Joint-Stock Commercial Bank Almazergienbank Group Open Joint-Stock Company

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

31 December 2013

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Independent Auditor's Report

To the Shareholders and Board of Directors of Joint Stock Commercial Bank Almazergienbank (Open Joint-Stock Company):

We have audited the accompanying consolidated financial statements of Joint Stock Commercial Bank "Almazergienbank" (Open Joint-Stock Company) and its subsidiary (the "Group"), 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with 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 a qualified opinion on the fair presentation of these consolidated financial statements.

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Basis for Qualified Opinion

According to IFRS 1 «First-time Adoption of International Financial Reporting Standards», when preparing the first IFRS consolidated financial statements, the Group has to apply accounting policies consistently throughout all periods presented in the IFRS consolidated financial statements. In these consolidated financial statements, premises were recorded at fair value based on the independent valuation results as at 31 December 2013 and 31 December 2012. But as at 31 December 2011 premises were recorded at their historical cost. As the Group had no fair value information as at the above date, we were not able to identify adjustments required in relation to the carrying values of premises and respective deferred taxes at 31 December 2011 and respective profit and loss on revaluation and income tax expense for the years ended 31 December 2012 and 31 December 2011.

Qualified Opinion

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

ZAO „PricewaterhouseCoopers Audit"

25 April 2014
Moscow, Russian Federation

E. V. Filippova, General Director (licence no 01-000185),
ZAO PricewaterhouseCoopers Audit

Audited entity: Joint Stock Commercial Bank Almazergienbank (Open Joint-Stock Company).

State registration certificate No. 1031403918138, issued by MNS of Republic of Sakha (Yakutiya) on 23 July 2003.

Certificate of inclusion in the Unified State Register of Legal Entities No. 2131400004019 issued on 19 April 2013.

1 Prospect Lenina, Yakutsk, The Sakha (Yakutia) Republic, 677000, Russia.

Independent auditor: ZAO PricewaterhouseCoopers Audit.

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

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

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

In thousands of Russian Roubles	Note	31 December 2013	31 December 2012 (restated)	1 January 2012 (restated)
ASSETS				
Cash and cash equivalents	7	6 004 425	4 246 299	2 752 001
Securities at fair value through profit or loss	8	492 432	575 872	838 893
Due from other banks	9	3 588	3 339	115 185
Loans and advances to customers	10	12 352 502	10 614 021	8 545 166
Investment securities available for sale	11	750 707	646 375	784 418
Investment properties	12	71 328	95 513	43 981
Premises, equipment and intangible assets	13	886 978	778 552	429 364
Deferred income tax asset		-	-	22 552
Other financial assets	14	240 169	232 507	291 980
Other assets	15	105 773	83 985	77 442
Current income tax prepayment		14 236	8 476	4 474
Non-current assets held for sale	16	17 859	72 153	163 976
TOTAL ASSETS		**20 939 997**	**17 357 092**	**14 069 432**
LIABILITIES				
Due to other banks	17	192 091	28 534	-
Customer accounts	18	18 101 767	14 686 130	12 050 831
Debt securities in issue	19	5 710	29 471	4 000
Deferred income tax liability	30	17 658	17 683	-
Provisions for liabilities and charges	20	36 301	36 301	33 494
Other financial liabilities	21	32 012	52 717	107 469
Post-employment benefit obligations	22	51 933	46 879	32 627
Other liabilities	23	137 945	87 164	88 835
Subordinated debt	24	412 000	412 000	312 000
TOTAL LIABILITIES		**18 987 417**	**15 396 879**	**12 629 256**
EQUITY				
Share capital	25	1 550 111	1 550 111	1 397 111
Retained earnings		203 084	165 908	67 515
Revaluation reserve for premises and equipment		324 005	324 005	-
Revaluation reserve for investment securities available for sale		(123 888)	(74 476)	(24 450)
Revaluation reserve for post-employment benefit obligations		(732)	(5 335)	-
TOTAL EQUITY		**1 952 580**	**1 960 213**	**1 440 176**
TOTAL LIABILITIES AND EQUITY		**20 939 997**	**17 357 092**	**14 069 432**

Approved for issue and signed on 25 April 2014.

L.V. Nikolaeva
Acting Chairman of the Management Board

S.T. Vasiliev
Chief Accountant

In thousands of Russian Roubles	Note	2013	2012 (restated)
Interest income	26	1 894 411	1 548 796
Interest expense	26	(916 326)	(684 731)
Net interest income		**978 085**	**864 065**
Provision for loan impairment	10	(195 799)	(180 766)
Net interest income after provision for loan impairment		**782 286**	**683 299**
Fee and commission income	27	346 012	278 255
Fee and commission expense	27	(46 870)	(39 069)
Losses on initial recognition of assets at rates below market		(6 717)	-
Losses less gains from trading in securities		(23 009)	(13 729)
Gains less losses/(losses less gains) from financial derivatives		11 449	(21 650)
Gains less losses from trading in foreign currencies		13 513	11 676
(Losses less gains)/gains less losses from trading in precious metals		(2 940)	12 177
(Losses net of gains)/gains less losses from foreign exchange translation		(13 997)	3 498
Other operating income	28	33 411	39 818
Administrative and other operating expenses	29	(975 649)	(820 231)
Dividend income received		11 129	11 004
Profit before tax		**128 618**	**145 048**
Income tax expense	30	(60 211)	(29 843)
PROFIT FOR THE YEAR		**68 407**	**115 205**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit and loss:			
- Losses from revaluation of available for sale securities		(61 712)	(62 532)
- Deferred income tax recorded in other comprehensive income		12 300	12 506
Items that will not be reclassified to profit or loss:			
- Revaluation of premises and equipment	13	-	405 006
- Remeasurements of post-employment benefit obligations		5 754	(6 669)
- Deferred income tax recorded in other comprehensive income	30	(1 151)	(79 667)
Other comprehensive (loss)/ income for the year		**(44 809)**	**268 644**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**23 598**	**383 849**

In thousands of Russian Roubles	Note	Share capital	Share premium	Revaluation reserve for available-for-sale securities	Revaluation reserve for premises and equipment	Remeasurements of post-employment benefit obligations	Retained earnings (Accumulated deficit)	Total equity
Previously reported balance at 31 December 2012		**1 221 111**	**176 000**	**(24 450)**	**-**	**-**	**74 776**	**1 447 437**
Restatement of the consolidated financial statements for 2012	3	**-**	**-**	**-**	**-**	**-**	(7 261)	**(7 261)**
Restated balance at 1 January 2012		**1 221 111**	**176 000**	**(24 450)**	**-**	**-**	**67 515**	**1 440 176**
Profit for the year		-	-	-	-	-	115 205	**115 205**
Other comprehensive income		-	-	(50 026)	324 005	(5 335)	-	**268 644**
Total comprehensive income for 2012 (restated)		-	-	**(50 026)**	**324 005**	**(5 335)**	**115 205**	**383 849**
Share issue	25	153 000	-	-	-	-	-	**153 000**
Dividends declared	31						(16 812)	**(16 812)**
Balance at 31 December 2012 (restated)		**1 374 111**	**176 000**	**(74 476)**	**324 005**	**(5 335)**	**165 908**	**1 960 213**
Profit for the year		-	-	-	-	-	68 407	**68 407**
Other comprehensive income		-	-	(49 412)	-	4 603	-	**(44 809)**
Total comprehensive income for 2013		-	-	**(49 412)**	-	**4 603**	**68 407**	**23 598**
Dividends declared	31	-	-	-	-	-	(31 231)	**(31 231)**
Balance at 31 December 2013		**1 374 111**	**176 000**	**(123 888)**	**324 005**	**(732)**	**203 084**	**1 952 580**

In thousands of Russian Roubles	Note	2013	2012
Cash flows from operating activities			
Interest received		1 849 359	1 452 713
Interest paid		(851 525)	(619 469)
Fees and commissions received		346 969	274 505
Fees and commissions paid		(40 725)	(32 925)
Expenses paid from securities at fair value through profit or loss		(15 359)	(18 919)
Income received from financial derivatives		(9 101)	4 711
Income received from trading in foreign currencies		13 513	11 676
Income received from trading in precious metals		19 746	9 476
Other operating income received		17 019	35 485
Staff costs paid		(525 293)	(445 232)
Administrative and other operating expenses paid		(360 682)	(305 821)
Income tax paid		(54 847)	(60 773)
Cash flows from operating activities before changes in operating assets and liabilities		**389 074**	**305 427**
Net decrease/(increase) in:			
- mandatory cash balances with the Central Bank		(35 571)	(24 403)
- securities at fair value through profit or loss		112 860	266 682
- due from other banks		(249)	111 649
- loans and advances to customers		(1 915 546)	(2 134 564)
- other assets		(19 781)	31 961
- non-current assets held for sale		51 127	91 823
Net increase/(decrease) in:			
- due to other banks		163 557	28 534
- customer accounts		3 320 393	2 685 037
- debt securities in issue		(23 300)	25 460
- other liabilities		9 687	(68 288)
Net cash from operating activities		**2 052 251**	**1 319 318**
Cash flows from investing activities			
Net cash (used in)/from transactions with investment securities available for sale		(175 501)	61 926
Acquisition of premises and equipment	13	(170 301)	(46 947)
Proceeds from disposal of premises, equipment and investment properties		50 673	22 716
Dividend income received		11 129	11 004
Acquisition of investment properties	12	(27 923)	(22 624)
Net cash (used in) / from investing activities		**(311 923)**	**26 075**
Cash flows from financing activities			
Issue of ordinary shares	25	-	153 000
Dividends paid	31	(31 231)	(16 811)
Net cash (used in)/ from financing activities		**(31 231)**	**136 189**
Effect of exchange rate changes on cash and cash equivalents		**13 458**	**(11 687)**
Net decrease in cash and cash equivalents		**1 722 555**	**1 469 895**
Cash and cash equivalents at the beginning of the year (not including mandatory cash balances with the CBRF)	7	4 081 546	2 611 651
Cash and cash equivalents at the end of the year (not including mandatory cash balances with the CBRF)	7	**5 804 101**	**4 081 546**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013 for AKB Almazergienbank (OJSC) (the "Bank") and its subsidiary (the "Group").

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is an open joint-stock company limited by shares and was set up in accordance with Russian regulations. The ultimate controlling party of the Bank is the Russian Federation represented by the Ministry of Property Relations of the Republic of Sakha, which owns 74% of the Bank's shares (31 December 2012: 74% of the Bank's shares).

Principal activity. The Group's principal business activity is commercial and retail banking operations within the Russian Federation. The Bank has operated under a full banking license issued by the Central Bank of the Russian Federation ("CBRF") since 1993. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law No. 177-FZ "Deposits of Individuals Insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in the case of the withdrawal of a license of a bank or a CBRF imposed moratorium on payments.

The Bank also has additional offices in Yakutsk, Mirny, Vilyuisk, Nyurba, Pokrovsk, Aldan, Lensk, Neryungry, Nizhny Bestyakh, Suntar, Maya, Churapcha, Ytyk-Kyuel of the Republic of Sakha (Yakutia). The Bank also has representative offices in Moscow and St Petersburg and an operational office in Khabarovsk. The Bank had 654 employees at 31 December 2013 (2012: 577 employees).

Registered address and place of business. The Bank's registered address is: 1 Prospekt Lenina, Yakutsk, 677000, Republic of Sakha (Yakutia), the Russian Federation. The Bank's principal place of business is the Republic of Sakha (Yakutia).

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

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation (Note 34). The political and economic turmoil witnessed in other countries in the region where the Group operates in late 2013 and early 2014, e.g. recent developments in Ukraine, have had and may continue to have a negative impact on the Russian economy in different ways including the weakening of the Rouble, increase in the Central Bank's key interest rates, withdrawal of capital from the country and making it harder to raise international funding. Several countries have introduced such sanctions against certain Russian persons as visa bans, resolutions on asset freeze, prohibition on business dealings. In addition, the threat persists that the list of Russian companies and individuals subject to sanctions could be extended. At this stage the impact of the above on the Russian economy, in particular if any wider sanctions were introduced, is difficult to determine. GDP growth of Russia has been forecast by the Central Bank of Russia to be less than 1% in 2014. This and other factors are resulting in increased uncertainty and volatility in the financial markets. These and other events may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict.

2 Operating Environment of the Group (Continued)

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4. The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

In 2013, major macroeconomic indicators of the Republic of Sakha (Yakutia) continued to improve. Gross regional product reached 2% to exceed RR 500 billion, the increase was caused by growth in industry (by 4.2%) and trade (by 4.5%) in 2013.

The inflation in the consumer market of the republic grew slower against the Russian Federation as a whole and made 6%. Real cash income of population increased by 2.2%. Unemployment rate is equal to 7.4% in the republic.

3 Summary of Significant Accounting Policies

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

Going concern. Management prepared these consolidated financial statements on a going concern basis.

Consolidated financial statements. The subsidiary is an investee that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns.

The Bank's subsidiary OOO Media Holding Stolitsa was established in 2003 as a limited liability company. As at 31 December 2013, the Bank's ownership was 100% (2012: 100%, 2011: 100%). The principal activity of OOO Media Holding Stolitsa is advertising and information activity.

3 Summary of Significant Accounting Policies (Continued)

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

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

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the average of actual trading prices on the reporting date. Prior to 1 January 2013, the quoted market price used for financial assets was the current bid price; the quoted market price for financial liabilities was the current asking price. Refer to Note 5. This amended standard did not have any significant effect on the Group's consolidated financial statements.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 37.

3 Summary of Significant Accounting Policies (Continued)

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

Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include mandatory reserve deposits with the CBRF and all interbank placements with original maturities of less than three months. Cash and cash equivalents are carried at amortised cost. Refer to Note 7.

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

Mandatory cash balances with the CBRF are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Group's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows. Refer to Note 7.

Securities at fair value through profit or loss. Other securities at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel. Refer to Note 8.

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

3 Summary of Significant Accounting Policies (Continued)

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost. Refer to Note 9.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost. Refer to Note 10.

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

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

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment.

3 Summary of Significant Accounting Policies (Continued)

The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year. Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. Refer to Note 10.

Credit related commitments. The Group issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required settling the commitment at the end of each reporting period. Refer to Note 34.

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

Investment securities available for sale. This classification includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Refer to Note 11.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

Investment properties are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003 less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group, and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to premises and equipment. Refer to Note 13.

Precious metals. The Group has a practice of taking delivery of precious metals and selling them within a short period after delivery, for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Precious metals are carried at fair value with gains or losses recognised in profit or loss.

3 Summary of Significant Accounting Policies (Continued)

Premises and equipment. Premises and equipment are stated at revalued amounts, as stated below, less accumulated depreciation and accumulated impairment losses, where required.

Premises and equipment are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation reserve for premises and equipment in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation reserve for premises and equipment in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings / (accumulated deficit) when the revaluation surplus is realised on the retirement or disposal of the asset, or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

If there is no market based evidence of fair value, fair value is estimated using an income approach. Management has updated the carrying value of land and buildings measured in accordance with the revaluation model at the end of the reporting period using market based evidence and is satisfied that sufficient market based evidence of fair value is available to support the updated fair values.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired. Refer to Note 13.

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

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses). Refer to Note 13.

Changes in accounting policy on premises and equipment. The Group decided to start using the revaluation model in accounting for such categories of premises and equipment as Land and Premises and Buildings for the purposes of the consolidated statement of financial position at 31 December 2012. The Group's management believes the evaluation model ensures the more reliable valuation of premises and equipment.

Intangible assets. The Group's intangible assets have definite useful life and primarily include capitalised computer software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Capitalised computer software is amortised on a straight line basis over expected useful lives of 5 years. Refer to Note 13.

3 Summary of Significant Accounting Policies (Continued)

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

	Useful lives in years
Premises and buildings	20-50
Office equipment	2-15
Furniture	5-10
Motor vehicles	5-7

Refer to Note 13.

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

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

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset. Refer to Note 34.

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

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

3 Summary of Significant Accounting Policies (Continued)

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated. Reclassified non-current financial instruments are not subject to write down to the lower of their carrying amount and fair value less costs to sell.

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

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost. Refer to Note 18.

Subordinated debt. Subordinated debt is carried at amortised cost. The debt ranks after all other creditors in case of liquidation. Refer to Note 24.

Debt securities in issue. Debt securities in issue include promissory notes, bonds, certificates of deposit and debentures issued by the Group. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt. Refer to Note 19.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value.

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

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract. Refer to Note 35.

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

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within administrative and other operating expenses.

3 Summary of Significant Accounting Policies (Continued)

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

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

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period. Refer to Note 34.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Refer to Note 20.

Pension obligations and other long-term employee benefits. In the normal course of business, the Group pays all necessary contributions to the Pension Fund of the Russian Federation for its employees. Mandatory contributions to the Pension Fund of the Russian Federation are expensed when incurred and recognised within other operating expenses of the consolidated statement of profit or loss and other comprehensive income as staff costs. *Post-employment benefits.* The Group uses a defined benefit retirement scheme which provides for non-state pension benefits through NPF Almaznaya Osen. The benefits are financed in accordance with labour agreements. The Group has obligations to ensure that by the retirement date, an employee has at his/her personal pension account at NPF Almaznaya Osen accruals sufficient to pay life-long pension in the amount determined based on the service period and average monthly salary in the Group. Such scheme also includes ritual payments to pensioners in the amount of annual pension. The Group's obligations related to these benefits are funded through annual contributions to NPF Almaznaya Osen. When an employee retires, the obligations are settled and the Group bears no further risks related to non-state pension or ritual benefit.

3 Summary of Significant Accounting Policies (Continued)

The Retirement Agreement provides for transfer of the surrender amount to another pension fund in case of liquidation of the Group or termination of the Retirement Agreement. Therefore, consolidated amounts held at the joint pension account of the Group may not be classified as pension plan assets. Amounts held at the joint pension account at NPF Almaznaya Osen are recognised in the consolidated statement of financial position within other assets.

The amount of defined benefits is calculated on an annual basis by an independent actuary. The amount of liability recognised in the consolidated statement of financial position due to the defined benefit retirement scheme represents discounted defined benefit obligation. The amount of pension plan expenses is determined based on actuarial estimates using the projected unit credit method. The current defined benefit obligation is determined by discounting estimated future cash outflow using interest rates for government bonds with maturity periods equal to the settlement periods of relevant obligations.

Actuarial gains and losses arising out of restatements based on experience and measurements in actuarial assumptions for post-employment benefits are recognised within other comprehensive income in the period in which they arise, within remeasurement of post-employment benefit obligations. The past-service costs are recognised immediately within operating expenses of the consolidated statement of profit and loss and other comprehensive income.

Other long-term benefits. The Group makes payments when employees reach their anniversaries before their employment terminates. The amount of these payments generally depends on one or several factors, such as their age, period of service in the company and minimum employment tariffs used in the Group.

Actuarial gains and losses arising out of restatements and adjustments in actuarial assumptions for this type of benefits are recognised within profit and losses of the consolidated statement of profit and loss and other comprehensive income in the period in which they arise. In all other aspects, accounting policies regarding these obligations are similar to those regarding post-employment benefits.

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

Share capital. Non-redeemable ordinary shares with discretionary dividends are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity. Refer to Note 25.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit. Refer to Note 31.

3 Summary of Significant Accounting Policies (Continued)

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Refer to Note 26.

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

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

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

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

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

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

At 31 December 2013, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 32.7292 (2012: USD 1 = RR 30.3727) and EUR 1 = RR 44.9699 (2012: EUR 1 = RR 40.2286). The principal average rate of exchange used for translating income and expenses was USD 1 = RR 31.90 (2012: USD 1 = RR 31.07).

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

3 Summary of Significant Accounting Policies (Continued)

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

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. In addition to payments to the statutory defined contribution scheme the Group has an agreement on non-state pension security. Refer to Note 34.

***Restatement of the consolidated financial statements for 2012*.** The Group's management revised the classification of the pension plan existing in the Group as at 31 December 2013. Based on this revision, the pension plan was classified as the defined benefit retirement scheme. Prior to 31 December 2013, the pension plan was recognised in the consolidated financial statements of the Group as the defined contribution retirement scheme. This required restatements in the consolidated financial statements of the Group for 2012 in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates".

The effect of the restatements on the consolidated statement of financial position of the Group as at 1 January 2012 is detailed below:

In thousands of Russian Roubles	**Note**	**1 January 2012 (previously reported)**	**Restatement effect**	**1 January 2012 (restated)**
ASSETS				
Other assets	A	53 891	23 551	77 442
Deferred income tax asset	C	20 737	1 815	22 552
LIABILITIES				
Post-employment benefit obligations	B	-	32 627	32 627
EQUITY				
Retained earnings	D	74 776	(7 261)	67 515

The effect of the restatements on the consolidated statement of financial position of the Group as at 31 December 2012 is detailed below:

In thousands of Russian Roubles	**Note**	**Previously reported balance at 31 December 2012**	**Restatement effect**	**31 December 2012 (restated)**
ASSETS				
Other assets	A	52 816	31 169	83 985
LIABILITIES				
Post-employment benefit obligations	B	-	46 879	46 879
Deferred income tax liability	C	20 825	(3 142)	17 683
EQUITY				
Retained earnings	D	173 141	(7 233)	165 908
Revaluation reserve for post-employment benefit obligations	D	-	(5 335)	(5 335)

3 Summary of Significant Accounting Policies (Continued)

The effect of restatements on amounts in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2012 is detailed below:

In thousands of Russian Roubles	**Note**	**2012 (as previously reported)**	**Restatement effect**	**2012 (restated)**
Administrative and other operating expenses	D	(820 266)	35	(820 231)
Income tax expense	D	(29 836)	(7)	(29 843)
Items that will not be reclassified to profit or loss:				
- Remeasurements of post-employment benefit obligations	D	-	(6 669)	(6 669)
- Deferred income tax recorded in other comprehensive income	D	-	1 334	1 334

A. Recognition of contributions to NPF Almaznaya Osen within other assets.

B. Recognition of post-employment benefit obligations

C. The effect of recognition of post-employment benefit obligations and contributions to NPF Almaznaya Osen within other assets on deferred taxes.

D. The effect of recognition of post-employment benefit obligations and contributions to NPF Almaznaya Osen within other assets on the consolidated statement of profit and loss and other comprehensive income and the consolidated statement of financial statement of the Group.

The performed recalculation of the consolidated financial statements produced an impact on information presented in Note 15 "Other Assets", Note 21 "Other Financial Liabilities", Note 22 "Post-employment Benefit Obligations" and Note 29 "Administrative and Other Operating Expenses". The recalculation of the consolidated financial statements did not produce any effect on other notes.

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the consolidated statement of financial position. Instead, analysis of assets and liabilities by their expected maturities is presented in Note 32.

Reclassifications in the consolidated financial statements after issue. The Bank’s shareholders and management have the power to amend the consolidated financial statements after issue.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 71 921 thousand (2012: RR 53 561 thousand), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RR 17 658 thousand (2012: RR 7 084 thousand), respectively.

Valuation of own use premises. The Group's premises are stated at fair value determined based on the valuation report prepared by an independent firm of valuers, LLC UBA as at 31 December 2012. Real estate was valued based on the market value of similar properties at the valuation date subject to all restrictions and encumbrances using the most applicable valuation approaches. The Group's management believes that fair value of premises as at 31 December 2013 did not change significantly compared to their fair value as at 31 December 2013 and the carrying value of own premises approximates their fair value at the end of the reporting period. In determining fair value, the Collateral Department of AKB Almazergienbank (OAO) used information about market value of similar assets as at the reporting date.

Fair value of non-current assets held for sale. Non-current assets held for sale are assets received under settlement agreements and are recorded at their collateral value adjusted for further sales price.

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

Loans at low interest rates. The Group monitors its exposure to credit risk on a regular basis and reviews limits at least once a year. The Group believes low interest rates on mortgage loans comply with the market level as loans were issued within the Programme of Increasing Housing Affordability in the republic, the Providing the High-Quality Housing 2012-2016 state programme where cost of housing was partly subsidised from the state budget. The low interest rate on these loans is offset by the absence of risk of non-payment.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 "Financial Instruments: Recognition and Measurement" requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 38.

5 Adoption of New or Revised Standards and Interpretations

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

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

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

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

IFRS 13 "Fair Value Measurement" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The price within the bid-ask spread that is most representative of fair value in the circumstances is used to measure fair value, which management considers is the average of actual trading prices on the reporting date. Prior to 1 January 2013, the quoted market price used for financial assets was the current bid price; the quoted market price for financial liabilities was the current asking price. This amended standard did not have any significant effect on the Group's consolidated financial statements.

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

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

Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group reports accumulated amount of these remeasurements in other comprehensive income.

"Disclosures - Offsetting Financial Assets and Financial Liabilities" - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that enable users of an entity's consolidated financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The Standard resulted in additional disclosures in these consolidated financial statements. Refer to Note 36.

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

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

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

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments Part 1: Classification and Measurement". IFRS 9, issued in November 2010, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

6 New Accounting Pronouncements (Continued)

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group did not early adopt IFRS 9 in preparation of these consolidated financial statements.

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

"Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities" (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity

6 New Accounting Pronouncements (Continued)

and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Group does not expect the amendment to have any impact on its consolidated financial statements.

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

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

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

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

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

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

6 New Accounting Pronouncements (Continued)

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

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

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

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

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

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

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

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

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

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

6 New Accounting Pronouncements (Continued)

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

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

The International Accounting Standards Board (IASB) has also issued standards that are not yet enacted in the Russian Federation.

7 Cash and Cash Equivalents

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Cash on hand	1 388 392	1 058 429
Cash balances with the CBRF (other than mandatory reserve deposits)	3 849 302	2 795 136
Correspondent accounts and overnight placements with other banks	566 407	227 981
Mandatory cash balances with CBRF	200 324	164 753
Total cash equivalents	**6 004 425**	**4 246 299**

The credit quality of cash equivalents balances may be summarised based on Standard and Poor's ratings as follows at 31 December 2013:

In thousands of Russian Roubles	**Cash balances with the CBRF, including mandatory reserves**	**Correspondent accounts and overnight placements**	**Total**
Neither past due nor impaired			
- Central Bank of the Russian Federation	4 049 626	-	**4 049 626**
- A+ rated	-	1 387	**1 387**
- A- rated	-	125	**125**
- BBB+ rated	-	6 674	**6 674**
- BBB rated	-	372 301	**372 301**
- BB rated	-	35 409	**35 409**
- B- rated	-	21 561	**21 561**
- Unrated	-	128 950	**128 950**
Total cash equivalents	**4 049 626**	**566 407**	**4 616 033**

The credit quality of cash equivalents balances may be summarised based on Standard and Poor's ratings as follows at 31 December 2012:

7 Cash and Cash Equivalents (Continued)

In thousands of Russian Roubles	Cash balances with the CBRF, including mandatory reserves	Correspondent accounts and overnight placements	Total
Neither past due nor impaired			
- Central Bank of the Russian Federation	2 959 889	-	2 959 889
- A rated	-	2 980	2 980
- B rated	-	4 880	4 880
- BB rated	-	52 389	52 389
- BBB+ rated	-	134 958	134 958
- BBB- rated	-	6 337	6 337
- Unrated	-	26 437	26 437
Total cash equivalents	**2 959 889**	**227 981**	**3 187 870**

At 31 December 2013, mandatory cash balances totalled RR 200 324 thousand (31 December 2012: RR 164 753 thousand).

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

Interest rate analysis of cash and cash equivalents is disclosed in Note 32. Information on related party balances is disclosed in Note 38.

8 Securities at Fair Value through Profit or Loss

In thousands of Russian Roubles	31 December 2013	31 December 2012
Corporate bonds	454 365	556 387
Municipal bonds	38 067	19 485
Total securities at fair value through profit or loss	**492 432**	**575 872**

The Group irrevocably designated the above securities, which are not part of its trading book, as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because management assesses performance of these investments based on their fair values.

Corporate bonds are bonds, issued by large Russian companies maturing from April 2014 to July 2023 (2012: from October 2013 to June 2021) with coupon income from 7.40% to 12.25% (2012: from 8.0% to 16.5%) p.a.

Municipal bonds are represented by bonds issued by the Moscow government maturing in June 2017, with coupon income of 7%.

8 Securities at Fair Value through Profit or Loss (Continued)

Securities designated at fair value through profit or loss are carried at fair value, which also reflects any credit risk related write-downs. As the securities are carried at their fair values based on observable market data, the Group does not analyse or monitor impairment indicators.

Analysis by credit quality of debt securities at fair value through profit or loss outstanding at 31 December 2013 is as follows:

In thousands of Russian Roubles	**Municipal bonds**	**Corporate bonds**	**Total**
Neither past due nor impaired (at fair value)			
- BBB rated	38 067	145 482	183 549
- BBB- rated	-	180 360	180 360
- BB+ rated	-	33 718	33 718
- BB- rated	-	33 883	33 883
- B+ rated	-	32 678	32 678
- B rated	-	23 035	23 035
- B- rated	-	5 209	5 209
Total securities at fair value through profit or loss	**38 067**	**454 365**	**492 432**

Analysis by credit quality of debt securities designated at fair value through profit or loss outstanding at 31 December 2012, is as follows:

In thousands of Russian Roubles	**Municipal bonds**	**Corporate bonds**	**Total**
Neither past due nor impaired (at fair value)			
- B+ rated	-	183 017	183 017
- B rated	-	245 268	245 268
- BB rated	19 485	-	19 485
- BB- rated	-	80 316	80 316
- BBB- rated	-	47 786	47 786
Total securities at fair value through profit or loss	**19 485**	**556 387**	**575 872**

The credit ratings are based on Standard & Poor’s ratings where available or Moody’s or Fitch ratings converted to the nearest equivalent on the Standard & Poor’s rating scale. The debt securities are not collateralised.

At 31 December 2013 and 31 December 2012, all securities at fair value through profit or loss are included into securities accepted as collateral for Loans from the CBRF which serves as the source for the Group's liquidity maintenance (the Group has signed a framework agreement with CBRF and is entitled to borrow cash from the latter collateralised by these securities).

Interest rate analysis of securities at fair value through profit or loss is disclosed in Note 32.

9 Due from Other Banks

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Placements with other banks with original maturities of more than three months	3 588	3 339
Total due from other banks	**3 588**	**3 339**

All placements with other banks are neither overdue, nor impaired.

The analysis by credit quality of amounts due from other banks outstanding at 31 December 2013 and 31 December 2012 is as follows:

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
- BBB+ rated	-	445
- BBB rated	1 297	-
- BBB- rated	-	768
- Unrated	2 291	2 126
Total due from other banks	**3 588**	**3 339**

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

Regarding unrated due from other banks, the Group analyses financial position of counterparties with the internal policy of the Group.

Interest rate analysis of due from other banks is disclosed in Note 32.

10 Loans and Advances to Customers

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Corporate loans	7 747 777	6 626 853
Loans to individuals:		
- Consumer loans	3 066 307	2 304 900
- Mortgage loans	2 016 494	1 997 318
- Car loans	555	563
Reverse sale and repurchase agreements	240 576	219 999
Less: Provision for loan impairment	(719 207)	(535 612)
Total loans and advances to customers	**12 352 502**	**10 614 021**

Loans and advances to customers include interest on impaired loans at 31 December 2013 of RR 9 154 thousand (31 December 2012: RR 13 722 thousand).

10 Loans and Advances to Customers (Continued)

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

In thousands of Russian Roubles	Corporate loans	Loans to individuals	Total
Provision for loan impairment at 1 January 2013	**364 181**	**171 431**	**535 612**
Provision for impairment during the year	134 665	61 134	195 799
Amounts written off during the year as uncollectible	(11 665)	(539)	(12 204)
Provision for loan impairment at 31 December 2013	**487 181**	**232 026**	**719 207**

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

In thousands of Russian Roubles	Corporate loans	Loans to individuals	Total
Provision for loan impairment at 1 January 2012	**274 097**	**89 654**	**363 751**
Provision for impairment during the year	94 367	86 399	180 766
Amounts written off during the year as uncollectible	(4 283)	(4 622)	(8 905)
Provision for loan impairment at 31 December 2012	**364 181**	**171 431**	**535 612**

During 2013, the Group sold loans and advances to customers under cession agreements in the amount, less provision for impairment, of RR 8 250 thousand (2012: RR 6 086 thousand). The cash proceeds from the transaction were RR 8 059 thousand (2012: RR 6 086 thousand). At the date of sale, a provision for impairment of these loans was booked in the total amount of RR 61 thousand (2012: RR 45 thousand). Net loss from disposal of assets incurred in 2013 and recognised in the consolidated statement of profit or loss and other comprehensive income amounted to RR 191 thousand (2012: RR 0 thousand). The loans were sold through transfer of contractual rights to cash flows to OAO Agency on Residential Mortgage Lending.

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

	31 December 2013		31 December 2012	
In thousands of Russian Roubles	Amount	%	Amount	%
Individuals				
Consumer loans	3 066 307	23%	2 304 900	21%
Mortgage loans	2 016 494	15%	1 997 318	18%
Car loans	555	0%	563	0%
Legal entities:				
Trade	2 298 918	17%	1 460 998	13%
Construction, agriculture and forestry	1 657 921	13%	1 139 276	10%
Financial, legal, intermediary services and real estate	1 245 552	10%	718 291	6%
Transport and communication	991 993	8%	952 221	9%
Power, gas and water production and distribution	738 431	6%	330 171	3%
Manufacturing	536 234	4%	753 130	7%
Mining	445 739	3%	809 802	7%
Other industries	73 565	1%	682 963	6%
Total loans and advances to customers before provision for loan impairment	**13 071 709**	**100%**	**11 149 633**	**100%**

10 Loans and Advances to Customers (Continued)

At 31 December 2013, the Bank had 114 borrowers (2012: 99 borrowers) with aggregated loan amounts above RR 10 million. The total aggregate amount of these loans was RR 6 676 million (2012: RR 5 470 million), or 51% of the gross loan portfolio (2012: 49%).

Information about collateral at 31 December 2013 is as follows:

In thousands of Russian Roubles	**Corporate loans**	**Consumer loans**	**Mortgage loans**	**Car loans**	**Reverse sale and repurchase agreements**	**Total**
Unsecured loans	2 080 034	2 894 971	-	-	240 576	**5 215 581**
Including guaranteed loans	1 057 513	141 907	-	-	-	**1 199 420**
Loans collateralised by:					-	
- real estate	3 203 125	156 436	2 016 494	-		**5 376 055**
- inventory	737 540	-	-	-	-	**737 540**
- state guarantees	571 724	-	-	-		**571 724**
- motor vehicles	847 101	14 900	-	555	-	**862 556**
- cash deposits	17 919	-	-	-	-	**17 919**
- other assets	290 334	-	-	-	-	**290 334**
Total loans and advances to customers	**7 747 777**	**3 066 307**	**2 016 494**	**555**	**240 576**	**13 071 709**

Information about collateral at 31 December 2012 is as follows:

In thousands of Russian Roubles	**Corporate loans**	**Consumer loans**	**Mortgage loans**	**Car loans**	**Reverse sale and repurchase agreements**	**Total**
Unsecured loans	1 624 453	2 144 325	-	8	219 999	**3 988 785**
Loans collateralised by:						
- real estate	2 537 951	144 375	1 995 856	-	-	**4 678 182**
- inventory	854 526	-	-	-	-	**854 526**
- state guarantees	687 095	-	-	-	-	**687 095**
- motor vehicles	637 637	16 200	-	555	-	**654 392**
- cash deposits	222 463	-	1 462	-	-	**223 925**
- other assets	62 728	-	-	-	-	**62 728**
Total loans and advances to customers	**6 626 853**	**2 304 900**	**1 997 318**	**563**	**219 999**	**11 149 633**

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

10 Loans and Advances to Customers (Continued)

The analysis of loans and advances to customers by credit quality at 31 December 2013 is as follows:

In thousands of Russian Roubles	Corporate loans	Consumer loans	Mortgage loans	Car loans	Reverse sale and repurchase agreements	Total
Neither past due nor impaired						
- 1st quality category	1 434 070	4 738	40 127	-	240 576	**1 719 511**
- 2nd quality category	4 662 134	2 560 459	1 852 193	-	-	**9 074 786**
- 3rd quality category	591 917	34 378	46 432	-	-	**672 727**
Total neither past due nor impaired	**6 688 121**	**2 599 575**	**1 938 752**	**-**	**240 576**	**11 467 024**
Past due but not impaired						
- less than 30 days overdue	7 641	209 890	55 103	-	-	**272 634**
- 31 to 90 days overdue	11 799	-	-	-	-	**11 799**
- 91 to 180 days overdue	11 979	-	-	-	-	**11 979**
- 181 to 365 days overdue	16 718	-	-	-	-	**16 718**
- over 365 days overdue	50 660	-	-	-	-	**50 660**
Total past due but not impaired	**98 797**	**209 890**	**55 103**	**-**	**-**	**363 790**
Loans individually determined to be impaired (gross)						
- not past due	707 271	-	-	-	-	**707 271**
- 31 to 90 days overdue	2 297	35 716	11 364	-	-	**49 377**
- 91 to 180 days overdue	19 821	34 123	7 300	-	-	**61 244**
- 181 to 365 days overdue	51 136	49 015	1 292	-	-	**101 443**
- over 365 days overdue	180 334	137 988	2 683	555	-	**321 560**
Total individually impaired loans and advances to customers (gross)	**960 859**	**256 842**	**22 639**	**555**	**-**	**1 240 895**
Less provision for impairment	**(487 181)**	**(225 330)**	**(6 141)**	**(555)**	**-**	**(719 207)**
Total loans and advances to customers	**7 260 596**	**2 840 977**	**2 010 353**	**-**	**240 576**	**12 352 502**

10 Loans and Advances to Customers (Continued)

The analysis of loans and advances to customers by credit quality at 31 December 2012 is as follows:

In thousands of Russian Roubles	Corporate loans	Consumer loans	Mortgage loans	Car loans	Reverse sale and repurchase agreements	Total
Neither past due nor impaired						
- 1st quality category	1 269 007	8 747	-	-	219 999	1 497 753
- 2nd quality category	4 180 301	1 965 361	1 936 820	-		8 082 482
- 3rd quality category	834 065	27 234	40 038	-		901 337
Total neither past due nor impaired	**6 283 373**	**2 001 342**	**1 976 858**	**-**	**219 999**	**10 481 572**
Past due but not impaired						
- less than 30 days overdue	105 833	121 273	6 923	-	-	234 029
Total past due but not impaired	**105 833**	**121 273**	**6 923**	**-**	**-**	**234 029**
Loans individually determined to be impaired (gross)						
- 30 to 90 days overdue	2 617	31 168	11 338	-	-	45 123
- 91 to 180 days overdue	16 799	28 765	-	-	-	45 564
- 181 to 360 days overdue	111 605	34 139	987	-	-	146 731
- over 360 days overdue	106 626	88 213	1 212	563	-	196 614
Total individually impaired loans and advances to customers (gross)	**237 647**	**182 285**	**13 537**	**563**	**-**	**434 032**
Less provision for impairment	**(364 181)**	**(168 430)**	**(2 438)**	**(563)**	**-**	**(535 612)**
Total loans and advances to customers	**6 262 672**	**2 136 470**	**1 994 880**	**-**	**219 999**	**10 614 021**

The Group uses the following classification of neither past due nor impaired loans and advances to customers by credit quality:

- - Category 1 loans have good debt servicing quality and financial position of a borrower;
- - Category 2 loans have average (good) debt servicing quality and good (average) financial position of a borrower;

10 Loans and Advances to Customers (Continued)

- - Category 3 loans have average debt servicing quality and financial position of a borrower.

The Group applied the loan portfolio provisioning methodology prescribed by IAS 39 "Financial Instruments: Recognition and Measurement" and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Group's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified.

The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

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

Past due but not impaired loans primarily include loans with technical overdue. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral at 31 December 2013:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of Russian Roubles	**Carrying value of the assets**	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Corporate loans	4 695 916	10 036 633	2 564 680	750 149
Loans to individuals	2 136 378	3 293 135	2 714 952	19 157
Mortgage loans	2 005 892	2 914 531	4 461	3 146
Consumer loans	130 486	377 656	2 710 491	16 011
Car loans	-	948	-	-
Reverse sale and repurchase agreements	-	-	240 576	238 249

The effect of collateral at 31 December 2012:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of Russian Roubles	**Carrying value of the assets**	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Corporate loans	4 082 418	7 535 165	2 180 254	273 925
Loans to individuals	2 112 378	2 891 893	2 018 972	21 084
Consumer loans	129 719	345 701	2 006 751	11 531
Mortgage loans	1 982 659	2 545 244	12 221	9 553
Car loans	-	948	-	-
Reverse sale and repurchase agreements	-	-	219 999	213 900

10 Loans and Advances to Customers (Continued)

The fair value of residential real estate collateral at the end of the reporting period was estimated by indexing the values determined by the Group's internal credit department staff at the time of loan inception.

The fair value of real estate and other assets was determined by the Group's credit department by considering the condition and location of the assets accepted as collateral.

Refer to Note 36 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 32.

11 Investment Securities Available for Sale

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Corporate bonds	311 278	220 472
Russian government bonds	72 792	77 290
Total debt securities	**384 070**	**297 762**
Corporate shares	366 637	348 613
Total investment securities available for sale	**750 707**	**646 375**

Russian government bonds are represented by federal loan bonds issued by the Russian Ministry of Finance maturing in February 2036 (2012: from August 2034 to February 2036), with coupon income of 6.9% (2012: 6.9%).

Corporate bonds are bonds, issued by large Russian companies maturing from April 2014 to February 2016 (2012: from June 2013 to April 2014) with coupon income from 8.0% to 12.0% (2012: 8.0%) p.a.

Corporate shares are quoted and unquoted shares of large Russian companies. Unquoted shares are represented by the shares issued by large companies from the Republic of Sakha (Yakutia) related to mining and regional infrastructure.

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

In thousands of Russian Roubles	**Russian government bonds**	**Corporate bonds**	**Total**
Neither past due nor impaired			
- BBB+ rated	72 792	-	72 792
- Unrated	-	311 278	311 278
Total neither past nor impaired debt securities	**72 792**	**311 278**	**384 070**

11 Investment Securities Available for Sale (Continued)

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

In thousands of Russian Roubles	**Russian government bonds**	**Corporate bonds**	**Total**
Neither past due nor impaired			
- BBB+ rated	77 290	-	77 290
- Unrated	-	220 472	220 472
Total neither past nor impaired debt securities	**77 290**	**220 472**	**297 762**

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

Investment securities available for sale include equity securities with a carrying value of RR 59 799 thousand (2012: RR 35 512 thousand) which are not publicly traded. Due to the nature of the local financial markets, it is not possible to obtain current market value for these investments. For these investments, fair value is estimated by reference to the discounted cash flows of the investee's net asset value. Refer to Note 37. For other investments, which are listed in active market, fair value is estimated by reference to the weighted average price calculated by trading organisers based on trading results.

The debt securities are not collateralised.

Interest rate analysis of investment securities available for sale is disclosed in Note 32.

12 Investment Properties

In thousands of Russian Roubles	**Note**	**2013**	**2012**
Cost of investment properties at 1 January		**107 216**	**49 688**
Accumulated depreciation at 1 January		**(11 703)**	**(5 707)**
Carrying value of investment properties as at 1 January		**95 513**	**43 981**
Additions		27 923	22 624
Disposals		(40 266)	(10 977)
Transfer from premises, equipment and intangible assets	13	-	46 059
Transfer to non-current assets held for sale		(7 773)	-
Transfer to premises, equipment and intangible assets	13	(8 560)	(178)
Depreciation charge	29	(2 698)	(6 723)
Transfer of accumulated depreciation to premises, equipment and intangible assets	13	2 062	-
Depreciation charge on disposed items		5 127	727
Carrying value of investment properties as at 31 December		**78 540**	**107 216**
Accumulated depreciation at 31 December		**(7 212)**	**(11 703)**
Carrying value of investment properties as at 31 December		**71 328**	**95 513**

Investment properties are valued at cost less depreciation.

13 Premises, Equipment and Intangible Assets

In thousands of Russian Roubles	Note	Land plots	Premises	Motor vehicles	Office equipment	Furniture	Construction in progress	Intangible assets	Total premises and equipment and intangible assets
Carrying amount at 31 December 2011		**2 190**	**292 787**	**29 091**	**6 540**	**81 574**	**3 930**	**13 252**	**429 364**
Cost at 31 December 2011		**2 190**	**332 490**	**46 314**	**42 386**	**161 298**	**3 930**	**24 314**	**612 922**
Accumulated depreciation		**-**	**(39 703)**	**(17 223)**	**(35 846)**	**(79 724)**	**-**	**(11 062)**	**(183 558)**
Additions		-	-	11 989	4 344	26 429	-	4 185	46 947
Transfers to investment properties	12	-	(46 059)	-	-	-	-	-	(46 059)
Disposals		(117)	(3 698)	(11 392)	(75)	(633)	(2 676)	-	(18 591)
Transfers from investment properties	12	-	178	-	-	-	-	-	178
Depreciation charge	29	-	(4 824)	(9 431)	(3 341)	(20 323)	-	(2 238)	(40 157)
Depreciation charged on disposed items		-	1 485	9 092	50	216	-	-	10 843
Negative revaluation presented in profit and loss		(18)	(18 398)	-	-	-	-	-	(18 416)
Revaluation		28 422	342 979	-	-	-	-	-	371 401
Depreciation charged on assets with negative revaluation		-	9 437	-	-	-	-	-	9 437
Depreciation charged on revalued assets			33 605	-	-	-	-	-	33 605
Carrying amount at 31 December 2012		**30 477**	**607 492**	**29 349**	**7 518**	**87 263**	**1 254**	**15 199**	**778 552**
Cost at 31 December 2012		**30 477**	**607 492**	**46 911**	**46 655**	**187 094**	**1 254**	**28 499**	**948 382**
Accumulated depreciation		**-**	**-**	**(17 562)**	**(39 137)**	**(99 831)**	**-**	**(13 300)**	**(169 830)**

13 Premises, Equipment and Intangible Assets (Continued)

In thousands of Russian Roubles	Note	Land plots	Premises	Motor vehicles	Office equipment	Furniture	Construction in progress	Intangible assets	Total premises and equipment and intangible assets
Carrying amount at 31 December 2012		**30 477**	**607 492**	**29 349**	**7 518**	**87 263**	**1 254**	**15 199**	**778 552**
Cost at 31 December 2012		**30 477**	**607 492**	**46 911**	**46 655**	**187 094**	**1 254**	**28 499**	**948 382**
Accumulated depreciation		**-**	**-**	**(17 562)**	**(39 137)**	**(99 831)**	**-**	**(13 300)**	**(169 830)**
Additions		-	3 685	14 218	3 887	23 176	117 697	7 638	170 301
Disposals		(652)	-	(8 685)	(741)	(2 738)	-	-	(12 816)
Transfers from investment properties	12	-	8 560	-	-	-	-	-	8 560
Transfers of accumulated depreciation from investment property	12	-	(2 062)	-	-	-	-	-	(2 062)
Depreciation charge	29	-	(24 226)	(7 709)	(3 474)	(22 898)	-	(5 539)	(63 846)
Depreciation charged on disposed items		-	-	5 779	741	1 769	-	-	8 289
Carrying amount at 31 December 2013		**29 825**	**593 449**	**32 952**	**7 931**	**86 572**	**118 951**	**17 298**	**886 978**
Cost at 31 December 2013		**29 825**	**619 737**	**52 444**	**49 801**	**207 532**	**118 951**	**36 137**	**1 114 427**
Accumulated depreciation		**-**	**(26 288)**	**(19 492)**	**(41 870)**	**(120 960)**	**-**	**(18 839)**	**(227 449)**

13 Premises, Equipment and Intangible Assets (Continued)

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

As at 31 December 2013, office equipment and furniture include fully depreciated items with the original cost of RR 95 034 thousand (2012: RR 49 849 thousand) that are still in use by the Group and, therefore, are carried in the Group's statement of financial position at zero net book value.

Premises have been revalued at fair value at 31 December 2012. The valuation was carried out by an independent firm of valuers, LLC UBA, which holds a recognised and relevant professional qualification and which has recent experience in valuation of assets of similar location and category. Real estate was valued based on the market value of similar properties at the valuation date subject to all restrictions and encumbrances using the most applicable valuation approaches.

At 31 December 2013, the carrying amount of premises and land plots would have been RR 227 247 thousand (2012: RR 241 942 thousand) had the assets been carried at cost less depreciation.

14 Other Financial Assets

In thousands of Russian Roubles	**Note**	**31 December 2013**	**31 December 2012**
Trade receivables		172 260	176 018
Credit and debit cards receivables		44 121	22 528
Settlements on conversion operations		12 077	23 245
Derivative financial instruments	35	2 352	7 459
Settlements on securities transactions		138	197
Other		12 293	11 208
Less provision for impairment		(3 072)	(8 148)
Total other financial assets		**240 169**	**232 507**

Trade receivables mainly include claims to M.K. Ammosov North Eastern Federal University related to the sale of the building at 1 Prospekt Lenina, Yakutsk. Payments are to be made until 2018 under the schedule.

The primary factors that the Group considers in determining whether a receivable is impaired are its overdue status and realisability of related collateral, if any. The Group has financial assets in the amount of RR 214 920 thousand (2012: RR 221 299 thousand) which are classified as neither past due nor impaired. Financial assets in the amount of RR 25 249 thousand (2012: RR 11 208 thousand) are impaired.

Movements in the provision for impairment of other financial assets during 2013 are as follows:

14 Other Financial Assets (Continued)

In thousands of Russian Roubles	Trade receivables	Total
Provision for impairment at 1 January 2013	**8 148**	**8 148**
Recovery of provision for impairment during the year	(5 076)	(5 076)
Provision for impairment at 31 December 2013	**3 072**	**3 072**

Movements in the provision for impairment of other financial assets during 2012 are as follows:

In thousands of Russian Roubles	Trade receivables	Total
Provision for impairment at 1 January 2012	**2 875**	**2 875**
Provision for impairment during the year	5 273	5 273
Provision for impairment at 31 December 2012	**8 148**	**8 148**

15 Other Assets

In thousands of Russian Roubles	31 December 2013	31 December 2012 (restated)	1 January 2012 (restated)
Precious metals	50 446	47 254	47 512
Assets at the joint account at NPF	39 216	31 169	23 551
Prepayments for services	10 958	1 378	3 634
Prepaid taxes and duties	866	2 376	1 986
Settlements with personnel	622	700	532
Other	15 277	10 409	2 570
Less provision for impairment	(11 612)	(9 301)	(2 343)
Total other assets	**105 773**	**83 985**	**77 442**

Movements in the provision for impairment of other assets during 2013 are as follows:

In thousands of Russian Roubles	Other	Total
Provision for impairment at 1 January 2013	**9 301**	**9 301**
Provision for impairment during the year	2 311	2 311
Provision for impairment at 31 December 2013	**11 612**	**11 612**

Movements in the provision for impairment of other assets during 2012 are as follows:

In thousands of Russian Roubles	Other	Total
Provision for impairment at 1 January 2012	**2 343**	**2 343**
Provision for impairment during the year	6 958	6 958
Provision for impairment at 31 December 2012	**9 301**	**9 301**

Information on related party balances is disclosed in Note 38.

16 Non-current Assets Held for Sale

Major classes of non-current assets classified as held for sale are as follows:

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Non-current assets held for sale:		
Land plots	12 999	7 500
Motor vehicles	4 840	3 068
River vessels	-	61 565
Other	20	20
Total non-current assets held for sale	**17 859**	**72 153**

Non-current assets held for sale were received under a settlement agreement for a subsequent sale in accordance with the established procedure and were recognised as assets held for sale. The assets acquired are recorded at the lower of the fair value and carrying amount of the collateral as at the reporting date. No depreciation is charged on assets held for sale. Each subsequent decrease in the value of the assets acquired as a result of their revaluation at fair value less costs to sell is accounted for as impairment loss and included into the consolidated statement of profit and loss and other comprehensive income. Each subsequent increase in fair value less costs to sell is recognised in the consolidated statement of profit and loss and other comprehensive income up to the previously recorded impairment loss.

In 2013, the Group sold river vessels with the carrying amount of RR 49 773 thousand for the consideration of RR 50 673 thousand to the Ministry of Transport and Roads Republic of Sakha (Yakutia) and vessels with the carrying amount of RR 10 900 thousand for the consideration of RR 7 630 thousand to an individual.

17 Due to Other Banks

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Placements of other banks	192 021	19 000
Correspondent accounts and overnight placements of other banks	70	9 534
Total due to other banks	**192 091**	**28 534**

All placements with other banks are neither overdue, nor impaired.

18 Customer Accounts

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
State and public organisations		
- Current/settlement accounts	905 735	521 570
- Term deposits	112 496	123 941
Other legal entities		
- Current/settlement accounts	2 878 232	2 484 217
- Term deposits	1 255 300	1 148 893
Individuals		
- Current/demand accounts	3 031 451	2 340 802
- Term deposits	9 918 553	8 066 707
Total customer accounts	**18 101 767**	**14 686 130**

18 Customer Accounts (Continued)

State and public organisations exclude government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

	31 December 2013		31 December 2012	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	12 950 004	72%	10 407 509	71%
Construction	1 654 521	9%	1 080 688	7%
State and public organisations	1 018 231	6%	645 511	4%
Investment and financing activities	956 663	5%	89 311	1%
Trade	592 277	3%	332 409	2%
Services	291 370	2%	239 011	2%
Energy	179 068	1%	69 505	1%
Manufacturing	146 387	1%	362 996	2%
Insurance	80 581	0%	794 860	5%
Agriculture	70 065	0%	56 398	1%
Other	162 600	1%	607 932	4%
Total customer accounts	**18 101 767**	**100%**	**14 686 130**	**100%**

At 31 December 2013, the Group had 46 customers (2012: 33 customers) with balances above RR 20 000 thousand. The aggregate balance of these customers was RR 3 761 372 thousand (2012: RR 2 816 970 thousand), or 20.78% (2012: 19.18%) of total customer accounts.

The Group's management assesses the risk of outflow of cash of the Bank's major clients as low as legal entities with balances above RR 20 million are the Group's long-term customers. The Group on an ongoing basis carries out customer retention activities for these clients and attracts new organisations to use its cash and settlement services.

Collateral deposits as at 31 December 2013 made RR 361 950 thousand (2012: RR 388 051 thousand).

Refer to Note 36 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 32. Information on related party balances is disclosed in Note 38.

19 Debt Securities in Issue

In thousands of Russian Roubles	31 December 2013	31 December 2012
Promissory notes	5 710	29 471
Total debt securities issued	**5 710**	**29 471**

At 31 December 2013, promissory notes mainly include promissory notes with a maturity date not earlier than 31 March 2014 (2012: not earlier than 19 June 2013) and an interest rate of 0% p.a. (2012: 6.5% p.a.).

20 Provisions for Liabilities and Charges

Provision for uncertain tax positions and related penalties and interest.

In 2013, the Bank did not create new provisions for losses on tax positions.

In 2012, the Bank created provisions for losses on tax positions, with the statute of limitation equal to three years, in the amount of RR 2 807 thousand for the sale of shares in OAO Yakutia Railways at the price more than 20% below the market price with subsequent understatement of income tax of RR 2 807 thousand, respectively. The Bank assesses the risk of collection of these tax positions by tax authorities as high.

In 2011, the Bank created provisions of RR 33 494 thousand for losses on tax positions, with the statute of limitation equal to three years. The Bank established the following tax positions when the provision was booked: improper charge of provision for overdue promissory notes with subsequent understatement of income tax of RR 7 702 thousand and the sale of shares in OAO Yakutia Railways at the price more than 20% below the market price with subsequent understatement of income tax of RR 25 792 thousand, respectively. The Bank assesses the risk of collection of these tax positions by tax authorities as high.

21 Other Financial Liabilities

Other financial liabilities comprise the following:

In thousands of Russian Roubles	**Note**	**31 December 2013**	**31 December 2012**
Debit or credit card payables		19 410	13 418
Other payables		7 768	14 159
Dividends payable	31	286	3 169
Derivative financial instruments	35	-	16 558
Other accrued liabilities		4 548	5 413
Total other financial liabilities		**32 012**	**52 717**

Refer to Note 36 for disclosure of the fair value of each class of other financial liabilities.

22 Post-employment Benefit Obligations

The Group has a defined benefit retirement scheme which provides for non-state pension benefits through NPF Almaznaya Osen. The financing terms are stated in labour agreements with employees. The Group has pension obligations whereby at the retirement date, an employee has at his/her personal pension account at NPF Almaznaya Osen accruals sufficient to pay life-long pension in the amount determined based on the service period and average monthly salary of an employee in the Group. Such scheme also includes ritual payments to heirs of pensioners in the amount of annual pension.

Movements in pension obligations of the Group for the years ended 31 December 2013 and 31 December 2012 are as follows:

22 Post-employment Benefit Obligations (Continued)

In thousands of Russian Roubles	Post-employment benefits	Other long-term benefits	Total
Present value of obligations at 1 January 2013	**44 562**	**2 317**	**46 879**
Current service cost	6 969	129	**7 098**
Interest expense	3 483	173	**3 656**
Actuarial (gains) – changes in financial assumptions	(5 723)	(37)	**(5 760)**
Actuarial (gains) / losses – restatements based on experience	(31)	723	**692**
Payments and settled liabilities	(49)	(583)	**(632)**
Present value of obligations at 31 December 2013	**49 211**	**2 722**	**51 933**

In thousands of Russian Roubles	Post-employment benefits	Other long-term benefits	Total
Present value of obligations at 1 January 2012	**30 461**	**2 166**	**32 627**
Current service cost	4 708	100	**4 808**
Interest expense	2 724	184	**2 908**
Actuarial losses – changes in financial assumptions	6 414	45	**6 459**
Actuarial losses – restatements based on experience	255	128	**383**
Payments and settled liabilities	-	(306)	**(306)**
Present value of obligations at 31 December 2012	**44 562**	**2 317**	**46 879**

22 Post-employment Benefit Obligations (Continued)

Expenses on pension obligations of the Group for 2013 and 2012 are as follows:

In thousands of Russian Roubles	Post-employment benefits	Other long-term benefits	Total
Current service cost	6 969	129	**7 098**
Interest expense	3 483	173	**3 656**
Effect of remeasurement (for other long-term benefits):			
Actuarial (gains) – changes in financial assumptions	-	(37)	**(37)**
Actuarial losses – restatements based on experience	-	723	**723**
Total expense charged to profit and loss for 2013	**10 452**	**988**	**11 440**
Effects of remeasurements (for post-employment benefits):			
Actuarial (gains) – changes in financial assumptions	(5 723)	-	**(5 723)**
Actuarial (gains) – restatements based on experience	(31)	-	**(31)**
Total expense charged to other comprehensive income for 2013 (before income tax)	**(5 754)**	**-**	**(5 754)**

In thousands of Russian Roubles	Post-employment benefits	Other long-term benefits	Total
Current service cost	4 708	100	**4 808**
Interest expense	2 724	184	**2 908**
Effect of remeasurement (for other long-term benefits):			
Actuarial losses – changes in financial assumptions	-	45	**45**
Actuarial losses – restatements based on experience	-	128	**128**
Total expense charged to profit and loss for 2012	**7 432**	**457**	**7 889**
Effects of remeasurements (for post-employment benefits):			
Actuarial losses – changes in financial assumptions	6 414	-	**6 414**
Actuarial losses – restatements based on experience	255	-	**255**
Total expense charged to other comprehensive income for 2012 (before income tax)	**6 669**	**-**	**6 669**

22 Post-employment Benefit Obligations (Continued)

The main actuarial assumptions of the Group are as follows:

In thousands of Russian Roubles		**2013**	**2012**
Discount rate		8.00%	7.25%
Salary growth rate		6.40%	6.40%
Ritual benefit growth rate		4.17%	5.00%
Guaranteed rate of return of NPF Almaznaya Osen		6.00%	6.00%
Average rate of contributions to social insurance rates		26.29%	26.29%
Expected retirement age:			
	men	59	59
	women	55	55
Life expectancy of 65-year-old pensioners:			
	men	11.5	11.5
	women	15.3	15.3

The sensitivity analysis for each material actuarial assumption at 31 December 2013 is as follows:

Actuarial assumption	**Change in assumption**	**Effect on obligation, RR thousand**
Discount rate	+0.5%	(3 370)
	-0.5%	3 725
Future acceleration of benefit growth rate	+0.5%	3 753
	-0.5%	(3 421)
Change in dismissal rate	+20%	(1 324)
	-20%	1 424
Life expectancy of male pensioners	+1 year	294
	-1 year	(284)
Life expectancy of female pensioners	+1 year	276
	-1 year	(273)
Retirement age	+1 year	(1 428)
	-1 year	1 797

In 2014, the Group expects to make accruals in the amount of RR 4 532 thousand under the defined benefit retirement scheme.

The weighted average term of the Group's pension plan obligations is 16.1 years (2012: 16.4).

The most significant risk exposures for the Group due to the plan are as follows:

Changes in government bond yields. Lower government bond yields will lead to a rise in current obligations under employee benefit plans of the Group.

Inflation risk and risk of employee salary growth. Most employee benefit plans are linked to salary or basic salary of employees. Furthermore, higher inflation rate directly affects growth of salary or basic salary of the Group's employees. Higher inflation rate will lead to a rise in current obligations under employee benefit plans of the Group.

Risk of lower mortality rates among plan participants. Although obligations are settled when an employee retires and afterwards the Group bears no further risks associated with non-state pension or ritual benefit payments, lower post-employment mortality may lead to an increase in tariffs at NPF Almaznaya Osen which will result in a rise in current obligations and expenses of the Group.

23 Other Liabilities

Other liabilities comprise the following:

In thousands of Russian Roubles	31 December 2013	31 December 2012
Taxes payable other than on income	79 684	49 059
Charge of provision for unused vacation	40 214	25 578
Insurance contributions to the Pension Fund of the Russian Federation and FFOMI	11 823	9 489
Deferred income on financial guarantees	6 224	3 038
Total other liabilities	**137 945**	**87 164**

24 Subordinated Debt

Subordinated debt to OAO Republic Investment Company of RR 180 million (2012: RR 180 million) carries a fixed interest rate of 8.5% p.a. and matures on 18 June 2016. The debt ranks after all other creditors in case of liquidation.

Subordinated debt to non-profit organisation Trust Fund for Future Generations of the Sakha (Yakutia) Republic of RR 100 million (2012: RR 100 million) carries a variable interest rate (based on the CBRF's refinancing rate) of 8.25% p.a. and matures on 29 September 2015. The debt ranks after all other creditors in case of liquidation.

Subordinated debt to OOO Nirungan of RR 100 million (2012: RR 100 million) carries a fixed interest rate of 8.0% p.a. and matures on 5 July 2019. The debt ranks after all other creditors in case of liquidation.

Subordinated debt to Bargaryy National Revival Fund under the President of the Republic of Sakha (Yakutia) of RR 12 million (2012: RR 12 million) carries a fixed interest rate of 8.0% p.a. and matures on 22 August 2020. The debt ranks after all other creditors in case of liquidation.

Subordinated debt to OAO Regional Insurance Company Sterkh of RR 20 million (2012: RR 20 million) carries a fixed interest rate of 12.0% p.a. and matures on 18 December 2014. The debt ranks after all other creditors in case of liquidation.

Interest rate analysis of subordinated debt is disclosed in Note 32.

25 Share Capital

In thousands of Russian Roubles except for number of shares	Number of outstanding shares in thousands	Change in purchasing power	Ordinary shares	Share premium	Total
At 31 December 2011	969 943	251 168	969 943	176 000	1 397 111
New shares issued	153 000	-	153 000	-	153 000
At 31 December 2012	1 122 943	251 168	1 122 943	176 000	1 550 111
New shares issued					
At 31 December 2013	1 122 943	251 168	1 122 943	176 000	1 550 111

The total authorised number of ordinary shares is 1 122 943 thousand shares (2012: 1 122 943 thousand shares) with a par value of RR 1 per share (2012: RR 1 per share). All issued ordinary shares are fully paid.

Each ordinary share carries one vote.

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

In accordance with Russian legislation, the Bank distributes profits as dividends or transfers them to reserves on the basis of financial statements prepared in accordance with Russian Accounting Rules. The Bank's reserves under Russian Accounting Rules at 31 December 2013 amount to RR 254 816 thousand (2012: RR 129 100 thousand).

26 Interest Income and Expense

In thousands of Russian Roubles	2013	2012
Interest income		
Loans and advances to customers	1 724 420	1 358 855
Securities at fair value through profit or loss and available for sale	73 859	97 854
Due from other banks	96 132	92 087
Total interest income	**1 894 411**	**1 548 796**
Interest expense		
Term deposits of individuals	756 676	543 358
Term deposits of legal entities	104 891	105 604
Subordinated debt	33 392	27 122
Current/settlement accounts of legal entities	10 039	7 920
Due to banks	8 208	680
Promissory notes issued	3 027	36
Other	93	11
Total interest expense	**916 326**	**684 731**
Net interest income	**978 085**	**864 065**

Interest income includes RR 85 753 thousand (2012: RR 30 347 thousand) interest income, recognised on impaired loans to customers.

27 Fee and Commission Income and Expense

In thousands of Russian Roubles	2013	2012
Fee and commission income		
- Settlement transactions	257 664	209 101
- Opening and maintenance of bank accounts	28 275	19 091
- Guarantees issued	13 437	13 056
- Cash collection	11 023	10 425
- Foreign exchange transactions	6 353	4 107
- Other	29 260	22 475
Total fee and commission income	**346 012**	**278 255**
Fee and commission expense		
- Settlement transactions	39 865	32 323
- Cash transactions	5 552	5 156
- Other	1 453	1 590
Total fee and commission expense	**46 870**	**39 069**
Net fee and commission income	**299 142**	**239 186**

28 Other Operating Income

In thousands of Russian Roubles	2013	2012
Rental income from investment properties	12 703	13 057
Gains on disposal of premises, equipment and investment properties	11 007	1 840
Gain on subsidiaries' operations	4 141	-
Proceeds for recovery of incurred loss	1 059	7 027
Fines and penalties received	-	11 463
Other	4 501	6 431
Total other operating income	**33 411**	**39 818**

29 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	2013	2012 (restated)
Staff costs		542 690	453 209
Depreciation of premises, equipment and investment property and amortisation of intangible assets	13	66 616	46 880
Insurance expenses		44 136	36 807
Taxes other than on income		38 592	32 874
Security expenses		37 456	34 611
Material costs		36 538	30 972
Utilities		27 137	22 643
Charity expenses		27 053	17 431
Other costs of premises and equipment		17 552	9 075
Operating lease expense for premises and equipment		14 897	11 942
Communication, telecommunication and information system services		14 402	15 247
Advertising and marketing services		8 479	12 595
Current service cost under pension plan		7 098	4 808
Interest expense on pension plan		4 342	3 081
Professional services		2 995	7 739
Provision for impairment of other assets		-	14 574
Negative revaluation of property and equipment	13	-	8 979
Provisions for tax risks	20	-	2 807
Other		85 666	53 957
Total administrative and other operating expenses		**975 649**	**820 231**

Included in staff costs are statutory pension contributions of RR 76 409 thousand (2012: RR 65 886 thousand).

30 Income Taxes

(a) Components of income tax expense

Income tax expense comprises the following:

In thousands of Russian Roubles	2013	2012
Current tax	49 087	56 769
Deferred tax	11 124	(26 926)
Income tax expense for the year	**60 211**	**29 843**

30 Income Taxes (Continued)

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

The income tax rate applicable to the Bank's 2013 income is 20% (2012: 20%).

In thousands of Russian Roubles	2013	2012
Profit before tax	**128 618**	**145 048**
Theoretical tax charge at statutory rate (2013: 20%; 2012: 20%)	25 724	29 003
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	16 781	6 047
- Income on government securities taxed at different rates	(403)	(570)
- Unrecognised deferred tax assets related to prior periods	7 260	-
- Recognised deferred tax liability, unrecognised in prior periods	10 759	-
- Income which is exempt from taxation	(211)	(1 918)
- Other	2 500	(525)
- Dividend income	(2 199)	(2 201)
Income tax expense for the year	**60 211**	**29 843**

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in the 2013 temporary differences is detailed below and is recorded at the rate of 20%.

In thousands of Russian Roubles	1 January 2013	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	31 December 2013
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment:	(91 491)	(9 056)	-	(100 547)
Fair valuation of securities	28 045	(4 008)	12 300	36 337
Loans and advances to customers	(776)	23 876	-	23 100
Other assets	19 585	(15 806)	-	3 779
Other liabilities	26 954	(6 130)	(1 151)	19 673
Net deferred tax liability	**(17 683)**	**(11 124)**	**11 149**	**(17 658)**
Recognised deferred tax asset	73 808	-	11 149	84 957
Recognised deferred tax liability	(91 491)	(11 124)	-	(102 615)
Net deferred tax liability	**(17 683)**	**(11 124)**	**11 149**	**(17 658)**

30 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

The tax effect of the movements in the 2012 temporary differences is detailed below and is recorded at the rate of 20%.

In thousands of Russian Roubles	1 January 2012	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	31 December 2012
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment:	(12 999)	2 509	(81 001)	(91 491)
Fair valuation of securities	15 268	271	12 506	28 045
Loans and advances to customers	(6 247)	5 471	-	(776)
Other assets	4 146	15 439	-	19 585
Other commitments	22 384	3 236	1 334	26 954
Net deferred tax asset/(liability)	**22 552**	**26 926**	**(67 161)**	**(17 683)**
Recognised deferred tax asset	35 551	26 926	13 840	76 317
Recognised deferred tax liability	(12 999)	-	(81 001)	(94 000)
Net deferred tax asset/(liability)	**22 552**	**26 926**	**(67 161)**	**(17 683)**

31 Dividends

On 13 June 2013, the Bank declared dividends for 2012 of RR 31 231 thousand (approximately RR 0.0278 per share). Dividends were paid out in July 2013. All dividends are declared and paid in Russian Roubles.

On 29 June 2012, the Bank declared dividends for 2011 of RR 16 812 thousand (approximately RR 0.0173 per share). Dividends were paid out in July 2012. All dividends are declared and paid in Russian Roubles.

32 Financial Risk Management

The Group follows its risk management strategy aimed to maintain optimal relationship between profitability and assumed risks.

The Group's risk management system allows considering risks at the stage of making management decisions and in the course of banking activities. The system is based on timely identification and classification of possible risks, the analysis, measurement and assessment of risk positions and on applying specific banking risk management methods. Risk assessment and management procedures are integrated into current operations.

32 Financial Risk Management (Continued)

In terms of possible losses, the Group determines the following most significant financial risks: credit risk, liquidity risk, market risk and operational risk.

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 34. The credit risk is mitigated by collateral and other credit enhancements.

In accordance with Regulations on Assessment and Management of Aggregate Credit Risk of 23.07.2008 and 25.05.2011, the Management Board sets up quarterly limits of credit risk per borrower or a group of related borrowers.

The Group manages its credit risk through the system of limits and authorities aimed at limiting the risk level and streamlining the decision-making process. The system of limits and authorities assigns the highest possible level of the credit risk per borrower and the aggregate amount of loan products issued to the Group's collegial body or an executive.

The Group's Credit and Deposit Committee is responsible for current credit risk management operations.

The Group has developed and applies policies and procedures aimed at prevention and mitigation of the damage that the Group might incur as a result of exposure to credit risk including:

- Mandatory and regular assessment of the borrower's financial position and the feasibility of financed projects;
- Assessment of liquidity and adequacy of the offered collateral, its valuation and insurance, if necessary, by insurance companies approved by the Group;
- Ongoing monitoring of how borrowers meet their obligations to the Group and whether the collateral is actually available;
- Assessment of quality and the level of risk for loans issued;
- Creation of provisions for possible loan losses and possible losses on other transactions;
- Procedure for transferring impaired loans to the Collection Function of the Group's Security Department and their further processing;
- Procedure for defining and monitoring authorities of the Group's branches in other regions and relevant governing bodies of the Group responsible for loan issue subject to their size.

32 Financial Risk Management (Continued)

Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review. The Group established a number of credit committees which are responsible for approving credit limits for individual borrowers:

- The Group's Supervisory Council considers and approves limits over 25% of the Bank's equity;
- The Group's Management Board considers and approves limits over fifty million roubles;
- The Group's Credit and Deposit Committee considers and approves limits over one million roubles;
- The Small Credit Committee considers and approves credit limits under five million roubles.

The Group's credit risk management is based on the system of actions by the Group's management and staff involved in the lending process, in order to mitigate any negative impact of risks on the Group's profit and capital. The system of actions includes a comprehensive analysis of any credit risks, their identification, assessment and selection of the risk strategy (decision on accepting the risk, rejection of actions related to risk or risk mitigation), development of controls over risk level.

During the reporting period, the Group took actions on increasing its loan portfolio along with following the requirement to ensure an adequate balance between maintaining and further improving the portfolio quality, the Group's profitability and credit risks. Because of the conservative approach used in management, the share of bad debt in the structure of the Group's loan portfolio has decreased.

The procedure of the Group's credit transactions is set up in the Regulations on Provision of Loans to Legal Entities and Individual Entrepreneurs, the Regulations on Provision of Loans to Individuals, the Regulations on the Procedure of Attraction/Placement of Cash in the Interbank Market, the Regulations on the Procedure of Provision of Short-Term Overdraft Loans. Credit risk associated with each loan is assessed in accordance with requirements set up in the Group's Regulations on Procedure of Setting up and Application of Provision for Loans and Equivalent Debt.

The Group's aggregate credit risk is managed under requirements of the Regulations on Assessment and Management of Aggregate Credit Risk of AKB Almazergienbank (OAO) in order to maintain a certain level of indices demonstrating efficiency of the Group's credit operations. The Department of Banking Risks monitors the structure of the loan portfolio and assesses the Group's aggregate credit risk.

The credit risk associated with a specific borrower is controlled over the period from the execution of the loan agreement up to repayment.

The Group's Security Department is involved in determination of credit risk by collection and review of information on the potential borrower, inspection and evaluation of the collateral fair value, scheduled checks of its availability.

In order to exclude any conflict of interest, the Group's divisions carrying out credit operations are divided into back office and front office ensuring ongoing control over the borrowers' business through collection, monitoring and analysis of their financial statements. In the head office, the back office performs evaluation of credit risks of additional offices' borrowers.

32 Financial Risk Management (Continued)

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

The size and structure of the securities portfolio are reviewed to consider yield and manage current liquidity. To manage market risk, the Group has set the following limits:

- limits for counterparties (issuers);
- limits on the size of portfolio of securities at fair value through profit or loss set up based on the market situation, data on yield in various market segments, internal resources of the Group and diversification considerations;
- liability limits (head of a division; dealer (specialist));
- stop-loss limits (loss limits) and take profit limits (profit fixing limits).

Currency risk. The Group manages its currency risk in compliance with the Currency Risk Management Strategy. The Strategy also provides a set of actions to be taken when there are dramatic changes in the foreign exchange market conditions. To assess and monitor the currency risk, the Group calculates its open currency positions. To assess a risk related to maintaining open foreign currency positions, the Group applies the CBRF techniques.

In its foreign currency activities, the Group tries to limit the accepted currency risk by maintaining open positions at their lowest possible level. Special attention is paid to the quality of foreign currency denominated assets and the quality of loan portfolio.

The Group's conservative currency risk management policy includes external and internal limits for currency positions as well as daily monitoring of how they are being applied.

The effect of the currency risk on equity was assessed using a technique described in Regulation of the Bank of Russia No. 387-P of 28 September 2012 "On Procedure for Calculating Market Risk by Credit Organisations".

In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

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

	31 December 2013			
In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Derivative financial instruments**	**Net position**
Russian Roubles	19 199 260	(18 963 459)	(350 560)	(114 759)
US Dollars	191 751	(252 259)	-	(60 508)
Euro	78 459	(93 148)	-	(14 689)
Other	5 364	(60 305)	352 912	297 971
Total	**19 474 834**	**(19 369 171)**	**2 352**	**108 015**

32 Financial Risk Management (Continued)

	31 December 2012			
In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Derivative financial instruments**	**Net position**
Russian Roubles	15 777 765	(14 826 801)	(505 887)	445 077
US Dollars	102 290	(204 026)	325 639	223 903
Euro	78 776	(99 582)	-	(20 806)
Other	3 510	(61 884)	171 150	112 776
Total	**15 962 341**	**(15 192 293)**	**(9 098)**	**760 950**

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Group's gross exposure. The analysis of derivative financial instruments is disclosed in Note 35.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions (and payments) with the counterparty. The amounts by currency are presented gross as stated in Note 35. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

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

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

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

32 Financial Risk Management (Continued)

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2013					
Total financial assets	7 643 696	2 189 930	3 013 013	7 347 744	**20 194 383**
Total financial liabilities	(8 057 920)	(3 092 232)	(3 929 249)	(4 640 330)	**(19 719 731)**
Net interest sensitivity gap at 31 December 2013	**(414 224)**	**(902 302)**	**(916 236)**	**2 707 414**	**474 652**
31 December 2012					
Total financial assets	5 776 916	474 422	2 010 644	8 880 303	**17 142 285**
Total financial liabilities	(6 835 656)	(1 791 943)	(3 698 723)	(4 262 205)	**(16 588 527)**
Net interest sensitivity gap at 31 December 2012	**(1 058 740)**	**(1 317 521)**	**(1 688 079)**	**4 618 098**	**553 758**

At 31 December 2013, if interest rates at that date had been by 100 basis points lower (2012: 100 basis points lower), with all other variables held constant, profit would have been by RR 9 174 thousand higher (2012: RR 13 817 thousand lower), mainly as a result of lower interest expense on liabilities with variable rates. Other components of equity would have been RR 7 507 thousand (2012: RR 6 464 thousand) lower, mainly as a result of an increase in the fair value of fixed rate financial assets classified as available for sale.

Following the Regulations on Assessment and Management of Interest Rate Risk, the Group regularly carries out stress testing of its interest rate risk. The interest rate risk calculated using duration method causing a decrease in economic (net) value by more than 20% of equity is treated as critical. The value of interest rate risk was normal in the reporting period. The Group monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

32 Financial Risk Management (Continued)

	31 December 2013				31 December 2012			
In % p.a.	**RR**	**USD**	**Euro**	**Other**	**RR**	**USD**	**Euro**	**Other**
Assets								
Other debt securities at fair value through profit or loss	8.43%	-	-	-	9.44%	-	-	-
Due from other banks	3.46%	-	-	-	-	3.00%	-	-
Loans and advances to customers	14.06%	10.24%	-	-	13.66%	-	-	-
Debt investment securities available for sale	7.34%	-	-	-	7.85%	-	-	-
Liabilities								
Due to other banks	7.92%	-	-	-	8.50%	-	-	-
Customer accounts								
- current and settlement accounts	0.37%	0.15%	-	-	1.49%	-	-	-
- term deposits	8.37%	4.74%	4.73%	1.73%	7.83%	4.61%	4.89%	1.98%
Debt securities in issue	-	-	-	-	6.50%	-	-	-
Subordinated debt	8.47%	-	-	-	8.30%	-	-	-

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

The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to repay the loans early. The Group's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to the amortised cost of the loans and advances to customers (2011, 2010: no material impact).

To mitigate its interest rate risk, the Group applies gap analysis, brings assets and liabilities into balance in terms of repricing/maturity dates and regularly reviews its effective interest rates against the refinancing rate of the Bank of Russia and rates in the financial market.

Other price risks. The Group has exposure to equity price risk. Transactions with equity products are monitored and authorised by the Group's Treasury. At 31 December 2013, if equity prices at that date had been 20% (2012: 20%) lower with all other variables held constant, other components of equity would have been RR 73 327 thousand (2012: RR 69 723 thousand) lower, mainly as a result of a decrease of fair value of corporate shares designated as available for sale.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from cash-settled derivative instruments.

32 Financial Risk Management (Continued)

The liquidity management of the Group requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements.

The key divisions carrying out control over the Group's liquidity position are: the Treasury, the Division of Economic Analysis and Planning, the Department of Financial Reporting, the Division of Accounting, Taxation and Reporting, the Division of Banking Risks.

The principal task of the Treasury in liquidity management is instant liquidity ratio maintenance and related control. In order to control the liquidity position, the Treasury:

- on a daily basis, accumulates information on the forthcoming cash flow from the Group's divisions, directly or indirectly impacting its liquidity position;
- carries out operational management and control over instant liquidity, monitoring the Group's payment position in real time mode; communicates any information of excessive (insufficient) liquidity to the Division of Economic Analysis and Planning;
- analyses and forecasts the current cash inflow and outflow, including cash of additional offices;
- on a daily basis, provides to the Division of Economic Analysis and Planning any information on scheduled repayments and placements of deposits with the CBRF, amounts on correspondent accounts with other banks, amounts and maturities of interbank loans;
- sets limits on the maximum balances of cash on hand in the Head Office and additional offices and controls compliance with the set limits;
- is responsible for maintenance of the required balances on the Group's correspondent accounts and for timely performance of clients' payments.

The Group calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Russia. These ratios are:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand and should be at least 15%. The ratio was 96.04 at 31 December 2013 (2012: 80.24).
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days and should be at least 50%. The ratio was 96.62 at 31 December 2013 (2012: 90.15).
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year and should be at least 120%. The ratio was 76.45 at 31 December 2013 (2012: 76.42).

32 Financial Risk Management (Continued)

The Treasury receives information about the financial assets and liabilities. The Treasury Department then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The table below shows liabilities at 31 December 2013 by their remaining contractual maturity.

The table shows contractual undiscounted cash flows, total liabilities for loans received and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

The table below shows liabilities at 31 December 2013 by their remaining contractual maturity.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Due to other banks	-	-	-	56 415	223 635	**280 050**
Customer accounts - current accounts	6 815 418	-	-	-	-	**6 815 418**
Customer accounts - term deposits	991 730	2 986 289	4 071 077	4 056 302	149	**12 105 547**
Promissory notes issued	-	3 710	-	2 000	-	**5710**
Other financial liabilities	31 808	204	-	-	-	**32 012**
Subordinated debt	-	-	22 315	332 124	162 479	**516 918**
Financial guarantees	-	166 491	110 586	348 514	-	**625 591**
Gross settled derivatives	222 267	-	-	128 293	-	**350 560**
Total potential future payments for financial obligations	**8 061 223**	**3 156 694**	**4 203 978**	**4 923 648**	**386 263**	**20 731 806**

32 Financial Risk Management (Continued)

The table below shows liabilities at 31 December 2012 by their remaining contractual maturity.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Due to other banks	9 534	-	-	19 000	-	**28 534**
Customer accounts - current accounts	5 346 589	-	-	-	-	**5 346 589**
Customer accounts - term deposits	756 522	1 825 227	3 577 283	3 881 379	-	**10 040 411**
Promissory notes issued	-	5 011	20 750	3 710	-	**29 471**
Other financial liabilities	36 158	-	-	-	-	**36 158**
Subordinated debt	-	-	12 149	380 388	152 099	**544 636**
Financial guarantees	555 805	-	-	-	-	**555 805**
Gross settled derivatives	133 412	-	334 542	372 475	-	**840 429**
Total potential future payments for financial obligations	**6 838 020**	**1 830 238**	**3 944 724**	**4 656 952**	**152 099**	**17 422 033**

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

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

32 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	6 004 425	-	-	-	-	**6 004 425**
Other securities at fair value through profit or loss	492 432	-	-	-	-	**492 432**
Due from other banks	2 291	479	-	818	-	**3 588**
Loans and advances to customers	90 228	2 171 812	2 975 435	5 512 670	1 602 357	**12 352 502**
Investment securities available for sale	750 707	-	-	-	-	**750 707**
Net settled derivatives	223 584	-	-	129 328	-	**352 912**
Other financial assets	80 029	17 639	37 578	102 571	-	**237 817**
Total	**7 643 696**	**2 189 930**	**3 013 013**	**5 745 387**	**1 602 357**	**20 194 383**
Liabilities						
Due to other banks	(70)	-	-	(42 021)	(150 000)	**(192 091)**
Customer accounts – deposits of individuals	(976 818)	(2 721 726)	(3 753 499)	(2 466 362)	(148)	**(9 918 553)**
Customer accounts - current accounts of individuals	(3 031 451)	-	-	-	-	**(3 031 451)**
Customer accounts – deposits of legal entities	(11 539)	(200 101)	(45 164)	(1 110 992)	-	**(1 367 796)**
Customer accounts - current accounts of legal entities	(3 783 967)	-	-	-	-	**(3 783 967)**
Debt securities in issue	-	(3 710)	-	(2 000)	-	**(5 710)**
Subordinated debt	-	-	(20 000)	(280 000)	(112 000)	**(412 000)**
Net settled derivatives	(222 267)	-	-	(128 293)	-	**(350 560)**
Financial guarantees	-	(166 491)	(110 586)	(348 514)	-	**(625 591)**
Other financial liabilities	(31 808)	(204)	-	-	-	**(32 012)**
Total potential future payments for financial obligations	**(8 057 920)**	**(3 092 232)**	**(3 929 249)**	**(4 378 182)**	**(262 148)**	**(19 719 731)**
Liquidity gap arising from financial instruments	**(414 224)**	**(902 302)**	**(916 236)**	**1 367 205**	**1 340 209**	**474 652**

32 Financial Risk Management (Continued)

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

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	4 246 299	-	-	-	-	**4 246 299**
Other securities at fair value through profit or loss	575 872	-	-	-	-	**575 872**
Due from other banks	2 126	-	-	1 213	-	**3 339**
Loans and advances to customers	94 689	474 422	1 682 057	6 252 303	2 110 550	**10 614 021**
Investment securities available for sale	646 375	-	-	-	-	**646 375**
Net settled derivatives	136 660	-	325 639	369 032	-	**831 331**
Other financial assets	74 895	-	2 948	4 775	142 430	**225 048**
Total	**5 776 916**	**474 422**	**2 010 644**	**6 627 323**	**2 252 980**	**17 142 285**
Liabilities						
Due to other banks	(9 534)	-	-	(19 000)	-	**(28 534)**
Customer accounts – deposits of individuals	(744 158)	(1 651 932)	(2 607 577)	(3 063 040)	-	**(8 066 707)**
Customer accounts - current accounts of individuals	(2 340 802)	-	-	-	-	**(2 340 802)**
Customer accounts – deposits of legal entities	(10 000)	(135 000)	(723 854)	(403 980)	-	**(1 272 834)**
Customer accounts - current accounts of legal entities	(3 005 787)	-	-	-	-	**(3 005 787)**
Debt securities in issue	-	(5 011)	(20 750)	(3 710)	-	**(29 471)**
Subordinated debt	-	-	(12 000)	(300 000)	(100 000)	**(412 000)**
Net settled derivatives	(133 412)	-	(334 542)	(372 475)	-	**(840 429)**
Financial guarantees	(555 805)					**(555 805)**
Other financial liabilities	(36 158)	-	-	-	-	**(36 158)**
Total potential future payments for financial obligations	**(6 835 656)**	**(1 791 943)**	**(3 698 723)**	**(4 162 205)**	**(100 000)**	**(16 588 527)**
Liquidity gap arising from financial instruments	**(1 058 740)**	**(1 317 521)**	**(1 688 079)**	**2 465 118**	**2 152 980**	**553 758**

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

32 Financial Risk Management (Continued)

Payments in respect of gross settled forwards will be accompanied by related cash inflows. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

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

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

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

For the purposed of liquidity management the Group may use the following tools:

- - A framework agreement with the CBRF for issuing loans on collateral (lockout) of securities;
- - Daylight and overnight loans based on the addendum to the framework agreement; the set limit on loans on the principal account with the Main Financial Settlements Centre of the National Bank of the Republic of Sakha (Yakutia) of the Bank of Russia of RR 250 million.

33 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Group's ability to continue as a going concern. The Group considers total capital under management to be equity as shown in the consolidated statement of financial position. For the purpose of control over compliance with capital adequacy requirements, on an annual basis the Group's management forecasts the level of capital with the breakdown by months for the calendar year. Subject to this forecast, the Group sets up a plan for the calendar year based on the capital adequacy ratio, and on a quarterly basis, sets up limits on placement of cash based on expected repayments. Realisation of the forecast is monitored on a monthly basis, as a result of which the report on implementation of the plan is prepared and communicated to the Bank's Management Board.

Under the current capital requirements set by the Central Bank of Russia, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level (under Instruction of the Central Bank of Russia No. 139-I of 03.12.2012, the prescribed minimum level was 11% until 1 July 2012 and 10% afterwards). Regulatory capital is based on the Bank's reports prepared under Russian accounting standards and comprises:

33 Management of Capital (Continued)

In thousands of Russian Roubles	31 December 2013	31 December 2012
Net assets under Russian GAAP	2 001 030	1 492 177
Plus subordinated debt	412 000	412 000
Total regulatory capital	**2 413 030**	**1 904 177**

The Group has complied with externally imposed capital requirements throughout 2013 and 2012.

34 Contingencies and Commitments

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

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

The transfer pricing rules that became effective from 1 January 2012 appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis.

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

34 Contingencies and Commitments (Continued)

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group. Management plans to defend vigorously the Group's transfer pricing positions.

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

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks. Refer to Note 20 for more details. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entity's positions and interpretations that were applied in determining taxes recognised in these financial statements if these are challenged by the authorities.

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

In thousands of Russian Roubles	**31 December 2013**	**31 December 2012**
Not later than 1 year	750	-
Due between 1 and 5 years	10 761	15 624
Total operating lease commitments	**11 511**	**15 624**

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

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

34 Contingencies and Commitments (Continued)

Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	31 December 2013	31 December 2012
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	837 854	619 473
Guarantees issued	625 591	555 805
Total credit related commitments	**1 463 445**	**1 175 278**

The total outstanding contractual amount of undrawn credit lines and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was RR 1 463 445 thousand at 31 December 2013 (2012: RR 1 175 278 thousand). Mandatory cash balances with the CBRF of RR 200 324 thousand (2012: RR 164 753 thousand) represent mandatory reserve deposits in CBRF which are not available to finance the Group's day to day operations as disclosed in Note 7.

35 Derivative Financial Instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under contracts on delivery of precious metals entered into by the Bank. The table covers the contracts with settlement dates after the end of the respective reporting period. The terms of the transactions make from one to thirteen months after the reporting date.

	31 December 2013	31 December 2012
In thousands of Russian Roubles	Contingent asset/ (liability) under the contract	Contingent asset/ (liability) under the contract
Contracts on delivery of precious metals: fair values at the end of the reporting period		
- Receivable in gold under the contract on delivery of precious metals payable on settlement (+)	352 912	505 692
- Receivable in US Dollars under the contract on delivery of precious metals payable on settlement (+)	-	325 639
- RR payable on settlement (-)	(350 560)	(505 887)
- Gold payable on settlement (-)	-	(334 542)
Net fair value of contracts on delivery of precious metals	**2 352**	**(9 098)**

Derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in precious metals rates related to such derivatives. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

35 Derivative Financial Instruments (Continued)

At 31 December 2013, the Group had receivables under its contracts on delivery of precious metals with fair value of RR 352 912 thousand (2012: RR 505 692 thousand), and obligations on payment for delivery of precious metals with fair value of RR 350 560 thousand (2012: RR 505 887 thousand), and receivables under its contracts on sale of precious metals with fair value of RR 0 thousand (2012: RR 325 639 thousand), and obligations on delivery of gold with fair value of RR 0 thousand (2012: RR 334 542 thousand).

The Group expects to settle these forward contracts net in cash and, therefore, recognised them in the statement of financial position as an asset at net fair value of RR 2 352 thousand (2012: RR 7 459 thousand) and a liability at net fair value of RR 0 thousand (2012: RR 16 558 thousand). Refer to Notes 15 and 21.

36 Fair Value of Financial Instruments

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

(a) Recurring fair value measurements

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

	31 December 2013			31 December 2012		
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
ASSETS AT FAIR VALUE						
FINANCIAL ASSETS						
Other securities at fair value through profit or loss						
- Municipal bonds	38 067	-	38 067	19 485	-	19 485
- Corporate bonds	454 365	-	454 365	556 387	-	556 387
Investment securities available for sale						
- Russian government bonds	72 792	-	72 792	77 290	-	77 290
- Corporate bonds	100 718	210 560	311 278	-	220 472	220 472
- Corporate shares	306 837	59 799	366 636	313 101	35 512	348 613
Other financial assets						
Other derivative financial instruments	-	2 352	2 352	-	7 459	7 459
NON-FINANCIAL ASSETS						
- Premises	-	623 274	623 274	-	637 969	637 969
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**972 779**	**895 985**	**1 868 764**	**966 263**	**901 412**	**1 867 675**

36 Fair Value of Financial Instruments (Continued)

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2013:

In thousands of Russian Roubles	**Fair value at 31.12.2013**	**Fair value at 31.12.2012**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE				
FINANCIAL ASSETS				
Investment securities available for sale				
- Corporate bonds	210 560	220 472	Discounted cash flows	Weighted average rates of return for bank transactions with debt instruments
- Corporate shares	59 799	35 512	Comparable company valuation multiples	EBITDA multiple and Net asset multiple
Other financial assets				
Other derivative financial instruments	2 352	7 459	Market comparable futures	Comparable gold futures
NON-FINANCIAL ASSETS				
- Premises and land plots	623 274	637 969	Comparable company valuation multiples	Price per square metre, with location adjustments applied
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 2	**895 985**	**901 412**		

There were no changes in valuation technique for level 2 recurring fair value measurements during the year ended 31 December 2013 (2012: none).

(b) Non-recurring fair value measurements

The Group has written down its non-current assets held for sale to fair value less costs to sell. The fair value belongs to level 3 measurements in the fair value hierarchy. The valuation technique and inputs used in the fair value measurement at 31 December 2013:

				Range of inputs (weighted average)
In thousands of Russian Roubles	**Fair value**	**Valuation technique**	**Inputs used**	**31 December 2013**
Non-current assets held for sale	5 226	Market comparable assets	Price per square metre of land	RR 707-1 500 per square metre

Non-financial assets were received under a settlement agreement for a subsequent sale in accordance with the established procedure and were recorded as assets held for sale.

36 Fair Value of Financial Instruments (Continued)

(d) Assets and liabilities not measured at fair value but for which fair value is disclosed

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

	31 December 2013				31 December 2012			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
ASSETS								
Due from other banks								
- Short-term placements with other banks with original maturities of more than three months	-	3 588	-	3 588	-	3 339	-	3 339
Loans and advances to customers								
- Corporate loans	-	-	7 636 201	7 501 172	-	-	6 888 295	6 482 671
- Loans to individuals - consumer loans	-	-	2 829 070	2 840 976	-	-	2 139 299	2 136 470
Loans to individuals - mortgage loans	-	-	1 730 782	2 010 354		-	1 189 779	1 994 880
Other financial assets								
Trade receivables	-	-	169 188	169 188	-	-	167 870	167 870
Credit and debit cards receivables	-	44 121	-	44 121	-	22 528	-	22 528
Settlements on conversion operations	-	3 270	8 807	12 077	-	1 929	21 316	23 245
Other	-	-	12 431	12 431	-	-	11 405	11 405
NON-FINANCIAL ASSETS								
Investment properties	-	138 363	-	71 328	-	175 839	-	95 513
TOTAL	**-**	**189 342**	**12 386 479**	**12 665 235**	**-**	**203 635**	**10 417 964**	**10 937 921**

36 Fair Value of Financial Instruments (Continued)

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

	31 December 2013				31 December 2012			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
FINANCIAL LIABILITIES								
Due to other banks								
- Correspondent accounts and overnight placements of other banks	-	184 582	-	192 021	-	19 000	-	19 000
- Short-term placements of other banks	-	70	-	70	-	9 534	-	9 534
Customer accounts								
- Current/settlement accounts of legal entities	-	3 783 967	-	3 783 967	-	3 002 719	-	3 005 787
- Term deposits of legal entities	-	1 346 587	-	1 367 796	-	1 216 762	-	1 272 834
- Current/demand accounts of individuals	-	3 031 451	-	3 031 451	-	2 340 802	-	2 340 802
- Term deposits of individuals	-	9 775 498	-	9 918 553	-	7 865 166	-	8 066 707
Debt securities in issue								
- Promissory notes	-	5 710	-	5 710	-	29 471	-	29 471
Other financial liabilities								
- Trade payables	-	-	7 768	7 768	-	-	16 166	14 159
- Dividends payable	-	-	286	286	-	-	3 169	3 169
- Debit or credit card payables	-	19 410	-	19 410	-	13 433	-	13 418
- Other accrued liabilities	-	-	4 548	4 548	-	-	5 412	5 412
Subordinated debt								
- Subordinated debt	-	398 423	-	412 000	-	311 616	-	412 000
TOTAL	**-**	**18 545 698**	**12 602**	**18 743 580**	**-**	**14 808 503**	**24 747**	**15 192 293**

36 Fair Value of Financial Instruments (Continued)

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assets, the Group used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Group.

The Group's liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

37 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement" classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2013:

In thousands of Russian Roubles	**Loans and receivables**	**Assets available for sale**	**Assets designated at FVTPL**	**Total**
ASSETS				
Cash and cash equivalents	**6 004 425**	-	-	**6 004 425**
Other securities at fair value through profit or loss	-	-	**492 432**	**492 432**
Due from other banks	**3 588**	-	-	**3 588**
- Short-term placements with other banks with original maturities of more than three months	3 588	-	-	**3 588**
Loans and advances to customers	**12 352 502**	-	-	**12 352 502**
- Corporate loans	7 501 172	-	-	**7 501 172**
- Loans to individuals - consumer loans	2 840 976	-	-	**2 840 976**
- Mortgage loans	2 010 354	-	-	**2 010 354**
- Car loans	-	-	-	**-**
Investment securities available for sale	-	**750 707**	-	**750 707**
Other financial assets	**237 817**	**-**	**2 352**	**240 169**
TOTAL FINANCIAL ASSETS	**18 598 332**	**750 707**	**494 784**	**19 843 823**

37 Presentation of Financial Instruments by Measurement Category (Continued)

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

In thousands of Russian Roubles	**Loans and receivables**	**Assets available for sale**	**Assets designated at FVTPL**	**Total**
ASSETS				
Cash and cash equivalents	**4 246 299**	-	-	**4 246 299**
Other securities at fair value through profit or loss	-	-	575 872	**575 872**
Due from other banks	**3 339**	-	-	**3 339**
- Short-term placements with other banks with original maturities of more than three months	3 339	-	-	**3 339**
Loans and advances to customers	**10 614 021**	-	-	**10 614 021**
- Corporate loans	6 482 671	-	-	**6 482 671**
- Loans to individuals - consumer loans	2 136 470	-	-	**2 136 470**
- Mortgage loans	1 994 880	-	-	**1 994 880**
- Car loans	-	-	-	**-**
Investment securities available for sale	-	646 375	-	**646 375**
Other financial assets	**225 048**	**-**	7 459	**232 507**
TOTAL FINANCIAL ASSETS	**15 088 707**	**646 375**	**583 331**	**16 318 413**

Financial liabilities as at 31 December 2013 and 31 December 2012 are stated in the consolidated statement of financial position at their amortised cost, except for derivative financial instruments which are stated in the balance sheet at their fair value.

38 Related Party Transactions

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

Other related parties are companies under common control with the Bank. Other major shareholders include Alrosa Group which exercises significant influence over the Group's operations. All related party transactions are carried out in the normal course of business of the Group.

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

In thousands of Russian Roubles	**Other significant shareholders**	**Key management personnel**	**Other related parties**
Gross amount of loans and advances to customers (contractual interest rate: 6-26 %)	-	13 239	79 996
Impairment provisions for loans and advances to customers at 31 December	-	(284)	(1 968)
Customer accounts	207 771	77 630	736 038
Other assets	35 626	-	26 979

The income and expense items with related parties for 2013 were as follows:

In thousands of Russian Roubles	**Other significant shareholders**	**Key management personnel**	**Other related parties**
Interest income	18 315	1 193	6 583
Interest expense	-	5 583	22 151
Dividend income	6 466	-	-

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

In thousands of Russian Roubles	**Other significant shareholders**	**Key management personnel**	**Other related parties**
Amounts lent to related parties during the year	-	682	80 682
Amounts repaid by related parties during the year	280 000	-	-

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

In thousands of Russian Roubles	**Other significant shareholders (Nizhne-Lenskoye)**	**Key management personnel**	**Other related parties**
Gross amount of loans and advances to customers (contractual interest rate: 6-18 %)	280 000	12 691	2 195
Impairment provisions for loans and advances to customers at 31 December	-	-	(2 195)
Other assets	-	-	527

38 Related Party Transactions (Continued)

The income and expense items with related parties for 2012 were as follows:

In thousands of Russian Roubles	Other significant shareholders (Nizhne-Lenskoye)	Key management personnel	Other related parties
Interest income	33 045	769	493

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

In thousands of Russian Roubles	Other significant shareholders (Nizhne-Lenskoye)	Key management personnel	Other related parties
Amounts lent to related parties during the year	10 000	6 100	-
Amounts repaid by related parties during the year	280 000	1 970	369

The Group lends to and received deposits from a large number of government related entities. As at 31 December 2013, balances on issued corporate loans are RR 1 334 848 thousand (2012: RR 1 229 517 thousand) and balances on term deposits are RR 1 294 580 thousand (2012: RR 1 272 134 thousand).

38 Related Party Transactions (Continued)

Key management compensation is presented below:

In thousands of Russian Roubles	**2013** Expense	**2013** Accrued liability	**2012** Expense	**2012** Accrued liability
Short-term benefits:	36 687	3 775	30 553	2 177
- Salaries	28 043	3 775	22 230	1 665
- Short-term bonuses	7 598	-	8 323	512
- Benefits in-kind	1 046	-	-	-
Post-employment benefits:	-	3 796	-	3 955
- Post-employment benefit obligations	-	3 796	-	3 955
- Termination indemnity benefits	286	-	-	-
Total	**36 973**	**7 571**	**30 553**	**6 132**

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

NPF Almaznaya Osen is a company under common control with OAO Alrosa. Information on transactions with NPF Almaznaya Osen is disclosed in Note 22 Post-employment Benefit Obligations.

39 Events After the End of the Reporting Period

In February 2014, the Extraordinary General Meeting of Shareholders' of AKB Almazergienbank (OAO) took a decision to increase the share capital by RR 35 141 thousand through an additional issue of 35 141 000 registered ordinary shares, with a par value of RR 1 per share. Based on the results of the additional share issue, the interest of Ministry of Property Relations of the Republic of Sakha in the share capital of the group will be 74.79%.

In February 2014, the Management Board of AKB Almazergienbank (OAO) took a decision to dispose 100% of the share capital of its subsidiary OOO Media Holding Stolitsa.