BANCA INTESA
(CLOSED JOINT-STOCK COMPANY)

Consolidated financial statements

Year ended 31 December 2013
Together with Auditors' report

Contents

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Auditors' Report

To the Shareholders and Board of Directors

BANCA INTESA (CLOSED JOINT STOCK COMPANY)

We have audited the accompanying consolidated financial statements of BANCA INTESA (CLOSED JOINT STOCK COMPANY) (the "Bank"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Audited entity: BANCA INTESA (CLOSED JOINT STOCK COMPANY).

Registered by the Central Bank of Russian Federation on 31 December 1992, Registration No. 2216.

Entered in the Unified State Register of Legal Entities on 11 September 2002 by Moscow Inter-Regional Tax Inspectorate No. 39 of the Ministry of Taxes and Duties of the Russian Federation, Registration No. 1027739177377, Certificate series 77 No. 010860133.

Address of audited entity: 2, Petroverigsky pereulok, Moscow, Russian Federation, 101000.

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

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

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

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

Opinion

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

Malyutina M.S.

Director, (power of attorney dated 1 October 2013 No. 77/13)

ZAO KPMG Moscow,

Russian Federation

24 February 2014

Consolidated statement of financial position

As at 31 December 2013

(Thousands of Russian Roubles)

	Notes	*2013*	*2012*
Assets			
Cash and cash equivalents	4	4 214 193	6 887 120
Mandatory cash balances with the Central Bank of the Russian Federation		301 518	374 992
Amounts due from credit institutions	5	5 030 092	11 400 772
Available-for-sale securities:			
- held by the Bank	6	1 941 671	3 028 170
- pledged under sale and repurchase agreements	6	791 265	-
Derivative financial assets	7	20 606	94 176
Loans to customers	8	51 138 035	53 273 766
Net investments in finance leases	9	1 259 289	1 111 124
Property and equipment	10	453 969	494 764
Intangible assets	11	859 232	1 095 396
Current income tax assets		88 403	2 245
Deferred income tax assets	12	65 509	43 846
Tax assets other than income tax		108 660	36 629
Other assets	14	815 109	827 810
Total assets		**67 087 551**	**78 670 810**
Liabilities			
Amounts due to credit institutions	15	16 223 249	26 799 230
Amount due to the Central Bank of the Russian Federation	6	728 298	-
Derivative financial liabilities	7	6	2 026
Amounts due to customers	16	18 722 956	19 027 201
Debt securities issued	17	8 140 048	8 132 583
Other borrowed funds	18	8 092 697	8 698 962
Current income tax liabilities		2 607	61 911
Tax liabilities other than income tax		74 462	19 421
Other liabilities	14	357 697	515 460
Subordinated debt	19	590 732	548 344
Total liabilities		**52 932 752**	**63 805 138**
Equity			
Share capital	20	10 820 181	10 820 181
Other capital reserve		1 803 914	1 803 914
Revaluation reserve for available-for-sale securities		8 466	14 726
Retained earnings		1 522 238	2 226 851
Total equity		**14 154 799**	**14 865 672**
Total equity and liabilities		**67 087 551**	**78 670 810**

Signed and authorised for release on behalf of the Board of Directors of the Bank

Olga Lein — Acting Chairman of the Management Board

Tatyana Pavlycheva — Head of Accounting, Planning and Control Group/Chief accountant

24 February 2014

The accompanying Notes are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2013

(Thousands of Russian Roubles)

	Notes	2013	2012
Interest income			
Loans to customers		7 056 988	7 429 723
Net investments in finance leases		242 814	345 072
Amounts due from credit institutions		110 097	238 510
Available-for-sale securities		163 740	190 893
		7 573 639	**8 204 198**
Interest expense			
Amounts due to credit institutions		(1 490 806)	(1 533 286)
Other borrowed funds		(421 896)	(506 685)
Debt securities issued		(750 811)	(385 456)
Amounts due to customers		(410 989)	(367 787)
Subordinated debt		(20 250)	(23 138)
		(3 094 752)	**(2 816 352)**
Net interest income		**4 478 887**	**5 387 846**
Impairment of loans and net investments in finance leases	8, 9	(1 333 555)	(748 170)
Net interest income after impairment of loans and net investments in finance leases		**3 145 332**	**4 639 676**
Fee and commission income		865 830	874 732
Fee and commission expense		(133 188)	(137 628)
Net fee and commission income	22	**732 642**	**737 104**
Net gain from trading securities		79	–
Net gains (losses) from available-for-sale securities		302	(407)
Net (losses) gains from foreign currencies:			
- dealing		(116 467)	373 485
- translation differences		528 591	(47 130)
Net losses from other operating activities	23	(118 114)	(136 120)
Operating income		**4 172 365**	**5 566 608**
Personnel expenses	24	(1 736 119)	(1 775 498)
Other general administrative expenses	24	(1 586 919)	(1 527 282)
Depreciation and amortisation	10, 11	(545 016)	(532 092)
Other impairment and provisions	13	(75 103)	(188 935)
Profit before income tax		**229 208**	**1 542 801**
Income tax expense	12	(49 711)	(348 449)
Profit for the year		**179 497**	**1 194 352**
Other comprehensive (loss) income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss			
- Net change in fair value of available-for-sale securities		(6 018)	25 432
- Net change in fair value of available-for-sale securities transferred to profit or loss		(242)	348
Total other comprehensive (loss) income for the year, net of income tax		**(6 260)**	**25 780**
Total comprehensive income for the year		**173 237**	**1 220 132**

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Tatyana Pavlycheva — Head of Accounting, Planning and Control Group/Chief accountant

24 February 2014

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Consolidated statement of changes in equity

For the year ended 31 December 2013

(Thousands of Russian Roubles)

	Share capital	*Other capital reserve*	*Revaluation reserve for available-for-sale securities*	*Retained earnings*	*Total equity*
Balance as at 1 January 2012	**10 820 181**	**1 803 914**	**(11 054)**	**1 197 377**	**13 810 418**
Total comprehensive income					
Profit for the year	–	–	–	1 194 352	**1 194 352**
Other comprehensive loss					
Net change in fair value of available-for-sale securities, net of income tax	–	–	25 432	–	**25 432**
Net change in fair value of available-for-sale securities transferred to profit or loss, net of income tax	–	–	348	–	**348**
Total other comprehensive income	–	–	**25 780**	–	**25 780**
Total comprehensive income for the year	–	–	**25 780**	**1 194 352**	**1 220 132**
Dividends declared and paid	–	–	–	(164 878)	**(164 878)**
Balance as at 31 December 2012	**10 820 181**	**1 803 914**	**14 726**	**2 226 851**	**14 865 672**
Total comprehensive income					
Profit for the year	–	–	–	179 497	179 497
Other comprehensive loss					
Net change in fair value of available-for-sale securities, net of income tax	–	–	(6 018)	–	**(6 018)**
Net change in fair value of available-for-sale securities transferred to profit or loss, net of income tax	–	–	(242)	–	**(242)**
Total other comprehensive loss			**(6 260)**	–	**(6 260)**
Total comprehensive income for the year	–	–	**(6 260)**	**179 497**	**173 237**
Dividends declared and paid	–	–	–	(884 110)	**(884 110)**
Balance as at 31 December 2013	**10 820 181**	**1 803 914**	**8 466**	**1 522 238**	**14 154 799**

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Tatyana Pavlycheva — Head of Accounting, Planning and Control Group/Chief accountant

24 February 2014

The accompanying Notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2013

(Thousands of Russian Roubles)

	Note	2013	2012
Cash flows from operating activities			
Interest received		7 337 582	7 829 215
Interest paid		(3 035 363)	(2 804 852)
Fees and commissions received		869 133	876 208
Fees and commissions paid		(128 900)	(132 818)
Net receipts from trading securities		79	-
Net receipts (payments) from dealing in foreign currencies		(137 067)	244 172
Net payments for other operating activities		(38 226)	(20 646)
Personnel expenses paid		(1 713 671)	(1 714 266)
Other general administrative expenses paid		(1 588 737)	(1 536 723)
Cash flows from operating activities before changes in operating assets and liabilities		**1 564 830**	**2 740 290**
Net (increase) decrease in operating assets			
Mandatory cash balances with the CBR		73 477	54 894
Amounts due from credit institutions		7 503 152	1 916 337
Loans to customers		2 516 156	7 592 524
Net investments in finance leases		(138 573)	449 613
Other assets		(89 338)	(160 231)
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions		(11 041 639)	(10 128 759)
Amounts due to customers		(1 459 166)	(498 952)
Other liabilities		(163 888)	(117 122)
Net cash flows used in operating activities before income tax		**(2 799 819)**	**(891 696)**
Income tax paid		(220 409)	(294 218)
Net cash flows (used in) provided from operating activities		**(1 455 398)**	**1 554 376**
Cash flows from investing activities			
Purchase of property and equipment		(91 385)	(69 704)
Proceeds from sale of property and equipment		4 841	16 935
Purchase of intangible assets		(181 123)	(250 329)
Purchase of available-for-sale securities		(1 007 584)	(1 907 295)
Proceeds from sale and redemption of available-for-sale securities		1 331 934	2 302 837
Net cash flows provided from investing activities		**56 683**	**92 444**
Cash flows from financing activities			
Dividends paid		(884 110)	(164 878)
Proceeds from issue of bonds		-	8 000 000
Proceeds from other borrowed funds		1 750 000	-
Repayment of other borrowed funds		(2 731 874)	(5 570 686)
Repayment of subordinated debt		-	(111 209)
Net cash flows (used in) provided from financing activities		**(1 865 984)**	**2 153 227**
Effect of exchange rates changes on cash and cash equivalents		591 772	(97 084)
Net (decrease) increase in cash and cash equivalents		**(2 672 927)**	**3 702 963**
Cash and cash equivalents as at the beginning of the year		6 887 120	3 184 157
Cash and cash equivalents as at the end of the year	4	**4 214 193**	**6 887 120**

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Tatyana Pavlycheva — Head of Accounting, Planning and Control Group/Chief accountant

24 February 2014

«Банк Интеза» Banca Intesa МОСКВА

The accompanying Notes are an integral part of these consolidated financial statements.

(Thousands of Russian Roubles)

1. Principal activities

These consolidated financial statements include the financial statements of BANCA INTESA (CLOSED JOINT-STOCK COMPANY) and its subsidiary, ZAO “Intesa Leasing”, together referred to as the “Bank”.

BANCA INTESA (CLOSED JOINT-STOCK COMPANY) is a commercial bank organised in the form of a closed joint-stock company under the laws of the Russian Federation.

The Bank, formerly known as KMB BANK (CLOSED JOINT-STOCK COMPANY) (the “incorporating Bank”), changed its name following the merger with ZAO BancaIntesa (the “incorporated Bank”), 100% Russian banking subsidiary of IntesaSanpaoloS.p.A. (Italy), on 11 January 2010.

The shareholders of the Bank as at 31 December are:

Shareholder	***2013 %***	***2012 %***
Intesa Sanpaolo S.p.A. (Italy)	46.9772	46.9772
Intesa Sanpaolo Holding International SA (Luxembourg)	39.7670	39.7670
European Bank for Reconstruction and Development (the “EBRD”) (United Kingdom)	13.2558	13.2558
Total	**100.0000**	**100.0000**

The ultimate controlling party of the Bank is Intesa SanpaoloS.p.A. (Italy) (“ISP”).

The Bank’s principal business activities are retail bank products and services, including a premium banking segment, and corporate bank products to small, medium and large businesses. The Bank is engaged in a program of the EBRD to support the businesses of small to medium sized companies by providing them with lending facilities.

The activities of the Bank are regulated by the Central Bank of Russian Federation (the “CBR”). The Bank operates under General Banking License № 2216.

In 2004, the Bank became a member of the state deposit insurance system in the Russian Federation.

The Bank has a wholly owned and controlled subsidiary, ZAO “Intesa Leasing”, former ZAO “KMB-Leasing”. It is primarily engaged in the provision of finance leases to the Bank’s clients and other companies.

The Bank’s head office is located in Moscow and it has 6 branches within the Russian Federation in the cities of Saint Petersburg, Nizhniy Novgorod, Ekaterinburg, Novosibirsk, Vladivostok and Rostov-on-Don (2012: 6 branches). As at 31 December 2013, the Bank has 69 offices selling banking products in different cities within the Russian Federation (2012: 76 offices).

The Bank’s registered office is located at the following address: 2, Petroverigsky pereulok, Moscow, Russian Federation, 101000.

As at 31 December 2013, the Bank employed 1 761 people (2012: 1 879).

Russian Business environment

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

(Thousands of Russian Roubles)

2. Basis of preparation

Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The Bank is required to maintain its records and prepare its financial statements for regulatory purposes in Russian Roubles in accordance with the Russian accounting and banking legislation and related instructions ("RAL"). These consolidated financial statements are based on the Bank's RAL books and records, as adjusted and reclassified in order to comply with IFRS.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for trading securities, available-for-sale securities and derivative financial instruments that are stated at fair value.

Functional and presentation currency

The functional currency of the Bank and its subsidiary is the Russian Rouble ("RUB") as, being the national currency of the Russian Federation it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of these consolidated financial statements.

All financial information presented in RUB is rounded to the nearest thousand, except where indicated.

Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- loan impairment estimates - Note 8;
- net investments in finance leases impairment estimates – Note 9;
- estimates of fair values of financial instruments – Note 26;
- tax contingency estimates – Note 21;
- repossessed collateral – Note 26.

3. Summary of accounting policies

The following accounting policies are consistently applied in the preparation of the consolidated financial statements except for changes in accounting policies which are described at the end of this Note.

Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Bank.

The Bank measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree if the business combination is achieved in stages) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

(Thousands of Russian Roubles)

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The Bank elects on transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Bank incurs in connection with a business combination are expensed as incurred.

Subsidiaries

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

Acquisitions and disposals of non-controlling interests

The Bank accounts for the acquisitions and disposals of non-controlling interests as transactions with equity holders in their capacity as equity holders. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBR, excluding mandatory cash balances with the CBR, and accounts which can be converted into cash within one day and are free from contractual encumbrances. All short-term interbank placements are included in amounts due from other banks.

Mandatory cash balances with the CBR

Credit institutions are required to maintain a non-interest earning cash deposit (mandatory cash balances) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Bank’s ability to withdraw such a deposit is significantly restricted by the statutory legislation. Mandatory cash balances with the CBR are not available to finance the Bank’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.

Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;

- derivative financial instruments (except for derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,

- upon initial recognition, designated as at fair value through profit or loss.

The Bank may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

(Thousands of Russian Roubles)

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category.

Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the Bank has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank:

- intends to sell immediately or in the near term;

- upon initial recognition designates as at fair value through profit or loss;

- upon initial recognition designates as available-for-sale or,

- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss;

- the Bank designates as available-for-sale or,

- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Recognition

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;

- held-to-maturity investments that are measured at amortised cost using the effective interest method;

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

'Day 1' profit

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the consolidated statement of comprehensive income. In cases where data used is not observable, the difference between the transaction price and model value is only recognised in the consolidated statement of comprehensive income when the inputs become observable, or when the instrument is derecognised.

(Thousands of Russian Roubles)

Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at the bid price and liabilities and short positions at the ask price.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;

- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the consolidated statement of financial position. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

(Thousands of Russian Roubles)

If the Bank purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Bank writes off assets deemed to be uncollectible.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (“repo”) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within amounts due to credit institutions or amounts due to customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (“reverse repo”) are recorded as amounts receivable under reverse repo transactions within due from banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the reverse repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Derivative financial instruments

Derivative financial instruments include swaps, forwards, spot transactions in interest rates, foreign exchanges and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Offsetting

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

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to government, amounts due to credit institutions, amounts due to customers, other borrowed funds, subordinated debt and debt securities issued. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of comprehensive income when the borrowings are derecognised as well as through the amortisation process.

Leases

Finance - Bank as a lessor

The Bank recognises lease receivables at a value equal to the net investment in the lease, starting from the date of commencement of the lease term.

Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

When the Bank takes possession of the collateral under terminated lease contracts, it measures the assets at the lower of net realizable value and amortised historical cost of the inventory.

Operating – Bank as a lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included in other operating expenses.

(Thousands of Russian Roubles)

Property and equipment

Items of property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. Depreciation is calculated on a straight-line basis over the following estimated useful lives of the assets using the following rates:

	per annum, %
Premises	3
Office and computer equipment	20
Intangible assets	20-33

The residual values of the assets, useful lives and methods are reviewed, and adjusted as appropriate, at each reporting period.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalisation.

Equipment purchased for leasing purposes

The Bank accounts for capital expenditures related to acquisition of equipment subject to leasing as equipment purchased for leasing purposes. These expenditures are accumulated until the equipment is ready for use and transferred to the lessee.

Intangible assets

Intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with a finite useful live are amortised over the useful economic live, not exceeding a period of 5 years, and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation is charged to profit or loss on a straight-line basis.

Intangible assets with an indefinite useful life are not amortised. The useful life of such assets is reviewed at each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for such assets.

The Bank tests intangible assets with an indefinite useful life for impairment by comparing their recoverable amounts with the corresponding carrying amounts annually, and whenever there is an indication that an intangible asset may be impaired.

Repossessed collateral

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

Impairment of financial assets

The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Bank determines the amount of any impairment loss.

(Thousands of Russian Roubles)

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables ("loans and receivables"). The Bank reviews its loans and receivables to assess impairment on a regular basis.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and cannot be reversed.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security 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, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(Thousands of Russian Roubles)

Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised in the consolidated statement of financial position when the Bank has a present legal or constructive obligation as a result of a past event, and 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingencies and credit related commitments

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

In the normal course of business, the Bank enters into credit related commitments including undrawn loan commitments, guarantees and letters of credit. Guarantees are initially recognised in the consolidated statement of financial position at fair value net of associated transaction costs within other liabilities, and subsequently are measured at the higher of the amortised premium or the amount of provision for losses under the guarantee.

Provisions are recognised against credit related commitments when losses are considered probable and can be measured reliably.

Any increase in the liability relating to credit related commitments is recognised in profit or loss. The premium received is recognised in profit or loss on a straight-line basis over the life of the guarantee.

Retirement and other employee benefit obligations

The Bank does not have any pension arrangements other than with the State pension system of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The Bank has no significant post-retirement benefits to its employees.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares, other than on a business combination, are recognised as a deduction from equity, net of any tax effects.

Share premium

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

Other capital reserve

Funds provided by the Bank's shareholders in the form of debt free financing are classified as other capital reserves.

Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Russian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(Thousands of Russian Roubles)

Taxation

The current income tax expense is calculated in accordance with the regulations of the Russian Federation.

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Gains and losses from a change in the fair value of a financial asset or liability

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss

- a gain or loss on an available-for-sale financial asset is recognised in equity as other comprehensive income (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is transferred to profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

Interest and similar income and expense

Interest income and expense are recognised in profit or loss using the effective interest method.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees directly related to the loan issuance and amounts paid or received between the parties to the contract that are an integral part of the effective interest rate, including incremental directly attributable loan origination costs, such as bonuses for loan issuance. Once the balance value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

(Thousands of Russian Roubles)

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are amortised over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Segment reporting

An operating segment is a component of the Bank that engaged in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Substantially all of the Bank's activities relate to provision of financial services mostly to corporate customers (small, medium and large business). Therefore, management concluded that the Bank has a single reportable segment.

Changes in accounting policies and presentation

The Bank has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

IFRS 10 Consolidated Financial Statements

As a result of IFRS 10 (2011), the Bank has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Bank has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, IFRS 10 (2011) requires the Bank consolidate investees that it controls on the basis of de facto circumstances.

IFRS 11 Joint Arrangements

IFRS 11 does not have any impact on the Bank because the Bank does not have interests in joint ventures.

IFRS 12 Disclosure of Interests in Other Entities

The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 does not have any impact on the consolidated financial statements of the Bank.

IFRS 13 Fair Value Measurements

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the prices at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures* (see Note 26).

As a result, the Bank adopted a new definition of fair value, as set out in the Note 3. The change had no significant impact on the measurements of assets and liabilities. Notwithstanding the above, the change had no significant impact on the measurements of the Bank's assets and liabilities.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

As a result of the amendments to IAS 1, the Bank modified the presentation of items of other comprehensive income in its consolidated statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information is also re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities or comprehensive income.

(Thousands of Russian Roubles)

Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* introduced new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

The Bank included new disclosures in the consolidated financial statements that are required under amendments to IFRS 7 and provided comparative information for new disclosures.

Changes in presentation

Starting from the year ended 31 December 2013 the Bank separately presents the effect of discount unwinding within changes in the loan impairment allowance. Presentation of interest income and impairment on loans and net investments in finance leases for the year ended 31 December 2012 year was changed accordingly. The change in presentation has no impact on net income.

The following table summarises the adjustments made to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012 as a result of the changes in presentation.

Statement of profit or loss and other comprehensive income

	For the year ended 31 December 2012		
	As previously reported	**Reclassification**	**After reclassification**
Profit for the year			
Interest income on loans to customers	7 200 186	229 537	7 429 723
Impairment of loans and net investments in finance leases	(518 633)	(229 537)	(748 170)

New standards and interpretations not yet adopted

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

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

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

Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2014. The Bank has not yet analysed the likely impact of the improvements on its financial position or performance.

(Thousands of Russian Roubles)

4. Cash and cash equivalents

Cash and cash equivalents as at 31 December comprise:

	2013	*2012*
Cash on hand	774 766	645 542
Current accounts with the CBR	1 335 203	2 242 096
Current accounts and overnight placements with other credit institutions		
- OECD banks	1 999 330	3 754 928
- Largest 30 Russian banks	66 786	242 123
- Other Russian banks	38 108	2 431
Cash and cash equivalents	**4 214 193**	**6 887 120**

As at 31 December 2013, the Bank has one bank (2012: two banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2013 is RUB 1 682 903 thousand (2012: RUB 4 595 310 thousand).

Amounts of cash and cash equivalents include balances with related parties, which are disclosed in Note 27.

No cash and cash equivalents are impaired or past due.

5. Amounts due from credit institutions

Amounts due from credit institutions as at 31 December comprise:

	2013	*2012*
Time deposits with credit institutions		
- OECD banks	3 966 597	7 667 098
- Largest 30 Russian banks	600 000	660 675
- Other Russian banks	328 070	3 072 999
- Other banks	135 425	-
Amounts due from credit institutions	**5 030 092**	**11 400 772**

As at 31 December 2013, the Bank has one bank (2012: two banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2013 is RUB 3 966 597 thousand (2012: RUB 10 484 954 thousand).

No amounts due from credit institutions are impaired or past due.

Amounts due from credit institutions include loans placed with related parties. The gross value of these balances as at 31 December 2013 is RUB 3 966 597 thousand (2012: RUB 7 667 098 thousand).They bear annual interest rates 0.08% for EUR and up to 5 % for RUB (2012: up to 0.75% for USD and up to 6.85% for RUB).

6. Available-for-sale securities

Available-for-sale securities comprise:

	2013	*2012*
Russian State bonds (“OFZ”)	1 937 261	2 982 892
Corporate shares	4 410	4 410
Corporate Rouble bonds	-	40 868
Pledged under sale and repurchase agreements		
Russian State bonds (“OFZ”)	791 265	-
Available-for-sale securities	**2 732 936**	**3 028 170**

As at 31 December 2013, Russian State bonds are Rouble denominated securities issued by the Ministry of Finance of the Russian Federation. Russian State bonds have maturity dates from 13 March 2014 to 15 July 2015 (2012: from 23 January 2013 to 15 July 2015), annual coupon rates from 6.9% to 11.2% (2012: from 6.7% to 12%) and annual yields to maturity from 5.6% to 6.2% (2012: from 5.6% to 6.3%), depending on the bond issue.

As at 31 December 2012, corporate Rouble bonds are issued by the largest Russian company. Corporate bonds have maturity date on 9 April 2013, annual coupon rate of 7.2% and annual yields to maturity from 6.2% to 6.5%, depending on the bond issue.

(Thousands of Russian Roubles)

No available-for-sale securities are impaired or past due.

The Bank has transactions to sell securities under agreements to purchase. The Bank has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Bank recognised a financial liability for cash received as collateral included in due to the CBR.

As at 31 December 2013, available-for-sale securities totalling RUB 1 798 994 thousand are eligible for pledge within the limits of refinancing from the CBR (2012: RUB 2 057 747 thousand).

As at 31 December 2013, amounts due to the CBR represented by payables under repurchase agreements in the amount of RUB 728 298 thousand (2012: nil) are collateralised by Russian State bonds with fair value of RUB 791 265 thousand. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

7. Derivative financial instruments

The Bank enters into derivative financial instruments for trading purposes. The notional amount, recorded gross, is the amount of a derivative's underlying asset, and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

	2013			***2012***		
	Notional amount	***Fair values***		***Notional amount***	***Fair value***	
		Asset	***Liability***		***Asset***	***Liability***
Foreign exchange contracts						
Spot deals – foreign counterparties	224 850	–	(6)	499 551	–	(449)
Spot deals – domestic counterparties	491 366	427	–	1 063 045	–	(1 577)
Forwards – foreign counterparties	2 000 000	20 179	–	5 200 000	78 034	–
Forwards – domestic counterparties	–	–	–	624 700	16 142	–
Total derivative financial assets (liabilities)		**20 606**	**(6)**		**94 176**	**(2 026)**

As at 31 December 2013, foreign exchange contracts have remaining contractual maturity less than 3 months (2012: less than 3 months).

Amounts of derivative financial instruments include balances with related parties, which are disclosed in Note 27.

8. Loans to customers

Loans to customers as at 31 December comprise:

	2013	***2012***
Loans to corporate customers		
Large corporate loans	17 354 171	17 450 935
Small loans	15 771 202	16 143 554
Medium loans	10 168 060	10 797 907
Micro loans	8 410 939	8 702 894
Overdrafts	722 633	903 758
Total loans to corporate customers	**52 427 005**	**53 999 048**
Loans to retail customers		
Consumer loans	1 712 632	1 509 068
Mortgage loans	1 192 569	1 496 442
Credit cards	130 446	112 003
Total loans to retail customers	**3 035 647**	**3 117 513**
Gross loans to customers	**55 462 652**	**57 116 561**
Less: Loan impairment allowance	(4 324 617)	(3 842 795)
Net loans to customers	**51 138 035**	**53 273 766**

(Thousands of Russian Roubles)

Movements in the loan impairment allowance for the year ended 31 December are as follows:

	2013	*2012*
Loan impairment allowance as at 1 January	**3 842 795**	**6 332 034**
Net charge	1 335 889	740 277
Effect of unwinding of discount	(221 563)	(229 537)
Amounts written off	(632 504)	(2 999 979)
Loan impairment allowance as at 31 December	**4 324 617**	**3 842 795**

As at 31 December 2013, the total amount of overdue outstanding payments on loans net-off accrued interest is RUB 4 941 954 thousand (2012: RUB 4 508 498 thousand).

The majority of loans to customers have monthly principal and interest repayments.

Amounts of loans to customers include balances with related parties, which are disclosed in Note 27.

Concentration of loans to customers

Economic sector risk concentrations within loans to customers are as follows:

	2013		*2012*	
	Amount	***%***	***Amount***	***%***
Manufacturing	19 345 452	35%	13 159 302	23%
Trading	18 700 129	34%	24 891 881	44%
Services	12 824 140	23%	15 016 267	26%
Individuals	3 035 647	5%	3 117 513	5%
Other	1 557 284	3%	931 598	2%
Total loans to customers, gross	**55 462 652**	**100%**	**57 116 561**	**100%**

As at 31 December 2013, the Bank has twenty largest borrowers with an aggregate loan amount for each of them above RUB 200 644 thousand (2012: twenty largest borrowers above RUB 200 416 thousand). The total aggregate amount of these loans is RUB 8 685 977 thousand or 15.7 % of the gross loan portfolio (2012: RUB 10 408 372 thousand or 18.2%), with the impairment allowance of RUB 450 731 thousand (2012: RUB 198 179 thousand).

9. Net investments in finance leases

Net investments in finance leases at 31 December 2013 comprise:

	Within 1 year	***From 1 to 5 years***	***Total***
Gross investments in finance leases	1 031 999	801 933	**1 833 932**
Unearned future finance income on finance leases	(78 074)	(239 948)	**(318 022)**
	953 925	**561 985**	**1 515 910**
Less: Impairment allowance	(141 842)	(114 779)	**(256 621)**
Net investments in finance leases	**812 083**	**447 206**	**1 259 289**

Net investments in finance leases at 31 December 2012 comprise:

	Within 1 year	***From 1 to 5 years***	***Total***
Gross investments in finance leases	1 266 401	695 229	**1 961 630**
Unearned future finance income on finance leases	(92 655)	(244 036)	**(336 691)**
	1 173 746	**451 193**	**1 624 939**
Less: Impairment allowance	(335 791)	(178 024)	**(513 815)**
Net investments in finance leases	**837 955**	**273 169**	**1 111 124**

(Thousands of Russian Roubles)

Movements in the allowance for impairment of investments in finance leases for the year ended 31 December are as follows:

	2013	*2012*
Impairment allowance as at 1 January	**513 815**	**528 690**
Net (recovery) charge	(2 334)	7 893
Effect of unwinding of discount	(3 890)	-
Amounts written off	(250 970)	(22 768)
Impairment allowance as at 31 December	**256 621**	**513 815**

The leased assets are effectively pledged, as the rights to the leased asset revert to the lessor in the event of default. Lease payments are due on a monthly basis. The Bank holds title to the leased property during the lease term. Risks related to the leased property such as damage caused by various reasons, theft and other are generally insured under finance lease agreements.

As at 31 December 2013, the Bank has twenty largest lessees with an aggregate amount for each of them above RUB 10 040 thousand (2012: twenty largest lessees above RUB 11 119 thousand). The total aggregate amount of net investments in finance leases before impairment allowance related to these leases is RUB 573 482 thousand or 37.8% of the total net investments in finance leases portfolio before impairment allowance (2012: RUB 541 406 thousand or 33.3%), with the impairment allowance of RUB 71 830 thousand (2012: RUB 181 861 thousand).

There is no unguaranteed residual value related to lease contracts outstanding as at 31 December 2013 and 2012.

10. Property and equipment

The movements in property and equipment for the year ended 31 December are as follows:

	Premises	*Office and computer equipment*	*Total*
Cost as at 1 January 2012	441 424	1 075 891	1 517 315
Accumulated depreciation as at 1 January 2012	(98 003)	(822 107)	(920 110)
Carrying amount as at 1 January 2012	**343 421**	**253 784**	**597 205**
Additions	2 080	67 624	69 704
Disposals (net of accumulated depreciation)	–	(9 981)	(9 981)
Depreciation charge for the year	(14 721)	(147 443)	(162 164)
Cost as at 31 December 2012	443 504	1 060 722	1 504 226
Accumulated depreciation as at 31 December 2012	(112 724)	(896 738)	(1 009 462)
Carrying amount as at 31 December 2012	**330 780**	**163 984**	**494 764**
Additions	6 555	84 830	91 385
Disposals (net of accumulated depreciation)	–	(4 451)	(4 451)
Depreciation charge for the year	(14 806)	(112 923)	(127 729)
Cost as at 31 December 2013	450 059	1 077 693	1 527 752
Accumulated depreciation as at 31 December 2013	(127 530)	(946 253)	(1 073 783)
Carrying amount at 31 December 2013	**322 529**	**131 440**	**453 969**

Capital expenditure commitments related to property and equipment are disclosed in Note 21.

(Thousands of Russian Roubles)

11. Intangible assets

The movements in intangible assets for the year ended 31 December are as follows:

	Computer software and licenses
Cost as at 1 January 2012	1 885 593
Accumulated amortisation as at 1 January 2012	(670 598)
Carrying amount as at 1 January 2012	**1 214 995**
Additions	250 329
Amortisation for the year	(369 928)
Cost as at 31 December 2012	2 135 922
Accumulated amortisation as at 31 December 2012	(1 040 526)
Carrying amount as at 31 December 2012	**1 095 396**
Additions	181 123
Amortisation for the year	(417 287)
Cost as at 31 December 2013	2 317 045
Accumulated amortisation as at 31 December 2013	(1 457 813)
Carrying amount as at 31 December 2013	**859 232**

As at 31 December 2013 and 2012, computer software “T 24” totalling RUB 833 434 thousand is included in intangible assets. Amortisation of this software started in August 2010 and amounts to RUB 569 514 thousand as at 31 December 2013 (2012: RUB 402 827 thousand).

Capital expenditure commitments related to intangible assets are disclosed in Note 21.

12. Taxation

The corporate income tax expense for the year ended 31 December comprises:

	2013	***2012***
Current tax	71 854	464 338
Deferred tax – origination and reversal of temporary differences	(22 143)	(115 889)
Total income tax expense	**49 711**	**348 449**

The Bank is liable for current income tax in Russia on its taxable profit and capital gains other than profits on certain types of securities at a rate of 20% (2012: 20%). Pursuant to Russian income tax law interest income on certain types of securities is subject to income tax at a rate of 15%, 9% or nil. As at 31 December 2013, the rate of tax applicable for deferred taxes is 20% (2012: 20%).

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual for the year ended 31 December is as follows:

	2013	***2012***
Profit before income tax expense	**229 208**	**1 542 801**
Income tax expense at the applicable tax rate	45 842	308 560
Income on government securities taxed at different rates	(9 852)	(12 542)
Non-deductible expenses	7 496	15 902
Non-taxable income	-	(4 447)
Under provided in prior year	6 225	41 461
Change in unrecognised deferred tax asset	-	(485)
Total income tax expense	**49 711**	**348 449**
Effective tax rate	**21.7%**	**22.6%**

Temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2013 and 2012.

The deductible temporary differences do not expire under the current tax legislation.

(Thousands of Russian Roubles)

As at 31 December 2013, the Bank has the tax loss carried forward of RUB 87 924 thousand (2012: nil) which can be utilised against future taxable income till 2023.

The Bank and ZAO "Intesa Leasing" calculate net deferred tax assets and liabilities separately and cannot offset them.

As at 31 December 2013, ZAO "Intesa Leasing" has no tax loss carry-forwards (2012: nil).

Movement in temporary differences during the year ended 31 December 2013 are as follows:

	1 January 2013	*Recognised in profit or loss*	*Recognised in other comprehensive income*	*31 December 2013*
Tax effect of temporary differences				
Available-for-sale securities	8 202	(4 752)	(480)	2 970
Derivative financial instruments	(17 756)	13 635	-	(4 121)
Loans to customers	(125 219)	(173 425)	-	(298 644)
Net investments in finance leases	57 979	29 419	-	87 398
Property, equipment and intangible assets	(31 696)	65 309	-	33 613
Other assets	39 180	5 675	-	44 855
Other liabilities	113 156	(1 642)	-	111 514
Tax loss carry-forwards	-	87 924	-	87 924
Net deferred tax assets	**43 846**	**22 143**	**(480)**	**65 509**

Movement in temporary differences during the year ended 31 December 2012 are as follows:

	1 January 2012	*Recognised in profit or loss*	*Recognised in other comprehensive income*	*31 December 2012*
Tax effect of temporary differences				
Available-for-sale securities	20 006	(7 405)	(4 399)	8 202
Derivative financial instruments	7 026	(24 782)	-	(17 756)
Loans to customers	(194 811)	69 592	-	(125 219)
Net investments in finance leases	48 526	9 453	-	57 979
Property, equipment and intangible assets	(67 416)	35 720	-	(31 696)
Other assets	38 184	996	-	39 180
Other liabilities	80 841	32 315		113 156
Unrecognised deferred tax assets	(485)	485	-	-
Tax loss carry-forwards	485	(485)	-	-
Net deferred tax assets (liabilities)	**(67 644)**	**115 889**	**(4 399)**	**43 846**

13. Other impairment and provisions

Movements in the other impairment allowances and provisions for the year ended 31 December are as follows:

	Other assets	*Credit related commitments*	*Provisions for other claims*	*Total*
1 January 2012	**20 622**	**9 785**	**15 000**	**45 407**
Net charge	111 801	25 993	51 141	188 935
Amounts written off	(64 953)	-	(17 521)	(82 474)
31 December 2012	**67 470**	**35 778**	**48 620**	**151 868**
Net charge (recovery)	98 568	(1 445)	(22 020)	75 103
Amounts written off	(101 638)	-	-	(101 638)
31 December 2013	**64 400**	**34 333**	**26 600**	**125 333**

Impairment allowances for assets are deducted from the carrying amounts of the related assets. Provisions for claims, guarantees and commitments are recorded in other liabilities.

(Thousands of Russian Roubles)

14. Other assets and liabilities

Other assets as at 31 December comprise:

	2013	*2012*
Prepayments	281 454	169 366
Repossessed collateral	200 326	182 898
Settlements on currency conversion operations	163 646	178 903
Settlements with suppliers and customers	112 569	105 801
Leasehold improvements	99 576	173 889
Deferred expenses	3 704	7 831
Claims on guarantees	601	538
Other	17 633	76 054
	879 509	**895 280**
Less: Impairment allowance	(64 400)	(67 470)
Other assets	**815 109**	**827 810**

Other liabilities as at 31 December comprise:

	2013	*2012*
Settlements with employees	110 089	87 641
Trade creditors	100 105	178 172
Settlements with suppliers and customers	59 494	139 110
Provision for losses on credit related commitments	34 333	35 778
Provision for other claims	26 600	48 620
Other	27 076	26 139
Other liabilities	**357 697**	**515 460**

15. Amounts due to credit institutions

Amounts due to credit institutions as at 31 December comprise:

	2013	*2012*
Time deposits and loans	16 185 644	26 472 894
Current accounts	37 605	326 336
Amounts due to credit institutions	**16 223 249**	**26 799 230**

As at 31 December 2013, the Bank has three banks (2012: two banks), whose balances individually exceed 10% of equity. The gross value of these balances as at 31 December 2013 is RUB 15 874 307 thousand (2012: RUB 22 580 537 thousand).

Amounts due to credit institutions include loans from related parties. The gross value of these balances as at 31 December 2013 is RUB 12 055 698 thousand (2012: RUB 19 788 989 thousand). They bear fixed annual interest rates varying from 7.98% to 10.63% for RUB (2012: from 7.06% to 7.98%) and 2.44 % for USD (2012: 2.82%). Floating interest rates are based on 1-month MOSPRIME plus 3.95%,3-month LIBOR plus 2.2% (2012: 1-month MOSPRIME plus 3.95%, 1-month LIBOR plus 1.49%, 3 month-LIBOR plus 0.80%-2.00%).

(Thousands of Russian Roubles)

16. Amounts due to customers

The amounts due to customers as at 31 December include the following:

	2013	*2012*
Legal entities	**13 468 087**	**13 774 979**
- current accounts	11 624 234	11 740 736
- term deposits	1 843 853	2 034 243
Individuals	**5 019 916**	**5 163 586**
- current accounts	1 512 167	1 511 976
- term deposits	3 507 749	3 651 610
State and non-profit organisations	**234 953**	**88 636**
- current accounts	52 953	83 836
- term deposits	182 000	4 800
Amounts due to customers	**18 722 956**	**19 027 201**

State and non-profit organisations exclude government-owned profit oriented organisations.

As at 31 December 2013, the Bank has one customer (2012: one customer), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2013 is RUB 1 546 435 thousand (2012: RUB 1 519 853 thousand).

As at 31 December 2013, included in term deposits are deposits of individuals of RUB 3 507 749 thousand (2012: RUB 3 651 610 thousand). In accordance with the Russian Civil Code, the Bank is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

17. Debt securities issued

In April 2012, the Bank completed the issue of non-convertible documentary bonds totalling RUB 5 000 000 thousand, maturing in April 2015 with a current annual coupon rate of 9% and payable semi-annually.

In October 2012, the Bank completed the issue of non-convertible documentary bonds totalling RUB 3 000 000 thousand, maturing in October 2015 with a current annual coupon rate of 9.75% and payable semi-annually.

18. Other borrowed funds

Other borrowed funds are represented by long-term loans from Intesa Sanpaolo Holding International SA with the aim to finance the lending operations of the Bank.

As at 31 December 2013 and 2012, these long-term loans mature in 2014 – 2015. Loans bear fixed annual interest rates varying from 7.6% to 8.5% for RUB and 3.7% for USD, or floating annual interest rates based on 6-month LIBOR plus 1.95%-1.98%.

19. Subordinated debt

As at 31 December 2013 and 2012, subordinated debt is represented by loans from Intesa Sanpaolo SPA and Intesa Sanpaolo Holding International SA. These subordinated loans are denominated in US dollars and mature between January 2014 and December 2015 (2012: between January 2014 and December 2015). As at 31 December 2013, the annual interest rates on these subordinated loans are based on 3-month LIBOR plus 2.4%-3.5% and 6-month LIBOR plus 2.4% (2012: from 3-month LIBOR plus 1.6%-3.5% and 6-month LIBOR plus 2.4%).

The claims of the Bank's creditors on subordinated debt shall only be satisfied after all claims of other creditors of the Bank are satisfied in full.

20. Equity

There were no movements in share capital for the years ended 31 December 2013 and 2012.

As at 31 December 2013 and 2012, the share capital of BANCA INTESA (CLOSED JOINT-STOCK COMPANY) is represented by 876 128 ordinary shares with a nominal value of RUB 12 350 per share.

(Thousands of Russian Roubles)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

Other capital reserve

As at 31 December 2013 and 2012, other capital reserve of RUB 1 803 914 thousand is represented by funds provided in June 2009 to the Bank by its shareholder Intesa Sanpaolo Holding International SA in the form of debt free financing. These funds are not repayable to the Bank's shareholder.

Revaluation reserve for available-for-sale securities

Revaluation reserve for available-for-sale securities records fair value changes on available-for-sale securities.

Retained earnings

In accordance with RAL, the Bank distributes profit as dividends or transfers it to retained earnings on the basis of accounting reports prepared in accordance with RAL. The Bank's retained earnings under RAL as at 31 December 2013 are RUB 1 091 494 thousand (2012: RUB 1 736 206 thousand).

During 2013, the Bank declared and paid dividends in respect of the year ended 31 December 2012 in the amount of RUB 1 009 per one share totalling RUB 884 110 thousand (2012: RUB 164 878 thousand).

21. Commitments and contingencies

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Taxation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Starting from 1 January 2012 new transfer pricing rules came into force in Russia. They provide the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions if their prices deviate from the market range or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply 5 methods of market price determination prescribed by the Tax Code.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Given the short period since the current Russian transfer pricing rules became effective, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

(Thousands of Russian Roubles)

Commitments

As at 31 December the Bank's commitments and contingencies comprise the following:

	2013	2012
Credit related commitments		
Guarantees issued	7 414 412	6 097 898
Undrawn overdraft loan commitments	1 068 712	1 063 037
Undrawn credit line commitments	787 088	1 157 631
Letters of credit	135 475	407 697
Commitments to issue loans	61 370	68 722
	9 467 057	**8 794 985**
Operating lease commitments		
Not later than 1 year	527 098	549 666
Later than 1 year but not later than 5 years	1 168 219	972 137
Later than 5 years	33 523	119 126
	1 728 840	**1 640 929**
Capital expenditure commitments – property and equipment	4 026	4 612
Capital expenditure commitments – intangible assets	74 070	6 286
	78 096	**10 898**
Other commitments and contingencies	-	18 247
Less: Impairment allowance	(34 333)	(35 778)
Commitments and contingencies	**11 239 660**	**10 429 281**

The primary purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees and letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Insurance

The Bank's premises and other property are insured for the total amount of RUB 6 492 070 thousand as at 31 December 2013 (2012: RUB 6 464 641 thousand).

The Bank has not currently obtained insurance coverage related to liabilities arising from errors or omissions. This type of liability insurance is generally not available in Russia at present.

22. Net fee and commission income

Net fee and commission income for the year ended 31 December comprises:

	2013	2012
Fee and commission income		
Settlement transactions	336 149	312 548
Cash collection transactions	186 702	199 534
Accounts remote administration	108 685	108 832
Guarantees issued and letters of credit	99 530	108 422
Lending transactions	82 659	96 183
Other	52 105	49 213
Fee and commission income	**865 830**	**874 732**
Fee and commission expense		
Settlement transactions	81 693	77 568
Guarantees received	28 555	36 557
Cash collection transactions	22 428	22 760
Other	512	743
Fee and commission expense	**133 188**	**137 628**
Net fee and commission income	**732 642**	**737 104**

Included in commission on lending transactions are fees and commissions charged during the life of the loan, for example, commission for amendments to the original terms and conditions of the loan agreement; commission for loan repayment prior to maturity and commission for information letters to the borrower.

(Thousands of Russian Roubles)

23. Net losses from other operating activities

	2013	*2012*
Depreciation of capital expenditures	(80 744)	(105 157)
Obligatory deposit insurance system contributions	(19 574)	(19 033)
Professional services	(10 312)	(8 587)
Net loss on disposal of property and equipment	(9 225)	(7 888)
Notarial and state duties expenses	(7 927)	(6 362)
Operations of prior years	(2 598)	(3 443)
Net gain on disposal of leased assets	5 656	7 793
Net other operating income	6 610	6 557
Net losses from other operating activities	**(118 114)**	**(136 120)**

24. Personnel and other general administrative expenses

Personnel expenses and other general administrative expenses for the year ended 31 December comprise:

	2013	*2012*
Salaries and bonuses	1 426 661	1 475 502
Social security costs	309 458	299 996
Personnel expenses	**1 736 119**	**1 775 498**
Operating lease	619 890	624 169
Legal and consultancy expenses	229 295	257 470
Data processing	240 233	207 539
Marketing and advertising	119 557	34 395
Office materials	89 939	87 737
Communications	79 908	94 360
Security	56 517	55 114
Operating taxes	31 163	46 626
Business travel and related expenses	20 876	19 339
Repair and maintenance of property and equipment	19 748	34 773
Charity	17 669	12 302
Insurance	14 378	11 883
Personnel training	3 849	8 788
Other	43 897	32 787
Other general administrative expenses	**1 586 919**	**1 527 282**

25. Risk management and Corporate Governance

Corporate governance framework

The Bank is established as a closed joint stock company in accordance with the Russian law. The supreme governing body of the Bank is the general shareholders meeting that convense for annual or extraordinary meetings. The general shareholders meeting makes strategic decisions on the Bank's operations.

The general shareholders meeting elects the Board of Directors. The Board of Directors is responsible for overall governance of the Bank's activities.

Russian legislation and the Charter of the Bank establish the lists of decisions that are exclusively approved by the general shareholders meeting and that are approved by the Board of Directors.

As at 31 December 2013, the Board of Directors includes:

- Professor Antonino Fallico – Chairman of the Board of Directors;
- Mr. Thomas Grasse;
- Mr. Armando Selva;
- Mr. Norberto Achille;
- Mr. Paolo Sarcinelli;
- Mr. Walter Ambrogi;
- Mr. Salvatore Catalano.

(Thousands of Russian Roubles)

During the year ended 31 December 2013 no changes occurred in the composition of the Board of Directors.

General activities of the Bank are managed by the sole executive body of the Bank - the Chairman of the Management Board and the collective executive body – the Management Board of the Bank. The Board of Directors meeting elects the Chairman of the Management Board. The executive bodies of the Bank are responsible for implementation of decisions of the general meeting of shareholders and the Board of Directors of the Bank. Executive bodies of the Bank report to the Board of Directors of the Bank and to the general meeting of shareholders.

As at 31 December 2013, the Management Board includes:

- Olga Lein – Chairman of the Management Board;
- Tatyana Pavlycheva;
- Mikhail Nazarov;
- Irina Vasina.

During the year ended 31 December 2013 the authority of Collini Emanuele as the Member of the Management Board was resigned from 31 December 2013 by the Board of Directors due to receipt of a resignation letter. No other changes occurred in the composition of the Management Board.

Internal control policies and procedures

The Board of Directors and the Management Board have responsibility for the development, implementation and maintaining of internal controls in the Bank that are commensurate with the scale and nature of operations.

The purpose of internal controls is to ensure:

- effectiveness and efficiency of operations, effectiveness of asset and liability management;
- proper and comprehensive risk assessment and management;
- proper business and accounting and financial reporting functions, including proper authorization, processing and recording of transactions;
- completeness, accuracy and timeliness of accounting records, managerial information, regulatory reports, etc.;
- reliability of IT-systems, data and systems integrity and protection;
- prevention of fraudulent or illegal activities, including misappropriation of assets;
- compliance with laws and regulations, including anti-money laundering and anti-corruption.

Management is responsible for identifying and assessing risks, designing controls and monitoring their effectiveness. Management constantly monitors effectiveness of internal controls and introduces additional controls or changes to existing controls if necessary.

The Bank developed a system of standards, policies and procedures to ensure proper operations and compliance with relevant legal and regulatory requirements, including the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the recording, reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

There is a hierarchy of requirements for the authorization of transactions depending on their size and complexity. A significant portion of operations are automated and the Bank has a system of automated controls to monitor risks.

(Thousands of Russian Roubles)

Compliance with ISP Group standards is supported by periodic reviews undertaken by the Internal Audit Division (further, "the Internal Audit function"). Internal Audit function is independent from business operations and reports directly to the Board of Directors. The results of Internal Audit reviews are discussed with relevant business process managers, with summaries submitted to the Audit Committee and senior management of the Bank and the ISP Group.

The internal control system in the Bank comprises of:

- the General Meeting of Shareholders;
- the Board of Directors and its committees, including the Audit Committee;
- the Management Board and the Chairman of the Management Board;
- the Revision Commission;
- the Chief Accountant;
- the Risk management function;
- the Security function, including IT-security;
- the Human resource function;
- the Internal Audit function

and other employees, division and functions that are responsible for compliance with the established standards, policies and procedures.

Russian legislation, including Federal Law dated 2 December 1990 No 395-1 *On banks and banking activity,* establishes the professional qualification, business reputation and other requirements for the members of the Board of Directors, the Management Board, the Head of the Internal Audit function and other key management personnel. All members of the Bank's governing and management bodies of the Bank comply with these requirements.

Management believes that the Bank complies with the CBR requirements in respect of risk management and internal control systems, including requirements covering the Internal Audit function, and that risk management and internal control systems are appropriate for the scale, nature and complexity of operations.

Risk management

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is essential to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk. Operational, business and other non-financial risks are also inherent in the Bank's activities.

Risk management is the process of identification, measurement and monitoring of risks faced by the Bank, conducted in accordance with its particular organisational and functional structure and established for the appropriate management of the risk appetite expressed by the shareholders.

The independent risk control process does not cover business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

The Bank has the risk management function to preserve and enhance value for the shareholders by optimizing the overall risk-adjusted return subject to growth constraint and to reduce earnings volatility within the main business areas.

Risk management function is based on the following general principles:

- Independence from the business lines;
- Entity wide approach;
- Coherence at all aggregation levels through the use of consistent measuring models;
- Timing in providing the data to support the decision-making and control processes;
- Transparency in assessment methodologies and criteria used for a better understanding of applied risk measures;
- Segregation of duties between the Board of Directors, CEO, divisions and departments.

The Bank calculates mandatory ratios on a daily basis in accordance with the requirement of the CBR. As at 31 December 2013 and 2012, the mandatory ratios were in compliance with limits set by the CBR.

These are considered fundamental principles of governance rules with reference to the characteristics of internal management and control systems.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management process and for approving risk strategies and principles, including setting the overall risk framework for limits.

Executive Committee

The Executive Committee sets general limits on credit risk exposures of the Bank for a single borrower and affiliated entities/related parties, exceeding the Credit Committee's limits, taking into consideration ISP Group risk framework.

Management Board

The Management Board has the responsibility to define and monitor the overall risk management process within the Bank.

Financial Risks Committee

The Financial Risk Committee is responsible for the protection and allocation of the Bank's equity and assets and liabilities taking into consideration pricing structure and maturity profile as well as the legislation, relevant internal regulations and ISP Group guidelines. It regularly monitors and evaluates the structure of assets and liabilities, compares expected yields with the actual, evaluates general market conditions and assesses the Bank versus its competitors. It ensures that individual transactions comply with policies, established risk limits and other requirements set out for each of the business lines in line with the ISP Group policy.

Credit Committee and Asset Quality Session

The Credit Committee is the superior credit approval authority in the Bank. It takes credit decisions on proposals made by the Risk Management Group and considers their terms of issuance. For credit exposures above certain limit the final approval has to be provided by the Executive Committee taking into consideration an opinion provided by the Credit Department of ISP Group.

The Asset Quality Session ("AQS") assesses the quality of the credit portfolio and its trends, approves assets' classification, level of impairment allowance, performs an analysis of settlement strategies for impaired loans, and monitors collection process and its results.

Risk Management Group

The Risk Management Group is responsible for implementing and maintaining risk management procedures to ensure an independent control process.

Treasury Division

The Treasury Division is responsible for managing the Bank's assets and liabilities and their structure. It is also primarily responsible for funding and liquidity risk management.

Internal Audit Function

Risk management processes are audited annually by the Internal Audit Department. It reviews risk management policies and procedures and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

Risk monitoring and controlling are primarily performed based on the established limits. These limits reflect the business strategy and market environment as well as the level of the risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all business units is examined and processed in order to analyse, control and identify risks. This information is reported to the Management Board, Financial Risks Committee and Credit Committee. The report is prepared quarterly and includes aggregate credit exposures, credit metric forecasts, hold limit exceptions, market risk exposures, liquidity ratios and risk profile changes. The Management Board analyses risk reports and where necessary reallocates risk limits to achieve target strategic risk profile.

Risk mitigation

As part of its overall risk management process, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, and exposures arising from forecasted transactions.

The Bank actively uses collateral to reduce its credit risks.

Risk concentrations

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes of the same economic factors. Concentrations indicate the relative sensitivity of the Bank's performance to changes affecting a particular segment or geographical location.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining diversified portfolios. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk of a financial loss to the Bank if a counterparty of a financial instrument fails to meet its contractual obligations.

The Bank has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised credit related commitments), including guidelines to limit portfolio concentration and the establishment of the Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of loan applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. The reports are based on a structured analysis focusing on the customer's business and financial performance. The loan application and the report are then independently reviewed by the Risk Management Group and a second opinion is given accompanied by verification that credit policy requirements are met. The Credit Committee reviews the loan application on the basis of submissions by the Loan Department and the Risk Management Group. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the customer, or otherwise obtained by the Bank. Retail loan applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures developed together with the Risk Management Group.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Management Group with regard to credit concentration and market risks.

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

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

(Thousands of Russian Roubles)

Credit related commitments

The Bank provides financial guarantees and letters of credit to its customers which may require the Bank to make payments on their behalf. Such payments are further collected from customers based on the terms of financial guarantees and letters of credit. They expose the Bank to credit risk and are mitigated by the same credit risk management policies and procedures.

The credit quality of loans to customers and net investments in financial leases is managed using internal classification. The following table shows the information on the credit quality of loans to customers and net investments in financial leases based on this classification as at 31 December.

	2013				***2012***			
	Gross loans	*Impairment allowance*	*Net loans*	*Impairment allowance to gross loans, %*	*Gross loans*	*Impairment allowance*	*Net loans*	*Impairment allowance to gross loans, %*
Loans to corporate customers								
Neither past due nor impaired	**45 922 200**	**(411 400)**	**45 510 800**	**0.9**	**47 816 411**	**(369 512)**	**47 446 899**	**0.8**
Past due but not impaired:	**603 302**	**(105 241)**	**498 061**	**17.4**	**511 556**	**(125 871)**	**385 685**	**24.6**
- past due less than 90 days	588 347	(98 787)	489 560	16.8	444 253	(67 493)	376 760	15.2
- past due more than 90 days but less than 1 year	14 955	(6 454)	8 501	43.2	67 303	(58 378)	8 925	86.7
Impaired loans:	**5 901 503**	**(3 470 415)**	**2 431 088**	**58.8**	**5 671 081**	**(3 127 283)**	**2 543 798**	**55.1**
- past due less than 90 days	1 541 767	(479 595)	1 062 172	31.1	1 172 775	(314 818)	857 957	26.8
- past due more than 90 days but less than 1 year	846 625	(470 542)	376 083	55.6	720 609	(356 552)	364 057	49.5
- past due more than 1 year	3 513 111	(2 520 278)	992 833	71.7	3 777 697	(2 455 913)	1 321 784	65.0
Total loans to corporate customers	**52 427 005**	**(3 987 056)**	**48 439 949**	**7.6**	**53 999 048**	**(3 622 666)**	**50 376 382**	**6.7**
Loans to retail customers								
Neither past due nor impaired	**2 587 541**	**(25 561)**	**2 561 980**	**1.0**	**2 799 152**	**(9 882)**	**2 789 270**	**0.4**
Past due but not impaired:	**91 441**	**(20 259)**	**71 182**	**22.2**	**43 533**	**(6 889)**	**36 644**	**15.8**
- past due less than 90 days	90 853	(19 933)	70 920	21.9	42 384	(5 834)	36 550	13.8
- past due more than 90 days but less than 1 year	588	(326)	262	55.4	1 149	(1 055)	94	91.8
Impaired loans:	**356 665**	**(291 741)**	**64 924**	**81.8**	**274 828**	**(203 358)**	**71 470**	**74.0**
- past due less than 90 days	1 435	(1 411)	24	98.3	30 102	(14 373)	15 729	47.7
- past due more than 90 days but less than 1 year	100 196	(82 479)	17 717	82.3	64 082	(58 633)	5 449	91.5
- past due more than 1 year	255 034	(207 851)	47 183	81.5	180 644	(130 352)	50 292	72.2
Total loans to retail customers	**3 035 647**	**(337 561)**	**2 698 086**	**11.1**	**3 117 513**	**(220 129)**	**2 897 384**	**7.1**
Total loans to customers	**55 462 652**	**(4 324 617)**	**51 138 035**	**7.8**	**57 116 561**	**(3 842 795)**	**53 273 766**	**6.7**
Net investments in finance leases								
Neither past due nor impaired	**1 227 529**	**(17 259)**	**1 210 270**	**1.4**	**1 049 784**	**(6 909)**	**1 042 875**	**0.7**
Past due but not impaired:	**34 453**	**(8 756)**	**25 697**	**25.4**	**64 144**	**(20 352)**	**43 792**	**31.7**
- past due less than 90 days	32 101	(7 467)	24 634	23.3	41 469	(4 231)	37 238	10.2
- past due more than 90 days but less than 1 year	2 352	(1 289)	1 063	54.8	22 675	(16 121)	6 554	71.1
Impaired:	**253 928**	**(230 606)**	**23 322**	**90.8**	**511 011**	**(486 554)**	**24 457**	**95.2**
- past due less than 90 days	3 380	(3 380)	-	100.0	13 283	(13 283)	-	100.0
- past due more than 90 days but less than 1 year	12 816	(12 730)	86	99.3	90 822	(83 900)	6 922	92.4
- past due more than 1 year	237 732	(214 496)	23 236	90.2	406 906	(389 371)	17 535	95.7
Total net investments in finance leases	**1 515 910**	**(256 621)**	**1 259 289**	**16.9**	**1 624 939**	**(513 815)**	**1 111 124**	**31.6**

Key assumptions and judgments for estimating the loan impairment

The Bank estimates loan impairment for impaired loans to corporate customers, net investments in finance leases and retail customers based on an analysis of the future cash flows. In determining the impairment allowance management assumes a delay from 9 to 36 months in obtaining proceeds from the foreclosure of collateral and discounts the estimated fair value of collateral based on the type of asset. For not individually significant impaired loans to corporate and retail customers in the absence of collateral the Bank estimates the loan impairment collectively based on its internal model which takes into account historical loss experience for each type of loan.

The Bank estimates loan impairment for loans to corporate customers, net investments in finance leases and retail customers for which no evidence of impairment has been identified based on its internal model which takes into account historical loss experience for each type of loan.

To determine the amount of the impairment allowance for loans assessed collectively management makes the assumption that loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, the impairment allowance on loans to corporate customers, net investments in finance leases and retail customers as at 31 December 2013 would be RUB 1 453 199 thousand, RUB 37 779 thousand, RUB 80 943 thousand, respectively lower/higher (2012: RUB 1 511 269 thousand, RUB 33 334 thousand and RUB 86 944 thousand).

In determining the impairment allowance for guarantees issued and letters of credit management uses the same procedures as for loans to customers.

Analysis of collateral and other credit enhancements

The Bank accepts property and equipment as collateral for loans to customers.

The amount and type of collateral required depends on the credit quality of the counterparty.

Depending on the type of loans the Bank requires the following types of collateral:

- corporate lending: real estate, inventories, trade receivables, machinery and equipment, guarantees and sureties, securities;
- retail lending: real estate.

The Bank has procedures for monitoring the fair value of collateral, which include requesting for additional collateral in case the current value of collateral declines.

During the year ended 31 December 2013, the Bank obtained certain assets by taking possession of collateral for loans to customers and net investments in finance leases. As at 31 December 2013, the carrying amount of such assets is RUB 200 326 thousand (2012: RUB 182 898 thousand), which consisted of real estate of RUB 164 952 thousand (2012: RUB 166 415 thousand) and other assets of RUB 35 374 thousand (2012: RUB 16 483 thousand). The Bank’s policy is to dispose of these assets as soon as it is practicable.

(Thousands of Russian Roubles)

The following tables provide information on collateral and other credit enhancements securing loans to customers, net of impairment, by types of collateral or other credit enhancement as at 31 December.

2013

	Real estate	***Motor vehicles***	***Equipment***	***Guarantees***	***Total collateralised loans***	***Total not collateralised loans***	***Total loans to customers***
Loans to corporate customers							
Neither past due nor impaired	18 543 631	5 331 368	1 822 010	370 250	**26 067 259**	**19 443 541**	**45 510 800**
Past due but not impaired	214 724	97 880	58 457	-	**371 061**	**127 000**	**498 061**
Impaired loans	1 825 146	154 009	147 758	-	**2 126 913**	**304 175**	**2 431 088**
Total loans to corporate customers	**20 583 501**	**5 583 257**	**2 028 225**	**370 250**	**28 565 233**	**19 874 716**	**48 439 949**
Loans to retail customers							
Neither past due nor impaired	1 049 432	-	-	-	**1 049 432**	**1 512 548**	**2 561 980**
Past due but not impaired	23 222	-	-	-	**23 222**	**47 960**	**71 182**
Impaired loans	63 697	-	-	-	**63 697**	**1 227**	**64 924**
Total loans to retail customers	**1 136 351**	**-**	**-**	**-**	**1 136 351**	**1 561 735**	**2 698 086**
Total loans to customers	**21 719 852**	**5 583 257**	**2 028 225**	**370 250**	**29 701 584**	**21 436 451**	**51 138 035**
Net investments in finance lease							
Neither past due nor impaired	29 529	762 669	418 072	-	**1 210 270**	**-**	**1 210 270**
Past due but not impaired	-	17 001	8 183	-	**25 184**	**513**	**25 697**
Impaired loans	-	86	-	-	**86**	**23 236**	**23 322**
Total net investments in finance leases	**29 529**	**779 756**	**426 255**	**-**	**1 235 540**	**23 749**	**1 259 289**

(Thousands of Russian Roubles)

2012

	Real estate	*Motor vehicles*	*Equipment*	*Guarantees*	*Total collateralised loans*	*Total not collateralised loans*	*Total loans to customers*
Loans to corporate customers							
Neither past due nor impaired	19 900 486	2 025 311	5 322 768	1 623 862	**28 872 427**	**18 574 472**	**47 446 899**
Past due but not impaired	168 814	54 033	62 429	-	**285 276**	**100 409**	**385 685**
Impaired loans	1 867 712	194 757	241 468	-	**2 303 937**	**239 861**	**2 543 798**
Total loans to corporate customers	**21 937 012**	**2 274 101**	**5 626 665**	**1 623 862**	**31 461 640**	**18 914 742**	**50 376 382**
Loans to retail customers							
Neither past due nor impaired	1 208 210	-	-	-	**1 208 210**	**1 581 060**	**2 789 270**
Past due but not impaired	3 978	-	-	-	**3 978**	**32 666**	**36 644**
Impaired loans	59 313	-	-	-	**59 313**	**12 157**	**71 470**
Total loans to retail customers	**1 271 501**				**1 271 501**	**1 625 883**	**2 897 384**
Total loans to customers	**23 208 513**	**2 274 101**	**5 626 665**	**1 623 862**	**32 733 141**	**20 540 625**	**53 273 766**
Net investments in finance lease							
Neither past due nor impaired	32 296	551 845	458 734	-	**1 042 875**	**-**	**1 042 875**
Past due but not impaired	-	34 064	9 257	-	**43 321**	**471**	**43 792**
Impaired loans	-	735	2 027	-	**2 762**	**21 695**	**24 457**
Total net investments in finance leases	**32 296**	**586 644**	**470 018**	**-**	**1 088 958**	**22 166**	**1 111 124**

(Thousands of Russian Roubles)

The tables above are presented on the basis of fair value of collateral as described below excluding over collateralisation.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Guarantees and sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

The recoverability of loans which are not impaired or past due is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Bank does not necessarily update the valuation of collateral performed at the loan inception date as at each reporting date.

For impaired, past due and other certain loans the fair value of collateral is updated as at the reporting date.

Mortgage loans to individuals are secured by the underlying housing real estate. The Bank's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 80%.

For certain mortgage loans the Bank updates the appraised values of collateral obtained at inception of the loan to the current values considering the approximate changes in property values. The Bank may also obtain a specific individual valuation of collateral at each reporting date where there are indications of impairment. For the remaining mortgage loans the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's consolidated statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements. Financial instruments such as loans and deposits are not disclosed in the table below, unless they are offset in the consolidated statement of financial position.

The Bank's derivative transactions that are not transacted on the exchange are entered into under International Derivative Swaps and Dealers Association (ISDA) Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only a single net amount is due or payable in settlement transactions.

The above ISDA and similar master netting arrangements do not meet the offsetting criteria in the consolidated statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Bank provides collateral in the form of cash and marketable securities in respect of sale and repurchase agreements.

Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities given as collateral can be pledged or sold during the term of the transaction, but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

(Thousands of Russian Roubles)

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2013:

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Sale and repurchase, securities lendings and similar agreements	(728 298)	-	(728 298)	728 298	-	-
Total financial liabilities	**(728 298)**	**-**	**(728 298)**	**728 298**	**-**	**-**

The gross amounts of liabilities resulting from sale and repurchase agreements as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated statement of financial position at amortised cost.

The net amounts presented in the consolidated statement of financial position disclosed above form a part of available-for-sale securities and amounts due to the Central Bank of the Russian Federation respectively.

As at 31 December 2012, the Bank had no balances that met the criteria for offsetting or subject to agreements described above.

(Thousands of Russian Roubles)

Geographical concentration

The geographical concentration of assets and liabilities as at 31 December 2013 is as follows:

	Russia	*OECD*	*CIS and other countries*	*Total*
Assets				
Cash and cash equivalents	2 214 863	1 999 330	-	4 214 193
Mandatory cash balances with the Central Bank of the Russian Federation	301 518	-	-	301 518
Amounts due from credit institutions	928 070	3 966 597	135 425	5 030 092
Available-for-sale securities:				
- held by the Bank	1 941 671	-	-	1 941 671
- pledged under sale and repurchase agreements	791 265	-	-	791 265
Derivative financial assets	427	20 179	-	20 606
Loans to customers	50 957 249	8 582	172 204	51 138 035
Net investments in finance leases	1 259 289	-	-	1 259 289
Property and equipment	453 969	-	-	453 969
Intangible assets	859 232	-	-	859 232
Current income tax assets	88 403	-	-	88 403
Deferred income tax assets	65 509	-	-	65 509
Tax assets other than income tax	108 660	-	-	108 660
Other assets	573 400	233 214	8 495	815 109
Total assets	**60 543 525**	**6 227 902**	**316 124**	**67 087 551**
Liabilities				
Amounts due to credit institutions	4 137 312	12 075 361	10 576	16 223 249
Amounts due to the Central Bank of the Russian Federation	728 298			728 298
Derivative financial liabilities	-	6	-	6
Amounts due to customers	16 541 769	1 930 095	251 092	18 722 956
Debt securities issued	8 140 048	-	-	8 140 048
Other borrowed funds	-	8 092 697	-	8 092 697
Current income tax liabilities	2 607	-	-	2 607
Tax liabilities other than income tax	74 462	-	-	74 462
Other liabilities	354 440	2 962	295	357 697
Subordinated debt	-	590 732	-	590 732
Total liabilities	**29 978 936**	**22 691 853**	**261 963**	**52 932 752**
Net position	**30 564 589**	**(16 463 951)**	**54 161**	**14 154 799**
Credit related commitments	**8 891 039**	**576 018**	**-**	**9 467 057**

Assets, liabilities and credit related commitments are allocated based on the country in which the counterparty performs its business activities. Cash on hand and property and equipment are allocated based on the country in which they are physically held. The Bank's operations include transactions with counterparties that operate in OECD countries, primarily Italy, Luxemburg, Germany, United States and United Kingdom.

The geographical concentration of assets and liabilities as at 31 December 2012 is as follows:

	Russia	*OECD*	*CIS and other countries*	*Total*
Net position	**34 374 901**	**(19 613 636)**	**104 407**	**14 865 672**
Credit related commitments	**8 393 866**	**401 119**	**–**	**8 794 985**

(Thousands of Russian Roubles)

Liquidity risk

Liquidity risk is the risk of a potential loss arising in the case the Bank is unable to meet its financial obligations as they fall due.

Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions 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 Bank maintains liquidity management with the objective to ensure that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Board of Directors.

The Bank seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The Treasury Division receives liquidity reports from the Market Risk Department on a daily basis. In addition, the Treasury Division prepares its own managerial reports and calculations. Based on them the Treasury Division monitors Bank’s liquidity position within the defined limits in order to meet the CBR and ISP liquidity ratio requirements and payment obligations resulting from deposit withdrawals and financial commitments of the Bank.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Division. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a monthly basis. Decisions on liquidity management are made by the Financial Risk Committee and implemented by the Treasury Division.

The liquidity position is also assessed and managed by the Bank, based on certain liquidity ratios calculated on a daily basis in accordance on the requirements of the CBR. The following table shows the mandatory liquidity ratios calculated as at 31 December 2013 and 2012.

As at 31 December, these ratios are as follows:

	Requirement	***2013, %***	***2012, %***
Instant Liquidity Ratio (N2)	Not less than 15%	51.6	75.7
Current Liquidity Ratio (N3)	Not less than 50%	77.5	91.4
Long-Term Liquidity Ratio (N4)	Not more than 120%	56.5	67.5

The table below shows the structure of assets and liabilities as at 31 December 2013 in accordance with their contractual maturity with the exception of available-for-sale securities that are shown in the category “Less than 1 month” because of their high liquidity.

Included in overdue loans to customers are wholly and partially overdue loans and impaired but not overdue loans.

Debt securities issued are presented in the category “From 1 to 5 years” in accordance with their contractual maturity. The nearest offer date is in April 2014.

(Thousands of Russian Roubles)

	On demand	*Less than 1 month*	*From 1 to 3 months*	*From 3 months to 1 year*	*From 1 to 5 years*	*Over 5 years*	*Overdue or no stated maturity*	*Total*
Assets								
Cash and cash equivalents	4 214 193	-	-	-	-	-	-	4 214 193
Mandatory cash balances with the Central Bank of the Russian Federation	212 398	25 347	12 621	32 947	17 368	837	-	301 518
Amounts due from credit institutions	-	3 093 508	1 473 089	463 495	-	-	-	5 030 092
Available-for-sale securities:								
- held by the Bank	-	1 937 261	-	-	-	-	4 410	1 941 671
- pledged under sale and repurchase agreements	-	791 265	-	-	-	-	-	791 265
Derivative financial assets	-	6 127	14 479	-	-	-	-	20 606
Loans to customers	-	2 416 362	7 293 080	18 317 877	19 184 096	861 364	3 065 256	51 138 035
Net investments in finance leases	-	52 117	144 572	520 648	492 933	-	49 019	1 259 289
Property and equipment	-	-	-	-	-	-	453 969	453 969
Intangible assets	-	-	-	-	-	-	859 232	859 232
Current income tax assets	8 612	2 613	77 178	-	-	-	-	88 403
Deferred income tax assets	-	-	-	-	-	-	65 509	65 509
Tax assets other than income tax	2	50 734	57 924	-	-	-	-	108 660
Other assets	48 094	196 683	123 683	72 276	150 593	-	223 780	815 109
Total assets	**4 483 299**	**8 572 017**	**9 196 626**	**19 407 243**	**19 844 990**	**862 201**	**4 721 175**	**67 087 551**
Liabilities								
Amounts due to credit institutions	37 605	327 296	2 082 630	3 729 094	10 046 624	-	-	16 223 249
Amounts due to the Central Bank of the Russian Federation	-	728 298	-	-	-	-	-	728 298
Derivative financial liabilities	-	6	-	-	-	-	-	6
Amounts due to customers	13 189 007	1 573 909	783 717	2 045 852	1 078 471	52 000	-	18 722 956
incl. amounts due to individuals	*1 510 903*	*485 099*	*445 747*	*1 546 296*	*1 031 871*	-	-	*5 019 916*
Debt securities issued	-	-	-	-	8 140 048	-	-	8 140 048
Other borrowed funds	-	-	-	3 339 826	4 752 871	-	-	8 092 697
Current income tax liabilities	-	2 607	-	-	-	-	-	2 607
Tax liabilities other than income tax	-	69 696	4 766	-	-	-	-	74 462
Other liabilities	123 895	3 217	47 634	87 644	93 153	2 154	-	357 697
Subordinated debt	-	99 416	-	82 201	409 115	-	-	590 732
Total liabilities	**13 350 507**	**2 804 445**	**2 918 747**	**9 284 617**	**24 520 282**	**54 154**	**-**	**52 932 752**
Net position	**(8 867 208)**	**5 767 572**	**6 277 879**	**10 122 626**	**(4 675 292)**	**808 047**	**4 721 175**	**14 154 799**
Accumulated gap as at 31 December 2013	**(8 867 208)**	**(3 099 636)**	**3 178 243**	**13 300 869**	**8 625 577**	**9 433 624**	**14 154 799**	
Accumulated gap as at 31 December 2012	**(6 697 639)**	**(997 010)**	**(179 146)**	**9 360 533**	**9 514 845**	**10 838 711**	**14 865 672**	

In the Russian marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above.

Overdue liabilities, such as term deposits not withdrawn by the customers, are classified within the "On demand" category. Mandatory cash balances with the CBR are allocated between the different maturity categories in accordance

(Thousands of Russian Roubles)

with the maturities of the liabilities to which they relate. Debt securities issued are presented in the category "From 1 to 5 years" in accordance with their contractual maturity. The nearest offer date is in April 2014.

Repayments which are subject to notice are treated as if notice is to be given immediately. However, the Bank expects that many customers will not request early repayment.

Management does not consider liquidity gaps as a threat to the Bank, as most part of the maturing liabilities represents funding from ISP or Intesa Sanpaolo Holding International SA. Currently, there are no indicators that they will discontinue funding the Bank and credit lines will be prolonged, if needed.

The maturity profile of financial liabilities and credit related commitments as at 31 December 2013 based on contractual undiscounted repayment obligations is as follows:

	On demand	*Less than 1 month*	*From 1 to 3 months*	*From 3 months to 1 year*	*From 1 to 5 years*	*Over 5 years*	*Total*	*Carrying amount*
Financial liabilities								
Amounts due to credit institutions	37 605	432 307	2 284 543	4 338 866	11 280 961	-	**18 374 282**	**16 223 249**
Amounts due to the Central Bank of the Russian Federation	-	729 958	-	-	-	-	**729 958**	**728 298**
Amounts due to customers	13 189 007	1 577 573	790 034	2 138 972	1 208 734	52 000	**18 956 320**	**18 722 956**
incl. amounts due to individuals	*1 510 903*	*486 526*	*449 615*	*1 626 049*	*1 160 131*	-	***5 233 224***	***5 019 916***
Debt securities issued	-	-	-	743 700	8 518 099	-	**9 261 799**	**8 140 048**
Other borrowed funds	-	-	-	3 720 568	4 926 034	-	**8 646 602**	**8 092 697**
Other liabilities	123 895	3 217	47 634	87 644	93 153	2 154	**357 697**	**357 697**
Subordinated debt	-	100 132	3 832	94 941	424 443	-	**623 348**	**590 732**
Derivative financial instruments								
- inflow	-	(1 613 314)	(1 091 527)	-	-	-	**(2 704 841)**	**(20 606)**
- outflow	-	1 607 193	1 077 048	-	-	-	**2 684 241**	**6**
Total financial liabilities	**13 350 507**	**2 837 066**	**3 111 564**	**11 124 691**	**26 451 424**	**54 154**	**56 929 406**	**52 835 077**
Credit related commitments	**9 467 057**	-	-	-	-	-	**9 467 057**	**9 467 057**

The maturity profile of financial liabilities and credit related commitments as at 31 December 2012 based on contractual undiscounted repayment obligations is as follows:

	On demand	*Less than 1 month*	*From 1 to 3 months*	*From 3 months to 1 year*	*From 1 to 5 years*	*Over 5 years*	*Total*	*Carrying amount*
Financial liabilities								
Amounts due to credit institutions	326 336	6 768 895	5 006 850	9 761 462	6 231 644	-	**28 095 187**	**26 799 230**
Amounts due to customers	13 458 275	1 677 006	601 641	2 819 459	662 805	52 000	**19 271 186**	**19 027 201**
incl. amounts due to individuals	*1 623 955*	*341 922*	*317 472*	*2 487 846*	*622 176*	-	***5 393 371***	***5 163 586***
Debt securities issued	-	-	-	752 784	9 276 826	-	**10 029 610**	**8 132 583**
Other borrowed funds	-	-	-	2 817 929	6 548 063	-	**9 365 992**	**8 698 962**
Other liabilities	210 637	-	145 969	158 854	-	-	**515 460**	**515 460**
Subordinated debt	-	1 983	-	17 392	579 010	-	**598 385**	**548 344**
Derivative financial instruments								
- inflow	-	*(7 175 201)*	*(198 841)*	-	-	-	***(7 374 042)***	***(94 176)***
- outflow	-	*7 087 714*	*194 178*	-	-	-	***7 281 892***	***2 026***
Total financial liabilities	**13 995 248**	**8 360 397**	**5 749 797**	**16 327 880**	**23 298 348**	**52 000**	**67 783 670**	**63 629 630**
Credit related commitments	**8 794 985**	**-**	**-**	**-**	**-**	**-**	**8 794 985**	**8 794 985**

(Thousands of Russian Roubles)

The total gross inflow and outflow disclosed in the tables above is the contractual, undiscounted cash flow on the financial liability or commitment.

In accordance with the Russian Civil Code, the Bank is obliged to repay time deposits to individuals upon demand of a depositor. In the tables above these deposits are classified in accordance with their stated maturity and are disclosed by each time band.

Market risk

Market risk is the risk that the fair value of assets or future cash flows of financial instruments will diminish due to changes in the interest rates, currency rates and equity prices. Market risk includes currency risk, interest rate risk and other price risks.

Market risks arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters whilst optimizing the return of risk.

Overall authority for market risk is vested in the Financial Risk Committee. Market risk limits are approved by the Board of Directors based on recommendations of the Risk Management Group and the Financial Risk Committee.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Board of Directors.

The Bank classifies exposures to market risk into either trading or non-trading positions. For risk management purposes the Bank calculates the same risk indicators on the available-for-sale portfolio the same as for the trading portfolio. The market risk for the trading portfolio is managed and monitored based on Value at Risk (“VaR”) methodology, which reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analysis.

Market risk – Trading positions

The Bank applies a VaR methodology to assess the market risk positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 1-day holding period.

For the purposes of interest rate risk calculations for fixed income securities the information on interest rates volatility and correlation is received from the ISP Group on a daily basis.

Although VaR is a valuable tool in measuring risk exposures, it has a number of limitations:

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

To determine the reliability of the VaR model, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR model. Market risk positions are also subject to regular stress tests to ensure that the Bank would withstand an extreme market event.

VaR limits have been established for available-for-sale portfolio, and exposure is calculated and monitored daily against the limits set by the Board of Directors. As at 31 December 2013, VaR for available-for-sale portfolio is RUB 1 055 thousand (2012: RUB 2 382 thousand).

(Thousands of Russian Roubles)

Market risk – Non-Trading positions

Interest rate risk

Interest rate risk is the risk of a potential loss due to adverse changes in the market interest rates affecting the assets, liabilities and unrecognised positions sensitive to such changes.

Interest rate risk includes the following:

- Repricing Risk - the risk linked to the time differences in maturities (for fixed rate positions) and in the repricing dates (for floating rate positions);
- Yield Curve Risk - the risk linked to changes in the slope and shape of the yield curve;
- Basis Risk - the risk linked to the mismatch in the rates to be received and paid on different instruments, with similar repricing characteristics. When interest rates change, these differences can give rise to unexpected changes in the cash flows and interest margins for assets, liabilities and unrecognised positions with similar maturities or repricing frequencies.

The Bank uses the following methods to measure interest rate risk:

Sensitivity of the Fair Value measures the changes in the fair value of assets, liabilities and unrecognised positions resulting from a parallel rise in the discount curves by 100 b.p. To calculate the fair value, the discount curves which are suitable for measuring individual financial instruments are applied.

An analysis of sensitivity of the fair value as at 31 December is as follows:

Currency	*2013*	*2012*
RUB	(123 449)	(209 905)
USD	10 210	8 962
EUR	1 889	1 428
Total	**(111 350)**	**(199 515)**

A parallel fall in the discount curves by 100 b.p. would have had the equal but opposite effect on the fair value of assets, liabilities and unrecognised positions.

Sensitivity of the Interest Margin measures a one-year impact on the interest margin resulting from a parallel rise of the interest rate curves by 100 b.p. (since 2013). This measure highlights the effect of changes in interest rates on the portfolio being divided into current and term products excluding assumptions on future changes in the structure of assets and liabilities. Therefore, it cannot be considered as a predictor of the future levels of the interest margin.

An analysis of sensitivity of the interest margin as at 31 December is as follows.

Currency	*2013 (+100 b.p.)*	*2012 (+100 b.p.)*
RUB	17 933	14 158
USD	17 506	(7 345)
EUR	(552)	(23 202)
Total	**34 887**	**(16 389)**

The Bank is exposed to interest rate risk, principally as a result of lending at fixed interest rates, in amounts and for periods, which differ from those of term borrowings at floating interest rates. In practice, interest rates are generally fixed on a short-term horizon. To reduce the interest rate risk the Bank includes in its loan contracts a clause providing for a change in the interest rate in the event of a significant change in the market interest rates. Additionally, interest rates for long-term loans in foreign currencies are linked to LIBOR and EURIBOR.

The Board of Directors sets limits on the potential loss from interest rate risk that may be undertaken. These limits are monitored weekly.

(Thousands of Russian Roubles)

Currency risks

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board of Directors sets limits on the level of exposure for each currency for both overnight and intra-day positions, which are monitored daily. The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2013:

	RUB	*USD*	*Euro*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	2 016 067	1 772 484	425 317	325	4 214 193
Mandatory cash balances with the Central Bank of the Russian Federation	301 518	-	-	-	301 518
Amounts due from credit institutions	660 000	3 110 388	1 259 704	-	5 030 092
Available-for-sale securities:					
- held by the Bank	1 941 671	-	-	-	1 941 671
- pledged under sale and repurchase agreements	791 265	-	-	-	791 265
Derivative financial assets	20 606	-	-	-	20 606
Loans to customers	42 731 847	7 141 383	1 264 805	-	51 138 035
Net investments in finance leases	1 226 572	353	32 364	-	1 259 289
Property and equipment	453 969	-	-	-	453 969
Intangible assets	859 232	-	-	-	859 232
Current income tax assets	88 403	-	-	-	88 403
Deferred income tax assets	65 509	-	-	-	65 509
Tax assets other than income tax	108 660	-	-	-	108 660
Other assets	551 902	181 178	82 029	-	815 109
Total assets	**51 817 221**	**12 205 786**	**3 064 219**	**325**	**67 087 551**
Liabilities					
Amounts due to credit institutions	13 595 584	2 627 664	1	-	16 223 249
Amounts due to the Central Bank of the Russian Federation	728 298	-	-	-	728 298
Derivative financial liabilities	6	-	-	-	6
Amounts due to customers	13 114 035	2 513 269	3 095 535	117	18 722 956
Debt securities issued	8 140 048	-	-	-	8 140 048
Other borrowed funds	3 825 101	4 267 596	-	-	8 092 697
Current income tax liabilities	2 607	-	-	-	2 607
Tax liabilities other than income tax	74 462	-	-	-	74 462
Other liabilities	325 885	26 908	4 715	189	357 697
Subordinated debt	-	590 732	-	-	590 732
Total liabilities	**39 806 026**	**10 026 169**	**3 100 251**	**306**	**52 932 752**
Net recognised position	**12 011 195**	**2 179 617**	**(36 032)**	**19**	**14 154 799**
Net unrecognised position	**2 459 666**	**(2 684 516)**	**224 850**	**-**	**-**
Credit related commitments	**4 506 984**	**3 883 844**	**1 076 229**	**-**	**9 467 057**

The exposure to currency risk as at 31 December 2012 is as follows:

	RUB	*USD*	*Euro*	*Other currencies*	*Total*
Net recognised position	**11 507 526**	**3 424 984**	**(64 304)**	**(2 534)**	**14 865 672**
Net unrecognised position	**4 155 027**	**(4 155 027)**	**–**	**–**	**–**
Credit related commitments	**4 447 165**	**2 174 227**	**2 173 593**	**–**	**8 794 985**

The net unrecognised position represents the notional currency position on deliverable forward and spot foreign exchange contracts outstanding as at 31 December 2013 and 2012. As the borrowings in foreign currencies from international financial institutions represent a significant part of the Bank's liabilities, it is the Bank's policy to effectively hedge against risks associated with its net currency position. Such activities do not qualify as hedging relationships in accordance with IFRS.

(Thousands of Russian Roubles)

The Bank has a significant part of loans to customers denominated in foreign currencies. Depending on the revenue sources of the borrower, the appreciation of the currencies against the RUB may adversely affect the borrowers' repayment ability and therefore increases the likelihood of future loan losses.

The following table indicates the currencies to which the Bank had significant exposure at 31 December 2013 and 2012 on its non-trading positions and foreign currency derivatives. The analysis calculates the effect of a reasonably possible movement of the currency rates against the RUB, with all other variables held constant on the profit or loss and equity before income tax expense.

Currency	***2013***	***2012***
10% appreciation of USD against RUB	(50 490)	(73 004)
10% appreciation of EUR against RUB	18 882	(6 430)
Total	**(31 608)**	**(79 434)**

Operational risk

Operational risk is the risk of direct or indirect losses arising from failures in internal processes, human errors, IT systems and technical failures or external events. This definition includes legal risk but does not include strategic and reputation risks.

For managing operational risk the Bank follows the Intesa Sanpaolo Group's operational risk guidelines and methodology in compliance with Basel recommendations as well as locally-developed tools. The Bank, in accordance with the Intesa Sanpaolo Group's requirements and the regulatory suggestions, developed an operational risk framework consisting of operational risk policy and other internal regulations in order to perform an effective operational risk management and support to the Bank's business.

Operational risk management is a structured system of processes, functions, responsibilities and resources aimed at detection and monitoring, assessment, minimization and control of operational risks, as well as providing their effective prevention in accordance with the requirements of the ISP Group and external legislation. Operational risk management is directly connected with the level of corporate governance and corporate ethics of the Bank.

The main methods of identification and monitoring of operational risks are collection and recording of data on operational risk events and key risk indicators system, as well as analysis of the new and existing procedures. All operational risk events are registered in the operational risks' database, analysed and regularly brought to attention of the Management of the Bank. Additionally, all new and updated operations, products and processes are analysed with respect to operational risk sensitivity.

The Bank conducts operational risks assessment in accordance with the methodology of the ISP Group. Risk assessment is an independent risk assessment, consisting of two parts: assessment of the impact of risk factors and their level of control, as well as scenario analysis.

In addition, the Bank creates reserves for losses from operational risk events, and calculates the required capital to cover operational risk.

In order to minimize and control operational risks the Bank implements preventive measures against operational risk events or losses associated with the realization of operational risk events, and suggests a series of measures aimed at reducing the impact of the causes of risk (risk factors), the transfer of risk (outsourcing), decrease (limit) the size of the potential operating losses (insurance), as well as actions to minimize the effects and potential losses in case of realization of operational risk events.

The Bank applies the following methods to minimize the risk:

- establishing organizational structure in accordance with the requirements of the Group and regulatory bodies;
- ensuring selection of a sufficient number of qualified professionals, conducting their training on an ongoing basis, organization of interchangeability;
- ensuring the principle of separation of powers and accountability of transactions, effective cooperation and communication of personnel; clear description of the responsibilities of each employee;
- compliance with labour laws;
- remuneration of the Bank in accordance with market conditions and requirements of the Group;
- ensuring the confidentiality of the employee data;
- ensuring proper working conditions for the employees of the Bank;
- developing and updating the internal rules and procedures for performance of banking operations and other transactions so as to eliminate (minimize) the impact of operational risk factors, and comply with requirements of the local legislation and the Group;

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- regulation and approval of any banking processes, transactions and other deals;
- monitoring of performance and making amendments to any banking processes, operations and transactions;
- separation of powers, operation and monitoring activities;
- setting limits on banking operations and other transactions;
- adherence to the principles of accounting and reporting, regular reconciliation of accounts and supporting documents on banking and other transactions;
- use of proven technology and implementation of well-developed and studied technology, compliance of all systems (hardware and software) and technical documentation to the requirements of the Group;
- software testing prior to implementation;
- preventing unauthorised access to information systems of the Bank, maintenance of the established order of access to data;
- segregation of access rights and authorization in the systems of the Bank;
- other.

The Bank pays special attention to the measures to ensure continuity of financial and economic activity in the banking operations and other transactions, including contingency (business continuity) plans.

26. Fair values of financial instruments

Fair value hierarchy

The Bank uses the following fair value hierarchy for measuring fair values of financial instruments:

- Level 1: quoted market prices (unadjusted) in an active market for an identical instrument;
- Level 2: valuation techniques for which all significant inputs are observable, either directly or indirectly;
- Level 3: valuation techniques which use significant unobservable inputs.

The table below analyses financial instruments measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

	Level 1	***Level 2***	***Total***
Financial assets			
Derivative financial assets	–	20 606	20 606
Available-for-sale securities:	**2 728 526**	**4 410**	**2 732 936**
- held by the Bank	1 937 261	4 410	1 941 671
- pledged under sale and repurchase agreements	791 265	–	791 265
	2 728 526	**25 016**	**2 753 542**
Financial liabilities			
Derivative financial liabilities	–	6	6
	–	**6**	**6**

The table below analyses financial instruments measured at fair value at 31 December 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

	Level 1	***Level 2***	***Total***
Financial assets			
Derivative financial assets	–	94 176	94 176
Available-for-sale securities:			
- held by the Bank	3 023 760	4 410	3 028 170
	3 023 760	**98 586**	**3 122 346**
Financial liabilities			
Derivative financial liabilities	–	2 026	2 026
	–	**2 026**	**2 026**

(Thousands of Russian Roubles)

As at 31 December 2013, the Bank has repossessed collateral in the amount of RUB 200 326 thousand (2012: RUB 182 898 thousand) that is measured at lower of cost and fair value less cost to sell, for which fair value was determined using inputs that belong to Level 3 in the fair value hierarchy.

The estimation of fair value of repossessed collateral is based on benchmarking assessment. The Bank adjusts the estimated market value of similar property using the liquidity discounts. The discounts, applied by the Bank ranges from 15% to 30% for residential property; 40% to 50% for office property and 50% to 60% for regional residential property.

Assets for which fair value approximates carrying value

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity. For financial assets and financial liabilities it is assumed that the carrying amounts approximate their fair value.

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2013:

	Level 1	*Level 2*	*Level 3*	*Total fair values*	*Total carrying amount*
Financial assets					
Cash and cash equivalents	–	4 214 193	–	4 214 193	4 214 193
Mandatory cash balances with the Central Bank of the Russian Federation	–	301 518	–	301 518	301 518
Amounts due from credit institutions	–	5 030 092	–	5 030 092	5 030 092
Loans to customers	–	–	51 138 035	51 138 035	51 138 035
Net investments in finance lease	–	–	1 259 289	1 259 289	1 259 289
	–	**9 545 803**	**52 397 324**	**61 943 127**	**61 943 127**
Financial liabilities					
Amounts due to credit institutions	–	16 223 249	–	16 223 249	16 223 249
Amounts due to the Central Bank of the Russian Federation	–	728 298	–	728 298	728 298
Amount due to customers	–	18 722 956	–	18 722 956	18 722 956
Debt securities issued	–	8 140 048	–	8 140 048	8 140 048
Other borrowed funds	–	8 092 697	–	8 092 697	8 092 697
Subordinated debt	–	590 732	–	590 732	590 732
	–	**52 497 980**	**–**	**52 497 980**	**52 497 980**

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2012:

	Level 1	*Level 2*	*Level 3*	*Total fair values*	*Total carrying amount*
Financial assets					
Cash and cash equivalents	–	6 887 120	–	6 887 120	6 887 120
Mandatory cash balances with the Central Bank of the Russian Federation	–	374 992	–	374 992	374 992
Amounts due from credit institutions	–	11 400 772	–	11 400 772	11 400 772
Loans to customers	–	–	53 273 766	53 273 766	53 273 766
Net investments in finance lease	–	–	1 111 124	1 111 124	1 111 124
	–	**18 662 884**	**54 384 890**	**73 047 774**	**73 047 774**
Financial liabilities					
Amounts due to credit institutions	–	26 799 230	–	26 799 230	26 799 230
Amount due to customers	–	19 027 201	–	19 027 201	19 027 201
Debt securities issued	–	8 132 583	–	8 132 583	8 132 583
Other borrowed funds	–	8 698 962	–	8 698 962	8 698 962
Subordinated debt	–	548 344	–	548 344	548 344
	–	**63 206 320**	**–**	**63 206 320**	**63 206 320**

(Thousands of Russian Roubles)

27. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party directly, or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, the entity; has an interest in the entity that gives it significant influence over the entity; the party is an associate of the entity; the party is a member of the key management personnel of the entity or its parent.

Banking transactions are entered into in the normal course of business with the Bank's shareholders and key management personnel. These transactions include loans, deposits and other transactions. These transactions are performed at market prices.

Since 2005 the Bank is a member of Intesa Sanpaolo Group. Intesa Sanpaolo Group members are entities comprising a banking group which has a leading position on the Italian market and a strong international presence, mainly in Central-Eastern Europe and the Mediterranean region.

Intesa Sanpaolo Holding International SA (Luxembourg) is an entity with significant influence over the Bank as at 31 December 2013 and 2012 owning 39.7670% of shares.

Intesa Sanpaolo S.p.A. (Italy) is the ultimate controlling party of the Bank as at 31 December 2013 and 2012.

(Thousands of Russian Roubles)

The outstanding balances with the related parties as at 31 December are as follows:

	2013				**2012**			
	Ultimate controlling party	***Entities with significant influence over the Bank***	***Intesa Sanpaolo Group members***	***Key management personnel***	***Ultimate controlling party***	***Entities with significant influence over the Bank***	***Intesa Sanpaolo Group members***	***Key management personnel***
Cash and cash equivalents								
Current accounts and overnight placements with other credit institutions	1 682 903	–	906	-	2 331 630	–	22 388	–
		–						
Amounts due from credit institutions		–						
Time deposits	3 966 597	–	–	-	6 622 264	–	1 044 834	–
Loans to customers								
Loans to customers as at 1 January, gross	–	–	–	4 754	–	–	–	8 165
Loans issued during the year	–	–	–	-	–	–	–	–
Loans repaid during the year	–	–	–	(4 419)	–	–	–	(3 393)
Other movements	–	–	–	-	–	–	–	(9)
Loans to customers as at 31 December, gross	–	–	–	335	–	–	–	4 763
Less: loan impairment allowance as at 31 December	–	–	–	(2)	–	–	–	(9)
Loans to customers as at 31 December, net	–	–	–	333	–	–	–	4 754
Amounts due to credit institutions								
Current accounts	1 532	–	28 707	–	219 570	–	100 080	–
Time deposits	–	–	12 055 698	–	304 410	–	19 484 579	–
Other borrowed funds								
Other borrowed funds as at 1 January	–	8 698 962	–	–	–	14 793 731	–	–
Other borrowed funds received during the year	–	1 750 000	–	–	–	–	–	–
Other borrowed funds repaid during the year	–	(2 707 300)	–	–	–	(5 570 686)	–	–
Other movements	–	351 035	–	–	–	(524 083)	–	–
Other borrowed funds as at 31 December	–	8 092 697	–	–	–	8 698 962	–	–
Subordinated debt								
Subordinated debt as at 1 January	168 685	379 659	–	–	178 560	402 497	–	–
Other movements	12 932	29 456	–	–	(9 875)	(22 838)	–	–
Subordinated debt as at 31 December	181 617	409 115	–	–	168 685	379 659	–	–
				–				
Derivative financial instruments								
Notional amount of foreign exchange contracts	2 224 850	–	–	–	5 699 551	–	–	–
Derivative financial assets	20 179	–	–	–	78 034	–	–	–
Derivative financial liabilities	(6)	–	–	–	(449)	–	–	–
Guarantees received by the Bank on loans and credit lines to customers	1 263 465	–	–	–	1 659 073	–	–	–

(Thousands of Russian Roubles)

The related profit or loss amounts of transactions with the related parties for the year ended 31 December are as follows:

	2013				2012			
	Ultimate controlling party	*Entities with significant influence over the Bank*	*Intesa Sanpaolo Group companies*	*Key management personnel*	*Ultimate controlling party*	*Entities with significant influence over the Bank*	*Intesa Sanpaolo Group companies*	*Key management personnel*
Interest income								
Amounts due from credit institutions	44 911	–	2 241	–	47 013	–	2 351	–
Loans to customers	–	–	–	288	–	–	–	676
Impairment of loans	–	–	–	7	–	–	–	(8)
Interest expense								
Amounts due to credit institutions	(7 832)	–	(1 087 370)	–	(10 488)	–	(1 354 638)	–
Other borrowed funds	–	(421 896)	–	–	–	(506 685)	–	–
Subordinated debt	(4 935)	(15 315)	–	–	(4 280)	(15 633)	–	–
Net gains (losses) from foreign currencies	317 959	–	–	–	307 448	–	–	–
Fee and commission expense	(8 472)	–	(281)	–	(8 014)	–	(255)	–
Other general administrative expenses	(144 382)	–	–	–	–	–	(155 087)	–

Total remuneration of the Management Board members included in the personnel expenses for the year ended 31 December 2013 is RUB 25 495 thousand, including social contributions of RUB 1 844 thousand (2012: RUB 24 497 thousand, including social contributions of RUB 1 760 thousand).

Total remuneration of the Board of Directors for the year ended 31 December 2013 is RUB 10 805 thousand (2012: RUB 10 534 thousand).

As at 31 December 2013, included in guarantees received is the amount of RUB 2 788 011 thousand (2012: RUB 1 880 976 thousand), which is provided by an Intesa Sanpaolo Group company as counter-guarantees to the guarantees provided by the Bank. The Bank counter-guaranteed RUB 33 278 thousand in relation to guarantees issued by another Intesa Sanpaolo Group company as at 31 December 2013 (2012: RUB 32 814 thousand).

28. Capital adequacy

The primary objectives of the Bank's capital management are the following:

- full compliance with the capital requirements imposed by the CBR and Russian legislation;
- maintaining the Bank's ability to continue as a going concern in order to maximise shareholder value and provide economic benefits to other parties;
- ensuring that the amount of capital is sufficient for business expansion and development.

The Bank monitors its capital adequacy using, among other measures, the ratios established by the Basel Capital Accord 1988, with subsequent amendments ("Basel Capital Accord"), and the ratios established by the CBR.

The Bank has complied with all externally imposed capital requirements as at 31 December 2013 and 2012.

The Bank manages its capital structure and makes adjustments to reflect changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to the shareholders, return on capital to the shareholders or issue equity securities. No changes were made in the objectives, policies and processes from the previous year.

(Thousands of Russian Roubles)

Capital adequacy under Russian Legislation

The CBR requires banks to maintain a minimum capital adequacy ratio of 10% with respect to risk-weighted assets as computed in accordance with Russian Accounting Standards. As at 31 December 2013 and 2012, the Bank's CBR-defined capital adequacy ratio exceeds the required statutory minimum and is as follows:

	2013	*2012*
Core capital	11 749 175	11 762 044
Additional capital	155 464	859 986
Total regulatory capital	**11 904 639**	**12 622 030**
Risk-weighted assets	**73 014 100**	**77 656 980**
Capital adequacy ratio	**16.3%**	**16.3%**

Capital adequacy ratio under the Basel Capital Accord (unaudited)

The Bank applies the Basel II Framework for the purpose of capital adequacy calculation using the simplified standardised approach for credit risk measurement, the standardised measurement method for market risk and the basic indicator approach for operational risk measurement. The Bank's capital adequacy ratio as computed in accordance with the Basel Capital Accord as at 31 December is as follows:

	2013	*2012*
Share capital	10 820 181	10 820 181
Retained earnings and other capital reserve	3 326 152	4 030 765
Revaluation reserve	8 466	14 726
Tier 1 capital	**14 154 799**	**14 865 672**
Subordinated debt (unamortised portion)	167 256	253 612
Less shares of credit institutions	(4 410)	(4 410)
Total capital	**14 317 645**	**15 114 874**
Banking book	58 600 348	63 301 926
Trading book	540 936	2 359 477
Risk-weighted assets	**59 141 284**	**65 661 403**
Tier 1 capital ratio	**23.9%**	**22.6%**
Total capital ratio	**24.2%**	**23.0%**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

29. Subsequent events

As at the date of the consolidated financial statements publication the Bank's shareholder Intesa Sanpaolo Holding International SA (Luxembourg) is in the final stage of the acquisition process of the Bank shares held by the EBRD. In case of successful completion, the Intesa Sanpaolo Group's share in the Bank's capital will amount to 100%.

Olga Lein — Acting Chairman of the Management Board

Tatyana Pavlycheva — Head of Accounting, Planning and Control Group/Chief accountant

24 February 2014

To the shareholders of

Closed Joint Stock Company

“Banca Intesa”

Auditor’s report

on the annual accounting (financial) statements

Of the Closed Joint Stock Company

“Banca Intesa”

for the 2013 reporting year

Set out below is an unofficial translation of the auditors’ report on the statutory financial statements of the Closed Joint Stock Company “Banca Intesa” as at 1 January 2014 and for 2013. The statutory financial statements to which the auditors’ report relates have been prepared in accordance with the accounting and reporting regulations of the Russian Federation. Russian accounting and reporting regulations differ from accounting frameworks in other jurisdictions. Consequently, the accompanying statutory financial statements are not intended to present the financial position, financial performance and cash flows of the Closed Joint Stock Company “Banca Intesa” in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation.

Information on the audit firm

Name of the audit form:	Closed Joint Stock Company “KPMG”.
Location (legal address):	18/1, Olympiysky prospect, Room 3035, Moscow, 129110.
Postal address:	10, Presnenskaya Naberezhnaya, Block C, floor 31, Moscow, 123317.
State registration:	Registered by the Moscow Registration Chamber on 25 May 1992, Registration №. 011.585. Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate №.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration №. 1027700125628, Certificate series 77 №. 005721432.
Membership in a self-regulating auditors’ organisation:	Member of the Non-commercial Partnership “Chamber of Auditors of Russia”. The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: 10301000804.

Information on the audited company

Name of audited company:	Closed Joint Stock Company “Banca Intesa”
Location (legal address):	2, building 2, Petroverigsky per., Moscow, 101000.
Postal address:	2, building 2, Petroverigsky per., Moscow, 101000.
State regostration:	Registered by the Central Bank of the Russian Federation. Certificate of incorporation № 2216 dated 31 December 1992. Entered in the Unified State Register of Legal entities on 11 September 2002 by the Moscow Inter-Regional Tax Inspectorate №.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration №. 1027739177377, Certificate series 77 № 010860133.

Auditors' report

To the shareholders of Closed Joint Stock Company "Banca Intesa"

We have audited the accompanying annual accounting (financial) statements of Closed Joint Stock Company "Banca Intesa" (hereinafter the "Bank") for 2013.

The annual accounting (financial) statements, set on 55 (fifty five) pages, comprise:

- balance sheet (form for publication) as at 1 January 2014;
- statement of financial results (form for publication) for 2013;
- the appendices to the balance sheet and the statement of financial results including:
  - the statement on capital adequacy, amounts of provisions on doubtful debts and other assets (form for publication) as at 1 January 2014;
  - data on mandatory ratios (form for publication) as at 1 January 2014;
  - the cash flow statement (form for publication) for 2013;
- the explanatory notes.

Management's Responsibility for the Annual accounting (financial) statements

Management of the Bank is responsible for the preparation and reliability of the annual accounting (financial) statements in accordance with the requirements of the Russian reporting legislation related to the annual accounting (financial) statements preparation by credit institutions and for the system of internal control necessary for the preparation of the annual accounting (financial) statements which are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the annual accounting (financial) statements in all material respects based on our audit. We conducted our audit in accordance with the Federal Standards on Auditing. These standards require that we comply with relevant ethical requirements and planning and performing the audit in order to obtain sufficient assurance as to whether the annual accounting (financial) statements are free from material misstatements.

The audit included performing procedures to obtain audit evidence confirming the amounts and disclosures in the annual accounting (financial) statements. The selection of the procedures is a matter of our judgment, which is based on the assessment of risk of material misstatement, whether due to fraud or error. In the process of risk assessment we considered the system of internal control relevant to the preparation and reliability of the annual accounting (financial) statements in order to select appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The audit also included an assessment of the appropriateness of the Bank's accounting policy and the reasonableness of the estimates made by management, as well as the evaluation of the overall presentation of the annual accounting (financial) statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the reliability of the annual accounting (financial) statements.

Opinion

In our opinion, the accompanying annual accounting (financial) statements present reliably, in all material respects, the financial position of the Bank as at 1 January 2014 and its financial performance and cash flows for the 2013 reporting year in accordance with the requirements of the Russian reporting legislation related to annual accounting (financial) statements preparation by the credit institutions.

Other matter

Part 3 clause 42 of the Federal Law On Banks and Banking Activities #395-1 of 2 December 1990 requires the audit report to include information on the quality of management and status of internal control framework of the Bank and on the Bank's compliance with mandatory ratios set by the Central Bank of the Russian Federation. The annual accounting (financial) statements of the Bank include information on the Bank's compliance as at 1 January 2014 with mandatory ratios set by the Central Bank of the Russian Federation, on the quality of management and status of internal control framework of the Bank. We have nothing to report on these matters in addition to information disclosed in the annual accounting (financial) statements.

Director CJSC "KPMG"
(power of attorney dated 1 October 2013, № 73/13)

Malyutina Marina Sergeevna

25 February 2014

Code of the territory in accordance with the All-Russia Classifier of Administrative - Territorial Entities	Code of the credit institution (of its affiliate)	
	in accordance with the All-Russia Classifier of Enterprises and Organisations	registration number (/ordinal number)
45286555000	17512023	2216

BALANCE SHEET
(form for publication)
as at 1 January 2014

Of the credit institution Closed Joined Stock Company "Banka Intesa" / ZAO Banca Intesa

Mailing address 2/2 Petroverigskiy lane, Moscow, Russian Federation, 101000

Form code 0409806
Annual
thousand roubles

Line number	Name of the item	As at reported date	As at the correspondent reporting date of the prior year
1	2	3	4
I. Assets			
1	Cash	786,212	672,764
2	Credit institutions' balances with the Central Bank of the Russian Federation	1,636,719	2,617,087
2.1	Mandatory reserves	301,515	374,992
3	Due from credit institutions	2,107,021	4,001,494
4	Financial assets at fair value through profit or loss	20,179	94,176
5	Net loans receivable	55,117,006	63,083,078
6	Net investments in securities and other financial assets available-for-sale	2,735,938	3,031,170
6.1	Investments in subsidiaries and affiliates	3,000	3,000
7	Net investments in securities held to maturity	-	-
8	Premises and equipment, intangible assets and inventories	1,437,818	1,940,797
9	Other assets	1,228,081	1,335,993
10	Total assets	65,068,974	76,776,559
II. Liabilities			
11	Loans, deposits and other amounts due to the Central Bank of the Russian Federation	727,635	-
12	Due to credit institutions	16,238,452	26,853,728
13	Amounts due to customers (non-credit instutions)	27,031,628	27,928,309
13.1	Deposits of individuals	4,942,404	5,094,871
14	Financial liabilities at fair value through profit or loss	-	-
15	Debt securities issued	8,000,000	8,000,000
16	Other liabilities	825,926	1,122,241
17	Provisions for losses under contingent credit-related commitments, other losses and transactions with offshore residents	83,224	106,506
18	Total liabilities	52,906,865	64,010,784

III. Equity			
19	Shareholders' (members') equity	10,820,181	10,820,181
20	Treasury shares	-	-
21	Share premium	-	-
22	Reserve fund	239,851	193,314
23	Revaluation reserve for available-for-sale securities	10,853	16,063
24	Revaluation surplus for premises and equipment	-	11
25	Retained earnings (accumulated deficit) of prior years	805,571	805,560
26	Unutilized profit (loss) for the reporting period	285,923	930,646
27	Total equity	12,162,109	12,765,775
IV. Off-balance commitments			
28	Irrevocable commitments of the credit institution	6,228,518	11,807,110
29	Guarantees and sureties issued by the credit institution	7,549,887	6,505,595
30	Non-credit related contingent liabilities	121,604	18,246

Acting Chairman of the Management Board O. V. Lein

Chief accountant T. U. Pavlycheva

25 February 2014

Code of the territory in accordance with the All-Russia Classifier of Administrative - Territorial Entities	Code of the credit institution (of its affiliate)	
	in accordance with the All-Russia Classifier of Enterprises and	registration number (/ordinal number)
45286555000	17512023	2216

STATEMENT OF FINANCIAL RESULTS
(form for publication)
for the year 2013

Of the credit institution Closed Joined Stock Company "Banka Intesa" / ZAO Banca Intesa

Mailing address 2/2 Petroverigskiy lane, Moscow, Russian Federation, 101000

Form code 0409807
Annual
thousand roubles

Line number	Name of the item	For the reporting period	For the comparative period of the previous year
1	2	3	4
1	Interest income, total, including:	7,740,886	9,189,489
1.1	Placement with credit institutions	107,220	224,038
1.2	Loans to customers (non-credit institutions)	6,813,338	7,523,474
1.3	Services under finance lease	656,586	1,201,925
1.4	Investments in securities	163,742	240,052
2	Interest expense, total, including:	3,106,088	2,872,130
2.1	Funds attracted from credit institutions	1,495,740	1,537,931
2.2	Funds attracted from customers (non-credit institutions)	868,252	953,799
2.3	Issued debt instruments	742,096	380,400
3	Net interest income (negative interest margin)	4,634,798	6,317,359
4	Change in provision for losses from loans receivable and similar debt, amounts placed on correspondent accounts, and accrued interest income, total, including:	(608,345)	2,851,078
4.1	Change in provision for losses on accrued interest income	10,900	138,289
5	Net interest income (negative interest margin) after provision for losses	4,026,453	9,168,437
6	Net income from transactions with financial assets at fair value through profit or loss	(68,846)	107,534
7	Net income from transactions with securities available-for-sale	302	(118,922)

8	Net income from transactions with securities held to maturity	-	-
9	Net income from transactions in foreign currency	(45,188)	228,670
10	Net income from revaluation of foreign currency	525,908	(40,039)
11	Income from equity participation	-	-
12	Fee and commission income	897,121	940,186
13	Fee and commission expense	131,641	139,653
14	Change in provision for losses on securities available for sale	-	-
15	Change in provision for losses on securities held to maturity	-	-
16	Change in provision for other losses	342,194	(470,648)
17	Other operating income	221,738	273,802
18	Net income (expenses)	5,768,041	9,949,367
19	Operating expense	5,314,432	8,404,480
20	Profit (loss) before taxation	453,609	1,544,887
21	Taxes accrued (paid)	167,686	614,241
22	Profit (loss) after taxation	285,923	930,646
23	Payments from the profit after taxation, total, including:	-	-
23.1	Dividends distributed to shareholders (members)	-	-
23.2	Reserve fund charges	-	-
24	Retained profit (loss) for the reporting period	285,923	930,646

Acting Chairman of the Management Board O. V. Lein

Chief accountant T. U. Pavlycheva

25 February 2014

Code of the territory in accordance with the All-Russia Classifier of Administrative - Territorial Entities	Code of the credit institution (of its affiliate)	
	in accordance with the All-Russia Classifier of Enterprises and Organisations	registration number (/ordinal number)
45286555000	17512023	2216

Statement of capital adequacy, amounts of provision on doubtful debts and other assets
(form for publication)
as at 1 January 2014

Of the credit institution Closed Joined Stock Company "Banka Intesa" / ZAO Banca Intesa

Mailing address 2/2 Petroverigskiy lane, Moscow, Russian Federation, 101000

Form code 0409808
Annual
thousand roubles

Line number	Name of the index	Data as at the beginning of the reporting year	Increase (+)/ Decrease (-) for the reporting year	Data as at reporting date
1	2	3	4	5
1	Equity (capital), total, including:	12,622,030.0	(717,391)	11,904,639.0
1.1	Charter capital of credit institution, including:	10,820,181.0		10,820,181.0
1.1.1	Nominal value of registered ordinary shares (units)	10,820,181.0		10,820,181.0
1.1.2	Nominal value of registered privileged shares	-		-
1.2	Treasury shares	-		-
1.3	Share premium	-		-
1.4	Reserve fund of the credit institution	193,314.0	46,537	239851
1.5	Retained earnings (accumulated losses) used in equity calculation:	1,411,923.0	(640,063)	771860
1.5.1	for prior years	1,411,923.0	(606,352)	805571
1.5.2	for the reporting year	-	(33,711)	(33,711.0)
1.6	Intangible assets	54,011.0	25,706	79,717.0
1.7	Subordinated debt	253,612.0	(98,148)	155,464.0
1.8	Sources (part of the sources) of an additional capital, which were created by investors using improper assets	-		-
2	Statutory equity (capital) adequacy ratio, (percent)	10.0	x	10.0
3	Actual equity (capital) adequacy ratio, (percent)	16.3	x	16.3
4	Actual provisions for losses, total, including:	6,998,368.0	225,499	7,223,867.0
4.1	For loans receivable and similar debt	5,910,468.0	603,265	6,513,733.0
4.2	For other assets bearing a risk of losses and other losses	981,394.0	(354,484)	626,910.0
4.3	For contingent credit-related commitments, accounted off-balance and term deals	106,506.0	(23,282)	83,224.0
4.4	For transactions with offshore residents	-		-

Section "By Way of Reference":
1. Accrual (additional accrual) of provision for losses from loans receivable and similar debt
in the reporting period (thousand roubles), total 2,715,944;
including due to:
1.1. issue of loans 987,934;
1.2. change in loans quality 1,304,798;
1.3. change in the official exchange rate of the foreign currency with respect to the rouble, established by the Bank of Russia 82,928;
1.4. for the other reasons 340,284.

2. Reversal (decrease) of provision for losses from loans receivable and similar debt
in the reporting period (thousand roubles), total 2,112,679;
including due to:
2.1. write off bad debts 5,017;
2.2. repayment of loans 1,464,637;
2.3. change in loans quality 47,532;

2.4. change in the official exchange rate of the foreign currency with respect to the rouble, established by the Bank of Russia 0;
2.5. for the other reasons 595,493.

Acting Chairman of the Management Board O. V. Lein

Chief accountant T. U. Pavlycheva

25 February 2014

Code of the territory in accordance with the All-Russia Classifier of Administrative - Territorial Entities	Code of the credit institution (of its affiliate)	
	in accordance with the All-Russia Classifier of Enterprises and Organisations	registration number (/ordinal number)
45286555000	17512023	2216

Data on mandatory ratios
(form for publication)
as at 1 January 2014

Of the credit institution Closed Joined Stock Company "Banka Intesa" / ZAO Banca Intesa

Mailing address 2/2 Petroverigskiy lane, Moscow, Russian Federation, 101000

Form code 0409813
Annual
percent

Line number	Name of the index	Normative value	Actual value			
			as at reporting date		at the correspondent reporting date of the prior year	
1	2	3	4		5	
1	Equity (capital) adequacy ratio (N1)	≥ 10.0	16.3		16.3	
2	Equity (capital) adequacy ratio of non-banking credit institution entitled to money transfers without opening bank accounts and to other related banking transactions (N1.1)					
3	Instant liquidity ratio (N2)	≥ 15.0	51.6		75.7	
4	Current liquidity ratio (N3)	≥ 50.0	77.5		91.4	
5	Long-term liquidity ratio (N4)	≤ 120.0	56.5		67.5	
6	Maximum risk per borrower or group of related borrowers ratio (N6)	≤ 25.0	Maximum	19.2	Maximum	13.5
			Minimum	0.7	Minimum	0.1
7	Maximum size of major credit risks ratio (N7)	≤ 800.0	72.1		79.4	
8	Maximum amount of loans, guarantees and sureties issued by the Bank to shareholders (participants) ratio (N9.1)	≤ 50.0	6.7		12.0	
9	Aggregate insider risk ratio (N10.1)	≤ 3.0	0.8		1.1	
10	Share of equity (capital) that can be used to purchase shares (equity positions) in other entities	≤ 25.0	0.0		0.0	
11	Ratio of liquid assets maturing within the next 30 calendar days to total liabilities of payment-processing non-banking credit institution (N15)		X		X	
12	Ratio of liquidity of non-banking credit institution entitled to money transfers without opening bank accounts and to other related banking transactions (N15.1)		X		X	
13	Maximum aggregate loans to customers who are parties to settlements for completing the settlements ratio (N16)		X		X	
14	Loans issued to borrowers by payment-processing non-banking credit institution in its name and at its expense excluding customers who are parties to settlements ratio (N16.1)		X		X	
15	Minimum ratio of mortgage value to mortgage-backed bonds (N18)		X		X	

Acting Chairman of the Management Board O. V. Lein

Chief accountant T. U. Pavlycheva

25 February 2014

Code of the territory in accordance with the All-Russia Classifier of Administrative - Territorial Entities	Code of the credit institution (of its affiliate)	
	in accordance with the All-Russia Classifier of Enterprises and Organisations	registration number (/ordinal number)
45286555000	17512023	2216

CASH FLOW STATEMENT
(form for publication)
for the year 2013

Of the credit institution Closed Joined Stock Company "Banka Intesa" / ZAO Banca Intesa

Mailing address 2/2 Petroverigskiy lane, Moscow, Russian Federation, 101000

Form code 0409814
Annual
thousand roubles

Line number	Name of the item	As at reported date	At the correspondent reporting date of the prior year
1	2	3	4
1	Net cash flows from (used in) operating activities		
1.1	Cash flows from (used in) operating activities before changes in operating assets and liabilities, total, including:	1,970,324	3,091,034
1.1.1	Interest received	7,789,689	8,809,428
1.1.2	Interest paid	(3,057,150)	(2,838,409)
1.1.3	Fees and commissions received	897,121	940,186
1.1.4	Fees and commissions paid	(131,641)	(139,653)
1.1.5	Gains less losses from financial assets at fair value through profit or loss, available for sale	-	63,799
1.1.6	Gains less losses from securities held to maturity	-	-
1.1.7	Gains less losses from transactions in foreign currency	(45,188)	228,670
1.1.8	Other operating income	387,206	71,598
1.1.9	Operating expenses	(3,518,993)	(3,608,106)
1.1.10	Income tax expense (refund)	(350,720)	(436,479)
1.2	Increase (decrease) in net cash flows from operating assets and liabilities, total, including:	(4,608,490)	599,653
1.2.1	Net increase (decrease) in mandatory cash balances with the Central Bank of the Russian Federation	73,477	54,894
1.2.2	Net increase (decrease) in investments in securities at fair value through profit or loss	5,151	(1,461)
1.2.3	Net increase (decrease) in loans receivable	9,413,094	10,238,561
1.2.4	Net increase (decrease) in other assets	(163,174)	192,387
1.2.5	Net increase (decrease) in loans, deposits and other amounts due to the Central Bank of the Russia	727,635	-

1.2.6	Net increase (decrease) in amounts due to other credit institutions	(11,585,681)	(10,795,469)
1.2.7	Net increase (decrease) in amounts due to customers (non-credit institutions)	(2,818,799)	(6,796,585)
1.2.8	Net increase (decrease) in financial liabilities at fair value through profit or loss	-	-
1.2.9	Net increase (decrease) in issued debt instruments	-	8,000,000
1.2.10	Net increase (decrease) in other liabilities	(260,194)	(292,674)
1.3	Total on Section 1 (line 1.1+ line 1.2)	(2,638,166)	3,690,687
2	Net cash flows from (used in) investing activities		
2.1	Purchase of securities and other financial assets designated as available-for-sale	(1,014,466)	(1,974,839)
2.2	Proceeds from sale and redemption of securities and other financial assets designated as available-for-sale	1,295,595	2,247,645
2.3	Purchase of securities designated as held-to-maturity	-	-
2.4	Proceeds from redemption of securities designated as held-to-maturity	-	-
2.5	Purchase of premises and equipment, intangible assets and inventories	(132,824)	(299,318)
2.6	Proceeds from sale of premises and equipment, intangible assets and inventories	85,329	180,733
2.7	Dividends received	-	-
2.8	Total on Section 2 (the sum of lines from 2.1 to 2.7)	233,634	154,221
3	Net cash flows from (used in) financing activities		
3.1	Contributions from shareholders (members) to the charter capital	-	-
3.2	Purchase of treasury shares	-	-
3.3	Sale of treasury shares	-	-
3.4	Dividends paid	(884,110)	(164,878)
3.5	Total on Section 3 (the sum of lines from 3.1 to 3.4)	(884,110)	(164,878)
4	Effect of changes in official exchange rates of foreign currencies to the Ruble set by the Bank of Russia on cash and cash equivalents	600,726	(15,780)
5	Increase (decrease) in cash and cash equivalents	(2,687,916)	3,664,250
5.1	Cash and cash equivalents as at the beginning of the reporting year	6,916,353	3,252,103
5.2	Cash and cash equivalents as at the end of the reporting year	4,228,427	6,916,353

Acting Chairman of the Management Board O. V. Lein

Chief accountant T. U. Pavlycheva

25 February 2014

EXPLANATORY NOTES
to the annual financial statements of
Closed Joint-Stock Company Banca Intesa
for the period from 1 January to 31 December 2013

I. Significant information on the credit institution

Closed Joint-Stock Company Banca Intesa ("the Bank") is a commercial bank with 100% foreign participation organized in the form of a closed joint-stock company under the laws of the Russian Federation. The Bank is registered by the Central Bank of the Russian Federation ("Bank of Russia"). Registration number is 2216 dated 31/12/92. The Main State Registration Number is 1027739177377. The date of entry in records of Incorporation on first data presentation of the credit institution is 11/09/02, the name of the registering authority who made the recording Interdistrict Inspection of the Russian Ministry of Taxation № 39 in Moscow.

CJSC "Banca Intesa" was formed in 2010 as a result of the reorganization of KMB BANK (CJSC) through acquisition of CJSC "Banca Intesa". The reorganization took place on 11/01/ 10. The reorganized bank received corporate name of acquired CJSC "Banca Intesa". The strategic decision of shareholders of KMB BANK (CJSC) and CJSC "Banca Intesa" to merge their Russian subsidiaries was made in order to develop the activities of the merged bank in Russia. The reorganized bank took a stronger position in the market due to optimization of business processes and organizational structure, as well as the application of a new strategy aimed at the development of the Bank as universal Bank.

The Bank is a subsidiary bank of Intesa Sanpaolo Group ("Group"), the Italian banking group holding which is the ultimate controlling party of the Bank.

The Bank's shareholders and stakes of ordinary shares owned by them as of 01/01/14 and 01/01/13 are as follows:

Name of the shareholder	as of 01/01/14, %	as of 01/01/13, %
Intesa Sanpaolo S.p.A. (Italy)	46.98	46.98
Intesa Sanpaolo Holding International S.A. (Luxembourg)*	39.77	39.77
European Bank for Reconstruction and Development (the "EBRD") (United Kingdom)	13.25	13.25
Total	**100.00**	**100.00**

* a 100% subsidiary of Intesa Sanpaolo S.p.A (Italy)

The Bank has a 100%-owned subsidiary CJSC Intesa Leasing, which is principally engaged in the provision of leasing services to the Bank's clients and other companies. The annual financial statements do not include information of annual financial statements of entities owned by the Bank which belongs to the banking (consolidated) group.

The Bank's head office is located in Moscow. As at 01/01/14 the Bank has 6 regional branches in the Russian Federation in the cities of Saint Petersburg, Nizhniy Novgorod, Yekaterinburg, Novosibirsk, Vladivostok and Rostov-on-Don and 63 operational offices (as at 01/01/13: 70 offices) in 25 cities within the Russian Federation (as at 01/01/13: in 33 cities).

In 2013, the Bank continued its development as a full-service bank providing services to companies from all economic segments and industries as well as to individual customers.

The Bank offers all types of banking products and services to small and medium businesses: short-term and long-term loans, including overdrafts, credit facilities, loans secured by the acquired motor vehicles and commercial real estate (business mortgages), letters of credit and guarantees, cash and settlement services, deposits, electronic banking, trade acquiring and salary projects.

The Bank's principal activities in the segments of corporate and large corporate business are lending, including structured and trade financing, cash and settlement services, syndicated and club loans.

The Bank and CJSC Intesa Leasing provide leasing services to clients from all business segments.

The Bank continues cooperating with leading Russian and international financial institutions with particular emphasis on maintenance and increase of commercial deals between Italy and Russia.

The Bank provides the following services to individuals: consumer and mortgage lending, attracting deposits, cash and settlement transactions, including the maintenance of international bank cards and remote service technologies (electronic banking). Priority retail operations include servicing the employees of the Bank's client companies.

The Bank conducts its operations on the base of the following licenses:

Type of license	Number of license	License issue date	Issued by	Validity term
General license for banking operations	2216	27/01/12	The Bank of Russia	unlimited
Brokerage operations	177-10794-100000	04/12/07	Federal Service on Financial Markets	unlimited
Dealing operations	177-10801-010000	04/12/07	Federal Service on Financial Markets	unlimited
License of a stock agent in exchange trading to enter into agreements being derivative financial instruments, where commodities are underlying assets	1113	20/12/07	Federal Service on Financial Markets	unlimited
Custody services	177-12028-00100	10/02/09	Federal Service on Financial Markets	unlimited

In 2004, the Bank became a member of the obligatory deposit insurance system regulated by the State Corporation "Agency for Deposits Insurance".

Information on economic environment

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

Information on ratings

The rating agency (rating)	as of 01/01/14	as of 01/01/13
Moody's-Interfax (long-term national scale credit rating)	Aa1.ru	Aa1.ru
Moody's (long-term currency deposit rating)	Ba1/stable	Ba1/stable
Moody's (financial stability rating)	D-/ stable	D-/ stable
Moody's (short-term currency deposit rating)	Not Prime	Not Prime

Information on development prospects

The Bank is planning further expansion of its operations due to higher lending volumes and diversification of the range of services.

At the beginning of 2010, the Bank started its development as a full-service bank following the reorganization that resulted in combining the loan portfolio of KMB Bank (CJSC) mainly consisting of loans to small and medium enterprises with the corporate loan portfolio of CJSC Banca Intesa.

Further development of the Bank as a full-service bank is one of its priorities. Being a universal bank allows diversifying sources of income, which, in its turn, has a positive impact on strengthening the Bank's financial position.

To develop the Bank as a full-service bank, lending volumes to customers from all business segments are planned to be increased. This implies cooperation with investment divisions of the group which possesses significant experience in corporate and investment banking.

The volumes of retail banking services, including lending, have to be expanded primarily through servicing the employees of the Bank's client companies and wealthy clients.

The goal to maintain the leading position on the market of loans provided to small and medium enterprises is strategic for the Bank. Currently the bank ranks number 8 among the largest Russian banks in lending to small and medium enterprises.

The Bank has to diversify its liabilities for the purpose of expanding assets operations in the context of continued economic uncertainty. Expanding liabilities operations including attracting time deposits of individuals and legal entities will be essential for the Bank's development in next years.

Lending operations had the most significant impact on changes in the Bank’s financial results.

Information on regional operations

The Bank has a wide network of regional offices consisting of divisions in seven federal districts of the Russian Federation. The Bank has branches in six federal districts. Operational offices by federal districts are distributed as follows: Volga Federal District – 15, Siberian Federal District – 12, Central Federal District – 10, Urals Federal District – 8, Northwestern Federal District – 9, Southern Federal District – 7, Far Eastern Federal District – 2. All the Bank’s branches are engaged in providing loans to customers from micro, small and medium business segments, mortgage and consumer lending, lease operations, cash and settlement operations with individuals and legal entities. The head office and branches located in St. Petersburg, Nizhny Novgorod, Yekaterinburg, Novosibirsk and Rostov-on-Don are engaged in corporate lending operations. Banking cells can be rented at 8 operational offices and 4 Bank's branches in Nizhny Novgorod, Novosibirsk, Rostov-on-Don and Vladivostok. The Bank's ATMs operate in all regional branches and the head office.

Only the head office is engaged in providing syndicated loans, attracting and placing interbank loans and deposits, purchasing and selling foreign currency in the interbank market, operations on the securities market.

Summary of significant changes in the Bank’s operations and events that affected or can affect the financial stability of the Bank and its policy (strategy) during the reporting year.

There were no significant changes in the Bank's operations during the reporting period.

The main indicators of the Bank’s activities are:

RUB thousand

Name of indicator	as of 01/01/14	as of 01/01/13
Equity (capital) (based on form 0409808)	11 904 639	12 622 030
Profit after tax	285 923	930 646
Total assets	65 068 974	76 776 559
Customer accounts of individuals	4 942 404	5 094 871
Customer accounts of legal entities, including	22 089 224	22 833 438
Customer accounts of legal entities, except for related parties	*13 675 313*	*13 842 398*

Events that can negatively affect the Bank's financial stability are:

- significant economic slowdown;
- crisis of the political system;
- stagnation in the development of the banking system;
- growing competition including banks with foreign capital, which are members of international financial groups.

To overcome possible negative effects of these factors the Bank is planning to undertake the following actions:

- expand the range and improve the quality of products and services provided to customers;
- improve operating efficiency of banking products sales channels;
- improve the quality of customer services and enhance confidence in the Bank, including the effective compliance risk management;
- raise awareness of the Bank's brand among the Russian public in general and potential customers in particular.

Members of the credit institution's governing bodies

Composition of the Board of Directors of the Bank:

Name, as of 01/01/14	Name, as of 01/01/13
Antonino Fallico	Antonino Fallico
Salvatore Catalano	Salvatore Catalano
Norberto Achille	Norberto Achille
Thomas Grasse	Thomas Grasse
Walter Ambrogi	Walter Ambrogi
Armando Selva	Armando Selva
Paulo Sarchinelle	Michele Raris

The Chairman of the Board of Directors as of 01/01/14 and 01/01/13 is Antonino Fallico.

The Management Board of the Bank includes:

Name as of 01/01/14	Name as of 01/01/13
Olga Vadimovna Lein	Olga Vadimovna Lein
Tatiana Yurievna Pavlycheva	Tatiana Yurievna Pavlycheva
Michael Anatolievich Nazarov	Emanuele Collini
Irina Vladimirovna Vasina	

A person holding position (discharging functions) of a sole executive body of the credit institution as of 01/01/14 and 01/01/13 is Olga Vadimovna Lein.

Members of the Board of Directors and the Management Board of the Bank during 2013 and 2014's did not own shares of the Bank.

II. Overview of the basics for financial statements and summary of significant accounting policies of the Bank

Basis of preparation

The Bank maintains its records and prepares its financial statements for regulatory purposes in Russian Rubles in accordance with Russian accounting and banking legislation and related instructions ("RAL"). This information is based on the Bank's RAL books and records prepared according to Russian Accounting Standards.

Financial statements are prepared in accordance with Regulation of the Bank of Russia No 3054-U, dated 04/09/13 “On the procedure of preparation of financial statements for credit institutions” (the Bank of Russia No 3054-U).

Bank exercised the right to not present in the financial statements for 2013 explanatory information prescribed by CBR instruction from 25/10/13 No 3081-U “On Credit Institutions disclosure of information about their activities” (“CBR No 3081-U") in full. In preparing the disclosures to the financial statements the Bank adheres to the guidelines of internal documents, defining approaches to information published by the Bank to the wide range of users within the framework of the annual report, which the Bank adopted before the CBR No 3081-U came into force.

Financial statements (including this explanatory information) is disclosed on the official site of the Bank www.bancaintesa.ru in "Internet" in terms, defined by CBR No 3081-U.

In accordance with the Federal Law of 26/12/95 No 208-FZ "On Joint Stock Companies' approval of the financial statements within the competence of the General Shareholders Meeting. On the date of signing these financial statements the date of the general meeting of shareholders has not been approved.

Process of preparation of the financial statements in the Bank is in compliance with the requirement of the Bank of Russia Regulation No 385-P, dated 16/07/2012 “On the rules of accounting in credit institutions located in the territory of the Russian Federation” (as amended) (hereinafter - “Regulation No 385-P”) and other regulatory documents.

Summary on information on the inventory results for the balance sheet items

In accordance with the plan of actions, connected with the financial year end, the Bank inventories balance sheet items as at 01/01/14, including the accounts of cash and valuables, fixed assets, intangible assets, inventories, investments, settlement claims and liabilities arising from operations, derivative financial instruments, settlements with debtors and creditors. The actual availability of cash and valuables in the vaults of the Bank as at 01/01/14 corresponds to the accounting records. The inventory results has not revealed differences.

Basis of consolidation

In accordance with the accounting policy the Bank includes accounting data of ZAO “Intesa Leasing” in the consolidated financial statements on the basis of the criteria of materiality of substantial value of company’s assets. As at 01/01/14 the Bank does not present consolidated financial statements as the assets of subsidiary are not significant.

Information on the nature of assumptions and key sources of estimation uncertainty at the end of the reporting period

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the assets and liabilities, income and expenses presented in the financial statements . Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any subsequent periods affected.

Information on significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following paragraphs:

- loan impairment estimates - paragraph 3.6;
- estimates of fair values of financial instruments – paragraphs 3.3 – 3.5.

Accounting principles and measurement of specific balance sheet items applied in 2013

Assets

Assets are included for accounting purposes at the cost. Subsequently assets measured (revaluated) at present (fair) value, or assessed for the creation of provision for possible losses in accordance with the regulations of the Bank of Russia.

Property and equipment

Property and equipment are part of property with a useful life of more than 12 months, used as a means of labor to provide services, management of the organization, as well as in the cases provided for hygienic, technical and operational and other special technical standards and requirements, the cost limit greater than RUB 40 000 per unit, excluding value added tax. Fixed assets are recorded at historical cost.

Historical cost of property and equipment is determined on the basis of actual costs incurred to acquire and bring them to the objects in readiness condition. Depreciation is charged on a straight-line basis (straight-line method) over the useful lives of property and equipment determined as of the date of commissioning. The estimated useful live is determined by the Bank upon a Governmental order No 1 from 01/01/02 “About classification of the property and equipment included in amortization groups”. For depreciable property and equipment on the balance sheet, which are subject to financial lease (leasing agreement), useful live, in the accounting, is set in the specified contract. Property and equipment revaluation is not carried out by the Bank.

Intangible assets

Intangible assets are stated at cost (historical cost), determined on the date of its adoption for accounting. The Bank determines estimated useful lives of all intangible assets and charge depreciation on the basis of their estimated useful lives. Depreciation is charged to intangible assets on a straight-line basis. Revaluation of intangible assets is not carried out by the Bank.

Property temporarily unused in principal activities

Property temporarily not used in principal activities is recognized at cost less accumulated depreciation and impairment losses. The amount of the impairment loss is determined on the basis of International Financial Reporting Standards IAS 36 "Impairment of Assets". The impairment test performed as of the first day of each calendar year.

Derivative financial instruments

Derivative financial instruments (DFI) are carried at fair value, ie, at a price that can be obtained through the sale of DFI, representing asset, or which is payable on the transfer (settlement) derivative, representing liability, in an orderly transaction between market participants on the valuation date. Changes in fair value are reflected in accounting on the daily basis**.**

Derivative financial instruments made on the over-the-counter market are measured at fair value by using an evaluation model, significant inputs for which are directly or indirectly based on information of observable market (level 2 of the hierarchy of source data in accordance with IFRS 13, "Fair Value measurement"). The fair value of these contracts is calculated by using the model of interest rate parity. In accordance with the parity of interest rates, the fair value represents the net present value. Net present value the sum of current values of all predicted discounted cash flows. The net present value shows net gains or net losses on transactions with the Bank for a period of DFI transaction date and the reporting date. Fair value of the DFI is calculated on the base of curves «Zero coupon curve».

Securities

On the purpose of the acquisition the Bank classifies securities by the following categories:

- at fair value through profit or loss;
- available-for-sale;
- held to maturity.

Investments in securities at fair value through profit or loss include debt and equity securities acquired with the purpose of selling in the short term (up to 1 year). Present (fair) value of these securities can be measured reliably.

Investments in securities held to maturity include debt securities which the Bank intends to hold to maturity (regardless of the period between the acquisition date and the maturity date).

Investments in securities available-for-sale include debt securities and equity securities, which at the moment of acquisition are not classified as "at fair value through profit or loss" and "held to maturity".

The carrying value of the securities after the initial recognition changes by the amount of the discount (premium), the coupon (interest) income accrued and received since the initial recognition of the securities prior to their disposal.

Investments in securities classified at initial recognition as at fair value through profit or loss are carried at present (fair) value of the securities. Investment securities available for sale are carried at present (fair) value. If the present (fair) value cannot be reliably measured, the securities of this category are carried at the actual costs associated with their acquisition. If necessary, the provision for possible losses is formed in accordance with the Bank of Russia Regulation No 283-P, dated 20/03/06 "On the formation of credit institutions provisions for possible losses" (hereinafter - the "Regulation No 283-P").

Debt securities that the Bank intends to hold to maturity are not revalued. If necessary, the provision for possible losses is formed. For debt securities which are not paid when due the Bank creates the provision for possible losses.

Under reverse repurchase agreements, for which the Bank is the original purchaser of the securities, the Bank does not recognize the risks and rewards of ownership of these securities. Securities received in the first part of reverse repurchase agreement are recorded without their recognition as assets of the Bank and are recorded on the off-balance sheet. Cash paid on the first part of reverse repurchase agreement is recorded on the balance sheet on account of other funds.

Under repurchase agreements, for which the Bank is the original seller of the securities, the Bank recognizes the risks and rewards of ownership of the securities, the transfer of securities in repurchase done without derecognition as the Bank's assets. Cash received by the first part of the Repurchase agreement is recorded at the balance sheet as other borrowed funds.

Measurement of the present fair value of the securities is exercised on a daily basis. Securities classified on acquisition in the category "at fair value through profit or loss" and "available for sale" are revaluated at present (fair) value according to the last bid price. The Bank uses FIFO method for valuation of retired (sold) securities.

Issued loans (deposits)

Issued loans (deposits) are recognised at cost from the date of thee are available to customers. Provision for possible losses on loans and similar debts is created in accordance with the requirements of the Bank of Russia Regulation No 254- P, dated 26/03/04 " On the formation of credit institutions provision for possible loan losses on loans and similar debts" (as amended) (hereinafter - " Bank of Russia Regulation No 254-P ") and the actual internal Instruction of the Bank.

Provision is formed when the loan is impaired, i.e. the loss in value of the loan due to improper performance by the borrower on the loan or a real threat to the existence of such default.

The provision is formed within the carrying value of the loan. The amount of the principal debt does not include: stipulated by law, good business practices or the contract under which the loan is provided, payments in the form of interests for the use of loan, fees, penalties and other payments in favor of the Bank arising from a contract under which the loan is provided.

Loans to legal entities

The provision for possible losses on loans to legal entities is formed for each loan issued separately based on the credit risk assessment on each loan issued (exercising professional judgment).

Professional judgment is issued on the basis of the comprehensive and objective analysis of the borrower's activity, taking into account its financial position, debt service of the borrower, as well as all of the information on the borrower available to the Bank. Loans are classified into one of five categories of quality assurance in accordance with the Bank of Russia Regulation No 254-P on the basis of professional judgment.

The assessment of the financial position of the borrower is conducted by the Bank on the basis the assessment of the impact of the risk factors identified though the analysis of the borrower's financial statements and other information on the financial position and financial performance of the borrower.

Sources of information on the possible risk factors include the media and other sources. The lack of information on the borrower is considered by the Bank as one of the risk factors taken into consideration in the exercise of professional judgment.

The provision on loans referred to II - V quality categories is formed taking into account collateral of I and II quality categories, a list of which is defined in the Bank of Russia Regulation No 254-P.

Determination of the amount of the provision is conducted on a regular basis simultaneously with the credit risk assessment of the loan.

Loans to individuals

Provisions for possible losses on loans provided to individuals are compiled in the form of Portfolio of Homogeneous Loans. The Bank recognizes the following portfolios:

- a portfolio of loans without overdue payments;
- a portfolio of loans with payments overdue by 1 to 30 consecutive days;
- a portfolio of loans with payments overdue by 31 to 90 consecutive days;
- a portfolio of loans with payments overdue by 91 to 180 consecutive days;
- a portfolio of loans with payments overdue by 181 to 360 consecutive days;
- a portfolio of loans with payments overdue by more than 360 consecutive days.

Provisions for portfolios of homogeneous loans are formed in accordance with the risk assessment methodology used by the Bank into respective portfolios of homogeneous loans. Credit risk assessment of a portfolio of homogeneous loans is exercised by the Bank on a regular basis. In accordance with the Bank of Russia Regulation No 254-P Bank distributes formed portfolios of homogeneous loans considering five categories of quality.

The write-off of bad debts on loans is carried out against the formed provisions for the respective loan.

The procedure for evaluating and creating a provision for loans to individuals which are not included into portfolios of homogeneous loans is similar to the procedure for evaluating and creating provisions for loans to credit institutions and legal entities that are not credit institutions.

Liabilities

Liabilities are accounted based on the terms of the contract in order to ensure the control over their fulfillment. Liabilities can be revalued at current (fair) value in cases prescribed by the regulatory documents of the Bank of Russia. The amounts of cash received (attracted) are recognized on the date when they are received.

Cash Received (attracted)

Cash received (attracted) in the currency of the Russian Federation is recognized in rubles in the actual amount, while cash in a foreign currency is recognised as the ruble equivalent based on the official exchange rate on the transaction date, with subsequent revaluation according to the established rules, except for accounts payable in the form of advances and prepayments, which are recognized as settlements with non-residents on business transactions. The interest on loans is accrued and expensed on a monthly basis, on the last business day of the month and on the interest payment date according to the contract.

Own securities issued

Own securities issued (bonds) are accounted at their nominal value. Interest on issued bonds is accrued and expensed on a monthly basis, on the last business day of the month and on interest (coupon) payment date.

Income tax

The Bank makes monthly advance income tax payments, with the amount of the advance payment adjusted based on the actual performance results of the reporting periods (1st quarter, 1st half year, 9 months), and a final settlement based on the results for the calendar year. Settlements with the budget on income tax are only accounted on the balance sheet of the head office. Analytical accounts are opened in accordance with the breakdown by budgets and each structural division.

Income and expenses

Income and expenses are recognized on an accruals basis, in accordance with the requirements of the Bank of Russia, other than the income, that is uncertain to be received, which is recognized on a cash basis. The accrual principle means that the financial results of operations (income and expenses) are recognized when transactions are performed, rather than when cash (cash equivalents) is received or paid. Analytical accounting is kept only in Russian rubles. Income and expenses are recognized as the ruble equivalent of the amounts in a relevant foreign currency at the official exchange rate as of the recognition date. Amounts received (collected) and intended for subsequent remittance in favor of third parties are not recognized as an income. Costs and outflows that are recoverable are not recognized as expenses, but are accounted for as accounts receivable.

Commissions and fees together with other income and expenses are included into profit or loss on the date when the corresponding service is conducted.

Revaluation of funds in foreign currency

Accounts in foreign currencies are subject to revaluation on the basis of changes in official exchange rates established by the Bank of Russia, with the results recognized as income or expense on a daily basis. The revaluation of accounts in foreign currency is performed at the beginning of the operating day before any entries. The opening balance at the beginning of the day is subject to revaluation, except for advances received and paid and advance payments for delivery of goods and provision of services that are accounted as settlements with non-resident organizations for business transactions. Foreign exchange gains and losses arising as a result of currency conversion operations are recognized at the exchange rate in effect at the date of the operation. The date of the operation is the earlier of the date of delivery or the date of receipt of funds.

Interest income

Interest income on placed funds is recognized on a monthly basis, on the last business day of the month, and on the payment date set in the contract. The interest income certain to be received is recognized on accruals basis. Interest income that is not certain to be received is recognized on a cash basis. This certainty is based on the credit quality of the loan receivable and similar debt or the level of risk of possible losses on the relevant asset (claim): income is recognized as certain on loans, assets (claims) classified into I-III categories (the likelihood of income is unconditional and/or high); receipt of income is recognized as uncertain on loans, assets (claims) classified into IV and V categories (receipt of income is not expected).

Nominal value of assets and liabilities under deliverable derivative financial instruments and term deals

The Bank accounts for the nominal value of claims and obligations on deliverable derivatives and term deals on the sale-purchase of financial assets in the form of securities, foreign currency and cash in roubles on the accounts of Section G “Term deals” of the Bank’s balance. Transactions are recognized as of transaction date till the first settlement date.

Claims and obligations are revalued based on the changes in the foreign currency official rates of the Bank of Russia and the current fair value of securities. Revaluation (unrealized revaluation) is accounted section G “Term deals”. The Bank creates provision for possible losses on term deals that are not derivatives in accordance with Regulations of the Bank of Russia №. 283-P and the Bank's internal regulatory documents.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When possible, the Bank assesses the fair value of an instrument using quoted prices of the given instrument in an active market. A market is regarded as active if transactions for the asset or obligation take place with sufficient frequency and in sufficient volume in order to provide pricing information on a regular basis. When there is no quoted prices in an active market, the Bank uses valuation techniques that maximize the use of initial visible data and minimize the use of initial invisible data. The chosen valuation techniques incorporate all the factors that market participants would take into account in the process of price formation.

However, given the uncertainty and the subjective judgment application, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of obligations.

The Bank recognizes the following assets at fair value:
- securities measured at fair value through profit or loss;
- securities available-for-sale;
- securities held to maturity.

The fair value of financial assets that are traded in active markets is based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair value using other valuation techniques.

The objective of valuation techniques is to determine the fair value that reflects the price that would be achieved by selling the asset, or paying in case of transferring the obligation in an orderly transaction between market participants at the assessment date.

The Bank uses widely recognised valuation models to determine the fair value of standard and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and where management judgment and estimation is not required. Observable prices and model initial data are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter tools such as interest rate swaps.

During 2013 valuation techniques of fair value determination were not changed.

Fair value hierarchy

The Bank measures the fair value using the following fair value hierarchy, which reflects the significance of the data used in the indicated values formation:

Level 1: quoted market prices (unadjusted) in an active market in terms of identical financial instruments.

Level 2: data other than quoted prices considered to be Level 1 prices that are available either directly (i.e., quote prices) or indirectly (i.e., derived from quote prices). This category includes the tools the valuation process of which is conducted using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are not considered active; or other valuation techniques where all significant information is directly or indirectly based on the market data.

Level 3: the inputs that are unobservable. This category includes all the instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices which are applicable for similar instruments where significant invisible data or assumptions are required to reflect the difference between the instruments.

The nature and value of adjustments related to changes in accounting policies and estimates that affect the comparative information

The accounting policy of the Bank for 2013 was approved by the Management Board of CJSC "Banc Intesa" (the minutes of the meetings No 51 dated 28/12/12, No 12 dated 23/03/13, No 51 dated 26/12/13).

Since 01/01/13 the Bank of Russia Regulation No 385-P, dated 16/07/12 "On the rules of accounting in credit institutions situated on the territory of the Russian Federation" has been in force. This Regulation replaced the previously existing Bank of Russia Regulation No 302-P, dated 26/03/07 "On the rules of accounting in credit institutions situated on the territory of the Russian Federation" and did not have a significant impact on the accounting of certain assets and liabilities, the recognition of income and expenses as well as the comparability of selected indicators of annual financial statements.

In the process of preparation of the financial statements the Bank followed the guidelines of the Bank of Russia Regulation No 3054-U, dated 04/09/13 "On the procedure preparation the financial statements by credit institutions" which replaced the Bank of Russia Regulation No 2089, dated 08/10/08 "On the Procedure of preparation the annual report by credit institutions" (hereinafter – "the Bank of Russia Regulation No 2089-U"). As a result, the composition of the financial statements and terminology have been brought into compliance with the Federal Law No 402 –FZ, dated 06/12/11 "On Accounting".

Changes in accounting policy for the next reporting year

The Bank did not modify significantly the accounting policy for 2014.

Other significant information describing the activities of the credit institution

In 2013, the Bank has conducted transactions involving the assignment of loans issued and leasing transactions totaling RUB 984 109 thousand (2012: RUB 3 238 773 thousand). The transactions involving the assignment of claims resulted in operating income in the amount of RUB 8 791 thousand (2012: RUB 120 557 thousand). The recognized costs of writing off principal loan, fees, fines, penalties, state taxes, and income from the recovery of provisions were reflected in the statement of financial results (public form).

Events after the reporting period

The Bank recorded the followings transactions as adjusting subsequent events:

- transfer of balances to 01/01/14 recorded in account No 706 "Current Year Financial Result" ", to account No 707 Prior Year Financial Result";
- Adjustment of general and administrative expenses and other expenses, as well as other income, related to 2013 in the amount of RUB 19 303 thousand and RUB 20 thousand respectively;
- Additional charge of income tax for 2013 amounted to RUB 2 906 thousand;
- Adjustment of general and administrative expenses and other expenses, as well as other income, related to 2013 in the amount of RUB 2 747 thousand and RUB 3 677 thousand respectively;
- Transfer of balances recorded in account 707 "Prior Year Financial Result" to account 708 "Prior Year Profit (Loss)";
- The net effect from these transactions is the decrease of financial result by RUB 23 119 thousand.

There were no non-adjusting subsequent events materially affecting the Bank's financial position, assets and liabilities.

Information on cases when the Bank does not apply accounting rules if they don't allow to present fairly financial position and performance results of the Bank.

There were no cases when the Bank doesn't apply accounting rules if they don't allow to present fairly financial position and performance results of the Bank.

Information on discontinued operations.

There were no discontinued operations in the reporting period.

Other information

As at the date of the annual financial statements publication the Bank's shareholder Intesa Sanpaolo Holding International SA (Luxembourg) is in the final stage of the acquisition process of the Bank's shares held by the EBRD. In case of successful completion, the Intesa Sanpaolo Group's share in the Bank's capital will amount to 100%.

III. Significant information on financial position

The main operations of the Bank, that have the greatest impact on the financial result and return on equity, are lending to large, small and medium-sized businesses, loans to individuals, as well as deposits and settlement and cash services.

Supporting notes to the balance sheet

3.1 Cash

Cash balances comprise:

RUB thousand

	as of 01/01/14	as of 01/01/13
Cash balances in Russian rubles	595 611	503 805
Cash balances in foreign currency	190 601	168 959
Total	**786 212**	**672 764**

3.2 Amounts due from credit institutions

The Bank of Russia funds (other than mandatory reserves) include balances on correspondent accounts of the head office and the Bank's branches.

RUB thousand

	As of 01/01/14 г.	As of 01/01/13 г.
Balances on correspondent accounts in the Bank of Russia	1 335 204	2 242 095
Cash in the Bank of Russia	**1 335 204**	**2 242 095**

Amounts due from credit institutions include current accounts with credit institutions.

There are no restrictions on use of cash in the Bank of Russia accounts and other credit institutions**.** Amounts due from credit institutions are neither overdue nor restructured.

3.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent the fair value of derivative financial instruments with underlying assets in a foreign currency or the Russian ruble, transacted on the OTC market.

Information presented below shows types of derivative financial instruments and their fair value:

RUB thousand

		as of 01/01/14	as of 01/01/13
Swaps with underlying asset: Russian ruble		20 179	94 176
	RUB	20 179	94 176
Financial assets at fair value through profit or loss		**20 179**	**94 176**

3.4 Net investments in securities at fair value through profit or loss

As of 01/01/14 and 01/01/13, there are no net investments in securities at fair value through profit or loss

3.5 Net investments in securities and other financial instruments available-for-sale

Net investments in securities and other financial instruments available-for-sale comprise:

RUB thousand

	as of 01/01/14	as of 01/01/13
Debt securities of the Russian Federation	2 728 527	2 982 891
Other debt securities	-	40 868
Equity securities of other organizations	4 411	4 411
Shares of the subsidiaries and the affiliated companies	3 000	3 000
Including: *debt securities, transferred without derecognition*	*791 265*	**-**
Net investments in securities and other financial assets available-for-sale	**2 735 938**	**3 031 170**

As at 01/01/14 debt securities of the Russian Federation are OFZ, nominated in rubles and issued by the Ministry of Finance of the Russian Federation. OFZ have maturity dates from 13/03/14 to 15/07/15 (01/01/13: from 23/01/13 to 15/07/15), coupon rates ranging from 6.9% to 11.2% per annum (01/01/13: from 6.7% to 12%) and the yield to maturity of 5.6% to 6.3% per annum (01/01/13: 5.6% to 6.3% per annum), depending on the bond issue.

Other debt securities as of 01/01/13 are corporate bonds denominated in rubles and issued by the largest Russian company. Corporate bonds have maturity date of 19/04/13, the coupon rate of 7.2% per annum and the annual yield to maturity from 6.2% to 6.5%.

Investments in debt securities available for sale are measured at present (fair) value by using quoted prices on active markets for similar assets or liabilities (level 1 of the hierarchy of source data in accordance with IFRS 13, "Fair Value measurement"), in particular, according to the latest bid price.

Equity securities of other organizations are equity shares of JSC "National Credit Bureau", recorded at nominal value.

Shares of subsidiaries and affiliates represent ordinary shares of the subsidiary CJSC "Intesa Leasing", recognised at nominal value.

Debt securities, transferred without derecognition are OFZ, nominated in rubles, issued by the Ministry of Finance and transferred to the Bank of Russia under the agreement to repurchase.

Investments in securities and other financial tools available for sale, as of 01/01/14 include outstanding debt securities of MRMA (Moscow Regional Mortgage Agency) in the amount of RUB 3 125 thousand. (01/01/13: RUB 3 204 thousand). According to them provision for possible losses amounted to 100% and equal to RUB 3 125 thousand was created.

3.6. Net loans receivable

Net loans receivable comprise short-term and long-term interbank deposits with Russian and international banks and loans to customers net of provisions for impairment.

RUB thousand

	as of 01/01/14	as of 01/01/13
Interbank deposits	5 028 432	11 365 638
Total net interbank deposits	*5 028 432*	*11 365 638*
Loans to customers	56 502 204	57 516 846
Provision for possible losses on loans to customers	(6 413 630)	(5 799 406)
Total net loans to customers	*50 088 574*	*51 717 440*
Total net loans receivable	**55 117 006**	**63 083 078**

Interbank deposits

As of 01/01/14 and 01/01/13, provision for interbank deposits has not been created since these amounts have high credit quality.

Loans to customers (non-credit institutions)

Industry risk concentration of the loans provided by the Bank according to the industry sector of the borrowers and types of loans comprises the following:

	as of 01/01/14		as of 01/01/13	
	Thousand RUB	**Percentage in total loans receivable**	**Thousand RUB**	**Percentage in total loans receivable**
Loans granted to clients-residents of the Russian Federation, including:	***54 134 189***	***95.81***	***53 108 825***	***92.34***
1. Legal entities and individual entrepreneurs, including:	*48 667 319*	*86.13*	*47 434 027*	*82.47*
1.1. By industry:	47 922 123	84.81	46 530 478	80.90
1.1.1. manufacturing	8 569 081	15.17	5 906 599	10.27
1.1.2. electricity, gas and water production	612 721	1.08	205 017	0.36
1.1.3. agriculture	362 987	0.64	417 420	0.73
1.1.4. construction	1 373 801	2.43	1 047 503	1.82
1.1.5. transport and communication	2 978 394	5.27	2 820 433	4.90
1.1.6. wholesale and retail trade	21 684 765	38.38	20 073 438	34.90
1.1.7. operations with real estate	2 979 469	5.27	3 177 716	5.52
1.1.8. mining operations	45 261	0.08	37 444	0.07
1.1.9. other industries	9 315 644	16.49	12 844 908	22.33
1.2. for accounts settlements	745 196	1.32	903 549	1.57
1.3. from total loans granted to small and medium businesses, including:	45 158 544	79.92	41 676 224	72.46
1.3.1. individual entrepreneurs	13 341 807	23.61	13 783 449	23.96
2. Individuals, including:	*5 466 870*	9.68	*5 674 798*	*9.87*
2.1. mortgage loans	1 216 714	2.15	1 529 429	2.66
2.2. consumer loans	4 250 156	7.52	4 145 369	7.21
Loans granted to clients non-residents	***1 602 913***	**2.84**	***3 501 708***	***6.09***
Acquired demand rights, including:	***765 102***	**1.35**	***906 313***	***1.58***
1.1. manufacturing	0	0	177 173	0.31
1.2. operations with real estate	765 102	1.35	729 140	1.27
Total loans to customers	**56 502 204**	**100**	**57 516 846**	**100**

In total outstanding loans as of 01/01/14 includes amounts paid on guarantees issued to clients Bravissimo LLC in the amount of RUB 601 thousand, the respective provision for impairment was created in the amount of RUB 601 thousand (01/01/13: the amount paid on guarantees amounted to RUB 538 thousand, the respective provision was RUB 538 thousand).

Information, presented below, is on the loans to customers who are not credit institutions across the regions of the Russian Federation by grouping all the debt of borrowers according to their location:

RUB thousand

Name of the region of the Russian Federation	as of 01/01/14	as of 01/01/13
Altai Krai	1 866 043	1 966 777
Krasnodar Krai	3 643 004	3 212 915
Krasnoyarsk Krai	1 364 361	1 253 567
Primorsk Krai	1 043 116	1 251 572
Khabarovsk Krai	444 413	471 915
Astrakhan Region	5 548	3 789
Belgorod Region	71 178	2 228
Vladimir Region	3 292	122 202
Volgograd Region	854 772	862 847
Voronezh Region	25 655	29 256
Nizhny Novgorod region	3 118 576	3 095 848
Ivanovo Region	251	500
Irkutsk Region	1 123 646	1 458 671
Kaliningrad region	812 547	880 349
Kaluga Region	4 928	11 240
Kemerovo region	11 104	26 863
Kirov Region	73 823	7 823
Kostroma Region	0	361
Samara Region	2 258 147	2 353 907
Kursk Region	900	0
Sankt-Petersburg	4 273 733	4 069 165
Leningrad Region	572 129	281 728

Name of the region of the Russian Federation	as of 01/01/14	as of 01/01/13
Lipetsk Region	345 012	446 736
Moscow	6 175 150	8 390 560
Moscow region	1 791 542	2 129 831
Novosibirsk Region	2 501 766	2 200 683
Omsk Region	2 662 139	2 532 144
Orenburg Region	5 530	0
Perm Kray	330 597	514 431
Rostov Region	1 821 946	2 010 738
Saratov Region	1 032 291	927 740
Sverdlovsk Region	7 282 959	6 518 497
Smolensk Region	3 204	0
Tambov Region	7 080	4 356
Tomsk Region	721 780	726 420
Tula Region	744 628	769 704
Tyumen Region	96 000	30 000
Chelyabinsk Region	1 093 898	1 247 717
Yaroslav Region	0	150 000
Republic of Adygeya	57 171	63 579
Republic of Bashkortostan	3 340 052	816 632
Republic of Dagestan	0	324
Republic of Altai	10 700	0
Republic of Karelia	2 700	321
Republic of Komi	169	522
Mari El Republic	99 585	43 253
Republic of North Ossetia	244	0
Karachai-Cherkess Republic	0	563
Republic of Tatarstan	2 420 076	2 212 724
Republic of Khakassia	4 667	0
Chechen Republic	1 556	0
Jewish Autonomous Province	10 581	7 827
Total loans to customers	**54 134 189**	**53 108 825**

Information on remaining terms of maturity is presented in the paragraph 8.23 Liquidity Risk.

Information on the volume and structure of financial investments in the branches of the organization can be found in part IX information on operations with related parties.

3.7. Premises and equipment, intangible assets and inventories

Information on premises and equipment, intangible assets and inventories comprises:

RUB thousand

	As of 01/01/14	As of 01/01/13
Premises and equipment	3 563 605	5 079 970
Accumulated depreciation	(2 451 036)	(3 322 789)
Total carrying value of premises and equipment	1 112 569	1 757 181
Provisions for impairment of assets	(58 265)	(125 380)
Total net value of premises and equipment	*1 054 304*	*1 631 801*
Intangible assets	106 445	67 799
Accumulated depreciation	(26 728)	(13 788)
Total carrying value of intangible assets	*79 717*	*54 011*
Investments in construction and acquisition of premises and equipment and intangible assets	*46 578*	*65 927*
Spare parts	2 864	984
Materials	72	279
Non-current inventories	271 620	189 214
Fixtures and fittings	775	1 266
Total inventories	*275 331*	*191 743*
Provisions for impairment of assets	(18 112)	(2 681)
Total net value of inventories	*257 219*	*189 062*
Total premises and equipment, intangible assets and inventories	**1 437 818**	**1 940 797**

RUB thousand

	as of 01/01/14	as of 01/01/13
Premises and equipment used by the Bank, including	1 801 534	1 840 932
Buildings	*433 903*	*428 457*
Accumulated depreciation, including	(1 010 832)	(912 372)

Buildings	*(125 597)*	*(111 219)*
Total net carrying value of premises and equipment used by the Bank, including:	**790 702**	***928 560***
Net carrying value of buildings	**308 306**	***317 238***
Leased premises and equipment let on lease and recognised on the balance sheet	1 762 071	3 239 038
Accumulated depreciation	*(1 440 204)*	(2 410 417)
Total carrying value of leased premises and equipment and recognised on the balance sheet	321 867	*828 621*
Provisions for impairment	*(58 265)*	(125 380)
Total net value of leased premises and equipment let on lease	**263 602**	***703 241***
Total net value of premises and equipment	**1 054 304**	**1 631 801**

The structure of premises and equipment recognised on the balance sheet as of 01/01/14 and 01/01/13 as well as changes in their cost for 2013 is set out below:

RUB thousand

	Buildings	Equipment and transport	Premises and equipment used by the Bank	Premises and equipment transferred for leasing purposes	Total premises and equipment
Historical cost as of 01/01/13	428 457	1 412 475	1 840 932	3 239 038	5 079 970
Accumulated depreciation as of 01/01/13	111 219	801 153	912 372	2 410 417	3 322 789
Carrying value as of 01/01/13	**317 238**	**611 322**	**928 560**	**828 621**	**1 757 181**
Additions	5 446	51 349	56 795	-	56 795
Disposals (net of accumulated depreciation)	-	18 282	18 282	43 318	61 600
Depreciation for the year	14 378	161 993	176 371	463 436	639 807
Historical cost as of 01/01/14	433 903	1 367 630	1 801 534	1 762 071	3 653 605
Accumulated depreciation as of 01/01/14	125 597	885 235	1 010 832	1 440 204	2 451 036
Carrying value as of 1/01/14	**308 306**	**482 396**	**790 702**	**321 867**	**1 112 569**

The structure of premises and equipment recognised on the balance sheet as of 01/01/13 and 01/01/12 as well as changes in their cost for 2012 is set out below:

RUB thousand

	Buildings	Equipment and transport	Property and equipment used by the Bank	Property and equipment transferred for leasing purposes	Total property and equipment
Historical cost as of 01/01/12	444 237	1 450 093	1 894 330	4 389 285	6 283 615
Accumulated depreciation as of 01/01/12	97 070	702 037	799 107	2 824 301	3 623 408
Carrying value as of 01/01/12	**347 167**	**748 056**	**1 095 223**	**1 564 984**	**2 660 207**
Additions	-	49 637	49 637	112 684	162 321
Disposals (net of accumulated depreciation)	15 452	16 073	31 525	71 831	103 357
Depreciation for the year	14 499	170 276	184 775	777 214	961 989
Historical cost as of 01/01/13	428 457	1 412 475	1 840 932	3 239 038	5 079 970

Accumulated depreciation as of 01/01/13	111 219	801 154	912 372	2 410 417	3 322 790
Carrying value as of 01/01/13	**317 238**	**611 322**	**928 560**	**828 621**	**1 757 181**

The movements in intangible assets in 2013 and 2012 are presented below:

RUB thousand

Historical cost as of 01/01/12	42 857
Accumulated depreciation as of 01/01/12	7 424
Carrying value as of 01/01/12	**35 433**
Additions	24 942
Disposals (net of accumulated depreciation)	-
Depreciation for the year	6 364
Historical cost as of 01/01/13	67 799
Accumulated depreciation as of 01/01/13	13 788
Carrying value as of 01/01/13	**54 011**
Additions	38 646
Disposals (net of accumulated depreciation)	-
Depreciation for the year	12 940
Historical cost as of 01/01/14	106 445
Accumulated depreciation as of 01/01/14	26 728
Carrying value as of 01/01/14	**79 717**

During the last 5 years the Bank has not performed revaluation of premises and equipment. There are no plans for the acquisition, replacement, retirement of premises and equipment. There are no facts of encumbrance of premises and equipment.

Information on the results of premises and equipment transferred under leasing contracts by risk category and the amount of provision for impairment is presented below:

RUB thousand

	as of 01/01/14		**as of 01/01/13**	
	Base for provision	Created provision	Base for provision	Created provision
Not grouped in homogenous portfolios	*155 993*	*55 379*	*240 602*	*107 798*
Risk category 1	74 129	-	126 979	-
Risk category 2	26 623	266	6 481	1 296
Risk category 3	-	-	810	170
Risk category 5	262	134	-	-
Grouped in homogeneous portfolios	54 979	54 979	106 332	106 332
Risk category 2	*165 874*	*2 886*	*588 019*	*17 582*
Risk category 3	165 874	2 886	588 019	17 582
Total	**321 867**	**58 265**	**828 621**	**125 380**

The amount of actually created provision for impairment is equal to estimated provision amount.

Lease payments are due on a monthly basis. The Bank holds title to property let on lease during the whole lease term. Risks related to the leased property such as damage caused by various reasons, theft and other are insured under finance lease agreements. All lessees are residents of the Russian Federation.

3.8 Other assets

Other assets comprise:

RUB thousand

	as of 01/01/14	**as of 01/01/13**
Overdue interest on loans granted	*108 522*	*112 322*
Settlements on individual transactions, including:	*467 790*	*593 104*
Settlements with currency and stock exchanges	163 646	178 902
Interest claims	247 685	350 832
Claims under other transactions	56 459	63 370
Settlements with debtors and creditors, including:	*862 259*	*1 030 956*
Settlements on taxes and levies	112 331	12 285

Payroll settlements with employees	49	136
Settlements with employees in respect of accountable advances	226	442
Value added tax paid	20 429	44 898
Settlements with suppliers and customers	500 951	760 571
Settlements with non-resident firms in respect of economic operations	82 234	44 324
Settlements with other debtors	146 039	168 300
Deferred expenses	*410 211*	*512 182*
Total other assets	***1 848 782***	**2 248 564**
Provisions for possible losses on other assets	*(620 701)*	*(912 571)*
Total other assets net of provision	**1 228 081**	**1 335 993**

The structure of provisions for possible losses on other assets is presented below:

RUB thousand

	as of 01/01/14	as of 01/01/13
Provisions on overdue interest on granted loans	*94 907*	*105 639*
Provisions on settlements on individual transactions, including:	*56 043*	*55 308*
Accrued interest claims	4 933	5 135
Other claims	51 110	50 173
Provisions on settlements with debtors and creditors, including:	*469 751*	*751 624*
Shortages	85	132
Overdue settlements, state duties and claims in respect of economic operations	1 763	6 095
Overdue lease payments, state duties and claims on leasing operations	352 732	612 984
On clients' claims	1 495	3 321
On state duties and penalties on loans	113 676	129 092
Total provisions for possible losses on other assets	**620 701**	**912 571**

3.9 Amounts due to credit institutions

Amounts due to credit institutions comprise:

RUB thousand

	as of 01/01/14	as of 01/01/13
Correspondent accounts of non-resident banks	30 239	319 650
Loans and deposits from resident banks	4 037 158	6 680 000
Loans and deposits from non-resident banks	12 171 055	19 854 078
Amounts due to credit institutions	**16 238 452**	**26 853 728**

3.10 Amounts due to customers (non-credit organizations)

Amounts due to customers (non-credit organizations) comprise the following:

RUB thousand

	as of 01/01/14	as of 01/01/13
Amounts due to federally owned organizations	-	*37*
Amounts due to state-owned (except federally owned) organizations	*167 836*	*30*
current accounts	369	30
term deposits	167 467	-
Attracted funds of non-resident non-governmental organizations	*10 926 330*	*11 231 438*
current accounts	9 271 175	9 560 244
term deposits	1 655 155	1 671 194
Attracted funds of non-resident legal entities	*9 964 933*	*10 690 110*
current accounts and on demand accounts	1 461 082	1 479 160
term deposits	8 503 851	9 210 950
Other legal entities, including	*1 030 125*	*911 823*
current accounts	938 009	772 086
Individuals, including	*4 942 404*	*5 094 871*
current accounts and on demand accounts of residents	1 180 308	1 237 292
term deposits of residents	3 115 843	3 367 708
current accounts and on demand accounts of non-residents	352 581	317 822
term deposits of non-residents	293 672	172 049
Total amounts due to non-credit organizations	**27 031 628**	**27 928 309**

As of 01/01/14, the Bank had 10 major creditors (depositors) or related creditors (depositors) that are non-credit organizations with balances exceeding RUB 167 467 thousand (01/01/13: RUB 183 964 thousand). The Bank's total liabilities to these creditors (depositors) amounted to RUB 12 964 542 thousand or 49.96% of the Bank's total liabilities (01/01/13: RUB 14 252 867 thousand or 51.04%).

As of 01/01/14, attracted funds of individuals in the amount of RUB 3 409 515 thousand are included in term deposits (01/01/13: RUB 3 539 757 thousand). In accordance with the Russian Civil Code, the Bank is obliged to repay term deposits of individuals upon demand of a depositor. In case a term deposit is repaid upon demand of a depositor prior to maturity, interest on it is to be paid based on the Bank's interest rate for demand deposits, unless a different interest rate is specified in the agreement.

3.11 Debt securities issued

Debt securities issued comprise:

RUB thousand

	as of 01/01/14	**as of 01/01/13**
Bonds	8 000 000	8 000 000
Total	**8 000 000**	**8 000 000**

In April 2012 the Bank issued interest-bearing documentary bonds series 3 for the total amount of RUB 5 bln. As at the placement date the bonds had the following characteristics:

maturity date – 13/04/15;
nearest offer date – 12/04/14;
coupon rate – 9% annually;
frequency of coupon payments – 2 times a year.

In October 2012 the Bank issued interest-bearing documentary bonds series BO-01 for the total amount of RUB 3 bln. As at the placement dare the bonds had the following characteristics:

maturity date – 25/10/15;
nearest offer date – 25/04/14;
coupon rate – 9,75% annually;
frequency of coupon payments – 2 times a year.

3.12 Other liabilities

Other liabilities comprise:

RUB thousand

	as of 01/01/14	**as of 01/01/13**
Accrued interest on current accounts and deposits of individuals	*99 396*	*111 853*
Amounts at suspense clearing account	*55 734*	*49 940*
Liabilities on other transactions	*27 049*	*29 869*
Interest payable	*269 227*	*206 582*
Accrued coupon on bonds issued	*153 550*	*154 800*
Settlements with creditors, including:	*103 583*	*296 095*
Settlements on taxes and duties	9 849	77 754
Settlements with employees on wages	-	419
Settlements with employees in respect of accountable advances	-	3
Value added tax received	43 217	82 768
Payments to suppliers and customers	39 699	64 788
Settlements with non-residents on business transactions	-	65 133
Settlements with other creditors	10 818	5 230
Deferred income on other operations	*90 577*	*224 482*
Other liabilities net of provision on non-credit related commitments	***799 116***	***1 073 621***
Provision on non-credit related commitments	*26 810*	*48 620*
Total other liabilities	**825 926**	**1 122 241**

3.13 Equity

There were no movements in the charter capital during 2013 and 2012.

As of 01/01/14 and 01/01/13 authorized charter capital of the Bank comprises 876 128 ordinary shares. All shares have a nominal value of RUB 12 350. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

IV Supporting notes for the financial performance report.

Net income in 2013 amounts to RUB 285 923 thousand.

In 2013 the structure of income and expense did not significantly change.

4.1 Principle income and expense items

Based on the results of the Bank's activity principle income items in 2013 and 2012 are:

Index name	for 2013, RUB thousand	share in total income volume, %	for 2012, RUB thousand	share in total income volume, %
Interest income on placement with credit institutions	107 220	0,93	224 038	1,49
Interest income on loans to customers (non-credit institutions)	6 813 338	58,79	7 523 474	50,10
Interest income services under finance lease	656 586	5,67	1 201 925	8,00
Interest income on investments in securities	163 742	1,41	240 052	1,60

Based on the results of the Bank's activity principle expense items in 2013 and 2012 are:

Index name	for 2013, thousands RUB	share in total expense volume, %	for 2012, thousands RUB	Share in total expense volume, %
Interest expense on funds attracted from credit institutions	1 495 740	12,62	1 537 931	9,63
Interest expense on funds attracted from customers (non-credit institutions)	868 252	7,51	953 799	5,97
Interest expenses on issued debt instruments	742 096	6,42	380 400	2,38

4.2 Losses and amounts of recovery of impairment provision and other provisions

Information on losses and amounts of recovery of impairment provision by asset type and other provisions in 2013 is below:

RUB thousand

	Loans receivable and similar debt (excluding accured interest)	Securities available-for-sale	Assets transferred to lease	Other assets	Other provisions	Total
Impairment provision as of the beginning of the year	5 799 406	3 204	125 380	915 252	155 126	6 998 368
Net change (recovery) of provision for impairment	619 241	(79)	(67 115)	(254 207)	(31 689)	266 151
Write-off	(5 017)	-	-	(22 232)	(13 403)	(40 652)
Impairment provision as of the end of the year	**6 413 630**	**3 125**	**58 265**	**638 813**	**110 034**	**7 223 867**

Information on losses and amounts of recovery of impairment provision by asset type and other provisions in 2012 is below:

RUB thousand

	Loans receivable and similar debt (excluding accured interest)	Securities available-for-sale	Assets transferred to lease	Other assets	Other provisions	Total
Impairment provision as of the beginning of the year	8 512 878	3 204	98 386	687 178	145 661	9 447 307
Net change (recovery) of provision for impairment	(2 712 788)	-	26 994	273 593	31 770	(2 380 431)
Write-off	(684)	-	-	(45 519)	(22 305)	(68 508)
Impairment provision as of the end of the year	**5 799 406**	**3 204**	**125 380**	**915 252**	**155 126**	**6 998 368**

4.3 Exchange rate differences recognized as part of profits or losses with the exception of the ones that occur due to financial instruments at fair value through profit or loss

RUB thousand

	for 2013	for 2012
Net income from operations with foreign currency	(45 188)	228 670
Net income from foreign currency revaluation	525 908	(40 039)
	480 720	**188 631**

4.4 Taxes

Information on principal items of tax expenses (profits) of the Bank can bee seen below:

	for 2013 RUB thousand	for 2012 RUB thousand
Income Tax	**22 610**	**453 649**
Other taxes, including:	**145 076**	**160 592**
VAT	106 303	108 612
Property tax	30 497	47 436
Transport tax	244	238
Land tax	304	131
Other taxes	7 728	4 175
	167 686	**614 241**

In 2013 income tax rate amounted to 20 % (as of 2012: 20%)

Information on principal items of income tax expense (profit) can be seen below:

	for 2013 RUB thousand	for 2012 RUB thousand
Current income tax calculated at 20% rate:	-	376 686
Current income tax calculated at 15% rate:	28 575	37 611
Current income tax calculated at 9% rate:	-	-
Income tax, charged abroad	993	1 113
Current income tax undercharged (overcharged) in previous accounting periods	(6 958)	38 239
	22 610	**453 649**

4.5 Employee benefits

Total amount of employee benefits included in “Operating expenses” caption of statement of financial results for 2013 and 2012 can be presented as follows:

	As of 2013 Thousands, RUB	As of 2012 Thousands, RUB
Short-term benefit	**1 666 084**	**1 667 124**
Employees’ salaries and wages	1 339 354	1 341 897
Taxes and deductions on salaries and wages	308 965	304 330
Other short-term benefits of employees	17 765	20 897

There are no long-term benefits in 2013 and 2014.

V. Supporting notes on capital adequacy level report

The Bank of Russia determines and controls the fulfillment of the requirements of the Bank’s own funds (capital) level adequacy.

The Bank identifies as capital those items that form capital (own funds) of credit organizations according to the legislation of the Russian Federation. In compliance with the instruction of the Bank of Russia No 139-I, dated 01/01/12 “On Bank’s mandatory ratios” minimal capital capacity and risk-weighted assets ratio (“the standard of own funds (capital) adequacy ratio”) must be not less than 10 %.

The Bank maintains the secure level of the own funds (capital) adequacy that corresponds with the type and volume of the operations carried out by the Bank.

The Department of Reporting and Accounting weekly calculates the own funds (capital) adequacy level. The Treasury Department examines the adherence to the ratio on a monthly basis. In case of own funds (capacity) ratio value coming close to a threshold value set out by the requirements of the Bank of Russia and the internal policy of the Bank the information is transferred to the Members of the Board. As of 01/01/14 and 01/01/13 own funds (capital) adequacy ratio corresponded with the level set out by the Law.

Own funds (capital) of the Bank calculated according to the requirements of the Regulations of the Bank of Russia, dated 10/02/03 № 215-P "On methodology of own funds (capital) identification for credit companies" (hereafter "Regulations № 215-P") can be presented in the following way:

	01/01/14, RUB thousand	**01/01/13, RUB thousand**
Primary capital	11 749 175	11 762 044
Additional capital	155 464	859 986
Capital Total	**11 904 639**	**12 622 030**
Risk assets	**73 014 100**	**77 668 882**
Own funds (capital) adequacy ratio (%)	**16,3**	**16,3**

Additional capital as of 01/01/14 includes the following subordinate loans which meet the requirements of the Regulations № 215-P on subordinate loans included into additional capital of a credit organization:

RUB thousand

Creditor Name	Loan amount	Amount included into additional capital	Due date
Intesa Sanpaolo S.p.A. (Italy), loan of 26/10/04	81 823	12 273	29/10/14
Intesa Sanpaolo Holding International S.A. (Luxemburg)	409 115	143 191	31/12/15
Total	**490 938**	**155 464**	

The sources of additional capital as of 01/01/13 incorporate the following subordinate loans which meet the requirements of the Regulations № 215-P on subordinate loans incorporated into additional capital of a credit organization:

RUB thousand

Creditor Name	Loan amount	Amount included into additional capital	Due date
Intesa Sanpaolo S.p.A. (Italy),	91 118	18 224	23/01/2014
Intesa Sanpaolo S.p.A. (Italy),	75 932	26 576	29/10/2014
Intesa Sanpaolo Holding International S.A. (Luxemburg)	379 659	208 812	31/12/2015
Total	**546 709**	**253 612**	

VI. Supporting notes on cash flow report

Credit organizations must place an interest-free cash deposit (mandatory reserves) in the Central Bank of the Russian Federation the amount of which depends on volume of funds attracted by a credit organization. Reserve regulations are come in force in order to regulate overall liquidity of the banking system of the Russian Federation and to control monetary aggregates by means of lowering of monetary multiplier. The mandatory reserves are not to be used for Banks day-to-day operations thus not incorporated into cash and its equivalent with the purpose of cash flow report.

VII. Corporate governance and internal control system

7.1 Corporate governance structure

The Bank was created in the form of Closed Joint Stock Company in accordance with the requirements of the legislation of the Russian Federation. The principal controlling body of the Bank is General Shareholders' Meeting assembled for annual and special meetings. The General Shareholders' Meeting makes strategic decisions relating to activity of the Bank.

The General Shareholders' Meeting determines the composition of the Board of Directors. The Board of Directors is responsible for general management of the Bank's activity.

Operational management of the Bank's activity is performed by collegial executive body Management Board and sole executive body – The President of the Management Board.

The legislation of the Russian Federation and the Charter of the Bank define decisions which should be made by exclusively the General Shareholders' Meeting and the decisions which are made by the President of the Management Board.

7.2 Risk management and internal control system

The Bank complies with the CBR requirements for risk and capital management and internal control system, including the requirements for activity of the Head of the Internal Control of the Bank (the functions of the Internal Control Department at the Bank are performed by the Internal Audit Department).

Head of risk management department and the Head of Internal Audit of the Bank comply with the established by the CBR qualification requirements and established by Federal law No 395-1, dated 02/12/90 "On banks and banking activities" requirements for business reputation.

The Bank has established a system of risk and capital management, system of internal control, consistent with the nature and scale of the operations and with the level and combination of risks taken, taking into account the CBR system requirements to risk and capital management and internal control of the Bank.

In accordance with the powers defined by the constituent and internal documents of the Bank internal control is carried out by:

- governing bodies of the Bank;
- revision committee (controller);
- the Chief Accountant (deputies) of the Bank;
- The Head (deputies) and Chief Accountant (deputies) of the Bank's branches;
- other division and employees that are responsible for internal control in accordance with the established standards, policies and procedures of the Bank, including:
  - the Internal Audit Department;
  - the compliance officer and the compliance function, including the division responsible for compliance with anti-money laundering requirements;
  - other divisions and (or) responsible officers of the Bank, including:
  - professional securities market participant controller - responsible officer and (or) division, exercising monitoring of compliance of the Bank, as a professional participant of the securities legislation of the Russian Federation on securities and protection of the rights and legitimate interests of investors on the securities market, normative legal acts of the federal executive body in the sphere of the market securities;
  - legal officer - employee and (or) division responsible for monitoring of compliance with regulations (including compliance with the Federal law No 273-FZ, dated 25/12/08 "On anti-corruption"), standards of self-regulatory organizations, constituent and internal documents of the Bank.

Bank's internal control system includes the following directions:

- control by the governing bodies over the organization of activity of the Bank;
- control over risk management system and assessment of banking risks;
- control over the distribution of powers in banking transactions and other transactions;
- control over information flow management (receipt and transmission of information) and information security;

- monitoring of the internal control system, exercised on the ongoing basis, in order to assess the degree of compliance with the objectives of the Bank, to identify gaps, develop proposals and oversee the implementation of decisions to improve the internal control system ("monitoring of the internal control system").

Monitoring of the risk management system is exercised by the Bank on an ongoing basis in accordance with the internal documents.

Monitoring of the internal control system implemented on an ongoing basis. The Bank takes the necessary measures to improve internal controls to ensure its effective functioning, including in response to changing internal and external factors affecting the operations of the Bank.

Monitoring of internal control is exercised by management and employees of various divisions, including divisions, performing banking and other transactions and their reflection in the accounting and reporting, as well as the Internal Audit Department.

The frequency of monitoring of various activities of the Bank depends on the basis of related banking risks, the frequency and nature of changes in the activity of the bank.

Results of the review are documented and communicated to the responsible managers of the Bank (divisions).

Internal Audit Department is established to implement internal control and to assist the governing bodies of the Bank in ensuring the effective functioning of the Bank.

Internal Audit Department exercises the following functions:

- verification and assessment of efficiency of internal control system;
- verification of processes and procedures of internal control;
- identification and analysis of issues related to the functioning of the internal control system. Monitoring of the internal control system, implementation of measures for improvement the internal controls to ensure its effective functioning, including changing internal and external factors affecting the operations of the Bank;
- verification of reliability of the internal control over the use of automated information systems, including monitoring of integrity of the database and their protection from unauthorized access and (or), on account of the measures, taken in the event of unforeseen circumstances, in accordance with a plan directed to ensure business continuity and (or) recovery of the activity of the Bank in the event of unforeseen circumstances;
- verification of the accuracy, completeness, objectivity and timeliness of accounting and reporting and testing, and reliability (including the accuracy, completeness and objectivity) and timeliness of data collection and reporting of information;
- verification of the accuracy, completeness, objectivity and timeliness of other information in accordance with the legislation of the state authorities and the Bank of Russia;
- development, participation in the development of internal documents of the Bank, as well as providing comments to develop an internal Bank documents affecting the internal control system in the manner prescribed by the internal documents of the Bank;
- the department participates in the development of internal documents and provides comments to internal documents regarding the effectiveness of the internal control system, as reflected in the relevant internal documents. The department comments to the documents for guidance only and may not be incorporated into the version submitted for approval documents.
- verification of completeness and effectiveness of assessment methodology of banking risks and banking risk management procedures (methods, programs, rules and procedures of the banking operations and transactions, banking risk management);
- verification of operation of the system of counteraction to legalization (laundering) of proceeds from crime and terrorist financing;
- evaluation of the economic feasibility and effectiveness of operations, made by the Bank;
- verification of applied methods of assets protection of the Bank;
- verification of compliance of internal documents of the Bank's with regulatory legal acts, standards of self-regulatory organizations.
- verification of systems created in order to ensure compliance with legal requirements and professional codes of conduct.

Business continuity, independence and impartiality of the Internal Audit Department, the professional competence of its managers and employees are provided in the Bank, created the conditions for the smooth and effective implementation of the Internal Audit Department functions. Size, composition and technical provision of the Internal Audit Department of the Bank are corresponded to the scale of activity, nature of operations and transactions of the Bank. The Internal Audit Department is under the direct control of the Board of Directors.

VII. Information on accepted risks, risk assessment procedures, risk and capital management

8.1 Risk management structure

The Bank's activity is directly related to risk acceptance. Risk management is carried out through continuous identification, assessment and monitoring of transactions for compliance with risk limits and other controls. This process of risk management plays a vital role in maintaining the current level of profitability of the Bank, each employee of the Bank is responsible for the risk exposure which occurs in the performance of their duties. The Bank is exposed to credit risk, liquidity risk and market risk. The Bank's activities are also subject to operating risks, business risks, and other non-financial risks.

Risk management is the process of identification, assessment and monitoring of risks faced by the Bank, carried out in accordance with the specific organizational and functional structure of the Bank and subject to set the maximum size acceptable risk established by the Bank's shareholders.

The independent risk control does not cover business risks, such as changes in business, technology or changes in the industry. These risks are monitored through the Bank's strategic planning process.

The Bank manages the risks in order to maintain and increase shareholder value by optimizing risk-adjusted profits in conditions with suppressed growth and reduce volatility in net income on the basic activities.

Risk management is based on the following principles:

- independence from other branch of activities;
- single approach;
- coherence and concerted of actions at all levels of the Bank due to the using of common risk assessment models;
- deadlines in preparing the data needed for decision-making and control processes;
- transparency of assessment methodologies and criteria ensuring a better understanding of risk assessment procedures;
- distribution of powers between the Board of Directors, Chairman of the Board, departments and divisions.

The above mentioned principles are fundamental standards of governance in terms of the characteristics of the systems of internal control and monitoring.

Actual responsibility for risk identification and control over them carries out the Board of Directors of the Bank. However, functions of management and monitoring of risks are carried out by special independent divisions of the Bank.

Board of Directors

The Board of Directors is responsible for risk management, approval strategies and risk management principles, including the definition of the structure of the Bank’s limits.

Executive Board

The Executive Board sets limits on the overall exposure on credit risk in relation to separate borrower and related companies/related parties, which exceed limits set out by the Credit Committee, taking into account the advisory opinion of the Intesa Sanpaolo Group and the amount of impaired loans written off by the decision of the Assets Quality Committee.

Management Board

The Board is responsible for risk management, approval strategies and risk management principles, including the definition of the structure of the Bank’s exposure.

Committee on Financial Risk Management

Committee on Financial Risk Management is responsible for the Bank's capital and its distribution, the structure of assets and liabilities based on the pricing structure and maturity in accordance with the law and the relevant internal regulations and guidelines of the Intesa Sanpaolo Group. Committee on Financial Risk Management exercises regular monitoring and evaluation of the structure of statement of financial position, the comparison of expected and actual results of the Bank's activities, assessment of the general market situation, assessment of the Bank's activities in comparison with its competitors. The Committee ensures that the individual operations policies, risk limits and other requirements for each business line is synchronized with Intesa Sanpaolo Group.

Credit Committee and Committee on Assets Quality

The Credit Committee is the highest body of the Bank, responsible for the approval of loans. The Committee makes decision on the proposals made by Division of Credit Risk Management, and reviews the conditions of loans issuance. With regard to the size of credit risk above a certain limit, a final approval from the Executive Committee which makes decision, taking into account the opinion of the Credit Committee of Intesa Sanpaolo Group, should be received.

Committee on assess the quality of assets evaluates the quality of the loan portfolio and its trends, approves the classification of assets, the level of provision for impairment, analyzes settlement strategy in relation to impaired loans, as well as monitors the debt collection process and its results.

Risk Management Group

Risk Management Group is responsible for establishing and maintaining procedures related to risk management, in order to ensure independent monitoring process.

Treasury Department

Treasury Department manages the Bank's assets and liabilities, as well as their structure. This division is responsible for the funding and liquidity risk management of the Bank.

Internal Audit Department

The Internal Audit Department on the regular basis analyzes the risk management processes of the Bank. Employees of the Internal Audit Department monitor policies and procedures of risk management and prepare for the Bank's management, the Audit Committee and Board of Directors the audit reports with recommendations.

Risk assessment system and reporting

Monitoring and control of risk is primarily based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk it is willing to accept, with additional emphasis on selected industries. The Bank also monitors and evaluates the readiness to accept the total amount of risk that affects all areas of the Bank.

The Bank performs analysis and processing of information received from all divisions of the Bank for the purposes to analyze, control and identify risks. The resulting information is communicated to the members of the Manageent Board, the Committee on Financial Risk Management and Credit Committee. Report is prepared on a quarterly basis and provides information on the total size of credit risk, predictive parameters of credit risk, exceeding limits, the amount of market risk, liquidity ratios and risk profile changes. Board analyzes reports on risk levels and implements, where appropriate, the redistribution of risk limits to ensure the focused strategic risk profile.

Risk minimization

As part of risk management, the Bank uses derivatives financial instruments and other tools to manage risks arising from changes in interest rates, exchange rate fluctuations, as well as risks associated with the forecast transaction.

In order to reduce credit risks, the Bank is widely used collateral for loans.

Risk concentration

Risk concentration arises when a group of contractors operates in one sphere of activity, one region or such counterparties have similar economic characteristics, whereby the change in the economic or political situation will have the same effect on their ability to fulfil contractual obligations. Risk concentration indicates the relative sensitivity of the Bank's performance to changes affecting a particular industry or geographical location.

In order to avoid high risk concentration policy of the Bank provides specific techniques and principles of maintaining a diversified portfolio. In case of detection of concentrations of credit risk the Bank carries out appropriate control and management of such concentrations.

8.2 Information on accepted risk

8.2.1 Country risk

Country risk is the risk of losses occurring as a result of non-performance or improper performance by foreign counterparties (legal entities and individuals) of their liabilities due to economic, political and social changes, as well as due to the fact that the currency of the monetary liabilities (other than the national currency, in which the Bank is domiciled) may not be available to the counterparty due to the peculiarities of the national law (regardless of the financial situation of the counterparty).

The Bank is the resident of the Russian Federation. Bank's primary business is carried out on the territory of several regions of the Russian Federation, in connection with which a significant impact on the Bank have both the general changes in the Russian Federation, as well as regional development. Laws and regulations affecting businesses operating in the Russian Federation, change frequently; assets and operations of the Bank may be at risk due to negative changes in the political and business environment.

Country risk is a multifactorial phenomenon, characterized by closely interweaving set of financial, economic, social and political variables.

The general country risk includes non-commercial (political) and commercial risks. Commercial risk can exist both at the state (country) level (i.e., the risk of insolvency in case the loan is granted by a foreign state) and at the corporate level – trans-border risk (i.e., the risk that some state (country) may impose limitations on transferring capital to foreign investors in the context of its economic policy).

Non-commercial (political) risk assumes a possibility of financial losses for a company as a result of adverse political factors in the country of investment.

Conditions existing on financial markets and overall economic situation, primarily in Russia, are likely to affect the operations of the CJSC Banca Intesa.

Further economic instability in the European Union and its respective influence on the Russian economy may result in reduced demand for the Bank's services and, consequently, decreased operating income for the Bank, may limit the Bank's opportunities to retain the existing customers and increase risks relating to the loan portfolio.

In addition to economic risks, the Bank's operations are also exposed to respective political and social risks that arise due to certain political instability in the country, possible application by the government of emergency measures in the social and political spheres, existence of social problems.

The governments of Moscow and the Russian Federation exercise influence on the Bank's operations through applying laws and regulations that may affect the Bank's financial position and results of its operations.

The Moscow region is a financial center and the place where Russian and foreign financial institutions are concentrated, which is a positive factor for expanding the Bank's operations.

The Bank assesses the political and economic situation in this region as relatively stable, however, possible adverse changes in the payment status of potential borrowers may affect granting of new loans, which could result in a decrease of the Bank's operating income.

In addition to the above, risks related to the Bank's regional operations are primarily determined by a less favorable economic and social situation in the regions as well as specific requirements and regulations set by the regional legislation and local authorities.

Uncertain or unfavorable market conditions may negatively affect the Bank's performance and profitability. However, the Bank uses modern tools to manage and regulate risks when assessing possible negative effects on its operations. Accordingly, the Bank is now assessing country and regional risks as low.

Information on country concentration of assets and liabilities of the Bank

The following information is on the concentration of assets and liabilities on a geographical basis as of 01/01/14 and 01/01/13 in the context of captions of the reporting form 0409806 "Statement of financial position (published form)." Information is presented separately on the Russian Federation (RF), CIS countries (CIS), the group of developed countries (GDC), other countries (OC).

As of 1/01/14:

	RF, RUB thousand	CIS RUB thousand	GDC RUB thousand	OC RUB thousand	Total RUB thousand
ASSETS					
Cash	786 212	-	-	-	786 212
Credit institutions' balances with the Central Bank of the Russian Federation	1 636 719	-	-	-	1 636 719
including mandatory reserves	*301 515*	-	-	-	*301 515*
Due from credit institutions	107 691	-	1 999 330	-	2 107 021
Financial assets at fair value through profit or loss	-	-	20 179	-	20 179
Net loans receivable	49 415 101	286	3 974 725	1 726 894	55 117 006
Net investments in securities and other financial assets available-for-sale	2 735 938	-	-	-	2 735 938
including investments subsidiaries and affiliates	*3 000*	-	-	-	*3 000*
Premises and equipment, intangible assets and inventories	1 437 818	-	-	-	1 437 818
Other assets	950 484	810	266 369	10 418	1 228 081
Total assets	**57 069 963**	**1 096**	**6 260 603**	**1 737 312**	**65 068 974**
LIABILITIES					
Loans, deposits and other amounts due to the Central Bank of the Russian Federation	727 635	-	-	-	727 635
Due to credit institutions	4 037 158	10 576	12 190 718	-	16 238 452
Amounts due to customers (non-credit institutions)	16 420 441	18 928	10 330 745	261 514	27 031 628
including deposits of individuals	*4 296 151*	*18 927*	*428 214*	*199 112*	*4 942 404*
Debt securities issued	8 000 000	-	-	-	8 000 000
Other liabilities	656 576	469	167 898	983	825 926
Provisions for losses under contingent credit-related commitments, other losses and transactions with offshore residents	83 224	-	-	-	83 224
Total liabilities	**29 925 034**	**29 973**	**22 689 361**	**262 497**	**52 906 865**
Net position	**27 144 929**	**(28 877)**	**(16 428 758)**	**1 474 815**	**12 162 109**

As of 01/01/13:

	RF, RUB thousand	CIS RUB thousand	GDC RUB thousand	OC RUB thousand	Total RUB thousand
ASSETS					
Cash	672 764	-	-	-	672 764
Credit institutions' balances with the Central Bank of the Russian Federation	2 617 087	-	-	-	2 617 087
including mandatory reserves	374 992	-	-	-	374 992
Due from credit institutions	246 566	-	3 754 928	-	4 001 494
Financial assets at fair value through profit or loss	16 142	-	78 034	-	94 176
Net loans receivable	51 981 557	294	9 947 822	1 153 405	63 083 078
Net investments in securities and other financial assets available-for-sale	3 031 170	-	-	-	3 031 170
including investments subsidiaries and affiliates	*3 000*	-	-	-	*3 000*
Premises and equipment, intangible assets and inventories	1 940 797	-	-	-	1 940 797
Other assets	944 132	7	381 346	10 508	1 335 993
Total assets	**61 450 215**	**301**	**14 162 130**	**1 163 913**	**76 776 559**
LIABILITIES					
Loans, deposits and other amounts due to the Central Bank of the Russian Federation	-	-	-	-	-
Due to credit institutions	6 680 000	6 132	20 167 596	-	26 853 728
Amounts due to customers (non-credit institutions)	16 748 328	35 838	10 923 140	221 003	27 928 309
including deposits of individuals	*4 605 000*	*35 820*	*344 697*	*109 354*	*5 094 871*
Debt securities issued	8 000 000	-	-	-	8 000 000
Other liabilities	845 143	141	273 978	2 979	1 122 241
Provisions for losses under contingent credit-related commitments, other losses and transactions with offshore residents	106 506	-	-	-	106 506
Total liabilities	**32 379 977**	**42 111**	**31 364 714**	**223 982**	**64 010 784**
Net position	**29 070 238**	**(41 810)**	**(17 202 584)**	**939 931**	**12 765 775**

8.2.2 Credit risk

Credit risk is the risk of financial loss, occurring as a result of the Bank's counterparty's default on its obligations.

The Bank manages credit risk (both for recognised financial assets and unrecognised contractual commitments) by the means of approved policies and procedures including requirements to limit portfolio concentration as well as establishment of a Credit Committee to actively monitor credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy sets:

- procedures for reviewing and approving the loan credit applications;
- methodology for the assessment of creditworthiness of the borrowers (corporate and retail clients);
- methodology for the assessment of creditworthiness of the counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- requirements to the credit documentation;
- procedures for the ongoing monitoring of loans and other products, bearing credit risk;

Corporate loan credit applications are filled in by the relevant client managers and are then passed on to the Corporate Business Department, which is responsible for the corporate loan portfolio. The reports of the analysts in the department are based on a structured analysis, focusing on the customer's business and financial conditions. The loan credit application and the report are then independently reviewed by the Risk Management Group and a second conclusion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Corporate Business Department and the Risk Management Group. Before the approval of individual transactions by the Credit Committee, they are also reviewed by the Legal, Accounting and Tax departments, depending on the specific risks.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements or other information submitted by the borrower, or otherwise obtained by the Bank. Retail loan credit applications are reviewed by the Department of Retail Business. The Bank uses the scoring models and procedures, developed together with the Risk Management Group, to verify the data in the applications are used.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Management Group with regard to credit concentration and market risk.

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

Derivative financial instruments

Credit risk associated with derivative financial instruments, at any time, is limited to derivative instruments with positive fair values that are recognized in the consolidated statement of financial position.

Risk, associated with credit related commitments

The Bank provides its clients with financial guarantees under which it may be necessary that the Bank make payments on their behalf. Clients recover these payments to the Bank in accordance with the terms of the letter of credit and financial guarantees. The Bank bears credit risks under these contracts that are regulated by the above mentioned procedures and policies for managing credit risk.

Information on the geographical distribution of credit risk as at 01/01/14 is presented in Country risk paragraph. Information on the distribution of credit risk by regions of the Russian Federation is presented in paragraph 3.6.

Information on the classification of risk-weighted assets (in accordance with paragraph 2.3. of Bank of Russia Instruction dated 3/12/12 No 139 "On Obligatory Ratios of Banks"), as of 01/01/14, is presented below:

RUB thousand	1 group	2 group	3 group	4 group	5 group	Total
Cash	786 212	-	-	-	-	786 212
Credit institutions' balances with the Central Bank of the Russian Federation	1 636 719	-	-	-	-	1 636 719
Due from credit institutions	-	395 481	-	-	-	395 481
Net loans receivable	-	941 187	-	42 776 293	-	43 717 480
Other finanasial assets	-	3 893	-	2 421 382	-	2 425 275
	2 422 931	**1 340 561**	**-**	**45 197 675**	**-**	**48 961 167**

Information on the classification of assets by risk group as of 01/01/13 is presented below:

RUB thousand	1 group	2 group	3 group	4 group	5 group	Total
Cash	672 764	-	-	-	-	672 764
Credit institutions' balances with the Central Bank of the Russian Federation	2 242 095	-	-	-	-	2 242 095
Due from credit institutions	-	1 622 622	-	24 854	-	1 647 476
Net loans receivable	-	2 257 079	3 075 168	39 277 482	-	44 609 729
Net investments in securities and other financial assets available-for-sale	2 714 431	-	268 460	45 279	-	3 028 170
Other finanasial assets	-	185 993	-	4 398 148	-	4 584 141
	5 629 290	**4 065 694**	**3 343 628**	**43 745 763**	**-**	**56 784 375**

Credit quality information is presented below:

		as of 01/01/14, RUB thousand	%	as of 01/01/13, RUB thousand	%
1	**Interbank deposits**				
	Without overdue payments	*5 028 432*	*8.17*	*11 365 638*	*16.50*
	Total interbank deposits	**5 028 432**	**8.17**	**11 365 638**	**16.50**
2	**Loans to customers**				
	Without overdue payments	*50 793 547*	*82.55*	*52 100 151*	*75.64*
	Less than 30 days	22 789	0.04	29 900	0.04
	From 31 to 90 days	544 859	0.89	79 381	0.12
	From 91 to 180 days	281 361	0.46	185 618	0.27
	More than 180 days	4 094 546	6.65	4 215 483	6.12
	Total overdue debt	*4 943 555*	*8.04*	*4 510 382*	*6.55*
	Acquired claims	**765 102**	**1.24**	**906 313**	**1.31**
	Without overdue payments	-	-	*906 313*	*1.31*
	From 91 to 180 days	765 102	1.24	**-**	**-**
	Total overdue debt	*765 102*	1.24	**-**	**-**
	Total loans to customers	**56 502 204**	**91.83**	**57 516 846**	**83.50**
	Total loan indebtedness	**61 530 636**	**100.00**	**68 882 484**	**100.00**

Information on the amount and terms of overdue loans as of 01/01/14 is presented below:

RUB thousand	**Loans to customers – credit institutions**	**Loans to customers – legal entities, other than credit institution**	**Loans to individuals**	**Total**
Not overdue debt	**5 028 432**	**45 854 088**	**4 939 459**	**55 821 979**
Overdue debt				
- less than 30 days	-	20 169	2 620	22 789
- more than 30 days, but less than 90 days	-	542 130	2 729	544 859
- more than 90 days, but less than 180 days	-	1 033 073	13 390	1 046 463
- more than 180 days, but less than 360 days	-	421 473	29 427	450 900
- more than 360 days	-	3 154 339	489 307	3 643 646
Total overdue debt	**-**	**5 171 184**	**537 473**	**5 708 657**
	5 028 432	**51 025 272**	**5 476 932**	**61 530 636**

As of 01/01/14 the share of overdue loans amounted to 9.28% of the total outstanding loans and 8.77% of the total assets of the Bank.

Information on the amount and terms of overdue loans as of 01/01/13 is presented below:

RUB thousand	Loans to customers – credit institutions	Loans to customers –legal entities, other than credit institutions	Loans to individuals	Total
Not overdue debt	**11 365 638**	**47 822 677**	**5 183 787**	**64 372 102**
Overdue debt				
- less than 30 days	-	28 214	1 686	29 900
- more than 30 days, but less than 90 days	-	73 002	6 379	79 381
- more than 90 days, but less than 180 days	-	179 672	5 946	185 618
- more than 180 days, but less than 360 days	-	411 280	29 382	440 662
- more than 360 days	-	3 313 018	461 803	3 774 821
Total overdue debt	**-**	**4 005 186**	**505 196**	**4 510 382**
	11 365 638	**51 827 863**	**5 688 983**	**68 882 484**

Information on the results of classification into quality categories of loans and equivalent debt, the amount of the estimated provision and the created provision is presented below:

RUB thousand

	as of 01/01/14			as of 01/01/13		
	Amount	**Estimated provision**	**Created provision**	**Amount**	**Estimated provision**	**Created provision**
i category	21 524 100	-	-	26 378 958	-	-
ii category	31 153 456	384 988	368 180	33 822 732	415 747	384 412
iii category	1 982 890	418 763	218 474	1 884 960	411 081	130 488
iv category	1 536 292	789 279	571 877	1 667 045	848 541	356 133
v category	5 333 898	5 308 538	5 255 099	5 128 789	5 112 129	4 928 373
Total	**61 530 636**	**6 901 568**	**6 413 630**	**68 882 484**	**6 787 498**	**5 799 406**

Created provision is less than estimated provision, as the Bank forms provision taking into account collateral.

Information on the results of classification into quality categories of other assets, the amount of the estimated provision and the actual formed provision is presented below:

RUB thousand

	as of 01/01/14			as of 01/01/13		
	Amount	**Estimated provision**	**Created provision**	**Amount**	**Estimated provision**	**Created provision**
i category	103 381	-	-	157 396	-	-
ii category	363 946	14 871	14 871	823 953	20 122	20 122
iii category	22 137	3 923	3 923	14 374	871	871
iv category	15 289	7 907	7 907	16 858	9 326	9 326
v category	595 768	594 000	594 000	883 629	882 252	882 252
Total	**1 100 521**	**620 701**	**620 701**	**1 896 210**	**912 571**	**912 571**

Information on the amount of reclassified and restructured loans to individuals and legal entities is presented below:

	as of 01/01/14			as of 01/01/13		
	Amount, RUB thousand	**Share in total issued loans,%**	**Created provision, RUB thousand**	**Amount, RUB thousand**	**Share in total issued loans,%**	**Created provision, RUB thousand**
Reclassified loans	2 095 618	3.4	16 009	5 788 411	8.4	30 563
Restructured loans	3 552 832	5.7	2 059 669	5 039 266	7.3	2 455 686

Restructuring of loans includes changes (based on a written agreement with borrower) to the significant terms of the original contract, so that the borrower is entitled to fulfill obligations under the loan in more favorable set, including:

- increase of the maturity of the debt;
- reduction in interest rates;
- increase in the principal amount;
- changes in the schedule of repayments.

For the majority of the loans issued to individuals and legal entities, interest and principal are repaid in monthly installments. Interest income accrued on loans as of 01/01/14 includes RUB 356 207 thousand (01/01/13: RUB 463 154 thousand) reflected on the balance sheet accounts (1-3 quality category) and RUB 362 926 thousand (01/01/13: RUB 364 990 thousand), reflected on the off-balance sheet accounts (4-5 quality category).

Information on the size and terms of overdue payment in other assets as of 01/01/13 is presented below:

RUB thousand	**Interest receivable**	**Other loan receivable**	**Total**
Not overdue debt	**350 832**	**968 195**	**1 319 027**
Overdue debt			
- less than 30 days	2 601	16 735	19 336
- more than 30 days, but less than 90 days	3 083	9 337	12 420
- more than 90 days, but less than 180 days	3 487	16 151	19 638
- more than 180 days, but less than 360 days	8 606	80 663	89 269
- more than 360 days	94 545	694 328	788 873
Total overdue debt	**112 322**	**817 214**	**929 536**
	463 154	**1 785 409**	**2 248 563**

As of 01/01/14, overdue debt on other assets amounted to 41.34% of the total amount of other assets and 1.21% of the total amount of assets of the Bank.

Information on the size and terms of overdue payment in other assets as of 01/01/14 is presented below:

RUB thousand	**Interest receivable**	**Other loan receivable**	**Total**
Not overdue debt	**247 685**	**917 415**	**1 165 100**
Overdue debt			
- less than 30 days	3 344	17 411	20 755
- more than 30 days, but less than 90 days	4 548	22 054	26 602
- more than 90 days, but less than 180 days	11 937	45 382	57 319
- more than 180 days, but less than 360 days	11 466	62 867	74 333
- more than 360 days	77 227	427 446	504 673
Total overdue debt	**108 522**	**575 160**	**683 682**
	356 207	**1 492 575**	**1 848 782**

As of 01/01/13 overdue debt on other assets amounted to 36.98% of the total amount of other assets and 1.05% of the total amount of assets of the Bank.

The Bank has no overdue debt on other balance sheet items.

8.2.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due.

Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions 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 Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Board of Directors.

The Bank seeks to actively support a diversified and stable funding base comprising debt securities issued, long- and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The Treasury Department receives on the daily basis from the Market Risk Department management reports on the status of liquidity position of the Bank. In addition, the Treasury Department prepares its own management reports and calculations upon which the Treasury Department monitors the Bank's liquidity position within specified limits in order to meet liquidity ratios established by the Bank of Russia and Intesa Sanpaolo Group, as well as obligations for payments arising from seizure deposits and financial liabilities of the Bank

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions, is performed by the Treasury Department. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a monthly basis. Decisions on liquidity management are made by the Committee on financial risk management and implemented by the Treasury Department.

The Bank also calculates mandatory liquidity ratios in accordance with the requirements of the CBR.

Liquidity ratios as of 1 January are presented below:

	Claims	2014 %	2013 %
Instant liquidity ratio (N2)	Not less than 15%	51.6	75.7
Current liquidity ratio (N3)	Not less than 50%	77.5	91.4
Long-term liquidity ratio (N4)	Not more than 120%	56.5	67.5

Debt securities issued are disclosed in accordance with the contractual date of maturity in the category “More than 1 year”. The nearest offer date on these liabilities is April 2014. The following table presents an analysis of amounts (expected maturities), reflected in the balance sheet (published form) as of 01/01/14:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	No maturity	Overdue	Total
ASSETS							
Cash	786 212	-	-	-	-	-	786 212
Credit institutions' balances with the Central Bank of the Russian Federation	1 335 204	-	-	-	301 515	-	1 636 719
including mandatory reserves	-	-	-	-	*301 515*	-	*301 515*
Due from credit institutions	2 107 021	-	-	-	-	-	2 107 021
Financial assets at fair value through profit or loss	5 700	14 479	-	-	-	-	20 179
Net loans receivable	5 269 736	9 068 708	19 617 221	20 864 212	-	297 129	55 117 006
Net investments in securities and other financial assets available-for-sale	-	409 720	1 000 395	1 318 413	7 410	-	2 735 938
including investments subsidiaries and affiliates	-	-	-	-	*3 000*	-	*3 000*
Premises and equipment, intangible assets and inventories	-	-	-	-	1 437 818	-	1 437 818
Other assets	507 486	188 818	248 311	220 485	-	62 981	1 228 081
Total assets	**10 011 359**	**9 681 725**	**20 865 927**	**22 403 110**	**1 746 743**	**360 110**	**65 068 974**

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	No maturity	Overdue	Total
LIABILITIES							
Loans, deposits and other amounts due to the Central Bank of the Russian Federation	727 635	-	-	-	-	-	727 635
Due to credit institutions	455 719	2 000 000	3 781 823	10 000 910	-	-	16 238 452
Amounts due to customers (non-credit institutions)	14 756 297	775 468	5 308 542	6 191 321	-	-	27 031 628
including deposits of individuals	*2 007 416*	*433 345*	*1 513 668*	*987 975*	-	-	*4 942 404*
Debt securities issued	-	-	-	8 000 000	-	-	8 000 000
Other liabilities	237 095	115 120	296 733	176 978	-	-	825 926
Provisions for losses under contingent credit-related commitments, other losses and transactions with offshore residents	83 224	-	-	-	-	-	83 224
Total liabilities	**16 259 970**	**2 890 588**	**9 387 098**	**24 369 209**	**-**	**-**	**52 906 865**
Net position	**(6 248 611)**	**6 791 137**	**11 478 829**	**(1 966 099)**	**1 746 743**	**360 110**	**12 162 109**

Debt securities issued are disclosed in accordance with the contractual date of maturity in the category “More than 1 year”. The nearest offer date on these liabilities is April 2014. The following table presents an analysis of amounts (expected maturities), reflected in the balance sheet (published form) as of 01/01/13:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	No maturity	Overdue	Total
ASSETS							
Cash	672 764	-	-	-	-	-	672 764
Credit institutions' balances with the Central Bank of the Russian Federation	2 242 095	-	-	-	374 992	-	2 617 087
including mandatory reserves	-	-	-	-	*374 992*	-	*374 992*
Due from credit institutions	4 001 494	-	-	-	-	-	4 001 494
Financial assets at fair value through profit or loss	89 513	4 663	-	-	-	-	94 176
Net loans receivable	10 490 283	9 408 280	20 655 724	22 238 131	-	290 660	63 083 078
Net investments in securities and other financial assets available-for-sale	201 194	829 459	40 869	1 952 237	7 411	-	3 031 170
including investments subsidiaries and affiliates	-	-	-	-	*3 000*	-	*3 000*
Premises and equipment, intangible assets and inventories	-	-	-	-	1 940 797	-	1 940 797
Other assets	505 762	161 849	164 031	487 386	-	16 965	1 335 993
Total assets	**18 203 105**	**10 404 251**	**20 860 624**	**24 677 754**	**2 323 200**	**307 625**	**76 776 559**

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	No maturity	Overdue	Total
LIABILITIES							
Due to credit institutions	6 999 650	4 753 727	9 233 301	5 867 050	-	-	26 853 728
Amounts due to customers (non-credit institutions)	15 041 220	599 628	5 329 874	6 957 587	-	-	27 928 309
including deposits of individuals	*1 894 488*	*317 341*	*2 344 709*	*538 333*	-	-	*5 094 871*
Debt securities issued	-	-	-	8 000 000	-	-	8 000 000
Other liabilities	357 319	172 372	395 535	197 015	-	-	1 122 241
Provisions for losses under contingent credit-related commitments, other losses and transactions with offshore residents	106 506	-	-	-	-	-	106 506
Total liabilities	**22 504 695**	**5 525 727**	**14 958 710**	**21 021 652**	**-**	**-**	**64 010 784**
Net position	**(4 301 590)**	**4 878 524**	**5 901 914**	**3 656 102**	**2 323 200**	**307 625**	**12 765 775**

8.2.4 Market risk.

The Bank's market risk management system includes:

- identifying risk factors for new products;
- calculating various risk parameters (risk exposure, the portfolio's sensitivity to changes in market indicators, etc.);
- measuring the fair value of financial instruments;
- establishing limits on transactions and open positions and monitoring them daily. Acceptable market risk exposures are established by the Board of Directors;
- developing new risk assessment models and methodologies, as well as interaction procedures between Bank's units when operating on the financial markets.

The goal of the department responsible for analyzing market risks is to optimize the ratio of profitability of the Bank's operations to market risk by diversifying the Bank's trading and banking portfolios and limiting positions sensitive to respective risk factors.

The Bank divides its market risk on the risk for the trading portfolio and the risk for non-trading portfolio. For risk management purposes, the Bank assesses the risk factors for a portfolio of securities available for sale, in the same manner as for the trading portfolio. Market risk for the trading portfolio is managed and monitored based on the value at risk methodology (VaR), which reflects interdependencies between risk variables. Non-trading positions are managed and monitored by using sensitivity analysis.

Market risk assessment carried out in accordance with the requirements of the Bank of Russia Regulation No 387-P, dated 28/09/12 "On calculation of credit institutions of market risk." Market risk in the context of components as of 01/01/14 and 01/01/13 can be represented as follows:

	01/01/14 RUB thousand	**01/01/13 RUB thousand.**
Total market risk, including:		
Interest risk, including:	26 753	-
- Special interest risk	2 421	-
- General interest risk	24 332	-
Currency risk	-	380 605
The size of market risk	**334 418**	**380 605**

The Bank's trading portfolio includes the following financial instruments that are subject to market risk:

- securities with fair value and classified by the Bank as at fair value through profit or loss and acquired with the purpose of selling in the short term or as available-for-sale if there is an intention to sell them in the short term, reflected in the internal documents of the credit institution;
- securities received as collateral under reverse sale and repurchase agreement, if the securities were sold or in case of default of the counterparty;
- open positions denominated in foreign currency and precious metals, and open positions denominated in Ruble, the value of which depends on change of the Bank of Russia foreign currency exchange rates against the Ruble or accounting prices on precious metals;
- derivative financial instruments;
- term deals.

8.2.5 Currency risk

In accordance with the instructions of the Central Bank of Russia, the Bank establishes the limits for its branches and sublimits on the level of exposure by currencies and in totals as of the end of the day. The Bank's Treasury on a daily basis monitors the compliance with the established limits and sublimits, regulates the currency position and reports on it daily to the Bank's management.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 01/01/14:

	RUB RUB thousand	**EUR** RUB thousand	**USD** RUB thousand	**Other currencies** RUB thousand	**Total** RUB thousand
ASSETS					
Cash	595 611	109 927	80 674	-	786 212
Credit institutions' balances with the Central Bank of the Russian Federation	1 636 719	-	-	-	1 636 719
including mandatory reserves	*301 515*	-	-	-	*301 515*
Due from credit institutions	103 889	314 710	1 688 097	325	2 107 021
Financial assets at fair value through profit or loss	20 179	-	-	-	20 179
Net loans receivable	42 107 399	2 589 133	10 420 474	-	55 117 006
Net investments in securities and other financial assets available-for-sale	2 735 938	-	-	-	2 735 938
including investments subsidiaries and affiliates	*3 000*	-	-	-	*3 000*
Premises and equipment, intangible assets and inventories	1 437 818	-	-	-	1 437 818
Other assets	962 380	43 514	222 187	-	1 228 081
Total assets	**49 599 933**	**3 057 284**	**12 411 432**	**325**	**65 068 974**
LIABILITIES					
Loans, deposits and other amounts due to the Central Bank of the Russian Federation	727 635	-	-	-	727 635
Due to credit institutions	13 440 105	-	2 798 347	-	16 238 452
Amounts due to customers (non-credit institutions)	16 782 886	3 082 743	7 165 693	306	27 031 628
including deposits of individuals	*3 569 569*	*926 714*	*446 121*	-	*4 942 404*
Debt securities issued	8 000 000	-	-	-	8 000 000
Other liabilities	778 781	7 849	39 296	-	825 926
Provisions for losses under contingent credit-related commitments, other losses and transactions with offshore residents	83 224	-	-	-	83 224
Total liabilities	**39 812 631**	**4 017 306**	**10 449 457**	**306**	**52 906 865**
Net position	**9 787 302**	**(960 022)**	**1 961 975**	**19**	**12 162 109**

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 01/01/13:

	RUB RUB thousand	**EUR** RUB thousand	**USD** RUB thousand	**Other currencies** RUB thousand	**Total** RUB thousand
ASSETS					
Cash	503 804	82 366	86 594	-	672 764
Credit institutions' balances with the Central Bank of the Russian Federation	2 617 087	-	-	-	2 617 087
including mandatory reserves	*374 992*	-	-	-	*374 992*
Due from credit institutions	243 641	2 754 684	998 076	5 093	4 001 493
Financial assets at fair value through profit or loss	94 176	-	-	-	94 176
Net loans receivable	42 163 229	1 403 840	16 516 009	-	63 083 078
Net investments in securities and other financial assets available-for-sale	3 031 170	-	-	-	3 031 170
including investments subsidiaries and affiliates	3 000	-	-	-	3 000
Premises and equipment, intangible assets and inventories	1 940 797	-	-	-	1 940 798
Other assets	1 070 756	13 951	251 286	-	1 335 993
Total assets	**51 664 660**	**4 254 841**	**20 851 965**	**5 093**	**76 776 559**
LIABILITIES					
Due to credit institutions	17 149 650	-	9 704 078	-	26 853 728
Amounts due to customers (non-credit institutions)	16 568 641	4 177 765	7 174 275	7 628	27 928 309
including deposits of individuals	*3 633 675*	*973 310*	*487 881*	-	*5 094 866*
Debt securities issued	8 000 000	-	-	-	8 000 000
Other liabilities	964 511	105 233	52 497	-	1 122 241
Provisions for losses under contingent credit-related commitments, other losses and transactions with offshore residents	106 506	-	-	-	106 506
Total liabilities	**42 789 308**	**4 282 998**	**16 930 850**	**7 628**	**64 010 784**
Net position	**8 875 352**	**(28 158)**	**3 921 115**	**(2 535)**	**12 765 774**

A weakening of the RUB, as indicated below, against the following currencies at 01/01/14 and 01/01/13, would have increase (decrease) in equity and net profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	01/01/14 **RUB thousand**	**01/01/13** **RUB thousand**
10% appreciation of USD against RUB	(76 802)	(2 252)
10% appreciation of EUR against RUB	156 958	313 689

A strengthening of the RUB against the above currencies at 01/01/14 and 01/01/13 would have the equal but the opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

8.2.6 Stock market risk

Stock market risk is the risk of incurring losses due to adverse changes in market prices of financial instruments and derivative financial instruments under the influence of factors related to the issuer of a financial instrument and a derivative financial instrument, and general market price volatilities.

Operations on the financial market, subject to market risk, include currency exchange and conversion operations, exchange term deals, investments in shares and bonds.

The key methods of management and control of stock market risks are hedging, setting limits and capital management.

Regulation of procedures for performance of these operations and technologies not admit to exceed specified level of risk.

Established requirements for measuring and monitoring the equity risk are in compliance with the instructions of the Bank of Russia and the methodological recommendations of the Group.

8.2.7 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank manages its interest rate risk by actively lending and borrowing under floating interest rates (LIBOR, MosPrime). The established interest rate risk assessment and monitoring procedures are in full compliance with the Group's methodology recommendations.

In assessing the interest rate risk the Bank uses scenario analysis methods (stress testing) which are used to assess the potential impact of interest rate risk on a number of different changes in risk factors, which correspond to unexpected, but it probable events, generally not amenable to prediction. Under scenario analysis the Treasury departments on a daily basis considering optimistic, pessimistic and most likely scenarios. The results of the scenario analysis are provided for analysis by the Management Board on a monthly basis.

8.2.8 Operational risk

Operational risk is defined as the risk of losses resulting from inadequacy or failure of internal procedures, human resources and systems, or from external events.

Operational risk management is based on identification, monitoring, assessment, mitigation and control of operational risks, as well as on ensuring their effective prevention in accordance with recommendations of the Bank of Russia and the Basel Committee on Banking Supervision, requirements of the Group and laws of the Russian Federation.

Operational risk identification and monitoring include collection and analysis of data on operational risk events, and analysis of all banking processes. All operational risk events are registered in a unified database, analyzed and regularly communicated to the Bank's management. The exposure of new and modified banking operations, products, processes or techniques to operational risk is also analyzed.

Operational risk assessment involves regular analysis of events or circumstances that cause risks (risk factors) and level of their control, as well as scenario analysis of operational risk events performed at all Bank’s divisions. The Bank also makes provisions for losses due to operational risk events.

Operational risk mitigation and control measures include measures aimed at preventing operational risk events. This set of measures are aimed to reduce the effect of events or circumstances that cause operational risk (risk factors), risk transfer (outsourcing), reducing (limiting) the amount of potential operating losses (insurance), and actions aimed to mitigate risk exposure implications and potential losses in case of operational risk events.

The Bank's measures aimed at minimizing risk factors include:

- establishing the Bank’s organizational structure in compliance with the requirements of the Group and regulatory bodies;
- ensuring recruitment of a sufficient number of qualified employees, their continuous professional development and substitutability;
- compliance with the principles of segregation of duties and accountability on operations performed, effective cooperation and communication between employees;
- clear description of responsibilities of each employee;
- compliance with the requirements of current labor laws of the Russian Federation;
- correspondence of the Bank's employee benefits to the current market level and the Group's requirements;
- protecting personal confidential information of the Bank's employees;
- ensuring the appropriate working conditions for the Bank's employees;
- developing, bringing in compliance with the current laws of the Russian Federation and requirements of the Group, and other updating of the Bank's internal documents that stipulate rules and procedures for banking operations and other transactions in order to exclude (minimize) the impact of operational risk factors;
- regulating and approving (coordinating) any banking processes, operations and other transactions;
- control over the implementation and introduction of changes in any banking processes, operations and transactions;
- segregation of duties over operating and control activities;

- setting limits for banking operations and other transactions performed;
- compliance with accounting and reporting principles, regular reconciliation of supporting documents and accounts for banking operations and other transactions;
- using proven process solutions and implementing robust techniques, compliance of all systems (hardware and software) and their technical documents with the Group's requirements;
- testing software before its implementation;
- preventing unauthorized access to the Bank's information systems, compliance with the established procedure for gaining access to information;
- differentiating information access and authorization rights in the Bank's systems;
- identifying and preventing discrepancies in the Bank's systems;
- ensuring data safety and recoverability;
- ensuring physical and information security of the Bank's personnel, clients and assets;
- limiting access to valuable assets;
- compliance with the established procedure for gaining access to the Bank's tangible assets.

The Bank pays special attention to measures aimed to ensure in the ability of the Bank to continue business when conducting banking operations, including plans of actions to be taken in case of any emergencies (business continuity plans).

According to the Bank's management, the established risk management system allows to avoid any significant risk concentration and keeps the existing exposures under permanent control.

8.2.9 Legal risk

The Bank pays special attention to managing legal risk associated with the risk of loss resulting from violations of regulations and agreements, legal errors committed in the course of banking activities, weaknesses of the legal system.

In performing its statutory activities, the Bank strictly complies with the current laws and regulations. Legal risk management involves: monitoring of law making process and developments in laws and bylaws regulating the banking system, tax and financial laws; legal expertise of compliance of internal regulations and agreements entered into by the Bank with the current legislation, other regulations; regular analysis of results of legal settlement of claims with the participation of the Bank; analyzing arbitration court practice.

8.2.10 Risk of business reputation loss

Reputation risk is a risk arising from deterioration of the public opinion related to the Bank's financial stability, quality of its services or nature of its business in general resulting in loss of clients (counterparties).

The management assesses risk that the Bank may incur losses as a result of business reputation deterioration as minimal. The Bank controls and manages all aspects of this risk. Respective divisions are responsible for the following activities:

- control of compliance with the current legislation of the Russian Federation and standards for self-regulating organizations on the securities market;
- internal control over anti-money laundering and counter-terrorism financing actions in accordance with the rules agreed upon with the Operations Department of Moscow Main Territorial Branch of the Bank of Russia and the Federal Financial Markets Service;
- constant monitoring and management of financial risks (credit, market, currency, interest rate, liquidity risks), operational and legal risks;
- fulfillment of the Bank's obligations under agreements with counterparties;
- quality control of services rendered to the Bank's clients, monitoring clients' applications;
- control of compliance of the Bank's employees with professional ethics principles;
- monitoring mass media references to the Bank;
- maintaining information transparency by publishing financial statements, disclosing the necessary information, updating the Bank's web-site;
- analysis of the Bank's promotion activities (advertising products issue, advertising publications, etc.) having effect on its business reputation;
- availability of a crisis-management plan.

8.2.11 Strategic risk

Strategic risk is a risk of losses which a credit institution may incur as result of mistakes (deficiencies) in making decisions defining the credit institution's business and development strategy (strategic management). Strategic risk is mitigated by careful consideration of management decisions based on the preliminary analysis of the current situation in the banking sector and its development prospects, risk levels, actions of the Bank's counterparties and competitors, demands of clients, possibilities to provide necessary staff, financing and technical support in order to implement the planned changes.

Based on the assessment of the above mentioned parameters the Bank plans its product range, branch network development, quantitative and qualitative development indicators.

As of 01/01/13 and 01/01/14 the Bank is not involved in litigations which may have a significant effect on its financial and business operations.

The total amount of claims to the Bank, which have not been not settled as at 01/01/14, equaled to RUB 17 149 thousand (01/01/13: RUB 67 516 thousand). According to these requirements the Bank recognized 100% reserves – non-credit estimated liabilities of RUB 17 149 thousand (01/01/13: RUB 48 620 thousand). The Bank also recorded a provision to customers in the amount of RUB 9 661 thousand.

IX. Information on the credit institution's related party transactions

In the ordinary course of business the Bank enters into transactions with its shareholders and key management. These transactions include lending, deposit taking and other transactions. These transactions are priced at market rates.

As of 01/01/14 and 01/01/13, the parent of the Bank is Intesa Sanpaolo S.p.A. (Italy) owning a majority stake of 46.98%. Entities with significant influence are those having more than 20% stake in the Bank: Intesa Sanpaolo S.p.A. (Italy) and Intesa Sanpaolo Holding International S.A. (Luxembourg) (39.77% stake).

The Bank has a 100%-owned subsidiary, CJSC Intesa Leasing. Other related parties include shareholders of the Bank not being entities with significant influence, but having more than 5% stake in the Bank, as well as organizations related to Intesa Sanpaolo S.p.A. (Italy).

As of 01/01/14, the deposits and subordinated loans attracted from the parent organization and other entities with significant influence amounted to RUB 8 593 922 thousand. (01/01/13: RUB 9 459 768 thousand). Interest rate on these funds as at 01/01/14 varies from 2.30% to 8.49% per annum (01/01/2013: from 2.31% to 7.58%). As of 01/01/14 deposits and subordinated loans attracted from other related parties amounted to RUB 11 991 044 thousand (01/01/2013: RUB 19 383 301 thousand.). Interest rate on these funds as at 01/01/14 varies from 2.44% to 10.63% per annum (01/01/13: from 1.12% to 10.69%).

Information on the balances, income and expenses, generated as a result of the transactions with related parties as at 01/01/14 and 01/01/13 is presented below.

RUB thousand

No.	Item	as of 01/01/14					as of 01/01/13.				
		Parent	**Entities with significant influence**	**Subsidiaries**	**Key management personnel**	**Other related parties**	**Parent**	**Entities with significant influence**	**Subsidiaries**	**Key management personnel**	**Other related parties**
I	Balances on the balance sheet										
1	Due from credit institutions	1 682 903	-	-	-	906	2 353 214	-	-	-	805
2	Loans receivable, including:	3 966 230	-	1 142 739	1 161	112 040	7 410 939	-	486 592	4 743	387 769
2.1	Overdue payments	-	-	-	-	1 281	-	-	-	-	884
3	Provisions for possible losses	-	-	-	-	7 958	-	-	-	-	4 328
4	Due to credit institutions and customers (non-credit instutions)	1 532	8 004 796	48 440	3 189	12 019 751	356 247	8 229 973	34 361	14 610	19 483 381
5	Subordinated loans	180 011	409 115	-	-	-	167 050	379 659	-	-	-
6	Irrevocable liabilities	-	-	-	632	8 923	-	-	-	281	9 661
II	Income and expenses	**2013**					**2012**				
1	Total interest income, including:	44 904		74 026	302	9 077	47 599	-	30 069	685	11 797
1.1	Loans granted	44 904		74 026	302	9 077	47 599	-	30 069	685	11 797
2	Interest expense on borrowed funds	(13 602)	(437 211)	(890)	(9)	(1 087 135)	(15 241)	(522 319)	(322)	(2)	(1 355 168)
3	Net foreign exchange income*	317 959	-	-	-	-	307 448	-	35	-	-
4	Fee and commission income	64 051	-	288	-	116	53 958	-	99	-	100
5	Fee and commission expence	(32 828)	-	-	-	(10)	(38 675)	-	-	-	(1 366)
6	Other income	8 512	-	13 719	-	-	-	-	11 648	-	-
7	Other expenses	(8 511)	-	-	-	(149 184)	-	-	-	-	(143 609)

*In 2013 the Bank has changed the approach to net foreign exchange income calculation on marginal. Comparative figures for 2012 have been adjusted accordingly.

Information on interbank deposits placed with the Bank's shareholders is represented below:

RUB thousand

The name of legal entity	term	as of 01/01/14	as of 01/01/13
Intesa Sanpaolo S.p.A. (USA)	2-7 days	-	789 690
Intesa Sanpaolo S.p.A. (Italy)	8-30 days	1 327 929	4 647 023
Intesa Sanpaolo S.p.A. (Italy)	31-90 days	2 638 301	1 974 226
Total interbank deposits placed with the Bank's shareholders		**3 966 230**	**7 410 939**

X. Information on off-balance sheet liabilities and term deals of the Bank.

RUB thousand

	as of 01/01/14			as of 01/01/13		
	Base for provision	**Estimated provision**	**Actualy created provision**	**Base for provision**	**Estimated provision**	**Actualy created provision**
Liabilities not grouped in homogeneous portfolios						
Undrawn credit lines	446 599	27 280	27 280	1 150 481	67 649	67 649
Guarantee facilities	118 602	31	31	401 425	309	309
Guarantees issued	7 135 684	456 315	17 718	5 705 487	221 737	6 615
Overdrafts	374 894	7 204	7 204	615 599	8 965	8 965
Liabilities grouped in homogeneous portfolios						
Undrawn credit lines	1 248 605	11 113	11 113	1 521 373	11 715	11 715
Guarantees issued	295 601	709	709	398 683	1 276	1 276
Overdrafts	1 473 905	19 169	19 169	1 237 412	9 977	9 977
Total	**11 093 890**	**521 821**	**83 224**	**11 030 460**	**321 628**	**106 506**

As of 01/01/14 deals on delivery of derivatives are reflected in the Section «Term deals» in accordance with the concluded agreements.

XI. Information on segments of activity

An operating segment is a component of the Bank that engages in business activities from which it may gain profit and incur losses (including profit and loss relating to transactions with other components of the Bank), whose operating results are regularly reviewed by the chief operating decision maker when allocating resources to the segments and assessing its performance, and for which financial information is available. Almost all the activities of the Bank are financial services, mainly provided to corporate customers (small, medium and large business). Under this circumstances, the Bank's management has concluded that the Bank has only one reportable segment.

XII. Compensation to the key management personnel

Key management are members of the Board of Directors and the Management Board, and also a President of the Management Board.

The General Shareholders' Meeting is authorized to establish the principles and criteria for determining compensation of the members of the Board of Directors. The principles and criteria for determining compensation of the Chairman and members of the Bank's Management Board are established by the Board of Directors. The decision to pay compensation to the members of the Bank's Board of Directors for acting as members of the Board of Directors is made at the annual General Shareholders' Meeting. Compensations and benefits are paid in accordance with the agreements signed with the Chairman and members of the Bank's Management Board.

In 2013 the remuneration of key management personnel of the Bank includes short-term benefits to be paid during the reporting period and 12 months after the balance sheet date in the amount of RUB 25 495 thousand (2012: RUB 24 497 thousand). There are no long-term remunerations of key personnel of the Bank in 2013 and 2012.

In 2013 the remuneration to the members of the Board of directors amounted to RUB 10 378 thousand. (2012: RUB 10 534 thousand).

As of 01/01/14 the number of the Bank's employees was 1 761 (01/01/13: 1 874 employees).

XIII. Payment of dividends

Bank will consider the possibility of dividend payout per 2013 year in accordance with the established order. In 2013 the Bank paid dividends on shares for 2012 in the following amounts:

The name of the shareholder	**Owned shares of the Bank, %**	**Shares, quantity**	**Dividends paid, RUB thousand**
Intesa Sanpaolo S.p.A	46.98	411 580	415 330
Intesa Sanpaolo Holding International S.A.(Luxembourgh)	39.77	348 410	351 584
European Bank of Reconstruction and Development (EBRD) (Great Britain)	13.25	116 138	117 196
Total	**100.00**	**876 128**	**884 110**

XIV. Earnings per share

The profit for 2013 amounted to RUB 285 923 thousand (2012: RUB 930 646 thousand). Basic earnings per share for 2013 amounted to RUB 326.35 (2012: RUB 1 062.22). The Bank does not calculate the diluted earnings per share as it does not have any convertible shares or contracts with diluted effect stipulated in Clause 9 of the "Methodological recommendations on the disclosure of information on earnings per share" (approved by Order No 29n of the Russian Ministry of Finance of the Russian Federation dated 21/03/00).

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O.V. Lein
Acting Chairman of the Management Board

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T. U. Pavlycheva
Chief accountant

25 February 2014