Open Joint-Stock Company
SEB 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 Shareholder of OAO "SEB Bank":

We have audited the accompanying financial statements of OAO "SEB Bank" (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 equity and cash flows for 2013, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Independent Auditor's Report (Continued)

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 2013 in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

28 April 2014

Moscow, Russian Federation

A.V. Efremov, Director (Qualification certificate no. 01-000255),

ZAO PricewaterhouseCoopers Audit

Audited entity: OAO "SEB Bank"

State registration certificate №3235, issued by the Central Bank of the Russian Federation on 15 March 1995

Certificate of inclusion in the Unified State Register of Legal Entities series 78 № 005702758 issued on 30 August 2002. State registration number 1027800000910

Ul. Mikhailova, 11, St Petersburg, Russian Federation, 195009

Independent auditor: ZAO PricewaterhouseCoopers Audit

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

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

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

In thousands of Russian Roubles	Note	31 December 2013	31 December 2012
ASSETS			
Cash and cash equivalents	7	1 513 592	1 203 138
Mandatory cash balances with the Central Bank of the Russian Federation		41 737	92 197
Due from other banks	8	2 583 972	2 453 327
Loans and advances to customers	9	6 570 380	5 967 151
Other financial assets	10	15 911	6 770
Premises, equipment and intangible assets	11	147 377	159 785
Other assets	12	11 759	11 221
TOTAL ASSETS		**10 884 728**	**9 893 589**
LIABILITIES			
Due to other banks	13	6 187 271	4 932 858
Customer accounts	14	1 677 207	2 008 874
Subordinated deposit	15	117 829	109 354
Other financial liabilities	16	28 415	56 180
Current income tax liability		2 802	2 390
Deferred income tax liability	22	6 401	6 880
Other liabilities	17	24 828	24 283
TOTAL LIABILITIES		**8 044 753**	**7 140 819**
EQUITY			
Share capital	18	2 523 327	2 523 327
Additional paid-in capital		251 766	251 766
Retained earnings/(accumulated deficit)		64 882	(22 323)
TOTAL EQUITY		**2 839 975**	**2 752 770**
TOTAL LIABILITIES AND EQUITY		**10 884 728**	**9 893 589**

Approved for issue and signed on behalf of the Executive Board on 28 April 2014.

Открытое акционерное общество «СЭБ Банк» Санкт-Петербург SEB

K.P. Nikkola
Chairman of the Executive Board

I.P. Grishina
Chief Accountant

J. Krutinis
Deputy Chairman of the Executive Board
Chief Financial Officer

In thousands of Russian Roubles	Note	2013	2012
Interest income	19	586 193	459 617
Interest expense	19	(355 138)	(236 263)
Net interest income		**231 055**	**223 354**
Recovery of provision for loan impairment	9	4 540	4 959
Net interest income after provision for loan impairment		**235 595**	**228 313**
Fee and commission income	20	64 425	75 402
Fee and commission expense	20	(9 526)	(6 334)
(Losses less gains)/gains less losses from trading in foreign currencies		(48 296)	22 778
Foreign exchange translation gains less losses/(losses less gains)		103 656	(1 917)
Gains less losses from financial derivatives		2 774	-
Other operating income		8 574	4 600
Administrative and other operating expenses	21	(243 995)	(255 281)
Profit before tax		**113 207**	**67 561**
Income tax expense	22	(26 002)	(18 869)
PROFIT FOR THE YEAR		**87 205**	**48 692**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**87 205**	**48 692**

In thousands of Russian Roubles	Share capital	Additional paid-in capital	(Accumulated deficit)/retained earnings	Total equity
Balance at 31 December 2011	**2 523 327**	**251 766**	**(71 015)**	**2 704 078**
Total comprehensive income for 2012	-	-	48 692	48 692
Balance at 31 December 2012	**2 523 327**	**251 766**	**(22 323)**	**2 752 770**
Total comprehensive income for 2013	-	-	87 205	87 205
Balance at 31 December 2013	**2 523 327**	**251 766**	**64 882**	**2 839 975**

In thousands of Russian Roubles	Note	2013	2012
Cash flows from operating activities			
Interest received		590 999	482 548
Interest paid		(359 608)	(245 958)
Fees and commissions received		66 948	79 920
Fees and commissions paid		(9 526)	(6 334)
(Losses less gains)/gains less losses from trading in foreign currencies		(48 296)	22 778
Gains less losses from financial derivatives		1 043	-
Other operating income received		8 814	4 621
Staff costs paid		(142 527)	(141 017)
Administrative and other operating expenses paid		(82 164)	(92 039)
Income tax paid		(26 481)	(17 444)
Cash flows (used in) / from operating activities before changes in operating assets and liabilities		**(798)**	**87 075**
Net decrease in mandatory cash balances with the Central Bank of the Russian Federation		50 460	7 521
Net increase in due from other banks		(69 527)	(2 344 785)
Net (increase)/decrease in loans and advances to customers		(460 980)	1 740 802
Net decrease/(increase) in other financial assets		3 172	(462)
Net (increase)/decrease in other assets		(553)	3 230
Net increase/(decrease) in due to other banks		1 180 763	(4 280)
Net (decrease)/increase in customer accounts		(347 713)	843 665
Net (decrease)/increase in other financial liabilities		(37 853)	51 722
Net decrease in other liabilities		(1 673)	(215)
Net cash from operating activities		**315 298**	**384 273**
Cash flows from investing activities			
Acquisition of premises and equipment	11	(1 817)	(5 698)
Acquisition of intangible assets	11	(2 565)	(4 163)
Net cash used in investment activities		**(4 382)**	**(9 861)**
Cash flows from financing activities			
Interest expense on subordinated deposit		(1 500)	(1 656)
Net cash used in financing activities		**(1 500)**	**(1 656)**
Effect of exchange rate changes on cash and cash equivalents		**1 038**	**767**
Net increase in cash and cash equivalents		**310 454**	**373 523**
Cash and cash equivalents at the beginning of the year	7	1 203 138	829 615
Cash and cash equivalents at the end of the year	7	**1 513 592**	**1 203 138**

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013 for OAO SEB Bank (the "Bank").

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

The Bank's immediate parent is Skandinaviska Enskilda Banken AB, Sweden (the "Parent") (2012: Skandinaviska Enskilda Banken AB, Sweden).

Principal activity. The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank has operated under full banking licences issued by the Central Bank of the Russian Federation ("CBRF") since 20 September 2007 for performing banking transactions with roubles and foreign currencies and attracting individual deposits in roubles and foreign currencies. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 700 thousand per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments. The Bank also issues guarantees in favour of third parties by participating in risks on loans extended by the Parent and provision of depositary services for international banks of SEB Group.

The Bank's development concept stipulates transition to provision of services exclusively to corporate clients of SEB Group in Russia, and, therefore, the Bank gradually stops issuing loans to Russian companies who are not SEB Group's clients as well as transactions with individuals.

Registered address and place of business. The Bank is registered and operates at the following address:

11 Ul. Mikhailova, St Petersburg, Russian Federation,195009.

The Bank also has a representative office at the following address:

7 Gasheka st., Moscow, Russian Federation, 123056.

Presentation currency. These financial statements are presented in thousands of Russian roubles ("RR thousands"), 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 interpretation (Note 25).

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Russian financial and corporate sectors. The political and economic turmoil witnessed in other countries in this region in late 2013 and early 2014 e.g. recent developments in Ukraine have had and may continue to have a negative impact on the Russian economy in different ways including increase in the Central Bank's key interest rates, the weakening of the Rouble, withdrawal of capital from the country and making it harder to raise international funding.

Several countries have introduced such sanctions against certain Russian persons as visa bans, resolutions on asset freeze, prohibition on business dealings. In addition, the threat persists that the list of Russian companies and individuals subject to sanctions could be extended. At this stage the impact of the above on the Russian economy, in particular if any wider sanctions were introduced, is difficult to determine. GDP growth of Russia has been forecast by the Central Bank of Russia to be less than 1% in 2014. This and other factors are resulting in increased uncertainty and volatility in the financial markets and may have a significant impact on the Bank’s operations and financial position, the effect of which is difficult to predict.

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 all the periods presented, unless otherwise stated. Refer to Note 5.

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.

3 Summary of Significant Accounting Policies (Continued)

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 and distributed 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 27.

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

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

3 Summary of Significant Accounting Policies (Continued)

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

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the 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 overnight interbank placements and settlement accounts in trading systems. Funds restricted for a period of more than one banking day on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

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.

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.

Receivables. Trade receivables are accrued when the Bank has performed its obligations under the contract and are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Prepayments. Prepayments are recognised if the Bank has made prepayment under the contract on services which have not yet been provided, and recorded at 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 following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue, except technical delay (overdue less than 30 days);
- the borrower experiences a significant financial difficulty as evidenced by 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 fair value of collateral decreases below the carrying value of a related loan.

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.

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.

Credit related commitments. The Bank enters into credit related commitments, including undrawn credit lines and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet obligations to third parties and carry the same credit risk as loans. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment. At the end of each reporting period, the commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

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

Construction in progress is carried at cost less provision for impairment, where required. Upon completion, assets are transferred to premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. 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.

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.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year.

Depreciation of premises and equipment Depreciation on items of fixed assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Premises – 50 years;

Office and computer equipment - 5-6 years;

Leasehold improvements - over the term of the underlying lease.

3 Summary of Significant Accounting Policies (Continued)

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 have definite useful life and primarily include computer software.

Acquired computer software licences are included in intangibles assets on the basis of the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 years.

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 profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. Amounts due to other banks are carried at amortised cost.

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

Subordinated deposits. Subordinated deposits are carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, are carried at their fair value.

All derivative financial instruments are carried as assets where their fair value is positive and as liabilities where their fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss as gains less losses for the year arising from trading in foreign currency. The Bank does not apply hedge accounting.

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 financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

3 Summary of Significant Accounting Policies (Continued)

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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 offset.

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. Payables are accounted for on the accruals basis and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Additional paid-in capital Additional paid-in capital represents free aid of the shareholders. Additional paid-in capital is carried at amortised cost.

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

Dividends payable. Dividends payable on shares in the Bank's custody are recognised on payment of dividends by the issuer to the Bank and recorded at amortised value.

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.

3 Summary of Significant Accounting Policies (Continued)

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. Commitment fees received by the Bank to issue commitments and originate loans at market interest rates are integral to the effective interest rate 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. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

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

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

Income from consulting services which are included in income from provision of consulting services to the Parent on organisation of direct lending to large Russian companies is recorded on an accrual basis by reference to completion of respective reports which are sent to the Parent in electronic format.

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

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

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

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

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.

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

3 Summary of Significant Accounting Policies (Continued)

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 of assets and liabilities recognised in the financial statements 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:

Impairment loss on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 1 704 thousand (2011: RR 2 158 thousand), respectively.

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 29.

5 Adoption of New or Revised Standards and Interpretations

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

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

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

IFRS 13 "Fair Value Measurement " (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Standard also resulted in additional disclosures in these financial statements. Refer to Note 27.

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

Other revised standards and interpretations which did not have any impact on the Bank's financial statements:

- 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".
- IFRS 12 "Disclosure of Interests in Other Entities" (issued in May 2011) (effective for annual periods beginning on or after 1 January 2013). It replaces the disclosure requirements previously found in IAS 28 "Investments in Associates".
- IAS 27 "Separate Financial Statements" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013).
- 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 Board has incorporated the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates.
- 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).
- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013).
- 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.

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

- 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 also provide additional transition relief in IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities".
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013) considers when and how to account for the benefits arising from the stripping activity in mining industry.
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" - "Government Loans" (issued in March 2012 and effective for annual periods beginning 1 January 2013).

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.

6 New Accounting Pronouncements (Continued)

- 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.

The following other new pronouncements are not expected to have any material impact on the Bank when adopted:

- "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).
- 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).
- IFRS 14 "Regulatory Deferral Accounts" (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).
- 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).
- 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).

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	**2013**	**2012**
Cash on hand	52 038	23 396
Cash balances with the CBRF (other than mandatory cash balances)	812 449	625 280
Correspondent accounts and overnight placements with other banks		
- Russian Federation	302 212	2 896
- other countries	337 663	536 466
Settlement accounts with trading systems	9 230	15 100
Total cash and cash equivalents	**1 513 592**	**1 203 138**

All cash and cash equivalents are current and not collateralised.

7 Cash and Cash Equivalents (Continued)

Credit quality of cash and cash equivalents balances may be summarised as follows at 31 December 2013 and 31 December 2012:

In thousands of Russian Roubles	**2013**	**2012**
Cash on hand	52 038	23 396
Cash balances with the CBRF (other than mandatory cash balances)	812 449	625 280
Correspondent accounts and overnight placements with other banks		
- International banks of SEB Group	335 113	476 202
- Other international banks	2 550	60 264
- Russian banks	302 212	2 896
Other Russian financial institutions (accounts with trading systems)	9 230	15 100
Total cash and cash equivalents	**1 513 592**	**1 203 138**

Management believes that international banks of SEB Group have lower credit risk than other international banks, and other international banks, in their turn, have lower credit risk than Russian banks. The credit rating of SEB Group's banks is A+ as per Fitch Ratings (2012: A+). Other international banks include largest international banks with credit ratings above BBB according to the Fitch rating scale. The credit rating of Russian banks is BBB as per Fitch Ratings (2012: BBB).

At 31 December 2013 and 31 December 2012, the carrying amount of cash and cash equivalents approximates their fair value. Refer to Note 27.

Interest rate analysis of cash and cash equivalents is disclosed in Note 23. The information on related party balances is disclosed in Note 29.

8 Due from Other Banks

In thousands of Russian Roubles	**2013**	**2012**
Placements with banks of SEB Group	1 031 896	1 250 880
Placements with Russian banks	1 552 076	1 202 447
Total due from other banks	**2 583 972**	**2 453 327**

The current portfolio of due from other banks is an instrument of short-term investment of temporary available Bank’s funds.

All due from other banks are current and not collaterised.

The credit rating of SEB Group's banks is A+ as per Fitch Ratings.

8 Due from Other Banks (Continued)

At 31 December 2013, due from other banks represents long-term and short-term placements with banks of SEB Group with A+ credit rating based on Fitch Ratings and with one of the leading Russian banks with BBB credit rating based on Fitch Ratings (2012: short-term placements with banks of SEB Group with A+ credit rating based on Fitch Ratings and with one of the leading Russian banks with BBB credit rating based on Fitch Ratings). Management believes that the Bank does not have significant credit risk in relation to these placements as at 31 December 2013 and 31 December 2012.

At 31 December 2013 and 31 December 2012, the carrying amount of due from other banks equals their fair value, as amounts due from other banks are of a short-term nature. Refer to Note 27.

Interest rate and maturity analyses of due from other banks are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

9 Loans and Advances to Customers

In thousands of Russian Roubles	**2013**	**2012**
Loans to large companies	5 197 782	5 260 183
Other loans:		
- Loans to medium companies	493 682	108 113
- Loans to small companies	682 027	379 345
- Mortgage loans to individuals	117 243	133 264
- Consumer loans to individuals	96 682	107 822
Less: Provision for loan impairment	(17 036)	(21 576)
Total loans and advances to customers	**6 570 380**	**5 967 151**

Loans to large companies include loans provided to Russian subsidiaries of SEB Group's clients 100% secured by the Parent's guarantee. Other loans to companies include loans to medium companies with annual revenues from Euro 10 000 thousand or equivalent of this amount in Russian roubles to Euro 50 000 thousand or equivalent of this amount in Russian roubles and amount of assets over Euro 10 000 thousand or equivalent of this amount in Russian roubles, loans to small companies with annual revenue of less than Euro 10 000 thousand or equivalent of this amount in Russian roubles or amount of assets less than Euro 10 000 thousand or equivalent of this amount in Russian roubles, mortgage loans to individuals and consumer loans to individuals.

9 Loans and Advances to Customers (Continued)

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

	Loans to large companies	Other loans				Total
In thousands of Russian Roubles		Loans to medium companies	Loans to small companies	Mortgage loans to individuals	Consumer loans to individuals	
Provision for loan impairment at 1 January 2013	**142**	**-**	**11 754**	**4 823**	**4 857**	**21 576**
Recovery of provision for loan impairment during the year	(142)	-	(3 401)	(632)	(365)	(4 540)
Provision for loan impairment at 31 December 2013	**-**	**-**	**8 353**	**4 191**	**4 492**	**17 036**

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

	Loans to large companies	Other loans				Total
In thousands of Russian Roubles		Loans to medium companies	Loans to small companies	Mortgage loans to individuals	Consumer loans to individuals	
Provision for loan impairment at 1 January 2012	**-**	**126**	**14 570**	**6 103**	**5 736**	**26 535**
Provision/(recovery of provision) for loan impairment during the year	142	(126)	(2 816)	(1 280)	(879)	(4 959)
Provision for loan impairment at 31 December 2012	**142**	**-**	**11 754**	**4 823**	**4 857**	**21 576**

9 Loans and Advances to Customers (Continued)

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

	2013		2012	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Development (lease)	3 017 419	45.8	3 016 348	50.4
Energy	-	-	1 163 335	19.4
Manufacturing	2 115 479	32.1	1 020 471	17.0
Trade	490 316	7.4	303 708	5.1
Leasing	461 803	7.0	-	-
Individuals	213 925	3.2	241 086	4.0
Other	288 474	4.4	243 779	4.1
Total loans and advances to customers before provision for loan impairment	**6 587 416**	**100.0**	**5 988 727**	**100.0**

The Bank regularly analyses credit exposure to the largest group of related borrowers in terms of the total amount of loans issued. At 31 December 2013, the total amount due to the Bank from the largest borrower was RR 3 017 419 thousand (2012: RR 3 016 348 thousand) which constituted 45.8% (2012: 50.4%) of the gross value of loans and advances to customers.

9 Loans and Advances to Customers (Continued)

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

In thousands of Russian Roubles	Loans to large companies	Other loans: Loans to medium companies	Other loans: Loans to small companies	Other loans: Mortgage loans to individuals	Other loans: Consumer loans to individuals	Total
Current and not impaired						
- Loans secured by the Parent's guarantees	5 197 782	493 682	633 962	-	-	**6 325 426**
- Loans not secured by the Parent's guarantees:						
- Group A	-	-	39 712	-	-	**39 712**
- Loans to individuals						
- Group 1	-	-	-	98 710	85 269	**183 979**
- Group 2	-	-	-	18 533	10 649	**29 182**
Total neither past due nor impaired	**5 197 782**	**493 682**	**673 674**	**117 243**	**95 918**	**6 578 299**
Individually impaired						
- more than 360 days overdue	-	-	8 353	-	764	**9 117**
Total individually impaired loans	**-**	**-**	**8 353**	**-**	**764**	**9 117**
Less: provision for impairment	-	-	(8 353)	(4 191)	(4 492)	(17 036)
Total loans and advances to customers	**5 197 782**	**493 682**	**673 674**	**113 052**	**92 190**	**6 570 380**

9 Loans and Advances to Customers (Continued)

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

In thousands of Russian Roubles	Loans to large companies	Other loans: Loans to medium companies	Other loans: Loans to small companies	Other loans: Mortgage loans to individuals	Other loans: Consumer loans to individuals	Total
Current and not impaired						
- Loans secured by the Parent's guarantees	5 245 961	108 113	327 533	-	-	**5 681 607**
- Loans not secured by the Parent's guarantees:						
- Group A	14 222	-	40 058	-	-	**54 280**
- Loans to individuals						
- Group 1	-	-	-	114 485	91 675	**206 160**
- Group 2	-	-	-	18 779	15 389	**34 168**
Total neither past due nor impaired	**5 260 183**	**108 113**	**367 591**	**133 264**	**107 064**	**5 976 215**
Individually impaired						
- more than 360 days overdue	-	-	11 754	-	758	**12 512**
Total individually impaired loans	**-**	**-**	**11 754**	**-**	**758**	**12 512**
Less: provision for impairment	(142)	-	(11 754)	(4 823)	(4 857)	(21 576)
Total loans and advances to customers	**5 260 041**	**108 113**	**367 591**	**128 441**	**102 965**	**5 967 151**

9 Loans and Advances to Customers (Continued)

The Bank applied the portfolio provisioning methodology prescribed by IAS 39 “Financial Instruments: Recognition and Measurement” and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan by the end of the reporting period. The Bank’s policy is to classify each loan as ‘current and not impaired’ until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

Current and not impaired loans are loans not overdue as at the balance sheet date and for which there are no factors indicating the borrowers’ inability to repay the debt to the Bank in full. Credit quality is analysed for current and not impaired loans based on borrowers’ performance.

Group A includes loans to legal entities with a low level credit risk for which repayment of liabilities is expected within the period set in the loan agreement. Comprehensive analysis of the operating and business activities of the borrowers under this category and other data confirm that their activity is sustainable and there are no negative trends that may have an adverse effect on the financial stability of these borrowers in the future.

Group 1 includes loans to individuals with a low level of credit risk for which repayment of liabilities is expected within the period set in the loan agreement based on the borrowers' current income level.

Group 2 includes loans to individuals with moderate credit risk for which some negative factors, including a decrease in income and/or a loss of the source of income may sometimes cause delays in repayment under respective loan agreements.

The Bank does not apply the internal rating system while analysing credit quality of loans to individuals.

The primary factors that the Bank considers in determining whether the loan is impaired are its overdue status or existence of any signs that the borrowers may not be able to repay their debt to the Bank in full. When considering if a loan is impaired, the Bank also monitors the state of collateral and any claims to the borrower raised by the tax, law enforcement bodies and counterparties, as well as monitors the movements on accounts within the Bank. A loan is treated as impaired if the principal amount and interest payments exceed fair value of the security.

The amount reported as past due but not impaired and individually impaired are the whole balance of such loans, not only the individual instalments that are past due.

9 Loans and Advances to Customers (Continued)

Loans and advances to customers depending on the types of collateral as at 31 December 2013 are provided below:

In thousands of Russian Roubles	**Loans to large companies**	**Other loans**				**Total**
		Loans to medium companies	**Loans to small companies**	**Mortgage loans to individuals**	**Consumer loans to individuals**	
Loans guaranteed by the Parent	5 197 782	493 682	633 962	-	-	**6 325 426**
Loans collateralised by:						
- real estate	-	-	39 712	117 243	93 081	**250 036**
- other assets	-	-	-	-	2 837	**2 837**
Total loans and advances to customers before provision for loan impairment	**5 197 782**	**493 682**	**673 674**	**117 243**	**95 918**	**6 578 299**

Loans and advances to customers depending on the types of collateral as at 31 December 2012 are provided below:

In thousands of Russian Roubles	**Loans to large companies**	**Other loans**				**Total**
		Loans to medium companies	**Loans to small companies**	**Mortgage loans to individuals**	**Consumer loans to individuals**	
Unsecured loans	14 222	-	-	-	-	**14 222**
Loans guaranteed by the Parent	5 245 961	108 113	327 533	-	-	**5 681 607**
Loans collateralised by:						
- real estate	-	-	51 812	133 264	102 719	**287 795**
- other assets	-	-	-	-	5 103	**5 103**
Total loans and advances to customers before provision for loan impairment	**5 260 183**	**108 113**	**379 345**	**133 264**	**107 822**	**5 988 727**

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

9 Loans and Advances to Customers (Continued)

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 on loan amounts (before impairment) at 31 December 2013 is set out below:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of Russian Roubles	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Loans to large companies	379 290	450 000	4 818 492	4 800 000
Loans to medium companies	493 682	632 981	-	-
Loans to small companies	561 821	1 683 637	120 206	120 000
Mortgage loans to individuals	117 243	246 711	-	-
Consumer loans to individuals	96 682	228 064	-	-
Total	**1 648 718**	**3 241 393**	**4 938 698**	**4 920 000**

The effect of collateral on loan amounts (before impairment) at 31 December 2012 is set out below:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of Russian Roubles	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Loans to large companies	745 906	1 286 858	4 514 277	4 466 291
Loans to medium companies	108 113	205 774	-	-
Loans to small companies	259 276	600 152	120 069	120 000
Mortgage loans to individuals	133 264	295 250	-	-
Consumer loans to individuals	107 822	300 958	-	-
Total	**1 354 381**	**2 688 992**	**4 634 346**	**4 586 291**

The fair value of collateral was estimated by the Bank's lending department on the basis of the Bank's internal methodologies that take into consideration expert valuation of market value based upon publicly available information,expected sales expenses and potential date of sale. The fair value of collateral is the amount which can be obtained by individuals who have a legal title to these assets.

9 Loans and Advances to Customers (Continued)

At 31 December 2013, the estimated fair value of loans and advances to customers was RR 6 614 276 thousand (2012: RR 5 980 084 thousand). Refer to Note 27.

Interest rate and maturity analyses of loans and advances to customers are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

10 Other Financial Assets

In thousands of Russian Roubles	Note	2013	2012
Derivative financial instruments	26	11 649	-
Receivables on commissions for custody services		2 561	2 786
Receivables on commissions for financial guarantees		1 155	3 569
Other		546	415
Total other financial assets		**15 911**	**6 770**

At 31 December 2013 and 31 December 2012, other financial assets are short-term in nature and are neither past due nor impaired.

Receivables on commissions for financial guarantees are due from the Parent. Receivables on commissions for custody services are due from international banks of SEB Group. The credit rating of SEB Group's banks is A+ as per Fitch Ratings.

The carrying value of each class of other financial assets approximates their fair value at 31 December 2013 and 31 December 2012. Refer to Note 27.

Interest rate and maturity analyses of other financial assets are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

11 Premises, Equipment and Intangible assets

In thousands of Russian Roubles	Note	Land and premises	Office and computer equipment	Total premises and equipment	Intangible assets	Total
Cost at 1 January 2012		172 797	68 763	**241 560**	29 683	**271 243**
Accumulated depreciation and amortisation		(42 352)	(38 099)	**(80 451)**	(22 604)	**(103 055)**
Carrying amount at 1 January 2012		**130 445**	**30 664**	**161 109**	**7 079**	**168 188**
Additions		1 901	3 797	**5 698**	4 163	**9 861**
Disposals		-	(1 563)	**(1 563)**	-	**(1 563)**
Depreciation and amortisation	21	(3 732)	(9 540)	**(13 272)**	(4 705)	**(17 977)**
Depreciation and amortisation on disposals		-	1 276	**1 276**	-	**1 276**
Cost at 31 December 2012		174 698	70 997	**245 695**	33 846	**279 541**
Accumulated depreciation and amortisation		(46 084)	(46 363)	**(92 447)**	(27 309)	**(119 756)**
Carrying amount at 31 December 2012		**128 614**	**24 634**	**153 248**	**6 537**	**159 785**
Additions		937	880	**1 817**	2 565	**4 382**
Disposals		-	(2 701)	**(2 701)**	(11 818)	**(14 519)**
Depreciation and amortisation	21	(3 774)	(8 443)	**(12 217)**	(4 558)	**(16 775)**
Depreciation and amortisation on disposals		-	2 685	**2 685**	11 819	**14 504**
Cost at 31 December 2013		175 635	69 176	**244 811**	24 593	**269 404**
Accumulated depreciation and amortisation		(49 858)	(52 121)	**(101 979)**	(20 048)	**(122 027)**
Carrying amount at 31 December 2013		**125 777**	**17 055**	**142 832**	**4 545**	**147 377**

12 Other Assets

In thousands of Russian Roubles	2013	2012
Advances to suppliers and contractors	5 700	8 134
Insurance contribution	2 353	-
Deferred expenses on software maintenance	1 195	1 387
Deferred insurance expenses	908	646
Prepaid taxes other than income tax	39	37
Other	1 564	1 017
Total other assets	**11 759**	**11 221**

13 Due to Other Banks

In thousands of Russian Roubles	2013	2012
Placements of other banks	6 102 414	4 918 705
Correspondent accounts of other banks	84 857	14 153
Total due to other banks	**6 187 271**	**4 932 858**

At 31 December 2013 and 31 December 2012, due to other banks include loans from the Bank's Parent in Russian roubles, US dollars and euros with maturity dates from January 2013 to December 2017 (2012: from January 2013 to January 2016) and interest rates from 0.7% to 8.2% p.a. (2012: from 0.7% to 8.8% p.a.).

At 31 December 2013 and 31 December 2012, correspondent accounts of banks represent the funds of the Parent and international banks of SEB Group in Russian roubles.

At 31 December 2013, the estimated fair value of due to other banks was RR 6 203 158 thousand (2012: RR 4 931 949 thousand). Refer to Note 27.

Interest rate and maturity analyses of due to other banks are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

14 Customer Accounts

In thousands of Russian Roubles	2013	2012
Legal entities		
- Current/settlement accounts	850 380	971 042
- Term deposits	822 610	1 033 794
Individuals		
- Current/demand accounts	2 859	2 746
- Term deposits	1 358	1 292
Total customer accounts	**1 677 207**	**2 008 874**

14 Customer Accounts (Continued)

Economic sectors concentrations within customer accounts are as follows:

	2013		2012	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Finance lease	485 025	28.9	186 981	9.3
Trade	342 739	20.4	562 712	28.0
Manufacturing	314 505	18.8	467 649	23.3
Real estate	271 387	16.2	461 880	23.0
Consulting services	60 331	3.6	55 710	2.8
Construction	7 506	0.4	58 672	2.9
Individuals	4 217	0.3	4 038	0.2
Other	191 497	11.4	211 232	10.5
Total customer accounts	**1 677 207**	**100.0**	**2 008 874**	**100.0**

At 31 December 2013, the aggregate balance of customer accounts of the 10 largest customers - legal entities of the Bank was RR 1 236 197 thousand (2012: RR 1 540 872 thousand) or 73.8% (2012: 76.7%) of total customer accounts.

The carrying value of customer accounts approximates their fair value at 31 December 2013 and 31 December 2012. Refer to Note 27.

Interest rate and maturity analyses of customer accounts are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

15 Subordinated Deposit

In thousands of Russian Roubles	**2013**	**2012**
Subordinated deposit	117 829	109 354
Total subordinated deposit	**117 829**	**109 354**

In 2007, the Bank attracted a subordinated deposit of USD 3 600 thousand from the Parent with maturity in April 2014. In 2009, this subordinated deposit was prolonged until April 2019. At 31 December 2013, the carrying value of this subordinated deposit was USD 3 600 thousand, the equivalent of RR 117 825 thousand (2012: USD 3 600 thousand, the equivalent of RR 109 342 thousand). This subordinated deposit was attracted under a floating interest rate of LIBOR USD for three months + 1% p.a. with quarterly payment of interest.

The subordinated deposit ranks after all other creditors in case of liquidation.

As at 31 December 2013, the estimated fair value of the subordinated deposit was RR 93 225 thousand (2012: RR 88 240 thousand). Refer to Note 27.

Interest rate and maturity analyses of the subordinated deposit are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

16 Other Financial Liabilities

In thousands of Russian Roubles	Note	2013	2012
Derivative financial instruments	26	9 918	-
Financial guarantees	25	7 525	7 099
Deferred fee and commission income		4 839	-
Rent prepayments		1 620	-
Deposit against a foreign exchange deal		1 300	-
Payables on other operating expenses		1 039	1 787
Security deposit under lease agreement		613	-
Other		1 561	1 104
Dividends payable on shares in custody		-	46 190
Total other financial liabilities		**28 415**	**56 180**

For transferred dividends of issuers whose shares are in the Bank's custody, the Bank acts as an agent on payment of dividends to ultimate shareholders of these issuers. The amount payable with regard to these payments as at 31 December 2012 was repaid by the Bank in January 2013.

The carrying value of each class of other financial liabilities approximates their fair value at 31 December 2013 and 31 December 2012. Refer to Note 27.

Interest rate and maturity analyses of other financial assets are disclosed in Note 23. The information on related party balances is disclosed in Note 29.

17 Other Liabilities

In thousands of Russian Roubles	2013	2012
Provision for bonuses to employees	10 897	8 335
Payables on employee remuneration	7 330	7 397
Provision for unused annual vacations	5 444	5 721
Taxes payable other than on income	1 107	2 268
Other	50	562
Total other liabilities	**24 828**	**24 283**

18 Share Capital

In thousands of Russian roubles except for number of shares	Number of outstanding shares (in thousands)	Ordinary shares	Total
At 31 December 2011	**239 200**	**2 523 327**	**2 523 327**
At 31 December 2012	**239 200**	**2 523 327**	**2 523 327**
At 31 December 2013	**239 200**	**2 523 327**	**2 523 327**

At 31 December 2013, the nominal registered amount of the Bank's issued share capital prior to the restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002 is RR 2 392 000 thousand (2012: RR 2 392 000 thousand). All of the Bank's outstanding shares were authorised, issued and fully paid in.

All ordinary shares have a nominal value of RR 10 per share (2012: RR 10 per share). Each share carries one vote.

19 Interest Income and Expense

In thousands of Russian Roubles	2013	2012
Interest income		
Loans and advances to customers	463 810	435 583
Due from other banks	122 221	23 501
Correspondent accounts with other banks	162	533
Total interest income	**586 193**	**459 617**
Interest expense		
Term placements of other banks	322 689	211 378
Term deposits of legal entities	28 335	19 638
Current/settlement accounts	2 622	3 577
Subordinated deposit	1 492	1 663
Total interest expense	**355 138**	**236 263**
Net interest income	**231 055**	**223 354**

In 2013, the Bank did not recognise interest income on individually impaired loans (2012: interest income on individually impaired loans was RR 5 thousand).

The information on related party balances is disclosed in Note 29.

20 Fee and Commission Income and Expense

In thousands of Russian Roubles	2013	2012
Fee and commission income		
- Custody services	30 264	34 222
- Guarantees issued	14 363	18 934
- Currency control	8 218	6 979
- Cash transactions	7 565	1 498
- Settlement transactions	3 973	13 297
- Other	42	472
Total fee and commission income	**64 425**	**75 402**
Fee and commission expense		
- Custody services	6 809	3 439
- Settlement transactions	1 954	2 458
- Fees to stock exchange	582	-
- Other	181	437
Total fee and commission expense	**9 526**	**6 334**
Net fee and commission income	**54 899**	**69 068**

Fee and commission income on guarantees issued in 2013 and 2012 primarily include fees received by the Bank from the Parent under risk-participation agreements in relation to the borrowers of the Parent. The information on related party balances is disclosed in Note 29.

21 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Note	2013	2012
Staff costs		144 843	143 414
Rent		14 709	14 372
Professional services		12 445	14 479
Taxes other than on income		12 167	13 456
Depreciation of premises and equipment	11	12 217	13 272
Other costs relating to premises and equipment		11 957	13 615
Software maintenance expenses		11 167	8 566
Amortisation of intangible assets	11	4 558	4 705
Business trip expenses		3 974	4 656
Security services		3 682	3 751
Telecommunication expenses		3 107	3 046
Transport expenses		1 058	1 437
Other		8 111	16 512
Total administrative and other operating expenses		**243 995**	**255 281**

Included in staff costs are social security contributions of RR 18 977 thousand (2012: RR 19 077 thousand), of which RR 14 952 thousand (2012: RR 15 361 thousand) are pension contributions.

22 Income Taxes

(a) Components of income tax expense

Income tax expense comprises the following:

In thousands of Russian Roubles	2013	2012
Current tax	26 481	17 443
Deferred tax	(479)	1 426
Income tax expense for the year	**26 002**	**18 869**

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

The income tax rate applicable to the majority of the Bank's 2013 income is 20% (2012: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	2013	2012
Profit before tax	**113 207**	**67 561**
Theoretical tax charge at statutory rate (2013: 20%; 2012: 20%)	22 640	13 512
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	3 362	5 357
Income tax charged to profit and loss	**26 002**	**18 869**

(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% (2012: 20%).

In thousands of Russian Roubles	31 December 2012	Credited/ (charged) to profit or loss	31 December 2013
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	(12 970)	339	(12 631)
Intangible assets	1 883	316	2 199
Provision for loan impairment	(1 811)	614	(1 197)
Other assets and liabilities	4 306	(835)	3 471
Net accrued expenses and income	1 712	45	1 757
Net deferred liability	**(6 880)**	**479**	**(6 401)**

22 Income Taxes (Continued)

In thousands of Russian Roubles	**31 December 2011**	**Credited/ (charged) to profit or loss**	**31 December 2012**
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	(11 546)	(1 424)	(12 970)
Intangible assets	1 413	470	1 883
Provision for loan impairment	1 248	(3 059)	(1 811)
Other assets and liabilities	1 057	3 249	4 306
Net accrued expenses and income	2 374	(662)	1 712
Net deferred liability	**(5 454)**	**(1 426)**	**(6 880)**

23 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks (credit, market, geographical and liquidity risks), operational risks and legal risks.

The key objective of financial risk management is to minimise the Bank's losses associated with these risks. This objective is achieved through setting limits and ensuring they are complied with. The operational and legal risk are managed by development of and compliance with internal regulations and procedures.

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 the Bank's claims to the counterparties that are accompanied by credit risk.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 25.

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 group of borrowers, and by setting limits on the basis of the loan portfolio structure by currency, types of borrowers and credit instruments. Credit limits for borrowers are approved by the Bank's Board of Directors.

Credit risks are monitored, and compliance with established limits is analysed on a monthly basis, and the limits are subject to an annual or more frequent review.

Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees, insuring pledged property of corporates and individuals as well as by insuring life, health and working ability of individuals.

23 Financial Risk Management (Continued)

In order to monitor credit risk exposures, regular reports are produced by the Credit Department's officers based on a structured analysis focusing on the customer's business and financial performance. All information on significant exposures against customers with deteriorating creditworthiness is reported to and reviewed by the Bank's Credit Committees. The Bank uses formalised internal credit ratings to monitor exposures to credit risk. The Credit Department together with the Bank's Back Office perform ageing analysis of loans and follows up on overdue loans (if any).

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.

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions in currency and interest rate instruments, all of which are exposed to risk of general and specific market movements. The Bank sets limits on the value of market risk that may be accepted. The use of this approach does not always prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Bank set limits on the level of exposure by currency and in total for both overnight and intra-day positions in compliance with the CBRF requirements (the maximum open currency position in individual foreign currencies and precious metals is 10 percent of the Bank's statutory capital, the total of all open currency positions in individual foreign currencies and precious metals is 20 percent of the Bank's statutory capital). The control over compliance with the limits is exercised daily by responsible units of the Bank. Reports on compliance with the established limits on the level of currency risk accepted by the Bank are provided to the Bank's management and the heads of the Bank's departments. 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			At 31 December 2012		
In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
Russian Roubles	9 687 609	6 965 370	2 722 239	8 175 990	5 553 911	2 622 079
Euro	818 210	814 805	3 405	1 324 183	1 319 176	5 007
US Dollars	211 760	223 034	(11 274)	221 829	234 157	(12 328)
Other currencies	8 013	7 513	500	581	22	559
Total	**10 725 592**	**8 010 722**	**2 714 870**	**9 722 583**	**7 107 266**	**2 615 317**

The above analysis includes only monetary assets and liabilities. Non-monetary assets and liabilities are not considered to give rise to any material currency risk.

23 Financial Risk Management (Continued)

In 2013 and 2012, the Bank's open currency position in US dollars, euro and other currencies varied within the limits set by the CBRF.

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

In thousands of Russian Roubles	**At 31 December 2013**	**At 31 December 2012**
Movements in USD exchange rate by +/- 20%	-/+ 2 255	-/+ 2 466
Movements in EUR exchange rate by +/- 20%	-/+ 681	+/- 1 001

Movements in other currencies' exchange rates will have no material effect on the profit or loss of the Bank. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

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 such changes, but may reduce or create losses in the event that unexpected movements arise.

The Bank's Board of Directors sets limits on the level of mismatch of the amount of interest-bearing assets and liabilities that may be undertaken. The Bank's responsible business units monitor compliance with the set limits on a regular basis.

Assessment of the Bank's exposure to interest rate risk is based upon gap analysis of financial instruments sensitive to changes in interest rate. These financial instruments are analysed by the earlier of contractual interest repricing or maturity dates. Changes in net interest income resulting from changes in the value of financial instruments sensitive to interest rate fluctuations at the date of their redemption or interest repricing determine the amount of interest rate risk exposure. Changes in the amount of net interest income depend upon net cumulative gap on financial instruments sensitive to changes in interest rate and possible changes in the interest rate at the end of the annual reporting period.

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.

23 Financial Risk Management (Continued)

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Total
31 December 2013					
Total financial assets	3 456 416	1 058 861	2 444 318	3 765 997	**10 725 592**
Total financial liabilities	(2 038 401)	(487 222)	(1 706 438)	(3 778 661)	**(8 010 722)**
Net interest sensitivity gap at 31 December 2013	**1 418 015**	**571 639**	**737 880**	**(12 664)**	**2 714 870**
31 December 2012					
Total financial assets	5 153 741	1 242 024	103 836	3 222 982	**9 722 583**
Total financial liabilities	(3 137 072)	(984 867)	(135 463)	(2 849 864)	**(7 107 266)**
Net interest sensitivity gap at 31 December 2012	**2 016 669**	**257 157**	**(31 627)**	**373 118**	**2 615 317**

Interest risk management is supplemented by sensitivity analysis of the Bank's profit and equity to expected movements in the interest rate. As a result of the analysis performed as at 31 December 2013, the Bank's management made a projection that on average interest rates will not change more than by 200 basis points within 2014 (2012: 200 basis points within 2013).

The following table presents change in the Bank's cash flows within one year based on forecasted movements in interest rates, with all other variables held constant:

In thousands of Russian Roubles	At 31 December 2013	At 31 December 2012
Increase in interest rates by 200 basis points	13 511	10 262
Decrease in interest rates by 200 basis points	(13 511)	(10 262)

The interest rate sensitivity analysis did not take into consideration the balances of the customer's current accounts because the Bank's management does not expect any changes in interest rates on customer current accounts.

23 Financial Risk Management (Continued)

The table below summarises average weighted interest rates based on reports reviewed by the Bank's key management personnel:

	2013				2012			
In % p.a.	**RR**	**USD**	**EUR**	**Other**	**RR**	**USD**	**EUR**	**Other**
Assets								
Correspondent accounts and overnight placements within other banks	3.5	0.1	-	1.0	1.7	0.2	0.1	0.8
Due from other banks	6.1	-	-	-	6.4	-	-	-
Loans and advances to customers	7.8	9.5	3.1	-	7.8	9.5	1.5	-
Liabilities								
Due to other banks	6.6	3.6	0.8	-	7.4	3.6	0.8	-
Customer accounts				-				-
- current and settlement accounts	2.3	-	-	-	1.3	0.1	0.2	-
- term deposits	5.1	0.1	0.1	-	3.7	0.1	0.1	-
Subordinated deposit	-	1.2	-	-	-	1.3	-	-

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency. Weighted interest rates on customer's current and settlement accounts were calculated only for interest-bearing accounts.

Geographical risk concentrations. All the Bank's significant assets and liabilities other than balances on transactions with the Parent bank and companies under common control from OECD countries, disclosed in Note 28, are balances with Russian counterparties.

Liquidity risk. Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises when the maturity of assets and liabilities does not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental for the management of the Bank. Due to diversity of transactions performed and uncertainty associated with them, full matching of assets and liabilities by their maturity is not a common practice, which allows to increase profitability of transactions, but also increases the risk of losses. The current liquidity risk is managed by the Bank's Financial Markets Department. Limits on individual indicators reflecting the level of liquidity risk accepted by the Bank are set by the Chairman of the Executive Board and by the Board of Directors.

The Bank seeks to maintain a stable funding base comprising primarily the funds of the parent bank and retail customer deposits and to maintain sufficient cash and cash equivalents in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

23 Financial Risk Management (Continued)

The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the 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 153.4% at 31 December 2013 (2012: 114.1%).
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 201.4% at 31 December 2013 (2012: 190.6%).
- 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 57.4% at 31 December 2013 (2012: 60.6%).

Management believes that as at 31 December 2013, 31 December 2012 and within the reporting periods then ended, the liquidity ratios of the Bank complied with the statutory established level: N2 - at least 15%, N3 – at least 50%, N4 – not higher than 120%.

The Financial Markets Division receives information about financial assets and liabilities on a daily basis and ensures availability of balances on correspondent accounts and sufficient liquidity within the Bank as a whole.

The Financial Markets Division monitors daily liquidity position and conducts regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions.

The table below shows combined assets and liabilities at 31 December 2013 by their remaining contractual maturity. The asset and liability amounts disclosed in the table are the contractual undiscounted cash flows. 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.

Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

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

23 Financial Risk Management (Continued)

Analysis of the Bank's assets and liabilities by contractual maturities as at 31 December 2013 is provided in the table below.

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents	1 513 592	-	-	-	-	**1 513 592**
Mandatory cash balances with the Central Bank of the Russian Federation	41 737	-	-	-	-	**41 737**
Due from other banks	1 554 849	1 020 107	26 493	-	-	**2 601 449**
Loans and advances to customers	341 873	88 025	2 729 277	4 100 282	167 970	**7 427 427**
Other financial assets	15 911	-	-	-	-	**15 911**
Total financial assets	**3 467 962**	**1 108 132**	**2 755 770**	**4 100 282**	**167 970**	**11 600 116**
Financial liabilities						
Due to other banks	862 122	76 446	1 979 405	3 870 225	-	**6 788 198**
Customer accounts	1 163 677	468 589	52 889	-	-	**1 685 155**
Subordinated deposit	-	371	1 122	5 962	118 278	**125 733**
Other financial liabilities	13 041	1 622	4 771	8 915	178	**28 527**
Total financial liabilities	**2 038 840**	**547 028**	**2 038 187**	**3 885 102**	**118 456**	**8 627 613**
Contingencies and commitments						
Guarantees issued	1 739 336	-	-	-	-	**1 739 336**
Irrevocable credit lines	100 000	-	-	-	-	**100 000**
Total potential future payments for financial and contingent liabilities	**3 878 176**	**547 028**	**2 038 187**	**3 885 102**	**118 456**	**10 466 949**

23 Financial Risk Management (Continued)

Analysis of the Bank's assets and liabilities by contractual maturities as at 31 December 2012 is provided in the table below.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Financial assets						
Cash and cash equivalents	1 203 138	-	-	-	-	**1 203 138**
Mandatory cash balances with the Central Bank of the Russian Federation	92 197	-	-	-	-	**92 197**
Due from other banks	2 460 456	-	-	-	-	**2 460 456**
Loans and advances to customers	70 214	40 094	2 722 322	3 705 038	236 877	**6 774 545**
Other financial assets	6 770	-	-	-	-	**6 770**
Total financial assets	**3 832 775**	**40 094**	**2 722 322**	**3 705 038**	**236 877**	**10 537 106**
Financial liabilities						
Due to other banks	132 167	22 585	2 158 624	3 213 736	-	**5 527 112**
Customer accounts	1 836 679	42 113	140 665	-	-	**2 019 457**
Subordinated deposit	-	358	1 094	7 265	109 795	**118 512**
Other financial liabilities	49 117	295	2 463	4 244	178	**56 297**
Total financial liabilities	**2 017 963**	**65 351**	**2 302 846**	**3 225 245**	**109 973**	**7 721 378**
Contingencies and commitments						
Guarantees issued	1 429 425	-	-	-	-	1 429 425
Irrevocable credit lines	100 000	-	-	-	-	100 000
Total potential future payments for financial and contingent liabilities	**3 547 388**	**65 351**	**2 302 846**	**3 225 245**	**109 973**	**9 250 803**

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

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

23 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: As at 31 December 2013:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents	1 513 592	-	-	-	-	**1 513 592**
Mandatory cash balances with the Central Bank of the Russian Federation	41 737	-	-	-	-	**41 737**
Due from other banks	1 552 076	1 006 447	25 449	-	-	**2 583 972**
Loans and advances to customers	333 100	52 414	2 418 869	3 638 484	127 513	**6 570 380**
Other financial assets	15 911	-	-	-	-	**15 911**
Total financial assets	**3 456 416**	**1 058 861**	**2 444 318**	**3 638 484**	**127 513**	**10 725 592**
Financial liabilities						
Due to other banks	862 049	22 666	1 650 705	3 651 851	-	**6 187 271**
Customer accounts	1 163 311	462 934	50 962	-	-	**1 677 207**
Subordinated deposit	-	-	-	-	117 829	**117 829**
Other financial liabilities	13 041	1 622	4 771	8 915	66	**28 415**
Total financial liabilities	**2 038 401**	**487 222**	**1 706 438**	**3 660 766**	**117 895**	**8 010 722**
Net liquidity gap	**1 418 015**	**571 639**	**737 880**	**(22 282)**	**9 618**	**2 714 870**
Net cumulative liquidity gap	**1 418 015**	**1 989 654**	**2 727 534**	**2 705 252**	**2 714 870**	

23 Financial Risk Management (Continued)

The maturity analysis of financial assets and liabilities at 31 December 2012 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Financial assets						
Cash and cash equivalents	1 203 138	-	-	-	-	**1 203 138**
Mandatory cash balances with the Central Bank of the Russian Federation	92 197	-	-	-	-	**92 197**
Due from other banks	2 453 327	-	-	-	-	**2 453 327**
Loans and advances to customers	61 647	27 893	2 427 336	3 291 252	159 023	**5 967 151**
Other financial assets	6 770	-	-	-	-	**6 770**
Total financial assets	**3 817 079**	**27 893**	**2 427 336**	**3 291 252**	**159 023**	**9 722 583**
Financial liabilities						
Due to other banks	131 813	-	1 915 372	2 885 673	-	**4 932 858**
Customer accounts	1 835 874	40 000	133 000	-	-	**2 008 874**
Subordinated deposit	-	12	-	-	109 342	**109 354**
Other financial liabilities	49 117	295	2 463	4 244	61	**56 180**
Total financial liabilities	**2 016 804**	**40 307**	**2 050 835**	**2 889 917**	**109 403**	**7 107 266**
Net liquidity gap	**1 800 275**	**(12 414)**	**376 501**	**401 335**	**49 620**	**2 615 317**
Net cumulative liquidity gap	**1 800 275**	**1 787 861**	**2 164 362**	**2 565 697**	**2 615 317**	

24 Management of Capital

The Bank's objectives when managing capital are to comply with the capital requirements set by the Central Bank of the Russian Federation and to safeguard the Bank's ability to continue as a going concern. Compliance with capital adequacy ratios set by the CBRF is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chairman of the Executive Board and the Chief Accountant.

The CBRF sets capital requirements to the Bank and monitors compliance with these requirements. Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. At 31 December 2013 and 31 December 2012, this minimal level was 10%.

The regulatory capital on the basis of the Bank's reports prepared in accordance with Russian legislation as at 31 December 2013 and 31 December 2012 is presented in the following table.

In thousands of Russian Roubles	**2013**	**2012**
Basic capital		
Share capital	2 392 000	2 392 000
Funds	119 600	119 600
Retained earnings	205 475	142 824
Additional paid-in capital		
Subordinated deposit	117 825	109 342
Less intangible assets	(15)	(15)
Profit of the reporting period	71 092	43 336
Total regulatory capital	**2 905 977**	**2 807 087**
Capital adequacy ratio	54.10%	60.00%

The amount of capital calculated under CBRF requirements differs from the amount of equity for IFRS purposes principally by the amount of loan portfolio impairment, revaluation of premises and deferred tax liability.

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

The measures which the Bank may apply in case the capital inadequacy include: additional share issue, disposal of assets, reduction of lending, attraction of funds to deposit accounts and attraction of interbank loans from the Parent. Allocation of capital between individual transactions and lines of business is primarily caused by the intention to increase return (profit margin) on allocated capital. Although the key driver for allocation of capital between individual transactions and lines of business is maximisation of return on capital considering the risk, this driver is not the only one when the decision is made. The Bank also considers whether this line of business fits the Bank's long-term plans and development strategy. The Bank's policy in respect of capital management and its allocation is analysed by the Bank's Board of Directors on a regular basis within the process of consideration and approval of annual budgets.

25 Contingencies and Commitments

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

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

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

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

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.

25 Contingencies and Commitments (Continued)

The Bank's management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency and customs positions will be sustained. Therefore, as at 31 December 2013 the management has not made any provision for potential tax liabilities (2012: nil).

Capital expenditure commitments. At 31 December 2013, the Bank had no contractual capital expenditure commitments (2012: nil).

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

In thousands of Russian Roubles	**2013**	**2012**
Not later than 1 year	15 992	13 008
Due between 1 and 5 years	31 747	37 764
Total operating lease commitments	**47 739**	**50 772**

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees 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.

Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	**2013**	**2012**
Guarantees issued	1 739 336	1 429 425
Irrevocable credit lines	100 000	100 000
Total credit related commitments	**1 839 336**	**1 529 425**

The fair value of credit related commitments was RR 7 525 thousand at 31 December 2013 (2012: RR 7 099 thousand). Refer to Note 16.

Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	**2013**	**2012**
Russian Roubles	967 911	1 020 644
US Dollars	763 827	296 618
Euros	107 598	212 163
Total	**1 839 336**	**1 529 425**

Assets pledged and restricted. Mandatory cash balances with the CBRF in the amount of RR 41 737 thousand (2012: RR 92 197 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day-to-day operations.

26 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 forward or 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:

	Note	**2013**	
In thousands of Russian Roubles		**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange spot contracts, forwards and swaps: fair values, at the end of the reporting period, of			
- USD receivable on settlement (+)		391 901	109 602
- USD payable on settlement (-)		(118 706)	(382 207)
- Euros receivable on settlement (+)		400 198	-
- Euros payable on settlement (-)		-	(399 676)
- RR receivable on settlement (+)		120 734	773 783
- RR payable on settlement (-)		(782 478)	(111 420)
Net fair value of foreign exchange forwards and swaps	**10, 16**	**11 649**	**(9 918)**

At 31 December 2012, the Bank had no derivative financial instruments.

Foreign exchange derivative financial instruments entered into by the Bank are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

27 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly or indirectly (that is, as prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

27 Fair Value of Financial Instruments (Continued)

(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. At 31 December 2013, the levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In thousands of Russian Roubles	**Level 2**	**Total**
ASSETS AT FAIR VALUE		
Other financial assets		
Foreign exchange forward contracts	11 649	11 649
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**11 649**	**11 649**

In thousands of Russian Roubles	**Level 2**	**Total**
LIABILITIES CARRIED AT FAIR VALUE		
Other financial liabilities		
- Foreign exchange forward contracts	9 918	9 918
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	**9 918**	**9 918**

At 31 December 2012, the Bank had no financial instruments recurring fair value measurements.

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

In thousands of Russian Roubles	**Fair value 31 December 2013**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE			
Other financial assets	**11 649**		
Foreign exchange forward contracts	11 649	Market similarity comparison	Spot and forward exchange rates
LIABILITIES CARRIED AT FAIR VALUE			
Other financial liabilities	**9 918**		
- Foreign exchange forward contracts	9 918	Market similarity comparison	Spot and forward exchange rates

There were no changes in valuation technique for level 2 recurring fair value measurements during the year ended 31 December 2013 (2012: not applicable).

27 Fair Value of Financial Instruments (Continued)

(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			31 December 2012		
In thousands of Russian Roubles	Level 1	Level 2	Carrying amount	Level 1	Level 2	Carrying amount
Cash and cash equivalents	**52 038**	**1 461 554**	**1 513 592**	**23 396**	**1 179 742**	**1 203 138**
- Cash on hand	52 038	-	52 038	23 396	-	23 396
- Balances with the CBRF (other than mandatory reserve deposits)	-	812 449	812 449	-	625 280	625 280
- Correspondent accounts and overnight placements	-	639 875	639 875	-	539 362	539 362
- Settlement accounts with trading systems	-	9 230	9 230	-	15 100	15 100
Mandatory cash balances with the Central Bank of the Russian Federation	-	**41 737**	**41 737**	-	**92 197**	**92 197**
Due from other banks	-	**2 583 972**	**2 583 972**	-	**2 453 327**	**2 453 327**
- Placements with banks of SEB Group	-	1 031 896	1 031 896	-	1 250 880	1 250 880
- Placements with a Russian bank	-	1 552 076	1 552 076	-	1 202 447	1 202 447
Loans and advances to customers	-	**6 614 276**	**6 570 380**	-	**5 980 084**	**5 967 151**
- Loans to large companies	-	5 221 198	5 197 782	-	5 267 778	5 260 041
- Loans to medium companies	-	490 602	493 682	-	108 810	108 113
- Loans to small companies	-	684 453	673 674	-	367 017	367 591
- Mortgage loans to individuals	-	119 736	113 052	-	130 172	128 441
- Consumer loans to individuals	-	98 287	92 190	-	106 307	102 965
Other financial assets	-	**4 262**	**4 262**	-	**6 770**	**6 770**
- Receivables on commissions for financial guarantees	-	1 155	1 155	-	3 569	3 569
- Receivables on commissions for custody services	-	2 561	2 561	-	2 786	2 786
- Receivables on commissions for cash and settlement services	-	546	546	-	415	415
TOTAL	**52 038**	**10 705 801**	**10 713 943**	**23 396**	**9 712 120**	**9 722 583**

27 Fair Value of Financial Instruments (Continued)

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

	31 December 2013		31 December 2012	
In thousands of Russian Roubles	**Level 2**	**Carrying amount**	**Level 2**	**Carrying amount**
Due to other banks	**6 203 158**	**6 187 271**	**4 931 949**	**4 932 858**
Customer accounts	**1 677 207**	**1 677 207**	**2 008 874**	**2 008 874**
- Current/settlement accounts of legal entities	850 380	850 380	971 042	971 042
- Term deposits of legal entities	822 610	822 610	1 033 794	1 033 794
- Current/demand accounts of individuals	2 859	2 859	2 746	2 746
- Term deposits of individuals	1 358	1 358	1 292	1 292
Subordinated deposit	**93 225**	**117 829**	**88 240**	**109 354**
Other financial liabilities	**18 497**	**18 497**	**56 180**	**56 180**
- Deferred fee and commission income	4 839	4 839	-	-
- Dividends payable on shares in custody	-	-	46 190	46 190
- Rent prepayments	1 620	1 620	-	-
- Deposit against a foreign exchange deal	1 300	1 300	-	-
- Security deposit under lease	613	613	-	-
- Financial guarantees	7 525	7 525	7 099	7 099
- Payables on accrued other operating expenses	1 039	1 039	1 787	1 787
- Other	1 561	1 561	1 104	1 104
TOTAL	**7 992 087**	**8 000 804**	**7 085 243**	**7 107 266**

27 Fair Value of Financial Instruments (Continued)

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was 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.

28 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition of Measurement" the Bank 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 subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. At the same time, under IFRS 7 "Financial Instruments: Disclosures", the Bank groups financial assets by class. The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2013:

In thousands of Russian Roubles	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Total**
FINANCIAL ASSETS			
Cash and cash equivalents			
- Cash on hand	52 038	-	52 038
- Balances with the CBRF (other than mandatory reserve deposits)	812 449	-	812 449
- Correspondent accounts and overnight placements	639 875	-	639 875
- Settlement accounts with trading systems	9 230	-	9 230
Mandatory cash balances with the Central Bank of the Russian Federation	41 737	-	41 737
Due from other banks			
- Placements with banks of SEB Group	1 031 896	-	1 031 896
- Placements with a Russian bank	1 552 076	-	1 552 076
Loans and advances to customers			
- Loans to large companies	5 197 782	-	5 197 782
- Loans to medium companies	493 682	-	493 682
- Loans to small companies	673 674	-	673 674
- Mortgage loans to individuals	113 052	-	113 052
- Consumer loans to individuals	92 190	-	92 190
Other financial assets			
- Receivables on commissions for financial guarantees	1 155	-	1 155
- Receivables on commissions for custody services	2 561	-	2 561
- Receivables on commissions for cash and settlement services	546	-	546
- Foreign exchange forward contracts	-	11 649	11 649
TOTAL FINANCIAL ASSETS	**10 713 943**	**11 649**	**10 725 592**

28 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of financial assets to the measurement categories defined in IAS 39 “Financial Instruments: Recognition and Measurement” as of 31 December 2012:

In thousands of Russian Roubles	**Loans and receivables**	**Total**
FINANCIAL ASSETS		
Cash and cash equivalents		
- Cash on hand	23 396	23 396
- Balances with the CBRF (other than mandatory reserve deposits)	625 280	625 280
- Correspondent accounts and overnight placements	539 362	539 362
- Settlement accounts with trading systems	15 100	15 100
Mandatory cash balances with the Central Bank of the Russian Federation	92 197	92 197
Due from other banks		
- Placements with banks of SEB Group	1 250 880	1 250 880
- Placements with a Russian bank	1 202 447	1 202 447
Loans and advances to customers		
- Loans to large companies	5 260 041	5 260 041
- Loans to medium companies	108 113	108 113
- Loans to small companies	367 591	367 591
- Mortgage loans to individuals	128 441	128 441
- Consumer loans to individuals	102 965	102 965
Other financial assets		
- Receivables on commissions for financial guarantees	3 569	3 569
- Receivables on commissions for custody services	2 786	2 786
- Receivables on commissions for cash and settlement services	415	415
TOTAL FINANCIAL ASSETS	**9 722 583**	**9 722 583**

At 31 December 2013 and 31 December 2012, all of the Bank’s financial liabilities except for derivatives at fair value were carried at amortised cost.

29 Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if they 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.

29 Related Party Transactions (Continued)

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

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Correspondent accounts with other banks (contractual interest rate: 0.0% p.a. – 6.36% p.a.)	333 636	1 477	-
Loans and advances to customers (contractual interest rate: 8.25% p.a.)	1 031 896	-	2 253
Impairment provisions for loans and advances to customers at 31 December	-	-	89
Other financial assets	11 927	1 372	-
Correspondent accounts of other banks (contractual interest rate: 0.0% p.a.)	75 206	9 651	-
Due to other banks (contractual interest rate: 0.7% – 8.2% p.a.)	6 102 414	-	-
Customer accounts (current accounts and term deposits) (contractual interest rate: 0.0% - 5.0% p.a.)	-	461 926	185
Subordinated deposit (contractual interest rate: 3 months LIBOR USD + 1% p.a.)	117 829	-	-

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

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Interest income	56 078	3	714
Interest expense	(324 181)	(13 762)	-
Fee and commission income	29 136	7 907	-
Fee and commission expense	(4 222)	(213)	-
Other operating income	84	1	-

At 31 December 2013, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Guarantees issued by the Bank	60 616	-	-
Guarantees received by the Bank on customers' obligations	12 163 036	2 912 329	-
Irrevocable credit lines	100 000	-	-

29 Related Party Transactions (Continued)

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

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Amounts lent to related parties during the period under loan agreements	7 366 361	-	-
Amounts repaid by related parties during the period under loan agreements	7 591 361	-	-

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

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Correspondent accounts with other banks (contractual interest rate: 0.0% p.a. – 1.7% p.a.)	475 548	654	-
Due from other banks (contractual interest rate: 6.15% - 6.5% p.a.)	1 250 880	-	-
Loans and advances to customers (contractual interest rate: 8.0% p.a.)	-	-	8 971
Other financial assets	6 078	277	-
Correspondent accounts of other banks (contractual interest rate: 0.0% p.a.)	12 101	2 052	-
Due to other banks (contractual interest rate: 0.8% - 8.2% p.a.)	4 918 705	-	-
Customer accounts (current accounts and term deposits) (contractual interest rate: 0.0% - 3.5% p.a.)	-	136 802	1
Subordinated deposit (contractual interest rate: 3 months LIBOR USD + 1% p.a.)	109 354	-	-

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

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Interest income	1 468	5	767
Interest expense	(212 535)	(7 841)	-
Fee and commission income	45 091	4 264	-
Fee and commission expense	(3 271)	(36)	-
Other operating income	-	846	-

At 31 December 2012, other rights and obligations with related parties were as follows:

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Guarantees issued by the Bank	154 286	-	-
Guarantees received by the Bank on customers' obligations	12 772 425	774 429	-
Irrevocable credit lines	100 000	-	-

29 Related Party Transactions (Continued)

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

In thousands of Russian Roubles	**Parent Bank**	**Entities under common control**	**Key management personnel**
Amounts lent to related parties during the period under loan agreements	1 402 250	-	-
Amounts repaid by related parties during the period under loan agreements	152 250	-	6 363

The Bank's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

The information about the Parent and the ultimate controlling party of the Bank is disclosed in Note 1.

Total remuneration paid to the key management personnel for 2013 was RR 24 943 thousand (2012: RR 20 452 thousand).

At 31 December 2013, the number of the Bank's staff was 102 (31 December 2012: 96), and the number of the key management personnel was 4 (31 December 2012: 4).

In 2013 and 2012, no remuneration was paid to the members of the Board of Directors. The members of the Bank's Board of Directors are employees of the Parent, and primarily provide services to the Parent, and their remuneration is paid by the Parent. The Board of Directors meets several times per year and it is impracticable to identify which portion of total remuneration of the Bank's Board of Directors paid by the Parent relates to the Bank.

30 Events After the End of the Reporting Period

On 15 March 2014, International rating agency Fitch Ratings affirmed the Bank's Long-term Issuer Default Rating (IDR) in foreign currency at "BBB+"; outlook was changed to negative from stable. The short-term IDR in foreign currency was affirmed at "F2". The national long-term rating has been affirmed at "AAA (rus)" with stable outlook. The support rating has been affirmed at "2".