with original maturity of less than one month. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents.

Precious metals. Gold and other precious metals are recorded at CBRF bid prices, which approximate fair values and are quoted at a discount to London Bullion Market rates. Changes in the CBR bid prices are recorded as translation differences from precious metals in other income.

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

3 Summary of Significant Accounting Policies (Continued)

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase. The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

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

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

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

Financial instruments designated at fair value through profit or loss. Financial instruments designated at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and performance of these investments is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

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

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

3 Summary of Significant Accounting Policies (Continued)

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

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. An investment is not classified as held-to-maturity investment if the Group has the right to require that the issuer repay or redeem the investment before its maturity, because paying for such a feature is inconsistent with expressing an intention to hold the asset until maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. The Group may reclassify financial assets into this category from fair value through profit or loss category in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Investment securities held to maturity are carried at amortised cost.

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

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

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and significant financial difficulty of the debtor. Refer to Note 12 for the detailed principal criteria to determine whether there is objective evidence that an impairment loss has occurred.

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the purchase method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation).

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

Promissory notes purchased. Promissory notes purchased are included in trading securities or investment securities held to maturity or in due from other banks or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill, and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

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

3 Summary of Significant Accounting Policies (Continued)

Premises owned by the Group and used in a banking activity were for the first time revalued at fair value as at 31 December 2007 and are subject to regular subsequent revaluation. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation is recognised by proportionally restating the gross carrying amount and accumulated depreciation of the revalued premises. These changes in values are shown separately in the reconciliation of movements in premises in Note 15. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Premises owned by the Group and used in non-banking activities are stated at cost less accumulated depreciation and provision for impairment, where required.

Construction in progress is carried at historical cost less provision for impairment where required. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

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

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate cost or revalued amounts of premises and equipment to their residual values over the estimated remaining useful lives. The following useful lives in years are applied for the main categories of premises and equipment:

Useful lives in years	Used in banking activities	Used in non-banking activities
Premises	40	20-40
Equipment	5-20	5-20
Leasehold improvements	10	-

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

Inventory. Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. The cost of finished goods and work in progress comprises packaging costs, raw materials, direct labour, other direct costs and related production overheads.

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

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit, to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell.

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

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

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

Promissory notes issued and deposit certificates. Promissory notes issued by the Group and deposit certificates are carried at amortised cost. If the Group purchases its own promissory notes issued or deposit certificates, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains/(losses) arising from early retirement of debt.

Bonds issued. Bonds issued represent amounts attracted from Eurobonds issue and bonds issued on domestic market. Issued Eurobonds and bonds issued on domestic market carry a coupon and are redeemable on a specific date. Bonds issued are carried at amortised cost. If the Group repurchases its bonds issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains/(losses) arising from early retirement of debt.

Subordinated debts. Subordinated debts are carried at amortised cost. Creditors' claims on subordinated debts will be considered only after all claims of other creditors of the Group are satisfied.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts (forwards and swaps) and futures on shares are carried at their fair value. Non-derivative transactions are aggregated and treated as a derivative when the transaction result, in substance, is a derivative.

3 Summary of Significant Accounting Policies (Continued)

An embedded derivative shall be separated from the host contract and accounted for as a derivative if, and only if:

a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

c) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

If an embedded derivative is separated, the host contract shall be accounted for under IAS 39 *Financial Instruments: Recognition and Measurement*, and in accordance with other appropriate Standards if it is not a financial instrument. If a contract contains one or more embedded derivatives, the Group may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss.

All derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative financial instruments are included in gains less losses from derivative financial instruments. The Group does not apply hedge accounting.

Regular way transactions. Regular way transactions are purchases or sales of financials assets that require delivery of assets within the period generally established by regulation or convention in the market place. All regular way purchases and sales of financial assets are recognized or derecognized on the contractual settlement date which is the date when the asset is to be delivered to or by the Group. Regular way transactions are not recognized as derivatives because of the short duration of the commitment to deliver financial assets between the trade and settlement date.

Any changes in the fair value of the financial assets at fair value through profit and loss to be received during the period between the trade date and the settlement date is recognized in the income statement and for financial assets available for sale is recognized in other comprehensive income for financial assets purchased. For financial assets sold on a regular way basis no changes in fair value are recognized in the income statement or in other comprehensive income between the trade and settlement date. Assets carried at cost or amortized cost are not affected by the change in fair value during the period between the trade and settlement date.

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

3 Summary of Significant Accounting Policies (Continued)

Insurance operations. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Insurance risk exists when the Group has uncertainty in respect of the following matters at inception of the contract: the occurrence of the insurance event, the date of occurrence of the insurance event and the claim value in respect of it.

Gross insurance premiums written. Gross insurance premiums written, which the Group is contractually entitled to receive from the insured in relation to insurance contracts, are recognized when due from a policyholder. Specifically, the Group recognizes premiums for the policies issued during the year and includes an estimate of premiums due but not yet received by the reporting date, less an allowance for cancellations. Premiums are shown before the deduction of commission. Gross insurance premiums written are recognized as result from insurance operations within losses net of gains from non-banking activities. Refer to Note 26.

Provision for unearned premiums. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in-force as at the reporting date, calculated on a time apportionment basis. Provisions for unearned premiums are recognized as result from insurance operations within losses net of gains from non-banking activities. Refer to Note 26.

Claims paid. Claims and claims handling expenses are charged to the consolidated statement of profit or loss and other comprehensive income as incurred based on the evaluated liability for compensation payable to policy-holders or third parties.

Loss provision. The loss provision represents the accumulation of estimates for ultimate insurance losses and includes the outstanding claims reserve ("OCR") and provision for losses incurred but not yet reported ("IBNR"). Estimates of the claims handling expenses of 1% of claim indemnity value in 2013 (2012: 2%) are included in both the OCR and the IBNR.

The OCR is provided in respect of claims reported but not settled as at the reporting date. The estimation is made on the basis of information received by the Group during investigation of insurance cases as at and after the reporting date. IBNR is actuarially determined by the Group.

Deferred acquisition costs. Deferred acquisition costs ("DAC") are calculated (for non-life insurance contracts) separately for each insurance product. Acquisition costs include commission to agents for concluding agreements with corporate clients and individuals, commission and brokerage fee for underwriting of assumed reinsurance agreements. They vary with and fully depend on the premium earned under acquired or renewed insurance policies. These acquisition costs are deferred and amortized over the period in which the related written premiums are earned. They are reviewed by line of business at the time of the policy issue and at the end of each accounting period to ensure they are recoverable based on future estimates.

Liability adequacy test. At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, the current best estimates of the future contractual cash flows and claims handling and maintenance expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of comprehensive income, initially by writing off DAC and by subsequently establishing a provision for losses arising from the liability adequacy tests (the unexpired risk provision). When performing the liability adequacy test, the Group uses a combination of its own as well as externally available statistics and also includes a security margin. Insurance receivables are included as part of this test.

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

3 Summary of Significant Accounting Policies (Continued)

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

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

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit.

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

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

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

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions on agency services are recognised based on the applicable service contracts.

Revenue recognition — sale of goods. Revenues from sales of goods are recognized at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognized when the goods are passed to the customer at the destination point. Sales are shown net of VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Foreign currency translation. The functional currency of each consolidated entity of the Group is the currency of the primary economic environment in which each entity operates. The functional currency of the Bank and its subsidiaries, and the Group's presentation currency, is the national currency of the Russian Federation, Russian Roubles ("RR").

Transactions in foreign currencies are initially recorded in the functional currency, translated into Russian Roubles at the rate of exchange at the date of the transaction.

Monetary assets and liabilities are translated into functional currency at the official exchange rate of the CBRF at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates of the CBRF, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

3 Summary of Significant Accounting Policies (Continued)

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

Fiduciary assets. Assets and liabilities held by the Group in its own name, but on the account of third parties, are not reported in the consolidated statement of financial position. Commissions received from fiduciary activities are shown in fee and commission income.

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

Accounting for the effects of hyperinflation. The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 *Financial Reporting in Hyperinflationary Economies* ("IAS 29"). IAS 29 requires that the consolidated financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the end of the reporting period. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of the Russian Federation indicated that hyperinflation had ceased effective from 1 January 2003. Restatement procedures of IAS 29 are therefore only applied to share capital and equipment. For these balances, the amounts expressed in the measuring unit current as at 31 December 2002 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index ("CPI"), published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. These payments are included in staff expenses in consolidated profit or loss.

Segment reporting. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes.

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Management Board has been identified as the CODM.

In these consolidated financial statements the Group defined operating segments on the basis of organizational structure and geographical areas.

Amendments of the financial statements after issue. Any further changes to these consolidated financial statements require approval of the Group's Management who authorised these consolidated financial statements for issue.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in a particular group.

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

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances –– for example, selling an insignificant amount close to maturity — it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost. Refer to Note 14.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect fair reported values.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. Key assumptions in the business plan is to obtain profits in the current and subsequent financial years through widening of product range and client base.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Changes in presentation and reclassifications. The Group has changed disclosure of results from non-banking activities. The presentation of the comparative figures has been adjusted to be consistent with the new presentation.

The effect of changes on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012 is as follows:

In millions of Russian Roubles	As previously reported	Reclassification	As adjusted
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Administrative and other operating expenses	(33 785)	161	(33 624)
Losses net of gains from non banking activities	(3 702)	3 702	-
Gains from non-banking activities	-	5 863	5 863
Losses from non-banking activities	-	(9 726)	(9 726)

The Group has changed disclosure of cash flows from non-banking activities and cash flows on staff costs paid. The presentation of the comparative figures has been adjusted to be consistent with the new presentation.

The effect of changes on the consolidated statement of cash flows for the year ended 31 December 2012 is as follows:

In millions of Russian Roubles	As previously reported	Reclassification	As adjusted
Consolidated Statement of Cash Flows			
Administrative and other operating expenses paid	(13 012)	(17 872)	(30 884)
Staff costs paid	(21 285)	21 285	-
Income received from non-banking activities	-	6 733	6 733
Losses incurred from non-banking activities	-	(10 146)	(10 146)

5 Adoption of New or Revised Standards and Interpretations

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

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11, Joint Arrangements, (issued in May 2012 and effective for annual periods beginning on or after 1 January 2013) replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. IFRS 11 had no impact on the Group's consolidated financial statements.

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

IFRS 12 Disclosure of Interests in Other Entities, (issued in May 2012 and effective for annual periods beginning on or after 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 *Investments in Associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group provides these disclosures in Notes 8, 9, 13, 14.

IFRS 13 Fair Value Measurement. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existed disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the consolidated financial statements. The Group provides these disclosures in Note 36.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2012 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. These amendments had no impact on the Group's financial position.

Amendments to IAS 19 Employee Benefits. Amendments involve major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. These amendments had no impact on the Group's financial position.

Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income. The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, revaluation of buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance.

Amendments to IAS 1 Clarification of the Requirement for Comparative Information. These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments did not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 7 Financial Instruments: Disclosures — Disclosures: Offsetting Financial Assets and Financial Liabilities. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with IAS 32. The new disclosure is presented in Note 32.

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

Amendment to IAS 32 Financial Instruments: Presentation. This amendment clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the consolidated financial statements of the Group, as there is no tax consequences attached to cash or non-cash distribution.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 *Borrowing Costs*, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 now requires disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual consolidated financial statements. The amended standards did not have any material impact on the Group's consolidated financial statements.

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

6 New Accounting Pronouncements

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

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

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

6 New Accounting Pronouncements (Continued)

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

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

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

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

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

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

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

6 New Accounting Pronouncements (Continued)

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

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

7 Cash and Cash Equivalents

In millions of Russian Roubles	**31 December 2013**	**31 December 2012**
Cash on hand	22 481	23 284
Cash balances with the CBRF (other than mandatory reserve deposits)	39 812	46 266
Correspondent accounts and deposits with other banks with original maturities less than one month	63 549	34 739
Settlement accounts with stock and currency exchanges	2 068	2 053
Settlement accounts with clearing organisations	534	-
Total cash and cash equivalents	**128 444**	**106 342**

As at 31 December 2013, correspondent accounts and deposits with other banks with original maturities less than one month included the balance with one foreign banking group with rating A+ (S&P) in the amount of RR 19 596 million, or 15% of total cash and cash equivalents (31 December 2012: one Russian banking group with rating of its state-owned parent bank BBB (S&P) in the amount of RR 15 878 million, or 15% of total cash and cash equivalents).

Analysis by credit quality of cash and cash equivalents is as follows:

In millions of Russian Roubles	**31 December 2013**	**31 December 2012**
Current and not impaired		
Cash on hand	22 481	23 284
Cash balances with the CBRF (other than mandatory reserve deposits)	39 812	46 266
Correspondent accounts and deposits with other banks with original maturities less than one month:		
- top 30 Russian banks (by net assets) and their subsidiary banks	35 018	26 112
- OECD banks and their subsidiary banks	26 242	8 313
- other Russian banks	2 179	-
- other non-resident banks	110	314
Settlement accounts with stock and currency exchanges	2 068	2 053
Settlement accounts with clearing organisations	534	-
Total cash and cash equivalents	**128 444**	**106 342**

Refer to Note 36 for the disclosure of fair value of cash and cash equivalents. Geographical and liquidity analyses of cash and cash equivalents are disclosed in Note 31. The information on related party transactions is disclosed in Note 38.

8 Trading Securities

In millions of Russian Roubles	**31 December 2013**	**31 December 2012**
Promissory Notes	2 749	19 220
Corporate Eurobonds	61	-
Total trading securities	**2 810**	**19 220**

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data, the Group neither analyse nor monitor impairment indicators.

Holding Corporate Eurobonds in the trading portfolio of the Group is considered under IFRS 12 requirements as interest in unconsolidated structured entities. Maximum exposure equals to carrying value of Corporate Eurobonds.

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

In millions of Russian Roubles	**Securities internationally rated not lower than BB- (S&P)***	**Securities internationally rated lower than BB- (S&P)***	**Total**
Promissory Notes	946	1 803	2 749
Corporate Eurobonds	61	-	61
Total debt trading securities	**1 007**	**1 803**	**2 810**

* or analogous ratings of other rating agencies.

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

In millions of Russian Roubles	**Securities internationally rated not lower than BB- (S&P)***	**Securities internationally rated lower than BB- (S&P)***	**Total**
Promissory Notes	17 603	1 617	19 220
Total debt trading securities	**17 603**	**1 617**	**19 220**

* or analogous ratings of other rating agencies.

If a security's rating is unavailable, the issuer's rating is used.

Promissory notes are represented by promissory notes denominated in Russian Roubles issued at a discount to nominal value by Russian banks. As at 31 December 2013, these promissory notes have maturity date from February to October 2014 (31 December 2012: promissory notes had maturity dates from March to November 2013).

Corporate Eurobonds are represented by securities denominated in USD. Corporate Eurobonds are traded at a discount or premium to face value and carry a coupon payable semi-annually. As at 31 December 2013, these bonds have maturity date in September 2022 and coupon rate of 4.4% p.a.

Refer to Note 36 for the disclosure of fair value hierarchy for trading securities. Geographical and liquidity analyses of trading securities are disclosed in Note 31.

8 Trading Securities (Continued)

The Group reclassified the following financial assets from held for trading category during 2008:

In millions of Russian Roubles	Amount reclassified	Undiscounted cash flows expected to be recovered	Effective interest rate (%)
Reclassified into held to maturity			
Federal loan bonds (OFZ)	4 141	7 825	5.7-7.3
Municipal and subfederal bonds	1 201	1 698	7.1-9.2
Corporate bonds	980	1 411	6.7-10.1
Corporate Eurobonds	793	1 300	7.0-8.8
Reclassified into available for sale			
Municipal and subfederal bonds	53	56	7.0
Corporate bonds	2 792	3 868	7.3-15.4
Corporate Eurobonds	1 959	2 918	6.2-11.6
Corporate shares	12	12	-
Total	**11 931**	**19 088**	

The reclassification was made effective from 1 July 2008 when, in management's opinion, the third quarter 2008 collapse in financial markets liquidity and stability commenced, which had also led to the International Accounting Standards Board issuing the amendment allowing reclassifications from that date.

Management believes that the declines in market prices that occurred in the third quarter of 2008 represent a rare event as they are significantly out of line with historical volatilities observed in financial markets.

The carrying amounts and fair values of all financial assets that have been reclassified from trading securities and which were not yet sold or otherwise derecognized, were as follows:

In millions of Russian Roubles	31 December 2013		31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
Reclassified into held to maturity	2 987	2 835	4 052	3 995
Reclassified into available for sale	7	7	8	8
Total	**2 994**	**2 842**	**4 060**	**4 003**

Income or loss recognised for 2008-2013 and fair value gain or loss that would have been recognised if financial assets had not been reclassified were as follows:

In millions of Russian Roubles	Income recognised in profit or loss after reclassification*						Fair value gain/(loss) that would have been recognised if the assets had not been reclassified					
	2013	2012	2011	2010	2009	2008	2013	2012	2011	2010	2009	2008
Reclassified into held to maturity	276	511	486	480	540	482	178	191	84	441	833	(1 307)
Reclassified into available for sale	-	4	59	215	492	743	(1)	(1)	(40)	74	1 067	(1 612)
Total	**276**	**515**	**545**	**695**	**1 032**	**1 225**	**177**	**190**	**44**	**515**	**1 900**	**(2 919)**

* Income or loss recognised after reclassification comprises gains less losses from sale, interest income and foreign exchange gains less losses.

9 Investment Securities Pledged Under Repurchase Agreements

In millions of Russian Roubles	31 December 2013	31 December 2012
Securities available for sale		
Federal loan bonds (OFZ)	15 880	-
Corporate bonds	14 592	-
Municipal and subfederal bonds	2 528	-
Corporate Eurobonds	2 240	-
State Eurobonds	1 618	-
Total Securities available for sale pledged under repurchase agreements	**36 858**	**-**
Securities held to maturity		
Corporate Eurobonds	20 459	20 632
Corporate bonds	13 109	-
Municipal and subfederal bonds	2 784	-
Total Securities held to maturity pledged under repurchase agreements	**36 352**	**20 632**
Total Investment securities pledged under repurchase agreements	**73 210**	**20 632**

Corporate bonds are securities denominated in Russian Roubles issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly, semi-annually or yearly. As at 31 December 2013, these bonds have maturity dates from March 2014 to July 2023 and coupon rates from 7.5% to 15.0% p.a.

Federal loan bonds (OFZ) are represented by state securities denominated in Russian Roubles issued by Ministry of Finance of Russian Federation. Federal loan bonds (OFZ) are traded at a discount or premium to face value and carry a coupon payable semi-annually. As at 31 December 2013, these bonds have maturity dates from March 2014 to January 2028 and coupon rates from 7.1% to 8.2% p.a.

Corporate Eurobonds are securities denominated in Russian Roubles and USD. Corporate Eurobonds are traded at a discount or premium to face value and carry a coupon payable semi-annually. As at 31 December 2013, these bonds have maturity dates from November 2016 to March 2022 (31 December 2012: November 2016) and coupon rates from 6.0% to 7.8% p.a. (31 December 2012: 7.6% p.a.).

Holding Corporate Eurobonds in the investment portfolio of the Group is considered under IFRS 12 requirements as interest in unconsolidated structured entities. Maximum exposure equals to carrying value of Corporate Eurobonds.

State Eurobonds are represented by Russian Federation bonds denominated in USD. As at 31 December 2013, these bonds have maturity date in April 2042 and coupon rate of 5.6% p.a. payable semi-annually.

Municipal and subfederal bonds are represented by bonds issued by Russian municipal and subfederal authorities. These bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually. As at 31 December 2013, these bonds have maturity dates from April 2014 to November 2018 and coupon rates from 7.0% to 12.0% p.a.

9 Investment Securities Pledged Under Repurchase Agreements (Continued)

Analysis by credit quality of investment securities pledged under repurchase agreements outstanding as at 31 December 2013 is as follows:

In millions of Russian Roubles	**Securities internationally rated not lower than BB- (S&P)***	**Securities internationally rated lower than BB- (S&P)***	**Internationally unrated securities**	**Total**
Corporate bonds	24 093	2 902	706	27 701
Corporate Eurobonds	22 699	-	-	22 699
Federal loan bonds (OFZ)	15 880	-	-	15 880
Municipal and subfederal bonds	4 888	424	-	5 312
State Eurobonds	1 618	-	-	1 618
Total Investment securities pledged under repurchase agreements	**69 178**	**3 326**	**706**	**73 210**

* or analogous ratings of other rating agencies.

As at 31 December 2012, corporate Eurobonds were represented by securities issued by major Russian company rated not lower than BB- (S&P).

If a security's rating is unavailable, the issuer's rating is used.

Refer to Note 36 for the disclosure of fair value hierarchy of investment securities pledged under repurchase agreements related to securities available for sale and fair values of investment securities pledged under repurchase agreements related to securities held to maturity. Geographical and liquidity analyses of investment securities pledged under repurchase agreements are disclosed in Note 31.

10 Financial Instruments Designated at Fair Value Through Profit or Loss

In millions of Russian Roubles	**31 December 2013**	**31 December 2012**
Credit Linked Notes	1 490	1 036
Due from other banks	10 730	11 514
Total financial instruments designated at fair value through profit or loss	**12 220**	**12 550**

International credit ratings of issuers of the notes and of counterparty banks were not less than BB- (S&P) as at 31 December 2013 (31 December 2012: not less than BB- (S&P)).

Management classified financial instruments with embedded derivatives as financial instruments designated at fair value through profit or loss, although there was an option to separate the embedded derivative and value the host contract at amortised cost.

In May 2008, the Group purchased a Credit Linked Note from an OECD bank in the nominal amount of RR 2 500 million at the net price of 19.5% of the nominal amount with maturity date in May 2023 and a zero coupon. The Note has an embedded Credit Default Swap linked to the Bank's own credit risk.

In December 2013, the Group purchased three Credit Linked Notes from an OECD bank in the nominal amount of USD 15 million at the net price from 75.4% to 85.3% of the nominal amount with maturity dates from April 2017 to September 2017 and a zero coupon. The Notes have embedded Credit Default Swaps linked to credit risk of large Russian banks and companies.

Due from other banks with embedded derivatives are as follows:

In March 2010, the Group placed funds with the OECD bank in the total amount of USD 200 million, with maturity dates in April 2014 and interest rates of 10.0% and 10.4% p.a. The contracts have embedded derivatives FTD ("first to default"), linked to credit events associated with quasi-sovereign issuers.

10 Financial Instruments Designated at Fair Value Through Profit or Loss (Continued)

In August 2010, the Group placed funds with the OECD bank in the total amount of USD 67 million, with maturity date in August 2015 and interest rate of 10.1% p.a. The contracts have embedded derivatives linked to a credit risk of a quasi-sovereign issuer.

In May 2011, the Group placed funds with the OECD bank in the total amount of USD 50 million, with maturity date in May 2016 and interest rate of 0.6% p.a. The contract has an embedded option linked to the performance of commodity index.

Refer to Note 36 for the disclosure of fair value hierarchy for financial instruments designated at fair value through profit or loss. Geographical and liquidity analyses of financial instruments designated at fair value through profit or loss are disclosed in Note 31.

11 Due from Other Banks

In millions of Russian Roubles	31 December 2013	31 December 2012
Current term placements with other banks	42 675	45 886
Promissory notes	342	-
Overdue placements with other banks	155	155
Less: provision for impairment	(107)	(111)
Total due from other banks	**43 065**	**45 930**

Analysis of the movements in the provision for loan impairment for due from other banks is as follows:

In millions of Russian Roubles	2013	2012
Provision for loan impairment for due from other banks at 1 January	**111**	**8**
(Recovery of provision)/provision for loan impairment for due from other banks during the year	(4)	103
Provision for loan impairment for due from other banks at 31 December	**107**	**111**

Analysis by credit quality of amounts due from other banks is as follows:

In millions of Russian Roubles	31 December 2013	31 December 2012
Current and not impaired		
- Other non-resident banks	16 187	9 673
- Top 30 Russian banks (by net assets) and their subsidiary banks	12 973	5 075
- OECD banks and their subsidiary banks	12 470	27 536
- Other Russian banks	1 387	3 543
Total current and not impaired	**43 017**	**45 827**
Individually assessed for impairment		
- watch-list	-	59
- 181 to 365 days overdue	-	155
- over 365 days overdue	155	-
Total individually assessed for impairment	**155**	**214**
Total due from other banks (before impairment)	**43 172**	**46 041**
Provision for impairment	**(107)**	**(111)**
Total due from other banks	**43 065**	**45 930**

11 Due from Other Banks (Continued)

Analysis of amounts due from other banks by collateral is as follows:

In millions of Russian Roubles	31 December 2013	31 December 2012
Unsecured interbank loans	41 576	18 347
Interbank loans collateralised by:		
- securities	563	523
- guarantee deposits	-	24 492
- other assets	926	2 568
Total due from other banks	**43 065**	**45 930**

As at 31 December 2013, the Group has placements with one foreign bank with rating Baa2 (Moody's) in the total amount of RR 11 457 million, or 27% of total due from other banks (31 December 2012: one foreign bank with rating A+ (S&P) in the total amount of RR 24 492 million, or 53% of total due from other banks).

Refer to Note 36 for the disclosure of fair value of due from other banks. Geographical and liquidity analyses of due from other banks are disclosed in Note 31. The information on related party transactions is disclosed in Note 38.

12 Loans and Advances to Customers

In millions of Russian Roubles	31 December 2013	31 December 2012
Loans to legal entities		
- Loans to corporates	1 113 110	946 315
- Lending for food interventions	10 896	21 794
- Deals with securities purchased under "reverse-repo agreements"	504	-
- Investments in agricultural cooperatives	391	396
Loans to individuals	250 538	199 572
Total loans and advances to customers (before impairment)	**1 375 439**	**1 168 077**
Less: provision for loan impairment	(114 393)	(97 365)
Total loans and advances to customers	**1 261 046**	**1 070 712**

As at 31 December 2013, included in gross amount of loans are loans in the principal amount of RR 637 423 million (31 December 2012: RR 569 898 million), where borrowers are eligible for interest subsidies from federal and regional budgets. Subsidies are paid directly to the borrowers.

Lending for food interventions is represented by loans to the company under the control of the Russian Federation.

As at 31 December 2013, the Group has loans to ten largest borrowers (groups of borrowers) in the total amount of RR 155 910 million (before impairment), or 11% of total loans and advances to customers (before impairment) (31 December 2012: the Group has loans to ten largest borrowers (groups of borrowers) in the total amount of RR 138 884 million (before impairment), or 12% of total loans and advances to customers (before impairment)).

Investments in agricultural cooperatives represent contributions made by the Group as part of its participation in the National Project "Development of the Agro-Industrial Sector". According to the contracts with cooperatives the Group receives fixed annual dividends at the rate 1/2 of the rate of refinancing of CBRF of the contributions made. The Group's management has a right to make cooperative member contributions for the period of 5 years and at the end to withdraw its contributions.

As at 31 December 2013, loans and advances to customers in the amount of RR 504 million are effectively collateralized by securities purchased under reverse repo agreements with a fair value RR 580 million.

12 Loans and Advances to Customers (Continued)

Analysis of the movements in the provision for loan impairment is as follows:

	2013				2012			
In millions of Russian Roubles	Loans to corporates	Investments in agricultural cooperatives	Loans to individuals	Total	Loans to corporates	Investments in agricultural cooperatives	Loans to individuals	Total
Provision for loan impairment at 1 January	**92 257**	**16**	**5 092**	**97 365**	**73 084**	**18**	**2 809**	**75911**
Provision/(recovery of provision) for loan impairment during the year	26 661	10	336	27 007	24 208	(2)	2 294	26500
Recovery of provision for loans sold during the year	(2 950)	-	-	(2 950)	(721)	-	-	(721)
Loans and advances to customers written off during the year as uncollectible	(5 567)	-	(25)	(5 592)	(4 314)	-	(11)	(4 325)
Recovery of provision on loans restructured with significantly changed terms resulting in assets derecognition	(990)	-	-	(990)	-	-	-	-
Disposal of subsidiaries	(447)	-	-	(447)	-	-	-	-
Provision for loan impairment at 31 December	**108 964**	**26**	**5 403**	**114 393**	**92 257**	**16**	**5 092**	**97 365**

No provision for “Lending for food interventions” and “Reverse repo agreements” was recorded as at 31 December 2013 and 31 December 2012.

The economic sector structure of the credit portfolio is as follows:

	31 December 2013		31 December 2012	
In millions of Russian Roubles	Amount	%	Amount	%
Agriculture	646 284	47	613 089	53
Individuals	250 538	18	199 572	17
Manufacturing	210 669	15	150 113	13
Trading	146 327	11	103 387	9
Construction	43 669	3	40 169	3
Other	77 952	6	61 747	5
Total loans and advances to customers (before impairment)	**1 375 439**	**100**	**1 168 077**	**100**

As at 31 December 2013, the aggregate amount of loans to individuals included loans in the principal amount of RR 86 000 million issued to individuals-sole farmers (31 December 2012: RR 75 162 million).

As at 31 December 2013, loans and advances to customers included in manufacturing industry in the amount of RR 119 586 million (before impairment) relate to agriculture sector (31 December 2012: RR 104 260 million (before impairment)).

Loan portfolio analysis by credit quality. The Group estimates credit risk on the basis of professional judgement pronounced upon completing a comprehensive review of a borrower’s activities taking into account their financial situation, debt service quality as well as all other information available to the Group related to any other risks of the borrower.

In reviewing the corporate borrower’s financial position the Group applies a system of coefficients according to which the borrower’s financial situation is assessed as follows:

- *good* if the total score in evaluation of financial situation using the coefficient approach is 53 or more;
- *average* if the total score in evaluation of financial situation using the coefficient approach ranges from 52 to 25 (inclusive);
- *poor* if the total score in evaluation of financial situation using the coefficient approach is less than 25.

In accordance with the methodology of financial assets impairment evaluation, the Group includes loans, for which there is no identified loss event and/or a borrower/debtor default into the category “*collectively assessed for impairment*”.

12 Loans and Advances to Customers (Continued)

As a loss event the Group recognizes objective evidence of asset impairment that emerged subsequent to initial recognition, namely:

- *for loans issued to legal entities (including individual entrepreneurs — sole farmers):*
    - significant financial difficulty of the borrower — changes in financial position from the moment when the loan is issued from good or average to poor (score of 24 and below in accordance with the methodology of evaluation and analysis of the Group's borrower financial position taking into consideration their industry, organisational and legal specifics);
    - breach of contract — principal or interest overdue by more than 5 days;
- *for loans issued to individuals:*
    - significant financial difficulty of the borrower — changes in the scoring of the borrower's financial position from the moment when the loan was issued from good to poor. i.e., loss or significant decrease in income or cost of property, out of which the individual intended to repay the debt (e.g., termination of labour relations between the employer and the individual if the latter has no significant savings, existence of court decisions on bringing the individual to criminal responsibility in the form of imprisonment that came into effect, existence of documentarily supported information of revocation of the license from the credit institution with which the individual's deposit is placed, if failure to receive this deposit impacts the ability of the individual borrower to fulfil his/her obligations on the loan);
    - breach of contract — principal or interest overdue by more than 30 days.

As a *default* of a borrower/debtor, the Group recognizes objective evidence that it is impossible for the creditor to claim future cash flows due under the contract, unless the collateral is used (default of the borrower/debtor), namely:

- *for legal entities (including individual entrepreneurs — sole farmers):*
    - the debtors excluded from the Single State Register of Legal Entities without legal succession (based upon the results of completed bankruptcy proceedings or on the basis of court decision on liquidation of the borrower at the presentation of the authorised body);
    - the debtors, with respect to whom bankruptcy proceedings are completed but they are not excluded from the Single State Register of Legal Entities;
    - the debtors, with respect to whom bankruptcy proceedings are conducted however the court has rejected the claim to include the amounts payable to the Bank into the register of creditors and/or there is no actual property used as a collateral that belongs to these debtors;
    - the debtors, with respect to whom court decision has entered into force but the court has rejected the claim to collect the debt in the Bank's favour or collection under a write-off execution is impossible due to expiry of the term, during which it can be presented for execution;
    - the debtors, who actually discontinued their operation and with respect to whom there exists a documentary confirmation of their actual absence; and
    - principal or interest overdue by over 365 days;
- *for individuals:*
    - death of the debtor in the absence of heirs and inheritance;
    - the debtors, with respect to whom court decision has entered into force but the court has rejected the claim to collect the debt in the Bank's favour or collection under a writ of execution is impossible due to expiry of the term, during which it can be presented for execution;
    - principal or interest overdue by over 365 days; and
    - the debtors, who do not reside at the place of residence indicated in the loan agreement and with respect to whom it is impossible to identify the new place of residence.

12 Loans and Advances to Customers (Continued)

Lending for food interventions and reverse repo agreements are assessed for impairment by the Group on the individual basis as the nature of the borrowers/products is unique and exposures could not be grou¬ped with others.

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

In millions of Russian Roubles	Loans to corporates	Lending for food interventions	Reverse repo agreements	Invest-ments in agricultural cooperatives	Loans to individuals	Total
1. Current and not impaired						
- good financial position	1 028	10 896	504	-	-	12 428
Total current and not impaired	**1 028**	**10 896**	**504**	**-**	**-**	**12 428**
2. Collectively assessed for impairment						
Current						
- good financial position	470 633	-	-	391	-	471 024
- average financial position	295 232	-	-	-	-	295 232
- included in portfolios of similar risk loans	-	-	-	-	232 774	232 774
Overdue						
- overdue by: less than 6 days for legal entities, less than 31 days for individuals	5 458	-	-	-	2 867	8 325
Total collectively assessed for impairment	**771 323**	**-**	**-**	**391**	**235 641**	**1 007 355**
3. Individually assessed for impairment						
- watch list	202 384	-	-	-	-	202 384
- poor financial position	25 518	-	-	-	-	25 518
- 6 to 30 days overdue	3 139	-	-	-	-	3 139
- 31 to 90 days overdue	4 479	-	-	-	2 153	6 632
- 91 to 180 days overdue	6 500	-	-	-	2 524	9 024
- 181 to 365 days overdue	14 567	-	-	-	3 074	17 641
- over 365 days overdue	84 172	-	-	-	7 146	91 318
Total individually assessed for impairment	**340 759**	**-**	**-**	**-**	**14 897**	**355 656**
Total loans and advances to customers (before impairment)	**1 113 110**	**10 896**	**504**	**391**	**250 538**	**1 375 439**
Provision for loan impairment	**(108 964)**	**-**	**-**	**(26)**	**(5 403)**	**(114 393)**
Total loans and advances to customers	**1 004 146**	**10 896**	**504**	**365**	**245 135**	**1 261 046**

12 Loans and Advances to Customers (Continued)

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

In millions of Russian Roubles	Loans to corporates	Lending for food interventions	Investments in agricultural cooperatives	Loans to individuals	Total
1. Current and not impaired					
- good financial position	-	21 794	-	-	21 794
Total current and not impaired	**-**	**21 794**	**-**	**-**	**21 794**
2. Collectively assessed for impairment					
Current					
- good financial position	412 545	-	396	-	412 941
- average financial position	207 416	-	-	-	207 416
- included in portfolios of similar risk loans	-	-	-	190 664	190 664
Overdue					
- overdue by: less than 6 days for legal entities, less than 31 days for individuals	18 079	-	-	1 473	19 552
Total collectively assessed for impairment	**638 040**	**-**	**396**	**192 137**	**830 573**
3. Individually assessed for impairment					
- watch list	183 037	-	-	-	183 037
- poor financial position	8 079	-	-	-	8 079
- 6 to 30 days overdue	5 090	-	-	-	5 090
- 31 to 90 days overdue	11 447	-	-	1 320	12 767
- 91 to 180 days overdue	12 972	-	-	1 482	14 454
- 181 to 365 days overdue	19 584	-	-	2 217	21 801
- over 365 days overdue	68 066	-	-	2 416	70 482
Total individually assessed for impairment	**308 275**	**-**	**-**	**7 435**	**315 710**
Total loans and advances to customers (before impairment)	**946 315**	**21 794**	**396**	**199 572**	**1 168 077**
Provision for loan impairment	**(92 257)**	**-**	**(16)**	**(5 092)**	**(97 365)**
Total loans and advances to customers	**854 058**	**21 794**	**380**	**194 480**	**1 070 712**

Overdue loans represent not only past due payments but the whole outstanding balances of such loans.

Loans included in the watch list are in the process of restructuring and/or renegotiation. Watch list includes loans and advances to customers overdue from 1 to 180 days of RR 14 119 million (2012: RR 9 051 million) and loans and advances to customers overdue more than 180 days of RR 86 672 million (2012: RR 89 672 million). The remaining loans included in the watch list are not overdue.

As at 31 December 2013, interest accrued on impaired loans included in carrying value of loans and advances to customers amounts to RR 42 788 million (2012: RR 33 457 million).

12 Loans and Advances to Customers (Continued)

Loans included in portfolio with similar risk loans consist of small value loans with homogeneous credit characteristics without any signs of impairment. According to internal policies the bank before granting each particular loan analyses sufficiency of earnings and collateral (where applicable), obtains confirmation from external sources on positive credit history and reputation of each borrower. As at 31 December 2013, current collectivelly assessed loans to individuals comprises: loans to the sole farmers — 35% (31 December 2012: 37%), mortgage loans — 18% (31 December 2012: 14%) and consumer and other individual loans — 47% (31 December 2012: 49%).

The table below summarizes the results of quality analysis of the loan portfolio:

In millions of Russian Roubles	31 December 2013	31 December 2012
Current loans	1 138 569	925 208
Past due instalments	156 967	147 290
Current portion of past due loans	79 903	95 579
Provision for loan impairment	(114 393)	(97 365)
Total loans and advances to customers	**1 261 046**	**1 070 712**

Loan collateral

The Group accepts different types of collateral, such as: inventories (finished products, raw materials, goods in turnover), equipment, including agricultural machinery, motor vehicles, real estate, land plots, construction in progress, sea and other vessels, farm animals, future crop, property acquired in the future, property rights, warranties, banking guarantees, government guarantees of Russian Federation and municipal guarantees.

Where appropriate, the value of collateral was incorporated in the assessment of recoverable amount of loans and advances to customers.

Among other measures aimed at credit enhancement is the Group's requirement to insure the subject of collateral. Property is insured by insurance companies that have accreditation and a cooperation agreement with the Bank.

The Group monitors the condition and reviews the structure of the collateral. The primary purpose of the review of the structure of collateral as well as monitoring of the collateral rights by the Group includes:

- obtaining complete and objective information on the available collateral property and its structure;
- development of optimal schemes of realisation of collateral rights with account for the specifics of regional distribution;
- improving the effectiveness and timeliness of collateral foreclosure process;
- preparation of statistical and analytical information for the Group management; and
- control over the Group's regional branches with respect to issued loans.

The majority of collateral (over 80%) (2012: over 79%) relates to the following types: real estate — 52% (2012: 49%), equipment — 16% (2012: 17%) and vehicles — 12% (2012: 13%).

According to the Group's internal documents it is allowed to issue unsecured loans in the following cases:

- for legal entities — overdrafts; and
- for individuals — loans up to RR 50 thousand under the program "Sadovod"; loans up to RR 750 thousand under the program "Consumer loan without collateral"; loans up to RR 1 million (or equivalent in foreign currency) under the program "Consumer loan to individuals — OJSC RSHB salary card holder"; loans up to RR 1 million (or equivalent in foreign currency) under the program "Credit card" and overdrafts (up to RR 300 thousand or equivalent in foreign currency); loans up to RR 50 thousand under the program "Refinancing consumer loans received by individuals from other banks and agricultural cooperatives"; loans up to RR 700 thousand under the program "Loans to the sole farmers.

Refer to Note 36 for the disclosure of fair value of each class of loans and advances to customers. Geographical and liquidity analyses of loans and advances to customers are disclosed in Note 31. The information on related party transactions is disclosed in Note 38.

13 Investment Securities Available for Sale

In millions of Russian Roubles	31 December 2013	31 December 2012
Corporate bonds	32 403	34 805
Corporate Eurobonds	9 585	489
Federal loan bonds (OFZ)	5 224	7 629
Municipal and subfederal bonds	1 950	1 101
State Eurobonds	1 109	-
Corporate shares	28	12
Total investment securities available for sale	**50 299**	**44 036**

The primary factor that the Group considers in determining whether a debt security is impaired is its overdue status.

Analysis by credit quality of debt investment securities available for sale outstanding as at 31 December 2013 is as follows:

In millions of Russian Roubles	Securities internationally rated not lower than BB- (S&P)*	Securities internationally rated lower than BB- (S&P)*	Internationally unrated securities	Total
Corporate bonds	19 754	9 571	3 078	32 403
Corporate Eurobonds	8 081	-	1 504	9 585
Federal loan bonds (OFZ)	5 224	-	-	5 224
Municipal and subfederal bonds	1 914	36	-	1 950
State Eurobonds	1 109	-	-	1 109
Total debt investment securities available for sale	**36 082**	**9 607**	**4 582**	**50 271**

* or analogous ratings of other rating agencies.

Analysis by credit quality of debt investment securities available for sale outstanding as at 31 December 2012 is as follows:

In millions of Russian Roubles	Securities internationally rated not lower than BB- (S&P)*	Securities internationally rated lower than BB- (S&P)*	Internationally unrated securities	Total
Corporate bonds	25 247	8 127	1 431	34 805
Federal loan bonds (OFZ)	7 629	-	-	7 629
Municipal and subfederal bonds	1 047	54	-	1 101
Corporate Eurobonds	238	251	-	489
Total debt investment securities available for sale	**34 161**	**8 432**	**1 431**	**44 024**

* or analogous ratings of other rating agencies.

Corporate bonds in the Group's portfolio are represented by securities denominated in Russian Roubles issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually depending on the type of the bond issue and the issuer. As at 31 December 2013, these bonds have maturity dates from February 2014 to November 2028 (31 December 2012: from February 2013 to November 2024) and coupon rates from 6.7% to 14.5% p.a. (31 December 2012: from 6.7% to 14.5% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

13 Investment Securities Available for Sale (Continued)

Federal loan bonds (OFZ) are represented by state securities denominated in Russian Roubles issued by Ministry of Finance of Russian Federation. Federal loan bonds (OFZ) are traded at a discount or premium to face value and carry a coupon payable semi-annually. As at 31 December 2013, these bonds have maturity dates from July 2015 to January 2028 (31 December 2012: from July 2022 to February 2027) and coupon rates from 6.4% to 7.0% p.a. (31 December 2012: from 7.6% to 8.2% p.a.), depending on the type of the bond issue and the market conditions.

Corporate Eurobonds are bonds denominated in USD issued by major Russian companies. As at 31 December 2013, these bonds have maturity dates from November 2019 to February 2028 (31 December 2012: from December 2016 to April 2021) and coupon rates from 4.2% to 7.8% p.a. (31 December 2012: from 7.6% to 7.8% p.a.), payable semi-annually, depending on the type of the bond issue, the issuer and the market conditions.

Holding Corporate Eurobonds in the investment portfolio of the Group is considered under IFRS 12 requirements as interest in unconsolidated structured entities. Maximum exposure equals to carrying value of Corporate Eurobonds.

Municipal and subfederal bonds are represented by Russian Roubles bonds of Russian municipal and subfederal authorities. These bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue and the issuer. As at 31 December 2013, these bonds have maturity dates from December 2014 to November 2020 (31 December 2012: from December 2014 to November 2018) and coupon rates from 7.0% to 8.8% p.a. (31 December 2012: from 7.0% to 8.9% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

State Eurobonds are represented by Russian Federation bonds denominated in USD. As at 31 December 2013, these bonds have maturity date in March 2030 and coupon rate of 7.5% p.a., payable semi-annually.

During 2011 and 2012 the Group reclassified financial assets from the available-for-sale category as a result of reassessment of its intention to hold to maturity. As at 31 December 2013, the amount of all financial assets that have been reclassified from investment securities available for sale and which were not yet sold or otherwise derecognized, were as follows:

In millions of Russian Roubles	**Amount reclassified**	**Undiscounted cash flows expected to be recovered**	**Effective interest rate (%)**
Reclassified into held to maturity during 2011			
Corporate bonds	14 001	17 482	6.7 - 8.9
Municipal and subfederal bonds	2 589	2 439	7.7
Reclassified into held to maturity during 2012			
Corporate Eurobonds	20 721	24 374	6.7
Total	**37 311**	**44 295**	

Refer to Note 36 for the disclosure of the fair value hierarchy for investment securities available for sale. Geographical and liquidity analyses of investment securities available for sale are disclosed in Note 31.

14 Investment Securities Held to Maturity

In millions of Russian Roubles	**31 December 2013**	**31 December 2012**
State Eurobonds	7 175	6 659
Federal Loan bonds (OFZ)	2 318	2 754
Corporate bonds	1 272	14 916
Municipal and subfederal bonds	467	3 403
Corporate Eurobonds	59	267
Total investment securities held to maturity	**11 291**	**27 999**

14 Investment Securities Held to Maturity (Continued)

Analysis by credit quality of investment securities held to maturity as at 31 December 2013 is as follows:

In millions of Russian Roubles	Securities internationally rated not lower than BB- (S&P)*	Securities internationally rated lower than BB- (S&P)*	Total
State Eurobonds	7 175	-	7 175
Federal Loan bonds (OFZ)	2 318	-	2 318
Corporate bonds	657	615	1 272
Municipal and subfederal bonds	467	-	467
Corporate Eurobonds	59	-	59
Total investment securities held to maturity	**10 676**	**615**	**11 291**

* or analogous ratings of other rating agencies.

Analysis by credit quality of investment securities held to maturity as at 31 December 2012 is as follows:

In millions of Russian Roubles	Securities internationally rated not lower than BB- (S&P)*	Securities internationally rated lower than BB- (S&P)*	Total
Corporate bonds	14 275	641	14 916
State Eurobonds	6 659	-	6 659
Municipal and subfederal bonds	2 985	418	3 403
Federal Loan bonds (OFZ)	2 754	-	2 754
Corporate Eurobonds	267	-	267
Total investment securities held to maturity	**26 940**	**1 059**	**27 999**

* or analogous ratings of other rating agencies.

If a security's rating is unavailable, the issuer's rating is used.

The primary factor that the Group considers when deciding whether a debt security is impaired is its overdue status. Since the Group did not have overdue securities held to maturity, no provisions for impairment of these securities were recognised.

Corporate bonds are represented by securities denominated in Russian Roubles, issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly, semi-annually or annually, depending on the type of the bond issue and the issuer. As at 31 December 2013, these bonds have maturity dates from February 2014 to July 2023 (31 December 2012: from September 2013 to July 2023) and coupon rates from 7.2% to 15.0% p.a. (31 December 2012: from 6.7% to 15.0% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

State Eurobonds are represented by Russian Federation bonds denominated in USD. As at 31 December 2013, these bonds have maturity date in April 2020 (31 December 2012: in April 2020) and coupon rate of 5.0% p.a. (31 December 2012: 5.0% p.a.) payable semi-annually.

Municipal and subfederal bonds are represented by bonds issued by Russian municipal and subfederal authorities denominated in Russian Roubles. These bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue and the issuer. As at 31 December 2013, these bonds have maturity dates from April 2014 to December 2015 (31 December 2012: from November 2013 to December 2015) and coupon rates from 5.5% to 12.0% p.a. (31 December 2012: from 7.0% to 13.0% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Federal Loan bonds (OFZ) are represented by the state securities denominated in Russian Roubles issued by the Ministry of Finance of Russian Federation. As at 31 December 2013, these OFZ have maturity dates from August 2016 to February 2036 (31 December 2012: from July 2013 to February 2036) and coupon rates from 5.5% to 7.0% p.a. (31 December 2012: from 6.0% to 7.0% p.a.) payable quarterly or semi-annually, depending on the type of the bond issue and the market conditions.

Refer to Note 36 for the disclosure of the fair value of investment securities held to maturity. Geographical and liquidity analyses of securities held to maturity are disclosed in Note 31.

15 Premises, Equipment and Intangible Assets

		Used in banking activities			
In millions of Russian Roubles	Note	Office premises	Leasehold (premises) improve-ments	Office and computer equipment	Land
Cost or valuation at 1 January 2012		9 158	1 545	6 490	386
Accumulated depreciation		(705)	(606)	(2 987)	-
Carrying amount at 1 January 2012		**8 453**	**939**	**3 503**	**386**
Additions		638	16	608	
Disposals		(233)	(23)	(44)	-
Disposal of entities		-	-	-	-
Depreciation charge: before revaluation	26, 27	(212)	(160)	(963)	-
Depreciation charge: realised revaluation reserve and revaluation loss	27	(17)	-	-	-
Changes in gross carrying value resulting from revaluation		588	-	-	-
Changes in accumulated depreciation resulting from revaluation		(80)	-	-	-
Carrying amount at 31 December 2012		**9 137**	**772**	**3 104**	**386**
Cost or valuation at 31 December 2012		10 147	1 515	6 910	386
Accumulated depreciation		(1 010)	(743)	(3 806)	-
Carrying amount at 31 December 2012		**9 137**	**772**	**3 104**	**386**

Used in non-banking activities					
Production premises	Equipment	Land	Total premises and equipment	Intangible assets	Total
11 688	1 660	118	31 045	2 775	33 820
(1 369)	(285)	-	(5 952)	(1 244)	(7 196)
10 319	**1 375**	**118**	**25 093**	**1 531**	**26 624**
572	44	53	1 931	704	2 635
(801)	(188)	(72)	(1 361)	-	(1 361)
(1 139)	(32)	-	(1 171)	-	(1 171)
(487)	(93)	-	(1 915)	(512)	(2 427)
-	-	-	(17)	-	(17)
-	-	-	588	-	588
-	-	-	(80)	-	(80)
8 464	**1 106**	**99**	**23 068**	**1 723**	**24 791**
9 936	1 306	99	30 299	3 479	33 778
(1 472)	(200)	-	(7 231)	(1 756)	(8 987)
8 464	**1 106**	**99**	**23 068**	**1 723**	**24 791**

15 Premises, Equipment and Intangible Assets (Continued)

		Used in banking activities			
In millions of Russian Roubles	Note	Office premises	Leasehold (premises) improvements	Office and computer equipment	Land
Cost or valuation at 1 January 2012		10 147	1 515	6 910	386
Accumulated depreciation		(1 010)	(743)	(3 806)	-
Carrying amount at 1 January 2012		**9 137**	**772**	**3 104**	**386**
Additions		82	94	986	1
Disposals		(153)	(16)	(14)	-
Reclassification from assets of disposal groups held for sale	39	-	-	-	-
Reclassification to assets held for sale	39	(149)	-	-	-
Disposal of entities		-	-	-	-
Depreciation charge: before revaluation	26, 27	(217)	(157)	(972)	-
Depreciation charge: realised revaluation reserve and revaluation loss	27	(31)	-	-	-
Carrying amount at 31 December 2013		**8 669**	**693**	**3 104**	**387**
Cost or valuation at 31 December 2013		9 927	1 571	7 694	387
Accumulated depreciation		(1 258)	(878)	(4 590)	-
Carrying amount at 31 December 2013		**8 669**	**693**	**3 104**	**387**

Used in non-banking activities					
Production premises	Equipment	Land	Total premises and equipment	Intangible assets	Total
9 936	1 306	99	30 299	3 479	33 778
(1 472)	(200)	-	(7 231)	(1 756)	(8 987)
8 464	**1 106**	**99**	**23 068**	**1 723**	**24 791**
4	32	28	1 227	602	1 829
(9)	(33)	(2)	(227)	-	(227)
2 100	898	108	3 106	-	3 106
-	-	-	(149)	-	(149)
-	(12)	-	(12)	-	(12)
(617)	(364)		(2 327)	(556)	(2 883)
-	-	-	(31)	-	(31)
9 942	**1 627**	**233**	**24 655**	**1 769**	**26 424**
12 104	2 278	233	34 194	3 655	37 849
(2 162)	(651)	-	(9 539)	(1 886)	(11 425)
9 942	**1 627**	**233**	**24 655**	**1 769**	**26 424**

15 Premises, Equipment and Intangible Assets (Continued)

Non-banking premises are mainly represented by grain storages and production premises related to subsidiaries activities.

Intangible assets mainly include capitalised computer software.

Construction in progress in respect of banking and non-banking premises at 31 December 2013 was RR 8 million (31 December 2012: RR 315 million).

Carrying amount of office premises without revaluation at 31 December 2013 is RR 7 720 million, including cost in amount of RR 8 690 million and accumulated depreciation of RR 970 million (31 December 2012: carrying amount of office premises without revaluation was RR 8 157 million, including cost in amount of RR 8 910 million and accumulated depreciation of RR 753 million). As at 31 December 2012, premises were independently valued. The valuation was carried out by an independent appraisers firm, Institute of Valuation of Property and Financial Activity Ltd, which hold a relevant professional qualification and which have recent experience in valuation of assets of similar location and category.

The Group believes that fair value of premises has not changed significantly during the year 2013. Thereof as at 31 December 2013 the Group has not performed revaluation of premises.

Refer to Note 36 for the disclosure of the fair value hierarchy for office premises.

16 Other Assets

In millions of Russian Roubles	Note	31 December 2013	31 December 2012
Non-financial assets			
Repossessed collateral		3 993	5 766
Inventory		778	274
Prepayment for goods		674	1 141
Prepayment for services		527	368
Prepaid taxes		121	84
Goodwill		8	8
Other		18	18
Total non-financial assets		**6 119**	**7 659**
Financial assets			
Settlements on banking cards		5 735	4 930
Due from State Corporation Deposit Insurance Agency (SC DIA)		2 708	14
Trade receivables		885	828
Settlements on funds transfer operations		464	686
Restricted cash	34	202	202
Other		2 336	1 195
Provision for impairment of other financial assets		(901)	(434)
Total financial assets		**11 429**	**7 421**
Insurance assets		**1 285**	**644**
Total other assets		**18 833**	**15 724**

Repossessed collateral mainly represents the land and production premises. The Group is not going to use repossessed collateral in its own operations. The Group is currently assessing the possibility of disposal of the assets in the future.

As at 31 December 2013 Due from State Corporation Deposit Insurance Agency (SC DIA) represents amounts due by SC DIA on settlements with individuals – former clients of banks with revoked licences: OJSC Smolenskiy bank, OJSC Commercial bank Pushkino, commercial bank Investbank, LLC Vitas bank (31 December 2012: LLC Vitas bank).

16 Other Assets (Continued)

Trade receivables, inventory and prepayment for goods are related to trade activities of subsidiaries.

The movements in the provision for impairment of other financial assets are as follows:

In millions of Russian Roubles	2013	2012
Provision for impairment of other financial assets at 1 January	**434**	**247**
Provision for impairment of other financial assets during the year	481	192
Other financial assets written off during the year as uncollectible	(14)	(5)
Provision for impairment of other financial assets at 31 December	**901**	**434**

The movements in repossessed collateral are as follows:

In millions of Russian Roubles	Note	2013	2012
Repossessed collateral at 1 January		**5 766**	**5 334**
Additions for the year		167	473
Disposal during the year		(1 129)	(1)
Reclassification to assets held for sale	39	(681)	-
Impairment of assets before transfer to assets held for sale		(127)	-
Depreciation charge	27	(3)	(40)
Repossessed collateral at 31 December		**3 993**	**5 766**

As at 31 December 2013, the fair value of repossessed collateral was RR 3 920 million (31 December 2012: RR 5 527 million).

As at 31 December 2013 and 31 December 2012, significant part of repossessed collateral was evaluated for the purpose of impairment assessment by an independent appraisers firm, Institute of Valuation of Property and Financial Activity Ltd, which hold a relevant professional qualification and which have experience in valuation of assets of similar location and category.

Refer to Note 36 for the disclosure of fair value of other financial assets. Geographical analysis of other assets and maturity analysis of other financial assets are disclosed in Note 31.

17 Due to Other Banks

In millions of Russian Roubles	31 December 2013	31 December 2012
Borrowings from other banks with term to maturity:		
- sale and repurchase agreements less than 30 days	12 424	-
- sale and repurchase agreements from 181 days to 1 year	20 393	17 161
- less than 30 days	12 825	33 100
- from 31 to 180 days	19 762	32 538
- from 181 days to 1 year	14 312	23 783
- from 1 year to 3 years	5 336	5 526
- more than 3 years	14 182	13 662
Borrowings from the CBRF with term to maturity:		
- sale and repurchase agreements less than 30 days	28 999	-
- less than 30 days	32	22
- from 31 to 180 days	19 517	10 000
- from 180 days to 1 year	1 400	-
Correspondent accounts and overnight placements of other banks	498	551
Total due to other banks	**149 680**	**136 343**

As at 31 December 2013, the Group has balances due to one foreign bank with the aggregated amount of RR 21 630 million, or 14% of total due to other banks (31 December 2012: due to two foreign banks with the aggregate amount of RR 52 087 million, or 38% of total due to other banks).

Refer to Note 36 for the disclosure of the fair value of due to other banks. Geographical and liquidity analyses of due to other banks are disclosed in Note 31. The information on related party transactions is disclosed in Note 38.

18 Customer Accounts

In millions of Russian Roubles	31 December 2013	31 December 2012
State and public organisations		
- Current/settlement accounts	6 333	9 672
- Term deposits	148 573	67 549
Other legal entities		
- Current/settlement accounts	75 668	65 379
- Term deposits	242 250	226 981
- Sale and repurchase agreements with securities	14	-
Individuals		
- Current/demand accounts	36 738	32 940
- Term deposits	212 549	154 955
Total customer accounts	**722 125**	**557 476**

State and public organisations exclude state-controlled joint-stock companies.

Economic sector concentrations within customer accounts are as follows:

	31 December 2013		31 December 2012	
In millions of Russian Roubles	Amount	%	Amount	%
Individuals	249 287	35	187 895	34
State and public organisations	154 906	21	77 221	14
Financial services and pension funds	113 710	16	121 474	22
Manufacturing	53 265	7	25 382	5
Agriculture	36 015	5	36 189	6
Trading	29 890	4	18 292	3
Insurance	28 403	4	35 579	6
Construction	26 571	3	17 766	3
Telecommunication	6 605	1	5 605	1
Leasing	1 205	1	1 591	1
Other	22 268	3	30 482	5
Total customer accounts	**722 125**	**100**	**557 476**	**100**

As at 31 December 2013, the Group has two customers with balances above 10% of total equity (31 December 2012: four customers with balances above 10% of total equity). The aggregate balance of these customers was RR 102 153 million, or 14% of total customer accounts (31 December 2012: RR 119 756 million, or 21% of total customer accounts).

As at 31 December 2013, customer accounts include secured deposit of RR 6 010 million (31 December 2012: RR 5 700 million). The deposit is secured by State Eurobonds with carrying value of RR 7 176 million (31 December 2012: RR 6 659 million). Refer to Note 34.

Refer to Note 36 for the disclosure of the fair value of customer accounts. Geographical and liquidity analyses of customer accounts are disclosed in Note 31. The information on related party transactions is disclosed in Note 38.

19 Promissory Notes Issued and Deposit Certificates

In millions of Russian Roubles	31 December 2013	31 December 2012
Promissory notes issued	30 190	23 234
Deposit certificates	984	-
Total promissory notes issued and deposit certificates	**31 174**	**23 234**

As at 31 December 2013, promissory notes issued are represented by interest bearing and at a discount to nominal value promissory notes denominated in Russian Roubles and US dollars with effective interest rates from zero p.a. (for promissory notes on demand) up to 9.0% p.a. and maturity dates from January 2014 to May 2021 (31 December 2012: interest bearing and at a discount to nominal value promissory notes denominated in Russian Roubles and US dollars with effective interest rates from zero p.a. (for promissory notes on demand) up to 9.0% p.a. and maturity dates from January 2013 to December 2020).

As at 31 December 2013, deposit certificates are represented by deposit certificates issued at nominal value denominated in Russian Roubles with effective interest rates from 7.1% p.a. up to 8.7% p.a. and maturity dates from February 2014 to December 2015.

As at 31 December 2013, promissory notes and deposit certificates issued, which were initially purchased by one counterparty, amounted to RR 20 154 million, or 65% of total promissory notes and deposit certificates issued by the Group (31 December 2012: promissory notes issued, which were initially purchased by one counterparty, amounted to RR 15 155 million, or 65% of total promissory notes issued by the Group).

Refer to Note 36 for the disclosure of the fair value of promissory notes and deposit certificates issued. Geographical and liquidity analyses of promissory notes issued and deposit certificates are disclosed in Note 31.

20 Bonds Issued

In millions of Russian Roubles	31 December 2013	31 December 2012
Eurobonds issued	299 782	293 678
Bonds issued on domestic market	150 021	147 188
Total bonds issued	**449 803**	**440 866**

As at 31 December 2013, bonds issued consist of US Dollars, Russian Roubles, Swiss Francs and Chinese Yuan denominated Eurobonds issued by the Group through its special purpose entity, RSHB Capital S.A., as well as Russian Roubles denominated bonds issued on domestic market.

20 Bonds Issued (Continued)

Currency of denomination	Nominal value, in million of currency, in circulation	Issue date	Maturity date	Put option date	Coupon rate	Coupon payment
Eurobonds issued						
US Dollars	1 148	14 May 2007	15 May 2017	-	6.299%	6 months
US Dollars						
- tranche A	702	29 May 2008	14 January 2014	-	7.125%	6 months
- tranche B	901	29 May 2008	29 May 2018	-	7.750%	6 months
US Dollars	1 000	11 June 2009	11 June 2014	-	9.000%	6 months
Russian Roubles	20 000	17 March 2011	17 March 2016	-	8.700%	6 months
Russian Roubles	12 000	20 April 2011	17 March 2016	-	8.700%	6 months
Russian Roubles	20 000	23 November 2011	23 November 2016	-	7.400%	6 months
Russian Roubles	10 000	17 February 2012	17 February 2017	-	8.625%	6 months
Russian Roubles	10 000	26 July 2012	17 February 2017	-	8.625%	6 months
US Dollars	500	27 June 2012	27 December 2017	-	5.298%	6 months
US Dollars	350	5 July 2012	27 December 2017	-	5.298%	6 months
Swiss Francs	450	17 August 2012	17 August 2015	-	3.125%	1 year
US Dollars	450	31 August 2012	27 December 2017	-	5.298%	6 months
Chinese Yuan	1 000	4 February 2013	4 February 2016	-	3.600%	6 months
Russian Roubles	10 000	7 February 2013	7 February 2018	-	7.875%	6 months
US Dollars	800	25 July 2013	25 July 2018	-	5.100%	6 months
Bonds issued on domestic market						
Russian Roubles	10 000	22 February 2007	9 February 2017	17 February 2014	9.250%	6 months
Russian Roubles	10 000	11 October 2007	27 September 2017	2 October 2015	7.800%	6 months
Russian Roubles	2 231	10 December 2008	27 November 2018	4 June 2015	7.750%	6 months
Russian Roubles	5 000	22 February 2008	9 February 2018	19 August 2014	7.800%	6 months
Russian Roubles	5 000	17 June 2008	5 June 2018	10 December 2015	7.850%	6 months
Russian Roubles	5 000	26 November 2009	14 November 2019	26 May 2014	8.400%	6 months
Russian Roubles	5 000	26 November 2009	14 November 2019	26 May 2014	8.400%	6 months
Russian Roubles	5 000	11 February 2010	29 January 2020	6 February 2015	8.200%	6 months
Russian Roubles	5 000	12 February 2010	30 January 2020	9 February 2015	8.200%	6 months
Russian Roubles	5 000	7 February 2012	3 February 2015	-	7.700%	6 months
Russian Roubles	5 000	9 February 2012	5 February 2015	-	7.700%	6 months
Russian Roubles	5 000	14 July 2011	1 July 2021	13 July 2015	7.700%	6 months
Russian Roubles	5 000	15 July 2011	2 July 2021	14 July 2015	7.700%	6 months
Russian Roubles	10 000	12 July 2011	29 June 2021	9 July 2015	7.700%	6 months
Russian Roubles	10 000	8 November 2011	26 October 2021	7 May 2015	7.750%	6 months
Russian Roubles	10 000	16 April 2012	4 April 2022	15 April 2015	8.550%	6 months
Russian Roubles	10 000	23 October 2012	11 October 2022	23 October 2014	8.350%	6 months
Russian Roubles	5 000	25 October 2012	13 October 2022	27 October 2014	8.350%	6 months
Russian Roubles	10 000	23 April 2013	11 April 2023	21 April 2016	7.990%	6 months
Russian Roubles	10 000	30 July 2013	18 July 2023	30 July 2015	7.850%	6 months
Russian Roubles	5 000	30 September 2013	18 September 2023	28 September 2016	7.900%	6 months
Russian Roubles	5 000	22 November 2013	10 November 2023	22 November 2016	8.100%	6 months

20 Bonds Issued (Continued)

As at 31 December 2012, the Group's bonds issued included Eurobonds denominated in US Dollars, Russian Roubles and Swiss Francs that are issued by the Group through its special purpose entity, RSHB Capital S.A. as well as bonds denominated in Russian Roubles and issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Issue date	Maturity date	Put option date	Coupon rate	Coupon payment
Eurobonds issued						
US Dollars	627	16 May 2006	16 May 2013	-	7.175%	6 months
US Dollars	1 148	14 May 2007	15 May 2017	-	6.299%	6 months
US Dollars						
- tranche A	702	29 May 2008	14 January 2014	-	7.125%	6 months
- tranche B	901	29 May 2008	29 May 2018	-	7.750%	6 months
US Dollars	1 000	11 June 2009	11 June 2014	-	9.000%	6 months
Russian Roubles	30 000	25 March 2010	25 March 2013	-	7.500%	6 months
Russian Roubles	20 000	17 March 2011	17 March 2016	-	8.700%	6 months
Russian Roubles	12 000	20 April 2011	17 March 2016	-	8.700%	6 months
Russian Roubles	20 000	23 November 2011	23 November 2016	-	7.580%	6 months
Russian Roubles	10 000	17 February 2012	17 February 2017	-	8.625%	6 months
US Dollars	500	27 June 2012	27 December 2017	-	5.298%	6 months
US Dollars	350	5 July 2012	27 December 2017	-	5.298%	6 months
Russian Roubles	10 000	26 July 2012	17 February 2017	-	8.625%	6 months
Swiss Francs	450	17 August 2012	17 August 2015	-	3.125%	1 year
US Dollars	450	31 August 2012	27 December 2017	-	5.298%	6 months
Bonds issued on domestic market						
Russian Roubles	10 000	22 February 2007	9 February 2017	17 February 2014	9.250%	6 months
Russian Roubles	9 010	10 October 2007	27 September 2017	4 October 2013	7.500%	6 months
Russian Roubles	585	22 February 2008	9 February 2018	19 August 2014	7.800%	6 months
Russian Roubles	5 000	17 June 2008	5 June 2018	14 June 2013	6.850%	6 months
Russian Roubles	10 000	9 December 2008	27 November 2018	5 December 2013	8.750%	6 months
Russian Roubles	5 000	26 November 2009	14 November 2019	26 May 2014	8.400%	6 months
Russian Roubles	5 000	26 November 2009	14 November 2019	26 May 2014	8.400%	6 months
Russian Roubles	5 000	10 February 2010	29 January 2020	8 February 2013	9.000%	6 months
Russian Roubles	5 000	11 February 2010	30 January 2020	11 February 2013	9.000%	6 months
Russian Roubles	5 000	1 September 2010	28 August 2013	-	8.300%	6 months
Russian Roubles	10 000	1 September 2010	28 August 2013	-	8.300%	6 months
Russian Roubles	10 000	2 November 2010	29 October 2013	-	8.200%	6 months
Russian Roubles	10 000	12 July 2011	29 June 2021	9 July 2015	7.700%	6 months
Russian Roubles	5 000	14 July 2011	1 July 2021	13 July 2015	7.700%	6 months
Russian Roubles	5 000	15 July 2011	2 July 2021	14 July 2015	7.700%	6 months
Russian Roubles	10 000	8 November 2011	26 October 2021	7 November 2013	8.750%	6 months
Russian Roubles	5 000	7 February 2012	3 February 2015	8 August 2013	8.200%	6 months
Russian Roubles	5 000	9 February 2012	5 February 2015	10 August 2013	8.200%	6 months
Russian Roubles	10 000	16 April 2012	4 April 2022	15 April 2015	8.550%	6 months
Russian Roubles	10 000	23 October 2012	11 October 2022	23 October 2014	8.350%	6 months
Russian Roubles	5 000	25 October 2012	13 October 2022	27 October 2014	8.350%	6 months

Refer to Note 36 for the disclosure of the fair value for bonds issued. Geographical and liquidity analyses of bonds issued are disclosed in Note 31.

21 Other Liabilities

In millions of Russian Roubles	Note	31 December 2013	31 December 2012
Non-financial liabilities			
Accrued staff costs		2 396	2 343
Taxes payable other than on income		593	410
Insurance contribution		224	167
Other		1 251	580
Total non-financial liabilities		**4 464**	**3 500**
Financial liabilities			
Settlements on banking cards		5 262	3 048
Trade payables		611	368
Other subsidiaries' payables		271	265
Carrying value of guarantees issued		19	50
Other provisions	34	136	-
Total financial liabilities		**6 299**	**3 731**
Insurance liabilities			
Provision for unearned premiums		1 575	988
Loss provision		725	309
Insurance payables		267	296
Total insurance liabilities		**2 567**	**1 593**
Total other liabilities		**13 330**	**8 824**

Trade payables are related to the business activities of subsidiaries.

Movements in the provision for unearned premiums are as follows:

In millions of Russian Roubles	Note	2013	2012
Provision for unearned premiums as at 1 January		**988**	**27**
Premium earned	26	(1 776)	(576)
Premium written		2 363	1 537
Provision for unearned premiums as at 31 December		**1 575**	**988**

Movements in the loss provision are as follows:

In millions of Russian Roubles	Note	2013	2012
Loss provision as at 1 January		**309**	**-**
Claims incurred during the period	26	943	442
Insurance claims settled		(527)	(133)
Loss provision as at 31 December		**725**	**309**

Refer to Note 36 for the disclosure of the fair value of other financial liabilities. Geographical analysis of other liabilities and liquidity analysis of other financial liabilities are disclosed in Note 31.

22 Subordinated Debts

As at 31 December 2013, the Group's subordinated debts equals to RR 74 053 million (31 December 2012: RR 55 274 million).

In June 2007, the Group attracted a subordinated debt totalling USD 200 million maturing in June 2017 and bearing an interest rate of Libor +1.875% p.a. In June 2012 the Group decided not to use its option to terminate this subordinated debt and interest rate was stepped up to Libor +3.375% p.a.

In October 2008, the Group attracted from Vnesheconombank a subordinated debt totalling RR 25 000 million with maturity date in December 2019 and an interest rate of 8.0% p.a. This subordinated debt was attracted in accordance with the Federal Law # 173-FZ "On supplementary measures to support financial system of the Russian Federation". In July 2010, Federal Law # 173-FZ was amended to reduce the interest rate on subordinated debt attracted by the Group from Vnesheconombank from 8.0% p.a. to 6.5% p.a.

In June 2011, the Group attracted a subordinated debt totalling USD 800 million in Eurobonds issued by the Group through its special purpose entity, RSHB Capital S.A. The Eurobonds mature in June 2021 and have contractual interest rate of 6.0% p.a. The Group has an option to terminate this subordinated debt at the nominal value in June 2016.

In October 2013, the Group attracted a subordinated debt totalling USD 500 million equivalent to RR 16 134 million in Eurobonds issued by the Group through its special purpose entity, RSHB Capital S.A. The Eurobonds mature in October 2023 and have contractual interest rate of 8.5% p.a.

Refer to Note 36 for the disclosure of the fair value of subordinated debts. Geographical and liquidity analyses of subordinated debts are disclosed in Note 31. The information on related party transactions is disclosed in Note 38.

23 Share Capital

Share capital issued and fully paid comprises:

In millions of Russian Roubles (except for number of shares)	Number of outstanding shares	Nominal amount	Inflation adjusted amount
At 1 January 2012	**148 048**	**148 048**	**148 798**
New shares issued	40 000	40 000	40 000
At 31 December 2012	**188 048**	**188 048**	**188 798**
New shares issued	30 000	30 000	30 000
At 31 December 2013	**218 048**	**218 048**	**218 798**

As at 31 December 2013, issued and fully paid authorised share capital comprises 218 048 issued and registered ordinary shares (31 December 2012: 188 048 issued and registered ordinary shares). All ordinary shares have a nominal value of RR 1 million per share and rank equally. Each share carries one vote.

In 2013, the Bank increased its share capital by issuing 30 000 ordinary shares (31 December 2012: 40 000 ordinary shares) with the total nominal amount of RR 30 000 million (31 December 2012: RR 40 000 million). All shares were purchased by the Bank's only shareholder — the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

24 Interest Income and Expense

In millions of Russian Roubles	2013	2012
Interest income on financial instruments carried at fair value through profit or loss		
Financial instruments designated at fair value through profit or loss	1 035	1 111
Trading securities	441	1 058
Total interest income on financial instruments carried at fair value through profit or loss	**1 476**	**2 169**
Interest income on other financial instruments		
Loans and advances to customers	139 760	122 564
Investment securities available for sale including pledged under repurchase agreements	5 079	4 133
Investment securities held to maturity including pledged under repurchase agreements	3 318	3 361
Due from other banks	2 085	2 723
Cash equivalents	873	953
Total interest income on other financial instruments	**151 115**	**133 734**
Total interest income	**152 591**	**135 903**
Interest expense		
Bonds issued	(32 766)	(29 880)
Term deposits of legal entities	(26 888)	(26 022)
Term deposits of individuals	(13 254)	(8 840)
Term deposits of other banks	(6 597)	(7 726)
Subordinated debts	(3 647)	(3 521)
Promissory notes issued and deposit certificates	(2 276)	(1 660)
Term deposits of the CBRF	(1 038)	(1 155)
Current/settlement accounts	(772)	(686)
Total interest expense	**(87 238)**	**(79 490)**
Net interest income	**65 353**	**56 413**

The information on related party transactions is disclosed in Note 38.

25 Fee and Commission Income and Expense

In millions of Russian Roubles	2013	2012
Fee and commission income		
Commission on cash transactions	4 507	4 020
Agency fees for sale of insurance contracts	2 468	1 377
Commission on settlement transactions	845	733
Commission on guarantees issued	575	274
Commission on banking cards	438	368
Agency fees for currency control	132	107
Other	337	225
Total fee and commission income	**9 302**	**7 104**
Fee and commission expense		
Commission on cash collection	(518)	(485)
Commission on settlement transactions	(364)	(279)
Other	(62)	(41)
Total fee and commission expense	**(944)**	**(805)**
Net fee and commission income	**8 358**	**6 299**

26 Losses net of Gains from Non-banking Activities

In millions of Russian Roubles	2013	2012
Sales of goods	3 804	4 537
Cost of goods sold	(4 449)	(4 983)
Impairment charge of trade receivables and prepayments	(1 159)	(1 778)
Net income from insurance operations	276	43
Other non-banking income	841	964
Other non-banking expenses	(1 644)	(2 646)
Total losses net of gains from non-banking activities	**(2 331)**	**(3 863)**

Sales of goods mainly represent sales of grain, sugar, meat and milk products, animal feedstuff and other nonfoods.

In 2013 cost of goods sold includes depreciation of non-banking premises and equipment in the total amount of RR 981 million (2012: RR 580 million).

Net income from insurance operations is as follows:

In millions of Russian Roubles	Note	2013	2012
Insurance premiums			
Premium earned	21	1 776	576
Reinsurance share in premiums earned		(719)	(214)
Net insurance premiums earned		**1 057**	**362**
Insurance benefits and claims			
Claims incurred during the period	21	(943)	(442)
Acquisition costs		(287)	(138)
Reinsurance share in claims incurred during the period		449	261
Net insurance benefits and claims		**(781)**	**(319)**
Net income from insurance operations		**276**	**43**

27 Administrative and Other Operating Expenses

In millions of Russian Roubles	Note	2013	2012
Staff costs		24 185	22 351
Rental expenses		2 972	2 675
Depreciation of premises and equipment	15	1 377	1 352
Taxes other than on income		1 333	1 301
Security services		999	922
Advertising and marketing services		977	608
Communications and information services		828	752
Payments to the Deposit Insurance Fund		754	592
Supplies and other materials		693	409
Other costs of premises and equipment		680	681
Amortization of intangible assets	15	556	512
Depreciation of repossessed collateral	16	3	40
Reversal of impairment of premises		-	(167)
Other		1 465	1 596
Total administrative and other operating expenses		**36 822**	**33 624**

In 2013 staff costs include statutory social security and contributions to a state pension fund in the amount of RR 4 579 million (2012: RR 4 154 million).

28 Income Taxes

Income tax (credit)/expense comprises the following:

In millions of Russian Roubles	2013	2012
Current tax	3 384	195
Deferred tax	(3 574)	481
Income tax (credit)/expense for the year	**(190)**	**676**

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

In millions of Russian Roubles	2013	2012
IFRS profit before tax	**539**	**820**
Theoretical tax charge at statutory rate (2013: 20%; 2012: 20%)	108	164
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible interest expenses	193	146
- Non deductible staff costs	55	61
- Non deductible charity costs	7	19
- Non taxable income arising from disposal of subsidiaries	(489)	-
- Income on government securities taxed at different rates	(22)	(17)
- Other nontemporary differences	(42)	303
Income tax (credit)/expense for the year	**(190)**	**676**

Differences between IFRS and Russian statutory tax regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2012: 20%), except for income on government securities that is taxed at 15% (2012: 15%).

28 Income Taxes (Continued)

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

In millions of Russian Roubles	31 December 2012	(Charged)/ credited to profit or loss	Charged directly to other compre-hensive income	Transfer to/from disposal groups classified as held for sale	31 December 2013
Tax effect of deductible/(taxable) temporary differences					
Accruals on loans	5 441	2 212	-	53	7 706
Provision for impairment	(1 358)	499	-	(78)	(937)
Fair valuation of derivative financial instruments	(739)	235	-	-	(504)
Accrued staff costs	463	2	-	4	469
Accruals on due to other banks	312	1	-	-	313
Fair valuation of securities	(100)	43	253	-	196
Defferal of fees on guarantees issued	10	(6)	-	-	4
Promissory notes issued and deposit certificates	25	(19)	-	-	6
Premises and equipment	(1 787)	317	-	(358)	(1 828)
Accruals on bonds issued and subordinated debts	(31)	(42)	-	-	(73)
Intangible assets	(47)	(10)	-	-	(57)
Other	846	342	-	27	1 215
Net deferred income tax asset	**3 035**	**3 574**	**253**	**(352)**	**6 510**
Recognised deferred income tax asset	5 100	2 768	-	-	7 868
Recognised deferred income tax liability	(2 065)	806	253	(352)	(1 358)
Net deferred income tax asset	**3 035**	**3 574**	**253**	**(352)**	**6 510**

28 Income Taxes (Continued)

In millions of Russian Roubles	31 December 2011	(Charged)/ credited to profit or loss	(Charged)/ credited directly to other comprehensive income	Transfer to disposal groups classified as held for sale	31 December 2012
Tax effect of deductible/(taxable) temporary differences					
Accruals on loans	3 871	1 855	-	(285)	5 441
Provision for impairment	528	(1 884)	-	(2)	(1 358)
Fair valuation of derivative financial instruments	342	(1 081)	-	-	(739)
Accrued staff costs	293	169	-		1 463
Accruals on due to other banks	289	23	-	-	312
Fair valuation of securities	159	(104)	(155)	-	(100)
Defferal of fees on guarantees issued	23	(13)	-	-	10
Promissory notes issued and deposit certificates	7	46	-	(28)	25
Premises and equipment	(1 888)	148	(68)	21	(1 787)
Accruals on bonds issued and subordinated debts	(215)	184	-	-	(31)
Intangible assets	(44)	(3)	-	-	(47)
Other	844	179	-	(177)	846
Net deferred income tax asset	**4 209**	**(481)**	**(223)**	**(470)**	**3 035**
Recognised deferred income tax asset	5 531	(431)	-	-	5 100
Recognised deferred income tax liability	(1 322)	(50)	(223)	(470)	(2 065)
Net deferred income tax asset	**4 209**	**(481)**	**(223)**	**(470)**	**3 035**

29 Dividends

In millions of Russian Roubles	2013 Ordinary shares	2012 Ordinary shares
Dividends payable at 1 January	-	-
Dividends declared during the year	131	318
Dividends paid during the year	(131)	(318)
Dividends payable at 31 December	-	-
Dividends per share declared during the year	**0.0007**	**0.0021**

30 Segment Analysis

(a) Description of geographic areas from which each reportable segment derives its revenue and factors that management used to identify the reportable segments

Operational decision making is the responsibility of the Management Board of the Bank. The Management Board of the Bank reviews internal management reporting in order to assess efficiency and allocate resources.

The Management Board of the Bank performs geographic analysis of the Bank's operations and therefore the Bank's regional branches have been designated as operating segments.

Taking into account the administrative-territorial division of Russia, federal districts of the Russian Federation have been designated as reportable segments.

Based on IFRS 8 requirements the Group also discloses those operational segments where revenue, profit or total assets are higher than 10% of related Group's indicators.

As at 31 December 2013 and 31 December 2012 the Group defines the following reportable segments:

- Head office;
- Central federal district;
- Far Eastern federal district;
- Volga federal district;
- North-West federal district;
- North-Caucasian federal district;
- Siberian federal district;
- Ural federal district;
- Krasnodar branch;
- Southern federal district (without Krasnodar branch).

For analysis of revenue by products refer to Notes 24, 25.

(b) Measurement of operating segment profit or loss and assets

The Management Board of the Bank assesses efficiency of operating segments based on a financial performance measure prepared from statutory accounting data and not adjusted for an intersegment income and expenses. Intersegment income and expenses are used by CODM for information purpose only and not for identification of profit or loss of the operating segments. Intrersegment income/(expense) represents mainly income from/(costs of) funding provided by Head Office to other reportable segments.

The accounting policy of the operating segments is based on Russian Accounting Rules (RAR) and thus materially differs from policies described in the summary of significant accounting policies in these consolidated financial statements.

(c) Information about reportable segment profit or loss and assets

Segment reporting of the Group's revenue and profit/(loss) for the reporting period ended 31 December 2013 and 31 December 2012 and segment reporting of the Group's assets as at 31 December 2013 and 31 December 2012 is as follows:

30 SegmentAnalysis (Continued)

In millions of Russian Roubles	Head office	Central federal district	Far Eastern federal district
For the year ended 31 December 2013 Revenue from external customers:	**16 167**	**37 354**	**7 316**
- Interest income from loans and advances to customers, due from other banks and other placed funds	16 038	33 780	6 496
- Net fee and commission income from credit related operations	129	3 574	820
(Losses net of gains)/gains less losses arising from securities, derivative financial instruments and currency	(4 702)	51	165
Interest expenses from due to other banks, customer accounts and bonds issued	(62 464)	(9 872)	(1 251)
Provision (charge)/recovery for impairment	(6 590)	7 369	(2 703)
Administrative and Maintenance expense	(27 437)	(1 824)	(586)
- Including depreciation charge for the reporting period	(150)	(211)	(46)
(Other expenses less other income)/ other income less other expenses	(808)	(229)	(32)
Current income tax expense	(3 343)	-	-
Intersegment income/(expense)*	**77 733**	**(18 810)**	**(2 707)**
(Loss)/profit of reportable segments	**(89 177)**	**32 849**	**2 909**
For the year ended 31 December 2012 Revenue from external customers:	**17 405**	**34 293**	**5 107**
- Interest income from loans and advances to customers, due from other banks and other placed funds	16 124	31 435	4 456
- Net fee and commission income from credit related operations	1 281	2 858	651
(Losses net of gains)/gains less losses arising from securities, derivative financial instruments and currency	(5 931)	82	27
Interest expenses from due to other banks, customer accounts and bonds issued	(56 919)	(8 649)	(929)
Provision (charge)/recovery for impairment	690	(4 280)	(615)
Administrative and Maintenance expense	(24 958)	(1 741)	(518)
- Including depreciation charge for the reporting period	(178)	(233)	(56)
(Other expenses less other income)/ other income less other expenses	(389)	1 452	35
Current income tax expense	(188)	-	-
Intersegment income/(expense)*	**62 771**	**(13 681)**	**(2 516)**
(Loss)/profit of reportable segments	**(70 290)**	**21 157**	**3 107**
Total assets			
31 December 2013	1564 871	434 156	67 370
31 December 2012	1418 521	419 974	59 391
Provision for loan impairment (RAR)			
31 December 2013	(1 465)	(20 537)	(4 719)
31 December 2012	(443)	(28 967)	(2 633)

* Intersegment income and expense are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

Volga federal district	North-west federal district	North-Caucasian federal district	Siberian federal district	Ural federal district	Krasnodar branch	Southern federal district (without Krasnodar branch)	Total
35 381	**10 264**	**13 650**	**16 834**	**5 098**	**5 834**	**9 919**	**157 817**
32 383	9 266	12 401	15 025	4 639	5 418	9 027	144 473
2 998	998	1 249	1 809	459	416	892	13 344
(179)	(134)	(270)	47	(54)	(18)	(34)	(5 128)
(5 145)	(2 159)	(771)	(2 351)	(992)	(883)	(1 020)	(86 908)
(1 650)	(2 112)	(4 267)	3 314	(281)	(17 147)	(2 309)	(26 376)
(1 687)	(640)	(716)	(1 209)	(367)	(366)	(446)	(35 278)
(180)	(72)	(89)	(122)	(23)	(45)	(35)	(973)
231	(42)	(533)	825	1	778	43	234
-	-	-	-	-	-	-	(3 343)
(18 358)	**(5 394)**	**(7 602)**	**(9 495)**	**(2 230)**	**(7 377)**	**(5 760)**	**-**
26 951	**5 177**	**7 093**	**17 460**	**3 405**	**(11 802)**	**6 153**	**1 018**
28 483	**8 649**	**11 911**	**15 785**	**3 489**	**5 762**	**7 788**	**138 672**
26 125	7 843	10 868	14 370	3 139	5 323	7 103	126 786
2 358	806	1 043	1 415	350	439	685	11 886
34	30	9	28	25	23	12	(5 661)
(3 757)	(1 600)	(593)	(1 928)	(647)	(813)	(858)	(76 693)
(3 029)	(1 472)	(2 105)	(11 165)	(62)	(3 210)	(545)	(25 793)
(1 565)	(604)	(696)	(1 111)	(299)	(338)	(410)	(32 240)
(206)	(80)	(100)	(139)	(27)	(50)	(38)	(1 107)
139	109	151	162	10	713	45	2 427
-	-	-	-	-	-	-	(188)
(14 592)	**(4 485)**	**(7 276)**	**(8 164)**	**(1 640)**	**(6 228)**	**(4 189)**	**-**
20 305	**5 112**	**8 677**	**1 771**	**2 516**	**2 137**	**6 032**	**524**
333 995	120 154	133 685	174 580	62 447	122 402	101 184	3114 844
278 982	108 575	123 741	165 569	44 612	102 840	76 109	2798 314
(10 541)	(7 841)	(8 037)	(12 871)	(1 940)	(43 773)	(4 737)	(116 461)
(10 201)	(6 525)	(5 449)	(17 571)	(2 006)	(29 988)	(2 987)	(106 770)

30 Segment Analysis (Continued)

At the end of 2012 the Bank centralized the payroll function in the Head office that resulted in changes in expenses allocation to operating segments. The presentation of the comparative figures for 2012 year has been adjusted to be consistent with the new presentation.

The amount of additions/(disposals) in premises and equipment and land for the reporting period ended 31 December 2013 and 31 December 2012 is as follows:

In millions of Russian Roubles	2013	2012
Additions/(disposals)*		
Head office	153	692
Central federal district	12	19
Far Eastern federal district	32	6
Volga federal district	(320)	48
North-West federal district	39	49
North-Caucasian federal district	19	(186)
Siberian federal district	71	38
Ural federal district	80	8
Krasnodar branch	12	221
Southern federal district (without Krasnodar branch)	54	25
Total additions	**152**	**920**

* Based on RAR.

(d) Reconciliation of reportable segment revenues, profit or loss, assets and provision for loan impairment

Reconciliation of profit and assets of the reporting segments for the reporting period ended 31 December 2013 and 31 December 2012 is as follows:

In millions of Russian Roubles	2013	2012
Total profit of reportable segments (after tax)	**1 018**	**524**
Adjustments of deferred tax	4 031	(151)
Adjustments of provisions for impairment	122	(3 590)
Accounting for derivative financial instruments at fair value	(1 172)	5 406
Accounting for financial assets and liabilities carried at amortized cost	(6 030)	(3 471)
Gains less losses/(losses net of gains) from revaluation of other financial assets at fair value through profit and loss	(398)	1 854
Sale of loans	(664)	-
Revaluation of premises	-	167
Accrued staff costs	(229)	(381)
Results of non-reportable segments, including the effect of consolidation*	4 108	576
Other	(57)	(790)
The Group's profit under IFRS (after tax)	**729**	**144**

Reconciliation of assets of the reporting segments for the reporting period ended 31 December 2013 and 31 December 2012 is as follows:

In millions of Russian Roubles	31 December 2013	31 December 2012
Assets of reportable segments	**3 114 844**	**2 798 314**
Elimination of settlements between branches	(1 120 530)	(1 068 876)
Elimination of back-to-back deposits	(182 576)	(176 325)
Provision for loan impairment	(114 500)	(97 262)
Assets of non-reportable segments, including the effect of consolidation*	7 367	4 210
Other	(33 841)	(31 411)
The Group's assets under IFRS	**1 670 764**	**1 428 650**
Provision for loan impairment for loans and advances to customers of reportable segments	**(116 461)**	**(106 770)**
Accounting for provision under IFRS	(2 525)	17 207
Provision related to non-reportable segments, including the effect of consolidation*	4 593	(7 802)
The Group's provision for loan impairment for loans and advances to customers under IFRS	**(114 393)**	**(97 365)**

* Non-reportable segments are represented by subsidiaries of the Group.

30 Segment Analysis (Continued)

Reconciliation of material items of income and expenses for the years ended 31 December 2013 and 31 December 2012 is as follows:

In millions of Russian Roubles	2013	2012
Total revenue of reportable segments from external customers	**157 817**	**138 672**
Reclassification of income not included in segment revenue	2 971	4 158
Interest income related to effective interest rate implication	2 142	1 173
Results of non-reportable segments, including the effect of consolidation*	(2 316)	(1 795)
Effect of disposal of loans	335	(8)
Other	-	2
The Group's revenue under IFRS**	**160 949**	**142 202**
Total interest expenses from due to other banks, customer accounts and bonds issued of reportable segments	**(86 908)**	**(76 693)**
Reclassification of interest expense not included in segment interest expenses	(876)	(2 187)
Effective interest rate adjustments	420	(658)
Results of non-reportable segments, including the effect of consolidation*	127	49
Other	(1)	(1)
The Group's interest expense under IFRS	**(87 238)**	**(79 490)**
Provision charge for impairment	**(26 376)**	**(25 793)**
Accounting for provision under IFRS	(2 232)	4 207
Provision related to non-reportable segments, including the effect of consolidation*	988	(5 209)
The Group's provision charge for impairment under IFRS	**(27 620)**	**(26 795)**
Administrative and Maintenance expenses of reportable segments	**(35 278)**	**(32 240)**
Reclassification of results from loan restructuring	-	18
Expense of non-reportable segments, including the effect of consolidation*	1 211	(132)
Reclassification of payments to the Deposit Insurance Fund not included in segment administrative and maintenance expenses	(754)	(592)
Accrued staff costs	(229)	(381)
Other	(1 772)	(297)
The Group's administrative and other operating expenses under IFRS	**(36 822)**	**(33 624)**

* Non-reportable segments are represented by subsidiaries of the Group.

** Group's revenue under IFRS comprises of interest income and net fee and commission income.

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

- Adjustments of provisions for impairment are related to the difference between the methodology applied to calculate provisions for loan impairment under the RAR used for preparation of management reporting and the methodology used for IFRS reporting. The provision under RAR is calculated based mainly on formal criteria depending on the financial position of the borrower, quality of debt service and collateral, whereas the provision under IFRS requirement is calculated based on incurred loss model.
- Adjustments of derivative financial instruments to their fair value arise from the difference in the accounting treatment of currency swaps under RAR (which are the basis for management reporting) and IFRS reporting. Under RAR gross settled swap transactions are recognized as back-to-back deposits, whereas in IFRS financial statements such transactions are recognized at fair value. Refer to Note 35. Providing reconciliation, accounting for deals described above under RAR assumes also adjustments related to interest income/expense and total assets of reportable segments.

30 Segment Analysis (Continued)

- Adjustments to fair value of financial assets resulted from application of different valuation techniques and input data.
- Adjustments to financial assets and liabilities carried at amortized cost (including adjustment to disposal of loans) resulted from accruals of interest income/expenses using effective interest rate method, whereas there is nominal rate accrual approach under RAR.
- There is no concept of deferred tax accounting in RAR for credit organizations.
- Interest income and interest expense under IFRS are accounted using the effective interest rate method, whereas there is nominal rate accrual approach under RAR.
- Balances of intercompany settlements related to regional branches of the Bank are presented in assets and liabilities, while in IFRS such balances are shown on a net basis.
- Revaluation of premises resulted under RAR are based on current replacement cost basis, whereas under IFRS on fair value basis.
- Adjustments of income tax expense and accrued staff costs arise from the timing difference in recognition of certain expenses (mainly related to unused vacations provision) under RAR compared to IFRS and regulatory requirements of tax-filing date.
- Income, which is not included into segmental revenue, mainly relates to interest income, which is reclassified into “Other income less other expenses” line of management accounts according to its economic substance.

All other differences also resulted from the differences between RAR (used as the basis for management reporting) and IFRS.

(e) Major Customers

The Group does not have any customer, from which it earns revenue representing 10% or more of the total revenues.

31 Risk Management

The purpose of the Group’s risk management policy is to maintain acceptable levels of risks determined by the Group with consideration of its approved strategic goals. The Group’s priority task is to ensure the maximum safety of assets and capital through minimizing exposures that can lead to unforeseen losses. Group provides coordinated management of credit and market risk, liquidity risk and operational risk across all levels of activity.

The Group has a multi-level system of decision-making, monitoring and risk management.

The Bank’s Supervisory Board approves the risk management policy and, consequently, is responsible for creating and monitoring the operation of the Bank’s risk management system in general. Its competence also covers decisions relating to significant risks.

The Bank’s Management Board monitors the functioning of the risk management system, approves documents and procedures for identification, evaluation, determination of acceptable risk level, selection of response actions (acceptance, limitation, reallocation, hedging, avoidance) and monitoring thereof.

Operational risk management is carried out by the Bank’s Management Board, its Chairman, special collegiate bodies of the Group, and also by separate structural divisions of the Group and executives on the basis of their competence.

The Risks Department (hereinafter, the RD) provides independent analysis and evaluation of risks. The competence of the Risk Department also includes methodological support of risk management system, the implementation of the principles and methods of identification, assessment and monitoring of financial risks (credit, market, liquidity risk) and operational risk, including at the regional level.

The Bank’s authorized bodies on a regular basis consider the Bank’s performance, approve and revise risk management procedures to facilitate the early detection of changes in the external and internal factors, and to minimize the adverse consequences for the Bank.

In order to ensure stable operation of the Bank in 2013, the Bank took the following priority steps.

31 Risk Management (Continued)

The Bank is currently developing credit ratings systems by expanding the number of internal credit ratings models in order to get more accurate measurement of credit risk and to increase the coverage of assets and credit related commitments with applicable internal credit ratings models.

The Bank has built a multi-level system of limits and restrictions on the adoption of various types of risks.

In order to improve the efficiency of system of limits and restrictions the Bank develops new limit system, to optimize the limiting process, limits structure, procedures of fixing limits, methods of its calculations, The bank currently initiated the implementation of this system.

The Bank applied a number of activities to improve the efficiency and completeness of the control limits for the Bank's financial markets operations as fact of the framework for market risk management system.

The Bank implemented real-time limit controls automation on Bank's operations on the foreign exchange market.

A vertically-arranged unit for risk assessment and control in the Banks' regional branches was established in order to carry out independent control of the level of risks taken by the branches and additional offices. The role of risk managers in taking lending decisions was enhanced.

The Bank took a set of measures aimed at intensification of actions with regard to non-performing loans and certain steps were taken to establish an infrastructure providing for various actions resolving issues in the area of non-performing loans.

The Bank approved and applied additional control measures for liquidity control, which include estimated liquidity indicators. These indicators allowed to timely identify imbalances between the volume of claims and liabilities of the Bank in different time intervals and to promptly identify the necessity of management actions.

Credit risk. The Group is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 34.

The risk management policy aims to maintain the proper quality of the loan portfolio by optimizing the industry, regional and product structure of the loan portfolio of the Group, the implementation of a systematic approach to the management of credit risk, based on the principles of risk awareness, power-sharing assessment and risk-taking, monitoring and control.

The management of credit risk of the Bank comprises determination and evaluation risk before transactions, limitation of credit risk, with correspondent limits, structuring of the deals, subsequent monitoring and controlling of credit risk level.

Credit risk management is carried out by the Bank's Management Board, its Chairman, special collegiate bodies of the Bank, and also by structural departments of the Bank and executives within their scope of authorities.

The Bank's authorized management bodies approve internal regulations that contain formalized descriptions of risk evaluation procedures and processes for provision and servicing of credit products.

The Bank selects credit projects with consideration of the purpose of lending, primary sources of repayment of the loan. On the mandatory basis Bank assesses risk factors associated with borrower's financial position and its trends, borrower's property structure and reputation, credit history, state of the economic sector and region, all relationships between the Bank and related persons.

The Bank's authorized bodies set and promptly review credit limits for regional branches and additional offices that are monitored on an ongoing basis.

The Bank monitors portfolio concentration risk through setting credit limits by region, type of loan and certain borrowers. Currently, the maximum level of portfolio concentration per one of the Bank's regional branch is 15% of the Bank's aggregate loan portfolio.

31 Risk Management (Continued)

In selecting lending and investment programs, priority rests with the agricultural sector and related industries, which support and service agricultural producers. The loan portfolio industry concentration risk is mitigated by:

- lending to the entire cycle of agricultural product turnover (production, storage, processing and sales to ultimate consumers);
- lending to borrowers with different specialisation in different regions;
- a combination of several types of production in one entity typical for agricultural producers;
- diversification of investments in effective and reliable projects of other economic sectors; and
- limiting one borrower's risk exposure.

The Bank uses different methods of securing execution by borrowers of their contractual obligations in the form of pledge of property or ownerhip rights (with approval of a list of pledged items subject to obligatory insurance by insurers accredited by the Bank), guarantees and warranties from third parties.

Credit risk is monitored at different levels on the basis of the Bank's regulatory documents: at the level of regional branch, additional office and the Head Office of the Bank.

Market risk. The Group takes on exposure to market risk arising from open positions in (a) currency, (b) interest and (c) equity products.

Market risks are managed by means of identifying, evaluating, forecasting market prices, currency rates and market interest rates, determining the acceptable level of risk on open positions, setting limits (creating a system of limits enabling to minimise losses in case of unfavourable market changes) and developing risk insurance mechanisms.

The Bank's authorized bodies perform qualitative evaluation of market risk by means of expert analysis method.

The responsibility of managing the Bank's market risk rests with the Management Board and the Asset and Liabilities Management Committee within their competence.

The responsibility for operational managing of market risk, implementing market risk management policies and complying with set limits rests with the heads of structural units that carry out transactions exposed to market risk.

The Bank's exposure to market risks is analysed by the Treasury, the Capital Markets Department and the RD within their competence.

The Bank has contingency plans in case of unfavourable market fluctuations in the value of trading financial instruments, derivative financial instruments, exchange rates and potential losses associated with changes in interest rates. These actions constitute an integral part of the Bank's risk management system and serve a preventive measure for ensuring the continuity of the Bank's operations and safety of the Bank's capital.

Decision-making authority in the event of sudden market changes is on the Chairman of the Management Board or the Asset and Liabilities Management Committee depending on specified limiting control procedure.

Any additional expenses that need to be incurred for covering financial losses are approved by the Bank's Management Board.

The responsibility for reviewing and preparation of reports for the Bank's management, for providing information for assigning credit ratings by international rating agencies and for regulators rests with the RD.

The RD's functional duties cover determining the acceptable market risk level, independent of the business unit evaluation, review and control of the actual level of the Bank's market risk exposure, agreeing and monitoring limits, monitoring transactions with financial instruments, evaluating the efficiency of these transactions and comparing with the market risk level.

The Bank's business units (the Capital Markets Department, the Treasury) and the Operations Department are also in charge of current monitoring of positions exposed to market risks in the process of entering into, and accounting for transactions.

The RD jointly with business units, creates the regulatory basis for risks evaluation and interaction of the Bank's units in the process of identification and management of market risks, and also summarizes and optimises the system of monitoring market risk.

31 Risk Management (Continued)

Market risk is also mitigated by setting limits with consideration of the portfolio's (instrument's) risk and the Bank's business strategy. When setting limits, the Bank considers several factors, such as market environment, financial position, business trends and management experience.

Limits are regularly reviewed by the Bank's authorised bodies, and the RD monitors limits and reports information on compliance with the set limits to the Bank's management. The RD also considers and agrees all limits proposed by business units for carrying out new transactions.

The Bank has a hierarchy of limits: structural limits, positional limits, stop-loss limits, limits on transactions' parameters, etc. The RD is improving the system of limits on an ongoing basis.

The Bank sets limits on:

- the maximum volume of investments in certain types of assets or liabilities;
- the maximum level of losses and gains in case of changes in financial instruments' prices (stop-loss);
- personal limit (limitation of authorities) on the Bank's staff to adopt independent decisions concerning certain types of transactions;
- the maximum allowed relation between certain ratios on assets and liabilities, including off-balance sheet claims and liabilities (open position limit, limits on other comparative figures); and
- various characteristics of financial instruments (discounts, etc.).

The Bank monitors currency position for each currency and the amount of all foreign currency positions to comply with CBRF requirements.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease in the event if unexpected movements arise.

The sources of interest rate risk are:

- Mismatching of the level of interest rate changes for floating rate instruments with the same regularity of repricing (basis risk).
- Mismatching of the maturities of assets, liabilities and off-balance sheet claims and liabilities associated with fixed or floating rate instruments (repricing risk).
- Changes in the yield curve on long and short positions relating to financial instruments, which create the risk of loss as a result of excess of potential expenses over income at the close of these positions (risk of yield curve changes).

The main method of interest rate risk measurement is evaluating the gaps between the Group's assets and liabilities that are sensitive to changes in the interest rate level (GAP method).

The tables below are based on management reports on the Bank's interest rate risk at the stated dates, that were prepared in accordance with the Interest Rate Evaluation Methodology approved by the Bank. Interest rate reports are issued on a monthly basis using the information extracted from the accounting system, which is based on RAR with the assumption of stability of the structure of the Bank's assets and liabilities.

31 Risk Management (Continued)

The table below summarises the Group's exposure to interest rate risk as at 31 December 2013 by showing the Group's interest bearing financial assets and liabilities in categories based on the earlier of contractual repricing or maturity dates:

In millions of Russian Roubles	Demand and less than 30 days	Due between 31 and 90 days	Due between 91 and 180 days	Due between 181 days and 1 year	Due between 1 and 3 years	More than 3 years	Total
Total interest bearing financial assets*	183 085	157 120	181 978	276 331	437 963	448 379	1 684 856
Total interest bearing financial liabilities*	181 484	161 227	331 929	263 482	308 236	272 773	1 519 131
Sensitivity gap	**1 601**	**(4 107)**	**(149 951)**	**12 849**	**129 727**	**175 606**	**165 725**
Cummulative sensitivity gap	**1 601**	**(2 506)**	**(152 457)**	**(139 608)**	**(9 881)**	**165 725**	**-**

* Total interest-bearing financial assets and total interest-bearing financial liabilities include positions in derivative financial instruments with gross settlements valued at spot foreign exchange rates as they are accounted in accordance with RAR.

Securities included in the table above are presented by maturity (repricing) dates.

For the year ended 31 December 2013, if interest rates at that date had been 100 basis points lower with all other variables held constant, profit before tax for the year would have been RR 1 082 million higher (the year ended 31 December 2012: RR 631 million higher).

As at 31 December 2013, other components of equity (pre-tax) would have been RR 3 160 million higher (31 December 2012: RR 1 012 million higher), as a result of an increase in the fair value of fixed interest rate debt investments classified as available for sale.

For the year ended 31 December 2013, if interest rates at that date had been 100 basis points higher with all other variables held constant, profit before tax for the year would have been RR 1 082 million lower (the year ended 31 December 2012: RR 631 million lower).

As at 31 December 2013, other components of equity (pre-tax) would have been RR 3 160 million lower (31 December 2012: RR 1 012 million lower), as a result of a decrease in the fair value of fixed interest rate debt investments classified as available for sale.

The table below summarises the Group's exposure to interest rate risk as at 31 December 2012 by showing the Group's interest bearing financial assets and liabilities in categories based on the earlier of contractual repricing or maturity dates:

In millions of Russian Roubles	Demand and less than 30 days	Due between 31 and 90 days	Due between 91 and 180 days	Due between 181 days and 1 year	Due between 1 and 3 years	More than 3 years	Total
Total interest bearing financial assets*	129 797	141 758	203 397	218 057	380 891	339 256	1 413 156
Total interest bearing financial liabilities*	172 525	145 685	219 660	227 233	260 090	254 799	1 279 992
Sensitivity gap	**(42 728)**	**(3 927)**	**(16 263)**	**(9 176)**	**120 801**	**84 457**	**133 164**
Cumulative sensitivity gap	**(42 728)**	**(46 655)**	**(62 918)**	**(72 094)**	**48 707**	**133 164**	**-**

* Total interest-bearing financial assets and total interest-bearing financial liabilities include positions in derivative financial instruments with gross settlements valued at spot foreign exchange rates as they are accounted in accordance with RAR.

31 Risk Management (Continued)

Securities included in the table above are presented by maturity (repricing) dates, except for the most highly liquid securities categorised as "Demand and less than 30 days".

Currency and Equity Risk Management

Currency and equity risks are assessed on the basis of the VAR method (Value At Risk). This method represents a statistical evaluation of the ratio characterising the maximum amount of possible losses on a portfolio consisting of different financial instruments (or one instrument) with a specified probability and for a certain period of time. Reports on the level of market risk are issued on the basis of the approved Methodology for Market Risk Evaluation and provided by the RD to the Bank's management and heads of interested units in compliance with the internal regulatory documents.

The Bank calculates VAR on the basis of a 95% or 99% (depending on the purpose of calculations) confidence level and makes evaluations on the basis of retrospective information on closing prices (as the most dynamic and precise in terms of risk evaluation) for 250 days, evaluation period is one day. Therefore, VAR shows the maximum loss that can be received from the open position during one trading day with a 95% (99%) probability; however, in 5% (1%) of cases losses may exceed this level.

VAR calculation is based on the data extracted from RAR accounting system and is shown in management reports in two forms: relative (in percentage terms) and absolute (in Roubles). Relative VAR shows the maximum possible loss as per RR 1 of investments, and absolute VAR — losses on the current open position during the period of evaluation.

Together with VAR, the Bank calculates ES indicator (Expected Shortfall), which represents monetary value of expected losses in case of excess VAR.

VAR is calculated by historical method and, subsequently, the most adequate evaluation of calculations' parameters is chosen on the basis of analysing the changes in a financial instrument (group of instruments).

The methods used by the Bank are back-tested on a quarterly basis.

Although VAR is a most common tool for measuring market risk exposures, it has a number of limitations, especially in less liquid markets:

- The use of historic data as a basis for determining future events may not encompass all possible scenarios, particularly those which are of an extreme nature;
- A one day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situation in which there is a severe market illiquidity for a prolonged period;
- The use of 95% (99%) confidence level does not take into account losses that may occur beyond this level. There is a 5%(1%) probability that the loss could exceed the VAR; and
- VAR is calculated only on the end-of-day basis and does not necessarily reflect exposures that may arise on positions during the trading day.

Currency risk

The below table shows possible changes in financial results and equity during one day as a result of possible fluctuations in exchange rates, evaluated on the basis of VAR and Expected ShortFall methods with 99% confidence level.

In millions of Russian Roubles	**31 December 2013**	**31 December 2012**
Short position	(829)	(249)
VAR	8	3
Expected ShortFall	11	4

31 Risk Management (Continued)

Geographical risk concentration

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

In millions of Russian Roubles	Russia	OECD*	Other countries	Total
Assets				
Cash and cash equivalents	108 224	20 219	1	128 444
Mandatory cash balances with the CBRF	8 735	-	-	8 735
Trading securites	2 810	-	-	2 810
Financial instruments designated at fair value through profit or loss	-	12 220	-	12 220
Due from other banks	16 610	11 457	14 998	43 065
Derivative financial instruments	94	25 573	-	25 667
Loans and advances to customers	1 261 046	-	-	1 261 046
Investment securities available for sale	50 299	-	-	50 299
Investment securities held to maturity	11 291	-	-	11 291
Investment securities pledged under repurchase agreements	73 210	-	-	73 210
Deferred income tax asset	7 868	-	-	7 868
Intangible assets	1 769	-	-	1 769
Premises and equipment	24 655	-	-	24 655
Current income tax prepayment	22	-	-	22
Other assets	18 588	231	14	18 833
Assets of the disposal groups held for sale and assets held for sale	830	-	-	830
Total assets	**1 586 051**	**69 700**	**15 013**	**1 670 764**
Liabilities				
Derivative financial instruments	153	797	-	950
Due to other banks	100 496	48 987	197	149 680
Customer accounts	706 830	15 186	109	722 125
Promissory notes issued and deposit certificates	31 174	-	-	31 174
Bonds issued	150 021	299 782	-	449 803
Current income tax liability	508	-	-	508
Deferred income tax liability	1 358	-	-	1 358
Other liabilities	13 330	-	-	13 330
Subordinated debts	25 000	49 053	-	74 053
Total liabilities	**1 028 870**	**413 805**	**306**	**1 442 981**
Net position in on-balance sheet instruments	**557 181**	**(344 105)**	**14 707**	**227 783**

* OECD — Organisation for Economic Cooperation and Development.

Assets and liabilities have been classified according to the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from offshore companies of these Russian counterparties, are allocated to the caption "Russia". Cash on hand and premises and equipment have been classified according to the country in which they are physically held.

31 Risk Management (Continued)

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

In millions of Russian Roubles	Russia	OECD*	Other countries	Total
Assets				
Cash and cash equivalents	98 327	7 705	310	106 342
Mandatory cash balances with the CBRF	9 153	-	-	9 153
Trading securites	19 220	-	-	19 220
Financial instruments designated at fair value through profit or loss	-	12 550	-	12 550
Due from other banks	11 708	24 492	9 730	45 930
Derivative financial instruments	119	18 540	-	18 659
Loans and advances to customers	1 070 712	-	-	1 070 712
Investment securities available for sale	44 036	-	-	44 036
Investment securities held to maturity	27 999	-	-	27 999
Investment securities pledged under repurchase agreements	20 632	-	-	20 632
Deferred income tax asset	5 100	-	-	5 100
Intangible assets	1 723	-	-	1 723
Premises and equipment	23 068	-	-	23 068
Current income tax prepayment	2 464	-	-	2 464
Other assets	15 719	5	-	15 724
Assets of the disposal groups held for sale	5 336	2	-	5 338
Total assets	**1 355 316**	**63 294**	**10 040**	**1 428 650**
Liabilities				
Derivative financial instruments	201	5 060	-	5 261
Due to other banks	61 998	73 925	420	136 343
Customer accounts	553 111	4 173	192	557 476
Promissory notes issued and deposit certificates	23 234	-	-	23 234
Bonds issued	147 188	293 678	-	440 866
Deferred income tax liability	2 065	-	-	2 065
Other liabilities	8 824	-	-	8 824
Subordinated debts	25 009	30 265	-	55 274
Liabilities directly associated with disposal groups held for sale	1 409	1	-	1 410
Total liabilities	**823 039**	**407 102**	**612**	**1 230 753**
Net position in on-balance sheet instruments	**532 277**	**(343 808)**	**9 428**	**197 897**

* OECD – Organisation for Economic Cooperation and Development.

Liquidity risk. Liquidity risk is defined as the risk of the Group's inability to meet its obligations on a timely and full basis. The Group is exposed to daily calls on its available cash resources from customer accounts, demand deposits, maturing interbank loans (deposits), term deposits and issued securities, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

31 Risk Management (Continued)

The Group manages liquidity risk on the basis of the following principles:

- segregation of duties between the Groups's management bodies, its collegial working bodies, structural units and executives;
- setting limits ensuring an optimal liquidity level and corresponding to the Group's financial position;
- priority of maintaining liquidity over profit maximisation;
- excluding conflicts of interest in organising the liquidity management system; and
- optimal matching of the volumes and maturities of funding sources with the volumes and maturities of placed assets.

The responsibility for liquidity management rests with the Bank's Management Board, Assets and Liabilities Management Committee and the Treasury within their competence. The responsibility for maintaining an optimal level of current (short-term) liquidity rests with the Treasury of the Bank's Head Office within the set limits of attraction/placement of funds in the money market. In case of necessity to attract/place funds in the volumes exceeding the set limits, such decisions are made by the Bank's Management Board (Assets and Liabilities Management Committee). Medium-term and long-term liquidity management is carried out with consideration of information and proposals provided by the RD at each end of reporting period.

The Group manages liquidity risk using the following basic methods:

- evaluating the daily payment position on the basis of cash flow analysis;
- reviewing the actual values and changes in mandatory liquidity ratios;
- evaluating structure and quality of assets and liabilities;
- setting limits on asset-side transactions by types of investments;
- analysing maturity gaps of the Group on the basis of the most likely claim/repayment dates by main currencies; and
- analysing the Group's exposure to liquidity risk with consideration of stress factors's impact on various scenarios covering standard and more unfavourable market conditions.

Information on financial assets and liabilities (their structure and gaps within certain time intervals) is used in management decisions on the Group's liquidity maintenance at an adequate level. Treasury is responsible to maintain short-term assets portfolio of liquid trading securities, deposits with banks and other interbank instruments.

The Group maintains a stable financing base consisting mainly of funds that were attracted through placing of bonds in Russian roubles and other currencies, increasing the volume of deposits (including interbank deposits), issuing promissory notes and also current resources of the Group as a result of an increase in customer current accounts, and due to other banks.

The Group develops and reviews a contingency plan for maintaining the necessary liquidity level with consideration of any changes in the Group's financial position and volume and nature of its transactions. In case of a liquidity crisis and additional expenses to be incurred in this respect, as well as for coverage of incurred or potential financial losses all decision-making responsibilities are transferred to the Management Board and Assets and Liabilities Management Committee.

Compliance with liquidity requirements set by the CBRF is forecasted on a daily basis for the Bank in general with consideration of the branch network.

For the purpose of additional management of the Group's term liquidity in general, the Group uses estimated liquidity ratios, the level of which is supervised by the RD as part of ongoing monitoring.

The table below shows distribution of financial liabilities as at 31 December 2013 by their remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows of the Group's financial liabilities and off-balance sheet credit related committments. Such undiscounted cash flows differ from the amount included in the statement of financial position, since the amount in statement of financial position is based on discounted cash flows. Net settled derivative financial instruments are included at the net amounts expected to be paid. In respect of gross settled derivative financial instruments, payments are presented for related cash inflows and outflows separately.

31 Risk Management (Continued)

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

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

In millions of Russian Roubles	Demand and less than 30 days	Due between 31 and 180 days	Due between 181 days and 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities						
Gross settled derivative financial instruments						
- inflow	(16 755)	(16 541)	(30 775)	(43 409)	(108 240)	(215 720)
- outflow	17 204	28 161	34 222	48 985	106 992	235 564
Net settled derivative financial instruments (liabilities)	147	131	201	6	22	507
Due to other banks	54 911	40 005	36 668	6 089	20 111	157 784
Customer accounts	206 486	302 382	133 613	99 396	9 399	751 276
Promissory notes issued and deposit certificates	4 336	5 353	15 992	7 338	210	33 229
Bonds issued	25 611	65 875	33 146	218 436	177 386	520 454
Subordinated debts	-	2 002	2 829	9 665	95 867	110 363
Other financial liabilities	5 398	19	616	20	227	6 280
Off-balance sheet financial liabilities						
Financial guarantees issued	39 754	-	-	-	-	39 754
Letters of credit	25 296	-	-	-	-	25 296
Other credit related commitments*	47 804	-	-	-	-	47 804
Total potential future payments for financial obligations	**410 192**	**427 387**	**226 512**	**346 526**	**301 974**	**1 712 591**

* Other credit related commitments include cancellable commitments, which are dependent on borrowers' compliance with certain creditworthiness criteria.

31 Risk Management (Continued)

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

In millions of Russian Roubles	Demand and less than 30 days	Due between 31 and 180 days	Due between 181 days and 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities						
Gross settled derivative financial instruments						
- inflow	(178)	(3 600)	(37 917)	(81 019)	(92 931)	(215 645)
- outflow	970	7 141	10 505	89 821	92 304	200 741
Net settled derivative financial instruments (liabilities)	273	326	-	-	-	599
Due to other banks	33 851	43 839	41 616	7 127	22 389	148 822
Customer accounts	215 897	166 412	122 397	66 060	7 635	578 401
Promissory notes issued and deposit certificates	4 180	8 080	10 359	1 326	553	24 498
Bonds issued	1 527	93 942	93 384	227 448	252 751	669 052
Subordinated debts	-	1 253	2 069	6 644	62 196	72 162
Other financial liabilities	3 109	249	632	-	-	3 990
Off-balance sheet financial liabilities						
Financial guarantees issued	20 535	-	-	-	-	20 535
Letters of credit	11 286	-	-	-	-	11 286
Other credit related commitments*	40 217	-	-	-	-	40 217
Total potential future payments for financial obligations	**331 667**	**317 642**	**243 045**	**317 407**	**344 897**	**1 554 658**

* Other credit related commitments include cancellable commitments, which are dependent on borrowers' compliance with certain creditworthiness criteria.

The future minimum lease payments under non-cancellable operating lease commitments where the Group is a lessee is disclosed in Note 34.

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

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities.

31 Risk Management (Continued)

The table below summarizes contractual maturity analysis as at 31 December 2013:

In millions of Russian Roubles	Less than 1 year	More than 1 year	Total
Financial assets			
Cash and cash equivalents	128 444	-	128 444
Mandatory cash balances with the CBRF	8 735	-	8 735
Trading Securities	2 749	61	2 810
Investment securities pledged under repurchase agreements	9 093	64 117	73 210
Financial instruments designated at fair value through profit or loss	6 897	5 323	12 220
Derivative financial instruments	3 851	21 816	25 667
Due from other banks	39 720	3 345	43 065
Loans and advances to customers	630 401	630 645	1 261 046
Investment securities available for sale	4 266	46 033	50 299
Investment securities held to maturity	817	10 474	11 291
Other financial assets	11 422	7	11 429
Total financial assets	**846 395**	**781 821**	**1 628 216**
Financial liabilities			
Derivative financial instruments	(260)	(690)	(950)
Due to other banks	(130 162)	(19 518)	(149 680)
Customer accounts	(627 079)	(95 046)	(722 125)
Promissory notes issued and deposit certificates	(24 599)	(6 575)	(31 174)
Bonds issued	(63 201)	(386 602)	(449 803)
Other financial liabilities	(6 052)	(247)	(6 299)
Subordinated debts	(1 825)	(72 228)	(74 053)
Total financial liabilities	**(853 178)**	**(580 906)**	**(1 434 084)**
Net liquidity gap	**(6 783)**	**200 915**	**194 132**
Cumulative liquidity gap	**(6 783)**	**194 132**	**-**

31 Risk Management (Continued)

The table below summarizes contractual maturity analysis as at 31 December 2012:

In millions of Russian Roubles	Less than 1 year	More than 1 year	Total
Financial assets			
Cash and cash equivalents	106 342	-	106 342
Mandatory cash balances with the CBRF	9 153	-	9 153
Trading Securities	19 220	-	19 220
Investment securities pledged under repurchase agreements	-	20 632	20 632
Financial instruments designated at fair value through profit or loss	1 433	11 117	12 550
Derivative financial instruments	1 450	17 209	18 659
Due from other banks	44 612	1 318	45 930
Loans and advances to customers	573 647	497 065	1 070 712
Investment securities available for sale	9 047	34 989	44 036
Investment securities held to maturity	1 135	26 864	27 999
Other financial assets	7 421	-	7 421
Total financial assets	**773 460**	**609 194**	**1 382 654**
Financial liabilities			
Derivative financial instruments	(971)	(4 290)	(5 261)
Due to other banks	(117 155)	(19 188)	(136 343)
Customer accounts	(492 748)	(64 728)	(557 476)
Promissory notes issued and deposit certificates	(21 745)	(1 489)	(23 234)
Bonds issued	(81 083)	(359 783)	(440 866)
Other financial liabilities	(3 731)	-	(3 731)
Subordinated debts	(120)	(55 154)	(55 274)
Total financial liabilities	**(717 553)**	**(504 632)**	**(1 222 185)**
Net liquidity gap	**55 907**	**104 562**	**160 469**
Cumulative liquidity gap	**55 907**	**160 469**	**-**

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

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

Operational risk. Operational risk is the risk of losses in a result of mismatch of character and range of Bank's activity and(or) current Russian legislative requirements, internal rules and procedures of making bank operations and other deals, staff or other person infraction (as a result of unintentional or intended activity or inactivity), mismatch (insufficiency) functional abilities using information technical and other system and (or) there multifunction (disrupting operation) and also as a result of influence of external events.

Main principles of Operational risk management are incorporated in Bank's internal documents.

The main goal of Bank's operational risk management is maintain acceptable operation risk level, undertake by Bank for secure Bank reliability during its usual operation activity and achievement strategic aims and objectives.

31 Risk Management (Continued)

The Group manages operational risk using the following methods:

- creating internal culture of operational risk management on all levels of Groups organizational structure, including levels of regional branches;
- methodological support of operational risk management process. Developing and enhancing Groups internal documents regulating the process of operational risk management;
- identification and assessment of operational risk on all old and new business lines, business processes, products and information systems of the Group;
- selection and analyse of any data relating to operational risks, supporting the Data warehouse of operational risk trigger events and losses in case of its realization;
- developing and providing the actual plan for minimization of operational risk and probable subsequent losses in case of its realization;
- developing actual plans for providing regularity or/and recover of Groups activity in case of unobservable and unexpected circumstances, and for limiting Groups losses in case of adverse circumstances arisen;
- monitoring and preparing the report of operational risk level on regular basis;
- maintaining effective internal control environment within the framework of operational risk management.

The internal culture of operational risk management is the combination of individual and corporate values, settings, competences and behavioral models which determine Bank's attitude to operational risk management and assume knowledge by the Bank's employees of the main operational risk management principles and methods and their active participation in the process of operational risk management.

Insurance risk. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Group provides non-life insurance services, i.e. property insurance, agricultural insurance and personal accident insurance.

For a portfolio of insurance contracts where the theory of probabilities is applied to pricing and reserving, the principal risk that the Insurance Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using actuarial techniques. Factors that aggravate insurance risk include a lack of risk diversification in terms of the type and amount of risk, the geographical location and the type of policyholder base covered.

32 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows as at 31 December 2013:

In thousands of Russian Roubles	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b	Net amount after offsetting in the statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure (c) - (d) - (e)
				Financial instruments (d)	Cash collateral received (e)	
Assets subject to offsetting, master netting and similar arrangement						
Derivative financial assets	67 201	66 483	718	-	-	718
Liabilities subject to offsetting, master netting and similar arrangement						
Derivative financial liabilities	45 930	45 670	260	-	-	260

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows as at 31 December 2012:

In thousands of Russian Roubles	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure (c) - (d) - (e)
				Financial instruments (d)	Cash collateral received (e)	
Assets subject to offsetting, master netting and similar arrangement						
Derivative financial assets	20 603	20 445	158	-	-	158
Liabilities subject to offsetting, master netting and similar arrangement						
Derivative financial liabilities	53 302	52 703	599	-	-	599

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting.

The Group has master netting arrangements with counterparty stock exchanges, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. These fall in the scope of the disclosure as they were set off in the statement of financial position.

33 Management of Capital

The Group's objectives when managing capital are:

i. to comply with the capital requirements set by the CBRF;

ii. to ensure the Group's ability to continue as a going concern; and

iii. to maintain a sufficient capital base and to achieve a capital adequacy ratio of at least 8% in accordance with the requirements as defined in the June 2004 Basel II Framework and in the reference on the application of Basel II to Trading activities and the Treatment of Double Default Effects, and elements of the 1988 Basel Capital Accord, and the 1996 Amendment to the Capital Accord to Incorporate Market risks.

Compliance with the capital adequacy ratio set by the CBRF is monitored by the Group's management on a monthly basis.

Under the current capital requirements set by the CBRF banks have to maintain a ratio of capital and assets weighted to risk ("statutory capital ratio") above a prescribed minimum level of 10%.

During 2013 and 2012 the Bank's capital adequacy ratio in accordance with CBRF requirements exceeded the minimum level and as at 31 December 2013 and 31 December 2012 was as follows:

In millions of Russian Roubles	**31 December 2013**	**31 December 2012**
Capital	242 277	195 606
Capital adequacy ratio	15.1%	14.7%

The Group is also subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with Basel Accord and based on the IFRS figures. The level of capital adequacy ratio under Basel II requirements equals 8%.

33 Management of Capital (Continued)

The composition of the Group's capital calculated based on IFRS in accordance with Basel II Capital Accord is as follows:

In millions of Russian Roubles	**31 December 2013**	**31 December 2012**
Share capital	218 798	188 798
Retained earnings	7 863	7 117
Goodwill	(8)	(8)
Total tier 1 capital	*226 653*	*195 907*
Revaluation reserves	(53)	999
Subordinated debts	71 711	54 335
Total tier 2 capital	*71 658*	*55 334*
Total capital	**298 311**	**251 241**
Risk weighted assets	**1 661 047**	**1 555 580**
Tier 1 capital ratio	13.6%	12.6%
Total capital ratio	18.0%	16.1%

Management of the Group is of the opinion that the Group complied with all the external capital adequacy requirements imposed by the CBRF and loan covenants.

34 Contingencies and Commitments

Legal proceedings. From time to time in the normal course of business, claims against the Group are received. As at 31 December 2013, based on its own estimates and both internal and external professional advice the Group's management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision for cover of such losses has been made in these consolidated financial statements (31 December 2012: Group's management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision for cover of such losses has been made in these consolidated financial statements).

As at 31 December 2013, the Group was involved in litigations against the subsidiary company. Litigations pose the risk of property disposal from the balance of related subsidiary. Carrying amount of that property as at 31 December 2013 equals to RR 1 820 million. The Group assesses the probability of property disposal to be less than 50%.

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

Amended Russian transfer pricing legislation took effect from 1 January 2013.The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the consequences of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may have an impact on the financial conditions and/or the overall operations of the Group.

34 Contingencies and Commitments (Continued)

The management of the Group believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Therefore, as at 31 December 2013 the management has not created any provision for potential tax liabilities (31 December 2012: none).

Capital expenditure commitments. As at 31 December 2013, the Group has contractual capital expenditure commitments of RR 488 million (31 December 2012: RR 1 million).

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

In millions of Russian Roubles	**31 December 2013**	**31 December 2012**
Not later than 1 year	2 867	2 506
Later than 1 year and not later than 5 years	7 929	7 007
Later than 5 years	2 023	2 478
Total operating lease commitments	**12 819**	**11 991**

Compliance with covenants. The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including an increase of the borrowing costs and announcement of the default. The Group's Management believes that the Group is in compliance with the covenants.

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

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

Outstanding credit related commitments are as follows:

In millions of Russian Roubles	**Note**	**31 December 2013**	**31 December 2012**
Financial guarantees issued		39 754	20 535
Undrawn credit lines		36 736	29 127
Letters of credit		25 296	11 286
Less: provision for impairment	21	(136)	-
Total credit related commitments		**101 650**	**60 948**

As at 31 December 2013, the amount of financial guarantees issued to the CBRF for two Russian banks with a rating less than BB- (S&P) was RR 2 111 million (31 December 2012: the amount of financial guarantees issued to the CBRF for two Russian banks with a rating less than BB- (S&P) was RR 2 017 million).

Undrawn credit lines are represented by revocable credit lines. The Group has the right to revoke unused portion of credit line in response to a material adverse change of the borrower. As at 31 December 2013 and 31 December 2012, there were no grounds for cancellation of disclosed amount of unused credit lines.

34 Contingencies and Commitments (Continued)

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

Credit related commitments are denominated in currencies as follows:

In millions of Russian Roubles	31 December 2013	31 December 2012
Russian Roubles	74 200	46 971
US Dollars	21 983	8 707
Euros	5 420	5 267
Other currencies	47	3
Total	**101 650**	**60 948**

Assets pledged and restricted. The Group had the following assets pledged and restricted:

In millions of Russian Roubles	Note	31 December 2013	31 December 2012
Assets pledged under loan agreements with banks (including CBRF)		18 017	-
State Eurobonds pledged under term deposits from clients	18	7 176	6 659
Security deposit under the lease agreement	16	202	202

As at 31 December 2013, mandatory cash balances with the CBRF of RR 8 735 million (31 December 2012: RR 9 153 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 31 December 2013, the Bank's subsidiaries pledged production premises and equipment under loan agreements with other banks in the total amount of RR 268 million (31 December 2012: RR 1 378 million).

As at 31 December 2013 assets pledged under loan agreements with banks (including CBRF) mainly include loans and advances to customers pledged to CBRF under loan agreements in accordance with the CBRF Act # 312-P "On the procedures of granting loans secured by assets or guarantees by CBRF to credit organisations" dated 12 November 2007.

Transferred financial assets that are not derecognized in their entirety.

The following table provides a summary of financial assets which have been transferred in such a way that all of the transferred financial assets do not qualify for derecognition:

	31 December 2013		31 December 2012	
In millions of Russian Roubles	Carrying amount assets	Carrying amount associated liabilities	Carrying amount assets	Carrying amount associated liabilities
Repurchase agreements:				
Corporate Eurobonds	22 699	18 471	20 632	17 161
Corporate bonds	27 701	22 846	-	-
Federal loan bonds (OFZ)	15 880	14 148	-	-
Municipal and subfederal bonds	5 312	4 562	-	-
State Eurobonds	1 618	1 448	-	-
Total	**73 210**	**61 475**	**20 632**	**17 161**

As at 31 December 2013, amount of liabilities related to assets that are not derecognized in their entirety does not include borrowings from other banks in the amount of RR 355 million received by the Group on sale and repurchase agreements associated with corporate eurobonds of special purpose entity RSHB Capital S.A.

35 Derivative Financial Instruments

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

The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. Liquidity risk on derivative financial instruments is managed by the Group's Treasury and the Capital Markets Department within powers of departments. Management of derivative financial instrument portfolio risks is carried out by authorized Group's bodies through establishing limits.

In the aggregate amount of foreign exchange swaps with original settlement dates of more than 30 working days prevails swaps structured as loans issued by the Group in US Dollars, Swiss Francs, Chinese Yuans and Japanese yens to large OECD banks and one of the Russian banking groups with maturities from January 2014 to May 2023, and deposits in Russian Roubles received from the same counterparties with the same maturities ("back-to-back loans"). These transactions are aimed at economically hedging the currency exposure of the Group.

Most of these agreements contain special procedures for counterparties upon the occurrence of a credit event or an event of default (for example bankruptcy, failure to pay, obligation acceleration, repudiation/moratorium or restructuring external unsubordinated public liabilities, falling of ratings, providing incorrect or misleading representation). The subjects of such events are the Group, and in some instances, the counterparty of the agreement, and/or the Russian Federation. Some of the agreements provide that no further mutual payment obligation between the parties is due, if a credit event or default event happens. Some agreements on the exchange of resources provide termination of liabilities with a mark-to-market payment in the case of a relevant event (e.g., a default event).

As at 31 December 2013, international credit ratings of these counterparties were not less than BB- (S&P) (31 December 2012: not less than BB- (S&P)).

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 December 2013 and covers the contracts with settlement dates after the respective end of the reporting period:

In millions of Russian Roubles	**Principal or agreed amount at fair value of assets receivable**	**Principal or agreed amount at fair value of assets payable**	**Positive fair value**	**Negative fair value**
Forwards and swaps				
- Currency	319 596	(295 160)	25 373	(937)
- Interest rate	3 040	(2 759)	294	(13)
Total	**322 636**	**(297 919)**	**25 667**	**(950)**

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 December 2012 and covers the contracts with settlement dates after the respective end of the reporting period:

In millions of Russian Roubles	**Principal or agreed amount at fair value of assets receivable**	**Principal or agreed amount at fair value of assets payable**	**Positive fair value**	**Negative fair value**
Forwards and swaps				
Currency	272 577	(259 179)	18 659	(5 261)
Total	**272 577**	**(259 179)**	**18 659**	**(5 261)**

As at 31 December 2013, gross receivables and gross payables on settlement of foreign exchange swaps included the balances with one foreign bank in the amount of RR 85 004 million and RR 73 458 million, respectively, or 41% of total gross receivables or 40% of total gross payables on settlement of foreign exchange swaps (31 December 2012: RR 76 209 million and RR 69 931 million, respectively, or 38% of total gross receivables or 38% of total gross payables on settlement of foreign exchange swaps).

36 Fair Value of Financial Instruments

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

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

Financial instruments carried at fair value. Trading securities, securities available for sale, and related investment securities pledged under repurchase agreements are carried on the consolidated statement of financial position at their fair value based on quoted market prices.

Financial instruments designated at fair value through profit or loss and derivative financial instruments are carried on the consolidated statement of financial position at their fair value based on valuation technique with inputs observable in markets. Derivative financial instruments are measured at fair value as assets when fair value is positive and as liabilities when fair value is negative. The Group uses discounted cash flow techniques with observable market data inputs as offshore and onshore yield curves, as well as market data, reflecting the distribution of the probability of default over time.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate bearing placements is based on discounted cash flows using current market interest rates for instruments with similar credit risk and similar maturity.

Held to maturity securities carried at amortised cost. The fair value for held to maturity securities and securities held to maturity pledged under repurchase agreements is based on market price.

Liabilities carried at amortised cost. The fair value of bonds issued is based on market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and similar remaining maturity.

36 Fair Value of Financial Instruments (Continued)

(a) Fair value of financial instruments carried at amortised cost and at fair value:

	31 December 2013		31 December 2012	
In millions of Russian Roubles	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets carried at amortised cost				
Cash and cash equivalents	128 444	128 444	106 342	106 342
Mandatory cash balances with the CBRF	8 735	8 735	9 153	9 153
Due from other banks	43 065	43 203	45 930	46 646
Loans and advances to customers				
- Loans to corporates	1 004 146	989 321	854 058	849 537
- Lending for food interventions	10 896	10 896	21 794	21 794
- Reverse repo agreements	504	504	-	-
- Investments in agricultural cooperatives	365	365	380	380
- Loans to individuals	245 135	248 743	194 480	191 913
Investment securities held to maturity including pledged under repurchase agreements				
-Corporate bonds	14 381	14 345	14 916	14 723
-State Eurobonds	7 175	7 411	6 659	7 575
-Municipal and subfederal bonds	3 251	3 246	3 403	3 413
-Federal Loan bonds (OFZ)	2 318	2 165	2 754	2 691
-Corporate Eurobonds	20 518	19 813	20 899	19 801
Other financial assets	11 429	11 429	7 421	7 421
Total financial assets carried at amortised cost	**1 500 362**	**1 488 620**	**1 288 189**	**1 281 389**
Financial assets carried at fair value	**127 854**	**127 854**	**94 465**	**94 465**
Total financial assets	**1 628 216**	**1 616 474**	**1 382 654**	**1 375 854**
Financial liabilities carried at amortised cost				
Due to other banks				
- Term borrowings from other banks	99 234	102 854	125 770	131 727
- Term borrowings from the CBRF	49 948	49 948	10 022	10 022
- Correspondent accounts and overnight placements of other banks	498	498	551	551
Customer accounts				
- State and public organisations	154 906	154 906	77 221	77 221
- Other legal entities	317 932	317 932	292 360	292 360
- Individuals	249 287	248 753	187 895	188 076
Promissory notes issued and deposit certificates	31 174	31 174	23 234	23 234
Bonds issued				
- Eurobonds issued	299 782	309 886	293 678	314 302
- Bonds issued on domestic market	150 021	150 716	147 188	148 124
Other financial liabilities	6 299	6 299	3 731	3 731
Subordinated debts	74 053	71 175	55 274	56 630
Total financial liabilities carried at amortised cost	**1 433 134**	**1 444 141**	**1 216 924**	**1 245 978**
Financial liabilities carried at fair value	**950**	**950**	**5 261**	**5 261**
Total financial liabilities	**1 434 084**	**1 445 091**	**1 222 185**	**1 251 239**

36 Fair Value of Financial Instruments (Continued)

(b) Analysis by fair value hierarchy of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows:

(i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

(iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Fair value hierarchy

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

36 Fair Value of Financial Instruments (Continued)

Analysis of financial and non-financial instruments as at 31 December 2013 is as follows:

In millions of Russian Roubles	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with non-observable inputs (Level 3)	Total
Assets measured at fair value				
Trading securities	61	2 749	-	2 810
Financial instruments designated at fair value through profit or loss	-	12 220	-	12 220
Investment securities available for sale, including investment securities available for sale pledged under repurchase agreements	87 157	-	-	87 157
Derivative financial instruments	-	25 667	-	25 667
Office premises	-	-	8 669	8 669
Assets for which fair values are disclosed				
Cash and cash equivalents	-	128 444	-	128 444
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	8 735	8 735
Due from other banks	-	43 203	-	43 203
Loans and advances to customers	-	-	1 249 829	1 249 829
Investment securities held to maturity, including investment securities held to maturity pledged under repurchase agreements	46 980	-	-	46 980
Other financial assets carried at amortised cost	-	-	11 429	11 429
Total financial and non-financial assets	**134 198**	**212 283**	**1 278 662**	**1 625 143**
Liabilities measured at fair value				
Derivative financial instruments	-	950	-	950
Liabilities for which fair values are disclosed				
Due to other banks	-	153 300	-	153 300
Customer accounts	-	-	721 591	721 591
Promissory notes issued and deposit certificates	-	-	31 174	31 174
Bonds issued				
- Eurobonds issued	290 069	-	19 817	309 886
- Bonds issued on domestic market	150 716	-	-	150 716
Subordinated debts	43 522	27 653	-	71 175
Other financial liabilities	-	-	6 299	6 299
Total financial liabilities	**484 307**	**181 903**	**778 881**	**1 445 091**

36 Fair Value of Financial Instruments (Continued)

Analysis of financial and non-financial instruments as at 31 December 2012 is as follows:

In millions of Russian Roubles	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with non-observable inputs (Level 3)	Total
Assets measured at fair value				
Trading securities	-	19 220	-	19 220
Financial instruments designated at fair value through profit or loss	-	12 550	-	12 550
Investment securities available for sale, including investment securities available for sale pledged under repurchase agreements	44 036	-	-	44 036
Derivative financial instruments	-	18 659	-	18 659
Office premises	-	-	9 137	9 137
Assets for which fair values are disclosed				
Cash and cash equivalents	-	106 342	-	106 342
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	9 153	9 153
Due from other banks	-	46 646	-	46 646
Loans and advances to customers	-	-	1 063 624	1 063 624
Investment securities held to maturity, including investment securities held to maturity pledged under repurchase agreements	48 203	-	-	48 203
Other financial assets carried at amortised cost	-	-	7 421	7 421
Total financial and non-financial assets	**92 239**	**203 417**	**1 089 335**	**1 384 991**
Liabilities measured at fair value				
Derivative financial instruments	-	5 261	-	5 261
Liabilities for which fair values are disclosed				
Due to other banks	-	142 300	-	142 300
Customer accounts	-	-	557 657	557 657
Promissory notes issued and deposit certificates	-	-	23 234	23 234
Bonds issued				
- Eurobonds issued	294 760	-	19 542	314 302
- Bonds issued on domestic market	148 124	-	-	148 124
Subordinated debts	25 543	31 087	-	56 630
Other financial liabilities	-	-	3 731	3 731
Total financial liabilities	**468 427**	**178 648**	**604 164**	**1 251 239**

There were no financial instruments carried at fair value based on a valuation technique with non-observable inputs (Level 3) as at 31 December 2013 (31 December 2012: none).

37 Presentation of Financial Instruments by Measurement Category

According to the IAS 39 *Financial Instruments: Recognition and Measurement*, the Group classifies its financial assets into the following categories: (a) loans and receivables; (b) available for sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit and loss. Financial assets at fair value through profit and loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) financial assets held for trading. The table below provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2013.

In millions of Russian Roubles	Loans and receivables	Available for sale assets	Trading assets	Financial assets designated at fair value through profit or loss	Held-to-maturity assets	Total
Financial assets						
Cash and cash equivalents						
- cash on hand	22 481	-	-	-	-	22 481
- cash balances with the CBRF (other than mandatory reserve deposits)	39 812	-	-	-	-	39 812
- correspondent and settlement accounts and placements with other banks with original maturities of less than one month	63 549	-	-	-	-	63 549
- settlement accounts with stock and currency exchanges and clearing organisations	2 602	-	-	-	-	2 602
Mandatory cash balances with the CBRF	8 735	-	-	-	-	8 735
Trading Securities	-	-	2 810	-	-	2 810
Financial instruments designated at fair value through profit or loss	-	-	-	12 220	-	12 220
Due from other banks	43 065	-	-	-	-	43 065
Derivative financial instruments	-	-	25 667	-	-	25 667
Loans and advances to customers						
- Loans to corporates	1 004 146	-	-	-	-	1 004 146
- Lending for food interventions	10 896	-	-	-	-	10 896
- Deals with securities purchased under “reverse-repo agreements”	504	-	-	-	-	504
- Investments in agricultural cooperatives	365	-	-	-	-	365
- Loans to individuals	245 135	-	-	-	-	245 135
Investment securities available for sale	-	50 299	-	-	-	50 299
Investment securities held to maturity	-	-	-	-	11 291	11 291
Investment securities pledged under repurchase agreements	-	36 858	-	-	36 352	73 210
Other financial assets	11 429	-	-	-	-	11 429
Total financial assets	**1 452 719**	**87 157**	**28 477**	**12 220**	**47 643**	**1 628 216**
Non-financial assets						**42 548**
Total assets	**1 452 719**	**87 157**	**28 477**	**12 220**	**47 643**	**1 670 764**

37 Presentation of Financial Instruments by Measurement Category (Continued)

The table below provides a reconciliation of classes of financial assets with measurement categories mentioned above as at 31 December 2012.

In millions of Russian Roubles	Loans and receivables	Available for sale assets	Trading assets	Financial assets designated at fair value through profit or loss	Held-to-maturity assets	Total
Financial assets						
Cash and cash equivalents						
- cash on hand	23 284	-	-	-	-	23 284
- cash balances with the CBRF (other than mandatory reserve deposits)	46 266	-	-	-	-	46 266
- correspondent and settlement accounts and placements with other banks with original maturities of less than one month	34 739	-	-	-	-	34 739
- settlement accounts with stock and currency exchanges	2 053	-	-	-	-	2 053
Mandatory cash balances with the CBRF	9 153	-	-	-	-	9 153
Trading Securities	-	-	19 220	-	-	19 220
Financial instruments designated at fair value through profit or loss	-	-	-	12 550	-	12 550
Due from other banks	45 930	-	-	-	-	45 930
Derivative financial instruments	-	-	18 659	-	-	18 659
Loans and advances to customers						
- Loans to corporates	854 058	-	-	-	-	854 058
- Lending for food interventions	21 794	-	-	-	-	21 794
- Investments in agricultural cooperatives	380	-	-	-	-	380
- Loans to individuals	194 480	-	-	-	-	194 480
Investment securities available for sale	-	44 036	-	-	-	44 036
Investment securities held to maturity	-	-	-	-	27 999	27 999
Investment securities pledged under repurchase agreements	-	-	-	-	20 632	20 632
Other financial assets	7 421	-	-	-	-	7 421
Total financial assets	**1 239 558**	**44 036**	**37 879**	**12 550**	**48 631**	**1 382 654**
Non-financial assets						**45 996**
Total assets	**1 239 558**	**44 036**	**37 879**	**12 550**	**48 631**	**1 428 650**

All of the Group's financial liabilities except for derivative financial instruments are carried at amortised cost. Derivative financial instruments are classified as held for trading.

38 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property. Refer to Note 1.

The most significant outstanding balances with related parties were as follows:

In millions of Russian Roubles	**31 December 2013**	**31 December 2012**
Cash and cash equivalents		
CBRF	39 812	46 266
Other banks	28 989	17 438
Loans and advances to customers (before impairment)	44 685	44 929
Provision for loan impairment at the end of the period	(322)	(318)
Derivative financial instruments - assets	95	448
Securities		
Securities issued by Russian Federation	33 324	17 042
Securities of entities and banks	36 933	22 674
Due from other banks	1 700	5 075
Customer accounts		
Entities	207 211	111 494
Key management and their family members	195	59
Subordinated debts	25 000	25 009
Due to other banks		
CBRF	49 948	10 022
Other banks	19 595	8 636
Derivative financial instruments - liabilities	150	414
Guarantees issued	3 660	8 715
Guarantees received	14 964	11 988

38 Related Party Transactions (Continued)

The income and expense items with related parties were as follows:

In millions of Russian Roubles	2013	2012
Interest income on cash and cash equivalents		
CBRF	36	99
Other banks	248	357
Interest income on due from other banks	223	79
Interest income on loans and advances to customers	3 555	4 258
Interest income on securities		
Securities issued by Russian Federation	1 177	1 019
Securities of entities and banks	2 301	2 070
Losses net of gains from securities		
Securities issued by Russian Federation	(199)	38
Securities of entities and banks	(3)	(21)
Gains less losses from derivative financial instruments	189	14
Interest expense on customer accounts		
Entities	(12 911)	(11 765)
Key management and their family members	(8)	(2)
Interest expense on subordinated debts	(1 625)	(1 625)
Interest expense on due to other banks		
CBRF	(1 038)	(1 155)
Other banks	(799)	(472)

The Group has also insignificant income and expense items on operations with related parties that are not disclosed in this note.

In 2013 and 2012, the only transactions with the shareholder were share capital increase, taxes and dividends paid. Refer to Notes 23, 28 and 29.

Key management of the Group represents members of the Supervisory Board, the Management Board and Chief Accountant of the Bank. In 2013 short-term benefits of the key management amounted to RR 378 million (2012: RR 269 million).

	2013		2012	
In millions of Russian Roubles	Remuneration paid	Accrued liability	Remuneration paid	Accrued liability
Short-term benefits:				
Salary, social security costs and short-term bonuses included in salary	249	98	181	70
Post-employment benefits:				
State pension and social costs	31	-	18	-
Total	**280**	**98**	**199**	**70**

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

39 Disposal of Subsidiaries, Groups Classified as Held for Sale and Assets Held for sale

a) Disposal of Subsidiaries

In January 2013 as a result of insolvency procedures the Group lost the control over OOO "Agrostar" and recognized gain from disposal of subsidiary in the amount of RR 24 million.

In February 2013 as a result of insolvency procedures the Group lost the control over OOO "Agroinvest" and recognized loss from disposal of subsidiary in the amount of RR 720 million.

In September 2013 as a result of insolvency procedures the Group lost the control over ZAO "Agroproekt" and recognized gain from disposal of subsidiary in the amount of RR 145 million.

b) Groups Classified as Held for Sale

As at 31 December 2012, the assets and liabilities related to companies in Bashkortostan and Leningrad Region were classified as disposal groups held for sale. The Group intended to complete the sale by the end of 2013, however due to unforseeable circumstances the sale has not been completed, and the Group cannot expect the date of disposal in 2014 with reasonable assurance. Thus these assets do not qualify for IFRS 5 requirements.

In order to comply with the requirements of IFRS 5, as at 31 December 2013 the Group transferred the assets and liabilities related to companies in Bashkortostan and Leningrad Region from disposal groups held for sale. Major part of such assets were represented by premises and equipment of RR 3 106 million. Refer to Note 15.

c) Assets held for sale

As at 31 December 2013, the Group transferred certain assets from premises and equipment and repossessed collateral to assets held for sale. The Group expects the sale to be completed by the end of 2014.

Assets held for sale are accounted for at the lower of net carrying value and fair value less costs to sell with expenses recognized in profit or loss after reclassification.

As at 31 December 2013, the carrying value of premises and equipment and repossessed collateral that have been reclassified to assets held for sale is as follows:

In millions of Russian Roubles	Note	Balance amount (before reclassification)	Accumulated depreciation (before reclassification)	Net carrying value before reclassification	Carrying value after reclassification
Reclassified from repossessed collateral	16	837	(29)	808	681
Reclassified from premises and equipment	15	149	-	149	149
Total		**986**	**(29)**	**957**	**830**

40 Events after the End of the Reporting Period

In January 2014, the Group repaid Eurobonds (loan participation notes) (placed at par) denominated in US dollars in the amount of USD 702 million, equivalents to RR 23 300 million as at maturity date, issued in May 2008.

In February 2014, the Group repaid before the maturity date Eurobonds (loan participation notes) denominated in RR in the amount of RR 1 500 million issued in February 2013.

In February 2014, the Group issued USD 500 million Eurobonds (loan participation notes) (placed at par) equivalent to RR 17 756 million maturing in July 2018 with semi-annual payments of coupon at 5.1% p.a.

In February 2014, the Group repaid bonds denominated in RR issued on the domestic market in the amount of RR 6 167 million at the put option date.

40 Events after the End of the Reporting Period (Continued)

In February 2014, the Group re-issued on the domestic market RR 700 million of previously bought back bonds maturing in February 2017, with semi-annual payments of coupon at 8.15% p.a.

As at 31 March 2014, Russian Rouble devalued to US Dollar by 9.0% and to EUR by 9.1% compared to

31 December 2013.

International rating agencies revised their outlook of Russia’s sovereign credit rating in local and foreign currency from stable to negative following the political instability in Ukraine and heightened geopolitical risk and the prospect of U.S. and EU economic sanctions following Russia’s incorporation of Crimea, which may reduce the flow of potential investment, trigger rising capital outflows and other negative economic effects.

10. Regional Branches' Addresses

Adygea Regional Branch Reg. Nº 3349/12 as of September 27, 2000	24 Krasnooktiabrskaya St., Maikop, Russia, 385000 Tel: +7 (8772) 52-30-24 Fax: +7 (8772) 57-12-01 E-mail: Direktor@adg.rshb.ru
Altai Regional Branch Reg. Nº 3349/18 as of December 18, 2000	80B Lenin Ave., Barnaul, the Altai Territory, Russia, 656015 Tel/Fax: +7 (3852) 35-69-39 E-mail: bank@altay.rshb.ru
Amur Regional Branch Reg. Nº 3349/23 as of December 18, 2000	142 Lenin St., Blagoveshchensk, Russia, 675000 Tel: +7 (4162) 22-18-02 Fax: +7 (4162) 22-18-01 E-mail: referent@amur.rshb.ru
Arkhangelsk Regional Branch Reg. Nº 3349/48 as of October 4, 2001	34 Karl Libchnecht St., Arkhangelsk, Russia, 163000 Tel/Fax: +7 (8182) 65-38-42 E-mail: info@arh.rshb.ru
Astrakhan Regional Branch Reg. Nº 3349/17 as of December 18, 2000	34 Sverdlov St., Astrakhan, Russia, 414000 Tel: +7 (8512) 63-28-00 Fax: +7 (8512) 63-28-08 E-mail: office@astr.rshb.ru
Bashkir Regional Branch Reg. Nº 3349/62 as of April 26, 2004	70 Lenin St., Ufa, Russia, 450008 Tel/Fax: +7 (347) 273-54-71 E-mail: info@bash.rshb.ru
Belgorod Regional Branch Reg. Nº 3349/30 as of April 10, 2001	49 Pushkin St., Belgorod, Russia, 308015 Tel/Fax: +7 (4722) 23-50-23 E-mail: BRF@belg.rshb.ru
Bryansk Regional Branch Reg. Nº 3349/69 as of September 14, 2006	1/5 Begitskaya St., Bryansk, Russia, 241007 Tel: +7 (4832) 68-19-22 Fax: +7 (4832) 68-19-65 E-mail:dir@bryansk.rshb.ru
Buryatia Regional Branch Reg. Nº 3349/59 as of August 1, 2002	57D Smolin St., Ulan-Ude, Russia, 670000 Tel/Fax: +7 (3012) 28-71-00 E-mail: bank@bur.rshb.ru
Chechen Regional Branch Reg. Nº 3349/34 as of April 10, 2001	10/77 Esambaev Ave., Grozny, Russia, 364024 Tel: +7 (8712) 22-27-50 Fax: +7 (8712) 22-28-01 E-mail: erihanov@rshb.ru
Chelyabinsk Regional Branch Reg. Nº 3349/78 as of August 7, 2008	26-a Lenin Ave., Chelyabinsk, Russia, 454091 Tel: +7 (351) 263-78-51 E-mail: bank@chel.rshb.ru
Chita Regional Branch Reg. Nº 3349/47 as of October 4, 2001	21 Alexandro-Zavodskaya St., the Ingodinsky Administrative District, Chita, Russia, 672039 Tel: +7 (3022) 36-99-10 E-mail: referent@chita.rshb.ru

Chukotka Regional Branch Reg. Nº 3349/77 as of April 7, 2008	47 Lenin St., Anadyr, Russia, 689000 Tel: +7 (427-22) 2-88-65 Fax: +7 (427-22) 2-02-55 E-mail: director@chukotka.rshb.ru
Chuvash Regional Branch Reg. Nº 3349/11 as of September 27, 2000	31 President Blvd., Cheboksary, Russia, 428032 Tel: +7 (8352) 66-24-64 Fax: +7 (8352) 58-37-48 E-mail: RF@chuvashia.rshb.ru
Dagestan Regional Branch Reg. Nº 3349/4 as of September 27, 2000	54a Gamidov Ave., Makhachkala, Russia, 367010 Tel: +7 (8722) 51-71-11, Fax: +7 (8722) 51-71-14 E-mail: referent@dag.rshb.ru
Gorno-Altaysk Regional Branch Reg. Nº 3349/70 as of October 6, 2006	68 Kommunistichesky Ave., Gorno-Altaysk, the Republic of Altai, Russia, 649000 Tel: +7 (38822) 2-47-79 E-mail: director@galtay.rshb.ru
Jewish Regional Branch Reg. Nº 3349/29 as of March 22, 2001	6 Komsomolskaya St., Birobidjan, Russia, 679000 Tel: +7 (42622) 4-02-84 Fax: +7 (42622) 4-01-09 E-mail: referent@bir.rshb.ru
Ivanovo Regional Branch Reg. Nº 3349/38 as of May 29, 2001	21/1 Lenin Ave., Ivanovo, Russia, 153002 Tel: +7 (4932) 24-98-00 Fax: +7 (4932) 24-98-08 E-mail: ivrshb@ivanovo.rshb.ru
Irkutsk Regional Branch Reg. Nº 3349/66 as of October 13, 2005	180 Rozy Luxembourg St., Irkutsk, Russia, 664040 Tel/Fax: +7 (3952) 44-24-00 E-mail: director@irk.rshb.ru
Ingush Regional Branch Reg. Nº 3349/42 as of June 21, 2001	13a Moskovskaya St., Nazran, Russia, 386102 Tel: +7 (8732) 22-08-01 Fax: +7 (8732) 22-08-02 E-mail: office@ing.rshb.ru
Kabardino-Balkaria Regional Branch Reg. Nº 3349/44 as of June 26, 2001	10a Kouliev Ave., Nalchik, Russia, 360030 Tel: +7 (8662) 47-77-94 Fax: +7 (8662) 40-00-13 E-mail: kbr@kbal.rshb.ru
Kaliningrad Regional Branch Reg. Nº 3349/55 as of March 6, 2002	51V Alexander Nevsky St., Kaliningrad, Russia, 236016 Tel: +7 (4012) 556-200 Fax: +7 (4012) 556-271 E-mail: info@klngd.rshb.ru
Kalmyk Regional Branch Reg. Nº 3349/36 as of April 20, 2001	87 Yuri Klykov St., Elista, Russia, 358003 Tel/ Fax: +7 (84722) 6-57-71 E-mail: elista@kalmyk.rshb.ru

Kaluga Regional Branch Reg. Nº 3349/27 as of February 13, 2001	9A Kirov St., Kaluga, Russia, 248001 Tel/ Fax: +7 (4842) 57-11-68 E-mail: director@kaluga.rshb.ru
Kamchatka Regional Branch Reg. Nº 3349/53 as of February 8, 2002	63 Pobedy Ave., Petropavlovsk-Kamchatsky, Russia, 683023 Tel: +7 (4152) 49-02-15 Fax: +7 (4152) 49-02-18 E-mail: post@kamchatka.rshb.ru
Karachay-Cherkessia Regional Branch Reg. Nº 3349/31 as of April 10, 2001	19 Kavkazskaya St., Cherkessk, Russia, 369004 Tel/Fax: +7 (8782) 25-58-84 Fax: +7 (8782) 26-03-32 E-mail: Hadzhieva@karacherk.rshb.ru
Karelia Regional Branch Reg. Nº 3349/21 as of December 18, 2000	37/1 Pervomaisky Ave., Petrozavodsk, Russia, 185910 Tel/Fax: +7 (8142) 70-34-57 E-mail: public@karel.rshb.ru
Kemerovo Regional Branch Reg. Nº 3349/56 as of March 6, 2002	8a Sovetsky Ave., Kemerovo, Russia, 650099 Tel/Fax: +7 (3842) 34-60-30 E-mail: office@kemerovo.rshb.ru
Khabarovsk Regional Branch Reg. Nº 3349/75 as of October 1, 2007	120 Kalinina St., Khabarovsk, Russia, 680000 Tel/Fax: +7 (4212) 47-66-52 E-mail: priem@hab.rshb.ru
Khakassia Regional Branch Reg. Nº 3349/37 as of April 20, 2001	72 Chertygashev St., Abakan, Russia, 655017 Tel: +7 (3902) 22-33-60 Fax: +7 (3902) 29-21-11 E-mail: office@hakas.rshb.ru
Kirov Regional Branch Reg. Nº 3349/22 as of December 18, 2000	5 Gorky St., Kirov, Russia, 610017 Tel: +7 (8332) 29-54-96 Fax: +7 (8332) 29-54-37 E-mail: mail@kirov.rshb.ru
Komi Regional Branch Reg. Nº 3349/74 as of June 5, 2007	112/1 Pervomayskaya St., Syktyvkar, Russia, 167000 Tel/Fax: +7 (8212) 44-83-79 E-mail: filial@komi.rshb.ru
Kostroma Regional Branch Reg. Nº 3349/51 as of January 11, 2002	6 Mira Ave., Kostroma, Russia, 156000 Tel/Fax: +7 (4942) 37-35-20 E-mail: mail@kostroma.rshb.ru
Krasnodar Regional Branch Reg. Nº 3349/3 as of September 27, 2000	2 Korolenko St., the Central District, Krasnodar, Russia, 350038 Tel: +7 (861) 253-66-15 Fax: +7 (861) 253-66-25 E-mail: director@krd.rshb.ru
Krasnoyarsk Regional Branch Reg. Nº 3349/49 as of December 13, 2001	33 Perensona St., Krasnoyarsk, Russia, 660049 Tel/Fax: +7 (391) 267-67-00 E-mail: info@krsn.rshb.ru

Kurgan Regional Branch Reg. Nº 3349/45 as of July 27, 2001	157 Sovetskaya St., Kurgan, Russia, 640018 Tel: +7 (3522) 23-90-70 Fax: +7 (3522) 23-98-98 E-mail: rshb@kurgan.rshb.ru
Kursk Regional Branch Reg. Nº 3349/32 as of April 10, 2001	12 Sadovaya St., Kursk, Russia, 305004 Tel/Fax +7 (4712) 39-05-80 E-mail: referent@kursk.rshb.ru
Lipetsk Regional Branch Reg. Nº 3349/24 as of December 18, 2000	17A Vodopianov St., Lipetsk, Russia, 398046 Tel/Fax: +7 (4742) 30-75-06 E-mail: office@lip.rshb.ru
Magadan Regional Branch Reg. Nº 3349/40 as of June 13, 2001	40 Karl Marx Ave., Magadan, Russia, 685000 Tel/Fax: +7 (4132) 65-16-41 E-mail: info@magadan.rshb.ru
Mari El Regional Branch Reg. Nº 3349/16 as of September 29, 2000	116 Volkova St., Yoshkar-Ola, Russia, 424002 Tel: +7 (8362) 45-23-55 Fax: +7 (8362) 63-81-21 E-mail: office@mar.rshb.ru
Mordovia Regional Branch Reg. Nº 3349/20 as of December 18, 2000	47A Sovetskaya St., Saransk, Russia, 430005 Tel: +7 (8342) 29-23-00 Fax: +7 (8342) 29-23-99 E-mail: info@mrd.rshb.ru
Moscow Regional Branch Reg. Nº 3349/63 as of January 28, 2005	2d Listvennichnaya Alley, Moscow, Russia, 127550 Tel: +7 (495) 644-02-25 Fax: +7 (495) 644-02-30 E-mail: referent@msk.rshb.ru
Murmansk Regional Branch Reg. Number: 3349/33 as of April 10, 2001	11 Pavlov St., Murmansk, Russia, 183032 Tel/Fax: +7 (8152) 25-86-60 E-mail: office@murm.rrshb.ru
Nizhny Novgorod Regional Branch Reg. Nº 3349/39 as of June 13, 2001	3 Kulibina St., Nizhny Novgorod, Russia, 603022 Tel/Fax: +7 (831) 421-62-70 E-mail: nnrshb@nnovgorod.rshb.ru
North Ossetia Regional Branch Reg. Nº 3349/26 as of February 9, 2001	2 Kantemirov St., Vladikavkaz, Russia, 362007 Tel: +7 (8672) 53-22-81 Fax: +7 (8672) 53-44-30 E-mail: alania@oset.rshb.ru
Novgorod Regional Branch Reg. Nº 3349/8 as of September 27, 2000	9 Bolshaya Moscovskaya St., Veliky Novgorod, Russia, 173000 Tel/Fax: +7 (8162) 63-22-21 E-mail: ngd@vnovgorod.rshb.ru
Novosibirsk Regional Branch Reg. Nº 3349/25 as of February 9, 2001	13 Fabrichnaya St., Novosibirsk, Russia, 630007 Tel/Fax: +7 (383) 218-30-35 E-mail: bank@nsk.rshb.ru

Omsk Regional Branch Reg. Nº 3349/09 as of September 27, 2000	52 Frunze St., Omsk, Russia, 644099 Tel/Fax +7 (3812) 23-34-23 E-mail: office@omsk.rshb.ru
Orenburg Regional Branch Reg. Nº 3349/05 as of September 27, 2000	59B Leninskaya St., Orenburg, Russia, 460000 Tel/Fax: +7 (3532) 43-11-11 E-mail: referent@orn.rshb.ru
Orel Regional Branch Reg. Nº 3349/10 as of September 27, 2000	60 Dubrovinskiy Embankment, Orel, Russia, 302030 Tel/Fax: +7 (486-2) 43-41-05 E-mail: ref@orel.rshb.ru
Penza Regional Branch Reg. Nº 3349/15 as of September 29, 2000	39 Bekeshskaya St., Penza, Russia, 440018 Tel: +7 (8412) 42-18-73 Fax: +7 (8412) 42-18-45 E-mail: info@penza.rshb.ru
Perm Regional Branch Reg. Nº 3349/76 as of December 14, 2007	50 Lenin St., Perm, Russia, 614000 Tel: +7 (342) 259-07-07 Fax: +7 (342) 218-14-62 E-mail: office@perm.rshb.ru
Primorsky Regional Branch Reg. Nº 3349/54 as of February 8, 2002	26-1 Okeansky Ave., Vladivostok, Russia, 690091 Tel: +7 (423) 222-35-87 E-mail: referent@primor.rshb.ru
Pskov Regional Branch Reg. Nº 3349/68 as of September 14, 2006	44a Nekrasov St., Pskov, Russia, 180000 Tel: +7 (8112) 68-72-22 Fax: +7 (8112) 68-72-23 E-mail: bank@pskov.rshb.ru
Rostov Regional Branch Reg. Nº 3349/7 as of September 27, 2000	14a M. Nagibin Ave., Rostov-on-Don, Russia, 344038 Tel:+7 (863) 243-25-00 Fax:+7 (863) 243-25-36 E-mail: mail@rostov.rshb.ru
Ryazan Regional Branch Reg. Nº 3349/58 as of July 31, 2002	58 Svobody St., Ryazan, Russia, 390000 Tel/Fax: +7 (4912) 28-42-00 E-mail: bank@ryazan.rshb.ru
Samara Regional Branch Reg. Nº 3349/13 as of September 29, 2000	10 Academician Platonov St., Samara, Russia, 443011 Tel/Fax: +7 (846) 373-51-04 E-mail: tmas@samara.rshb.ru
Saint Petersburg Regional Branch Reg. Nº 3349/35 as of April 12, 2001	5 Paradnaya St., St. Petersburg, Russia, 119014 Tel/Fax: +7 (812) 335-06-30 E-mail: office@spb.rshb.ru
Saratov Regional Branch Reg. Nº 3349/52 as of February 6, 2002	65/2 Radyscheva St., Saratov, Russia, 410003 Tel/Fax: +7 (8452) 26-22-00 E-mail: info@saratov.rshb.ru
Sakhalin Regional Branch Reg. Nº 3349/72 as of April 19, 2007	107 Mira Ave. , Yuzhno-Sakhalinsk, the Sakhalin Region, Russia, 693020 Tel/Fax: +7 (4242) 31-21-01 E-mail: office@shl.rshb.ru

Smolensk Regional Branch Reg. N° 3349/43 as of June 25, 2001	4B Kommunisticheskaya St., Smolensk, Russia, 214000 Tel/Fax: +7 (4812) 38-14-41 E-mail: info@smol.rshb.ru
Stavropol Regional Branch Reg. N° 3349/6 as of September 27, 2000	107A Shpakovskaya St., Stavropol, the Stavropol Territory, Russia, 355037 Tel/Fax: +7 (8652) 55-03-90 E-mail: referent@stavropol.rshb.ru
Sverdlovsk Regional Branch Reg. N° 3349/73 as of May 18, 2007	15 Fevralskoj Revolyutsii St., Ekaterinburg, Russia, 620014 Tel: +7 (343) 356-18-60 Fax: +7 (343)356-18-79 E-mail: office@sverdlovsk.rshb.ru
Tambov Regional Branch Reg. N° 3349/2 as of September 27, 2000	20 Maksim Gorky St., Tambov, Russia, 392000 Tel: + 7 (4752) 63-03-05 Fax: +7 (4752) 63-03-07 E-mail: office@tambov.rshb.ru
Tatarstan Regional Branch Reg. N° 3349/67 as of March 16, 2006	80 Dostoevsky St., Kazan, Russia, 420097 Tel: +7 (843) 524-98-77 E-mail: rkazan@kazan.rshb.ru
Tomsk Regional Branch Reg. N° 3349/64 as of May 11, 2005	8b Moskovsky Tract, Tomsk, Russia, 634050 Tel: +7 (3822) 20-22-24 Fax: +7 (3822) 42-60-69 E-mail: info@tomsk.rshb.ru
Tver Regional Branch Reg. N° 3349/19 as of December 18, 2000	37 Dmitry Donskoy St., Tver, Russia, 170006 Tel/Fax: +7 (4822) 77-37-20 E-mail: mail@tver.rshb.ru
Tuva Regional Branch Reg. N° 3349/57 as of March 6, 2002	23 Tyvinskie Dobrovoltsy St., Kyzl, the Tuva Republic, Russia, 667000 Tel/Fax: +7 (39422) 2-04-01 E-mail: rshb@tuva.ru
Tula Regional Branch Reg. N° 3349/1 as of September 27, 2000	5 Turgenevskaya St., Tula, Russia, 300041 Tel/Fax: +7 (4872) 55-00-00 E-mail: filial@tula.rshb.ru
Tyumen Regional Branch Reg. N° 3349/71 as of December 29, 2006	21 Pervomaiskaya St., Tyumen, Russia, 625000 Tel/Fax: +7 (3452) 50-06-25 E-mail: office@tumen.rshb.ru
Udmurt Regional Branch Reg. N° 3349/28 as of February 26, 2001	30 Telegina St., Izhevsk, Russia, 426006 Tel: +7 (3412) 631-136 Fax: +7 (3412) 631-143 E-mail: RF@udm.rshb.ru
Ulyanovsk Regional Branch Reg. N° 3349/65 as of June 17, 2005	15 Minayev St., Ulyanovsk, Russia, 432017 Tel/Fax: +7 (8422) 41-00-22 E-mail: DirectorUln@uln.rshb.ru

Vladimir Regional Branch Reg. Nº 3349/41 as of June 21, 2001	1B Bolshaya Moskovskaya St., Vladimir, Russia, 600000 Tel: +7 (4922) 42-12-80 Fax: +7 (4922) 32-48-78 E-mail: info@vladimir.rshb.ru
Volgograd Regional Branch Reg. Nº 3349/46 as of October 4, 2001	1B Barrikadnaya St., Volgograd, Russia, 400047 Tel: +7 (8442) 96-23-00 Fax: +7 (8442) 96-23-42 E-mail: mail@volg.rshb.ru
Vologda Regional Branch Reg. Nº 3349/50 as of January 11, 2002	4 Petin St., Vologda, Russia, 160002 Tel: +7 (8172) 76-80-00 Fax: +7 (8172) 76-88-88 E-mail: info@vologda.rshb.ru
Voronezh Regional Branch Reg. Nº 3349/14 as of September 29, 2000	19B Moskovsky Ave., the Kominternovsky District, Voronezh, Russia, 394016 Tel/Fax: +7 (473) 269-71-71 E-mail: vrf@vrn.rshb.ru
Yakutsk Regional Branch Reg. Nº 3349/60 as of February 11, 2003	28/1 Kourashov St., Yakutsk, Russia, 677000 Tel/Fax: +7 (4112) 34-37-73 E-mail: office@yakutia.rshb.ru
Yaroslavl Regional Branch Reg. Nº 3349/61 as of June 11, 2003	28A Pobedy St., Yaroslavl, Russia, 150040 Tel: +7 (4852) 25-88-88 Fax: +7 (4852) 32-12-44 E-mail: dir@yar.rshb.ru

11. Contacts and Payment Details

Russian Agricultural Bank Details

Full Name	Russian Agricultural Bank
Legal Form	Open Joint Stock Company
General Banking License	N° 3349 dated July 11, 2012
Registration Details	Central Bank of the Russian Federation, dated April 24, 2000, Moscow, Russia
Registered Number	1027700342890
Regulatory / Supervisory Authority	Central Bank of the Russian Federation
Legal Address	3 Gagarinsky Pereulok, Moscow, Russia, 119034
Contact Number	+ 7 (495) 787-7787
E-mail	office@rshb.ru
Internet Website	www.rshb.ru, www.rusagrobank.com

Contact Details / International Contacts

Address	1 Arbat Street, Moscow, Russia, 119019
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E-mail	**Investor Relations** IR_RusAgroBank@rshb.ru **Financial Institutions** fininst@rshb.ru **Structured and Trade Finance** exterfin@rshb.ru

Account Details

OPERU Moscow	30101810200000000111
Tax Identification Number (TIN) / KPP	7725114488 / 997950001
BIC	044525111
OKPO Code	52750822
OKONKH Code	96120
OKOGU	15001
OKATO Code	45286590000
OKFS	12

OGRN	1027700342890
OKVED	65.12
OKOPF	47
Telex	485493 RSB RU
SWIFT	RUAG RU MM

Licenses

- General license for banking operations N° 3349 (issued by the Central Bank of the Russian Federation, July 11, 2012);
- License for brokerage activity (issued by the Russian Federal Service for Financial Markets, May 19, 2005, N°007-08455-100000);
- License for dealing operations (issued by the Russian Federal Service for Financial Markets, May 19, 2005, N°007-08456-010000);
- License for depositary operations (issued by the Russian Federal Service for Financial Markets, May 19, 2005, N°007-08461-000100);
- License as a stock market agent for concluding commodity futures and options transactions in stock trading (issued by the Russian Federal Service for Financial Markets, November 17, 2009, N°1473);
- License for attracting deposits and placing precious metals (issued by the Central Bank of the Russian Federation, April 17, 2013, N°3349);
- License for the development, production, and distribution of encryption (cryptographic) facilities, information and telecommunication systems, which are protected by encryption (cryptographic) facilities, for work and services in the field of data encryption, technical support services for encryption (cryptographic) facilities, information and telecommunication systems, which are protected with encryption (cryptographic) facilities (except where technical support services of encryption (cryptographic) facilities, information and telecommunication systems, which are protected with encryption (cryptographic) facilities, are performed for the own needs of the legal entity or the individual entrepreneur) (issued by the Center of the Federal Security Service of the Russian Federation for Licensing, Certifying and Protecting State Secrets, April 11, 2013, N°12810H).
- Certificate of completion by JSC “Rosselkhozbank” of verification procedures for compliance with the Payment Card Industry Data Security Standard (PCI DSS) (issued by ZAO “NVision Group”, QSA auditor, certificated by the Payment Card Industry Security Standards Council (PCI SSC) February 21, 2014).

Certificates:

- Certificate of State registration of a credit organization, Registration N° 3349 (issued by the Bank of Russia, April 24, 2000);
- Certificate of the Bank’s inclusion in the State Register of banks-participants of the obligatory deposit insurance system (issued by the State Agency for Deposit Insurance, March 14, 2005, N° 760);
- Certificate of registration of the legal entity by the tax authority (issued by the Russian Ministry of Taxation, February 8, 2001);

- Certificate of registration in the Unified State Register of Legal Entities (issued by the Russian Ministry of Taxation, October 22, 2002);
- Insurance certificate (issued by the Social Insurance Fund of the Russian Federation, March 14, 2001);
- Certificate of registration in the Municipal Register of Enterprises of the city of Moscow (issued by the Moscow Registration Chamber, May 18, 2000, N°002.003.381);
- Certificate of a change in legal address (issued by the Federal Tax Service, December 25, 2008).