Limited Liability Company China Construction Bank

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

31 December 2013

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Independent Auditor's Report

To the Participant and Board of Directors of LLC China Construction Bank:

We have audited the accompanying financial statements of LLC China Construction Bank (herinafter referred to as the "Bank"), which comprise the statement of financial position as at 31 December 2013 and the statements of profit or loss and other comprehensive income, changes in net assets attributable to the Bank's participants and cash flows for the period from 4 March to 31 December 2013, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2013, and its financial performance and its cash flows for the period from 4 March to 31 December 2013 in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

17 March 2014

Moscow, Russian Federation

N.V.Kosova, Director (licence no. 01-000396), ZAO PricewaterhouseCoopers Audit

Audited entity: LLC China Construction Bank

State registration certificate № 3515, issued by the Central Bank of the Russian Federation on 4 March 2013.

11/1 Lybansky proezd., 101000, Moscow, Russian Federation.

Independent auditor: ZAO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Bureau on 28 February 1992

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

Certificate of membership in self-regulating organisation of auditors № 870, ORNZ 10201003683 in the register of auditors and audit organizations

LLC China Construction Bank
Statement of Financial Position

In thousands of Russian Roubles	Note	31 December 2013
ASSETS		
Cash and cash equivalents	7	2 243 770
Mandatory cash balances with the Central Bank of the Russian Federation		114 163
Due from other banks	8	1 956 666
Loans and advances to customers	9	2 040 717
Deferred income tax asset	19	8 885
Intangible assets	10	15 915
Premises and equipment	10	30 643
Other financial assets	11	15 713
Other assets	12	7 538
TOTAL ASSETS		**6 434 010**
LIABILITIES		
Due to other banks	13	2 186 584
Customer accounts	14	13 701
Other liabilities	15	8 284
Current income tax payable		2 792
Total liabilities excluding net assets attributable to the Bank's participant		**2 211 361**
Net assets attributable to the Bank's Participant	16	**4 222 649**
TOTAL LIABILITIES		**6 434 010**

Approved for issue and signed on 17 March 2014.

Gao Rong
CEO

Anna Garaeva
Chief Accountant

The notes set out on pages 5 to 35 form an integral part of these financial statements.

In thousands of Russian Roubles	Note	For the period from 4 March 2013 – 31 December 2013
Interest income	17	199 096
Interest expense	17	(5 521)
Net interest income		**193 575**
Fee and commission income		236
Fee and commission expense		(210)
Foreign exchange translation gains less losses		513
Results from dealing in foreign currencies		18 277
Other operating income		13
Administrative and other operating expenses	18	(184 700)
Profit before tax and remeasurement of net assets attributable to the Participant		**27 704**
Income tax expense	19	(5 055)
Increase in net assets attributable to the Bank's Participant	**16**	**22 649**
Total comprehensive income for the period		**22 649**

In thousands of Russian Roubles	Note	Participant's contribution to net assets	Increase in net assets attributable to the Bank's Participant	Total net assets attributable to the Bank's Participant
Balance at 4 March 2013		**-**	**-**	**-**
Participant's contribution	16	4 200 000	-	**4 200 000**
Increase in net assets attributable to Participant from operations for the period from 4 March to 31 December 2013	16	-	22 649	**22 649**
Balance at 31 December 2013		**4 200 000**	**22 649**	**4 222 649**

In thousands of Russian Roubles	Note	For the period from 4 March 2013 to 31 December 2013
Cash flows from operating activities		
Interest received		190 815
Interest paid		(5 521)
Fees and commissions received		236
Fees and commissions paid		(210)
Income received from trading in foreign currencies		18 277
Other operating income received		13
Staff costs paid		(74 185)
Administrative and other operating expenses paid		(102 447)
Income tax paid		(11 148)
Cash flows from operating activities before changes in operating assets and liabilities		**15 830**
Change in operating assets and liabilities		
Net increase in mandatory cash balances with the Central Bank		(114 163)
Net increase in due from other banks		(1 952 503)
Net increase in loans and advances to customers		(2 036 550)
Net increase in other assets		(22 414)
Net increase in due to other banks		2 186 584
Net increase in customer accounts		13 701
Net increase in other liabilities		1 222
Net cash from operating activities		**(1 924 123)**
Cash flows from investing activities		
Acquisition of premises and equipment	10	(31 863)
Acquisition of intangible assets	10	(16 586)
Net cash from investing activities		**(48 449)**
Cash flows from financing activities		
The Bank's Participant's contribution	16	4 200 000
Net cash from financing activities		**4 200 000**
Effect of exchange rate changes on cash and cash equivalents		**512**
Net increase in cash and cash equivalents		**2 243 770**
Cash and cash equivalents at 4 March 2013		-
Cash and cash equivalents at 4 March 2013		**2 243 770**

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the period from 4 March 2013 to 31 December 2013 for Limited Liability Company China Construction Bank (the "Bank").

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a limited liability company and was set up in accordance with Russian regulations on 4 March 2013. The Bank is a 100% subsidiary of China Construction Bank Corporation, People's Republic of China, which owners include the Ministry of Finance and the Government of the People's Republic of China (the "Parent Bank"). The Parent Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the People's Republic of China.

The Bank has been operating under a full banking licence issued by the Central Bank of the Russian Federation ("CBRF") on 20 March 2013. Due to the fact that time period from registration till reporting date is less than one year the financial information was prepared for the following periods (dates):

- Statement of Financial Position as at 31 December 2013;
- Statement of Profit or Loss and Other Comprehensive Income for the period from 4 March 2013 to 31 December 2013;
- Statement of Changes in Net Assets Attributable to the Bank's Participant for the period from 4 March 2013 to 31 December 2013;
- Statement of Cash Flows for the period 4 March 2013 – 31 December 2013.

Principal activity. The Bank's principal business activity is commercial banking operations within the Russian Federation. 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 licence of a bank or a CBRF imposed moratorium on payments.

The Bank has no branches within the Russian Federation and overseas. The number of Bank's employees as at 31 December 2013 was 38.

Registered address and place of business. The Bank's registered address is: Lybansky proezd, 11/1, building 1, Moscow 101000, Russian Federation.

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

2 Operating Environment of the Bank

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations Note 22. The political and economic turmoil witnessed in the region in late 2013 and early 2014, including the developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the Rouble, increase in the Central Bank key interest rate and making it harder to raise international funding. There is an ongoing possibility of further sanctions against Russia and Russian officials the impact of which if they were to be implemented, are difficult to determine. The financial markets have been and currently continue to be uncertain and volatile. These and other events may have a significant impact on the Bank's operations and financial position, the effect of which is difficult to predict.

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.

Management is unable to predict all developments which could have an impact on the banking sector and wider economy and consequently what effect, if any, they could have on the future financial position of the Bank. Management believes it is taking all the necessary measures to support the sustainability and development of the Bank's business.

3 Summary of Significant Accounting Policies

Basis of preparation. These 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. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period from 4 Mach 2013 to 31 December 2013, unless otherwise stated (refer to Note *5*).

Going concern. Management prepared these financial statements on a going concern basis. Refer to Note 4 for description of judgements and estimates used by the Management with regard to events and conditions that may cast a significant doubt upon the Bank's ability to continue as a going concern.

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.

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 (ie 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 Bank: (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 25.

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.

3 Summary of Significant Accounting Policies (Continued)

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 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. 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 Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank 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. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts charged or credited to current accounts of the Bank's counterparties held with the Bank, 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. 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 Bank'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.

3 Summary of Significant Accounting Policies (Continued)

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

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

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment.

The primary factors that the Bank 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 Bank 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 derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

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.

Credit related commitments. The Bank 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 Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

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.

Management regularly 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. 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).

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 cost to their residual values over their estimated useful lives:

	Useful lives in years
Office and computer equipment	2 to 20

The residual value of an asset is the estimated amount that the Bank 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.

Intangible assets. The Bank's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software and acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 1 to 25 years.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost. If the Bank purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

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

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

Income taxes. Income taxes have been provided for in the 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. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

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

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.

3 Summary of Significant Accounting Policies (Continued)

Uncertain tax positions. The Bank'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.

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

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

Net assets attributable to the Bank's participant. The Bank's Participant has a right to request redemption of their interests in the Bank in cash. The Bank's obligation to redeem gives rise to a financial liability for the present value of the redemption amount even though the obligation is conditional on the participant exercising the right. It is impractical to determine exact amount of this liability as it is unknown when and if the participant will withdraw from the Bank. As a practical expedient, the Bank measures the liability presented as 'Net assets attributable to the Bank's participant' at the IFRS carrying value of the net assets.

Russian legislation identifies as basis for distributions net profit determined in accordance with Russian Accounting Regulations.

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

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

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. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion.

Foreign currency translation. The functional currency of the Bank is the national currency of the Russian Federation, Russian Roubles ("RR").

3 Summary of Significant Accounting Policies (Continued)

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

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, EUR 1 = RR 44.9699. The principle average rate of exchange used for translating income and expenses for USD for the period from 4 March 2013 to 31 December 2013 was USD 1 = RR 32.2083, EUR 1 = RR 42.7675.

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 Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

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

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the amounts recognised in the 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 financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Going concern. Management prepared these financial statements on a going concern basis. In making this judgement management considered the Bank's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the recent financial crisis on future operations of the bank.

Impairment losses on loans and advances. As at 31 December 2013 the entire Bank portfolio was neither past due, nor impaired.

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

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective from 1 January 2013. They did not result in significant changes to the Bank's financial statements:

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.

IFRS 11 "Joint Arrangements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

IFRS 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.

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.

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".

IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

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

Amendments to IAS 1 "Presentation of Financial Statements" (issued in June 2011, effective for annual periods beginning on or after 1 July 2012) 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 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 Bank reports accumulated amount of these remeasurements in retained earnings in equity.

"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 financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

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 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.

Other revised standards and interpretations: IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation did not have an impact on the Bank's financial statements. Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards – Government Loans", which were issued in March 2012 and are effective for annual periods beginning 1 January 2013, give first-time adopters of IFRSs relief from full retrospective application of accounting requirements for loans from government at below market rates. The amendment is not relevant to the Bank.

6 New Accounting Pronouncements

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

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

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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

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

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

6 New Accounting Pronouncements (Continued)

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.

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.

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.

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.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). 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.

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.

6 New Accounting Pronouncements (Continued)

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). 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.

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

7 Cash and Cash Equivalents

In thousands of Russian Roubles	**31 December 2013**
Cash on hand	16 827
Cash balances with the CBRF (other than mandatory reserve deposits)	9 649
Correspondent accounts and overnight placements with other banks	5 543
Placements with other banks with original maturities of less than three months	2 109 567
Settlement accounts with trading systems	102 184
Total cash and cash equivalents	**2 243 770**

Cash and cash equivalents are neither past due nor impaired. The Bank uses long-term ratings provided by world-wide recognized rating agencies. Information about credit ratings is disclosed below, Moody's ratings being translated to Standard & Poor's/Fitch equivalent. The credit quality of cash equivalents balances, excluding cash on hand balances, may be summarised as follows at 31 December 2013:

In thousands of Russian Roubles	**Cash balances with the CBRF**	**Correspondent accounts and overnight placements with other banks**	**Placements with other banks with original maturities of less than three months**	**Settlement accounts with trading systems**	**Total**
Neither past due nor impaired:					
- Central Bank of the Russian Federation	9 649	-	-	-	9 649
International rating by Standard and Poors:					
A	-	5 543	-	-	5 543
BBB	-	-	900 635	102 184	1 002 818
BBB-	-	-	1 208 933	-	1 208 933
Total cash equivalents neither past due nor impaired	**9 649**	**5 543**	**2 109 568**	**102 184**	**2 226 943**

7 Cash and Cash Equivalents (Continued)

At 31 December 2013 the Bank had balances with seven counterparty banks that represent the Bank of Russia, state owned banks and the Parent bank with its subsidiaries and branches. The total aggregate amount of these balances was RR 2 238 922 thousand or 95.6% of the cash and cash equivalents.

Interest rate analysis of cash and cash equivalents is disclosed in Note 20. Information on related party balances is disclosed in Note 26.

8 Due from Other Banks

In thousands of Russian Roubles	31 December 2013
Short-term placements with other banks with original maturities of more than three months	1 304 677
Long-term placements with other banks with original maturities of more than one year	651 989
Total due from other banks	**1 956 666**

Due from other banks are neither past due nor impaired. Analysis by credit quality of amounts due from other banks outstanding at 31 December 2013 is as follows:

In thousands of Russian Roubles	Short-term placements with other banks with original maturities of more than three months	Other	Total
Neither past due nor impaired			
BBB	653 208	324 071	977 279
BBB-	651 469	327 919	979 388
Total neither past due nor impaired	**1 304 677**	**651 989**	**1 956 666**

At 31 December 2013 the Bank had balances with four counterparty banks that represent state owned banks. The total aggregate amount of these deposits was RR 1 956 666 thousand.

Disclosure of the fair value of due from other banks is presented in Note 24.

9 Loans and Advances to Customers

In thousands of Russian Roubles	2013
Loans to corporate entities	2 032 424
Loans to individuals (Mortage loans)	8 293
Total loans and advances to customers	**2 040 717**

9 Loans and Advances to Customers (Continued)

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

	2013	
In thousands of Russian Roubles	Amount	%
Oil Industry	937 682	45.9%
Metal industry	606 392	29.7%
Financial sector	488 350	23.9%
Individuals	8 293	0.5%
Total loans and advances to customers	**2 040 717**	**100%**

Information about collateral at 31 December 2013 is as follows:

In thousands of Russian Roubles	Corporate loans	Mortgage loans	Total
Unsecured loans	1 544 074	-	1 544 074
Loans guaranteed by other parties	488 350	-	488 350
Loans collateralised by real estate	-	8 293	8 293
Total loans and advances to customers	**2 032 424**	**8 293**	**2 040 717**

Loans and advances to customers are neither past due nor impaired. All of the Bank's loans were issued within the period from June to October 2013. Neither of the loans have any signs of impairment. Thus, no provision for loan impairment has been created. Analysis by credit quality of loans outstanding at 31 December 2013 is as follows:

In thousands of Russian Roubles	Corporate loans	Mortgage loans	Total
Neither past due nor impaired			
International rating by Moody's			
BBB	1 426 032	-	1 426 032
BBB-	606 392	-	606 392
Not rated	-	8 293	8 293
Total neither past due nor impaired	**2 032 424**	**8 293**	**2 040 717**

At 31 December 2013 the Bank had balances with five counterparties in loan portfolio that are represented by companies from oil and metal industry, financial sector and one individual.

The Bank's policy is to classify each loan as "neither past due nor impaired" until specific objective evidence of impairment of the loan is identified. As at 31 December 2013 all of the Bank's loans and advances to customers are neither past due, nor impaired.

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

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:

9 Loans and Advances to Customers (Continued)

In thousands of Russian Roubles	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Corporate loans	488 350	492 394	1 544 074	-
Mortgage loans	8 293	12 031		

Refer to Note 24 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 20. Information on related party balances is disclosed in Note 26.

10 Premises, Equipment and Intangible Assets

In thousands of Russian Roubles	Office and computer equipment	Constructio n in progress	Total premises and equipment	Intangible assets (Computer software licences)	Total
Cost at 4 March 2013	-	-	-	-	-
Carrying amount at 4 March 2013					
Additions	31 037	826	31 863	16 586	**48 449**
Depreciation charge	(1 220)	-	(1 220)	(671)	**(1 891)**
Carrying amount at 31 December 2013	**29 817**	**826**	**30 643**	**15 915**	**46 558**

11 Other Financial Assets

In thousands of Russian Roubles	31 December 2013
Rent security deposit	12 872
Derivative financial instruments	2 841
Total other assets	**15 713**

Other financial assets represent rent security deposit in total amount of RR 12 872 thousand under rent agreement with China Construction Bank Corp and positive fair value of three currency SWAP agreements, entered into for the purpose of liquidity and currency risks management.

12 Other Assets

In thousands of Russian Roubles	31 December 2013
Trade receivables	6 148
Other	1 390
Total other assets	**7 538**

All of the above assets are expected to be recovered less than twelve months after the year-end.

13 Due to Other Banks

In thousands of Russian Roubles	31 December 2013
Short-term placements of other banks	2 184 616
Correspondent accounts and overnight placements of other banks	1 968
Total due to other banks	**2 186 584**

Refer to Note 24 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 20. Information on related party balances is disclosed in Note 26.

14 Customer Accounts

In thousands of Russian Roubles	31 December 2013
Corporate entities	
- Current/settlement accounts	5 222
Individuals	
- Current/demand accounts	5 307
- Term deposits	3 172
Total customer accounts	**13 701**

Economic sector concentrations within customer accounts are as follows:

	31 December 2013	
In thousands of Russian Roubles	Amount	%
Individuals	8 479	62%
Real estate	4 792	35%
Other	430	3%
Total customer accounts	**13 701**	**100%**

Refer to Note 24 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 20. Information on related party balances is disclosed in Note 26.

15 Other Liabilities

Other liabilities comprise the following:

In thousands of Russian Roubles	31 December 2013
Accrued bonuses	5 451
Accrued unused vacation provision	2 412
Other	411
Taxes payable other than on income	10
Total other liabilities	**8 284**

16 Net Assets Attributable to Participant

In thousands of Russian Roubles	Total
As at 4 March 2013	-
Participant's contribution – China Construction Bank Corp.	4 200 000
Profit for the period	22 649
As at 31 December 2013	**4 222 649**

The nominal registered amount of the Bank's charter capital is RR 4 200 000 thousand.

17 Interest Income and Expense

In thousands of Russian Roubles	Period from 4 March 2013 to 31 December 2013
Interest income	
Loans and advances to customers	22 942
Due from other banks	176 154
Total interest income	**199 096**
Interest expense	
Term deposits with other banks	(5 501)
Term deposits with individuals	(20)
Total interest expense	**(5 521)**
Net interest income	**193 575**

18 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Period from 4 March 2013 to 31 December 2013
Staff costs	83 939
Rent expenses	40 185
Expensed low value items	14 396
Taxes other than on income	11 016
Utilities expenses	9 635
Administrative expenses	4 079
Depreciation of premises and equipment	1 891
Security expenses	1 232
Other	18 327
Total administrative and other operating expenses	**184 700**

Included in staff costs are budgetary and off-budgetary contributions of RR 9 192 thousand.

19 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss for the year comprises the following:

In thousands of Russian Roubles	**Period from 4 March 2013 to 31 December 2013**
Current tax	13 940
Deferred tax credit	(8 885)
Income tax expense for the period	**5 055**

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

The income tax rate applicable to the majority of the Bank's 2013 income is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	**Period from 4 March 2013 to 31 December 2013**
IFRS Profit before tax	**27 704**
Theoretical tax charge at statutory rate (2013: 20%)	5 541
Tax effect of items which are not deductible or assessable for taxation purposes:	
- Other non-taxable income	(486)
Income tax expense for the period	**5 055**

(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 these temporary differences is detailed below, and is recorded at the rate of 20%.

In thousands of Russian Roubles	**4 March 2013**	**Credited to profit or loss**	**31 December 2013**
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	-	(441)	(441)
Due from other banks	-	1 704	1 704
Loans and advances to customers	-	4 205	4 205
Other	-	3 417	3 417
Net deferred tax asset	**-**	**8 885**	**8 885**
Recognised deferred tax asset	-	8 885	8 885
Net deferred tax asset	**-**	**8 885**	**8 885**

20 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises credit risk, liquidity risk, and market risk (including currency risk and interest rate 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.

Management of risks is fundamental to the Bank's business. The risk management of the Bank comprise:

- Structuring or risk identification and assessment;
- Risk monitoring and minimizing system;
- Internal control structure;
- Organizational structure of risk management – a structure of the Bank's bodies and departments involved in Risk Management activities.

In the Bank the Board of Directors, Management Board, and Risk Management Department are responsible for managing risks. The complete independence of risk assessment and management is based on the Bank's corporate structure where Risk Management Department is completely separated from business departments that initiate risk-taking.

The Bank's priority is to reduce exposure to risks by collegiate decision making. Strict segregation of duties between departments and officials of the Bank, accurately specified instructions and procedures, and determination of limits and authorities of departments and managers are also essential areas for risk limitation. Appropriate methodologies are used to access the risk level. Instructions, procedures and methodologies are designed and revised by the Bank on a regular basis.

Risk monitoring structure includes:

- Setting the limits for risk acceptance on the basis of assessment of the respective risk level;
- Control over the Bank's exposure to the risks by:
  - Monitoring the limits;
  - Assessment of the Bank's exposure to risks on a regular basis;
  - Anti-Money Laundering and Compliance control;
  - Meeting the requirements of the Central Bank of the Russian Federation with regard of covering the risks with sufficient equity;
  - Internal audit of risk management systems.

The key strategic objective of the Bank is to ensure sustainability of operations and maintain its profit at the level allowing development of the Bank, and to restrain from activities with high risk.

Credit risk. The Bank 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 Bank's lending and other transactions with counterparties giving rise to financial assets. The Bank's risks are mainly concentrated in transactions that make a major contribution to its financial result, namely lending to legal entities.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.
Loan applications originated by the relevant client relationship managers are passed on to the Risk Management Department for financial analysis and consideration. The Management Board approves new limits, loans and changes and amendments to loan agreements on the basis of credit analysis and recommendations of the Risk Management Department.

Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees. In order to monitor credit risk exposures, regular reports are produced by the Risk

20 Financial Risk Management (Continued)

Management Department's officers based on a structured analysis focusing on the customer's business and financial performance. The Risk Management Department performs current monitoring of the loan portfolio.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 25. The credit risk is mitigated by collateral and other credit enhancements as disclosed in Note 25.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates 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.

Currency risk. 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 Bank's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2013			
In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Derivative financial Instruments**	**Net position**
Russian Roubles	2 892 143	(20 167)	1 246 551	4 118 527
US Dollars	3 478 014	(2 179 739)	(1 243 710)	54 565
Euros	764	(271)	-	493
Other	108	(108)	-	-
Total	**6 371 029**	**(2 200 285)**	**2 841**	**4 173 585**

The above analysis includes only monetary assets and liabilities.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency with all other variables held constant:

	At 31 December 2013	
In thousands of Russian Roubles	**Impact on profit or loss**	**Impact on equity**
US Dollar strengthening by 20%	10 913	10 913
US Dollar weakening by 20%	(10 913)	(10 913)
Euro strengthening by 20%	99	99
Euro weakening by 20%	(99)	(99)

Interest rate risk. The Bank 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

20 Financial Risk Management (Continued)

such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Bank's exposure to interest rate risk solely relates to its lending portfolio. To manage interest rate risk, the Bank mainly applies the following methods:

- Maturity-matching of assets and liabilities;
- Gap analysis.

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

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	More than 5 years	Total
Total monetary financial assets	2 360 774	2 045 296	1 632 596	324 070	8 293	6 371 029
Total monetary financial liabilities	(1 376 912)	(819 889)	-	(3 484)	-	(2 200 285)
Net interest sensitivity gap at 31 December 2013	**983 862**	**1 225 407**	**1 632 596**	**320 586**	**8 293**	**4 170 744**

Other price risk. The Bank has no exposure to equity price risk. During the reporting period the Bank has not engaged in transactions with assets that are subject to equity risk.

The Bank 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 Bank'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.

Geographical risk concentrations. Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from offshore companies of these Russian counterparties, are allocated to the caption "Russia".

20 Financial Risk Management (Continued)

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2013 is set out below:

In thousands of Russian Roubles	Russia	USA	Europe	China	Total
Financial assets					
Cash and cash equivalents	2 238 227	5 004	431	108	2 243 770
Mandatory cash balances with the Central Bank of the Russian Federation	114 163	-	-	-	114 163
Due from other banks	1 956 666	-	-	-	1 956 666
Loans and advances to customers	1 552 367	-	488 350	-	2 040 717
Other financial assets	-	-	-	15 713	15 713
Total financial assets	**5 861 423**	**5 004**	**488 781**	**15 821**	**6 371 029**

In thousands of Russian Roubles	Russia	USA	Europe	China	Total
Financial liabilities					
Due to other banks	499 063	-	-	1 687 521	2 186 584
Customer accounts	6 730	-	-	6 971	13 701
Total financial liabilities	**505 793**	**-**	**-**	**1 694 492**	**2 200 285**
Net position in on-balance sheet financial instruments	**5 355 630**	**5 004**	**488 781**	**(1 678 671)**	**4 170 744**

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity management is performed by the Bank's Treasury. Liquidity risk is independently controlled by Risk Management.

The Bank seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits. The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Bank 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 Bank 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. The ratio was 627% at 31 December 2013;
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 162% at 31 December 2013;

20 Financial Risk Management (Continued)

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. The ratio was 50% at 31 December 2013.

The Treasury Department receives information about the liquidity profile of 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 trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The daily liquidity position is monitored and regular liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions, is performed by the Treasury Department.

The table below shows liabilities at 31 December 2013 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows gross loan commitments 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.

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.

The undiscounted maturity analysis of financial instruments, shown as 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**	**More than 5 years**	**Total**
Assets						
Cash and cash equivalents	2 243 770	-	-	-	-	2 243 770
Mandatory cash balances with the Central Bank of the Russian Federation	114 163	-	-	-	-	114 163
Due from other banks	-	-	1 674 487	339 725	-	2 014 212
Loans and advances to customers	-	2 153 958	-	-	12 510	2 166 468
Other financial assets	2 841	12 872	-	-	-	15 713
Total financial assets	**2 360 774**	**2 166 830**	**1 674 487**	**339 725**	**12 510**	**6 554 326**
Liabilities						
Due to other banks	2 186 584	-	-	-	-	2 186 584
Customer accounts – individuals	5 307	1 659	-	1 513	-	8 479
Customer accounts – other	5 222	-	-	-	-	5 222
Credit related commitments	-	-	-	204 558	-	204 558
Financial guarantees	-	-	279 046	-	-	279 046
Total potential future payments for financial obligations	**2 197 113**	**1 659**	**279 046**	**206 071**	**-**	**2 683 889**
Liquidity gap arising from financial instruments	**163 661**	**2 165 171**	**1 395 441**	**133 654**	**12 510**	**3 870 437**

20 Financial Risk Management (Continued)

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities and the resulting expected liquidity gap 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	More than 5 years	Total
Assets						
Cash and cash equivalents	2 243 770	-	-	-	-	2 243 770
Mandatory cash balances with the Central Bank of the Russian Federation	114 163	-	-	-	-	114 163
Due from other banks	-	-	1 632 596	324 070	-	1 956 666
Loans and advances to customers	-	2 032 424	-	-	8 293	2 040 717
Other financial assets	2 841	12 872	-	-		15 713
Total financial assets	**2 360 774**	**2 045 296**	**1 632 596**	**324 070**	**8 293**	**6 371 029**
Liabilities						
Due to other banks	1 368 354	818 230	-	-	-	2 186 584
Customer accounts – individuals	5 304	1 662	-	1 513	-	8 479
Customer accounts – other	5 222	-	-	-	-	5 222
Total financial liabilities	**1 378 880**	**819 892**	**-**	**1 513**	**-**	**2 200 285**
Net liquidity gap at 31 December 2013	**981 894**	**1 225 404**	**1 632 596**	**322 557**	**8 293**	**4 170 744**
Cumulative liquidity gap at 31 December 2013	**981 894**	**2 207 298**	**3 839 894**	**4 162 451**	**4 170 744**	**-**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. 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 Bank and its exposure to changes in interest and exchange rates.

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

Operational risk. Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks but through a control framework and by monitoring and responding to potential risks the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment procedures as well as assessment processes, including the use of Internal Control Unit which reports to the Board of Directors.

The Bank's operational risk management involves several stages: identification, assessment, monitoring, control and/or minimization of operational risk. To minimize operational risk, the Bank regularly reviews information security, improves internal normative documents regulating procedures of transactions, optimizes informational flows and internal document workflow.

20 Financial Risk Management (Continued)

The Bank identifies operational risk on a regular basis. To that effect, the Bank maintains an analytic database of operating losses incurred broken down by activities of the Bank to record types and amounts of losses, and also circumstances under which these losses have occurred. The Bank also maintains an external database of operational risks that presents realized facts of operational risk in the external environment of the Bank.

Legal risk. Legal risk is the risk that the Bank can incur losses due to its incompliance with laws and regulations, and concluded contracts, legal errors committed in operating activity, imperfect legal system (inconsistent legislation of the Russian federation, lack of legal norms to regulate some issues which arise in the course of business of the Bank), violation by counterparties of laws and regulations and terms and conditions of concluded contracts.

The Bank maintains continued ongoing monitoring of changes in Russian and international legislation and timely amends internal instructions and regulations and thus reduces this risk.

21 Management of Capital

The Bank'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 Bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%. The Bank considers total capital under management to be the Participant's contribution as shown in the statement of financial position. The amount of share capital that the Bank managed as of 31 December 2013 was RR 4 200 000 thousand. Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually.

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. Regulatory capital is based on the Bank's reports prepared under Russian accounting standards and amounts RR 4 247 046 thousand.

The Bank has complied with all externally imposed capital requirements throughout the period from its foundation (4 March 2013) to 31 December 2013.

22 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank may be received. During 2013 year there were no legal claims against the Bank.

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 Bank. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by 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 Organization 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.

22 Contingencies and Commitments (Continued)

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.

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 Bank.

As Russian tax legislation does not provide definitive guidance in certain areas, the Bank adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Bank. 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 Bank.

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
Not later than 1 year	1 495
Total operating lease commitments	**1 495**

Payments under rental agreement are fixed in US dollars. Future lease payments were translated in presentation currency using USD/RUR rate as at 31 December 2013.

Compliance with covenants. The Bank has no any borrowings to be subject to certain covenants.

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 Bank 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 Bank on behalf of a customer authorising a third party to draw drafts on the Bank 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 Bank 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 since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

22 Contingencies and Commitments (Continued)

In thousands of Russian Roubles	31 December 2013
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change.	279 046
Financial guarantees issued	204 558
Total credit related commitments	**483 604**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was RR 483 604 thousand at 31 December 2013. All guarantees are US Dollars denominated.

23 Derivative financial instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange swap contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts are short term in nature:

		2013	
In thousands of Russian Roubles	Note	Contracts with positive fair value	Contracts with negative fair value
Foreign exchange swap contracts: fair values, at the balance sheet date, of	**11, 20, 24**		
- USD payable on settlement (-)		(1 243 711)	-
- RR receivable on settlement (+)		1 246 550	-
Net fair value of foreign exchange spot contracts	11, 20, 24	**2 841**	-

As at 31 December 2013 the Bank had three currency swaps with positive fair value of RR 2 841 thousand.

24 Fair Value of Financial Instruments

Fair value measurements are analyzed 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 judgment in categorizing 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 level in the fair value hierarchy into which the recurring fair value measurements are categorized are as follows:

24 Fair Value of Financial Instruments (Continued)

In thousands of Russian Roubles	31 December 2013 Valuation technique with inputs observable in markets (Level 2)	Total
Assets		
- Fair value of currency rate based financial derivatives	2 841	2 841
Total assets recurring fair value measurements	**2 841**	**2 841**

The bank has short-term (less than one months) currency SWAPs, closed shortly after the year end. The Banks values instruments using SPOT and currency exchange rates, quoted at the Moscow Interbank Stock Exchange (MICEX) at the year end.

(b) 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			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Carrying value
Financial assets carried at amortised cost				
Cash and cash equivalents	-	2 243 770	-	2 243 770
Mandatory cash balances with the Central Bank of the Russian Federation	-	114 163	-	114 163
Due from other banks	-	1 956 666	-	1 956 666
Loans and advances to customers:				
- Loans to corporate entities	-	-	2 032 424	2 032 424
- Loans to individuals	-	-	8 293	8 293
Other financial assets	-	-	15 713	15 713
Total	-	**4 314 599**	**2 056 430**	**6 371 029**

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			
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Carrying value
Financial liabilities carried at amortised cost				
Due to other banks	-	2 186 584	-	2 186 584
Customer accounts	-	13 701	-	13 701
Total	-	**2 200 285**	-	**2 200 285**

The fair values in level 2 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was

24 Fair Value of Financial Instruments (Continued)

estimated to be equal to their carrying amount. 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 assessment of fair value of loans and advances to customer categorized at Level 3, the Bank uses Discounted cash flows model.

The Bank calculates FV for loans with fixed interest rate with remaining maturity of more than one year. The Bank uses the following assumptions:

- the fair values of loans with floating rate are considered to be equal to the carrying value because the interest payments are based on LIBOR or MIBOR depending on the terms of agreement;

- the fair value of loans with remaining maturity less than one year are considered to be equal to the carrying value due to the fact that effect of fair value recalculation based on current market rates is not material.

For corporate loans with maturity more than one year the Bank discounts monthly payments at weighted average rate by product type and currency type calculated based on contractual rates for loans issued by the Bank during the last quarter before the reporting date.

For loans to private individuals with maturity more than one year the Bank discounts monthly payments at weighted average rate by product type and currency type calculated based on the loans issued at the end of the last quarter before the reporting date.

The Bank issued the main part of its portfolio of loans and advances in the third quarter of 2013, therefore its fair value approximates carrying value at 31 December 2013.

25 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. In addition, finance lease receivables form a separate category. All of the Bank's financial assets fall in the loans and receivables category. All of the Bank's financial assets were carried at amortised cost.

26 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.

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

In thousands of Russian Roubles	**The Parent Bank and it's subsidiaries**
Due to other banks (interest rates from 0.9% to 1.2%)	1 687 521
Cash and cash equivalents (interest rates from 0.9% to 7.5%)	5 543
Other financial assets (security rent deposit)	12 872

26 Related Party Transactions (Continued)

The income and expense items with related parties for the period from 4 March 2013 to 31 December 2013 were as follows:

In thousands of Russian Roubles	The Parent Bank and it's subsidiaries
Interest expense	5 040
Administrative and other operating expenses	40 183
Fee and commission expense	24

In thousands of Russian Roubles	Immediate parent company	Key management personnel
Amounts lent to related parties during the period	12 317	-
Amounts repaid by related parties during the period	-	-

In thousands of Russian Roubles	Immediate parent company	Key management personnel
Amounts borrowed from related parties during the period	20 954 311	302
Amounts repaid to related parties during the period	19 568 757	-

Key management compensation is presented below:

In thousands of Russian Roubles	31 December 2013
Short-term benefits:	
- Salaries	14 265
- Short-term bonuses	2 884
Total key management compensation	**17 149**

27 Events After the End of the Reporting Period

As a result of recent events (refer to Note 2) Russian Rouble depreciation to US Dollar is 10.38% and to Euro is 10.28% in comparison to 31 December 2013, stock market has gone down by 11-12% in March, and forecasts of Russian economy growth are also going down.

Bank currently assesses possible effects which could influence its financial position and its performance in the nearest future.

N.V. Kosova, Director,
ZAO PricewaterhouseCoopers Audit

17 March 2014

39 (thirty nine) pages are numbered, bound and sealed.