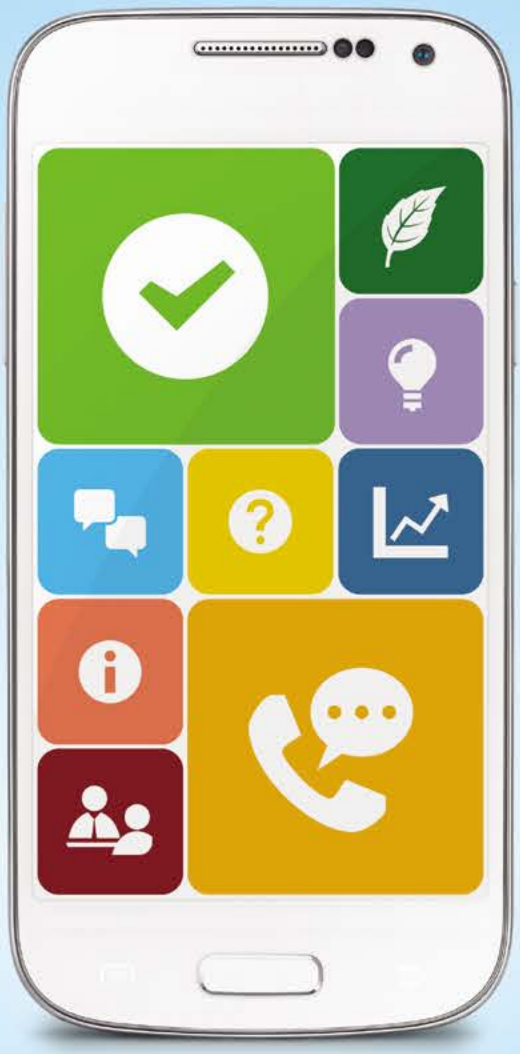
UniCredit Bank



Listen,
understand,
respond.

2013 Annual Report

GENERAL LICENSE № 1
25 YEARS
since 1989

UniCredit Bank

This report expresses UniCredit's approach to banking by telling everyday stories about our interactions with Customers, innovations in products and adaptability in services.

These brief but meaningful stories come directly from our colleagues. They are examples of the tangible benefits and concrete solutions offered by UniCredit, demonstrating how we make a difference in people's lives.

Our clear goal to improve everyday circumstances is rooted in our complete commitment to outcomes that ensure Customer satisfaction.

At UniCredit, listening to our Clients and engaging with them to offer simple, direct results lies at the heart of our commercial banking operations. It is part of our determined effort to contribute to the economic and social well-being of our Customers as well as the communities where we work.

We will continue with this commitment to all of you, every day.

2013 Annual Report

Accelerate

Response times and problem solving.

Sometimes our Customers may encounter some difficulty, either at a branch or when banking online. These difficulties require quick solutions. To help our Customers quickly, we offer them a questionnaire after every banking transaction.
If they tell us they are not satisfied with the quality of a product or service, their branch manager contacts them directly **within 48 hours, with a solution**. In a six-month period, **15 percent of our Customers** filled out the questionnaires, with **87 percent saying they were satisfied** with our resolution of their issue.

Customer Sactisfation Unit - UniCredit Bank - RUSSIA

Financial Highlights

	2013	2012	change 2012-2013
ASSETS AT THE END OF THE YEAR, RUB million			
Total assets, including	**888,500**	**868,476**	**2.3%**
Loans to customers	548,607	504,195	8.8%
Securities	64,124	63,261	1.4%
LIABILITIES AT THE END OF THE YEAR, RUB million			
Total liabilities, including	**756,456**	**755,222**	**0.2%**
Amounts due to customers	529,545	503,869	5.1%
Amounts due to credit institutions	152,654	187,524	-18.6%
CAPITAL (BASEL II) AT THE END OF THE YEAR, RUB million			
Total capital	**125,427**	**109,982**	**14.0%**
PROFIT FOR THE YEAR, RUB million			
Net interest income	28,053	23,258	21%
Non-interest income	17,410	12,868	35%
Operating income	**45,463**	**36,126**	**25.8%**
Impairement	-3,442	-2,805	23%
Net income from financial activities	**42,020**	**33,321**	**26%**
Operating costs	-11,976	-11,120	7.7%
Gains/losses on associate and investments	-212	42	-603%
Profit before income tax expense	**29,832**	**22,243**	**34%**
Income tax expense	-5,708	-4,764	20%
Total profit for the year	**24,124**	**17,478**	**38%**
KEY PERFORMANCE INDICATORS, %			
Return on average equity (ROE)	19.9	17.8	
Return on average assets (ROA)	3.0	2.3	
Total capital ratio (Basel II)	16.3	15.0	
Central Bank of Russia N1 capital adequacy ratio	14.4	13.5	
Cost/income ratio	26.3	30.9	
STAFF			
Number	3,696	3,666	1%
GEOGRAPHY			
Branches in Moscow	40	41	-2%
Regional branches	50	51	-2%
RepOffices	14	14	0%
Offices abroad	1	1	0%
Total Number of Offices	**105**	**107**	**-2%**

Choose

The best ways to bank.

Customers want everything a modern bank can offer, without actually having to go to a branch. To meet this need, we have become the first bank in Germany to integrate the benefits of in-branch and online banking. The online branch offers our Customers a personal relationship manager, long opening hours and the consulting expertise of a classical branch office.

Customers may choose from different modes of access: by phone or via online video link. Documents may be presented and processed live on screen while using the highest safety standards in place.

The online branch provides personal, competent consultancy irrespective of place and time.

HVB Online Branch - HypoVereinsbank - GERMANY

Contents

Collaborate

More efficiency, better results.

A long-standing Client of UniCredit, had been owned since 2008 by a US private equity fund. The Company consistently recorded good results and after four years, the equity fund began to consider the best options for maximizing its investment. The transaction was quite complex, involving many teams in UniCredit who worked in unison, like an orchestra, to achieve the same objective, that of satisfying all the clients involved.

Our intervention enabled all of the potential buyers to be well supported and the deal was concluded in a very short time, allowing the Company to **continue its growth** path under a new shareholder, also a key Client of UniCredit. The US equity fund managed to achieve **a very successful investment**. One deal, more satisfied Clients.

Working together for the same objective produces excellent results.

CIB Financial Sponsor Solutions - ITALY

Introduction

CEO's Letter to the Shareholders

FEDERICO GHIZZONI
Chief Executive Officer

> "Given UniCredit's solid position, we are well-equipped to confront future challenges."

Dear Shareholders,

in 2013, as a result of a number of judicious choices, we continued to build UniCredit into one of the most solid banks in Europe. We have secured our capital position and adopted new measures to improve our operational efficiency. In recent years, we have significantly raised our core Tier 1 ratio, reduced our operating costs and trimmed our risk-weighted assets.

As planned, today we are a rock-solid commercial bank, able to lend our full support to the economy. Despite a challenging macroeconomic environment, our Group has evolved into an innovative and efficient bank that engages effectively with its customers.

Three years ago, we shifted our focus to our core business, anticipating a trend that has been gradually spreading across our industry. Wherever I travel throughout Europe, I hear our competitors saying that they must become more efficient and strengthen their efforts in traditional commercial banking. We have already done this. We have simplified our organization and processes and are providing our customers with better services. We have eliminated roughly 30 percent of our layers of bureaucracy to become a leaner bank that makes faster decisions. Our front-line bankers now have greater authority to complete transactions quickly.

At the same time, we are developing a fully integrated service model that enables our customers to access banking services through a wide range of channels. Driven by a clear understanding of customer preferences, our substantial investments in new technologies make it possible to communicate with clients in new ways.

We remain focused on strengthening relationships with our family and business customers.

To that end, we have devoted greater resources to advisory tools and services. For example, we developed the *Bilancio Familiare* spending analysis dashboard to help families make better choices. For businesses, we are making it easier to do business abroad and directly access capital markets.

Core to our strategy is to make more credit available to both families and enterprises, in line with the improving macroeconomic environment all of us expect for 2014. It may not yet be possible to expand our lending to pre-crisis levels, but we are doing everything possible to help our customers tap into a wide variety of funding sources.

We are now starting to realize the benefits of our work over the past three years. Notably, our customer satisfaction indexes are starting to rise again, climbing to levels not seen since before the crisis – even in countries including Italy where considerable difficulties have had to be addressed. These results justify our commitment and our investments, and we will continue to pursue the course we have taken.

Internally, we have been working to foster a culture that drives sound behavior, particularly through stronger risk management. We have reinforced cooperation between our risk personnel and our business staff to develop solutions that are fully consistent with the goals and needs of both our Group and our customers.

In 2013, through decisive action, UniCredit left a number of negative legacies behind. We can now fully focus on increasing our business and profitability. We are doing what needs to be done to orient ourselves more consistently toward retail and corporate customers in our core markets and to strengthen our traditional roots in commercial banking.

We are presently setting ambitious goals for the future. Among them, we are seeking to become the top-rated bank in Europe for quality of service. We intend to lead our industry in multichannel offerings – particularly in digital banking.
To achieve this, we will invest robustly in IT over the next three years to further develop our innovative digital platform. We are also working to serve our corporate customers more effectively and to improve our standing as one of the primary corporate banks on the continent.

These advances are being executed against a backdrop of broader changes at the European level. Last year saw Europe make progress towards the formation of a genuine banking union.
When this important work is complete, we will have successfully leveled the playing field.
The union will enable the European banking sector to thrive once again, bringing substantial benefits to the European economy. With this in mind, I view the upcoming asset quality review as an important opportunity to increase transparency, which will help Europe's banks to reestablish their reputations and look to the future with confidence.

Given UniCredit's solid position, we are particularly well-equipped to confront future challenges. We are looking forward to reaping the benefits of what we have accomplished to date and to generating still greater positive momentum in 2014.

Sincerely,

Federico Ghizzoni
Chief Executive Officer
UniCredit SpA

Statement by the Chairman of the Supervisory Board

ERICH HAMPEL,
Chairman of the Supervisory Board

> “In 2013 UniCredit Bank Russia became one of the most profitable banks of the Group in CEE countries.”

Ladies and Gentlemen,

Dear Clients, Friends and Colleagues,

I am proud to present the 2013 Annual Report on behalf of the Supervisory Board of UniCredit Bank.

It is a great pleasure for me to point out that in 2013 Russian subsidiary of UniCredit again was very profitable and successful. The Bank, which celebrates its 25 year jubilee in 2014, earned an all-time high net profit of 24.1 billion rubles with a solid contribution from all business segments. As Russia continues to be one of the most important countries for further development of the UniCredit's business, it is important to mention that in 2013 UniCredit Bank Russia became one of the most profitable banks of the Group in CEE countries.

In 2013 UniCredit Bank confirmed its position as the leading international bank in Russia and one of the most effective Russian banks with remarkable low cost / income ratio of 26.3%. The equity of the Bank increased by 16.6%, constituting a solid base for the further growth of its business. The Bank comfortably meets the regulatory requirements and continues to be among the most reliable banks in the Russian Federation. The Bank's loan portfolio increased by 9%, quality remained excellent. Thanks to the Bank's good reputation and well-balanced strategy the Bank continued to maintain a broadly diversified funding base.

UniCredit Bank made a very important step – in 2013 the Bank participated in the Group project and implemented two CRM systems for corporate and retail clients. This important achievement should help the Bank to further improve the quality of customer service and response to the clients' needs even better than before.

It is our goal to support our presence in the Russian financial market, providing our clients with the most advanced financial products and services as well as the opportunities of an international network of the Group.

I would like to thank the Management Board and the employees of UniCredit Bank for their good work and excellent results achieved in 2013.
In 2014, we will continue to implement the Strategic Plan for the benefit of our customers, the shareholder and other stakeholders.

Erich Hampel,
Chairman of the
Supervisory Board

Highlights

UniCredit operates in 17 Countries with more than 147,000 employees and over 8,900 branches.

UniCredit benefits from a strong European identity, extensive international presence and broad customer base.

Its strategic position in Western and Eastern Europe gives the Group one of the region's highest market shares.

1. Data as at December 31, 2013. FTE = "Full Time Equivalent": number of employees counted for the rate of presence. Figures include all employees of subsidiaries consolidated proportionately, such as Koç Financial Services Group employees.

2. Data as at December 31, 2013. Figures include all branches of subsidiaries consolidated proportionately, such as Koç Financial Services Group branches.

* Data as at December 31, 2013.

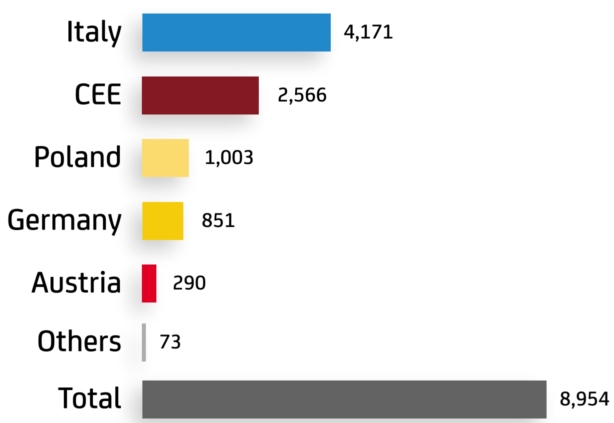
EMPLOYEES[1]

over 147,000

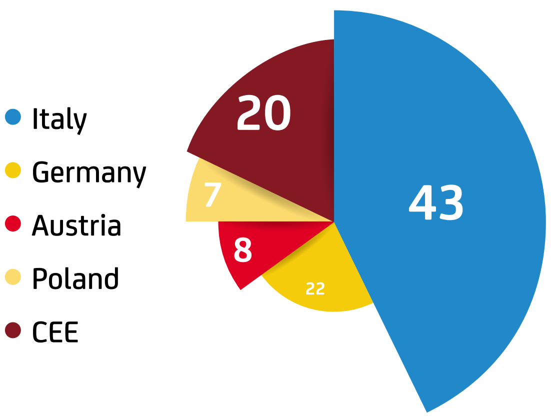
BRANCHES[2]

over 8,900

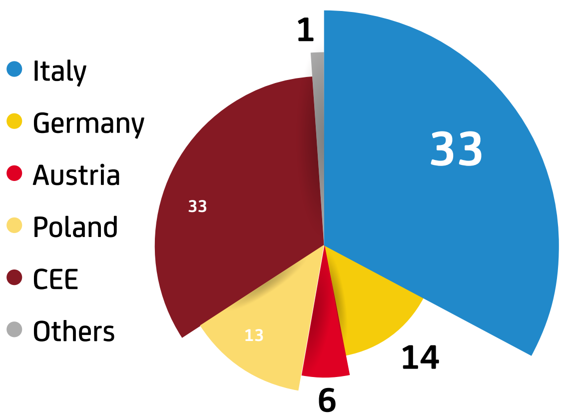
Branches by Country[2]



Revenues by Region* (%)



Employees by Country[1] (%)



Focus

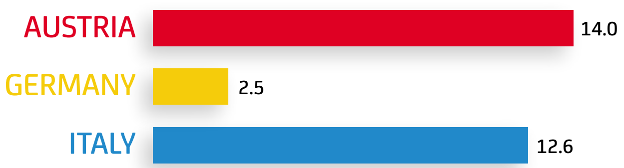
AUSTRIA, ITALY AND GERMANY

UniCredit occupies a strategic position in Italy, Germany and Austria. With about 4,171 branches in Italy, 851 in Germany and 290 in Austria, UniCredit comprises one of the largest banking networks in the heart of Europe. Accounting for more than one-third of the GDP of the European Union, these three countries benefit from their close ties to the growing economies of Central and Eastern Europe.

Following the introduction of the ECB's Outright Monetary Transactions (OMT) program in the summer of 2012, markets' normalization process is enduring, with a gradual restoration of investors' risk appetite. At the beginning of 2014, the growth recovery across the OECD area is gaining good momentum, while global trade is picking up quite nicely. We expect eurozone growth accelerate to an annual average of about 1.5% in 2014, from -0.4% in 2013. Germany is projected to be the engine of growth in 2014, on the wake of brighter export prospects, the unloading of pent-up demand in investment in machinery and equipment, and some strengthening of private consumption; the tight intra-European trade links will secure that the positive effect will be felt in the eurozone periphery as well as Central Eastern Europe. In Italy, the recovery is underway, although the pace of GDP growth is likely to remain subdued at 0.7% in 2014. The main growth drivers will be a steady recovery in exports and a moderate pick-up in capital expenditures, amid still tight credit conditions, while private consumption is likely to be the weak spot. Finally, while the recovery of export markets is kick-starting the domestic economy, domestic demand, mainly investment, will ultimately constitute the main pillar of economic growth in Austria in 2014.

In the medium-to-longer term, the OMT has helped to create a more favorable environment for politicians to implement structural reforms, while repairing the transmission mechanism of monetary policy remains the ECB's most daunting challenge. Pushing ahead with the structural reforms remains essential to achieving a sufficient degree of macroeconomic and fiscal convergence across the eurozone, while efforts continue to shape a credible pan-European architecture. This process is vital to making the eurozone stronger and more competitive moving forward. In Italy, the sustainability of the recovery will largely depend on the effective implementation of reforms to restore long-term competitiveness and reduce public debt. Taking into account the reforms that have already been implemented in Italy, we expect real economic growth to continue at an average annual rate of roughly 1% in Italy and 1.8%-1.9% in Austria and Germany from 2015 to 2018.

Market share[1] (%)



1. Market share in terms of total Customer Loans as at December 31, 2013.
Source: UniCredit, National Central Banks.

CENTRAL AND EASTERN EUROPE

UniCredit is a market leader in Central and Eastern Europe, it has a broad network of roughly 3,600 branches.*

Its regional footprint is diverse, and include a direct presence in 14 countries. It is ranked in the top five in 10 of these counties*. In fact the CEE now accounts for 28 percent of the Group 's revenues.**
Across the newer EU states, economic performance is expected to continue improve. A recovery was already visible over much of 2013. In part this improvement captures a stronger external environment, supporting industry and exports as EMU continues to use much of the region as a competitive production base.
Over 2014 this recovery should extend more visibly into domestic demand. Following a multi year period of fiscal consolidation, the drag to growth on this front should be much more muted going forward while some countries will enjoy a positive impulse. Public debt ratios remain considerably below the average for advanced economies. In many cases labour markets have stabilized.

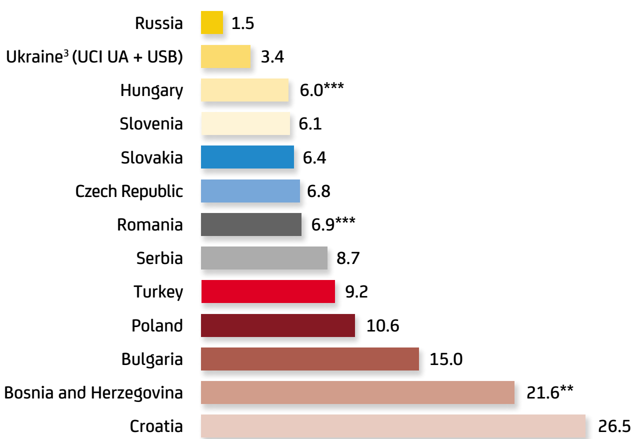
Monetary policy is also exceptionally accommodative across the region while rate hikes are likely to materialize only gradually. Progress on banking union should also bring positive spillovers to the newer EU states while in many countries we see credit proving more supportive of domestic demand. In many of the newer EU states we expect GDP growth of above 2% this year.

Within Turkey and Russia the near term challenges are greater. Following a multi year period of strong growth, momentum will slow this year in Turkey. Political uncertainty plays a role. A slowdown in foreign capital inflows, prompted in part by Fed tapering, is also having an impact. In contrast, stronger industry and export performance brings benefits, as is the case in the newer EU states.

Russia continues to adjust to stable rather than consistently increasing energy prices. This adjustment is aided by increased currency flexibility, a large stock of foreign reserves and improvements in the inflation-targeting regime. Within this environment, real GDP growth over the coming 1-2 years will be more muted than in the past but remain positive.

From a medium- to long - term perspective, we believe that the majority of Central and Eastern Europe economies will continue to see an increase in living standards as growth is supported by competitive labor costs, flexible labor markets and a gradual recovery in foreign direct investment.

Market share[2] (%)



* as at 30 September, 2013.
** as at 30 June, 2013.
*** as at 31st December 2012.
2. Market Share in terms of Total Assets as 30 September 2013.
Market share in Azerbaijan not available.
3. Pro-forma (Ukrsotsbank + UniCredit Bank Ukraine).
Source: UniCredit Research, UniCredit CEE Strategic Analysis.

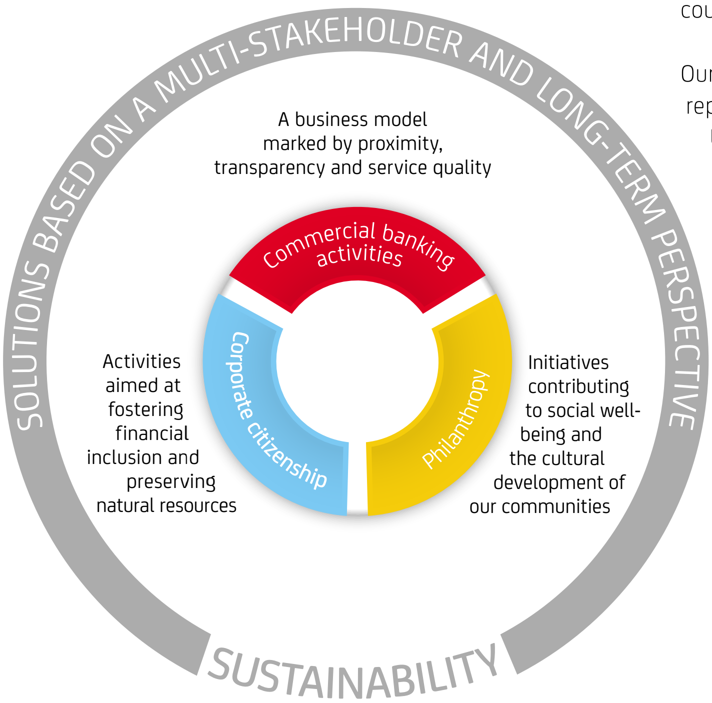
Our Approach

The current economic situation poses a new challenge for the banking sector. It must remake itself into a driver of the real economy – and must be able to meet the needs of society, maintaining sustainable operations.

How are we tackling this challenge at UniCredit? By applying a long-term, multi-stakeholder approach to every area of our activity:
- commercial banking – by improving our business model and competencies in order to work more closely with customers and meet their needs more effectively;
- corporate citizenship – by using our expertise to nurture the economic participation of all people and conserve natural resources;
- philanthropic initiatives – by supporting programs that go beyond a bank's traditional scope and respond to basic social needs, especially in times of crisis.

Indeed, to succeed in the current climate, a bank must address economic, social and environmental issues both in its strategic outlook and in its day-to-day work.

Such an approach depends on a cultural shift – one that is now the basis for our service model – and it also relies on proper risk management. With this in mind, we are improving cooperation between our business units and the departments in charge of risk management. This enables us to develop solutions that are in line with the objectives and needs of our Group and our customers.



The management of risk is the cornerstone of our business, and a deep knowledge of our customers is essential if we are to understand and control risk as effectively as possible.

In order to build even closer relationships with our customers and respond more quickly to their needs, we have simplified many procedures and delegated more decision-making powers to our national operations.

At the same time, we continue to increase efficiency in our operations. Throughout our Group we are adopting technological innovations that are opening up new ways to interact with customers. We are determined to leverage the opportunities presented by multi-channel communications to form stronger and more productive relationships with our clients.

Embracing innovation is one of UniCredit's key objectives. It is why we seek to develop a fully integrated multi-channel banking system that combines traditional and digital communications. The physical branch remains at the heart of this model, particularly in times that call for personal relationships and direct interaction. However, the branch banking experience will be increasingly complemented by the new channels in which we are investing.

It is an approach that stems from paying close attention to our stakeholders' genuine expectations. After all, dialogue with them is our guiding principle for generating lasting value and for successfully supporting the development of the countries in which we operate.

Our extensive physical presence and strong local representation formed the fundamental character of UniCredit. Fifteen years ago, we laid the groundwork for our geographic expansion and operational diversification. It was a sound decision – and it has made our Group a leading financial institution, respected throughout Europe.

15 years of UniCredit

1999

Group UniCredito Italiano establishment
Merger of Credito Italiano, Rolo Banca 1473, Cariverona, Cassa di Risparmio di Torino, Cassamarca, Cassa di Risparmio di Trento e Rovereto, Cassa di Risparmio di Trieste.

Beginning of international growth.
The expansion process in Central and Eastern Europe starts with the acquisition of the Polish Bank Pekao.

2000

Geographical growth and diversification
Development in emerging markets. Acquisition of Bulbank (Bulgaria) and Pol'nobanca - then Unibanka - (Slovakia). Acquisition of the US fund manager Pioneer Investment of Boston and establishment of Pioneeer Global Asset Management.

2005

Merger with the German HVB Group and establishment of a single large European bank
UniCredit merged with the German HVB Group, which was created in 1998 from two Bavarian banks (Bayerische Vereinsbank and Bayerische Hypotheken-und Wechsel-Bank), so establishing a single, large European bank.
Acquisition of Yapi Kredi by Koç (Turkey).

2007

Merger with Capitalia. Strengthening the presence of the Group in Italy and abroad
UniCredit strengthen its position in the Italian market thanks to the integration with the Capitalia group – established in 2002 from the merger of Banca di Roma Group, the Bibop-Carire Group, Banco di Sicilia, MCC and Fineco.
The Group also strengthen its presence in CEE with the acquisitionof Ukrsotsbank in Ukraine.

2010

A new service model: "Together for our customers"
Together with customer is the organic business evolution program designed to better focus on customers' needs and enhance proximity to territories through a set of interventional measures to combine the specialization of our businesses with the simplification of the Group structure.

2012

The new UniCredit
A rock solid commercial bank leader in Europe which combines operational efficiency and customer satisfaction by investing both in the traditional and digital communication.

2014

UniCredit Tower, the new Headquarter
UniCredit Tower represents a model of:
- sustainability, with more than a 40% reduction in CO2 emissions;
- modernity, as it's ranked among the world's 10 most beautiful skyscrapers (source: Emporis Building Data Company);
- efficiency, resulted in a reduction in occupied office space, saving almost 25 million euros annually, with better efficiency.

15 years

UniCredit

Resolve

Anytime, anywhere.

"On her way back from holiday, one of my Customers had a problem with her car, forcing her to call for assistance.
The problem was serious, and the daily limit on her debit card did not permit our Customer and her husband to pay for the repairs.
She called me on the verge of panic, and I went straight to work to **solve the problem as quickly as possible**. They were able to pay their bill and set off again with peace of mind.
When they got home, I received a phone call from my Customer to thank me and let me know that after their **positive experience** with UniCredit, her husband **was becoming a Customer**."

Silvia Rieder - Commercial Bank
Pressbaum Branch 2099 - UniCredit Bank - AUSTRIA

25 years of UniCredit Bank

1989 — **UniCredit Bank founded in Moscow** on October 19 as International Moscow Bank (IMB), registered by USSR State Bank of on October 20; first bank in Russia (USSR) with majority foreign ownership.

1991 — **IMB licensed by Central Bank of Russia (CBR)** to conduct foreign currency transactions.

1993 — **First branch of IMB officially opens in St Petersburg.**

1995 — **Official opening ceremony and presentation of new IMB building at 9 Prechistenskaya Embankment, Moscow.**

2001 — **IMB merges with Bank Austria Creditanstalt (Russia),** subsidiary of Bank Austria Creditanstalt (Vienna, Austria); united bank retains International Moscow Bank name.

2005 — After merger of UniCredit Group and HVB Group, **UniCredit becomes IMB shareholder.**

2006 — **IMB and Avtoframos** (official Renault representative in Russia) together with RCI Banque (official bank of Renault-Nissan alliance) launch loan program for new car purchases.

2007 — **At May 11 AGM, IMB shareholders change IMB's brand to UniCredit Bank;** in July Bank Austria Creditanstalt (Vienna, Austria) becomes full IMB owner (100% of voting shares); on December 20 International Moscow Bank officially changes its name to ZAO UniCredit Bank, receives CBR General License No.1 for banking operations.

2009 — **UniCredit Bank network expanded to 100 branches** and representative offices, including a representative office in Minsk, Republic of Belarus.

2011 — **UniCredit Bank helps organize UEFA Champions League Trophy Tour,** presented by UniCredit, in Russia; UniCredit Bank **presents "People and the City" exhibition**, including paintings from UniCredit Bank art collection and UniCredit collection.

2012 — **UniCredit Bank opens new office at Nagatino i-Land in Moscow.**

2013 — **UniCredit Bank achieves net profit of 24.1 billion rubles,** largest in its history.

2014 — **UniCredit Bank is now one of Russia's largest commercial banks,** offering a wide range of services to corporate and individual clients, small and medium enterprises, and finance and credit institutions. The Bank is Russia's largest foreign bank (Interfax-100 ranking based on 2013 results) and one of Russia's most reliable banks (Forbes Russia). UniCredit Bank is fully owned (100%) by UniCredit Bank Austria AG, Vienna, Austria, member of UniCredit (UniCredit S.p.A.).

Main Achievements in 2013

UniCredit Bank and Honda Motor RUS launch special car loan program

UniCredit Bank in cooperation with Honda Motor RUS launched a special loan program on March 15, 2013 offering a special low interest rate on loans to buy Honda vehicles. The program gives customers a way to take advantage of the New Car Loan, Second-Hand Car Loan, and Deferred Repayment Plan Loan (buy back) programs, which can be used to finance the purchase of any car in the Honda model lineup.

UniCredit Bank offers a new online service for car loan applications

UniCredit Bank launched a new service for anyone wishing to get a car loan on the Bank's website. This service enables customers to put together their dream car: a customer can choose the brand, model, features, additional options and extras, calculate the required loan amount, and fill out a loan application – all of this online. After the customer fills out the application and clicks "submit" to send it to the Bank, a Bank employee contacts the customer promptly for a consultation on the required set of documents and loan terms and conditions.

UniCredit Bank named a Top European Employer again in 2014

The CRF Institute named UniCredit Bank (Russia) one of its Top Employers Europe 2014; this the third consecutive year that the Bank has received this designation. UniCredit Group was also named among Top Employers Europe 2014.

UniCredit Bank combines ATM network with those of Raiffeisenbank and URALSIB Bank

UniCredit Bank card holders can now withdraw cash and retrieve bank account balance information through Raiffeisenbank and URALSIB Bank ATMs without having to pay additional fees. The program was launched in May 2013. As a result, the combined network of ATMs available to UniCredit Bank customers expanded to approximately 6 700 ATMs, including more than 2,000 Raiffeisenbank ATMs, about 3 000 URALSIB Bank ATMs, some 700 ATMs operated by the Moscow Credit Bank and about 1,000 ATMs owned and run by UniCredit Bank.

UniCredit Bank launches a special Ducati motorcycle finance program

The program enables customers to buy new Ducati motorcycles at all authorized Ducati dealers in Russia. When making a down payment of 30% or more of a motorcycle's price, a borrower only needs two documents – a valid passport and a driver's license – to receive the loan.

UniCredit Bank among the 2013 Absolute Brand contest winners

Winners of the 2013 Absolute Brand contest were announced on May 30, 2013 in Moscow. UniCredit Bank received the award for sustainable development of an international brand in Russia. UniCredit Bank, which has been part of the international UniCredit Group since 2007, represents and promotes the UniCredit global brand in Russia. As part of its efforts to promote the brand, the Bank implements projects that provide support for events and activities in the area of culture and art. In addition, the Group's cooperation with the highly popular UEFA Champions League club tournament is an important part of the promotion of the UniCredit brand.

UniCredit Bank becomes full member of Factors Chain International (FCI)

As a result of its successful factoring operations in five months of 2013, UniCredit Bank received full member status in Factors Chain International (FCI), an international factoring association. This is the highest status the association's members can receive, and to achieve it a factoring organization must meet a series of very strict requirements for international factoring turnover, cooperation with international factoring companies, and more. Only three Russian companies have achieved full member status with FCI, and UniCredit Bank is one of them.

Financial Services for SME

UniCredit Bank proposed five new comprehensive banking plans for small and medium-sized enterprises: Comfort, Business, Optimum, Leader, and Maximum. Each plan includes all the services required for a business to address its objectives specific to the industry of operation and business scale. In addition, each plan includes products and services offering a broad range of options and capabilities for managing not only the business assets, but also the personal finances of the business owner and employees. For a flat monthly fee, SME customers can get unlimited access to the services they need without any additional fees.

UniCredit Bank launches Mobile.UniCredit 2.0, a new iOS-based app for smartphone and tablet users

The app was completely redesigned, and its functionality significantly expanded. In addition to basic functionality, the Mobile.UniCredit 2.0 iOS app now offers a way to use mobile banking to view account information, credit card, loan and deposit (savings account) details, as well as information about the status of transfers between accounts, including transfers involving currency conversion. Clients can also use the app to pay for the services of more than 300 companies without commission fees, create templates for common transactions, perform transactions with templates created previously, and more.

UniCredit Bank joins government car loan program with subsidized interest rates

In July 2013, UniCredit Bank became a participant in the Russian govenrment's Subsidized Interest Rate Car Loan Program. Under the terms of the program, the Russian government subsidizes part of the interest rate on loans to car buyers at 2/3 of the Central Bank of Russia's refinancing rate for the entire period of the loan. UniCredit Bank was among the first in Russia to announce its participation in the program and went on to become one of its most active participants. According to the Russian Ministry of Industry and Trade, UniCredit Bank was second among all lending institutions by the number of subsidized car loans extended, with 14,1% of all loans under the program.

UniCredit Bank exhibits 1920s-1930s Russian Art from UniCredit Bank New Acquisitions Collection at new office

In a longstanding tradition, UniCredit Bank marked its birthday by presenting an exhibition of paintings from 1920s-1930s Russian Art from UniCredit Bank's Corporate Collection; New Acquisitions. The collection was presented for the first time at the Bank's Bolshaya Gruzinskaya additional office in Moscow. Paintings added to UniCredit Bank's collection in 2012-2013 were shown at the exhibition. They included the work of such artists as Boris Chernyshev (1906–1969), Fedor Semenov-Amursky (1902–1980), Boris Smirnov-Rusetsky (1905–1993), Arseniy Schults (1910–1976), Grigory Kostyukhin (1907–1991), Maria Kazanovskaya (1914–1942) and Vladimir Khrakovsky (1894–1984).

UniCredit Bank offers new-generation Visa Gold ATM cards with payWave technology

The Visa payWave technology makes it possible to perform transactions without letting go of the Visa card: all you have to do is "wave" the card near a terminal with a contact-free payment logo or symbol. You do not have to enter a PIN code or sign a receipt for transactions under RUB 1,000. Despite the ease and speed of payment, the system is securely protected from fraud, because the card holder does not have to pass the card to third parties to make a purchase; a secure personal data encryption system protects the card from any attempt to make a replica.

Main Achievements in 2013 (Continued)

UniCredit Bank signs a deal with EIB to finance Russian SME and mid-cap projects

The European Investment Bank (EIB) extended two credit lines to Russian banks belonging to major European banking groups. The funds will be used to finance projects which small and medium-sized enterprises and mid-cap companies implement in Russia. UniCredit Bank received EUR 100 million for this program. Both credit lines were extended under the Russia – EU Partnership for Modernization initiative, laying the foundation for cooperation between the EIB and the Russian banking subsidiaries of European financial services groups. These were the first such loans extended by the EIB to Russian banks controlled by lending institutions in the EU.

UniCredit Bank offers MasterCard *PayPass®* UniCredit stickers

UniCredit Bank offered customers an innovative product – a MasterCard *PayPass®* UniCredit sticker, making it possible to perform easy, convenient, secure one-touch transactions. All you have to do to pay for a purchase is bring the sitcker to a cash register scanner. You can attach the MasterCard PayPass UniCredit sticker to a cell phone, a wallet or purse, a piece of ID – any object you always have handy. No PIN code or signature is required for transactions under RUB 1,000.

UniCredit, UniCredit Bank, Finest S.p.A. and Simest S.p.A. sign “Bridge to Russia” agreement

The “Bridge to Russia” agreement signed at a Russian-Italian business forum in Trieste provides access to new strategy consulting, organization and operating services to Italian companies demonstrating steadily growing interest in expanding their Russian operations.

UniCredit Bank’s Legal Department wins Russia’s Best Legal Departments Award for the second time in 2013

The winners in the 2013 Russia’s Best Legal Daprtments contest were named on November 22. The contest pits the legal departments of top-100 Russian companies by assets from various industries against one another. UniCredit Bank’s legal department joined the competition for the second time, and, according to the board of experts, was the best legal department of commercial banks in Russia in 2013. The Bank’s Legal Department also took second place in absoslute terms among all corporate legal departments in Russia in 2013.

UniCredit Bank and EBRD sign a US$ 80 million factoring finance agreement

UniCredit Bank and the European Bank for Reconstruction and Development (EBRD) signed an agreement giving UniCredit Bank the opportunity to use a US$ 80 million limit for trade finance transactions to finance factoring transactions.

UniCredit Bank receives its 11th JPMorgan Chase Bank award for Excellent Quality

UniCredit Bank received the award for ensuring impeccable quality of outgoing USD-denominated remittance orders. As many as 99% of UniCredit Bank customers' payments have been handled automatically for years, enabling the Bank to process US Dollar transactions quickly and efficiently.

UniCredit Bank joins top-10 lead arrangers of market placements and investment bank arrangers in 2013 – Cbonds

Cbonds ranked UniCredit Bank 8th among investment banks – bond issue arrangers for 2013, in a significant year-on-year improvement. Cbonds also placed UniCredit Bank 7th in its ranking of arrangers of market bond placements – another significant improvement over the previous year. According to Cbonds, UniCredit Bank is the sixth-largest arranger of corporate bond placements, excluding government, municipal and asset-backed bond issues.

UniCredit Bank joins the list of banks approved by the Russian government

UniCredit Bank has been added to the Russian government-approved list of lending institutions where accounts can be opened to pay for government procurement contracts. The list includes 51 banks meeting the requirements for financial stability set for federal government and municipal contracts. The decree went into effect on January 1, 2014.

UniCredit Group ranked high among syndicated loan arrangers in 2013 – Cbonds

Cbonds published ratings for syndicated loan arrangers for 2013, putting UniCredit Group at the top of Former Soviet Union arrangers by the number of loans. UniCredit was also No. 2 in the rating of syndicated loan arrangers in Russia (by aggregate amount) and 3rd in Russia by the number of syndicated loans organized.

UniCredit Bank named one of top three banks for branch network efficiency in 2013

Renaissance Credit placed UniCredit Bank in 3rd place by its Index of Classical Retail Efficiency of Banking Offices (Branches) (INCREBO) for 2013, with an INCREBO of 427.9 points for the year. Renaissance placed UniCredit Bank at the top of its ranking for 4Q 2013, with an INCREBO of 162.8 points, reflecting the Bank's substantial improvement during 2013. The INCREBO index includes parameters such as the number of bank offices (branches), the aggregate volume of retail loans and account balances (deposits). The rating list only includes banks, which as of January 1, 2013, according to Frank Research Group, had at least 15% of their retail loan portfolio in cash, as well as banks with a net portfolio of retail loans with terms of 1-3 years (on January 1, 2013 according to CBR statistics) of at least RUB 1 billion.

UniCredit Bank still among most reliable banks in Russia – Forbes Magazine

Forbes Magazine named UniCredit Bank among the most reliable Russian banks for the sixth time in a row in 2013 in the Magazine's 100 Banks list. Additionally, UniCredit Bank ranked 9th by asset value, remaining the largest international bank in Russia, and the 8th largest by equity.

Understand

Customer needs and quick responses.

“I received a call from a new Customer who told me his company’s employees were having trouble withdrawing money from ATM machines. I wanted to solve the problem as quickly as possible, so I went that evening to check in person. I found that the ATM was only allowing Customers to insert cards one way.
I helped a Customer who was having trouble withdrawing cash.
But I knew that our ATMs were supposed to allow Customers to insert cards in either direction, so I immediately called the ATM company to resolve the issue. **By quickly responding to a client’s problem, everyone was helped**.”

Sergey Chekhonadskikh - ZAO UniCredit Bank Ekaterinburg - RUSSIA

Strategy and Results in 2013

Management Statement

MIKHAIL ALEKSEEV,
Chairman of the Management Board

> “Our profitability ratios reached all-time highs, thanks to stronger operating profits and our constant efforts to improve efficiency, which lowered the cost/income ratio to 26.3%, one of the best results in the Russian banking sector.”

Ladies and Gentlemen,

The year 2013 was the best yet for UniCredit Bank: the Bank achieved record profits for the third consecutive year, while remaining the largest Russian bank in terms of assets controlled by international investors. The Bank reported RUB 24.1 billion in 2013 net profit after tax, achieving a nearly 40% y/y increase.

Our profitability ratios reached all-time highs, thanks to stronger operating profits and our constant efforts to improve efficiency, which lowered the cost/income ratio to 26.3%, one of the best results in the Russian banking sector.

Our accomplishments in 2013 include several large corporate deals at the global level. UniCredit Group is now a key player in the syndicated loan market in Russia and the CIS countries thanks largely to the efforts of the Group’s Russian bank. Our corporate business in Russia’s regions and the international corporate segment are showing strong growth. It also gives me great pleasure to note the nearly 30% y/y increase in our retail business and the record-breaking acceleration of returns in this segment. In another important development, UniCredit Bank expanded its deposits portfolio, especially in the retail segment, thanks to the Bank’s effective, well-considered marketing policy and impeccable reputation.

UniCredit Bank has achieved a high level of excellence in risk management and has very good reason to take pride in the quality of its credit portfolio: the share of non-performing loans in both the corporate and the retail loan portfolios is declining every year.

The launch of two CRM systems – one each for the corporate and retail segments – was another significant accomplishment for us in 2013. The CRM systems are designed to make the Bank even more customer-focused and to help us respond effectively to our clients' needs. Another important event for UniCredit Bank was expansion of our ATM network thanks to cooperation with two major players.

The year 2013 also brought us prestigious awards: UniCredit Bank was named "European Top Employer" for the third consecutive year. This award is very important to us, because our employees are a key asset for our Bank.

Last year, we also celebrated some major anniversaries in our history, including 10 years of work in the Krasnodar, Chelyabinsk and Voronezh markets and 20 years in St. Petersburg. The main event for 2014 is the 25th anniversary of the Bank's founding.

In 2013, UniCredit Bank was once again an active participant in Russia's cultural and social life. The Bank presented an art show in October 2013 featuring paintings from UniCredit Bank's Collection of 1920s-1930s Russian Art: New Acquisitions; the paintings were displayed in the Bank's additional Moscow office for the first time, and the exhibition was open to the general public.

I wish to thank the Bank's employees on behalf of the Management Board for their excellent work and professionalism, and for adhering to UniCredit Group's corporate values. All of this enables us to look to the future with confidence, following our sustainable development strategy for the benefit of our shareholders and clients and society as a whole.

Mikhail Alekseev,
Chairman of the Management Board

Report on the Bank's Activities

Macroeconomics and the Russian Banking Sector in 2013

Macroeconomics

The year 2013 was a challenging one for the Russian economy. Strong petroleum prices were insufficient to ensure significant positive economic growth, although quarterly growth accelerated from 0.8% in January – March to 2.0% in the final quarter. Annual GDP expanded by a mere 1.3 y/y. Output dynamics were the weakest since 2008, clearly signaling the end of recovery growth.

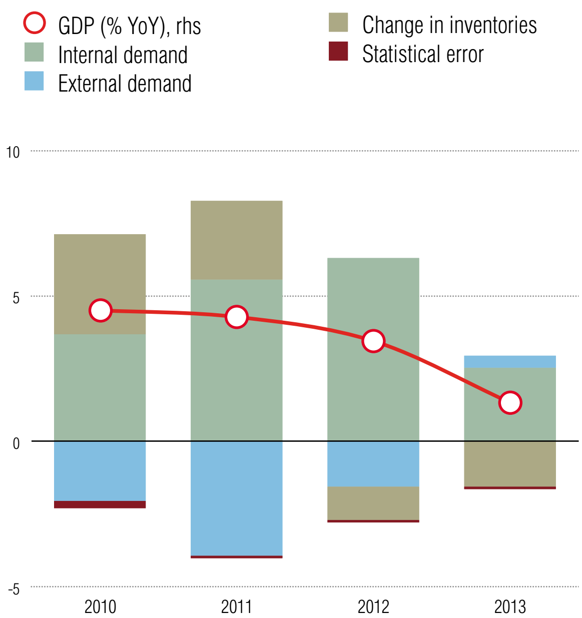
Consumer demand, though weaker than in 2012, was virtually the only factor contributing to positive growth in 2013. Its fall to 4.7% in 2013 (after strong 8.0% y/y growth in 2012) was partly attributable to tighter regulation of unsecured retail lending, but wage growth slowed down as well. The continuing decline in investment activity, however, is mostly structural, and, coupled with the lack of spare capacity, restricts potential output growth. Although the current policies of Russia's monetary and fiscal authorities aim to create conditions for long-term economic growth, they do little to stimulate growth in the short term.

For example, a budget rule in effect in Russia since 2013 requires oil revenues in excess of those calculated using a basic projected price level to be placed in the Reserve Fund rather than used to finance current expenses. However, it is increasingly difficult to meet targets set for budget revenues from sources other than oil and gas and associated sectors, so the government faces an urgent challenge to spend more efficiently. Failing that, it would either have to increase borrowing to finance the deficit or scrap the budget rule, at least partially, which, in our view, could create significant risks to the government's reputation.

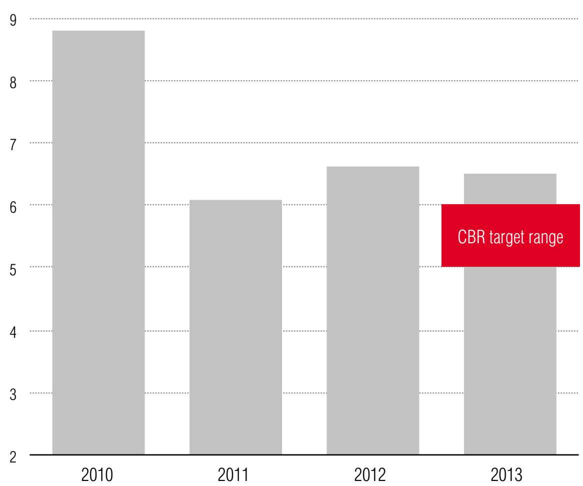
Despite the slowing economy, full-year 2013 inflation reached 6.5%, above the CBR target range of 5%–6%. This was caused mainly by regulated public utility tariffs and food prices. The CBR remains determined to complete the transition to inflation targeting and a freely floating ruble by year-end 2014, but we see several factors that may interfere with the completion of this plan. First, a major portion of inflation is not controlled by monetary tools. Second, the sharp weakening of the Russian Ruble so far this year, combined with rising geopolitical risks, has triggered a rise in the inflationary expectations of the population, leading to an increase in purchases of durable consumer goods at the beginning of the year. As a result, we expect full-year 2014 inflation to exceed 6.0%.

The Russian Ruble resumed its decline in 2013 under pressure from weak macroeconomic fundamentals and a deteriorating current

GDP DYNAMICS AND STRUCTURE



INFLATION, % Y/Y



account, which shed more than 50% of its 2012 level, dropping to USD 33 billion. Additionally, the net outflow of private capital exceeded USD 60 billion last year, even though the international debt of Russian companies and banks reached an all-time high of USD 650 billion (up USD 83 billion). Ruble exchange rate dynamics in YTD 2014 have also contributed to higher risks, causing the Central Bank of Russia (CBR) to step up its sales of foreign exchange reserves and raise interest rates by 150 bp. Given the recent inflationary trends, we do not expect the cost of borrowing to return to previous levels anytime soon. We expect exchange rate volatility to continue to rise as the CBR increasingly withdraws from the forex market.

We project the Russian economy slowing to 0.5% positive growth in 2014 in the absence of a clear growth driver and persistent structural constraints. The competitiveness of several sectors of the Russian economy may benefit somewhat from a weakening ruble, but its aggregate impact on growth is likely to be neutral.

Banking Sector

Weak economic growth notwithstanding, the Russian banking sector performed strongly in 2013. Aggregate FY 2013 net earnings were comparable to the all-time record of 2012, reaching RUB 993.6 billion despite significant allocations to loan loss provisions. Expansion of the aggregate loan portfolio also accelerated in 2013 to 19.2% y/y.

However, growth was uneven across different segments of the banking business. The largest segment –corporate lending – reached RUB 22.5 trillion. The corporate loan portfolio increased at the same rate in 2013 as in 2012 (12.7%), reflecting weak demand for credit. At the same time, loan quality improved, with the share of overdue loans dropping by 40 bp to 4.2%.

Retail business was the main driver of banking asset growth, despite efforts by the CBR to cool growth in this segment. The growth of the combined retail loan portfolio of Russian banks slowed in 2013 to a still-impressive 28.7% y/y. The unsecured consumer lending segment, which was the target of cooling actions by the regulator, saw even more significant deceleration to 31.3% y/y growth (from 53% y/y in 2012).

Amid rising risks in the retail segment and new restrictions imposed by the CBR, banks shifted their focus to lower-risk products (car loans, mortgages) and introduced tougher requirements for prospective borrowers in the consumer lending segment. However, despite preventive action by the CBR and revision of retail lending policies by banks, the share of overdue retail loans increased by 40 bp to 4.4% sector-wide.

As interest rates on retail deposits declined, the population continued to form savings, leading to a 19% increase in individuals' deposits in 2013. Overall, the term structure of deposits shifted in favor of longer-term products, and by year-end 2013, the percentage of deposits maturing in more than one year stood at 62% (compared to 59% in 2012).

The combined capital of all Russian banks exceeded RUB 7 trillion in 2013, up 15.6% y/y. This was mostly explained by Russian banks' preparation for transition to Basel 3 from the beginning of 2014. The capital adequacy ratio at year-end 2013 was 13.5%, only 20 bp lower than in 2012.

The system-wide liquidity shortage expanded further in 2013: liquidity was withdrawn through forex interventions and, to a lesser extent, through the fiscal channel and changes to the cash in circulation.

Report on the Bank's Activities (Continued)

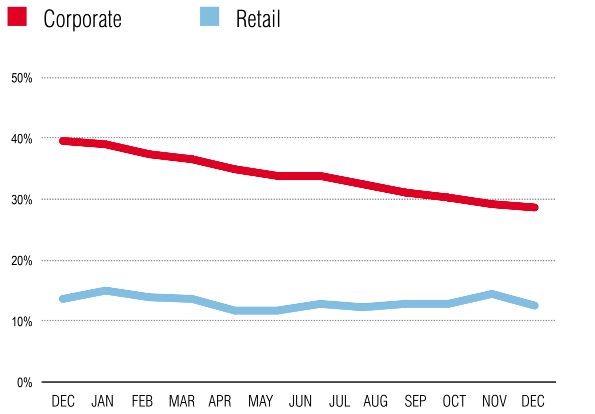
Macroeconomics and the Russian Banking Sector in 2013 (Continued)

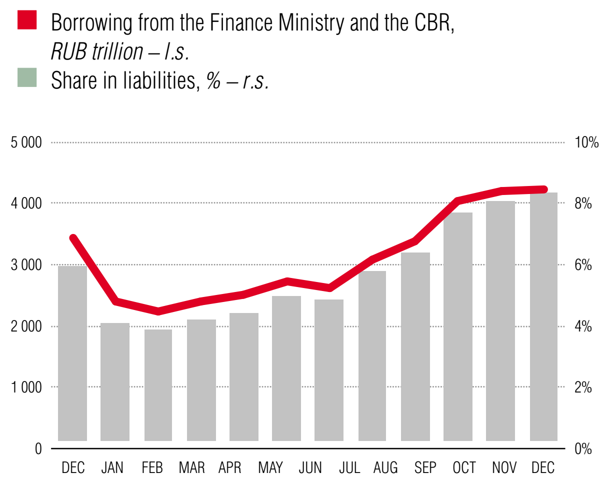
As a result, the total amount of outstanding debt that credit institutions owed to the CBR exceeded RUB 4.0 trillion, whereas the share of securities on the "Lombard list" (i.e. eligible as collateral for CBR loans) already pledged to the CBR under various refinancing deals exceeded 60% of all such securities on January 1, 2014 (compared to 44% on January 1, 2013).

We note that the distribution of liquidity and assets which can be used as collateral for refinancing is uneven across the Russian banking system, as the significant spread between money market interest rates and the cost of borrowing from the CBR indicates. Although the key interest rate hike by the CBR from 5.5% to 7% in March 2014 is unlikely to improve the liquidity situation, the regulator has a broad range of liquidity management tools. For example, to prevent a liquidity crunch, auctions are organized to provide loans secured by non-marketable assets, and the total debt under this arrangement doubled in 2013 to RUB 1.3 trillion. The CBR is exploring additional ways to expand the collateral base, and may authorize using loans extended to finance investment projects as loan security.

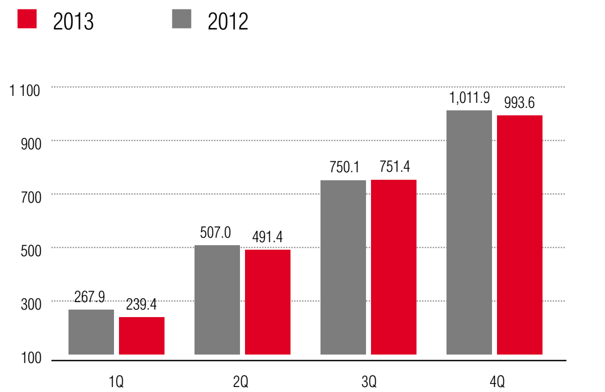
We project the banking sector cooling in 2014 on weak macroeconomic indicators and mounting geopolitical tensions, but we expect it to remain resistant to external and internal shocks. As a result, asset growth is likely to slow, because of higher interest rates, among other things. We forecast a 10% y/y expansion of corporate lending and a 20% y/y increase in retail lending in 2014. The retail segment is likely to see a further deterioration of asset quality, which may result in overdue loans rising to 6% of the aggregate loan portfolio by year-end 2014. Liquidity issues and funding of the banking sector should become increasingly important in the context of decelerating growth and rising competition. Aggregate net earnings of the Russian banking sector are unlikely to rise in 2014 to the record levels of the previous two years, and we project a drop of up to 30%. We note, however, that the Russian banking sector has an impressive safety cushion accumulated over the past several years.

LENDING BY SEGMENTS, % Y/Y





RUSSIAN BANKS' PRETAX INCOME, RUB million



Full-year 2013 Financial Results

At the Annual General Meeting, held on April 25, 2013, shareholders approved the proposal to add RUB 17,478 million of 2012 net profit to the retained earnings account.

Major Transactions

Under the Russian Federal Law "On Joint-Stock Companies", a major transaction is one that exceeds 25% of a company's total asset value. A major transaction for UniCredit Bank ZAO would therefore exceed RUB 226,111 million (based on the bank's RAS financial reports filed with the Central Bank of Russia). The bank entered into no such transactions in 2013.

Related-Party Transactions

UniCredit Bank did not enter into any transactions in 2013 in which its directors, senior executives or other persons listed in the related party clause of the Russian Federal Law "On Joint-Stock Companies" had a personal interest. More detailed information on related-party transactions is provided in the Bank's audited consolidated financial statements.

Footnote 29 to the Bank's consolidated financial statements lists related-party transactions made in the normal course of business according to IAS 24 "Related Party Disclosures".

Net Profit

UniCredit Bank reported its full 2013 fiscal year IFRS net income after tax at RUB 24,124 million, 38.0% up y/y (from RUB 17,478 million in 2012).

The Bank achieved this excellent result on a 25.8% y/y increase in operating revenues to RUB 45,463 million. Operating costs increased more slowly, 7.7% y/y to RUB 11,976 million; while the Bank's cost/income ratio reached an all-time low of 26.3%. UniCredit Bank also improved its efficiency ratios, boosting its return on equity (ROE) to 19.9% (versus 17.8% in 2012), and increasing its return on assets (ROA) to 3.0% (from 2.3% in 2012).

Net Interest Income

UniCredit Bank's overall 2013 net interest income increased by RUB 4,795 million, or 21% y/y, to RUB 28,053 million (from RUB 23,258 million in 2012).

"UniCredit Bank achieved excellent results, ending 2013 with its largest net profit in its history. The net profit was up 38% y/y, which resulted in significant improvement in the Bank's profitability ratios."

Konrad Kozik
Member of the Board

Report on the Bank's Activities (Continued)

Full-year 2013 Financial Results (Continued)

Interest income increased by RUB 3,760 million to RUB 54,351 million, as a result of client lending revenue growth, with client lending accounting for 87% of total interest income.

Interest expense stood at RUB 26,298 million, registering a 4% y/y decrease, mostly because of the lower interbank expenses.

Non-Interest Income

UniCredit Bank's 2013 net commission income increased by 16% y/y to RUB 5,482 million. The Bank received higher commission income than in 2012 from cash and settlement services, retail services, trade finance, and in loan commissions.

The Bank's trading revenue declined by 3%. Trading with clients, including currency exchange transactions, accounted for more than 56% of total trading revenue in 2013.

UniCredit Bank sold the remaining equity stake in MICEX-RTS Stock Exchange in 2013, generating RUB 6,123 million in pre-tax profit on the sale (versus RUB 3,007 million in 2012). This result was recorded in the line "Profit from disposal of assets available for sale".

Loan Impairment Provisions

Total loan impairment reserves increased by RUB 1,071 million to RUB 16,979 million in 2013 (from RUB 15,908 million at year-end 2012). In 2013, UniCredit Bank improved the quality of its loan portfolio: the share of impaired loans in the overall portfolio declined to 4.2% by year-end 2013 (versus 4.6% at the end of 2012); the ratio of provisions to loan portfolio declined slightly, from 3.1% at year-end 2012 to 3.0% at the end of 2013. The Bank spent RUB 3,432 million on creating loan loss provisions in 2013 – a cost rise of 23% y/y (from RUB 2,783 million).

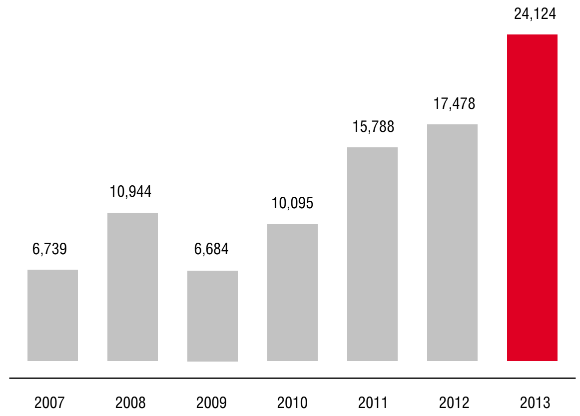
Operating Costs

The Bank's operating costs totaled RUB 11,976 million, rising 7.7% year-on-year. However, effective cost management enabled the bank to achieve an additional reduction in the already excellent cost/income ratio to 26.3% (from 33.8% in 2012). This Cost/Income ratio level puts UniCredit Bank among the very best in Russia.

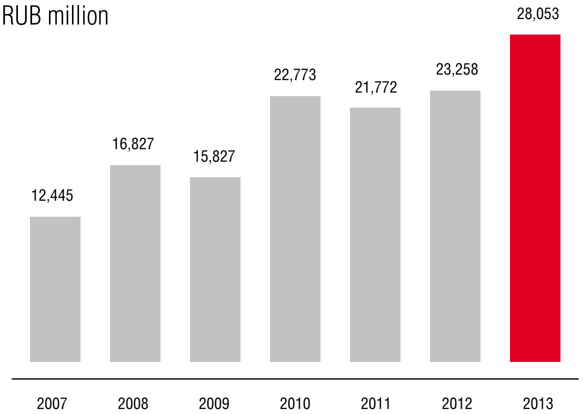
Assets

UniCredit Bank's total assets expanded by 2.3% year-on-year in 2013 to RUB 888,500 million, mostly thanks to the growth of its loan portfolio. The total value of the loan portfolio before loan impairment

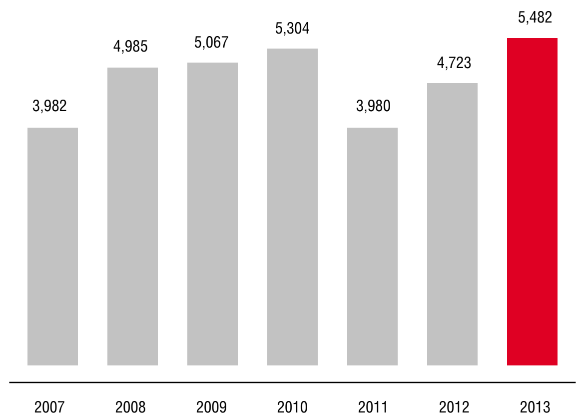
NET PROFIT,
RUB million



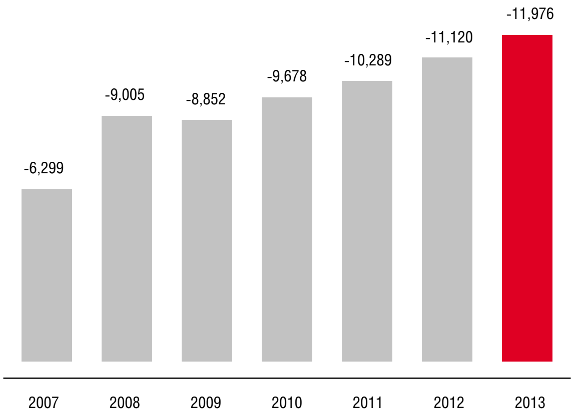
NET INTEREST INCOME,
RUB million



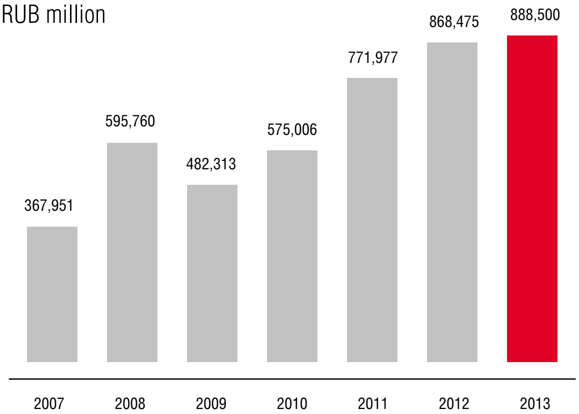
NET INCOME FROM FEES AND COMMISSIONS,
RUB million



OPERATING COSTS, RUB million

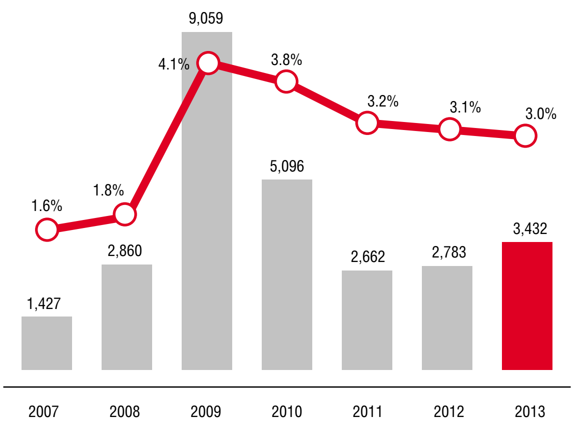


TOTAL ASSETS, RUB million



LOAN LOSS PROVISIONS, RUB million

Coverage Ratio



provisions stood at RUB 565,586 million in 2013, reflecting a 8.7% year-on-year increase, mostly due to growth in the retail loan portfolio from RUB 117,555 million at the end of 2012 to RUB 150,576 million at year-end 2013. The Bank's corporate loan portfolio was RUB 415,010 million at year-end 2013, including RUB 25,023 million in loans extended under reverse REPO agreements with clients.

The trading securities portfolio expanded from RUB 4,341 million in 2012 to RUB 11,576 million in 2013, whereas the Bank's portfolio of investment-grade securities available for sale contracted from RUB 58,609 million to RUB 52,247 million.

Liabilities

UniCredit Bank continued its policy of careful diversification of funding sources in 2013. The amount of funds raised from clients increased 5.1% in 2013 to RUB 529,545 million. Corporate client funds reached RUB 417,794 million by year-end 2013, or 79% of the total, while funds received from retail clients stood at RUB 111,751 million.

UniCredit Bank continued issuing bonds in 2013, bringing the total value of its outstanding bonds to RUB 50,738 million as of year-end 2013.

Shareholder Equity

The Bank's equity increased to RUB 132,045 million, or by 16.6% on year-end 2012, creating a solid foundation for further growth of the Bank's business.

The N1 capital adequacy ratio, calculated in line with the Central Bank of Russia's requirements, stood at 14.35% at year-end 2013, significantly above the CBR's 10% minimum.

Report on the Bank's Activities (Continued)

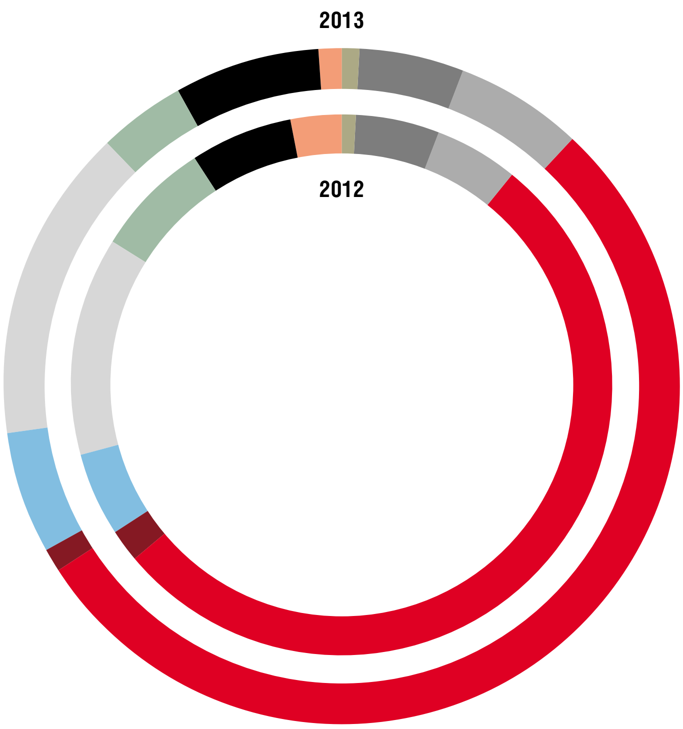
Managing Assets, Liabilities and Capital

The Bank built up its loan portfolio in 2013 primarily by expanding its retail lending. The Bank financed the growth of its loan portfolio mostly by increasing the volume of customer funds and placement of bond issues. As a result, the Bank has raised more than RUB 25 billion of customer funding and outstanding amount of bonds exceeded RUB 50 billion.

UniCredit Bank made active use of financing sources that made the most economic sense, including participation in the Russian Finance Ministry's deposit auctions and borrowing from the Central Bank of Russia. UniCredit Bank has been working closely with the Central Bank under Provision 312-p, which offers a way to obtain funding using non-marketable assets as security in order to improve the liquidity profile and diversify liquidity reserves. The Bank put together a large loan portfolio that was in full compliance with all of the regulator's requirements and that can be used as collateral for additional borrowing if necessary.

The Bank managed liquidity within the context of the Group paradigm, with its more stringent liquidity standards than those set by the Central Bank of Russia. The regulator's liquidity requirements – the N2, N3, N4 liquidity standards – were met with the necessary safety cushion throughout the year. The Bank monitored the state of its liquidity for compliance on a daily basis, with the Assets and Liabilities Management Committee reviewing the status every week. An independent division – the Market Risks Unit – monitored observance of the liquidity limits.

STRUCTURE OF LIABILITIES AS OF 31 DECEMBER, *%*



	2012	2013
Syndicated loans	1	1
Group funding	5	5
Finance Ministry deposit	5	6
Funds from non-financial organizations and individuals	53	54
Subordinated loans	2	1
Bond issues	5	6
Equity	13	15
Deposits of other financial organizations	7	4
Central Bank of Russia deposits	6	7
Other liabilities	3	1

Corporate and Investment Banking

In 2013, UniCredit Bank demonstrated strong growth in all key areas of its corporate banking business. The Bank continued to strengthen its relations with existing clients and further increased its client base, especially through expanding relationships with international and regional companies. As a result, the Bank's revenue from corporate business grew by 18% year-on-year in 2013 to RUB 23.5 billion.

Due to successful lending operations, the Bank expanded its corporate loan portfolio to RUB 414.7 billion by year-end 2013, which is 74% of the total Bank loan portfolio. UniCredit Bank is firmly among the industry leaders by the quality of its corporate loan portfolio: the share of overdue loans accounted for only 2.4% comparing to the Russian banking industry's average of 4.1%. The Bank's average 2013 loan portfolio increased by 7% year-on-year.

The average volume of corporate deposits in 2013 was RUB 321.6 billion and 6% lower than in 2012. This reduction came as a result of funding structure optimization and replacement of more expensive client deposits.

UniCredit Bank's business with corporate clients in Russia's regions demonstrated solid, sustainable growth. As a result regional loan portfolio increased by 10% to account for 33% of the Bank's total corporate loan portfolio. The regional deposit portfolio grew by 25% year-on-year.

The year 2013 was also successful in terms of development of new products, especially in the area of corporate cash management. UniCredit Bank introduced several unique products which generated a positive response from customers. Solid development of the Bank's transactional business contributed to the increase of non-lending revenues share in total corporate segment revenue to 50%.

UniCredit Bank maintained its leading positions in the syndicated loan market in 2013 and improved its position as a public bond placement arranger that was confirmed by corresponding ratings.

Financial institutions within UniCredit Group continued expanding their cooperation in all countries where the Group's subsidiaries are present. This cooperation gives the Bank's customers access to experience and expertise of professionals throughout the Group. In addition, the Bank implemented a state-of-the-art CRM system designed to increase efficiency and client focus of the Bank's business.

High service standards are among the main priorities for both UniCredit Group and ZAO UniCredit Bank in Russia. An annual corporate customer satisfaction survey in 2013 reaffirmed UniCredit Bank's position among the best banks by customer service quality.

“ The Bank's 2013 results confirmed its reputation as one of the leading financial institution in the Russian market. The Corporate and Investment Banking business demonstrated strong growth in all key areas. ”

Kirill Zhukov-Emelyanov
Member of the Board

Report on the Bank's Activities (Continued)

International Companies

In 2013, the Bank's business segment for international companies achieved very strong results, with revenue growth of approximately 24% year-on-year. The main driver of this success was the Bank's focus on customer satisfaction and a special service model, including close, smooth and effective cooperation between the UniCredit Bank team, Russian subsidiaries of international companies, their head offices, and the coverage teams in foreign banks of UniCredit Group.

The revenue structure in the international segment was dominated by non-lending income, with a major portion of revenue generated by cash management and related products.

In the context of strong foreign interest in the Russian market, the Bank's main tasks for 2014 are focusing on expanding its customer base of international companies and providing them with increasingly refined and effective products to boost the contribution of the international companies segment to the Bank's overall results.

Structured and Project Finance

In 2013, UniCredit Bank continued its active lending to corporate clients, increasing the share of structured transactions in the portfolio. The Bank makes extensive use of international lending standards in its practice, achieving lower credit risks for the Bank and lower borrowing costs for clients. Additionally, structured finance deals have higher liquidity comparing to traditional loans, allowing the Bank to manage its loan portfolio dynamically.

In 2013, UniCredit Bank participated in financing of most of the major projects on the syndicated lending market and offered structured loans to Russian manufacturing companies on a bilateral basis.

Among other transactions, the Bank provided support for raising finance for transactions with Rosneft, Gazpromneft, Bashneft, MMK, Uralkali and Norilsk Nickel. The Bank successfully closed an international syndicated loan for RUSAL Group and increased its structured-finance loans to second-tier resource companies.

Among the structured finance deals of 2013, one standout transaction is the socially significant project to finance the construction, procurement and installation of equipment for an innovative manufacturing complex for VERTEX in the St. Petersburg Special Economic Zone, which was implemented as a part of a federal program to upgrade the pharmaceuticals industry. In addition, UniCredit Bank coordinated the only club syndicated deal in the food and FMCG retail sector of 2013, a deal for X5 Retail Group N. V.

In 2014, the Bank intends to strengthen its positions as a leading financial institution in the Russian market, in part by increasing the share of structured loans in its portfolio and offering financial advisory services. The development of cross-selling with the current client base remains a key priority for UniCredit Bank.

Real Estate Finance

In 2013, the Bank aimed its main efforts in the real estate finance segment at increasing the portfolio's profitability while reducing risks. During the year the Bank made a smooth replacement of repaid loans with new, more profitable loans of higher quality collateral and a conservative risk profile.

The Bank continued its work with large international investors and developers in 2013. One development of note was the signing of loan documents with the Raven Russia Fund for the project to build Stage Two of the Noginsk Logistics Park .

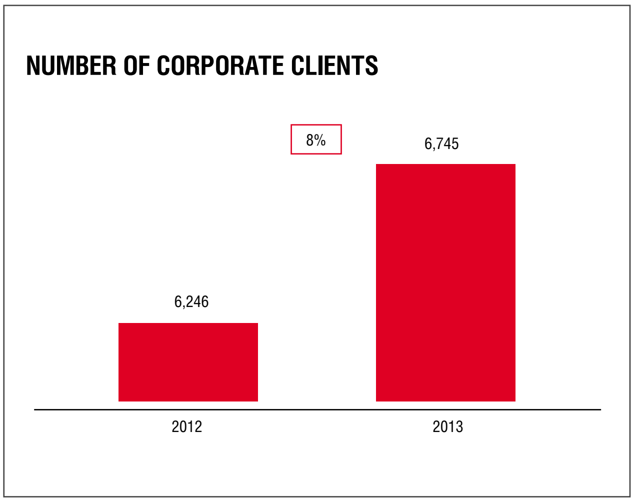
The year 2013 also saw the completion of construction and formal opening of the Aura retail and entertainment center in Yaroslavl, built by the Bank's partner of many years, Renaissance Construction Group. The EBRD and UniCredit Group were the financial partners of this project.

In 2014, the Bank intends to continue focusing on portfolio quality and cooperation with large Russian and Western players in the Russian commercial real estate market.

Factoring

UniCredit Bank's factoring business continued its steady expansion in 2013, ahead of the Russian factoring market growth, which expanded by about 28% year-on-year, according to the Factoring Company Association. The Bank's portfolio of assigned receivables, which is focused primarily on the segment of large and medium-sized customers, reached a historical maximum of RUB 13 billion by year-end 2013. The amount of receivable claims assigned to the Bank during 2013 exceeded RUB 50 billion. The portfolio of factoring transactions expanded by 60% year-on year. Maintaining its traditional client focus, the Bank offers not only the full range of standard factoring product sets, but also custom solutions for structuring financial requirements for trade finance and receivables management, using automatic and constantly refined software.

The export-import focus of factoring transactions is still on the rise. According to Factor Chain International (FCI), a major international factoring association of which the Bank became a full member in



2013, UniCredit Bank increased the turnover of its international factoring business to EUR 135 million in 2013, which places the Bank firmly to the second position among all Russian players active in the international factoring business.

Cash Management Products

In 2013 the Bank successfully implemented its new solutions and products it had been actively working on. UniCredit Bank became the first bank in Russia to offer its customers a unique solution that allows combining resident and non-resident accounts in one Cash Pool. International clients can now promptly and effectively address the requirements of financing their Russian subsidiaries in a fully automatic mode using the benefits of Cash Pooling without previously unavoidable costs of manual preparation and processing the relevant payment and currency control reporting documents.

Many of the Bank's clients have already derived benefits from using the latest system for electronic and card-based customs payments, which the Bank began offering in cooperation with its partner Multiservice Payment System (the issuer of PAYHD™ customs cards). After eliminating traditional advance payments for customs services and the inefficient and complex manual balance matching, the Bank's customers and their customs brokers can now process payments in real time 24/7 using dedicated terminal at the customs station, or remotely via the Internet. For reconciliation purposes the clients can also use convenient and flexible reports available in their "Personal Cabinet" section on the PAYHD™ website.

Jointly with its clients the Bank completed tests and implemented a modern integrated Host-to-Host solution. The solution is based on the ISO20022 standard for XML message formats, which is common for all payment transactions in Europe. The Central Bank of Russia recommended this standard for use in our country from 2013. The Host-to-Host solution can use different communication channels to exchange data: from SFTP to currently the most advanced SWIFT FileAct system.

The Bank started mass migration of its corporate clients from old eBanking systems to the newest Business.Online (Business.Net) UniCredit Group's international remote banking system. This modern and secure system is currently in use by practically all UniCredit Group banks in Central and Eastern Europe (CEE). The system is fully localized to meet the needs of any of the Bank's customers, while its flexible operating platform makes it possible to quickly expand and build upon its already very extensive functionality.

During the year the Bank steadily strengthened its educating activity, informing Russian and international clients and colleagues in the Group about its solutions and capabilities in the area of transactional services. In Russia and abroad the Bank participated in presentations, seminars and conferences where its managers and specialists delivered information about all new products, services, and their experience in building tailor-made turnkey solutions for the Bank's clients.

The Bank entered the group of leaders in the market for high-tech transaction banking services in Russia and the CEE Region, where Euromoney gave the Bank its "The 2013 Euromoney Award for Excellence as the Best Cash Management House in CEE", while Global Finance Magazine named UniCredit Bank the "Best Overall Bank for Cash Management in CEE" in 2014.

Correspondent Banking

In 2013, UniCredit Bank continued to strengthen its positions in the market for clearing services for correspondent banks, servicing over 460 accounts opened by banks in 44 different countries. The Bank is also among Russian market leaders in terms of payment volumes in Russian Rubles on behalf of non-resident banks.

Trade Finance

In 2013, the Bank continued active expansion of sales of its trade finance products, consistently expanding its coverage of customers in all regions where it operates. Despite rising competition, factors like reasonable flexibility in meeting customers' needs, individualized approach and high service quality led to further growth of the Bank's trade finance business.

Report on the Bank's Activities (Continued)

Corporate and Investment Banking (Continued)

The total volume of documentary transactions increased by 11% year-on-year, and commission income rose by 16%. The Bank's regional network achieved particularly significant increase - by 43%. Guarantees and import letters of credit were among the Bank's fastest-growing products: the volume of guarantees issued increased by 15% year-on-year, and guarantee commission income increased by 23% year-to-year.

The Bank is also operating actively in the system of guarantees for state procurement contracts, for tax and customs payments, and also in the system of financial guarantees in the wholesale market for electric power and capacity, having received accreditation in 2013.

Regarding import L/Cs, the total value of which expanded by more than 20% year-on-year, the development of this product was largely the result of enhanced cooperation with banks of UniCredit Group. They provide preferential pricing for confirming the Bank's liabilities and L/Cs post-financing, that plays an important role in attracting new customers and expanding the use of L/Cs, not only as a payment method, but also, and primarily, as a credit instrument.

Together with UniCredit Group banks in Central and Eastern Europe, the Bank received the authoritative Global Finance Magazine collective award as the "Best Trade Finance Bank in CEE".

In 2014, the Bank's main objectives are further strengthening its market positions, expanding its regional sales network for trade finance products, and enhancing the credit elements of its business (L/Cs payments financing), and further improvement of its service quality, with automation of operations being one of the ways to achieve this.

CORPORATE PORTFOLIO STRUCTURE

Metals and Mining	18.43%
Financial Institutions and Insurance	15.49%
Energy	10.81%
Food Processing	9.27%
Services	6.68%
Construction and Woodworking	5.85%
Chemical and Pharmaceutical Industry	5.48%
Transport and Transportation	5.40%
Media	5.00%
Consumer Goods	4.37%
Other	4.17%
Agriculture and Forestry	3.34%
Automotive industry	2.98%
Real estate	2.74%

Export Finance

In 2013, UniCredit Bank continued its active operations in organizing and providing long-term targeted financing covered by Export Credit Agencies. A number of large deals with Russian clients covered by traditional for UniCredit Group ECAs (Euler Hermes, SACE, EGAP and OeKB) have been successfully finalized in 2013. The Bank also closed a number of transactions covered by Scandinavian ECAs (EKN, Finnvera).

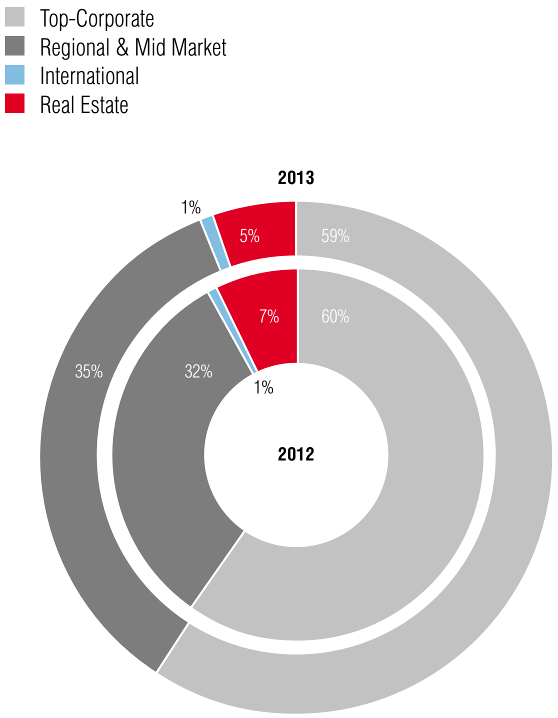
Bank's position as one of the leading players in the export finance market in Russia continued to strengthen in 2013: UniCredit was mandated as a lending bank for a number of landmark transactions for the key economic sectors (energy, chemical industry, metallurgical sector).

In 2014, the Bank intends to continue its development expanding its cooperation with regional clients that currently find it difficult to access to the international markets by themselves.

To support financing of investment programs in this segment the Bank is now on the final stage of implementation of the new product - ECA covered bank-to-bank financing.

Special attention should be given to the Bank's efforts in expanding its cooperation with Russian Export Insurance Agency (EXIAR). In 2013, the Bank launched a foreign trade finance program, expanding range of products to our customers and providing opportunities for successful export activities. At the moment the Bank is able to provide EXIAR-covered financing for export contracts concluded by Russian major producers, including producers of high-tech products. The Bank is also prepared to support Russian companies' overseas investments. The range of export support services offered by UniCredit Bank now includes providing of financing to foreign buyers and to their servicing banks, as well as financing of deferred payments under export contracts of Russian producers. EXIAR provides insurance cover for these transactions against commercial and political risks.

CORPORATE LOAN PORTFOLIO STRUCTURE BY SEGMENTS, %



Custody Services

The Bank's custody services unit is a part of UniCredit Group's Global Securities Services (GSS) division. This division currently covers 13 markets, including Russia, and is the largest depository network in the CEE, with universal standards and procedures. This enables the Bank to provide high-level services to leading international financial institutions, including brokers and dealers, as well as to global custodians and investment funds, using UniCredit Group's global approach to marketing and client relations.

The Depository offers a full range of settlement and depository/custody services with securities, including custody safekeeping; settlement on free of payment (FOP) and on delivery versus payment (DVP) terms in Russian Rubles and foreign currencies; execution of corporate actions; representation of client/investor interests before securities issuers, pledge transactions support; and structured deals. The Depository operates on Russian and overseas securities markets, including registered exchanges and over-the-counter (OTC) trading and settlement systems.

Pursuant to recent changes in Russian law, the Depository began offering a new type of accounts for non-resident clients, including foreign nominee holder's accounts (FNA). The Depository received high grades from Global Custodian Magazine in 2013 for service quality based on the results of surveys of both Russian and international clients.

In 2013, the Depository expanded its client base by actively providing services to individuals who were already banking with UniCredit Bank, mainly Private Banking clients, supporting transactions in Russian and international securities, including support for purchases of foreign fund shares and units via the Fund Settle (Euroclear) System. The Depository also began working with Russian investment banks, providing depository services for their operations in Eastern European markets using the capabilities of the GSS regional depository network.

Representatives of UniCredit Bank's Depository participate actively in efforts to improve market legislation and infrastructure, and represent the Bank on various committees of the National Settlement Depository (NSD), the Moscow Exchange (MOEX), the National Securities Market Association and ROSSWIFT. The Head of the Bank's Depository is actively involved with Project Group for Improving the Financial Infrastructure and Regulating the Financial Market, as well as Working Group for Creating an International Financial Center (IFC), and is a member of the NSD Supervisory Board.

Financial Markets

Despite the economic slowdown in 2013, the Bank was able to increase its total amount of currency exchange transactions with corporate customers. The Bank also entered into several derivatives transactions. It is important to mention the increased activity of institutional clients in the Ruble-denominated fixed income instruments market. In 2013, the Bank showed its continued successful expansion in the debt market, as well as rising sales to institutional clients.

As for trading in the Bank's own account, we note the positive impact of liberalization of the Ruble-denominated sovereign debt market, which entailed significantly more active trading on the debt and interest rates derivatives markets. Appropriate positioning allowed the Bank to exceed its trading income targets.

Corporate Finance and Capital Markets

In 2012, the structure of UniCredit Bank was expanded to include a Corporate Finance and Capital Markets Department. In accordance with UniCredit Group policy, corporate finance advisory (M&A) and services related to client activities in capital markets are now

Report on the Bank's Activities (Continued)

Corporate and Investment Banking (Continued)

an integral part of the services offered to the Bank's clients. The Bank's main advantages include: the extensive experience of the team, access to the Group's network of contacts and resources (especially in Western and Eastern Europe), political neutrality, lack of dependence on any financial or industrial groups, the absence of any interest in acquiring industrial assets, and a policy of non-participation in hostile takeovers.

In 2013, UniCredit Bank's Corporate Finance and Capital Markets Department continued its successful work started in 2012, when the bank closed six significant transactions. The key area of its focus in 2013, just as in the previous year, was support for M&A deals using UniCredit Group's international resources. In 2013, the Bank closed the deal to sell a 100% stake in Toplofikacia Ruse, a Bulgarian power utility, and received several new mandates to provide advisory in several sectors, including telecommunications, consumer retail, gold mining, micro finance, logistics, food processing, packaging and special equipment manufacturing. In 2013 the Department expanded the range of its products and began to provide advisory services to customers on debt optimization. The Department was also involved in active promotion of debt capital market financing through local and international bond placements for clients of the Bank.

UniCredit Leasing

In 2013, UniCredit Leasing strengthened its position among leasing service providers in Russia, becoming a top-20 player in this market. The company's success was reflected in a remarkable growth, in sharp contrast to the market decreasing trend. UniCredit Leasing increased its portfolio by 17%, adding 25% to new business year-on-year. The Company signed more than 1,700 contracts altogether during the year. The key growth engines were the sectors of industrial equipment, heavy commercial and passenger vehicles. This solid result became possible by leveraging on stronger ties with UniCredit Bank, in-depth development of multichannel approach, and new cooperation agreements with leading international partners in manufacturing and finance.

In 2013, the Renault Leasing special program reached full capacity, providing service to its 1000th buyer. In the second half of 2013, the Company launched a strategically important partnership program with JCB, one of the world's three largest manufacturers of construction equipment and machines, with more than 10,000 employees and products sold in more than 150 countries. This leasing program will be rolled out throughout JCB's dealer network in 2014.

UniCredit Leasing began cooperation with the European Bank for Reconstruction and Development (EBRD), which granted a RUB 1.7 billion loan to the Company. The credit line will be used to finance new leasing projects to promote energy efficiency under the Russian Sustainable Energy Financing Program (RuSEFF), including projects operated by small and medium-sized enterprises. For these purposes, the EcoLeasing Program was developed, combining leasing finance and technological assistance from RuSEFF experts. The EBRD agreement recognizes UniCredit Leasing as one of the leading players in the market and rewards the strategy of innovation and continuous improvement of service quality.

In August 2013, UniCredit Leasing joined the Moscow Region Center for Promotion of Entrepreneurship's programs to support private business. This initiative will enable small and medium-sized enterprises to apply for leasing finance to UniCredit and receive a government subsidy of up to RUB 15 million. The program, designed to boost the competitive strength of small business in the Moscow Region, will run through 2016.

In line with its strategy to develop business in Russia's regions, UniCredit Leasing boosted its position in the Krasnodar Region during 2013.

Private Banking

In 2013, UniCredit Private Banking maintained its status as one of the segment leaders in Russia and operated successfully within the key trends of the previous year. Last year, the decline in deposit interest rates boosted customers' favor for investment instruments. Due to high market volatility, the focus was mostly on well-balanced and conservative investment solutions. UniCredit Private Banking is actively building upon its competitive advantage in that area - a unique philosophy of a Global Investment Strategy, which gives our clients access to the experience and expertise of the specialists working in this division of UniCredit Group.

UniCredit Private Banking provides a comprehensive solution to each customer optimizing it for individual needs and timeframes. In 2013 UniCredit Bank completed the development of the Tetralog system – a software required to automate portfolio management and optimize risk management. We became the first bank in Russia to use this system approach.

Given the market uncertainty, UniCredit Private Banking expanded its line of structured products with principal protection, providing our clients with a variety of attractive but carefully selected investment ideas, ensuring asset diversification within the customer's personal strategy.

Declining economic activity in Russia triggered ruble devaluation and changes to the currency structure of the portfolio, with an increasing share of instruments denominated in foreign currencies. In response, UniCredit Private Banking continued developing the idea of multi-currency solutions, keeping the Multicurrency Plus deposit option in its line of deposit products, which can diversify client funds simultaneously across 7 of 11 possible currencies and is available for a variety of different terms. UniCredit Private Banking worked hard to select the most effective products offered by the Group's international partners to achieve currency diversification of investment portfolios, including Pioneer Investments, Franklin Templeton Investments, Schroder Investment Management, BNP Paribas Investment Partners, and J.P. Morgan Asset Management. In addition, customers had the opportunity to take advantage of the benefits of UniCredit Group's international Private Banking capabilities.

In 2013, UniCredit Private Banking focused on lending, as well as continued its cooperation with MasterCard, and prepared the release of another limited edition of the premium World Elite MasterCard, striving to provide the best possible service to the customers as well as to increase the commission income. As in previous years, UniCredit Private Banking organized interesting social events including art exhibitions and displays that were very well received by the current and prospective clients.

In 2013, UniCredit Private Banking further expanded its presence in Russia's regions, and now our specialists are working in Novosibirsk and Rostov-on-Don. In addition, the Bank strengthened the team with high caliber professionals in St. Petersburg.

These and other efforts by UniCredit Private Banking positively resulted in rising indicators: total assets under management expanded by more than 34% year-on-year, while investment volume increased by more than 70%, well ahead of targets.

High level of customer confidence corroborates the view that the Bank made the right choices in Private Banking business development: the number of new customers referred to by the existing clients in UniCredit Private Banking increased 2.5-fold in 2013 year-on-year. The synergy with the corporate business also helps to expand the customer base – we have the trust of clients who do their company's business through UniCredit Bank.

The UniCredit Private Banking 2013 customer satisfaction survey revealed strong results, which not only improved year-on-year, but also exceeded the Group's CEE results.

UniCredit Private Banking is convinced that this is a solid foundation for future progress, and the division is planning to develop in the year 2014 all the areas mentioned above.

Report on the Bank's Activities (Continued)

Retail Banking

“UniCredit Bank's retail banking segment achieved record net profit growth in 2013 with a 116% y/y increase to RUB 3.4 billion (before tax).”

Klaus Priverschek,
Member of the Board

UniCredit Bank's retail banking segment achieved record net profit growth in 2013 with a 116% y/y increase to RUB 3.4 billion (before tax), on effective sales management, new product development, the rising efficiency of the Bank's partner and regional branch networks, as well as the introduction of new motivation programs.

The Bank's retail loan portfolio expanded strongly compared to 2012, adding RUB 33.02 billion to reach RUB 150.58 billion (a 28.09% y/y increase).

Retaining current customers and attracting new clients became a key element of the Bank's strategy in the retail segment in 2013. As part of this strategy, new products were developed and implemented for refinancing consumer loans and mortgages, and a flexible pricing system was introduced, taking into account the competitive interest rates offered by key market players. This resulted in a 16% increase in overall client numbers in 2013 (to 196,976 clients, including individuals and organizations). In 2013, the Bank's strategy also included tactical pricing, which enabled it to preserve and increase car loan sales by specific manufacturers and car dealerships.

The Bank launched its MyClient CRM system in 2013, making it possible to speed up reaction time to client requests and inquiries. In 2013, the Bank's retail divisions increased the TRIM customer satisfaction index by one point to 87 points.

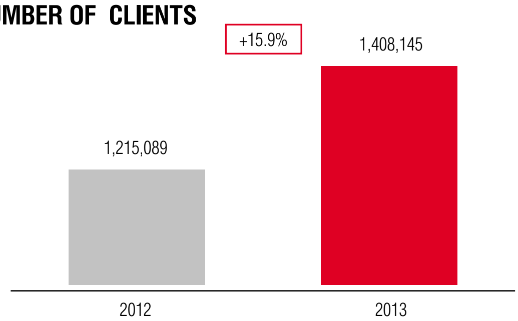
Retail banking development strategies for 2014 are based on the idea of revenue diversification by increasing the share of commission fees in segment revenues, enhancing customer service quality, proactive pricing policy tied to the dynamics of market changes, and improving the operating effectiveness and efficiency of the Bank's regional branch network and partner network.

The Bank began reorganizing its retail operations structure in 2013 by establishing 10 geographic divisions, each managed by a sales and marketing executive and a commercial director. The new structure should streamline communications and boost the effectiveness of interaction between the Bank's headquarters and its branch network. The Bank also launched a project to relocate its retail branches to increase their operating revenue, as well as a project to change its service model in the affluent individuals segment, which should be one of the most promising development areas for retail banking in 2014.

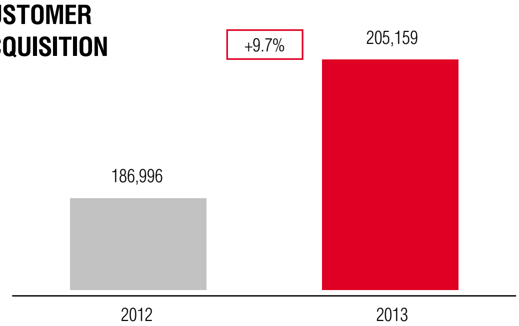
Work with the SME Segment

The Bank's strategy for development of the small and medium-sized enterprise (SME) segment was based on increasing commission fee income in 2013. To achieve this, UniCredit Bank developed and

NUMBER OF CLIENTS



DYNAMICS OF NEW CUSTOMER ACQUISITION



introduced a new product for the Russian market – financial service plans for SME clients: Comfort, Business, Optimum, Leader, and Maximum. Each service plan includes all services needed to achieve business objectives, taking into account each company's size and operations profile. The Bank sold more than 6,000 plans between July and December 2013. The Bank substantially upgraded its existing loan products and added several new ones: Overdraft and Car Loan, as well as an uncovered bank guarantee, and also introduced a new online banking service for business customers, Business.Online. Finally, the Bank substantially transformed its service model, which helped it serve various groups of customers more efficiently.

The Bank is planning to increase its loan portfolio further in 2014 and introduce new products, including loan refinancing for SMEs.

Serving Private Individual Clients

Car Loans

In 2013, UniCredit Bank further strengthened its position as a Top-3 Russian car loan provider, controlling a significant share of the market. The Bank's car loan portfolio expanded by 28.8% y/y in 2013. The Bank launched special lending programs in cooperation with Honda Motor RUS and Ducati. As a leading underwriter of car loans, UniCredit Bank joined the government program for car loans at subsidized interest rates. UniCredit Bank was one of the first banks to announce its participation in the program and became one of its most active participants. The Russian Trade and Industry Ministry's estimates placed UniCredit Bank in second place by the number of subsidized car loans issued, with a 14.1% share.

Cash Loans, Credit Cards, Mortgages

Other segments of the retail loan portfolio also achieved significant growth in 2013: the portfolio of cash loans expanded by 48.1%, the mortgage loan portfolio increased by 9%, and the portfolio of credit card balances rose by a record-breaking 69.3%. The Bank performed various marketing actions during the year to boost these products, achieving good sales growth as a result.

Savings and Investment Products

The Bank continued its consistent work in 2013 to make its saving account offerings more appealing to customers. These efforts enabled the Bank to increase its retail term deposit portfolio by 49.4% y/y. The Click Deposit series – saving accounts that can be created and

Report on the Bank's Activities (Continued)

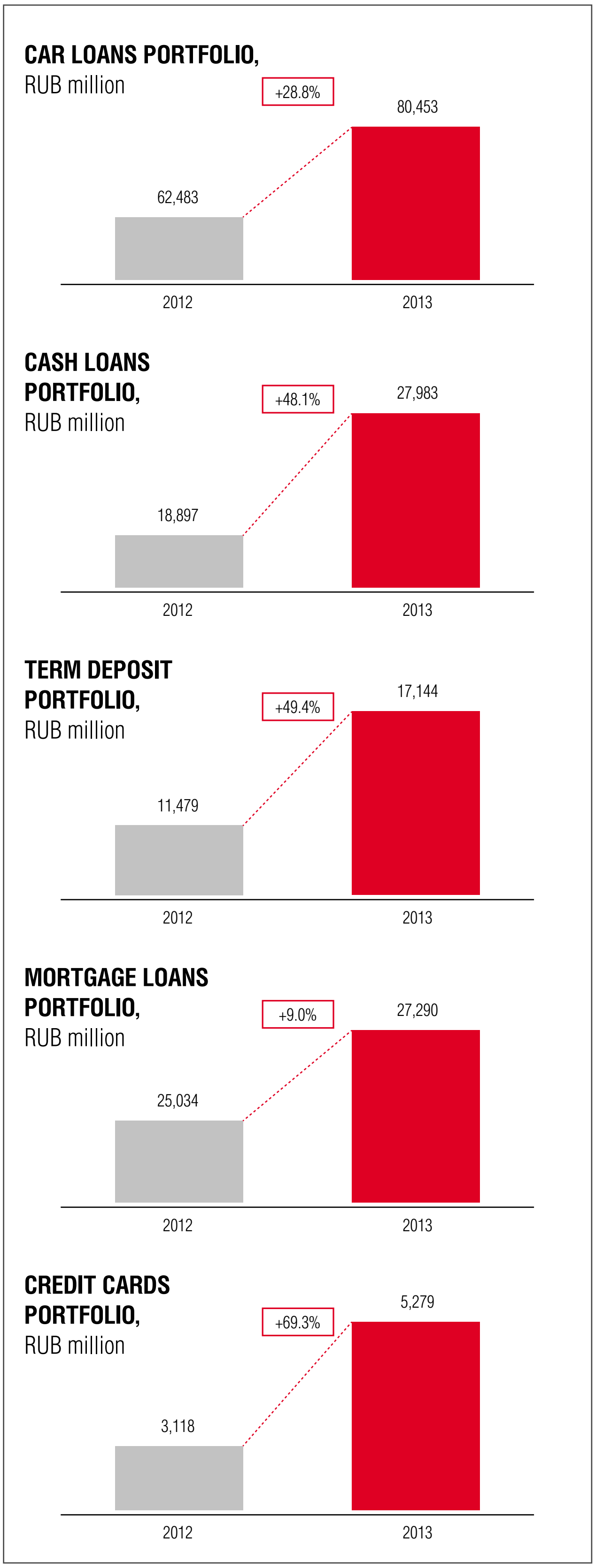
Retail Banking (Continued)

added to online – has made a substantial contribution to this growth, as it became more popular with deposit customers during the year. By year-end 2013, the daily number of saving accounts opened through online banking had doubled on average compared to the beginning of 2013, while the average deposit amount made online through the Enter.UniCredit Internet banking system increased by approximately one third. Overall, depositors made nearly 28,000 Click Deposits during the year, or 46% of the number and 77% of the total amount of deposits placed with the Bank. In 2014, the Bank will continue efforts to attract deposits using various drives and special programs, including new offerings from the Click Deposit series.

Online, Mobile and Remote Banking

In 2013, UniCredit Bank continued developing services available through remote service channels (such as online banking). The number of users of the Enter.UniCredit online banking portal increased by 12%, while the number of transactions and documents customers channeled through Enter.UniCredit rose 33%. The Bank continued to improve and develop the Enter.UniCredit online banking system in 2013, refining its functionality for clients' convenience. Also, the Bank's specialists regularly analyzed feedback from customers using Mobile.UniCredit for Android during the year, adding the most frequently requested options to new versions of the mobile app.

UniCredit Bank released the new Mobile.UniCredit 2.0 app for mobile devices running iOS in July 2013. The application was completely redesigned, and its functionality was significantly expanded. Now, in addition to basic functionality, Mobile.UniCredit 2.0 app for iOS gives customers the opportunity to use online banking to view information about their accounts, credit cards, loans and deposits, to transfer money between their accounts, including transfers involving currency exchange, pay for the services of more than 300 companies without commission fees, create templates for recurring transactions, carry out transactions based on templates created earlier, etc. As of year-end 2013, the number and total amount of client transactions performed via Mobile.UniCredit and PDA.UniCredit, had increased six-fold and four-fold, respectively, compared to 2012. In November 2013, the Bank added a way to open deposits using the Mobile.UniCredit app, and it plans to continue its efforts to refine remote (online and other) banking services. Among other things, clients will be offered transaction confirmation using MobiPass technology and short text massages (SMS).



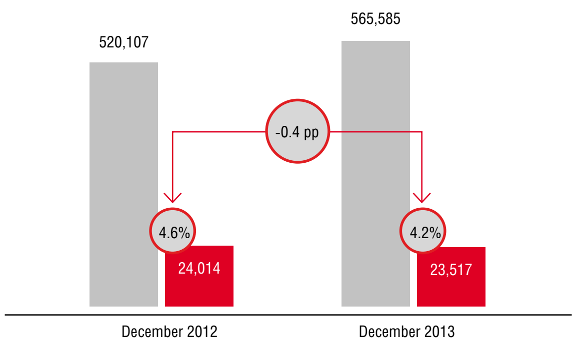
Risk Management

Realistic and accurate assessment of a financial institution's risks arising from its operations is a solid way to ensure its healthy development and competitive strength. As before, the key risks that UniCredit Bank faces include credit, liquidity, market and currency exchange risks, as well as operating risks.

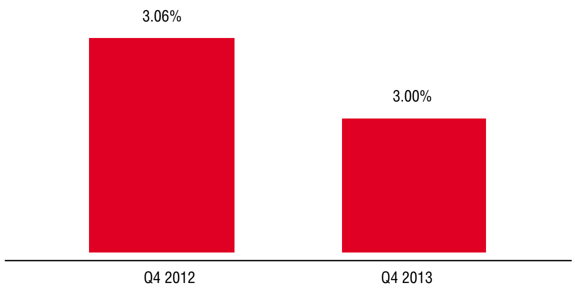
The Bank's risk management policy aims to identify, analyze and evaluate all risks to which the Bank is exposed, determine the maximum acceptable level for each, provide continuous monitoring of risk levels, and take prompt action, as necessary, to prevent undesirable developments.

The share of non-performing loans (NPL) in the Bank's portfolio declined by 0.4 pp in 2013 as a result of the shrinking share of NPL in corporate and retail lending. The reduction in NPL coverage came as a result of productive efforts to restructure and collect NPL and the increase of the share of retail loans in the Bank's overall loan portfolio.

NPL IN THE BANK'S PORTFOLIO,
RUB million



COVERAGE RATIO



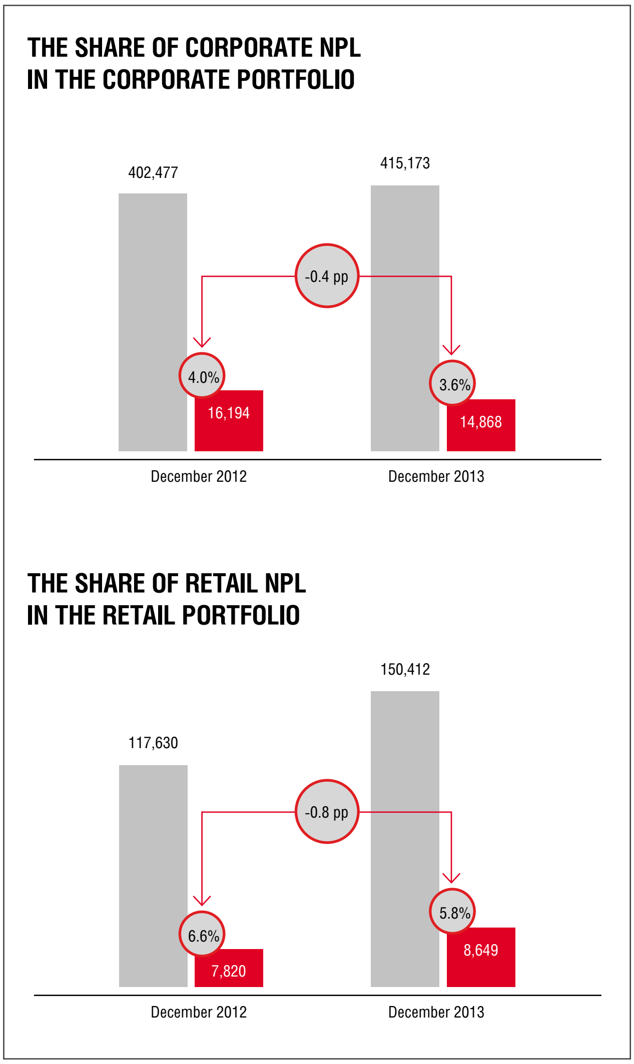
"As a result of an audit conducted in July – August 2013 by the Bank of Italy and the National Bank of Austria, with the Central Bank of Russia acting as an observer, UniCredit Bank was certified by the Bank of Italy to use the basic approach, relying on internal ratings to calculate the value of risk-weighted assets within the portfolio of large corporate borrowers."

Dmitry Mokhnachev,
Member of the Board

UniCredit Bank's risk management system is regulated by Russian and EU law. The Bank was among the first in Russia to begin implementing international standards for the management of risks and capital established by the Basel Committee on Banking Supervision (Basel 2 requirements). All the Bank's main divisions – business divisions as well as risk divisions – have been involved in the process of implementing leading-edge international risk management standards.

As part of the process of implementing Basel 2 requirements, the Bank is upgrading its internal risk assessment procedures, as well as developing and implementing rating models and economic capital assessment models, making it possible to more effectively manage the main risks and capital in accordance with Component 1 and Component 2. The Bank's risk management policy is analyzed on a regular basis, taking into account changes in market conditions, products and services, and new, improved risk management methods.

As a result of an audit conducted in July – August 2013 by the Bank of Italy and the National Bank of Austria, with the Central Bank of Russia acting as an observer, UniCredit Bank was certified by the Bank of Italy to use the basic approach, relying on internal ratings to calculate the value of risk-weighted assets within the portfolio of large corporate borrowers.



Corporate Credit Risks

Risk assessment in the corporate segment is based on comprehensive analysis of the financial and qualitative parameters of borrowers, making it possible to draw a fully representative picture of the customer's operations and enabling the authorized lending decision-makers to arrive at properly substantiated decisions.

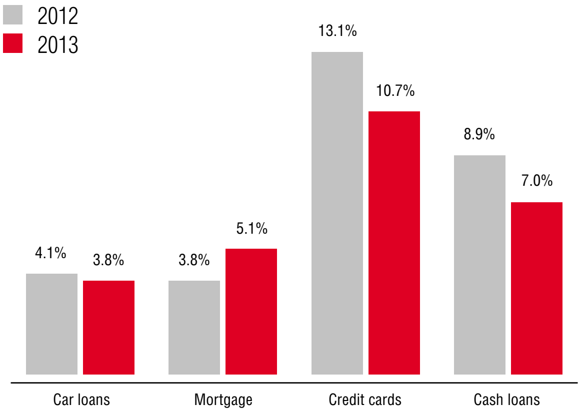
Rating models designed for subsegments of corporate customers that take into account customer-specific features and parameters are used to evaluate probability of default. All available data are used to rate customers for the risk of default on a quarterly basis. The rating models and rating processes used were developed in line with the Basel 2 requirements for calculating capital adequacy requirements based on in-house ratings.

To optimize its corporate risk management, the Bank has implemented a model of specialization by sector, creating business units as part of this model, with each responsible for analyzing risks in specific industry`s sectors. The model enables the Bank to analyze promptly and accurately any changes in specific industries, fine-tune its strategies, and make well-reasoned, evidence-based decisions. The Bank has in place a network of regional risk managers who are well positioned to accumulate and analyze information about Bank's key operating regions. This system, alongside the sector-based specialization model, enables the bank to manage its loan portfolio efficiently across different regions and industries.

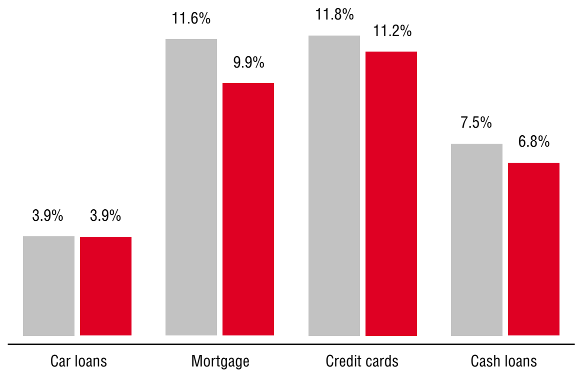
In 2013, the Bank continued to refine its decision-making system for loan underwriting deals in the corporate segment (except for transactions with problem borrowers) by making the level of required approval within the Bank dependent not only on the maximum amount of exposure, but also on the risk level (the probability of default) of a specific client/client group.

In order to make UniCredit Bank's corporate credit risk management more efficient and to reduce the risk of potential losses, the Bank's Monitoring Unit continued its efforts to automate the process of monitoring potential problem borrowers as part of UniCredit Group-

LLP IAS, y/y, %



NPL RATIO, 90+% (VOLUMES)



wide project "Golden Standards: Corporate Customer Watch List and Monitoring". An IT platform designed and implemented in the Bank's operations as a result of these efforts has introduced consistency and common standards to interactions of all units engaged in the lending process, enabling the Bank to make the decision-making process faster and more transparent, create a common database to record negative warning signals, run a customer classification system, and develop and monitor the execution of an action plan and a strategy for dealing with potential problem borrowers. The Monitoring Unit has also complied with the requirements of the Group's management by drafting the changes in its standards and having them approved for use, after the Group upgraded its methodologies for managing corporate risks.

The main purpose of managing the NPL portfolio is to recover debts with as little loss as possible to the Bank. By reducing the share of retail NPL in the portfolio by 0.8 pp (achieved, among other things, through a sale of not available for collection SME NPL worth RUB 340 million), and by eliminating the "old" corporate NPL (writing off RUB 1.4 billion of NPL not available for collection) in 2013, the Bank has been able to reduce the overall share of NPL in the lending portfolio by 0.4 pp.

Retail Credit Risks

Despite introduction of tougher government regulation of retail banking in 2013, which noticeably cooled the booming credit market, especially the consumer lending segment, UniCredit Bank still completed the year with positive growth of its retail lending portfolio (loans to individuals), adding 28%, that it's in line with the growth of lending in entire Retail banking sector. The SME loan portfolio increased by 17% y/y.

	Growth for 2013	
Product	**In terms of Principle outstanding**	**In terms of number of active accounts**
Car loans	29%	25%
Mortgage	9%	10%
Credit cards	68%	31%
Cash loans	48%	30%

At the same time, analytical indicators such as the probability of default, reflect no significant reduction in the quality of the Bank's retail loan portfolio. However, if we look at the incoming borrower generations by vintage measures, we can observe a trend towards a slight deterioration in the quality of more recent population of borrowers ignited by worsening situation of household economic conditions. The cost of risk of the retail loan portfolio stood at RUB 1.336 billion at year-end 2013 (up 0.9% from December 2012), below the budgeted amount.

The Bank continues improving its credit risk management processes in lending to individuals and small and medium-sized businesses throughout the year. The Bank refined its system for automatic evaluation of borrower creditworthiness (NBSM). Its use has been expanded to cover the entire product line for the retail lending business.

Recovery efficiency of early/late-collection was in focus during whole year 2013 . Bank completed successfully implementation of a new system for for early/late recovery of past-due debt and interest payments (GEMO) and designed a new strategy for past-due payment recovery. A statistical model segmenting past due loans was developed and implemented becoming integral part of Soft Collection strategy. On operational side, the Bank completed implementation of a technological solution to automate dialing (and repeat dialing) at the soft-collections

Report on the Bank's Activities (Continued)

stage, which has increased significantly the collection call center' operating efficiency.

In order to optimize evaluation of collateral material value the Bank had implemented new Collateral assessment system.

Constant actions were taken consistently in order to improve existing customer risk profile evaluation and further develop fraud detection/ prevention process in the individuals and the SME segments, which resulted in reduction of the Bank's financial losses by more than RUB 2 billion.

A Basel 2-compliant rating model was implemented and since then has been utilised in the process of credit analysis, loan provisioning and pricing. An analytical system was developed to estimate the returns on portfolios of loans issued to individuals and SME clients in different segments; the results can be used to manage the prospective customer cut-off process based on the estimated probability of default.

In 2013, the Bank's Monitoring Unit continued implementation of the IT platform for identification and classification of potential problem borrowers in the retail segment as part of the Group-wide project "Golden Standards: Customer Watch List and Monitoring".

The IT solution currently being implemented will enable the Bank to create a comprehensive system for tracking negative events, categorizing customers, developing an action plan, a strategy for serving potentially problem customers, and for reporting. The Bank will continue its automation efforts in 2014 to categorize customers into clusters according to risk level.

In retail NPL portforlio the Bank showed a 4.6% increase of past-due debt recovery y/y in 2013, an increase of RUB 60 million in absolute terms, while the cost-to recovery ratio was largely unchanged year-on-year: 11.6% in 2013 vs. 11.8% in 2012.

Plans for 2014

In order to make UniCredit Bank's retail credit risk management more efficient and to even reduce the risk of potential losses Bank continues focusing its activities towards more lean and by risk-awareness driven processes and tools. Credt Risk Strategy for 2014 has identified several key drivers on which the Bank wants to focus during the forthcoming year. Among them, completing the automation of creditworthiness evaluation and decision making (NBSM) for the entire product line in the individuals segment represents significant step towards optimization of the process of credit analysis and past-due loan recovery.

Bank aims to improve its decision-making/post-disbursment monitoring processes by using a broader range of external Credit Bureau services; implementing a new strategy for recovery of past-due loans, including further improvement in past-due loan recovery levels through borrower segmentation by risk level and using of a differentiated approach to each of the segments. Even more intensified focus on optimizating debt recovery strategies from SME customers is another target the Bank aims to go for in 2014.

Bank will continue to refine its decision-making system for SME loan underwriting. In order to achieve these goals, the Bank is to implement new workflow tool so that to automatize loan origination process including its post-disbursment review.

Enhancing technologies for preventing and investigating loan application fraud is another refinement of the existing process which is in plans for 2014.

In the second half of 2013, at the request of UniCredit Group, the Monitoring Unit began developing a concept and identifying approaches to implementation of an IT solution that would automate monitoring processes in the SME segment; the new solution is to be deployed mainly in 2014.

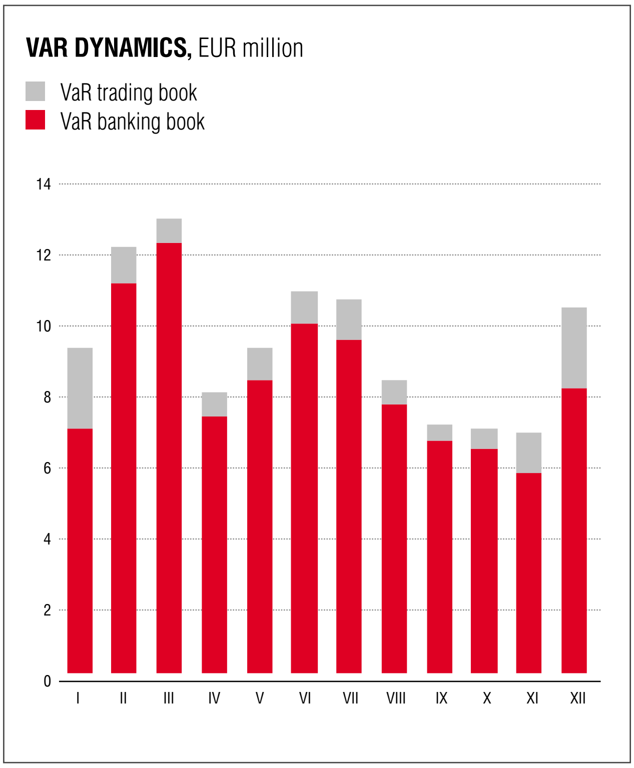
Market Risks

One of the top priorities for the Bank in 2013 was further development of an efficient system to manage market and liquidity risks, making it possible for the Bank to be stable, robust and reliable even at times of market volatility and giving it an additional competitive edge.

To ensure efficient management of the term structure of its assets and liabilities, the Bank performs regular stress tests of its short-term liquidity using scenarios provided by UniCredit Group, as well as a local methodology that takes into account the specific nature of the Russian market. The results of short-term liquidity analysis, including information derived from stress testing, are regularly reviewed by the Assets and Liabilities Management Committee.

The Bank completed improvements to technologies for controlling its foreign exchange exposure based on NPV (spot equivalent) of the time structure of cash flows (the economic position). The Bank monitors its economic and regulatory foreign exchange open position every day in accordance with established exposure limits.

The process of managing the risk of interest rate fluctuations was upgraded significantly for the replicating portfolio composed of the Bank's free equity and demand deposits. The Bank paid special



attention to keeping data quality high by matching its various IT systems.

In order to monitor its trading strategy, every month the Bank tests the sensitivity of changes in the financial result from the trading portfolio to changes in risk factors. This analysis is regularly discussed by the Bank's Assets and Liabilities Management Committee.

In 2013, the Bank continued implementation of new Group risk assessment methods related to the requirements of the regulatory standards of the Basel Committee (2.5 and 3) and the CBR. For example, the Bank uses the Value at Risk (VaR) methodology for the trading book, stress testing this value and calculating the incremental risk to estimate the capital requirements given the expected market risk (IRC – the risk of default and risk of migrating of unsecured credit products over a 12-month horizon with a 99.9% confidence interval). For example, the Bank launched implementation of Group CVA calculation methodology (modification of the market value of the instrument for calculating counterparty credit risk) and the corresponding additional capital requirement. In connection with this, minimum client transaction margin requirements were introduced.

UniCredit Group complies with Basel 3 regulatory standards, calculating the quarterly adjustment of the financial result by credit value (adjusting the market value of financial derivatives for the counterparty credit risk, or CVA) and its impact on the Bank's equity. The process of selling financial derivatives to corporate clients was standardized and brought into line with European best practices.

To achieve a higher standard of liquidity management, the Bank began calculating and analyzing the Liquidity Coverage Ratio (LCR) in 2013, in line with methodologies developed by the Basel Committee and the CBR.

The Bank plans to continue developing its market risk and liquidity risk management infrastructure in 2014 by enhancing its approach to analysis of the trading strategy and trading financial results, hedge accounting, pricing transparency, and monitoring intra-day liquidity.

Operational Risks

One of the most important and promising tasks for the Bank in 2013 was its transition to the Advanced Measurement Approach (AMA) to regulatory capital calculation. The Bank was fully ready to make the transition to AMA by year-end 2012 and since then has been constantly improving and optimizing its operational risks management framework in accordance with Group standards.

To further expand the sphere of impact of operational risk management at the Bank, the Operational Risk Management Committee acted as a management body looking into daily business matters associated with operational risks and their impact on the Bank's operations and making decisions in this regard throughout the year. Permanent mandatory participation of divisional operational risk managers enabled the Operational Risk Management Committee to become the point for regular exchange of important and relevant information between functional blocks (divisions) and individual units carrying or taking risks.

Permanent Work Group (PWG) identified the most significant operational risks, reducing exposure to specific risks in a timely manner to increase and sustain the efficiency of operational risk management. For this purpose, PWG identified the appropriate corrective actions and monitored their implementation, relying on the professional experience and expert knowledge of its key members –Operational Risks Unit and Organization Department.

In view of continuous development of the Bank's operational risks management system, some of its available tools substantially changed. Among other things, the Bank implemented a new scenario analysis methodology and updated a number of internal regulations and standards.

Report on the Bank's Activities (Continued)

In 2013, the Bank also implemented a reputation risk management system. Based on objectives set at UniCredit Group level, loan portfolio monitoring tools were introduced; the key stages of the loan underwriting process were formally recorded to identify exposure to reputation risk from entering into specific transactions; a reporting system for this type of risk was introduced. Reputation Risk Committee was established and manned by Management Board members as the body deciding whether reputation risks associated with specific transactions were acceptable for the Bank.

The Bank's plans for 2014 include sustaining the dynamic development of operational risk management and monitoring, as well as optimizing its framework for greater flexibility and sensitivity to external and internal changes.

Global Banking Services

Organization Department

UniCredit Bank continued its efforts in 2013 to streamline its organization structure and reduce the number of management levels.

From the process management perspective, the Bank revised the product management procedure and is now exploring ways of modifying lending workflows for SMEs and corporate borrowers. The Portfolio and Project Management Unit is now guiding the Bank to achieve tangible results for all interested parties at every stage of the project.

Given the limited resources, the Core Banking Transformation program became a top priority. To ensure a strong connection between the Core Banking Transformation program and other projects, several procedures for approval and allocation of the Bank's in-house IT resources were modified. The Portfolio and Project Management Unit became a recognized center of competency for project management skills and calendar planning for business and IT project managers.

Real Estate and Facility Management Department

The Department fulfilled its plan for 2013 for keeping the Bank's units fully supplied with materials and equipment and maintaining the Bank's real estate and facilities in good repair. The Department was successful in optimizing the Bank's real estate maintenance costs in 2013. Inflation notwithstanding, the average cost of maintenance and ongoing repairs of the Bank's premises was below 2011 levels. The Bank's branch and facility rent was still below the market average during 2013.

The Department fully met all the requirements of the Bank's growing business for ATM network expansion and accommodating the rising number of employees at the Bank's offices and branches. The Bank's network development plans for 2014 include opening a new UniCredit Bank branch in Nizhniy Novgorod and moving seven offices in Moscow to new locations. The Department's 2014 objectives include:

- introduction of advanced remote methods for operating and maintaining real estate using state-of-the art software
- organization of regional office operation in the context of staff optimization
- active participation in the UniCredit Group environmental project
- organizing operations in a way that would boost the Bank's energy efficiency and improve its overall environmental sustainability

Banking Card Business

UniCredit Bank focused its efforts towards development of self-service banking channels for its customers in 2013 on increasing the number of payment terminals and automated teller machines (ATMs) by combining its ATM network with those of other banks. After joining its ATM network with Raiffeisen Bank, URALSIB, and Moscow Credit Bank, UniCredit Bank was able to expand the network of ATMs and terminals where the Bank's customers can withdraw cash on the same terms as at the Bank's own ATMs to more than 6500 by the year's end. In 2013, the Bank moved on to issuing exclusively microchip banking cards: all new and replacement cards regardless of card type or level are offered with a microchip (a magnetic strip still comes as a standard feature of all cards).

The year 2013 saw the implementation of a number of technology projects: introduction of payWave-capable contact-free banking cards, an increase in the number of cards based on the PayPass technology, and the launch of a unique product for the Russian market: a UniCredit MasterCard PayPass sticker which can be placed on a cell phone, ID or wallet to pay for purchases with a single touch, without having to take a card out of the wallet.

Also in 2013, the Bank introduced a new premium banking card for its Private Banking clients – the World Elite MasterCard. The new card features a unique design and offers a range of top-level privileges and benefits. The Bank launched ATM (debit) cards for payroll customers in December 2013 offering the overdraft option.

In 2014, the Bank is planning to develop its line of co-branded cards, launching a project with a customized offer for customers available through the Bank's ATMs. The Bank also intends to implement a project enabling instant transfers from a Bank's card to a Visa/ MasterCard issued by another bank.

Information and Communication Technology (ICT)

UniCredit Bank adopted a new information and communication technology strategy in 2011 to build a flexible and efficient ICT landscape to support the current business and its continued expansion. In 2013, the Bank continued upgrading its ICT systems according to this strategy. Among other things, the strategy provided for launching a Core Banking Transformation (CBT) program, which includes projects to replace and upgrade the banking core and the general ledger of the Bank, as well as treasury, cash and payment services. The implementation program defines the interim steps and provides for a flexible infrastructure to ensure a controlled, secure progress towards successful transformation over the next two years.

“In 2013 UniCredit Bank confirmed to be one of the most efficient banks in Russian Federation. Relevant multi-years investment initiatives were launched to transform the overall Banking service platform to support the business development challenges.”

Luca Rubaga
Member of the Board

Report on the Bank's Activities (Continued)

Global Banking Services (Continued)

New CRM systems are being implemented to achieve better service quality in both retail and corporate segments. The retail CRM systems are deeply integrated with the marketing analysis tools already running, which make it possible to offer clients personalized banking products. The corporate Data Warehouse has become the foundation for newly designed solutions.

In 2013, the Bank launched a modern Internet banking solution (Business.Online) to provide remote access to banking. The solution is intended to replace several already available and outmoded tools for corporate and SME clients. The new system makes transactions more secure, while also making it possible to unroll new services faster. The Bank also released a mobile app for Apple/iOS, making significant improvements to the existing Enter.UniCredit online solution for private individuals.

In 2013, the Bank completed, as part of the Group-wide initiative to ensure uninterrupted service, the implementation of an ICT disaster recovery plan, which provides for establishing a modern fail-proof data processing center. The new infrastructure for the data processing center was designed in line with UniCredit Group's demanding standards for data protection. The new solution is capable of resisting most threats and ensuring recovery of the Bank's information systems with minimal delays and without data loss.

The Bank implemented ICT solutions in 2013 which boost the efficiency of transaction processing (a new system for foreign trade compliance, further expansion of the corporate loan origination system). The ICT Department is paying great attention to internal processes quality and development, especially to processes like resource management, problem and incident management, as well as software lifecycle management.

In 2014, the ICT Department will focus its efforts on implementation of the CBT program, especially in the areas of treasury management and trade finance. Workplace streamlining is an important tool for boosting efficiency. The Bank is working on workplace virtualization as well as optimizing tools to achieve productivity improvements for its end-users.

Operations

As the Bank's transaction volumes increased in 2013, the Operations Back Office Department optimized the technologies designed to reduce the time, resource intensiveness and cost of transactions.

The Bank completely automated it's generation of contracts and credit applications for SMEs. Automated contracts drafting were transferred to the Operations Back Office Department to free up valuable business time in the front office. The Bank also introduced paperless document processing for foreign trade transaction compliance and new forms for customer notification.

The rollout of a new online transaction monitoring system for key business processes tracking the main service quality parameters inaugurated a new era for the Department.

In 2014, the Operations Back Office Department will work to increase further transaction efficiency by optimizing its business processes and continued transition to paperless processing. The Department is also involved in several large-scale infrastructure projects to upgrade the Bank's key systems. Further centralization of payroll-service transactions for corporate clients will have a large role in 2014.

Personnel Management

UniCredit Bank continued improving its personnel management system in 2013 to make itself a more attractive employer, optimize its staffing structure and personnel costs, and increasing employees' engagement and working efficiency.

UniCredit Bank confirmed its status as a leading Russian financial market employer when it was named "European Top Employer" for the third year in a row as part of the annual certification process conducted by the CFR Institute.

One of the Bank's objectives is to ensure effective support for continued development of its business and timely response to market demands as they arise. The Bank made a number of changes to its retail sales unit to achieve this objective. Several new training sessions to develop UniCredit Bank branch employees' sales skills were designed and conducted to support implementation of a new model for serving SMB (small and medium-sized businesses) and a CRM (customer relations management) system.

Personnel assessment tools were implemented in all the Bank's main units to develop a structured personnel selection procedure and provide support for key employees to develop their leadership skills. These tools include personal meetings and development centers, 360-degree and online employee evaluation techniques. In addition, special events and training games were organized for corporate and investment banking employees with a significant leadership potential to simulate business operations relying on modern, state-of-the-art personnel development methods. The purpose of these events was to develop strategic business qualities and management skills in the participating employees.

Active involvement of the Bank's key employees in Group-level international projects continues the positive trend that started the in previous year. The Bank also reinforced its position as one of the main platforms offering key employees of the Group based in European countries an opportunity to realize their professional potential and get experience working in Russia.

The Bank is continuing to refine its compensation system and the structure of its personnel policy. The Bank successfully completed the process of reflecting all positions at the Bank within the formal Group-wide system (Global Job Model). This system makes it possible to use a single language, common for all positions, tasks, skills and reporting levels across all Group units in different countries, creating opportunities for career growth and process introduction at the international level.

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CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

In the field of talent search and staff turnover management, a new referral program, Member Get Member ("Bring a friend – get a bonus") was implemented as an experiment for engineers at the IT and Communication Technologies Department and has proven successful. We are planning to expand this program to all the Bank's units in 2014.

Another employee satisfaction survey was conducted in 2013 to gauge employees' loyalty to the organization and their pride in working for the Bank. Compared to the survey held in 2012, employees' engagement level increased, reflecting the excellent quality and effectiveness of the personnel management system.

Report on the Bank's Activities (Continued)

Brand

In 2013 as in previous years, UniCredit Bank used Real Life Banking brand positioning as the foundation for advertising its products and services in all client segments. The Bank also emphasized internal advertising campaigns aimed at employees. As part of UniCredit Group-wide Real Life Banking Certification project, UniCredit Bank employees were asked to evaluate whether the Bank's various products, services, and projects were a good fit with the brand's promise and corporate image. This served to increase employee awareness of the Bank's products and services and boost their loyalty to the brand. Elements of the design of this Annual Report include the best UniCredit Bank project and the best UniCredit Bank story – finalists in the Group-wide contest.

Support of culture and the arts is an important component of UniCredit Group's business philosophy. As a practical manifestation of this, the Group is constantly implementing projects designed to popularize and promote the work of young practitioners of the arts, because the discovery of new talents with fresh perspectives on art promotes the development of culture and the birth of innovative ideas, which, ultimately, become the foundation for a nation's sustainable social and economic development. The Bank's inaugural project in this area in Russia was "Priceless City", an open contest for young artists held by UniCredit Private Banking in cooperation with MasterCard in September 2013. One work by a contest participant became the basis for the new design of UniCredit Bank's premium World Elite MasterCard.

UniCredit Group successfully continued its cooperation with the UEFA Champions League in 2013, and the advantages of this were used, in a long-standing tradition, for UniCredit brand promotion during football games of the UEFA Champions League in Russia. In the fall of 2013, a promotional website was set up for the Your Way to the UEFA Champions League Finals contest, which included a contest of photos, videos, and a quiz. A trip to the UEFA Final game in Lisbon was the contest's grand prize.

UniCredit Bank received an Absolute Brand 2013 Award for its efforts in brand promotion in 2013: the Bank was named among the winners in this independent contest, receiving an award for sustainable development of an international brand in Russia.

The UniCredit Bank Art Collection

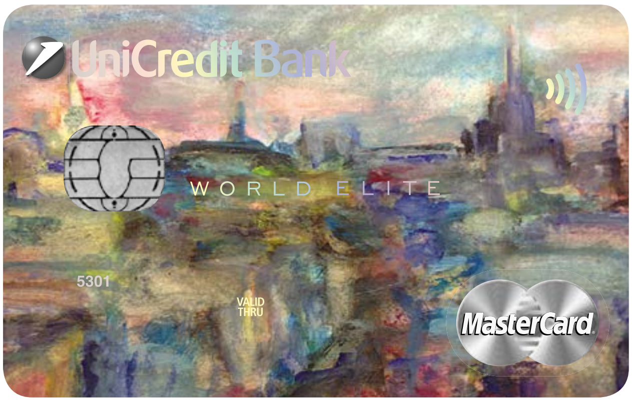
In 2013, UniCredit Bank placed special emphasis on adding to its fine art collection and exhibiting it to the public. New additions to the collection include paintings by Arseniy L. Schultz (1910–1976), Grigoriy Kostyukhin (1907–1991), Maria Kazanskaya (1914–1942), and Vladimir Khrakovsky (1894–1984). The choice of works by these masters fully reflects the objectives and development trend of UniCredit Bank's art collection, which represents the history of Russian art not as a repetition of widely known facts, but rather as an area for research and discovery. This is a history and a story of artists with strong, bright, unique personalities, wit interesting, difficult, sometimes tragic or somewhat "effaced" fates, whose art is attracting particular attention today.

Following the well-established tradition, UniCredit Bank organized the "1920s-1930s Russian Art from UniCredit Bank's Corporate Collection. New Acquisitions" exhibition to mark its birthday. The exhibition featured artworks acquired by UniCredit Bank for its collection during 2012–2013. The Bank chose to follow UniCredit Group's example for the first time in 2013 by holding the exhibition at its Bolshaya Gruzinskaya additional branch in Moscow to make the paintings accessible to the general public.

UniCredit Bank exhibited one of the most valuable paintings from its collection – Leonid T. Chupyatov's "A Dream" (completed in 1936) for Chupyatov's (1890–1941) personal exhibition under the headline Chupyatov's Angle in October 2013 – one of the most significant in the artist's entire body of work. The exhibition was held at the Our Artists gallery, displaying nearly 40 of his works from three art museums and 24 private art collections. The exhibition attracted great interest from art connoisseurs and the media. Vedomosti business daily wrote the following about the event: "It would be a reasonable assumption that Chupyatov's Angle should raise the artist's profile, if not among art historians, who have long since arrived at their conclusion, then among the public, who were charmed not only by the paintings, but also by the integrity of the artist's personality and the single-mindedness of his purpose. His strength of character, seriousness and commitment to the art of painting come across very clearly at the exhibition. As does his mystery – one feels quite palpably that there was mystery around Chupyatov".

The first-ever forum "The Experience of Creating a Corporate Art Collection" was held as part of Art Moscow, an international art fair at the Central House of the Artist in September 2013. The curator of the UniCredit Bank art collection, art expert Alexander Balashov, took part in the forum along with curators for other corporate fine art collections. In his presentation, Mr. Balashov noted the importance of corporations' and large businesses' attention to and growing interest in modern art, including, notably, Russian 20th century art.

"We often talk about the social responsibility of financial services organizations, but we often engage in wishful thinking, believing we actually did something socially significant when we did not. The same happens when we talk about what banks do to promote art in Russia.



It is very important for the Bank to define clearly for itself the meanings of cultural events in art or the art phenomena which it is supporting, or which it is ready to help materialize. Our focus on 1920s–1930s art is informed by an understanding of the great cultural value of the free art of that era for us today. We strive to expand and, possibly, change the current perceptions of 20th Century Russian art. This is what makes UniCredit Bank's art collection special," Balashov was speaking about the period which gave the world the art which lies at the core of UniCredit Bank's collection: Russian post-avant-garde art of the 1920s – 1930s.

UniCredit Bank in Social Media

Over the past several years, UniCredit Bank has been among the Russian banks developing their social media presence most effectively. In 2013, the Bank continued to work in the social media to improve its brand recognition.

UniCredit Bank ran an image-boosting campaign in the social media in 2013 dedicated to the cooperation between UniCredit and the UEFA Champions League. Messages and news were posted to UniCredit Bank's Facebook and VKontakte communities from May through November about the ongoing tournament games and the history of the championship, with voting held for footballers in each position on the pitch. This yielded significant feedback on the posts, which became some of the most popular in UniCredit Bank's social media groups, especially during the summer. A quiz dedicated to the UEFA Champions League was launched in October, with the winners receiving tickets and all expenses paid to attend a UEFA Champions League game in Moscow. The posts were advertised in popular non-branded VKontakte communities, netting hundreds of answers to the quiz questions. In this way, the target audience found out about cooperation between UniCredit and the UEFA Champions League, boosting the engagement of community members and attracting new active participants. In addition, UniCredit Bank gained several highly loyal "brand advocates" among the quiz winners who received their tickets for the games featuring Russian teams. This strengthened overall brand loyalty through their active participation in the Bank's communities even after the quizzes.

To boost its brand recognition, UniCredit Bank launched an ongoing activity in August 2013 called Virtual Badges, which gave active and loyal members of the Bank's VKontakte group special tokens of appreciation. This approach helped to boost the overall engagement and loyalty of community members.

In September 2013, UniCredit Bank joined Instagram, a new social network in test mode, starting with a contest open only to the Bank's employees. One of the objectives of this contest was to shape a modern image for the Bank and its specific products. Every UniCredit Bank employee could participate in the contest by submitting his or her own creative version of an ad for mortgages, deposits, and other banking products. Two all-around leaders were selected in the contest, whose ideas the Bank may use in the future for its various advertising projects.

During the 2013 "Bright Day, More Light for Immunity!" charity drive, UniCredit Bank asked its followers on the VKontakte and Facebook social networks to share a special interactive image dedicated to the event in order to make as many people as possible aware of issues related to diagnosing primary immunodeficiency. The more people reposted the image, the brighter it became. Overall, the image was reposted more than 100 times.

Report on the Bank's Activities (Continued)

Social Responsibility

Helping People with Disabilities and Health Conditions

Year after year, UniCredit Bank helps hospitals acquire expensive equipment and assists them with implementation of various rehab programs. In 2013, UniCredit Bank purchased bronchial suction pumps for the Neonatal Intensive Care Center at the N. F. Filatov City Children's Clinical Hospital, equipped a touchscreen room at the Children's Anti-TB Resort Tolpar in Ufa, paid for additional diagnostic tests and assessments and rehabilitation of children with disabilities living in Building 3 of the Pavlovsk Children's Orphanage No. 4, and helped purchase medication for the Vera Foundation for Helping Hospices, the Podsolnukh (Sunflower) Foundation for Helping Children with Immune System Disorders, the Charitable Home for the Disabled (Bogadelnya) at the Zachatyev Stavropigalny Convent, and the Psychoneurological Hospital for Children with Disorders of the Central Nervous System and Psychlogical Disorders. The Bank also continued its support for the long-term programs of charitable foundations dedicated to helping people with health limitations and disabilities: the Downside Up Foundation, the Traveling the Road Together Foundation, and the Russian Committee SOS for Children Villages. UniCredit Bank and UniCredit Group's charitable UniCredit Foundation also provided assistance that was instrumental in helping to repair the Clinical Immunology Unit of the Russian Children's Clinical Hospital of the Russian Healthcare Ministry.

UniColours

Art Therapy

UniColours, the UniCredit Bank flagship charity program, is designed to provide art therapy for children with disabilities. The program reaches out to children receiving treatment as in-patients at hospitals in St. Petersburg (the Raisa M. Gorbacheva Institute for Juvenile Hematology, the N. N. Petrov Onchology Research Institute, City Clinical Hospital 31, Children's Hospice Medical Institution) and in Moscow (the Russian Children's Clinical Hospital), children receiving treatment and education at the Lobnya Corrective School and the Pavlovsk Children's Boarding School No. 4, as well as children in the care of the Yarovslavl Regional Facing the World Public Association of People with Disabilities. During their art therapy classes, children combat their medical conditions and develop their creative abilities.

Unfortunately, it is not always possible to save children from their physical limitations, but we can try to help them discover within themselves unlimited capabilities for development and full life.

Helping Veterans

UniCredit Bank allocates money to veterans' organizations on a regular basis and has been working with some of them for many years: the Russian Charitable Foundation for (Retired) Veterans of War, Labor, and Military Forces, the Moscow War Veterans Committee, the Interregional Public Organization of Russian Veterans of Wars and Military Service, the Regional Association of People with Disabilities, War Veterans, and Survivors of the Leningrad Siege. The Bank's support made it possible to implement programs for helpers to visit veterans living alone and severely ill veterans at home and organize holiday concerts for them.

Helping Those Affected by Natural Disasters and Other Emergencies

The Bank provided aid to create a field obstetrics unit in the Amur Region in 2013 to help those affected by floods in the Russian Far East.

Volunteers of the bank helped to finish renovation in the Department of immunology of the Russian Children s Clinical Hospital.

On June 1st during the International children's day volunteers of the Bank organized an excursion in Moscow for 25 children from orphanage in Lobnya. Children visited Vorobiev mountains and Botanical Garden.

Volunteer Club

The Bank's volunteers organized a trip to Moscow and a tour of the capital for children receiving treatment and education at the Lobnya Corrective School, as well as a celebration for children from the Zernograd Boarding School. Our volunteers also helped with completion of repairs at the Immunology Unit of the Russian Children's Clinical Hospital, gathered a shipment of goods to donate, visited the Podolsk Animal Shelter, and conducted a series of financial literacy classes for St. Petersburg orphans with development issues supported by the Raul Charity Foundation. In addition, the Bank's sports teams took part in the Red Square Charity Bicycle Race organized by the Downside Up Foundation to support children with Down Syndrome and their families, and also in the Run 5275, with the donations collected going to the Lifeline, Traveling the Road Together, and Reach for Change foundations.

A Bright and Colorful Day

On April 22, 2013, UniCredit Bank held a second "Bright Day, More Light for Immunity!" charity drive. The drive was organized by the Podsolnukh (Sunflower) Foundation (also known as the Charity Foundation for Helping Children with Immunity Disorders), which tries to raise awareness of the problem of diagnosing and treating various types of primary immunodeficiency in Russia. People are often completely unaware of this condition and mistake what are actually the first symptoms of a serious disease as a mild indisposition in children. A correct diagnosis would help initiate treatment of the disease. To achieve this objective, employees of several UniCredit Bank offices in Moscow, St. Petersburg, Ufa, Nizhniy Novgorod, Chelyabinsk, and Yekaterinburg ignored the dress code on "Bright Day" and came into work wearing brightly colored clothes. In addition, fliers were placed at the Bank's offices dedicated to diagnosing primary immunodeficiency, along with donation boxes to collect money for expensive treatment of children in the care of the Podsolnukh Foundation.

To spread information about congenital immunodeficiency as widely as possible, UniCredit Bank asked its group of followers on the VKontakte social network to tell their friends about the drive by reposting the message about congenital immunodeficiency.

Charity Instead of Corporate Gifts

For the past three years UniCredit Bank has given customers and business partners, in addition to New Year's gifts, unusual holiday cards. Each card is hand-crafted by orphanage children, who receive pay for making the cards using cutout techniques and can spend the money on buying New Year's gifts.

This initiative was realized in collaboration with the Social Meters project, whose participants teach children living in Russian regional orphanages to make simple gifts, bringing their makers a percentage of sales. Once a month, the children accompany volunteers to a shopping mall to spend their earnings. In this way, the program helps prepare orphanage children for future independent life. By participating in the project's master classes, the children learn what it means to have a job, develop their creative potential, and receive their first working and money handling skills.

For the second year in a row on April 22nd, 2013 a charity action «Bright Day» supporting children with immunity deceases was organized in UniCredit Bank.

Colleagues from St Petersburg Branch organized a number of lessons about financial literacy for children-orphans supported by charity foundation «Raul».

Facilitate

Finding solutions to make everything easier.

"Due to an internal bug, one of my Customers received funds to pay staff salaries two days late.
I did everything I could to find a solution. I asked my colleagues for help, and together we came up with a response: we compensated for the two lost days in their wages the next month. The Customer called to thank me for solving the issue quickly.
We showed that our **bank is easy to deal with**."

Peter Tschöp - Financial Institutions Group - CIB Global Division
UniCredit Bank Austria

Supplementary Information

Management

Supervisory Board (as of January 1, 2014)

Erich Hampel, Chairman of the Supervisory Board

Age – 62 years. Graduate of University of Economics and Business Administration in Vienna, doctor of social sciences and economics. He has been working in banking business for more than 35 years. From 2004 to 2009 he was Chairman of the Managing Board of Bank Austria Creditanstalt AG. In 2005 he was appointed Head of CEE Division of UniCredito Italiano S.p.A. From 20.02.2007 to 20.12.2007 he was Chairman of the Board of Directors of CJSC International Moscow Bank; from 20.12.2007 till now he is Chairman of the Supervisory Board of ZAO UniCredit Bank. Mr. Hampel is Chairman of the Supervisory Board of UniCredit Bank Austria AG.

Gianni Franco Papa, Member of the Supervisory Board

Age – 57 years. Graduate of the Catholic University of Milan.

Mr. Papa started his career in 1979 at Credito Italiano. In 1998 and 1999 he was Deputy General Manager at Singapore Branch of Credito Italiano, and then was Director for Asia (ex China) for UniCredit. From 2003 to 2005 Mr. Papa was General Manager of New York Branch and Director for the Americas for UniCredit. From July 2005 to March 2007 he was General Manager and COO of UniBanka a.s., and in this capacity was responsible for integration of UniBanka and HVB Slovakia, and then fulfilled the duties of Vice-Chairman of the Board of Directors and General Manager of UniCredit Bank, Slovakia (April 2007 to January 2008). From February 2008 to November 2010 Gianni Franco Papa was First Deputy Chairman of the Board and General Manager of Ukrsotsbank, and then was appointed Executive Vice President, Head of CEE Corporate and Investment Banking, UniCredit Bank Austria. From December 2010 Mr. Papa was Senior Executive Vice President, Head of CEE Division, UniCredit, and from January 2011 – Deputy Chairman of the Board of UniCredit Bank Austria.

Gianfranco Bisagni, Member of the Supervisory Board

Age – 55 years. Has an Accounting & Programming Diploma (58/60) and degree with Distinction in Business Administration. Since March 2011 he is Head of Corporate and Investment Banking – Central Eastern Europe, and Deputy Head of Central Eastern Europe Division at UniCredit. He started his career at different branches at UniCredit Group in Italy (Genoa and La Spezia), where he performed all various tasks (retail and corporates). Then he was Manager of Business Development, for the group of branches belonging to Novara Regional Hub (IItaly), subsequently Chief Manager of Novara Main Branch. From September 1989 up to July 1991 he occupied position Senior Area Manager & Deputy Chief Area Manager – Global Financial Institutions – Head Office Milan (Italy). In July 1991 he moved to the position Initially Assistant Representative, and in 1994 promoted to VP & Chief Representative of the local Rep. Office of UniCredit Group in Chicago. In July 1997 he was appointed First Vice President & Deputy Chief Executive in New York, where he worked up to July 2001, when he moved to the position Chief Executive of Hong Kong (UniCredit Group). In September 2007, he was appointed Head of Corporate Banking Asia Pacific and Chief Executive of Hong Kong (UniCredit Group). From March 2010 up to March 2011 he was Head of Corporate and Investment Banking & Private Banking Division & Member of the Management Board of UniCredit Tiriac Bank.

Roberto Nicastro, Member of the Supervisory Board

Age – 49 years. Graduate of Universita commerciale Luigi Bocconi, Milan (Italy).

In 1997 he joined Credito Italiano and then occupied different positions within UniCredit Group. In July 2007 he was appointed Deputy Chairman of the Board of UniCredit Group.

From 11.02.2008 he is a member of the Supervisory Board of ZAO UniCredit Bank. From 01.11.2010 he is General Manager of UniCredit S.p.A.

Paolo Cederle,
Member of the Supervisory Board

Age – 52 years. Graduated from Politecnico di Milano. From 2011 to 2006 Mr. Cederle was Executive Director of i-Faber S.p.A. and in 2007 he became Member of the Board of the company. From 2010 Chairman of UniCredit Business Integrated Solutions, member of the Supervisory Board of Ukrsotsbank Public Company, Ukraine.

From 30.04.2010 he is a member of the Supervisory Board of ZAO UniCredit Bank.

Marco Radice,
Member of the Supervisory Board

Age – 56 years. Graduate of J.D., Parma Law School, 1980, Accademia Guardia di Finanza, Rome, 1982, New York Law School, New York, 1983. From1992 up to 2006 he occupied position Non executive director, Itas s.p.a., Insurance Company, Trento. From 1994 up to 2001 was Chairman of the Board of Statutory Internal Auditors, Cassa di Risparmio di Trento e Rovereto, Member / Chairman of the Board of Statutory Internal Auditors of Industrial and Financial Services Companies (Pioneer Alternative Investments S.g.r.p.a., Milano Innovazione S.g.r.p.a., Vivacity S.p.a., Iniziative Urbane s.p.a., Valore S.I.M. s.p.a., Metalsistem s.p.a, Rovimpex s.p.a. and others). From 1998 up to 2006 he was Professor of Financial Services Regulation Law, University of Trento. At present time he is Co-Principal at Perno & Cremonese / Radice & Cereda, in charge of the Banking, Financial Services and Corporate Governance Team. He is also Non executive Director and Chairman of Audit and Risk Committee of Unicredit Private Banking, Turin, Director and member of the executive Committee, Itas Mutua, Insurance Company, Trento, Non executive Director, Itas Vita s.p.a., Insurance Company, Trento.

Alessandro Maria Decio,
Member of the Supervisory Board

Age – 47 years. He graduated from Bocconi University, Milan (Italy). He also has got a Master's Degree from INSEAD, Fontainebleau (France). From 1990 to 1992 he worked at IMI Capital Markets, London (UK), and then at Morgan Stanley, London (UK). In 1992 he worked at McKinsey & Co (Milan), then till 2000 he occupied position of the director at the European Bank for Reconstruction & Development (EBRD), London, UK. He came to UniCredit in 2000, when he joined Strategy, Planning and Control Department. In 2001, he became Head of Planning and Foreign Banks Re-launch Department at UniCredit. In 2002, he was appointed Chief Operating Officer of Zagrebacka Banka (Croatia). From 2003 to 2005 he was Chief Operating Officer of Bulbank (Bulgaria) with responsibility also for the internal control functions. From 2005 to 2007 he occupied position of German Region Integration Officer, managing the integration of the German business following UniCredit Group's merger with HVB AG. From July 2007 to January 2011 he was Chief Operating Officer of Yapi Kredi (Turkey); Deputy CEO of Koc Financial Services with responsibility for all controlling functions (including CRO, CFO and HR) and acted also as Chairman of the Credit Committee. In February 2011 he was appointed the Group Head of F&SME Division. Since August 2012 he has occupied position of Group CRO at UniCredit.

In 2013, Karl Guha resigned from the Supervisory Board, while Alessandro Maria Decio was appointed to the Supervisory Board. No shares of ZAO UniCredit Bank are held by any member of the Supervisory Board.

Respond

With a smile and a desire to help.

"One of my Customers had just gotten married and was about to set off on her honeymoon when she called me in a panic: her credit card had been cloned. I immediately arranged for her to be sent a new card, but several days passed and the card did not turn up. I was worried, but I didn't let on to the Customer. I kept looking into it and found out that the courier had sent the card to the wrong address. I tracked down the courier and made sure the card was delivered to the right address in time. I called the Customer, who **was delighted that she could now enjoy** her honeymoon!"

Rita Pattuelli - Private Banking
Bologna Centro - UniCredit SpA

Management

Board of Management (as of January 1, 2014)

Mikhail Yurievich Alekseev, Chairman of the Management Board

Age – 49 years. Mr. Alekseev, doctor of economics, started he career in the USSR Ministry of Finance. In 1992 he was elected to the Management Board of Mezhkombank. In 1995, he moved to Oneximbank to the position of the Deputy Chairman of the Management Board. From 1999 to 2006 Mikhail Alekseev held the positions of Senior Vice-President and Deputy Chairman of the Management Board of Rosbank and was responsible for strategic development, small and medium business, operations and IT. His next place of employment was Rosprombank (from 2006), where he held the position of President and Chairman of the Board. In July 2008, in accordance with resolution of the Supervisory Board he was appointed Chairman of the Management Board and is responsible for general management of the Bank's operations.

Konrad Kozik, Member of the Management Board

Age – 43 years. Mr. Kozik started his career in 1999 at UniCredito Italiano Group, where he held different positions, from Deputy Manager of the Foreign Banks Planning Department to executive financial officer at UniCredit Romania. In 2004, Konrad Kozik moved to Kredyt Bank S.A., Warsaw, Poland (owned by KBC Group, Brussels, Belgium), where in 2006 he became Vice-President, Deputy Chairman of the Bank's Management Board. In May 2007 he came back to UniCredit Group and was appointed Chief Financial Officer and Member of the Management Board of UniCredit Bank.

Kirill O. Zhukov-Emelyanov, Member of the Management Board

Age – 43 years. Mr. Zhukov-Emelyanov started his career in 1994 with UniCredit Bank (former International Moscow Bank) in the field of corporate finance. From 1999 he managed credit business of Bank Austria Creditanstalt Russia. Following its merger with International Moscow Bank in 2001, he held executive positions at corporate banking division of International Moscow Bank. From 2003, he was responsible for the development of the regional network and corporate business of International Moscow Bank, and then of UniCredit Bank in regions. In December 2008, in accordance with resolution of the Supervisory Board he was appointed Member of the Management Board and is responsible for corporate banking business of UniCredit Bank.

Dmitry Viktorovich Mokhnachev, Member of the Management Board

Age – 49 years. Mr. Mokhnachev started his career in 1992 at International Moscow Bank (former name of UniCredit Bank) in the field of credit risks, and then he held various positions at International Moscow Bank connected with risk management and corporate business.

In 2003 he was appointed Member of the Management Board of International Moscow Bank. In October 2006 Mr. Mokhnachev moved to Uralsib Financial Corporation in the capacity of 1st Vice-President and Member of the Board of Management. From August 2008 to late June 2009 Dmitry Mokhnachev was Director of Credit to private clients, Sberbank of Russia. In September 2009 he became Member of the Management Board of UniCredit Bank. Mr. Mokhnachev's area of responsibilities includes risk management.

Luca Rubaga, Member of the Management Board, Senior Vice-President

Age – 43 years. Luca Rubaga joined UniCredit's team in 2003 in the capacity of Executive Director of Organization Department and Head of Private Banking Project Management Group, UniCredit Bank (UniCredit Group). In 2005, Mr. Rubaga was appointed Executive Vice President, head of the Organization, Logistic and Cost Management Department, YapiKredi Bank (UniCredit Group), Turkey, and in 2011 moved to ZAO UniCredit Bank (Russia).

Klaus Priverschek, Member of the Management Board, Executive Vice President

Age – 51 years. Klaus Priverschek holds a doctorate degree in law from the University of Innsbruck and a Diploma in Advanced International Studies from the Diplomatic Academy Vienna.

He started his professional career at Creditanstalt Bankverein, Vienna, where he worked up to 1998 in various positions: Interne, then employee at the International Department, Personal Assistant to the Deputy Chairman of the Management Board, Personal Assistant to the Chairman of the Management Board. From 1998 to 2000 he worked at CapitalInvest, Vienna in the position of Head of Department. In 2000 he moved to Bank Austria, Vienna, where he occupied position of Personal Assistant to the Chairman of the Management Board up to 2002. In 2002, he was appointed Deputy CEO at Bank Austria Creditanstalt, Slovenia, Ljubljana. In 2005 Klaus came back to Bank Austria, Vienna to the position of Manager of the Integration Project of Bank Austria into UniCredit Group. From 2006 to 2007 he worked in the position of Member of the Management Board, CFO and COO at Pioneer Investments Austria, Vienna. From 2007 to 2012 he occupied position of CEO of UniCredit Bank Serbia, Belgrade. In 2012 he moved to ZAO UniCredit Bank (Russia) where he worked in the position of Advisor to the Board up to 2013. In 2013 he was appointed Member of the Management Board, Executive Vice President, COO, responsible for Retail Banking and Global Banking Services.

In 2013, Klaus Priverschek joined the Management Board.
No shares of ZAO UniCredit Bank are held by any member of the Management Board.

Support

Flexibility to meet Customer needs.

"As the result of a discussion among different sections of the Risk Division, we realized that it is important to tailor communications according to the needs of each Customer. We worked together as a team, sharing our research and knowledge. This ultimately led to more flexible reports and made us more responsive and proactive, **improving the skills and cohesion of all internal departments**."

Francesco Ivan Pomarico
Group Financial Risk - UniCredit Holding

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163/2, Moskovsky prospekt, Yaroslavl, 150057, Russia
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Transactional Products and Partnerships
UniCredit - ITALY

Consolidated Financial Statements

Year ended 31 December 2013

Statement of management's responsibilities for the preparation and approval of the Consolidated Financial Statements for the year ended 31 December 2013

Management of ZAO UniCredit Bank is responsible for the preparation of the consolidated financial statements that present fairly the financial position of ZAO UniCredit Bank and its associate (collectively – the "Group") as at 31 December 2013, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2013 were approved by the Board of Management of ZAO UniCredit Bank on 14 February 2014.

Signed on behalf of the Board of Management

M. Alekseev Chairman of the Board of Management

O. Goncharova Chief Accountant

14 February 2014

Independent auditor's report

Deloitte.

To: Shareholder and Supervisory Board of ZAO UniCredit Bank.

We have audited the accompanying consolidated financial statements of ZAO UniCredit Bank and its associated company (collectively – the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for 2013, and notes comprising a summary of accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

The consolidated financial statements of ZAO UniCredit Bank as of 31 December 2012 were audited by another auditor who expressed unqualified opinion on these financial statements on 18 February 2013.

Deloitte & Touche

14 February 2014
Moscow, Russian Federation
Neklyudov S.V., Partner
(certificate no. 01-000196 of 28 November 2011)
ZAO Deloitte & Touche CIS

Audited entity: ZAO UniCredit Bank.

Licensed by the Central Bank of the Russian Federation on 23 March 2012, License No.1.

Entered in the Unified State Register of Legal Entities on 19 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027739082106, Certificate series 77 No. 005721432

9, Prechistenskaya emb., Moscow, Russia 119034.

Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482,
issued by the Moscow Registration Chamber on 30.10.1992.

Certificate of registration in the Unified State Register № 1027700425444 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Certificate of membership in «NP «Audit Chamber of Russia» (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

Consolidated statement of financial position

As at 31 December 2013
(Thousands of Russian Roubles)

	Notes	2013	2012
Assets			
Cash and cash balances	6	25 708 189	24 020 106
Trading securities			
- held by the Group	7	8 043 048	4 340 528
- pledged under repurchase agreements	7	3 533 397	-
Amounts due from credit institutions	8	223 403 672	246 446 188
Derivative financial assets	9	9 610 569	10 064 303
Derivative financial assets designated for hedging	9	4 131 332	7 350 086
Changes in fair value of portfolio hedged items	9	1 458 602	1 142 230
Loans to customers	10	548 607 344	504 195 074
Investment securities:	11		
- available-for-sale			
- held by the Group		19 457 387	31 918 591
- pledged under repurchase agreements		32 789 934	26 690 399
- held-to-maturity		299 993	311 805
Investments in associate	12	973 059	979 435
Fixed assets	14	6 328 343	6 724 172
Intangible assets	15	2 204 893	1 974 557
Other assets	17	1 950 602	2 318 108
Total assets		**888 500 364**	**868 475 582**
Liabilities			
Amounts due to credit institutions	18, 21	152 653 594	187 523 705
Derivative financial liabilities	9	8 153 454	7 309 978
Derivative financial liabilities designated for hedging	9	6 601 742	6 222 442
Amounts due to customers	19	529 544 946	503 869 222
Debt securities issued	20	50 737 686	40 792 747
Deferred income tax liabilities	16	2 211 333	2 810 119
Current income tax liabilities		352 795	724 314
Other liabilities	17	6 200 115	5 969 924
Total liabilities		**756 455 665**	**755 222 451**
Equity	22		
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		(1 159 521)	(960 582)
Revaluation reserve for available-for-sale securities		(411 821)	4 721 389
Retained earnings		91 390 954	67 267 237
Total equity		**132 044 699**	**113 253 131**
Total equity and liabilities		**888 500 364**	**868 475 582**

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

M. Alekseev Chairman of the Board of Management

O. Goncharova Chief Accountant

14 February 2014

The accompanying notes on pages 78 to 132 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2013
(Thousands of Russian Roubles)

	Notes	2013	2012
Interest income			
Loans to customers		47 472 733	40 274 293
Amounts due from credit institutions		1 207 012	4 058 869
Trading and investment securities		3 605 328	3 262 042
Other		2 066 015	2 996 310
		54 351 088	**50 591 514**
Interest expense			
Amounts due to customers		(15 885 485)	(15 835 206)
Amounts due to credit institutions		(5 856 707)	(8 668 563)
Debt securities issued		(4 556 048)	(2 830 163)
		(26 298 240)	**(27 333 932)**
Net interest income		**28 052 848**	**23 257 582**
Fee and commission income	25	6 386 551	5 468 307
Fee and commission expense		(904 195)	(745 026)
Net fee and commission income		**5 482 356**	**4 723 281**
Dividend income		165 721	59 478
Gains on financial assets and liabilities held for trading	24	4 655 618	4 797 090
Fair value adjustments in portfolio hedge accounting		64 084	(406)
Gains on disposal of:			
- loans		156 189	134 227
- available-for-sale financial assets		6 886 061	3 154 569
OPERATING INCOME		**45 462 877**	**36 125 821**
Impairment on loans			
- loans	10	(3 431 859)	(2 783 324)
- other financial transactions	10	(10 531)	(21 978)
NET INCOME FROM FINANCIAL ACTIVITIES		**42 020 487**	**33 320 519**
Personnel expenses	26	(6 400 700)	(5 949 934)
Other administrative expenses	26	(4 287 034)	(3 964 239)
Depreciation of fixed assets	14	(744 796)	(640 105)
Amortization of intangible assets	15	(559 749)	(452 845)
Other provisions		6 481	16 782
Net other operating income (expense)		9 544	(129 778)
Operating costs		**(11 976 254)**	**(11 120 119)**
Share of gains of associate	12	44 018	50 403
Gain on disposal of subsidiary		149 530	-
Goodwill write-off	15	(389 911)	-
Losses on disposal of fixed assets		(16 046)	(8 157)
PROFIT BEFORE INCOME TAX EXPENSE		**29 831 824**	**22 242 646**
Income tax expense	16	(5 708 107)	(4 764 462)
PROFIT FOR THE YEAR		**24 123 717**	**17 478 184**
OTHER COMPREHANSIVE LOSS			
Items that may be reclassified subsequently to profit and loss			
Cash flow hedge reserve – effective portion of changes in fair value	16	(198 939)	341 787
Revaluation reserve for available-for-sale securities – net change	16	(5 133 210)	(2 874 979)
Other comprehensive loss for the period, net of tax		**(5 332 149)**	**(2 533 192)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18 791 568**	**14 944 992**

The accompanying notes on pages 78 to 132 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2013
(Thousands of Russian Roubles)

	Share capital	Share premium	Cash flow hedge reserve	Revaluation reserve for available-for-sale securities	Retained earnings	Total equity
1 January 2012	**31 787 811**	**437 281**	**(1 302 369)**	**7 596 368**	**49 789 053**	**88 308 144**
Total comprehensive income						
Profit for the year	-	-	-	-	17 478 184	17 478 184
Other comprehensive income						
Change in cash flow hedge reserve, net of tax	-	-	341 787	-	-	341 787
Net change in revaluation reserve for available-for-sale assets, net of tax	-	-	-	(2 874 979)	-	(2 874 979)
Total other comprehensive income	-	-	341 787	(2 874 979)	-	(2 533 192)
Total comprehensive income	**-**	**-**	**341 787**	**(2 874 979)**	**17 478 184**	**14 944 992**
Transactions with owner, recorded directly in equity						
Increase of share capital	9 999 995	-	-	-	-	9 999 995
Total transactions with owners	**9 999 995**	**-**	**-**	**-**	**-**	**9 999 995**
31 December 2012	**41 787 806**	**437 281**	**(960 582)**	**4 721 389**	**67 267 237**	**113 253 131**
1 January 2013	**41 787 806**	**437 281**	**(960 582)**	**4 721 389**	**67 267 237**	**113 253 131**
Total comprehensive income						
Profit for the year	-	-	-	-	24 123 717	24 123 717
Other comprehensive income						
Change in cash flow hedge reserve, net of tax	-	-	(198 939)	-	-	(198 939)
Net change in revaluation reserve for available-for-sale assets, net of tax	-	-	-	(5 133 210)	-	(5 133 210)
Total other comprehensive income	-	-	(198 939)	(5 133 210)	-	(5 332 149)
Total comprehensive income	**-**	**-**	**(198 939)**	**(5 133 210)**	**24 123 717**	**18 791 568**
31 December 2013	**41 787 806**	**437 281**	**(1 159 521)**	**(411 821)**	**91 390 954**	**132 044 699**

The accompanying notes on pages 78 to 132 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2013
(Thousands of Russian Roubles)

	Notes	2013	2012
Cash flows from operating activities			
Interest received		56 270 349	46 578 568
Interest paid		(34 306 938)	(20 283 662)
Fees and commissions received		6 416 585	5 468 307
Fees and commissions paid		(868 467)	(745 026)
Net (payments) receipts from trading securities		(163 210)	145 300
Net payments from derivatives and dealing in foreign currencies		(2 553 037)	(1 843 108)
Other income received (expense paid)		387 502	(1 168 832)
Salaries and benefits paid		(5 506 014)	(4 985 260)
Other operating expenses paid		(4 174 488)	(3 358 392)
Cash flows from operating activities before changes in operating assets and liabilities		**15 502 282**	**19 807 895**
Net (increase) decrease in operating assets			
Obligatory reserve with the CBR		1 803 978	2 193 874
Trading securities		(7 238 378)	(2 437 411)
Amounts due from credit institutions		32 989 463	(57 700 192)
Loans to customers		(27 495 268)	(44 798 399)
Other assets		(517 261)	(176 519)
Net increase (decrease) in operating liabilities			
Amounts due to credit institutions		(35 457 867)	32 707 076
Amounts due to customers		15 701 758	49 092 142
Promissory notes		(540 386)	63 777
Other liabilities		(311 932)	(668 614)
Net cash used in operating activities before income tax		**(5 563 611)**	**(1 916 371)**
Income tax paid		(5 345 376)	(3 748 860)
Net cash used in operating activities		**(10 908 987)**	**(5 665 231)**
Cash flows from investing activities			
Net proceeds from disposal of subsidiary		547 238	-
Dividends received		165 721	59 478
Net proceeds (purchases) of available-for-sale securities		7 251 333	(15 893 714)
Proceeds from sale of fixed and intangible assets		7 367	9 538
Purchase of fixed and intangible assets		(1 540 365)	(1 462 214)
Net cash from (used in) investing activities		**6 431 294**	**(17 286 912)**
Cash flows from financing activities			
Proceeds from issuance of bonds	20	30 000 500	20 000 000
Redemption of bonds issued under put option		(19 795 120)	(5 479 788)
Redemption of subordinated debt	21	(4 191 944)	(1 958 127)
Increase of share capital	22	-	9 999 995
Net cash from financing activities		**6 013 436**	**22 562 080**
Effect of exchange rates changes on cash and cash balances		152 340	(81 822)
Net increase (decrease) in cash and cash balances		**1 688 083**	**(471 885)**
Cash and cash balances, beginning		**24 020 106**	**24 491 991**
Cash and cash balances, ending	6	**25 708 189**	**24 020 106**

The accompanying notes on pages 78 to 132 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

(Thousands of Russian Roubles)

1. Principal activities

These consolidated financial statements include the financial statements of ZAO UniCredit Bank (hereinafter – the "Bank") and it's associate. ZAO UniCredit Bank and its associate are hereinafter collectively referred to as the "Group".

The Bank (the former International Moscow Bank) was established as a closed joint stock company under the laws of the Russian Federation in 1989. The Bank operates under General Banking License No. 1 reissued by the Central Bank of Russia (hereinafter – the "CBR") on 23 March 2012 as well as the CBR license for operations with precious metals issued on 20 December 2007. The Bank also possesses licenses for securities transactions and custody services from the Federal Service for the Securities Market issued on 25 April 2003, the license to act as an exchange broker on transactions with futures and options issued on 27 May 2008 and Russian Federal Customs Service permission to act as a guarantor in relation to customs authorities issued on 1 November 2013. The Bank is a member of the state deposit insurance system in the Russian Federation.

The Bank's registered legal address is 9, Prechistenskaya Embankment, Moscow, Russian Federation, 119034.

As at 31 December 2013 the Bank has 13 branches and 13 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus.

As at 31 December 2013 the Group comprises the Bank, the leading operating entity of the Group, and LLC UniCredit Leasing Company, a leasing company as it's associate.

In August 2013 the Bank sold its 100% share in the subsidiary CJSC Bank Sibir to a company 40% of which is owned by UniCredit Group and the remaining 60% is owned by a third party at a selling price amounting to RUB 6 547 238 thousand. Before sale the Bank increased the share capital of CJSC Bank Sibir by investing RUB 6 000 000 thousand. Net assets of the subsidiary amounted to RUB 6 397 708 thousand at the date of disposal. A gain on disposal amounting to RUB 149 530 thousand was recognized in the line item Gains on disposal of subsidiary in the consolidated statement of comprehensive income for the year ended 31 December 2013. Net cash inflow on disposal of subsidiary is included in the consolidated statement of cash flows for the year ended 31 December 2013 and amounts to RUB 547 238 thousand.

The primary activities of the Group are deposit taking, lending, providing payments and settlement services, transactions with foreign currencies and securities and providing finance leases.

As at 31 December 2013 the sole shareholder of the Group is UniCredit Bank Austria AG. UniCredit Bank Austria AG, a member of UniCredt Group, is responsible for the commercial banking in Central and Eastern Europe within the UniCredit Group.

2. Basis of preparation

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter – "IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee (hereinafter – "IFRIC").

Basis of measurement

These consolidated financial statements are prepared on the historical cost basis except that financial instruments held for trading, available-for-sale assets and derivative financial instruments are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Presentation currency

These consolidated financial statements are presented in Russian Roubles ("RUB"). Amounts in Russian Roubles are rounded to the nearest thousand.

3. Summary of accounting policies

The following significant accounting policies are applied in the preparation of the consolidated financial statements.

Principles of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the Bank, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary and associate to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under International Accounting Standard ("IAS") 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Unrealised gains resulting from transactions with associate are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

The consolidated financial statements include the following subsidiary and associate:

	Ownership, %			
Entities	**2013**	**2012**	**Country**	**Industry**
LLC UniCredit Leasing Company	40%	40%	Russia	Finance
CJSC Bank Sibir	0%	100%	Russia	Finance

Financial assets

Initial recognition

Financial assets in the scope of International Accounting Standard 39 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

The Group recognises financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets and liabilities are recognised at the settlement date.

Financial instruments at fair value through profit or loss

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

- Acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- Derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments); or,
- Upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group designates financial assets and liabilities at fair value through profit or loss where either:

- The assets or liabilities are managed and evaluated on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Gains or losses on financial assets held for trading are recognised in profit or loss.

Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Loans and receivables

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

- Intends to sell immediately or in the near term;
- Upon initial recognition designates as at fair value through profit or loss;
- Upon initial recognition designates as available-for-sale; or,
- May not recover substantially all of its initial investment, other than because of credit deterioration.

Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as other comprehensive income in equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in profit or loss. Interest income calculated using the effective interest method is recognised in profit or loss.

Available-for-sale assets are subsequently measured at fair value. Non-marketable equity instruments, for which it is impracticable to determine fair value, are stated at cost.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value for financial instruments traded in an active market at the reporting date is based on their quoted market price or dealer price quotations. If a quoted market price is not available, the fair value of the instrument is estimated using valuation techniques with a maximum use of market inputs. Such valuation techniques include reference to recent arm's length market transactions, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

Offsetting

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

Cash and cash balances

The Group considers cash and nostro accounts with the CBR to be cash and cash balances. The obligatory reserve deposit with the CBR is not considered to be in this category due to restrictions on its availability.

Mandatory balances with the CBR

Mandatory balances with the CBR represent mandatory reserve deposits with the CBR, which are not available to finance the Group's day-to-day operations.

Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, foreign exchange and interest rate swaps. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments, except for derivatives designated for hedging, are included in profit or loss as gains or losses on financial assets and liabilities held for trading.

The Group books credit risk of the counterparty as a fair value adjustment for those OTC derivative trades, where master netting agreement exist. Credit risk expressed in form of credit value adjustment (CVA) and debit value adjustment (DVA) is determined on a portfolio basis with the counterparty. Determining CVA/DVA on a net portfolio basis is resulted in adjustments booked individually for derivative financial assets held for trading (see Note 9).

Hedge accounting

In hedge accounting, the Group distinguishes between cash flow hedges and fair value hedges. To qualify for hedge accounting in accordance with IAS 39, hedges must be highly effective. Derivatives used for hedging purposes are measured at fair value in the consolidated statement of financial position.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed for effectiveness on monthly basis. A hedge is regarded as highly effective if the changes in the fair value of cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the hedging period.

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised as other comprehensive income in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, hedge accounting is discontinued and the balance in equity is recognised immediately in profit or loss.

Fair value hedge is defined as a hedge of the exposure to changes in fair value of a recognised asset or liability that is attributable to a particular risk and could affect profit or loss. In a fair value hedge assets or liabilities are hedged against future fair value changes, if those changes affect the Group`s results and are caused by a determinable risk. The hedging instrument is stated at its fair value, and any gains or losses on the hedging instrument are recognised in profit or loss as gains or losses on financial assets and liabilities held for trading. Gains and losses which are attributable to the hedged risk adjust the carrying value of the hedged item. Changes in the fair value of portfolio hedged items are presented separately in the consolidated statement of financial position and recognized in the consolidated statement of comprehensive income as gains or losses on financial assets and liabilities held for trading.

Credit risk expressed in form of credit value adjustment (CVA) and debit value adjustment (DVA) is also incorporated in the calculation of the fair value of derivative financial assets designated for hedging (see Note 9).

Repurchase and reverse repurchase agreements and securities lending

Repurchase and reverse repurchase agreements are utilized by the Group as an element of its treasury management and trading business. These agreements are treated as secured financing transactions. Securities sold under repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledged them, reclassified as securities pledged under repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell (“reverse repo”) are recorded as amounts due from credit institutions or loans to customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repurchase agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless they are sold to third parties, in which case the purchase and sale are recorded within net gains or losses from trading securities in profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Securities purchased under agreements to resell (“reverse repo”) and then sold under repurchase agreements are not recorded in the consolidated statement of financial position.

Borrowings

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

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Leases

Operating lease

Where the Group is the lessee in a lease agreement where the lessor does not transfer substantially all of the risks and rewards incidental to ownership of the asset, the arrangement is accounted for as an operating lease. The leased asset is not recognised in the consolidated financial statements, and lease payments are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the allowance account in profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, borrower's financial position, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in property prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity financial investments

For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

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

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an impairment assessment, calculated using the loan's original effective interest rate.

Non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment.

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

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

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Taxation

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

The current income tax expense is calculated in accordance with the regulations of the Russian Federation and of the regions in which the Group has offices, or where its branches, subsidiaries and associates are located. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Russia also has various operating taxes that are assessed on the Group's activities. These taxes are included as a component of other administrative expenses in the consolidated statement of comprehensive income.

Fixed assets

Fixed assets are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	20-30
Furniture and fixtures	5
Computer equipment	5
Leasehold improvements	lesser of the useful life of the asset and period of lease
Other fixed assets	3-5

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets including goodwill

Intangible assets other than goodwill include licenses and computer software. Licenses are stated at historical cost net of accumulated amortisation and any accumulated impairment losses. Amortisation is provided so as to write down the cost of an asset on a straight-line basis over its estimated useful economic life. The useful life is currently assessed as not more than 10 years.

Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Other software development costs are recognised as an expense as incurred. Computer software development costs recognised as intangible assets, as well as acquired computer software, are initially recorded at historical cost and are subsequently amortised using the straight-line method over their useful lives, but not exceeding a period of three years.

Goodwill is initially measured at cost, being the excess of the cost of an acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognised.

Gain from a bargain purchase arising on an acquisition is recognised immediately in profit or loss.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Fiduciary activities

The Group also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Other provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other employee benefit obligations

The Group makes contributions to the State pension system of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned.

The Group also provides defined contribution pension coverage for employees. The coverage provided does not represent contributions into a separate legal entity, nor are its assets and liabilities segregated from the assets and liabilities of the Group. Contributions accrued by the Group during the period are included in profit or loss as personnel expenses, and related liabilities to employees are recorded within other liabilities.

Share capital

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Contingencies

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

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fee and commission income

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

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

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

Fee income from providing transaction services

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

Dividend income

Dividend income is recognised in profit or loss on the date when the dividend is declared.

Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Management determined the functional currency for all Group entities to be the RUB as it reflects the economic substance of the underlying events and circumstances of the Group. Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in profit or loss as gains or losses on financial assets and liabilities held for trading. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Differences between the contractual exchange rate of a transaction in a foreign currency and the CBR exchange rate on the date of the transaction are included in gains or losses on financial assets and liabilities held for trading.

Standards affecting the financial statements

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10. IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group. The application of IFRS 10 has not changed the consolidation scope of the Group.

Impact of the application of IFRS 11. IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

Notes to Consolidated Financial Statements (Continued)

3. Summary of accounting policies (Continued)

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The application of IFRS 11 has not resulted in a significant impact on the Group's consolidated financial statements since the Group has no joint ventures.

Impact of the application of IFRS 12. IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Amendments to IFRS 7 Financial instruments: Disclosures. The Group has applied the amendments to IFRS 7 titled Disclosures – Offsetting Financial Assets and Financial Liabilities in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively. As the Group had no offsetting arrangements, the adoption of the amendments did not affect disclosures or amounts in the financial statements.

Amendments to IAS 1 Presentation of financial statements (amended June 2011). The Group has applied the amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendment increases the required level of disclosure within the statement of comprehensive income.

The impact of this amendment has been to analyse items within the statement of comprehensive income between items that will not be reclassified subsequently to profit or loss and items that will be reclassified subsequently to profit or loss in accordance with the respective IFRS standard to which the item relates. The financial statements have also been amended to analyse income tax on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income have been restated to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 do not result in any impact on profit or loss, comprehensive income and total comprehensive income.

IAS 19 Employee Benefits (revised June 2011). In the current year, the Group has applied IAS 19 (as revised in June 2011) Employee Benefits and the related consequential amendments in advance of their effective dates. The Group has applied IAS 19 (as revised in June 2011) retrospectively and in accordance with the transitional provisions as set out in IAS 19.173. These transitional provisions do not have an impact on future periods. The amendments to IAS 19 change the accounting for defined benefit schemes and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and scheme assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of scheme assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated balance sheet to reflect the full value of the scheme deficit or surplus. Furthermore, the interest cost and expected return on scheme assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying a discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) also introduces more extensive disclosures in the presentation of the defined benefit cost. As the Group had no defined benefit plans, the adoption of the amendments did not affect disclosures or amounts in the financial statements.

IFRS 13 Fair Value Measurement. The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see Note 28 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009–2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009–2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 Financial Instruments;
- Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures[2];
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities[1];
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities[1];
- Amendments to IAS 36 Impairment of Assets[1];
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement[1];
- IFRIC 21 Levies[1].

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

IFRS 9 Financial Instruments. IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The management of the Group anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale financial assets will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Notes to Consolidated Financial Statements (Continued)

3. Summary of accounting policies (Continued)

To qualify as an investment entity, a reporting entity is required to:
- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The management of the Group do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Bank is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The management of the Group do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Reclassifications

With effect from November 2013, the Group reclassified leasehold improvements from fixed assets to other assets with correspondent reclassification of depreciation. The details of reclassification and effect on the financial statements for the year ended 31 December 2012 are presented as follows:

	As previously reported	Effect of reclassifications	As adjusted
Consolidated statement of financial position for the year ended 31 December 2012			
Fixed assets	6 792 727	(68 555)	6 724 172
Other assets	2 249 553	68 555	2 318 108

	As previously reported	Effect of reclassifications	As adjusted
Consolidated statement of comprehensive income for the year ended 31 December 2012			
Depreciation of fixed assets	(711 695)	71 590	(640 105)
Net other operating (expense) income	(58 188)	(71 590)	(129 778)

The Group refined the methodology for the classification of cash flows on operations with available-for-sale securities. The details of reclassification and effect on the financial statements for the year ended 31 December 2012 are presented as follows:

	As previously reported	Effect of reclassifications	As adjusted
Consolidated statement of cash flows for the year ended 31 December 2012			
Other income received (expense paid)	3 253 687	(4 422 519)	(1 168 832)
Net proceeds (purchases) of available-for-sale securities	(20 316 233)	4 422 519	(15 893 714)

4. Significant accounting judgements and estimates

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies related to loan impairment is described in the Note 10.

5. Operating segments

For management purposes, the Group has three reporting business segments:

- *Corporate and Investment banking (hereinafter – "CIB")* includes corporate lending, project and commodity and corporate structured finance, corporate sight and term deposit services, securities, foreign currency and derivatives trading and custody services.
- *Retail banking* comprises private banking services, credit and debit card services, retail sight and term deposit services, retail lending (consumer loans, car loans and mortgages).
- *Other* – represents the Group's funding activities and other unallocated items.

Information about each segment is measured on the same basis as the information used for decision making purposes for allocating resources to segments and assessing segment performance and is prepared on the same basis as the consolidated financial statements.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers included in segment revenue. Interest charged for these funds is based on the Group's funds transfer pricing policy.

Segment breakdown of assets and liabilities is set out below:

	31 December 2013	31 December 2012
Assets		
CIB	661 469 092	577 773 209
Retail banking	143 332 322	111 526 692
Other	83 698 950	179 175 681
Total assets	**888 500 364**	**868 475 582**
Liabilities		
CIB	480 585 495	439 303 604
Retail banking	111 740 016	94 553 138
Other	164 130 154	221 365 709
Total liabilities	**756 455 665**	**755 222 451**

Segment information for the operating segments for the year ended 31 December 2013 and 2012 is set out below:

	CIB	Retail Banking	Other	Total
Net interest income (expense) from external customers for the year ended 31 December 2013	18 843 944	14 360 402	(5 151 498)	28 052 848
Net interest income (expense) from external customers for the year ended 31 December 2012	16 813 974	10 600 086	(4 156 478)	23 257 582
Inter-segment (expense) income for the year ended 31 December 2013	(2 804 709)	(5 364 110)	8 168 819	-
Inter-segment (expense) income for the year ended 31 December 2012	(3 412 454)	(3 311 090)	6 723 544	-
Net interest income for the year ended 31 December 2013	**16 039 235**	**8 996 292**	**3 017 321**	**28 052 848**
Net interest income for the year ended 31 December 2012	**13 401 520**	**7 288 996**	**2 567 066**	**23 257 582**
Net fee and commission income (expense) from external customers for the year ended 31 December 2013	2 715 528	2 780 928	(14 100)	5 482 356

Notes to Consolidated Financial Statements (Continued)

5. Operating segments (Continued)

	CIB	Retail Banking	Other	Total
Net fee and commission income (expense) from external customers for the year ended 31 December 2012	2 295 198	2 428 279	(196)	4 723 281
Dividend income for the year ended 31 December 2013	-	-	165 721	165 721
Dividend income for the year ended 31 December 2012	-	-	59 478	59 478
Gains (losses) on financial assets and liabilities held for trading from external customers for the year ended 31 December 2013	3 989 063	762 121	(95 566)	4 655 618
Gains on financial assets and liabilities held for trading from external customers for the year ended 31 December 2012	4 265 007	530 604	1 479	4 797 090
Fair value adjustments in portfolio hedge accounting for the year ended 31 December 2013	-	-	64 084	64 084
Fair value adjustments in portfolio hedge accounting for the year ended 31 December 2012	-	-	(406)	(406)
Gains (losses) on disposals of financial assets for the year ended 31 December 2013	932 689	(2 652)	6 112 213	7 042 250
Gains on disposals of financial assets for the year ended 31 December 2012	270 788	10 958	3 007 050	3 288 796
Operating income for the year ended 31 December 2013	**23 676 515**	**12 536 689**	**9 249 673**	**45 462 877**
Operating income for the year ended 31 December 2012	**20 232 513**	**10 258 837**	**5 634 471**	**36 125 821**
Impairment on loans for the year ended 31 December 2013	(2 194 598)	(1 247 560)	(232)	(3 442 390)
(Impairment) recovery on loans for the year ended 31 December 2012	(1 604 014)	(1 224 068)	44 758	(2 783 324)
Net income from financial activities for the year ended 31 December 2013	**21 481 917**	**11 289 129**	**9 249 441**	**42 020 487**
Net income from financial activities for the year ended 31 December 2012	**18 628 499**	**9 034 769**	**5 679 229**	**33 342 497**
Operating costs for the year ended 31 December 2013 including:	(4 071 445)	(7 612 573)	(292 236)	(11 976 254)
depreciation on fixed assets and amortization of intangible assets	(157 715)	(368 221)	(778 609)	(1 304 545)
Operating costs for the year ended 31 December 2012 including:	(3 639 979)	(7 182 877)	(319 241)	(11 142 097)
depreciation on fixed assets and amortization of intangible assets	(118 040)	(429 115)	(545 795)	(1 092 950)
Share of gains of associate for the year ended 31 December 2013	-	-	44 018	44 018
Share of gains of associate for the year ended 31 December 2012	-	-	50 403	50 403
Gains on disposal of subsidiary for the year ended 31 December 2013	-	-	149 530	149 530
Goodwill write-off for the year ended 31 December 2013	-	-	(389 911)	(389 911)
Losses on disposal of fixed assets for the year ended 31 December 2013	-	-	(16 046)	(16 046)
Losses on disposal of fixed assets for the year ended 31 December 2012	-	-	(8 157)	(8 157)
Profit before income tax expense for the year ended 31 December 2013	**17 410 472**	**3 676 556**	**8 744 796**	**29 831 824**
Profit before income tax expense for the year ended 31 December 2012	**14 988 520**	**1 851 892**	**5 402 234**	**22 242 646**
Income tax expense for the year ended 31 December 2013				(5 708 107)
Income tax expense for the year ended 31 December 2012				(4 764 462)
Profit for the year ended 31 December 2013				**24 123 717**
Profit for the year ended 31 December 2012				**17 478 184**
Cash flow hedge reserve for the year ended 31 December 2013				(198 939)
Cash flow hedge reserve for the year ended 31 December 2012				341 787
Revaluation reserve for available-for-sale securities for the year ended 31 December 2013				(5 133 210)
Revaluation reserve for available-for-sale securities for the year ended 31 December 2012				(2 874 979)
Total comprehensive income for the year ended 31 December 2013				**18 791 568**
Total comprehensive income for the year ended 31 December 2012				**14 944 992**

The following is an analysis by segments of the Group's Net interest income from continuing operations from its major products and services:

	31 December 2013	31 December 2012
Medium and long term financing	6 701 380	6 017 216
Consumer loans	4 737 997	3 312 197
Current accounts	4 732 026	4 645 767
Short-term financing	2 448 549	1 717 013
Mortgage loans	794 666	739 805
Term deposits	224 092	736 032
Other lending	(131 739)	643 433
Other products	8 545 877	5 446 119
Net interest income	**28 052 848**	**23 257 582**

Information about major customers and geographical areas

The Group operates in the Russian Federation and foreign countries. In presenting geographical information the allocation of revenue is based on the geographical location of customers and assets.

Geographical information on revenues and assets for 2013 is presented below:

	Revenues	Assets
Russian Federation	65 707 463	663 722 141
OECD countries	(1 839 895)	187 321 344
Non-OECD countries	1 525 689	37 456 879
Total	**65 393 257**	**888 500 364**

Geographical information on revenues and assets for 2012 is presented below:

	Revenues	Assets
Russian Federation	49 862 313	630 941 574
OECD countries	9 695 399	214 971 301
Non-OECD countries	1 299 199	22 562 707
Total	**60 856 911**	**868 475 582**

Revenue includes interest income, fee and commission income and gains on financial assets and liabilities held for trading (presented on a net basis). Negative result related to OECD countries is due to operations with derivatives.

6. Cash and cash balances

Cash and cash balances comprise:

	2013	2012
Cash on hand	8 741 687	8 308 350
Current accounts with the CBR	16 966 502	15 711 756
Cash and cash balances	**25 708 189**	**24 020 106**

As at 31 December 2013 no cash was pledged as collateral for mortgage-backed bonds issued by the Group in September 2011 (31 December 2012: RUB 862 000 thousand) (see Note 20 for details).

Notes to Consolidated Financial Statements (Continued)

7. Trading securities

Trading securities comprise:

	2013	2012
USD denominated		
Russian Government Eurobonds	3 482	3 827
RUB denominated		
Russian Government Bonds	3 713 988	2 504 247
Corporate and bank bonds	7 858 975	1 832 454
Trading securities	**11 576 445**	**4 340 528**

As at 31 December 2013 approximately 87% of trading securities held by the Group were issued by organisations rated not lower than “BBB-” (31 December 2012: 88%).

As at 31 December 2013 included in Russian Government bonds are securities sold under repurchase agreements with CBR in the amount of RUB 3 533 397 thousand (31 December 2012: none).

As at 31 December 2013 included in trading securities are corporate and bank bonds blocked as collateral for “overnight” loans with the CBR in the amount of RUB 953 813 thousand (31 December 2012: none).

Nominal interest rates and maturities of trading securities are as follows:

	2013		2012	
	%	Maturity	%	Maturity
Russian Government Bonds	6.2–8.15%	2014–2028	6.8–11.2%	2014–2027
Russian Government Eurobonds	7.5–12.75%	2018, 2028, 2030	7.5–12.75%	2018, 2028, 2030
Corporate and bank bonds	6.47–12.5%	2014–2022	8.5–9.4%	2022

8. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2013	2012
Current accounts with credit institutions	38 593 836	29 361 664
Time deposits	158 200 034	200 825 815
Reverse repurchase agreements with credit institutions	21 771 904	9 616 833
Obligatory reserve with the CBR	4 837 898	6 641 876
Amounts due from credit institutions	**223 403 672**	**246 446 188**

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Bank’s ability to withdraw such deposit is significantly restricted by the statutory legislation.

As at 31 December 2013, there are four counterparties with balances that individually exceeded 10% of equity. As at 31 December 2013, the aggregate amount of these balances is RUB 183 228 154 thousand (31 December 2012: four counterparties with aggregate amount of RUB 198 765 111 thousand).

As at 31 December 2013, the Group entered into reverse repurchase agreements with a number of Russian banks. Pledged under these agreements are Russian Government bonds, municipal bonds, corporate and bank bonds and corporate and bank shares issued by Russian companies and banks with the total fair value of RUB 22 547 465 thousand (31 December 2012: RUB 10 524 122 thousand).

As at 31 December 2013 approximately 88% (31 December 2012: 96%) of current accounts with credit institutions and term deposits were placed with banks rated not lower than "BBB-". As at 31 December 2013 100% (31 December 2012: 100%) of total amount of reverse repurchase agreements with credit institutions were placed with non-rated banks or banks rated lower than "BBB-".

As at 31 December 2013 the Group has term placements with CBR of RUB 22 000 000 thousand (31 December 2012: RUB 25 006 148 thousand).

9. Derivative financial instruments

The Group enters into derivative financial instruments principally for trading and hedging purposes. The tables below show the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset or notional amount to which reference rate or index is applied and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

The Bank values the derivative financial instruments using widely accepted valuation techniques which are based on market interest rates and forward currency rates. Significant changes in these variables could cause the fair value of the derivatives to change materially.

The table below shows the fair value derivative instruments held for trading, recorded as assets or liabilities, together with their notional amounts.

	2013			2012		
		Fair value			Fair value	
	Notional principal	Asset	Liability	Notional principal	Asset	Liability
Cross-currency interest rate swaps	119 287 024	3 220 078	2 475 282	120 279 430	3 204 544	1 899 534
Interest rate swaps and options	562 871 053	5 593 894	4 678 428	306 839 794	5 317 432	4 714 982
Foreign exchange forwards	118 737 605	796 597	999 744	69 837 962	1 542 327	695 462
Futures on foreign exchange and securities	1 915 000	-	-	2 837 500	-	-
Total derivative assets/liabilities		**9 610 569**	**8 153 454**		**10 064 303**	**7 309 978**

The change in fair value of the derivative instruments attributable to changes in the Group's credit risk (CVA/DVA adjustment) amounts to a loss of RUR 119 021 thousand for the year ended 31 December 2013. The change in fair value attributable to changes in credit risk has been calculated by incorporating the Group's current observable credit spread into the valuation techniques used to value derivative instruments.

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

	2013			2012		
		Fair value			Fair value	
	Notional principal	Asset	Liability	Notional principal	Asset	Liability
Cash flow hedge						
Interest rate swaps	54 056 600	2 469 229	34 328	113 217 772	2 712 468	117 466
Cross-currency interest rate swaps	64 822 785	342 050	1 901 649	60 666 859	1 909 910	585 421
Total cash flow hedge		**2 811 279**	**1 935 977**		**4 622 378**	**702 887**
Fair value hedge						
Interest rate swaps	319 397 426	1 320 053	4 665 765	283 365 959	2 727 708	5 519 555
Total fair value hedge		**1 320 053**	**4 665 765**		**2 727 708**	**5 519 555**
Total derivative financial assets/ liabilities designated for hedging		**4 131 332**	**6 601 742**		**7 350 086**	**6 222 442**

Portfolio Fair Value Hedge Accounting (hereinafter – the “PFVHA”) is a part of interest rate risk hedging strategy of the Group that helps to avoid discrepancies between the economic substance of deals concluded for hedging purposes and their accounting treatment. PFVHA allows managing interest rate risks associated with a portfolio of financial assets or financial liabilities designated as hedged items. The Group designates interest rate swaps as hedging instruments. The hedging instruments are stated at their fair value and changes in fair value are recognized in the consolidated statement of comprehensive income.

Hedging instruments to hedge variability of fair value are measured at fair value with changes in fair value of RUB 1 394 584 thousand recognised in portfolio hedge accounting as at 31 December 2013 (31 December 2012: RUB 1 142 247 thousand), presented as loss of RUR 252 288 thousand in the consolidated statement of comprehensive income in fair value adjustments in portfolio hedge accounting for the period ended 31 December 2013 (31 December 2012: RUB 647 266 thousand). The changes in the fair value of hedged items (portfolio of financial assets and financial liabilities) that are attributable to the hedged risk are recognised as RUB 1 458 602 thousand as at 31 December 2013 (31 December 2012: RUB 1 142 230 thousand), presented as gain of RUR 316 372 thousand in the consolidated statement of comprehensive income in fair value adjustments in portfolio hedge accounting for the period ended 31 December 2013 (31 December 2012: RUB 646 860 thousand). Along with PFVHA the Group uses the Portfolio Cash Flow hedging.

The Group designates certain interest rate swaps and cross-currency interest rate swaps as hedging instruments to hedge variability in cash flows and fair value resulting from interest rate mismatch of the banking book position. The hedged cash flows are expected to occur and to affect the statement of comprehensive income until 2027 for interest rate swaps. As at 31 December 2013, the effective portion of changes in the fair value of derivative financial instruments designated as hedging instruments recognised as part of other comprehensive income in equity was RUB 1 159 521 thousand (31 December 2012: RUB 960 582 thousand), net of tax RUB 289 880 thousand (31 December 2012: RUB 240 146 thousand).

The Group recognised RUB 2 066 015 thousand of gains on the cash flows and fair value hedging instruments in other interest income for the year ended 31 December 2013 in relation to the interest rate swaps and cross-currency interest rate swaps (31 December 2012: RUB 2 996 310 thousand).

The change in fair value of the fair value hedging instruments attributable to changes in the Group’s credit risk (CVA/DVA adjustment) amounts to a gain of RUR 64 394 thousand in the consolidated statement of comprehensive income for the year ended 31 December 2013. The change in fair value of the cash-flow hedging instruments attributable to changes in the Group’s credit risk amounts to RUR 45 824 thousand in the other comprehensive income in equity for the year ended 31 December 2013. The change in fair value attributable to changes in credit risk has been calculated by incorporating the Group’s current observable credit spread into the valuation techniques used to value derivative instruments designated for hedging.

10. Loans to customers

Loans to customers comprise:

	2013	2012
Corporate customers	389 987 061	385 884 479
Retail customers, including SME	150 576 092	117 555 112
Reverse repurchase agreements with companies	25 023 050	16 663 201
Gross loans to customers	**565 586 203**	**520 102 792**
Allowance for loan impairment	(16 978 859)	(15 907 718)
Loans to customers	**548 607 344**	**504 195 074**

A reconciliation of the provisions for impairment by classes of loans to customers for the year ended 31 December 2013 is as follows:

	Corporate customers	Retail customers	Total
At 1 January 2013	9 666 284	6 241 434	**15 907 718**
Charge for the year	2 350 046	1 081 813	**3 431 859**
Loans sold or recovered through the sale of collateral during the year	(1 105 026)	(26 138)	**(1 131 164)**
Loans written-off during the year	(1 569 179)	(4 186)	**(1 573 365)**
Effect of exchange rate changes	200 999	142 812	**343 811**
At 31 December 2013	**9 543 124**	**7 435 735**	**16 978 859**

A reconciliation of the provisions for impairment by classes of loans to customers for the year ended 31 December 2012 is as follows:

	Corporate customers	Retail customers	Other	Total
At 1 January 2012	10 482 898	5 097 041	197 370	**15 777 309**
Charge for the year	1 695 307	1 259 403	(171 386)	**2 783 324**
Loans sold during the year	(2 319 470)	(8 021)	(25 407)	**(2 352 898)**
Loans written-off during the year	(23 545)	(7 133)	(577)	**(31 255)**
Effect of exchange rate changes	(168 906)	(99 856)	-	**(268 762)**
At 31 December 2012	**9 666 284**	**6 241 434**	**-**	**15 907 718**

The following table shows gross loans and related impairment as at 31 December 2013:

	Gross loans	Impairment	Net loans
Corporate customers			
Loans for which no indications of impairment have been identified on an individual basis, not past due	374 375 405	(1 653 160)	372 722 245
Loans for which no specific impairment is identified, past due			
- Past due less than 31 days	433 767	(1 550)	432 217
- Past due 31–90 days	309 748	(9 667)	300 081
Impaired loans			
- Not past due	5 592 639	(701 523)	4 891 116
- Past due less than 31 days	289 087	(206 319)	82 768
- Past due 31–90 days	199 308	(103 064)	96 244
- Past due 90–180 days	1 306 667	(471 945)	834 722
- Past due over 180 days	7 480 440	(6 395 896)	1 084 545
Total loans to corporate customers	**389 987 061**	**(9 543 124)**	**380 443 938**
Retail customers			
Standard loans, not past due	139 046 574	(557 424)	138 489 150
Standard loans, past due			
- Past due less than 31 days	2 073 091	(133 564)	1 939 527
- Past due 31–90 days	807 139	(183 596)	623 543
Impaired loans			
- Not past due	114 641	(77 796)	36 845
- Past due 31–90 days	2 751	(566)	2 185
- Past due 90–180 days	785 227	(398 663)	386 564
- Past due over 180 days	7 746 669	(6 084 126)	1 662 542
Total loans to retail customers	**150 576 092**	**(7 435 735)**	**143 140 356**
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	25 023 050	-	25 023 050
Total loans to customers	**565 586 203**	**(16 978 859)**	**548 607 344**

Notes to Consolidated Financial Statements (Continued)

10. Loans to customers (Continued)

The following table shows gross loans and related impairment as at 31 December 2012:

	Gross loans	Impairment	Net loans
Corporate customers			
Loans for which no indications of impairment have been identified on an individual basis, not past due	369 488 719	(1 226 750)	368 261 969
Loans for which no specific impairment is identified, past due			
- Past due less than 31 days	201 688	(1 942)	199 746
Impaired loans			
- Not past due	6 873 711	(956 204)	5 917 507
- Past due less than 31 days	361 481	(29 057)	332 424
- Past due 31–90 days	496 113	(122 785)	373 328
- Past due 90–180 days	1 124 753	(882 562)	242 191
- Past due over 180 days	7 338 014	(6 446 984)	891 030
Total loans to corporate customers	**385 884 479**	**(9 666 284)**	**376 218 195**
Retail customers			
Standard loans, not past due	106 465 077	(748 649)	105 716 428
Standard loans, past due			
- Past due less than 31 days	2 495 983	(166 015)	2 329 968
- Past due 31–90 days	774 562	(124 516)	650 046
Impaired loans			
- Not past due	178 571	(132 350)	46 221
- Past due 31–90 days	6 038	(5 818)	220
- Past due 90–180 days	474 203	(202 843)	271 360
- Past due over 180 days	7 160 678	(4 861 243)	2 299 435
Total loans to retail customers	**117 555 112**	**(6 241 434)**	**111 313 678**
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	16 663 201	-	16 663 201
Total loans to customers	**520 102 792**	**(15 907 718)**	**504 195 074**

Key assumptions and judgments for estimating the loan impairment

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and that can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment for loans to corporate customers include the following:

- A breach of contract, such as a default or delinquency in interest or principal payments;
- Significant difficulties in the financial conditions of the borrower;
- Deterioration in business environment, negative changes in the borrower's markets.

The Group estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

In determining the impairment allowance for loans to corporate customers, management makes the following general key assumptions:

- The principal collateral taken into account in the estimation of future cash flows comprises marketable collateral, mainly real estate. Valuations for real estate have been discounted by 30-40 percent depending on type of the real estate to reflect current market conditions.
- a delay of 12 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance on loans to corporate customers as at 31 December 2013 would be RUB 3 804 439 thousand lower/higher (2012: RUB 3 762 181 thousand lower/higher).

The Group estimates loan impairment for loans to retail customers based on its internal model which takes into account historical loss experience on each type of loan, probability of default and loss given default.

In determining the impairment allowance for loans to retail customers, management makes the following key assumptions:

- Loss given default rate varies from 10% to 100% depending on the risk profile of the portfolio;
- Probability of default varies from 0.11% to 100%.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus one percent, the impairment allowance on loans to retail customers as at 31 December 2013 would be RUB 1 431 403 thousand lower/higher (2012: RUB 1 113 137 thousand).

Impaired loans

Interest income on impaired loans for the year ended 31 December 2013 amounted RUB 1 183 159 thousand (31 December 2012: RUB 980 722 thousand).

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty as well as on the nature of the transaction. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, securities;
- For commercial lending to corporate customers, pledge over real estate properties, equipment, inventories and trade receivables;
- For retail lending, mortgages over residential properties and motor vehicles.

The primary purpose of collateral arrangements is to reduce the potential credit loss in case of a workout of the credit exposure. Estimates of value are based on the value of collateral assessed at the time of borrowing and regularly reassessed.

Notes to Consolidated Financial Statements (Continued)

10. Loans to customers (Continued)

The following table shows the fair value of collateral and other credit enhancements, excluding overcollateralization, securing loans to corporate customers (including Reverse repurchase agreements with companies), net of impairment, by types of collateral as at 31 December 2013:

	Fair value of collateral – for collateral assessed as of reporting date	Fair value of collateral – for collateral assessed as of loan inception date	Loans to customers, carrying amount
Loans for which no indications of impairment have been identified on an individual basis			
Real estate	35 377 172	-	35 377 172
Motor vehicles	-	7 194 180	7 194 180
Guarantees	-	1 759 925	1 759 925
Other collateral	-	10 250 864	10 250 864
No collateral or other credit enhancement	-	-	345 559 829
Gross loans for which no indications of impairment have been identified on an individual basis	**35 377 172**	**19 204 969**	**400 141 970**
Impaired loans			
Real estate	6 274 789	-	6 274 789
Motor vehicles	-	64 085	64 085
Guarantees	-	462 420	462 420
Other collateral	-	758 315	758 315
No collateral or other credit enhancement	-	-	7 308 532
Gross impaired loans	**6 274 789**	**1 284 820**	**14 868 141**
Total gross loans to corporate customers	**41 651 961**	**20 489 789**	**415 010 111**
Allowance for loan impairment			(9 543 124)
Total loans to corporate customers			**405 466 987**

The following table shows the fair value of collateral and other credit enhancements, excluding overcollateralization, securing loans to corporate customers (including Reverse repurchase agreements with companies), net of impairment, by types of collateral as at 31 December 2012:

	Fair value of collateral – for collateral assessed as of reporting date	Fair value of collateral – for collateral assessed as of loan inception date	Loans to customers, carrying amount
Loans for which no indications of impairment have been identified on an individual basis			
Securities	-	18 896 916	18 896 916
Real estate	36 654 895	-	36 654 895
Motor vehicles	-	7 862 270	7 862 270
Guarantees	-	8 183 107	8 183 107
Other collateral	-	140 526 111	140 526 111
No collateral or other credit enhancement	-	-	174 230 309
Gross loans for which no indications of impairment have been identified on an individual basis	**36 654 895**	**175 468 404**	**386 353 608**
Impaired loans			
Securities	-	105 943	105 943
Real estate	3 796 472	-	3 796 472
Motor vehicles	-	119 761	119 761
Guarantees	-	33 082	33 082
Other collateral	-	7 991 785	7 991 785
No collateral or other credit enhancement	-	-	4 147 029
Gross impaired loans	**3 796 472**	**8 250 571**	**16 194 072**
Total gross loans to corporate customers	**40 451 367**	**183 718 975**	**402 547 680**
Allowance for loan impairment			(9 666 284)
Total loans to corporate customers			**392 881 396**

Significant amount of unsecured loans to corporate customers is explained by the fact that the Group provides loans to high-quality and reliable borrowers.

The following table shows the fair value of collateral and other credit enhancements, excluding overcollateralization, securing loans to retail customers, net of impairment, by types of collateral as at 31 December 2013:

	Fair value of collateral – for collateral assessed as of reporting date	Fair value of collateral – for collateral assessed as of loan inception date	Loans to customers, carrying amount
Standard loans, including past due			
Real estate	26 785 390	-	26 785 390
Motor vehicles	-	77 780 246	77 780 246
No collateral or other credit enhancement	-	-	37 361 168
Gross standard loans	**26 785 390**	**77 780 246**	**141 926 804**
Impaired loans			
Real estate	2 958 513	-	2 958 513
Motor vehicles	-	3 131 029	3 131 029
Other collateral	-	2 007	2 007
No collateral or other credit enhancement	-	-	2 557 739
Gross overdue or impaired loans	**2 958 513**	**3 133 036**	**8 649 288**
Total gross loans to retail customers	**29 743 903**	**80 913 282**	**150 576 092**
Allowance for loan impairment			(7 435 735)
Total loans to retail customers			**143 140 357**

The following table shows the fair value of collateral and other credit enhancements, excluding overcollateralization, securing loans to retail customers, net of impairment, by types of collateral as at 31 December 2012:

	Fair value of collateral – for collateral assessed as of reporting date	Fair value of collateral – for collateral assessed as of loan inception date	Loans to customers, carrying amount
Standard loans, including past due			
Real estate	24 647 519	-	24 647 519
Motor vehicles	-	60 641 950	60 641 950
Guarantees	-	40 251	40 251
Other collateral	-	2 213 182	2 213 182
No collateral or other credit enhancement	-	-	22 192 720
Gross standard loans	**24 647 519**	**62 895 383**	**109 735 622**
Impaired loans			
Real estate	3 072 840	-	3 072 840
Motor vehicles	-	1 711 869	1 711 869
Other collateral	-	62 281	62 281
No collateral or other credit enhancement	-	-	2 972 500
Gross overdue or impaired loans	**3 072 840**	**1 774 150**	**7 819 490**
Total gross loans to retail customers	**27 720 359**	**64 669 533**	**117 555 112**
Allowance for loan impairment			(6 241 434)
Total loans to retail customers			**111 313 678**

When lending to legal entities belonging to one economic group, the Group normally also obtains guarantees from other group members.

Included in retail loans as at 31 December 2013 are mortgage loans with gross amount of RUB 5 406 343 thousand (31 December 2012: RUB 4 626 925 thousand) pledged as collateral for mortgage-backed bonds issued by the Group in September 2011 (see Note 20 for details).

10. Loans to customers (Continued)

As at December 31, 2013 and 2012 loans to customers included loans totaling RUR 13 751 878 thousand and RUR 14 900 078 thousand, respectively, whose terms were renegotiated. Otherwise these loans would be past due or impaired.

Repossessed collateral

During the year ended 31 December 2013, the Group obtained certain assets by taking control of collateral obtained for derecognized loans to customers with a net carrying amount of RUB 360 221 thousand (31 December 2012: RUB 143 402 thousand). As at 31 December 2012, the repossessed collateral is comprised of real estate with a fair value of RUB 366 507 thousand (31 December 2012: RUB 148 840 thousand). The Group's policy is to sell these assets as soon as it is practicable.

Reverse repurchase agreements

As at 31 December 2013 and 2012, the Group entered into reverse repurchase agreements with a number of Russian companies. Pledged under these agreements are Russian Government bonds, municipal bonds and corporate and bank bonds and shares issued by Russian companies and banks with the total fair value of RUB 25 693 159 thousand (31 December 2012: RUB 17 591 689 thousand).

Concentration of loans to customers

As at 31 December 2013, the Group had RUB 87 770 748 thousand due from the ten largest borrowers (16% of gross loan portfolio) (31 December 2012: RUB 85 132 076 thousand or 16%). An allowance of RUB 163 851 thousand was recognised against these loans (31 December 2012: RUB 102 158 thousand).

As at 31 December 2013, the Group had one borrower or a group of borrowers with aggregate loan amounts that individually exceeded 10% of equity (31 December 2012: two borrowers). As at 31 December 2013, the aggregate amount of this loan is RUB 14 357 834 thousand (31 December 2013: RUB 27 682 773 thousand).

Loans to customers are made principally within Russia in the following industry sectors:

	2013	2012
Mining and metallurgy	69 332 710	78 232 542
Trade	55 721 101	42 184 701
Finance	52 330 488	44 324 063
Energy	48 962 857	44 639 023
Agriculture and food	44 420 950	50 114 795
Other manufacturing	38 646 915	22 319 400
Machinary construction	22 211 676	17 490 839
Transportation	21 016 502	21 224 167
Timber processing	19 610 512	14 217 552
Real estate and construction	15 683 303	19 302 905
Chemicals	12 596 199	31 156 933
Telecommunications	3 777 859	8 483 901
Other	14 969 677	12 375 786
	419 280 749	**406 066 607**
Loans to individuals	146 305 454	114 036 185
Gross loans to customers	**565 586 203**	**520 102 792**

Loans to individuals are divided by products as follows:

	2013	2012
Car loans	82 897 707	64 050 705
Mortgages loans	29 676 189	27 336 828
Consumer loans	28 546 630	19 402 988
Other loans	5 184 928	3 245 664
Gross loans to individuals	**146 305 454**	**114 036 185**

11. Investment securities

Available-for-sale investment securities comprise:

	2013	2012
DEBT AND OTHER FIXED INCOME INVESTMENTS AVAILABLE-FOR-SALE		
USD denominated		
Corporate Eurobonds	113 517	1 277 364
Bank bonds	576 420	539 512
RUB denominated		
Russian Government Bonds	23 373 728	31 198 188
Corporate and bank bonds	28 175 160	17 842 988
Total debt and other fixed income investments available-for-sale	**52 238 825**	**50 858 052**
EQUITY INVESTMENTS AVAILABLE-FOR-SALE		
RUB denominated		
Equity investments in financial institutions	5 833	7 748 448
EUR denominated		
Equity investments in financial institutions	2 663	2 490
Total equity investments available-for-sale	**8 496**	**7 750 938**
Total available-for-sale investment securities	**52 247 321**	**58 608 990**

As at 31 December 2013 included in Russian Government bonds, municipal bonds and corporate and bank bonds are securities sold under repurchase agreements with the CBR in the amount of RUB 32 789 934 thousand (31 December 2012: RUB 26 690 399 thousand).

Nominal interest rates and maturities of these securities are as follows:

	2013		2012	
	%	Maturity	%	Maturity
Russian Government Bonds	6.2-12%	2014-2028	6.7-12%	2013-2017
Corporate and bank bonds	1.99-10.15%	2014-2032	0.1-10.15%	2014-2032
Corporate Eurobonds	4.95%	2016	9.63%	2013

As at 31 December 2013 approximately 87% of debt and other fixed income investments available-for-sale were issued by organisations rated not lower than “BBB-” (31 December 2012: 93%).

As at 31 December 2013 included in debt and other fixed income investments available-for-sale are bonds blocked as collateral for “overnight” loans with the CBR in the amount of RUB 16 337 799 thousand (31 December 2012: RUB 14 166 678 thousand).

In November 2013 the Bank sold its total stock in MICEX-RTS at the price of RUB 61.5 per share. A gain on disposal amounting to RUB 6 123 108 thousand was recognized in the line item Gains on disposal of available-for-sale financial assets in the consolidated financial statement of comprehensive income for the year ended 31 December 2013. Net cash inflow on disposal of MICEX-RTS shares is included in the consolidated statement of cash flows for the year ended 31 December 2013 and amounts to RUB 8 419 541 thousand.

Net change in revaluation reserve for available-for-sale assets recognized in other comprehensive income in the amount of RUB 5 133 210 thousand includes RUB 4 356 945 thousand reclassified from equity to profit and loss due to sale of MICEX-RTS and the remaining amount of RUB 776 265 thousand which relates to fair value changes of available-for-sale assets.

Held-to-maturity investment securities comprise:

	2013		2012	
	Nominal value	Carrying value	Nominal value	Carrying value
Corporate bonds	300 000	299 993	300 000	311 805
Held-to-maturity investment securities		**299 993**		**311 805**

Nominal interest rates and maturities of these securities are as follows:

	2013		2012	
	%	Maturity	%	Maturity
Corporate bonds	7.95%	2014	7.95%	2014

12. Investment in associate

Reconciliation of the investments in associate comprises:

	2013	2012
As at January 1	**979 435**	**929 032**
Share of profits of associate	44 018	50 403
Dividends received from associate	(50 394)	-
As at December 31	**973 059**	**979 435**

Summarized financial information in respect of the Group's associate carried as equity method investees is set out below:

	December 31, 2013	December 31, 2012
Total assets	11 016 932	10 777 554
Total liabilities	8 537 249	8 281 928
Equity	2 479 683	2 495 626
Net profit	110 045	126 008
Group's share of profits of associate	44 018	50 403

13. Transfers of financial assets

As at 31 December 2013 transferred financial assets that are not derecognized in their entirety comprise:

	Carrying amount of assets	Carrying amount of associated liabilities
Investment securities available-for-sale	32 789 934	28 494 209
Trading securities	3 533 397	3 435 769
Total	**36 323 331**	**31 929 978**

As at 31 December 2012 transferred financial assets that are not derecognized in their entirety comprise:

	Carrying amount of assets	Carrying amount of associated liabilities
Investment securities available-for-sale	26 690 399	25 357 504
Total	**26 690 399**	**25 357 504**

The Group has transactions to sell securities classified as available-for-sale under agreements to repurchase and to purchase securities under agreements to resell (Note 7, 11).

The securities sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Group, but the counterparty has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. These securities are presented as "pledged under sale and repurchase agreements" in Notes 7 and 11. In addition, the Group recognises a financial liability for cash received as collateral included in deposits and balances from banks (Note 18).

These transactions are conducted under terms that are usual and customary to standard lending, as well as requirements determined by exchanges where the Group acts as intermediary.

14. Fixed assets

The movements in fixed assets were as follows:

	Buildings	Computers and equipment	Other fixed assets	Total
Cost				
1 January 2013	**6 587 410**	**3 840 042**	**642 552**	**11 070 004**
Additions	6 000	336 188	18 180	360 368
Disposals	-	(167 308)	(43 367)	(210 675)
Disposal of subsidiary	(548)	(1 538)	-	(2 086)
31 December 2013	**6 592 862**	**4 007 384**	**617 365**	**11 217 611**
Accumulated depreciation				
1 January 2013	**(1 147 882)**	**(2 668 679)**	**(529 271)**	**(4 345 832)**
Depreciation charge	(229 306)	(457 552)	(57 938)	(744 796)
Disposals	548	157 281	42 024	199 853
Disposal of subsidiary	-	1 507	-	1 507
31 December 2013	**(1 376 640)**	**(2 967 443)**	**(545 185)**	**(4 889 268)**
Net book value				
31 December 2013	**5 216 222**	**1 039 941**	**72 180**	**6 328 343**

14. Fixed assets (Continued)

	Buildings	Computers and equipment	Other fixed assets	Total
Cost				
1 January 2012	**6 326 793**	**3 326 131**	**642 097**	**10 295 021**
Additions	284 265	612 432	52 287	948 984
Disposals	(23 648)	(98 521)	(51 832)	(174 001)
31 December 2012	**6 587 410**	**3 840 042**	**642 552**	**11 070 004**
Accumulated depreciation				
1 January 2012	**(974 999)**	**(2 362 056)**	**(510 214)**	**(3 847 269)**
Depreciation charge	(175 540)	(399 046)	(65 519)	(640 105)
Disposals	2 657	92 423	46 462	141 542
31 December 2012	**(1 147 882)**	**(2 668 679)**	**(529 271)**	**(4 345 832)**
Net book value				
31 December 2012	**5 439 528**	**1 171 363**	**113 281**	**6 724 172**

15. Intangible assets

The movements in intangible assets and goodwill were as follows:

	Intangible assets	Goodwill	Total
Cost			
1 January 2013	**3 325 279**	**389 911**	**3 715 190**
Additions	1 179 996	-	**1 179 996**
Goodwill write-off	-	(389 911)	**(389 911)**
Disposals	(11)	-	**(11)**
31 December 2013	**4 505 264**	**-**	**4 505 264**
Accumulated amortisation			
1 January 2013	**(1 740 633)**	**-**	**(1 740 633)**
Amortisation charge	(559 749)	-	**(559 749)**
Disposals	11	-	**11**
31 December 2013	**(2 300 371)**	**-**	**(2 300 371)**
Net book value			
31 December 2013	**2 204 893**	**-**	**2 204 893**

	Intangible assets	Goodwill	Total
Cost			
1 January 2012	**2 642 048**	**389 911**	**3 031 959**
Additions	683 244	-	**683 244**
Disposals	(13)	-	**(13)**
31 December 2012	**3 325 279**	**389 911**	**3 715 190**
Accumulated amortisation			
1 January 2012	**(1 287 801)**	**-**	**(1 287 801)**
Amortisation charge	(452 845)	-	**(452 845)**
Disposals	13	-	**13**
31 December 2012	**(1 740 633)**	**-**	**(1 740 633)**
Net book value			
31 December 2012	**1 584 646**	**389 911**	**1 974 557**

In the December 2013 the goodwill impairment test revealed that the recoverable amount of the cash-generating unit to which the goodwill was allocated is lower than its carrying amount (recoverable amount was estimated as zero). The Management of the Bank decided to recognise an impairment loss on goodwill in the amount of RUB 389 911 thousand in the Consolidated Statement of Financial Position through the Consolidated Statement of Comprehensive Income as at 31 December 2013 that resulted in the write-off of goodwill.

16. Taxation

The corporate income tax expense comprises:

	2013	2012
Current tax charge	4 973 856	4 175 276
Deferred tax charge – origination of temporary differences	734 251	589 186
Income tax expense	**5 708 107**	**4 764 462**

Russian legal entities must file individual tax declarations. The tax rate for banks and companies for profits other than on state securities was 20% for 2013 and 2012. The tax rate for interest income on state securities was 15% for 2013 and 2012.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the effective income tax rate and the statutory income tax rate is as follows:

	2013	2012
Profit before tax	**29 831 824**	**22 242 646**
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	**5 966 365**	**4 448 529**
Effect of income taxed at lower tax rates	(111 694)	(133 829)
Non-deductible costs and non-taxable income	(146 564)	449 762
Income tax expense	**5 708 107**	**4 764 462**

Deferred tax assets and liabilities as at 31 December 2013 and 2012 comprise:

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Fixed and intangible assets	269 890	389 277	(992 293)	(858 511)	(722 403)	(469 234)
Trading securities and derivatives	3 604 044	2 815 422	(4 387 158)	(3 468 323)	(783 114)	(652 901)
Available-for-sale securities	158 187	-	-	(1 478 454)	158 187	(1 478 454)
Loan impairment and credit related commitments	510 306	651 715	(1 705 326)	(929 468)	(1 195 020)	(277 753)
Deferred revenue	180 815	267 606	-	-	180 815	267 606
Other items	218 105	692 828	(67 903)	(892 211)	150 202	(199 383)
Total deferred tax assets/(liabilities)	**4 941 347**	**4 816 848**	**(7 152 680)**	**(7 626 967)**	**(2 211 333)**	**(2 810 119)**

Movement in deferred tax assets and liabilities during the year ended 31 December 2013 is presented in the table below:

	1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2013
Fixed and intangible assets	(469 234)	(253 169)	-	(722 403)
Trading securities and derivatives	(652 901)	(179 947)	49 734	(783 114)
Available-for-sale securities	(1 478 454)	353 339	1 283 302	158 187
Loan impairment and credit related commitments	(277 753)	(917 267)	-	(1 195 020)
Deferred revenue	267 606	(86 791)	-	180 815
Other items	(199 383)	349 585	-	150 202
	(2 810 119)	**(734 250)**	**1 333 036**	**(2 211 333)**

16. Taxation (Continued)

Movement in deferred tax assets and liabilities during the year ended 31 December 2012 is presented in the table below:

	1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2012
Fixed and intangible assets	(694 207)	224 973	-	(469 234)
Trading securities and derivatives	17 234	(584 689)	(85 446)	(652 901)
Available-for-sale securities	(2 566 879)	369 680	718 745	(1 478 454)
Loan impairment and credit related commitments	(828 769)	551 016	-	(277 753)
Deferred revenue	430 019	(162 413)	-	267 606
Other items	788 370	(987 753)	-	(199 383)
	(2 854 232)	**(589 186)**	**633 299**	**(2 810 119)**

Tax effect relating to components of other comprehensive income comprises:

	2013			2012		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	(248 673)	49 734	(198 939)	427 233	(85 446)	341 787
Revaluation reserve for available-for-sale securities	(6 416 512)	1 283 302	(5 133 210)	(3 593 724)	718 745	(2 874 979)
Other comprehensive income	**(6 665 185)**	**1 333 036**	**(5 332 149)**	**(3 166 491)**	**633 299**	**(2 533 192)**

17. Other assets and liabilities

Other assets comprise:

	2013	2012
Advances, prepayments and deferred expenses	767 977	1 295 863
Settlements with derivatives clearers	150 991	255 758
Repossessed collateral	366 507	148 840
Other	665 127	617 647
Other assets	**1 950 602**	**2 318 108**

Other liabilities comprise:

	2013	2012
Accrued compensation expense	2 582 487	2 459 454
Liability arising on initial designation of fair value macro hedge	1 335 492	1 585 630
Accounts payable	860 632	902 960
Deferred income	710 621	584 339
Transit accounts	336 716	154 894
Taxes payables	204 515	174 695
Other provisions	6 390	16 327
Other	163 262	91 625
Other liabilities	**6 200 115**	**5 969 924**

18. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2013	2012
Current accounts	14 722 701	13 954 824
Time deposits and loans	74 996 332	128 467 349
Repurchase agreements (Note 13)	31 929 978	25 357 504
Direct repurchase agreements from reverse repurchase agreements	18 678 470	4 653 371
Subordinated debt (Note 21)	12 326 113	15 090 657
Amounts due to credit institutions	**152 653 594**	**187 523 705**

As at 31 December 2013, the ten largest deposits, excluding subordinated debt, represented 87% of total amounts due to credit institutions (31 December 2012: 85%).

As at 31 December 2013, the Group had two counterparties with aggregate balances that individually exceeded 10% of equity (31 December 2012: three counterparties). As at 31 December 2013, the aggregate amount of these balances is RUB 106 651 835 thousand (31 December 2012: RUB 123 568 043 thousand).

As at 31 December 2013 the Group has term deposits due to the CBR in the amount of RUB 10 017 329 thousand and repurchase agreements with CBR in the amount of RUB 50 608 448 thousand (31 December 2012: RUB 26 057 855 thousand and RUB 29 898 989 thousand respectively).

As at 31 December 2013 fair value of securities pledged under repurchase agreements is RUB 36 323 331 thousand (31 December 2012: RUB 26 690 399 thousand).

19. Amounts due to customers

The amounts due to customers include the following:

	2013	2012
Current accounts	103 923 218	90 662 208
Time deposits	425 477 232	413 207 014
Repurchase agreements with customers	144 496	-
Amounts due to customers	**529 544 946**	**503 869 222**

As at 31 December 2013, approximately 46% of total amounts due to customers (excluding subordinated debt) was placed with the Group by its ten largest customers (31 December 2012: 56%).

Analysis of customer accounts by type of customer is as follows:

	2013	2012
Corporate		
Current accounts	38 928 841	32 149 917
Time deposits	378 720 675	377 159 952
Repurchase agreements with customers	144 496	-
Total corporate accounts	**417 794 012**	**409 309 869**
Retail		
Current accounts	64 994 377	58 512 291
Time deposits	46 756 557	36 047 062
Total retail accounts	**111 750 934**	**94 559 353**
Amounts due to customers	**529 544 946**	**503 869 222**

Included in retail time deposits are deposits of individuals in the amount of RUB 31 740 949 thousand (31 December 2012: RUB 23 344 972 thousand). In accordance with the Russian Civil Code, the Group is obliged to repay such deposits upon demand of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, the related interest rate on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the contract. The remaining part of retail time deposits in the amount of RUB 15 015 608 thousand (31 December 2012: RUB 12 702 090 thousand) is represented by deposits placed by small business enterprises.

20. Debt securities issued

Debt securities issued consisted of the following:

	2013	2012
Bonds issued	50 737 686	40 251 779
Promissory notes	-	540 968
Debt securities issued	**50 737 686**	**40 792 747**

On 14 February 2013 the Group placed two RUB 5 000 000 thousand bonds issues with a nine-year maturity. The bonds each have a face value of RUB one thousand and carry nine semi-annual interest coupons. The coupon rate was set as 8.6% for every semi-annual period.

On 26 February 2013 the Group placed two RUB 5 000 000 thousand bonds issues with a nine-year maturity. The bonds each have a face value of RUB one thousand and carry nine semi-annual interest coupons. The coupon rate was set as 8.15% for the first four semi-annual periods. In February 2015 the coupon rate will be set for the remaining two semi-annual periods. The Group has an obligation to buy the bonds back at their nominal value upon the bond holders request just before the end of the fourth semi-annual period.

On 4 September 2013 the Group redeemed bonds under put option amounting to RUB 4 920 994 thousand.

On 6 September 2013 the Group redeemed bonds under put option amounting to RUB 4 904 785 thousand.

On 9 September 2013 the Group redeemed bonds under put option amounting to RUB 4 969 342 thousand.

On 26 November 2013 the Group placed RUB 10 000 000 thousand bonds issue with a five-year maturity. The bonds each have a face value of RUB one thousand and carry ten semi-annual interest coupons. The coupon rate was set as 8.1% for first six semi-annual period. In November 2016 the coupon rate will be set for the remaining two semi-annual periods. The Group has an obligation to buy the bonds back at their nominal value upon the bond holders request just before the end of the sixth semi-annual period.

On 16 December 2013 the Group redeemed bonds under put option amounting to RUB 4 999 999 thousand.

On 2 March 2012 the Group placed a RUB 5 000 000 thousand bonds issue with a three-year maturity. The bonds each have a face value of RUB one thousand and carry six semi-annual interest coupons. The coupon rate was set as 8.5% for the first three semi-annual periods. In August 2013 the coupon rate was reset for the remaining three semi-annual periods as 5.75%. The Group has an obligation to buy the bonds back at their nominal value upon the bond holders request just before the end of the third semi-annual period.

On 7 March 2012 the Group placed a RUB 5 000 000 thousand bonds issue with a three-year maturity. The bonds each have a face value of RUB one thousand and carry six semi-annual interest coupons. The coupon rate was set as 8.5% for the first three semi-annual periods. In September 2013 the coupon rate was reset for the remaining three semi-annual periods as 5.75%. The Group has an obligation to buy the bonds back at their nominal value upon the bond holders request just before the end of the third semi-annual period.

On 26 October 2012 the Group placed a RUB 5 000 000 thousand bonds issue with a three-year maturity. The bonds each have a face value of RUB one thousand and carry six semi-annual interest coupons. The coupon rate was set as 9.1% for the first four semi-annual periods. In October 2014 the coupon rate will be set for the remaining two semi-annual periods. The Group has an obligation to buy the bonds back at their nominal value upon the bond holders request just before the end of the fourth semi-annual period.

On 30 October 2012 the Group placed a RUB 5 000 000 thousand bonds issue with a three-year maturity. The bonds each have a face value of RUB one thousand and carry six semi-annual interest coupons. The coupon rate was set as 9.1% for the first four semi-annual periods. In October 2014 the coupon rate will be set for the remaining two semi-annual periods. The Group has an obligation to buy the bonds back at their nominal value upon the bond holders request just before the end of the fourth semi-annual period.

As at 31 December 2013 mortgage-backed bonds with the carrying value of RUB 5 124 685 thousand (31 December 2012: RUB 5 123 224 thousand) are secured by a pool of mortgage loans with the carrying value of RUB 5 406 343 thousand (31 December 2012: RUB 4 626 925 thousand) and no cash (31 December 2012: RUB 862 000 thousand) (see Note 6 and Note 10 for details).

21. Subordinated debt

	2013	2012
UniCredit Bank Austria AG, Vienna		
USD 50 000 thousand, semi-annual interest payment, maturing November 2013, LIBOR+1.43%p.a.;		
USD 100 000 thousand, semi-annual interest payment, maturing June 2014, LIBOR+1.43%p.a.;		
EUR 100 000 thousand, semi-annual interest payment, maturing November 2017, EURIBOR+1.83% p.a.;		
EUR 100 000 thousand, semi-annual interest payment, maturing February 2018, EURIBOR+2.15% p.a.	12 326 113	12 655 191
UniCredit Bank AG		
USD 30 000 thousand, semi-annual interest payment, maturing February 2013, LIBOR+2.3% p.a.;		
USD 50 000 thousand, semi-annual interest payment, maturing August 2013, LIBOR+1.5%p.a.	-	2 435 466
Subordinated Debt	**12 326 113**	**15 090 657**

22. Shareholder's equity

As at 31 December 2013, the authorised, issued and outstanding share capital comprises 2 404 181 ordinary shares (31 December 2012: 2 404 181 ordinary shares) with a par value of RUB 16 820 each. During 2012, 594 530 ordinary shares were issued at their nominal value.

23. Commitments and contingencies

Credit related commitments

	2013	2012
Undrawn loan commitments	200 972 879	184 423 053
Guarantees issued	86 736 982	105 248 952
Letters of credit	13 251 818	13 502 933
Gross undrawn commitments, guarantees and letters of credit	**300 961 679**	**303 174 938**
Provisions for unrecognised commitments	(32 509)	(21 978)
Total undrawn commitments, guarantees and letters of credit	**300 929 170**	**303 152 960**

The Group issues guarantees and letters of credit for its customers. These instruments bear a credit risk similar to that of loans granted. With respect to the documentary instruments shown above, as at 31 December 2013, collateral deposits of RUB 11 558 419 thousand were held by the Group (31 December 2012: RUB 4 039 772 thousand).

Notes to Consolidated Financial Statements (Continued)

23. Commitments and contingencies (Continued)

Operating lease commitments

	2013	2012
Not later than 1 year	975 527	679 697
Later than 1 year but not later than 5 years	1 726 776	1 652 364
Later than 5 years	130 444	301 802
	2 832 747	**2 633 863**

Operating environment

Emerging markets such as Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Russian Federation and its economy in general.

Laws and regulations affecting businesses in Russian Federation continue to change rapidly. Tax, currency and customs legislation within Russian Federation are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Russian Federation. The future economic direction of Russian Federation is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that has negatively affected Russian's financial and capital markets in 2009 and 2010 has receded and Russian Federation's economy returned to growth in 2011 and 2012. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Russian's economy, adversely affect the Bank's access to capital and cost of capital for the Bank and, more generally, its business, results of operations, financial condition and prospects.

Russian Federation is facing a relatively high level of inflation (according to the government's statistical data consumer price inflation for the years ended 31 December 2013 and 2012 was 6.45% and 6.59%, respectively).

Taxation

Commercial legislation of the Russian Federation, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

New transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances. Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these consolidated financial statements.

24. Gains on financial assets and liabilities held for trading

Gains on financial assets and liabilities held for trading comprise:

	2013	2012
Net (losses) gains from trading securities	(199 262)	141 360
Net (losses) gains from foreign exchange and interest based derivatives		
- spot and derivative instruments	(378 114)	838 647
- translation of other foreign currency assets and liabilities	5 232 994	3 817 083
Gains on financial assets and liabilities held for trading	**4 655 618**	**4 797 090**

25. Fee and commission income

Fee and commission income comprises:

	2013	2012
Customer accounts handling and settlements	2 296 412	1 905 236
Retail services	2 151 713	1 862 637
Documentary business	1 561 537	1 435 294
Loan fees that are not part of the effective interest rate	359 290	213 199
Other	17 599	51 941
Fee and commission income	**6 386 551**	**5 468 307**

26. Personnel and other administrative expenses

Personnel and other administrative expenses comprise:

	2013	2012
Salaries and bonuses	4 867 558	4 519 048
Social security costs	316 323	329 457
Other compensation expenses	180 621	240 980
Other employment taxes	1 036 198	860 449
Personnel expenses	**6 400 700**	**5 949 934**
Rent, repairs and maintenance	1 443 476	1 418 782
Communication and information services	753 503	601 425
Advertising and marketing	583 542	450 704
Security expenses	263 583	273 393
Other taxes	99 682	162 090
Legal, audit and other professional services	215 563	91 380
Insurance	76 240	63 960
Other	851 445	902 505
Other administrative expenses	**4 287 034**	**3 964 239**

27. Risk management

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The Group has exposure to risks, which include credit, market, foreign exchange, liquidity, and operational risks. The Group's aim is to maintain an appropriate balance between risks and return and to minimise potential adverse effect on the Group's financial performance.

Risk management structure

The Group's risk management policies aim to identify, analyse, measure and manage the risks taken by the Group, to establish appropriate risk limits and methods of monitoring, and to continuously monitor risk levels and compliance with the established limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice in risk management.

The operational risk management functions are aimed at developing and ensuring proper functioning of internal processes and procedures that minimise the Group's exposure to internal and external risk factors.

The Supervisory Board of the Bank has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks.

The Board of Management has overall responsibility for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters.

The Chief Risk Officer (hereinafter – "CRO") is responsible for the overall risk management function, ensuring the implementation of common principles and methods for identifying, underwriting, measuring, managing and risk reporting for both financial and non-financial risks. The CRO is a Member of the Board of Management of the Bank.

Credit, market and liquidity risks, both at portfolio and transactional levels, are managed through a system of Credit Approval Authorities as well as an Asset and Liability Management Committee. In order to facilitate efficient decision-making, the Bank has established a hierarchy of Credit Approval Authorities, which includes four Credit Committees, including Large Credit Committee, Small Credit Committee, Special Credit Committee and Credit Committee of the Small and Medium Enterprises and several levels of joint and single personal approval authority, depending on the amount of exposure, type and risk associated with a customer (internal ratings).

Credit risk policies and underwriting guidelines are under the CRO's responsibility. Internal local policies, rules, guidelines and operational instructions for lending to individuals and to the Small and Medium Enterprises (hereinafter – "SME") are in line with Group Credit Policies and agreed with the CRO and approved by the Board of Management of the Bank (excluding operational instructions which are approved by the Head of the responsible Unit). The four-eyes principle is applied for the credit decision-making process. Credit approval authority is exercised through the submission and approval of a credit application. For standardized products in the lending process to individuals decision-making is done by the Operations Function, to which the CRO Function delegates authority through respective underwriting guidelines and rules and/or implementation of credit scoring. For standardized products in the lending process to SMEs decision-making is done by the Business Function, to which the CRO Function delegates authority through respective guidelines and rules. All deviations/exceptions from standardized products have to be approved by the CRO.

The Group's risk underwriting, assessment, reporting and control procedures vary by risk type, but share a common principle to be concentrated under the supervision of the CRO.

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group and arises principally from the Group's loans to customers and credit institutions and other credit exposures.

For risk management purposes, credit risk arising from positions in trading securities is managed and reported on a daily basis.

Credit risk governance

Credit risk management policies, procedures and manuals are approved by the Board of Management of the Bank.

The following Credit Committees are responsible for approving corporate and retail credit risk exposures:

- The Large Credit Committee reviews and approves all loan/credit applications from customers and issuers above EUR 40 million or equivalent in other currencies. It is chaired by the President of the Board of Management or the CRO and meets on a weekly basis;
- Loan/credit applications from customers in the amount in the range from EUR 15 to 40 million or equivalent in other currencies may be approved either by the Large or the Small Credit Committee depending on the exposure and rating of the borrower;
- The Small Credit Committee reviews and approves all loan/credit applications from customers in the amount up to EUR 15 million or equivalent in other currencies. It is chaired by the Head of Credit Underwriting Department and meets on a weekly basis;

- The Credit Committee of the SME is responsible for approval of the loan applications of SME in the amount up to EUR 1 million or equivalent in other currencies. The Committee meets once in a two-week period;
- The Special Credit Committee is responsible for considerations of the applications related to restructuring/refinancing of problem debts.

The Bank also has a system of personal credit approval authorities with the four-eyes principle in place – approval is done jointly by representatives from both business and risk functions; for SME lending process proposal is done by business function and approval is done by risk function.

All credit exposures above EUR 50 million or equivalent in other currencies as well as restructuring/refinancing applications above EUR 25 million have to be approved by the UniCredit Group (by the authorized members of the Supervisory Board).

The Group limits concentrations of exposure to individual customers, counterparties and issuers (for securities), as well as groups of related customers. Exposure to credit risk is managed through regular analysis of the borrower's creditworthiness and by changing/adjusting lending limits where appropriate.

The Group's credit policies and product guidelines establish:
- Procedures and standards for approval and review of loan/credit applications;
- Methodology for the credit assessment of borrowers (corporate, retail);
- Methodology for the credit assessment of counterparties, issuers and insurance companies;
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

The relevant relationship managers and Corporate Lending Department originate corporate loan/credit applications jointly. The application could be solely prepared by relationship managers, depending on the respective authority granted to a given relationship manager. The credit applications consist of a structured analysis focusing on the customer's business and financial performance. The loan/credit applications are then independently reviewed by the Credit Underwriting and a second opinion is given accompanied by a check that credit policy requirements have been met. The relevant Approval Authority reviews the loan/credit application accompanied by the Credit Underwriting opinion.

In order to provide better assessment of customers' creditworthiness, separate units specialising on analysis of different industries were created within the Credit Underwriting department. This business model allows the Bank to quickly and thoroughly analyse changes in various industries, adjust strategies and take adequate decisions. Along with the industry divisioning there is also a set of regional risk managers that monitor the situation in the main regions of Bank's operations. This allows the Bank to manage its credit portfolio both on industry and regional levels.

Credit portfolio diversification by client types (large corporate clients, SME, individual clients) and industries allows the Bank to maintain high credit portfolio quality. In order to provide an adequate risk assessment, the Bank uses various internal rating models which take into account specifics of different client segments, provides effective differentiation of clients by credit risk level and precise assessment of their probability of default in accordance with Basel II principles. Internal ratings are used in credit decision-making, pricing, capital allocation and risk management processes.

All existing credit deals/approved limits for corporate clients are subject to annual review procedures.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. As the result of the review, the borrower's internal credit rating may be changed. The Bank monitors concentrations of credit risk by industry/sector and by the exposure to top 10, 50 and 100 borrowers.

Retail loan applications are approved according to internal local policies, rules, guidelines and operational instructions for lending to individuals and SME. Information is obtained on every customer. The extent of the information required and frequency of its update depend on the regulatory requirements, the customer category, creditworthiness of the customer and type of a transaction. The business unit obtains and analyzes the information from different sources (information from the customer, on-site visits, internal/external sources).

In order to reduce the risk of potential losses in the Bank's credit transactions a Monitoring Unit was established. The Unit implements procedures for systematic identification and assessment of negative signals, analysis and situation monitoring as well as strategies and action plans for potentially troubled corporate borrowers.

The Group continues active work to manage and decrease the problem loan portfolio. During 2011 the Restructuring Department of the Bank further developed and improved the systemic approach for handling problem loans. Under Watch List procedures monitoring of corporate customers and warning signals were applied on a daily basis.

Notes to Consolidated Financial Statements (Continued)

27. Risk management (Continued)

Settlement risk

The Group's activities may give rise to settlement risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through settlement/clearing agents to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Acceptance of settlement risk on free settlement transactions requires transaction specific and/or counterparty specific settlement limits that form part of the counterparty limit approval/monitoring process described above.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Notes	Maximum gross exposure 31 December 2013	Maximum gross exposure 31 December 2012
Cash and cash balances (excluding cash on hand)	6	16 966 502	15 711 756
Trading securities:	7		
- held by the Group		8 043 048	4 340 528
- pledged under repurchase agreement		3 533 397	-
Amounts due from credit institutions	8	223 403 672	246 446 188
Derivative financial assets	9	9 610 569	10 064 303
Derivative financial assets designated for hedging	9	4 131 332	7 350 086
Loans to customers	10	548 607 344	504 195 074
Investment securities:	11		
- available-for-sale			
- held by the Group		19 457 387	31 918 591
- pledged under repurchase agreement		32 789 934	26 690 399
- held-to-maturity		299 993	311 805
Investments in associate		973 059	979 435
Other financial assets	17	918 968	1 551 621
		868 735 205	**849 559 786**
Financial commitments and contingencies	23	300 929 170	303 152 960
Total credit risk exposure		**1 169 664 375**	**1 152 712 746**

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for consolidated statement of financial position items, based on the Bank's credit rating system as at 31 December 2013 and 2012:

	Notes	Neither past due nor impaired		Past due or impaired	Total 2013
		High grade	Standard		
Cash and cash balances (excluding cash on hand)	6	16 966 502	-	-	**16 966 502**
Trading securities	7				
- held by the Group		8 043 048	-	-	**8 043 048**
- pledged under repurchase agreement		3 533 397	-	-	**3 533 397**
Amounts due from credit institutions	8	223 403 672	-	-	**223 403 672**
Derivative financial assets	9	9 610 569	-	-	**9 610 569**
Derivative financial assets designated for hedging	9	4 131 332	-	-	**4 131 332**
Loans to customers	10				
Corporate customers		345 399 154	27 323 092	7 721 692	**380 443 938**
Retail customers		128 736 590	9 752 557	4 651 209	**143 140 356**
Reverse repurchase agreements with companies		25 023 050	-	-	**25 023 050**
Investment securities:	11				
- available-for-sale					
- held by the Group		19 457 387	-	-	**19 457 387**
- pledged under repurchase agreement		32 789 934	-	-	**32 789 934**
- held-to-maturity		299 993	-	-	**299 993**
Total		**817 394 628**	**37 075 649**	**12 372 901**	**866 843 178**

	Notes	Neither past due nor impaired		Past due or impaired	Total 2012
		High grade	Standard		
Cash and cash balances (excluding cash on hand)	6	15 711 756	-	-	**15 711 756**
Trading securities	7	4 340 528	-	-	**4 340 528**
Amounts due from credit institutions	8	246 446 188	-	-	**246 446 188**
Derivative financial assets	9	10 064 303	-	-	**10 064 303**
Derivative financial assets designated for hedging	9	7 350 086	-	-	**7 350 086**
Loans to customers	10				
Corporate customers		205 348 641	162 913 328	7 956 226	**376 218 195**
Retail customers		82 858 599	22 857 829	5 597 250	**111 313 678**
Reverse repurchase agreements with companies		16 663 201	-	-	**16 663 201**
Investment securities:	11				
- available-for-sale					
- held by the Group		31 918 591	-	-	**31 918 591**
- pledged under repurchase agreement		26 690 399	-	-	**26 690 399**
- held-to-maturity		311 805	-	-	**311 805**
Total		**647 704 097**	**185 771 157**	**13 553 476**	**847 028 730**

Geographical concentration

Asset and Liability Management Committee exercises control over the risk in the legislation and regulatory area and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Russian Federation.

As at 31 December 2013 and 31 December 2012 assets and liabilities of the Group are concentrated mainly in the Russian Federation except for the amounts due and from credit institutions and derivative financial assets and liabilities (including those designated for hedging).

Liquidity risk and funding management

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions. It is unusual for financial institutions ever to be completely matched since a lot of business transactions are of uncertain term and different types. An unmatched position could potentially enhance profitability, but also could increase the risk of failure to meet obligations.

The approach to liquidity management is to ensure, as far as possible, that the Group always has sufficient liquidity to meet its obligations, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group reputation.

Assets and Liabilities Committee (hereinafter – "ALCO") is responsible for management of liquidity risk of the Bank. ALCO delegates to the Finance Department and Markets Department the responsibility to monitor and maintain within limits the Bank's liquidity profile on a daily basis. At the same time Market Risk Unit controls compliance with liquidity limits and informs ALCO in case of limit breaches. Both Finance Department and Market Risk Unit report to local and to the UniCredit Group ALCO on a weekly basis.

According to the liquidity management policy:

1. The approach to funding and structural liquidity is described in the annual funding plan, which is based on annual budget data. On a monthly basis, the funding plan is updated taking into account the current recognised and unrecognised positions, changes in the asset and liability mismatches of the Bank, available funding sources and market analysis. The Bank has adopted contingency funding plans, the UniCredit Group standard risk management instrument, which describes potential funding sources in case of crisis situation. The contingency funding plan is updated in the event of crisis, but at least once a year by ALCO, after annual funding plan approval.

2. Structural liquidity of the Bank is analysed by Finance Department using the liquidity gap approach and reported to local ALCO and to the UniCredit Group on a weekly basis. Liquidity limits and requirements both established by the UniCredit Group and the CBR are taken into account.

3. Short-term liquidity is monitored on the basis of cash flow models in total and separately by major currencies:
   - Scenarios (going concern, market crisis, foreign exchange market crisis scenario, etc.) are assessed to forecast future cash flows and corresponding liquidity needs for the nearest three months. Market crisis scenario includes "haircuts" to liquid security positions, failure of the Bank's counterparties to meet their obligations with regard to money market deals, run on retail deposits, inability to make swaps at reasonable prices, etc. Decisions with regard to switches between going-concern and crisis scenarios are taken by ALCO;
   - ALCO sets limits on cash flow positions that depend on available liquidity sources and level of liquid assets (portfolio of assets that can be quickly liquidated to meet obligations without significant price decline).

4. Funding structure concentration is monitored and managed on a constant basis:
   - ALCO sets an internal limit on the maximum volume of borrowings from a single group of clients;
   - Reports on customer funds concentration are reported to management and analyzed on a weekly basis.

5. Liquidity ratios in line with regulatory requirements (the CBR) are to be monitored and met:
   - On a daily basis the Finance Department makes a forecast of N4 ratio for a one month horizon. Markets Department projects N2, N3 ratios for a one month horizon:
     - Instant liquidity Ratio (N2) is the ratio of liquid assets to sight and overnight liabilities;
     - Current liquidity ratio (N3) is the ratio of liquid assets to liabilities maturing within 30 calendar days;
     - Long-term liquidity ratio (N4) is the ratio of assets maturing after one year to the sum of capital and liabilities maturing after one year.

As at 31 December 2013 and 2012, these ratios were as follows:

	2013, %	2012, %
N2 "Instant liquidity Ratio" (minimum 15%)	74.6	85.0
N3 "Current Liquidity Ratio" (minimum 50%)	87.6	84.4
N4 "Long-Term Liquidity Ratio" (maximum 120%)	76.5	92.7

The following table shows the liquidity gap profile as at 31 December 2013. This information is prepared using the internal Assets and Liabilities Management system according to the approved internal approach. The mapping approach is compliant with the requirements of the UniCredit Group liquidity policy. This information is used internally for risk management purposes and differs from financial statement amounts.

The information presented below relates to assets and liabilities of the Bank only prepared using statutory accounting methods. The table below presents the liquidity gap profile according to the approved internal approach as at 31 December 2013:

	2013							
	Less than 1 month	**1 month to 3 months**	**3 months to 6 months**	**6 months to 1 year**	**1 year to 3 years**	**More than 3 years**	**No stated maturity**	**Total**
Assets								
Cash and cash balances	25 721 114	-	-	-	-	-	-	**25 721 114**
Trading securities	3 715 151	-	5 979 413	1 774 488	-	-	-	**11 469 052**
Amounts due from credit institutions	206 927 066	12 759 604	-	500 000	-	-	-	**220 186 670**
Loans to customers	112 759 312	27 411 968	43 928 918	114 491 545	158 698 621	90 276 991	-	**547 567 355**
Investment securities:								
- available-for-sale	-	2 513 368	878 389	347 566	11 191 848	37 017 779	-	**51 948 950**
- held-to-maturity	-	-	-	300 073	-	-	-	**300 073**
Fixed assets	-	-	-	-	-	-	6 328 343	**6 328 343**
Other assets	-	-	-	19 355 997	-	53 160	-	**19 409 157**
Total assets	**349 122 643**	**42 684 940**	**50 786 720**	**136 769 669**	**169 890 469**	**127 347 930**	**6 328 343**	**882 930 714**
Liabilities								
Amounts due to credit institutions	74 586 408	1 884 788	3 286 535	18 259 259	37 551 808	16 404 724	-	**151 973 522**
Amounts due to customers								
- current accounts	38 807 422	4 088 796	4 088 796	4 700 469	11 492 190	40 222 664	-	**103 400 337**
- time deposits	242 523 199	64 315 141	4 494 736	20 425 632	69 264 050	19 535 228	-	**420 557 986**
Debt securities issued	-	-	4 520 712	10 000 001	35 204 879	-	-	**49 725 592**
Other liabilities	26 810 270	-	-	-	-	-	-	**26 810 270**
Equity	-	-	-	-	-	-	130 463 007	**130 463 007**
Total equity and liabilities	**382 727 299**	**70 288 725**	**16 390 779**	**53 385 361**	**153 512 927**	**76 162 616**	**130 463 007**	**882 930 714**
Net position	**(33 604 656)**	**(27 603 785)**	**34 395 941**	**83 384 308**	**16 377 542**	**51 185 314**	**(124 134 664)**	**-**
Accumulated gap	**(33 604 656)**	**(61 208 441)**	**(26 812 500)**	**56 571 808**	**72 949 350**	**124 134 664**	**-**	

The Group estimates that the negative accumulated gap in 1 month to 1 year periods will be sufficiently covered by the Group's money market daily borrowing capacity, issue of unsecured bonds and secured refinancing with the CBR.

27. Risk management (Continued)

The table below presents the liquidity gap profile according to the approved internal approach as at 31 December 2012:

	2012							
	Less than 1 month	**1 month to 3 months**	**3 months to 6 months**	**6 months to 1 year**	**1 year to 3 years**	**More than 3 years**	**No stated maturity**	**Total**
Assets								
Cash and cash balances	24 020 106	-	-	-	-	-	-	**24 020 106**
Trading securities	3 040 854	-	-	1 300 000	-	-	-	**4 340 854**
Amounts due from credit institutions	228 764 840	17 496 012	-	-	-	-	-	**246 260 852**
Loans to customers	58 954 315	24 613 023	37 923 894	106 670 883	172 375 747	103 004 837	-	**503 542 699**
Investment securities:								
- available-for-sale	1 450 865	7 607 592	-	-	24 407 672	17 476 004	7 742 614	**58 684 747**
- held-to-maturity	-	-	-	-	302 430	-	-	**302 430**
Fixed assets	-	-	-	-	-	-	6 793 444	**6 793 444**
Other assets	106	-	-	5 914 902	-	-	-	**5 915 008**
Total assets	**316 231 086**	**49 716 627**	**37 923 894**	**113 885 785**	**197 085 849**	**120 480 841**	**14 536 058**	**849 860 140**
Liabilities								
Amounts due to credit institutions	106 168 653	10 650 450	8 264 719	4 165 200	45 665 264	12 437 419	-	**187 351 705**
Amounts due to customers								
- current accounts	48 709 370	3 765 925	3 765 925	4 518 393	7 262 792	21 664 608	-	**89 687 013**
- time deposits	244 515 038	49 131 447	30 370 688	33 306 777	38 515 523	17 479 054	-	**413 318 527**
Debt securities issued	-	-	-	514 439	34 520 212	5 000 000	-	**40 034 651**
Other liabilities	6 723	-	-	6 318 963	-	-	-	**6 325 686**
Equity	-	-	-	-	-	-	113 142 558	**113 142 558**
Total equity and liabilities	**399 399 784**	**63 547 822**	**42 401 332**	**48 823 772**	**125 963 791**	**56 581 081**	**113 142 558**	**849 860 140**
Net position	**(83 168 698)**	**(13 831 195)**	**(4 477 438)**	**65 062 013**	**71 122 058**	**63 899 760**	**(98 606 500)**	**-**
Accumulated gap	**(83 168 698)**	**(96 999 893)**	**(101 477 331)**	**(36 415 318)**	**34 706 740**	**98 606 500**	**-**	

Analysis of financial assets and liabilities by remaining contractual maturities

The tables below summarise the maturity profile of financial assets and liabilities as at 31 December 2013 and 31 December 2012 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay. The tables do not reflect the expected cash flows indicated by the Bank's deposit retention history.

	Less than 1 month	1 month to 3 months	3 months to 6 months	6 to 12 months	1 year to 3 years	More than 3 years	Total
Financial assets as at 31 December 2013							
Cash and cash balances	25 708 189	-	-	-	-	-	**25 708 189**
Trading securities							
- held by the Group	8 043 048	-	-	-	-	-	**8 043 048**
- pledged under repurchase agreements	3 533 397	-	-	-	-	-	**3 533 397**
Amounts due from credit institutions	208 432 994	13 421 158	82 002	752 925	729 740	112 406	**223 531 225**
Derivative financial assets:							
- Contractual amounts payable	(9 900 055)	(5 505 716)	(8 988 084)	(18 027 924)	(5 130 281)	(2 972 663)	**(50 524 723)**
- Contractual amounts receivable	10 307 592	6 553 562	9 583 895	20 091 466	10 249 359	9 271 006	**66 056 880**
Derivative financial assets designated for hedging:							
- Contractual amounts payable	(6 014)	(6 838)	(22 515)	(1 030 327)	(1 543 811)	(857 502)	**(3 467 007)**
- Contractual amounts receivable	184 698	2 811 479	859 607	1 930 716	3 186 608	491 731	**9 464 839**
Loans to customers	54 660 277	42 869 150	73 715 616	119 398 763	251 278 113	132 615 181	**674 537 100**
Investment securities							
- available-for-sale							
- held by the Group	44 652	249 438	1 365 849	1 079 572	9 794 119	14 123 663	**26 657 293**
- pledged under repurchase agreements	61 676	3 116 419	544 742	1 153 437	8 286 006	37 627 230	**50 789 510**
- held-to-maturity	-	-	-	311 892	-	-	**311 892**
Total undiscounted financial assets	**301 070 454**	**63 508 652**	**77 141 112**	**125 660 520**	**276 849 853**	**190 411 052**	**1 034 641 643**
Financial liabilities as at 31 December 2013							
Amounts due to credit institutions	75 918 124	2 204 894	3 585 352	18 928 949	38 311 438	16 761 572	**155 710 329**
Derivative financial liabilities:							
- Contractual amounts payable	8 920 914	24 056 642	9 755 852	12 030 297	8 929 247	7 177 178	**70 870 130**
- Contractual amounts receivable	(9 113 807)	(23 600 462)	(8 812 111)	(12 055 658)	(7 775 344)	(3 191 178)	**(64 548 560)**
Derivative financial liabilities designated for hedging:							
- Contractual amounts payable	133 857	1 220 776	1 362 511	4 971 950	7 091 614	5 014 364	**19 795 072**
- Contractual amounts receivable	(82 757)	(646 266)	(274 846)	(1 066 103)	(1 806 829)	(1 121 674)	**(4 998 475)**
Amounts due to customers	339 947 338	72 386 729	9 139 579	23 876 079	81 333 733	12 528 360	**539 211 818**
Debt securities issued	-	6 315	196 165	2 285 303	44 525 535	12 418 904	**59 432 222**
Total undiscounted financial liabilities	**415 723 669**	**75 628 628**	**14 952 502**	**48 970 817**	**170 609 394**	**49 587 526**	**775 472 536**

Notes to Consolidated Financial Statements (Continued)

27. Risk management (Continued)

The maturity profile of the financial assets and liabilities at 31 December 2012 was the following:

	Less than 1 month	1 month to 3 months	3 months to 6 months	6 to 12 months	1 year to 3 years	More than 3 years	Total
Financial assets as at 31 December 2012							
Cash and cash balances	24 020 106	-	-	-	-	-	**24 020 106**
Trading securities	4 340 528	-	-	-	-	-	**4 340 528**
Amounts due from credit institutions	225 980 319	19 172 622	455 486	495 743	554 768	965 922	**247 624 860**
Derivative financial assets:							
- Contractual amounts payable	(20 095 181)	(4 404 466)	(4 697 136)	(13 915 991)	(6 243 326)	(2 332 412)	**(51 688 512)**
- Contractual amounts receivable	20 578 058	6 909 406	6 825 545	14 581 445	11 462 009	4 613 492	**64 969 955**
Derivative financial assets designated for hedging:							
- Contractual amounts payable	(13 916)	(17 594)	(30 359)	(2 049 097)	(1 929 634)	(625 760)	**(4 666 360)**
- Contractual amounts receivable	3 084 669	1 790 054	1 045 339	2 021 844	3 380 924	1 627 618	**12 950 448**
Loans to customers	29 746 947	46 353 249	53 776 645	105 360 236	259 311 933	144 806 041	**639 355 051**
Investment securities							
- available-for-sale							
- held by the Group	1 541 366	2 442 907	424 472	841 507	15 136 760	10 697 026	**31 084 038**
- pledged under repurchase agreements	111 666	5 634 256	573 260	780 105	13 724 604	11 526 356	**32 350 247**
- held-to-maturity	11 892	-	-	23 784	311 892	-	**347 568**
Total undiscounted financial assets	**289 306 454**	**77 880 434**	**58 373 252**	**108 139 576**	**295 709 930**	**171 278 283**	**1 000 687 929**
Financial liabilities as at 31 December 2012							
Amounts due to credit institutions	85 148 903	32 485 461	8 729 432	4 602 864	48 558 949	12 659 618	**192 185 227**
Derivative financial liabilities:							
- Contractual amounts payable	12 188 808	9 259 486	6 599 446	7 979 855	7 427 614	7 404 143	**50 859 352**
- Contractual amounts receivable	(12 188 304)	(8 118 250)	(4 340 942)	(7 393 108)	(2 095 966)	(869 636)	**(35 006 206)**
Derivative financial liabilities designated for hedging:							
- Contractual amounts payable	197 915	1 790 597	2 794 546	1 103 839	5 887 390	5 104 535	**16 878 822**
- Contractual amounts receivable	(5 261)	(102 790)	(108 051)	(462 314)	(1 154 195)	(180 883)	**(2 013 494)**
Amounts due to customers	375 690 126	36 460 877	28 663 744	31 197 087	34 911 564	1 711 990	**508 635 388**
Debt securities issued	501 765	-	-	1 719 262	41 681 794	5 813 279	**49 716 100**
Total undiscounted financial liabilities	**461 533 952**	**71 775 381**	**42 338 175**	**38 747 485**	**135 217 150**	**31 643 046**	**781 255 189**

The maturity analysis does not reflect the historical pattern of stable balances on current accounts. Withdrawals of current accounts historically are taking place over a longer period than indicated in the tables above. These balances are included in amounts due in less than one month in the tables above.

Included in due to customers are term deposits of individuals. In accordance with the Russian legislation, the Group is obliged to repay such deposits upon demand (please refer to Note 19).

The table below shows the contractual expiry by maturity of financial commitments and contingencies.

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Total
2013	15 924 462	23 919 487	70 201 856	97 896 336	73 029 055	19 957 974	**300 929 170**
2012	22 453 552	39 841 451	75 898 568	96 951 136	57 253 829	10 754 424	**303 152 960**

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Group distinguishes four market risk categories:

1. Interest Rate Risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments.
2. Currency Risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.
3. Spread Risk is the risk that changes in credit spreads will affect bond prices.
4. Residual Risk is the risk that a price of a particular instrument will change due to its specific characteristics.

On a daily basis the Group assesses interest rate and currency risks for both the trading portfolio and banking book. Moreover, spread and residual risks are calculated for fixed income positions.

The Group applies a Value-at-Risk (hereinafter – "VAR") methodology for the measuring of all risks mentioned above. VAR measure adopted by the Group estimates the potential negative change in the market value of a portfolio at a 99% confidence level over a 1-day horizon. The Group distinguishes the following types of VAR:

1. Total VAR is calculated for all risk factors taken in aggregate;
2. Interest Rate VAR is originated from interest rate risk exposure of the portfolio;
3. Foreign exchange VAR is originated from currency risk exposure of the portfolio;
4. Spread VAR is originated from spread risk exposure of the bond portfolio;
5. Residual VAR is originated from other factors exposure of the bond portfolio.

The Group also calculates an Incremental Risk Charge (hereinafter – "IRC") that complements additional standards being applied to VAR modelling framework according to amendments to Basel II. IRC is an estimate of the default and migration risks of unsecured credit products over a one year capital horizon at 99.9% confidence level.

For interest rate risk management and control the Group also uses a Basis Point Value (hereinafter – "BPV") measure, which shows a change of present value of the Group's position if interest rate changes by one basis point. The measure is calculated for all currencies in which the Group has interest rate exposures. In addition, for bonds the Group calculates a Credit Point Value (hereinafter – "CPV") measure that reflects a change of the bond position present value in case of credit spread changes by one basis point.

Since monitoring of VAR, BPV and CPV is an integral part of the risk management procedures, VAR, CPV and BPV limits have been established and exposures are reviewed daily against the limits by Market Risk Unit (hereinafter – "MRU"). IRC exposure is reviewed weekly.

The Group has adopted the following limits:

- Total VAR limit for whole portfolio;
- IRC limit for total bond position;
- Total BPV limit for whole portfolio;
- BPV limit split by currencies;
- Open foreign exchange position limits;
- CPV limit for total bond position.

Usage of VAR enables management of a position taking into consideration complex relationships and interdependencies between different risk factors. Typically MRU analyses VAR figures and sets BPV limits which help traders and the Finance Department to optimize risk profiles in volatile market environments. On a monthly basis MRU provides stress-testing of all four market risk categories, in other words, the estimation of total portfolio present value change according to several predefined scenarios of market risk factor movements. In addition, the MRU monitors on a daily basis the financial result of the trading operations and thoroughly investigates any significant variances.

The control of economic and regulatory open foreign currency position is performed by MRU on daily basis against the established limits.

All limit violations are analyzed by the MRU on a daily basis, and all limit breaches are escalated and reported to local ALCO and to UniCredit Bank Austria AG.

According to Basel III regulatory standards the Credit Valuation Adjustment (modification of derivatives market value taking into account counterparty credit risk) and corresponded impact on Capital are calculated quarterly by the Group. Additionally the requirements of minimum mark-up of derivative transactions with corporate counterparties are applied.

In 2013 MRU finalized the upgrade of open foreign exchange position management technologies based on the Bank's front-office system. Interest rate risk management procedure has been successfully finalized and approved by local ALCO. Interest rate risk management process has been also sufficiently improved in respect of free capital and sight deposits replication portfolio. Significant success was achieved in the improvement of data quality through reconciliation of IT systems applied by Risk and Financial blocks.

In an effort to control Bank's trading strategy the sensitivity analysis of statement of comprehensive income in terms of risk factors is performed monthly.

Interest rate risk management of the banking book

The Bank uses the active interest rate risk management concept, which aims to minimize the net interest income volatility of the banking book.

In banking book interest rate risk position there is a discrepancy between economic (behavioural) and contractual maturities of financial instruments. It concerns both instruments with fixed contractual maturities (loans and time deposits) and instruments without contractual maturities (current accounts, capital). Based on historical observation the Bank developed models that allowed applying a behavioural approach to such kinds of banking book items for construction of interest rate risk position with the aim of better interest rate risk management by means of preventing over-hedging and encouraging self-hedging. The Bank applies behavioural models to current accounts, short-term customer time deposits and time deposits with auto-rollover option as well as to capital. The Bank has developed a prepayment model for retail loans and implemented it in interest rate risk position. For avoiding an accounting discrepancy between hedged items of the banking book calculated on an accrual basis and hedging instruments calculated on a mark-to-market basis and, as a result, to stabilize net interest income the Bank uses hedge accounting methodology. During the period from 2008 until 2011 the Bank sequentially implemented the following hedge accounting approaches: Micro Cash Flow Hedge, Macro Cash Flow Hedge, Micro Fair Value Hedge, Portfolio Fair Value Hedge for interest rate risk management.

Objectives and limitation of VAR methodology

The Group uses a Basel II compliant VAR methodology based on historical simulations. Historical simulation is a method that allows to calculate VAR without making any assumptions about the statistical distribution of the portfolio value movements. This approach involves the construction of the hypothetical distribution of the yields (profit and losses) of a portfolio of financial instruments directly by means of the historical fluctuations of the market prices. Once the hypothetical distribution has been calculated, the VAR is given by the percentile evaluation with the 99% confidence interval.

VAR estimates are based on historical data and therefore have some limitations. The volatility of interest and exchange rates observed in the past might not match the current market conditions, which could lead to an underestimation of future losses. The VAR measure does not account for any losses that may occur beyond the 99% confidence level.

The adequacy of the models used by the Group is controlled using a back-testing method, which compares VAR measures with realized mark-to-market revaluation for traded instruments and mark-to-model revaluation for non-traded instruments. This analysis is provided by MRU on a monthly basis.

One single model is used to estimate VaR for all purposes (regulatory, market risk disclosures, etc.). Changes to VaR model/parameters (if any are required) are validated using the back-testing approach mentioned above. Regulatory requirements for approval, if any, are handled at the Group level.

Computational results

The following table shows an estimation of the potential losses that could occur on all risk positions as a result of movements in market rates and prices by one BPV:

	2013	2012
Total VAR	456 011	283 825
Interest Rate VAR	241 971	209 654
Spread VAR	215 087	200 816
Foreign exchange VAR	21 188	6 413

The banking book includes corporate and retail loans and bonds from the investment portfolio on the asset side and deposits on the liability side offset by internal interest rate swaps to transfer interest rate risk to the trading book.

The following table shows estimation of the potential losses that could occur on the banking book risk positions as a result of movements in market rates and prices by one BPV:

	2013	2012
Total VAR	35 201	24 920
Interest Rate VAR	35 303	24 842
Spread -VAR [1]	602	2 019
Foreign exchange VAR [2]	-	-

[1] Spread risk in the banking book arises from bonds comprising investment portfolio.

[2] Foreign exchange risk is defined as the risk arising from the net open position of the Bank and allocated to the trading book. The foreign exchange risk component of the banking book is therefore considered to be zero.

The following table shows estimation of the potential losses that could occur on the trading book risk positions as a result of movements in market rates and prices by one BPV:

	2013	2012
Total VAR	451 215	273 178
Interest Rate VAR	246 800	201 589
Spread VAR	214 785	200 089
Foreign exchange VAR	21 188	6 413

Operational risk

Operational Risk Definition and Risk Management Principles

The UniCredit Group and the Bank define as “operational” the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition of Operational Risk includes legal risk but excludes strategic and reputation risk. Legal risk includes but is not limited to exposure to fines, penalties or punitive damages resulting from supervisory actions as well as private settlements.

The management of Operational Risk as defined above is based on the following fundamental principles:

- Involvement of corporate governing bodies in all the relevant decisions regarding the Operational Risk management framework;
- Independence of Operational Risk management function from the risk taking functions;
- Effective system of controls at different control levels (line, second level and third level);
- Involvement of Operational Risk management function in evaluation the risks of new products, process and markets;
- Efficient escalation and decision-making process;
- Adequate and periodical disclosure and reporting process.

Operational Risk Management Framework

The Bank is fully compliant with the UniCredit Group's operational risk management framework in its guiding standards and principles as well as with the legislation of the Russian Federation.

Management Board of the Bank holds the responsibility for the establishment, governance and monitoring of the effective and efficient Operational Risk management system. The Management Board establishes the general policies of the Bank's Operational Risk management system and has control over its due implementation and its actual operations including but not limiting to:

- Approval of the Operational Risk framework and any essential changes to it as well as all internal normative documents of the Bank guiding the Operational Risk management system;
- Establishment of an Operational Risk management function being of appropriate independence of judgement and having the adequate personnel and other resources;
- Assurance that the tasks and responsibilities of the functions involved in the Operational Risk management system are assigned in a clear and appropriate manner with special regard to avoidance of conflicts of interest;
- Establishment of informing and reporting system providing accurate, complete and timely information on Operational Risk exposure and other significant Operational Risk management issues.

Operational Risk Committee of the Bank is a governing body primarily responsible for making decisions on Operational Risk topics and ongoing monitoring of developments affecting the Bank's business and promoting the exchange of information among the divisions and individual operating functions (Retail Banking, CIB, CFO, Legal, HR, Security) representing line controls.

The Bank's Operational Risk Management Unit (hereinafter – "ORM Unit") performing the second level controls is fully independent from risk taking functions performing the line level controls.

The ORM's main methodologies, tools and activities to identify, assess, monitor and mitigate Operational Risk are focused on but not limited to:

- Loss data collection including general ledger analysis, accounts reconciliation, transitory and suspense accounts monitoring, data quality control;
- Key Operational Risk indicators;
- Scenario analysis;
- Operational Risk limits control;
- Insurance coverage;
- Capital at risk allocation according to the Basel II Standardized Approach;
- New products/processes analysis from the Operational Risk impact perspective;
- Credit bureaus cooperation;
- Reporting and escalating any of the essential Operational Risk issues to the Management Board, Internal Audit Department and competent UniCredit Group functions.

In order to assure the efficacy of the Operational Risk identification and mitigation processes, a Permanent Workgroup is established at the Bank which aims at identifying the source of Operational Risk and reduce the Operational Risk exposure of the Bank, leveraging mainly on the expertise of the ORM and Organization functions.

The Internal Audit Department performing the third level controls cooperates with the ORM Unit in terms of setting, development, implementation and maintenance of the Operational Risk management system, Operational Risk identification and the inherent local internal validation process.

28. Fair values of financial instruments

Fair value is defined as 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 fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.
- As there is no active secondary market in Russia for loans and advances to banks and customers, deposits by banks and

customers, promissory notes issued, subordinated debt, other borrowing funds and other financial assets and liabilities, there is no reliable market value available for these portfolios.

- For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair value valuation of derivative instruments are based on discounted cash flow analysis and performed using the management's best estimates and applicable interest rates. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated statement of financial position approximate their fair value.

	2013		2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Amounts due from credit institutions	223 403 672	223 504 788	246 446 188	246 446 188
Loans to customers	548 607 344	580 441 850	504 195 074	484 170 598
Investment securities held-to-maturity	299 993	299 191	311 805	305 826
Financial liabilities				
Amounts due to credit institutions	152 653 594	151 810 815	187 523 705	187 523 705
Amounts due to customers	529 544 946	534 985 153	503 869 222	502 403 373
Debt securities issued	50 737 686	50 976 208	40 792 747	40 307 268

Due to the requirements of IFRS 13 the Group has changed the methodology for fair value calculation of loans and deposits. The comparative information was not recalculated due to the prospective application of the standard.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at amortized cost.

	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Amounts due from credit institutions	-	-	223 504 788	**223 504 788**
Loans to customers	-	-	580 441 850	**580 441 850**
Investment securities held-to-maturity	-	299 191	-	**299 191**
Financial liabilities				
Amounts due to credit institutions	-	-	151 810 815	**151 810 815**
Amounts due to customers	-	-	534 985 153	**534 985 153**
Debt securities issued	-	50 976 208	-	**50 976 208**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Trading securitites				
- held by the Group	136 142	7 906 906	-	**8 043 048**
- pledged under repurchase agreements	3 303 137	230 260	-	**3 533 397**
Investment securities available-for-sale				
- held by the Group	2 728 842	16 720 049	-	**19 448 891**
- pledged under repurchase agreements	19 755 677	13 034 257	-	**32 789 934**
Derivative financial assets	-	9 610 569	-	**9 610 569**
Derivative financial assets designated for hedging	-	4 131 332	-	**4 131 332**
Total	**25 923 798**	**51 633 373**	**-**	**77 557 171**
Financial liabilities at FVTPL				
Derivative financial liabilities	-	8 153 454	-	**8 153 454**
Derivative financial liabilities designated for hedging	-	6 601 742	-	**6 601 742**
Total	**-**	**14 755 196**	**-**	**14 755 196**

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Trading securitites	1 999 480	2 341 048	-	**4 340 528**
Investment securities				
- available-for-sale				
- held by the Group	13 339 605	10 828 047	7 742 614	**31 910 266**
- pledged under repurchase agreements	20 219 127	6 471 272	-	**26 690 399**
Derivative financial assets	-	10 064 303	-	**10 064 303**
Derivative financial assets designated for hedging	-	7 350 086	-	**7 350 086**
Total	**35 558 212**	**37 054 756**	**7 742 614**	**80 355 582**
Financial liabilities at FVTPL				
Derivative financial liabilities	-	7 309 978	-	**7 309 978**
Derivative financial liabilities designated for hedging	-	6 222 442	-	**6 222 442**
Total	**-**	**13 532 420**	**-**	**13 532 420**

The table above does not include AFS equity investments of RUR 8 496 thousand (31 December 2012: RUR 8 325 thousand) which do not have a quoted market price in an active market and whose fair value cannot be reliably measured due to absence of the market for such instruments. Currently the Group does not intend to dispose of these investments.

As at 30 June 2013 there was a change in the approach to classification between level 1 and level 2 categories to align the methodology with UniCredit Group's global policy. The comparative amounts as at 31 December 2012 were recalculated in accordance with the new approach which is more sophisticated and takes into account additional factors such as risks related to the issuer.

During the year ended 31 December 2013 the transfers from level 1 to level 2 category amounted to RUR 2 239 747 thousand for available-for-sale securities. During the year ended 31 December 2013 the transfers from level 2 to level 1 category amounted to RUR 720 168 thousand for available-for-sale securities. During the year ended 31 December 2013 there were no transfer for trading securities.

28. Fair values of financial instruments (Continued)

The following table shows reconciliation for the year ended 31 December 2013 and 2012 for the fair value measurements in Level 3 for the fair value hierarchy:

	Equity investments available-for-sale	
	2013	**2012**
As at the beginning of the period	7 742 614	13 267 115
Total gains (losses):		
- in profit or loss	6 123 108	3 007 049
- in other comprehensive income	(5 446 181)	(4 256 550)
Disposal:	(8 419 541)	(4 275 000)
As at the end of the period	**-**	**7 742 614**

29. Related party disclosures

The Bank's ultimate parent is the UniCredit Group. The Bank's immediate parent is UniCredit Bank Austria AG. Both entities produce publicly available financial statements.

In accordance with *IAS 24 Related Party Disclosures,* parties are considered to be related if one party has the ability to control the other party or 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. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Balances and transactions with UniCredit Bank Austria AG (the immediate parent) and more senior parents within the UniCredit Group were as follows:

	31 December 2013	Average interest rate, %	31 December 2012	Average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	1 905 989	7.1%	1 805 998	6.8%
- In EUR	225 606	0.0%	94 207 212	2.5%
- In USD	129 336 010	0.3%	63 788 242	0.2%
Other assets	87 141		78 232	
Amounts due to credit institutions				
- In Russian Roubles	963 548	0.0%	9 366 136	7.1%
- In EUR	10 411 201	2.4%	8 241 285	2.4%
- In USD	46 924 855	2.2%	44 566 913	2.3%
- In other currencies	155 404	0.3%	-	
Debt securities issued	-		1 004 672	9.0%
Other liabilities	170 175		179 527	
Commitments and guarantees issued	3 592 476		1 879 274	
Commitments and guarantees received	669 925		1 781 822	

	2013	2012
Interest income	435 219	3 129 230
Interest expense	(1 675 200)	(2 634 271)
Fee and commission income	15 756	12 267
Fee and commission expense	(46 989)	(19 366)
Gains on financial assets and liabilities held for trading	33 464	45 804
Personnel expenses	(18 451)	(33 533)
Other income	201	-

Balances and transactions with other companies controlled by the UniCredit Group are as follows:

	31 December 2013	Average interest rate, %	31 December 2012	Average interest rate, %
Amounts due from credit institutions				
- In EUR	13 354 913	0.0%	10 844 253	0.0%
- In USD	4 073	0.0%	294	0.0%
- In RUR	3 000	6.5%	55 244	0.0%
- In other currencies	1 685	0.0%	55 244	0.0%
Derivative financial assets	2 223 130		2 262 301	
Derivative financial assets designated for hedging	1 244 897		4 130 765	
Loans to customers				
- In EUR	1 824 030	6.2%	1 618 669	6.2%
- In RUR	675 403	5.0%	-	
Intangible assets	172 375		90 496	
Other assets	2 360		621 326	
Amounts due to credit institutions				
- In Russian Roubles	1 186 328	5.0%	551 111	2.3%
- In EUR	95 056	0.0%	-	
- In USD	3 948 408	2.3%	6 104 863	2.3%
- In other currencies	1 436	0.0%	1 903	0.0%
Derivative financial liabilities	3 208 485		4 548 547	
Derivative financial liabilities designated for hedging	3 829 564		3 905 127	
Amounts due to customers				
- In Russian Roubles	833 700	5.5%	114 411	5.7%
- In EUR	509 554	0.1%	311 594	0.6%
- In USD	23 300	0.5%	253 268	1.2%
Other liabilities	190 472		76 375	
Commitments and guarantees issued	15 184 104		15 961 786	
Commitments and guarantees received	2 432 438		2 974 011	

	2013	2012
Interest income	3 053 793	5 212 239
Interest expense	(2 135 585)	(3 426 256)
Fee and commission income	20 859	31 145
Fee and commission expense	(35 621)	(21 515)
Losses on financial assets and liabilities held for trading	(484 210)	(764 513)
Other income	21 328	895
Personnel expenses	(23 832)	(46 105)
Other administrative expenses	(45 095)	(20 972)

Subordinated loans from the members of the UniCredit Group were as follows for 2013 and 2012:

	2013		2012	
	UniCredit Bank Austria AG and more senior parents within the UniCredit Group	Other companies controlled by the UniCredit Group	UniCredit Bank Austria AG and more senior parents within the UniCredit Group	Other companies controlled by the UniCredit Group
Subordinated loans at the beginning of the year	12 655 191	2 435 466	14 214 639	2 582 390
Subordinated debt repaid during the year	(1 640 920)	(2 551 024)	(949 665)	-
Accrual of interest, net of interest paid	127 932	(10 970)	(47 713)	(1 054)
Effect of exchange rates changes	1 183 910	126 528	(562 070)	(145 870)
Subordinated loans at the end of the year	**12 326 113**	**-**	**12 655 191**	**2 435 466**

Total compensation of the key management personnel included in personnel expenses for the years ended 31 December 2013 comprised short-term benefits in the amount of RUB 106 910 thousand and other long-term benefits in the amount of RUB 100 739 thousand (2 UB 101 741 thousand and RUB 67 505 thousand, respectively) and post-employment benefits in the amount of RUB 909 thousand (20 85 thousand).

There were no outstanding balances for transactions with the key management personnel as at 31 December 2013.

30. Capital management

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the CBR.

The primary objectives of capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

CBR capital adequacy ratio

The CBR requires banks to maintain a capital adequacy ratio of 10% of risk-weighted assets, computed using amounts in statutory financial statements prepared in accordance with Russian accounting legislation. As at 31 December 2013 and 2012, the Bank's capital adequacy ratio on this basis was as follows:

	2013	2012
Main capital	104 634 212	83 018 263
Additional capital	24 589 511	32 544 376
Subordinated loans granted	-	(477 045)
Total capital	**129 223 723**	**115 085 594**
Risk weighted assets	**900 513 749**	**853 083 834**
Capital adequacy ratio	14.4%	13.5%

Main capital comprises share capital, share premium, reserve fund and retained earnings including current year profit. Additional capital includes subordinated debt, preferred shares, current year profit not included in the main capital and revaluation reserves.

Capital adequacy ratio under the Basel II requirements

Starting from the reporting period 1 January 2009 the Group calculates risk weighted assets under Basel II requirements following UniCredit Bank Austria AG internal policies.

The capital adequacy ratio, computed in accordance with the Basel II requirements, as at 31 December 2013 and 2012, was as follows (unaudited):

	2013	2012
Tier 1 capital	116 273 282	99 972 596
Tier 2 capital	6 263 636	7 816 453
Tier 3 capital	2 890 315	2 192 663
Total capital	**125 427 233**	**109 981 712**
Risk weighted assets	**771 708 451**	**731 287 819**
Tier 1 capital ratio	15.1%	13.7%
Total capital ratio	16.3%	15.0%

During 2013 and 2012 the Group complied with all external capital requirements.

Capital adequacy ratio under the requirements of CBR regulation № 395-P "Calculation of own funds (Basel III) by credit institution"

The Group, being a member of UniCredit Group and one of the biggest local banks, monitors compliance and actively participates in development of Regulation related to Basel III.

Starting from the reporting period 1 January 2013 the Group calculates Capital (Own funds) and Capital adequacy ratios under Basel III requirements following CBR Regulation № 395-P "Calculation of own funds (Basel III) by credit institution", coming into force from 01.01.2014. The instruction is detailed translation of CRD IV: European regulation on prudential requirements for credit institutions, European directive on access to the activity of credit institutions and the prudential supervision of credit institutions.

The Capital (Own funds), computed in accordance with CBR Regulation № 395-P as at 31 December 2013 was as follows (unaudited):

	2013
Tier 1 capital	107 579 208
Core equity Tier 1 capital	107 515 143
Tier 2 capital	22 349 813
Total capital	**129 864 956**

The Capital adequacy ratios, computed in accordance with CBR Regulation № 395-P as at 31 December 2013 was as follows (unaudited):

	Limits	2013
Total capital adequacy ratio H1.0	10%	14.2%
Core equity tier 1 capital adequacy ratio H1.1	5%	11.8%
Tier 1 capital adequacy ratio H1.2	5.5%	11.8%

There are two key Basel III ratios related to liquidity: liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). According to CBR and European Regulation, LCR will be introduced as a limit starting from January 2015 gradually from 60% ending with 100% in 2019. Compliance by the Group with LCR is strongly required, as at 31 December 2013 LCR was as 90.1% (unaudited): both according to CBR and European Regulation.

31. Subsequent events

As at 30 January 2014, following the decision taken at the meeting of the Group's Board of Management, the Supervisory Board of the Group resolved to approve the purchase by ZAO UniCredit Bank of 60% share participation in LLC "UniCredit Leasing" from UniCredit Leasing S.p.A. As a result of the transaction the Group will comprise the Bank, the leading operating entity of the Group, and LLC "UniCredit Leasing" as 100% leasing subsidiary.

As at 13 February 2014, following the decision taken at the meeting of the Group's Board of Management and approval by the Supervisory Board of the Group, ZAO UniCredit Bank has purchased 60% share participation in LLC "UniCredit Leasing" from UniCredit Leasing S.p.A. As a result of the transaction the Group is comprise the Bank, the leading operating entity of the Group, and LLC "UniCredit Leasing" as a 100% leasing subsidiary.

UniCredit Bank