

VTB BANK

Consolidated Financial Statements and Auditors' Report

For the years ended 31 December 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

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Independent auditor's report

To the Supervisory Council and Shareholders of VTB Bank

We have audited the accompanying consolidated financial statements of VTB Bank and its subsidiaries (together "the Group"), which comprise the consolidated statements of financial position as at 31 December 2013 and 2012, and the consolidated income statements, consolidated statements of comprehensive income, of cash flows and of changes in shareholders' equity for the years then ended, and a summary of principal accounting policies and other explanatory information.

Audited entity's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the fairness of these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 audit 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 provide a basis for our audit opinion.

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 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

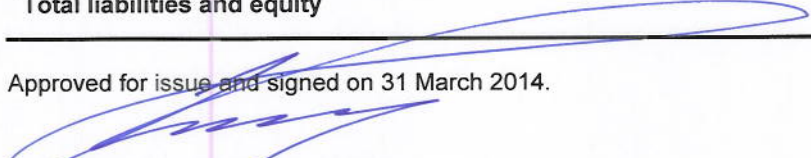
CJSC Ernst & Young Vneshaudit

31 March 2014

VTB Bank
Consolidated Statement of Financial Position as at 31 December
(in billions of Russian Roubles)

	Note	2013	2012 (restated)
Assets			
Cash and short-term funds	9	354.3	569.0
Mandatory cash balances with central banks		58.7	63.8
Financial assets at fair value through profit or loss	10	411.1	528.8
Financial assets pledged under repurchase agreements	11	466.6	302.9
Due from other banks	12	443.4	358.6
Loans and advances to customers	13	5,969.0	4,761.5
Assets of disposal group held for sale	20	36.7	15.3
Investment financial assets			
- available-for-sale	14	135.4	97.4
- held-to-maturity		0.7	0.9
Investments in associates and joint ventures	15	87.6	32.8
Land, premises and equipment	16	170.3	142.5
Investment property	17	160.7	148.0
Goodwill and other intangible assets	18	162.5	152.8
Deferred income tax asset	40	45.5	42.9
Other assets	19	266.0	198.5
Total assets		8,768.5	7,415.7
Liabilities			
Due to other banks	21	666.6	759.9
Customer deposits	22	4,341.4	3,813.4
Liabilities of disposal group held for sale	20	20.7	6.1
Other borrowed funds	23	1,485.9	806.2
Debt securities issued	24	738.2	753.9
Deferred income tax liability	40	15.0	12.3
Other liabilities	26	262.6	212.0
Total liabilities before subordinated debt		7,530.4	6,363.8
Subordinated debt	25	291.0	285.8
Total liabilities		7,821.4	6,649.6
Equity			
Share capital	27	138.1	113.1
Share premium		433.8	358.5
Perpetual loan participation notes	28	73.6	68.3
Treasury shares and perpetual loan participation notes		(3.6)	(13.7)
Other reserves	29	35.6	33.9
Retained earnings		262.0	193.7
Equity attributable to shareholders of the parent		939.5	753.8
Non-controlling interests		7.6	12.3
Total equity		947.1	766.1
Total liabilities and equity		8,768.5	7,415.7

Approved for issue and signed on 31 March 2014.


A.L. Kostin
President – Chairman of the Management Board


Herbert Moos
Chief Financial Officer – Deputy Chairman of the Management Board

VTB Bank
Consolidated Income Statements for the Years Ended 31 December
(in billions of Russian Roubles)

	Note	2013	2012
Interest income	30	686.3	555.7
Interest expense	30	(363.3)	(309.7)
Net interest income		323.0	246.0
Provision charge for impairment of debt financial assets	39	(96.9)	(59.4)
Net interest income after provision for impairment		226.1	186.6
Net fee and commission income	31	55.4	48.3
Gains less losses arising from financial instruments at fair value through profit or loss	32	13.2	10.1
Gains less losses from available-for-sale financial assets	14	7.3	4.9
(Losses net of gains) / gains less losses arising from foreign currencies	33	(8.7)	6.8
Gains on initial recognition of financial instruments, restructuring and other gains on loans and advances to customers		9.1	17.2
Share in profit of associates and joint ventures		2.2	1.2
Gain from disposal of subsidiaries and associates	52	2.8	1.1
Net insurance premiums earned	34	29.4	17.8
Net insurance claims incurred and movement in liabilities to policyholders	35	(16.4)	(9.8)
Revenue from non-banking activities	36	34.2	39.4
Cost of sales and other expenses from non-banking activities	36	(36.1)	(29.7)
Losses net of gains arising from extinguishment of liability		(3.7)	(1.8)
Provision charge for impairment of other assets, credit related commitments and legal claims	39	(2.3)	(2.7)
Excess of fair value of acquired net asset over cost	52	8.0	–
Impairment of goodwill	18	–	(1.5)
Other operating income	37	9.6	8.7
Net non-interest income		104.0	110.0
Operating income		330.1	296.6
Staff costs and administrative expenses	38	(210.9)	(181.2)
Profit before tax		119.2	115.4
Income tax expense	40	(24.1)	(24.8)
Net profit after tax		95.1	90.6
Profit after tax from subsidiaries acquired exclusively with a view to resale		5.4	–
Net profit		100.5	90.6
Net profit attributable to:			
Shareholders of the parent		101.5	85.8
Non-controlling interests		(1.0)	4.8
Basic and diluted earnings per share (expressed in Russian Roubles per share)			
	42	0.00805	0.00817
Basic and diluted earnings per share before profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian Roubles per share)			
	42	0.00760	0.00817

VTB Bank**Consolidated Statements of Comprehensive Income for the Years Ended 31 December***(in billions of Russian Roubles)*

	2013	2012
Net profit	100.5	90.6
Other comprehensive income:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Net result on financial assets available-for-sale, net of tax	(1.0)	(3.4)
Share of other comprehensive income of associates and joint ventures	–	(0.2)
Effect of translation, net of tax	3.9	(2.1)
<i>Total other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	<i>2.9</i>	<i>(5.7)</i>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial losses net of gains arising from difference between pension plan assets and obligations	(0.2)	–
Land and premises revaluation, net of tax	–	9.9
Effect of changes in tax rates recognized in land and premises revaluation reserve	–	0.2
<i>Total other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>	<i>(0.2)</i>	<i>10.1</i>
Other comprehensive income, net of tax	2.7	4.4
Total comprehensive income	103.2	95.0
Total comprehensive income attributable to:		
Shareholders of the parent	103.7	90.0
Non-controlling interests	(0.5)	5.0

	Note	2013	2012
Cash flows from operating activities			
Interest received		678.0	561.2
Interest paid		(329.3)	(292.5)
Income received / (loss incurred) on operations with financial assets at fair value through profit or loss		14.0	(30.4)
Income received from extinguishment of liability		–	2.2
Income received on dealing in foreign currency		3.7	16.6
Fees and commissions received		71.5	59.0
Fees and commissions paid		(15.0)	(12.5)
Other operating income received		6.8	4.5
Staff costs, administrative expenses paid		(184.2)	(151.5)
Income received from non-banking activities		37.9	16.3
Expenses paid in non-banking activities		(41.7)	(20.4)
Insurance premium received		32.0	21.5
Net insurance claims paid		(16.4)	(7.8)
Income tax paid		(18.1)	(21.5)
Cash flows from operating activities before changes in operating assets and liabilities			
		239.2	144.7
Net decrease/(increase) in operating assets			
Net decrease in mandatory cash balances with central banks		5.1	8.0
Net increase in restricted cash		(0.1)	(0.7)
Net decrease in correspondent accounts in precious metals		2.5	2.1
Net decrease in financial assets at fair value through profit or loss		11.2	43.8
Net (increase)/decrease in due from other banks		(31.8)	45.0
Net increase in loans and advances to customers		(1,321.5)	(600.0)
Net increase decrease in other assets		(16.8)	(31.6)
Net (decrease) increase in operating liabilities			
Net (decrease)/increase in due to other banks		(117.9)	42.6
Net increase in customer deposits		464.1	167.2
Net (decrease)/increase in debt securities issued other than bonds issued		(19.4)	7.1
Net (decrease)/increase in other liabilities		(5.9)	15.5
Net cash used in operating activities			
		(791.3)	(156.3)
Cash flows from / (used in) investing activities			
Dividends and other distributions received		1.3	2.4
Proceeds from sales or maturities of financial assets available-for-sale		131.2	141.1
Purchase of financial assets available-for-sale		(184.6)	(69.5)
Purchase of subsidiaries, net of cash	20,52	(80.6)	(2.7)
Disposal of subsidiaries, net of cash	20,52	41.5	1.2
Purchase of and contributions to associates and joint ventures		(1.8)	(15.8)
Proceeds from sale of share in associates		2.8	–
Purchase of investment securities held-to-maturity		–	(1.2)
Proceeds from redemption of investment securities held-to-maturity		0.3	32.1
Purchase of land, premises and equipment		(31.7)	(26.3)
Proceeds from sale of land, premises and equipment		4.6	10.5
Purchase or construction of investment property		(14.6)	(8.7)
Proceeds from sale of investment property		7.5	3.2
Purchase of intangible assets		(5.1)	(4.1)
Proceeds from sale of intangible assets		0.1	0.7
Net cash (used in) / from investing activities			
		(129.1)	62.9

	Note	2013	2012
Cash flows from financing activities			
Dividends paid	43	(16.8)	(10.8)
Proceeds from issuance of bonds at local bonds		96.3	121.6
Repayment of local bonds		(76.6)	(14.0)
Buy-back of local bonds		(54.6)	(20.0)
Proceeds from sale of previously bought-back local bonds		28.4	13.9
Proceeds from issuance of Eurobonds		48.2	138.6
Repayment of Eurobonds		(71.8)	(77.7)
Buy-back of Eurobonds		(8.3)	(82.0)
Proceeds from sale of previously bought-back Eurobonds		17.0	108.0
Proceeds from syndicated loans		66.9	7.2
Repayment of syndicated loans		(0.1)	(12.2)
Buy-back of syndicated loans		–	5.9
Proceeds from other borrowings and funds from local central banks		3,361.5	1,387.7
Repayment of other borrowings and funds from local central banks		(2,798.3)	(1,371.7)
Proceeds from subordinated debt		4.1	46.4
Repayment of subordinated debt		(7.2)	(3.3)
Buy-back of subordinated debt		(0.8)	(4.6)
Proceeds from sale of previously bought-back subordinated debt		0.8	0.8
Proceeds from share issue, less transaction costs	27	100.3	–
Cash received from sale of treasury shares		36.8	0.5
Cash paid for treasury shares		(34.4)	(13.7)
Share issue to non-controlling interests		0.5	–
Purchase of non-controlling interests	52	(1.3)	(24.0)
Proceeds from sale of non-controlling interests in subsidiaries	52	–	0.2
Proceeds from issue of Perpetual loan participation notes less transaction costs		–	71.6
Purchase of perpetual loan participation notes		(5.1)	(10.5)
Proceeds from sale of perpetual loan participation notes		5.0	10.5
Interest paid on Perpetual loan participation notes	43	(7.0)	(1.3)
Net cash from financing activities		683.5	267.1
Effect of exchange rate changes on cash and cash equivalents		25.5	(9.9)
Effect of hyperinflation		(0.9)	(0.4)
Net (decrease)/increase in cash and cash equivalents		(212.3)	163.4
At the beginning of period	9	560.9	397.5
At the end of period	9	348.6	560.9

VTB Bank
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended 31 December
(in billions of Russian Roubles)

	<i>Attributable to shareholders of the parent</i>								<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Perpetual loan participation notes (Note 28)</i>	<i>Treasury shares and perpetual loan participation loan notes</i>	<i>Other reserves (Note 29)</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Non-controlling interests (Note 53)</i>	
Balance at 1 January 2012	113.1	358.5	–	(0.6)	30.3	102.2	603.5	21.6	625.1
Net result from treasury shares transactions	–	–	–	(13.1)	–	0.3	(12.8)	–	(12.8)
Profit for the period	–	–	–	–	–	85.8	85.8	4.8	90.6
Other comprehensive income	–	–	–	–	4.1	0.1	4.2	0.2	4.4
Total comprehensive income for the period	–	–	–	–	4.1	85.9	90.0	5.0	95.0
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.4)	0.4	–	–	–
Share-based payments (Note 41)	–	–	–	–	–	1.3	1.3	–	1.3
Acquisition of subsidiaries	–	–	–	–	–	–	–	0.2	0.2
Disposal of subsidiaries	–	–	–	–	–	–	–	(0.1)	(0.1)
Increase in share capital of subsidiaries	–	–	–	–	–	(0.2)	(0.2)	0.8	0.6
Acquisition of non-controlling interests and other capital transactions	–	–	–	–	(0.1)	11.3	11.2	(13.5)	(2.3)
Issuance of perpetual loan participation notes	–	–	71.7	–	–	–	71.7	–	71.7
Foreign exchange translation of perpetual loan participation notes	–	–	(3.4)	–	–	3.4	–	–	–
Transaction costs on perpetual loan participation notes issuance	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Amounts paid on perpetual loan participation notes (Note 43)	–	–	–	–	–	(1.3)	(1.3)	–	(1.3)
Tax effect recognised on perpetual loan participation notes	–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Dividends declared (Note 43)	–	–	–	–	–	(9.1)	(9.1)	(1.7)	(10.8)
Balance at 31 December 2012	113.1	358.5	68.3	(13.7)	33.9	193.7	753.8	12.3	766.1
Share issue (Note 27)	25.0	75.3	–	–	–	–	100.3	–	100.3
Net result from treasury shares transactions	–	–	–	10.2	–	(7.5)	2.7	–	2.7
Net result from treasury perpetual loan participation notes transactions	–	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Profit for the period	–	–	–	–	–	101.5	101.5	(1.0)	100.5
Other comprehensive income	–	–	–	–	2.3	(0.1)	2.2	0.5	2.7
Total comprehensive income for the period	–	–	–	–	2.3	101.4	103.7	(0.5)	103.2
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.7)	0.7	–	–	–
Share-based payments (Note 41)	–	–	–	–	–	0.8	0.8	–	0.8
Increase in share capital of subsidiaries	–	–	–	–	–	–	–	0.4	0.4
Acquisition of subsidiaries	–	–	–	–	–	–	–	(1.2)	(1.2)
Disposal of subsidiaries	–	–	–	–	–	0.5	0.5	(1.6)	(1.1)
Acquisition of non-controlling interests	–	–	–	–	0.1	(2.9)	(2.8)	0.1	(2.7)
Amounts paid on perpetual loan participation notes (Note 43)	–	–	–	–	–	(7.0)	(7.0)	–	(7.0)
Foreign exchange translation of perpetual loan participation notes	–	–	5.3	–	–	(5.3)	–	–	–
Tax effect recognized on perpetual loan participation notes	–	–	–	–	–	2.5	2.5	–	2.5
Dividends declared (Note 43)	–	–	–	–	–	(14.9)	(14.9)	(1.9)	(16.8)
Balance at 31 December 2013	138.1	433.8	73.6	(3.6)	35.6	262.0	939.5	7.6	947.1

1. Principal Activities

VTB Bank and its subsidiaries (the “Group”) comprise Russian and foreign commercial banks, insurance, leasing and other companies and entities controlled by the Group.

VTB Bank, formerly known as Vneshtorgbank (the “Bank”, or “VTB”), was formed as Russia’s foreign trade bank under the laws of the Russian Federation on 17 October 1990. In 1998, following several reorganizations, VTB was reorganized into an open joint stock company. In October 2006 the Group started re-branding to change its name from Vneshtorgbank to VTB. In March 2007, the Bank for Foreign Trade was renamed into “VTB Bank” (Open Joint-Stock Company).

On 2 January 1991, VTB received a general banking license (number 1000) from the Central Bank of the Russian Federation (CBR). In addition, VTB holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer and a custodian, and providing asset management and special depository services. VTB and other Russian Group banks are regulated and supervised by the CBR and the Federal Financial Markets Service. Foreign Group banks operate under the bank regulatory regimes of their respective countries.

On 29 December 2004, the Bank became a member of the obligatory deposit insurance system provided by the State Corporation “Deposit Insurance Agency” (DIA). The Group subsidiary banks in Russia: “Bank VTB 24”, CJSC, “Bank of Moscow”, OJSC and “Leto Bank”, OJSC are also members of the obligatory deposit insurance system provided by DIA. The State deposit insurance scheme implies that DIA guarantees repayment of individual deposits up to the maximum total amount of guaranteed payment of RUR 700 thousand with a 100% compensation of deposited amount from 1 October 2008.

On 5 October 2005, VTB re-registered its legal address to 29 Bolshaya Morskaya Street, Saint-Petersburg 190000, Russian Federation. VTB’s Head Office is located in Moscow.

The Group operates in the corporate and investment banking, retail, real estate and other sectors. Corporate and investment banking include deposit taking and commercial lending in freely convertible currencies and in Russian Roubles, support of clients’ export/import transactions, foreign exchange, securities trading and trading in derivative financial instruments. The Group’s operations are conducted in both Russian and international markets. The Group conducts its banking business in Russia through VTB as a parent and several subsidiary banks with its network of 96 full service branches, including 23 branches of VTB, 49 branches of “Bank VTB 24”, CJSC, 25 branches of “Bank of Moscow”, OJSC located in major Russian regions. In November 2013, “TransCreditBank”, OJSC ceased its operations as a subsidiary of VTB following the legal merger of “Bank VTB 24”, CJSC and “TransCreditBank”, OJSC.

The Group operates outside Russia through 15 bank subsidiaries, located in the Commonwealth of Independent States (“CIS”) (Armenia, Ukraine (2 banks), Belarus (2 banks), Kazakhstan and Azerbaijan), Europe (Austria, Cyprus, Germany, France, Great Britain and Serbia), Georgia, Africa (Angola); through 2 representative offices located in Italy and China; through 2 VTB branches in China and India and 2 branches of “VTB Capital”, Plc in Singapore and Dubai. The Group investment banking division also performs broker/dealer operations in the United States of America, securities dealing and financial advisory in Hong Kong and investment banking operations in Bulgaria.

VTB’s majority shareholder is the Russian Federation state, acting through the Federal Property Agency, which holds 60.9% of VTB’s issued and outstanding shares at 31 December 2013 (31 December 2012: 75.5%).

The number of employees of the Group at 31 December 2013 was 103,808 (31 December 2012: 80,860).

Unless otherwise noted herein, all amounts are expressed in billions of Russian Roubles rounded off to one decimal.

2. Operating Environment of the Group

The Russian Federation. The most part of the Group operations are conducted in the Russian Federation. Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. Its economy is particularly sensitive to oil and gas prices.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2013 the Russian Government and the CBR continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. There continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Group’s future financial position, results of operations and business prospects.

2. Operating Environment of the Group (continued)

Also, factors including increased unemployment in Russia reduced corporate liquidity and profitability and increased corporate and personal insolvencies may affect the Group's borrowers' ability to repay the amounts due to the Group. In addition, changes in economic conditions may result in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

Other jurisdictions. In addition to Russia the Group conducts operations in CIS (Ukraine, Belarus, Kazakhstan, Azerbaijan and Armenia) and Georgia, European countries (Austria, Germany, France, Great Britain, Cyprus and Serbia) and some other countries. Tough economic and liquidity situation in many jurisdictions led to decrease or insignificant growth of GDP followed by shrinking in consumption as well as in investment activities. The primary targets of the local regulators were support of monetary stability, management of GDP deficit and inflation level regulation. In 2013 economy of the Republic Belarus remained hyperinflationary.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

3. Basis of Preparation

These consolidated financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Bank and its subsidiaries and associates maintain their accounting records in accordance with regulations applicable in their country of registration. These financial statements are based on those accounting books and records, as adjusted and reclassified to comply with IFRS.

These financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, the revaluation of land, premises and investment properties, available-for-sale financial assets, and financial instruments categorized as at fair value through profit or loss. The summary of principal accounting policies applied in the preparation of these financial statements is set out below in Note 7. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements are presented in Russian Roubles (RUR), the national currency of the Russian Federation, where the Bank is domiciled.

4. Adoption of New or Revised Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for certain new standards and interpretations, which became effective for the Group from 1 January 2013, as described below:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Ventures*. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. IFRS 11 had no impact on the consolidated financial statements of the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 replaces the disclosure requirements currently found in IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. IFRS 12 requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarized financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group provides these disclosures in Notes 15, 51, 53, 54.

4. Adoption of New or Revised Standards and Interpretations (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. The Group provides these disclosures in Note 48.

IAS 28 Investments in Associates and Joint Ventures

IAS 28 was revised in May 2011 to incorporate the equity method accounting for joint ventures in addition to associates. The revised IAS 28 had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19 Employee Benefits

The IASB has published amendments to IAS 19 *Employee Benefits*, effective for annual periods beginning on or after 1 January 2013, which involve major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the “corridor approach”). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. These amendments had no impact on the Group’s financial position.

Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, revaluation of buildings). The amendment affects presentation only and has no impact on the Group’s financial position or performance.

Amendments to IAS 1 Clarification of the requirement for comparative information

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the ‘third balance sheet’) must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes.

Amendments to IFRS 7 Disclosures – Offsetting Financial assets and Financial Liabilities

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with IAS 32. These amendments had no impact on the Group’s financial position or performance.

Amendment to IAS 32 Financial Instruments, Presentation: This amendment clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

5. New Accounting Pronouncements

Since the Group published its last annual financial statements, certain new standards and interpretations have been issued that are mandatory for the Group’s annual accounting periods beginning on or after 1 January 2014 or later and which the Group has not early adopted:

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

5. New Accounting Pronouncements (continued)

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgments made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Group does not expect the amendment to have any impact on its financial statements.

Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning on or after 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or Intangible assets with indefinite useful lives but there has been no impairment.

IFRS 9 – Financial Instruments Part 1: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in November 2013 (i) to include the new general hedge accounting model, (ii) to allow adoption of the treatment of fair value changes due to own credit on liabilities designated at fair value through profit or loss, and (ii) to remove the 1 January 2015 effective date. Key features of the standard are as follows:

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

The Group is considering the implications of the standard, the impact on the Group.

IFRIC 21 – Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. These IFRIC had no impact on the Group's financial position.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Group is currently assessing the impact of the amendments on the disclosures in its financial statements.

5. New Accounting Pronouncements (continued)

Amendments to IAS 19 – Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment clarifies how contributions from employees that are linked to service should be attributed to periods of service. It also permits entities to recognize employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, if the amount of the contributions is independent of the number of years of service. The Group is considering the implications of the amendment and its impact on the Group.

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

6. Correction of Prior Period Balances and Reclassifications

Goodwill related to Bank of Moscow acquisition

In the course of preparing the financial statements for the year ended 31 December 2013, the Group has identified that the carrying amount of goodwill related to Bank of Moscow acquisition was understated and the carrying amount of investment in associates ("Metropolitan Insurance Group", OJSC) was overstated for the amount of RUR 15.5 billion.

Amounts in the financial statements for 2011 and 2012 were restated. The effect of the restatement on those financial statements is presented below as at 31 December 2012 and as at 31 December 2011:

2012

	<i>As previously reported</i>	<i>Correction of prior period balances</i>	<i>Restated</i>
Investments in associates and joint ventures	48.3	(15.5)	32.8
Goodwill and other intangible assets	137.3	15.5	152.8

2011

	<i>As previously reported</i>	<i>Correction of prior period balances</i>	<i>Restated</i>
Investments in associates and joint ventures	32.5	(15.5)	17.0
Goodwill and other intangible assets	141.2	15.5	156.7

There was no effect of this restatement on consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows or consolidated statement of changes in shareholders' equity.

Debt securities issued reclassification

As at 31 December 2013, the Group determined that certain of its promissory notes issued, previously included in debt securities issued, represent in-substance deposit relationships. These promissory notes are acquired through the Central Treasury by the Group's customers, large corporations, as a substitute to customer deposits and are expected by the Group to be held to maturity by these customers. Accordingly, the Group concluded these promissory notes should be reclassified as customer deposits. The reclassification and its impact on comparative period information as at 31 December 2012 in the consolidated statement of financial position and corresponding notes are as follows:

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reclassified</i>
Customer deposits	3,672.8	140.6	3,813.4
Debt securities issued	894.5	(140.6)	753.9
Other legal entities / Term deposits (Note 22)	1,013.6	140.6	1,154.2
Promissory notes (Note 24)	301.9	(140.6)	161.3

6. Correction of Prior Period Balances and Reclassifications (continued)

Debt securities issued reclassification (continued)

The effect of reclassification of the comparative information in the interest income and expense note (Note 30) for the year ended 31 December 2012 is as follows:

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reclassified</i>
Interest expense			
Customer deposits	(166.0)	(7.8)	(173.8)
Debt securities issued	(56.0)	7.8	(48.2)

The effect of corresponding reclassifications on disclosure of the consolidated statement of cash flows for the year ended 31 December is as follows:

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reclassified</i>
Net increase in customer deposits	41.9	125.3	167.2
Net increase in debt securities issued other than bonds issued	132.4	(125.3)	7.1

The effect of reclassification on the related party transactions disclosures (Note 50) to the consolidated financial statements at 31 December 2012 was as follows:

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reclassified</i>
Government-related entities			
Customer deposits	1,093.0	140.6	1,233.6

The effect of reclassification of interest expense on the related party transactions disclosures (Note 50) for the year ended 31 December 2012 was as follows:

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reclassified</i>
Interest expense			
Customer deposits	(62.8)	(3.6)	(66.4)

Insurance business and non-banking activities reclassification

Following the improved disclosure of revenues and expenses arising from insurance and non-banking activities, the presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the consolidated income statement for the year ended 31 December 2012 is as follows:

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reclassified</i>
Income arising from non-banking activities	57.9	(57.9)	–
Expenses arising from non-banking activities	(29.2)	29.2	–
Net insurance premiums earned	–	17.8	17.8
Net insurance premiums incurred and movement in liabilities to policyholders	–	(9.8)	(9.8)
Revenue from non-banking activities	–	39.4	39.4
Cost of sales and other expenses from non-banking activities	–	(29.7)	(29.7)
Other operating income	8.1	0.6	8.7
Staff costs and administrative expenses	(191.6)	10.4	(181.2)

7. Summary of Principal Accounting Policies

Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. Subsidiaries are consolidated from the date, on which control is transferred to the Group (acquisition date) and are no longer consolidated from the date when control ceases. All intragroup balances and transactions, including income, expenses, dividends and unrealized gains on transactions between the Group members are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the accounting policies adopted by the Group.

Acquisition of subsidiaries

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Identifiable assets acquired and liabilities assumed, including contingent liabilities, which are a present obligation and can be measured reliably, are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of the aggregate of: i) purchase consideration paid, ii) the amount of any non-controlling interest in the acquiree and iii) acquisition-date fair value of the acquirer's previously held equity interest in the acquiree (in case of the business combination achieved in stages), over the fair value of the acquiree's identifiable net assets is recorded as goodwill. If the result of the above calculation is negative, the difference is recognized directly in the income statement.

Non-controlling interest is the interest in subsidiaries not attributable, directly or indirectly to the Group. The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. This choice is made by the acquirer for each business combination. Non-controlling interests that are not present ownership interests are measured at fair value. Non-controlling interest at the subsequent reporting date represents the initially recognized amount of non-controlling interest at the acquisition date and the non-controlling interest's portion of movements in comprehensive income and equity since the date of the combination. Non-controlling interest is presented as a separate component within the Group's equity except for the non-controlling interests in mutual funds under the Group's control, which are accounted for within Group's liabilities.

In a business combination is achieved in stages, the acquirer should remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. Acquisition-related costs should be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer should recognize at the acquisition date a liability for any contingent purchase consideration.

Increases in ownership interests in subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases are charged or credited directly to retained earnings as a capital transaction.

Investments in associates and joint arrangements

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

7. Summary of Principal Accounting Policies (continued)**Investments in associates and joint arrangements (continued)**

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

A joint venture exists where the Group has a joint arrangement with one or more parties to have rights to the net assets of the arrangement. The Group recognizes interests in a joint venture using the equity method and applies the same accounting policies as those for investments in associates.

Venture Capital Investments

Investments in companies that are managed by a dedicated team within VTB Group, primarily involved in venture capital activities, as part of the Group's investment portfolio of securities at fair value through profit and loss and over which the Group may have significant influence are carried at fair value as permitted by IAS 28 which allows investments in associates and joint ventures that are held by venture capital organizations to be excluded from the scope of IAS 28 if these investments are upon initial recognition designated as at fair value through profit or loss or are classified as held for trading and accounted in accordance with IAS 39. These venture capital investments of the Group are classified as investments in associates and joint ventures designated as at fair value through profit or loss and the changes in the fair value of such investments are accounted for similar to the changes in the fair value of financial assets designated as at fair value through profit or loss as described below, and is included in the gains less losses arising from financial instruments at fair value through profit or loss.

Structured entities

Structured entities are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Judgement is also required to determine whether the substance of the relationship between the Group and a structured entity indicates that the structured entity is controlled by the Group.

The Group does not consolidate structured entities that it does not control. As it can sometimes be difficult to determine whether the Group does control a structured entity, management makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the structured entity in question. In many instances, elements are present that, considered in isolation, indicate control or lack of control over a structured entity, but when considered together make it difficult to reach a clear conclusion. Refer to Note 54 for further information about the Group's exposure to structured entities.

Disposals of subsidiaries, associates or joint ventures

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Financial assets*Valuation of financial instruments*

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received). In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Group recognises a gain or loss on inception of the financial instrument, being the difference between the transaction price and the fair value. When unobservable market data have a significant impact on the valuation of financial instruments, the entire initial difference in fair value from the transaction price as indicated by the valuation model is not recognised immediately in the income statement. Instead, it is recognised over the life of the transaction on an appropriate basis, when the inputs become observable, the transaction matures or is closed out, or when the Group enters into an offsetting transaction.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value are measured in accordance with the Group's valuation methodologies, which are described in Notes 49.

7. Summary of Principal Accounting Policies (continued)**Financial assets (continued)***'Day 1' profit*

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique with all material inputs observable, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the consolidated income statement. Any other differences are not recognized as "day 1" gain or loss but rather are amortized on a straight line basis over the term of the relevant financial asset or recognized in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

Classification of financial assets

Financial assets in the scope of IAS 32 and IAS 39 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.

Reclassification of financial assets

Non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) may be reclassified out of the fair value through profit or loss category in the following circumstances:

- financial assets that would have met the definition of loans and receivables at initial recognition (if the financial asset had not been required to be classified as held for trading) may be reclassified out of the fair value through profit or loss category if there is the intention and ability to hold the financial asset for the foreseeable future or until maturity; and
- financial assets (except financial assets that would have met the definition of loans and receivables at initial recognition) may be reclassified out of the fair value through profit or loss category and into another category in rare circumstances.

When a financial asset is reclassified as described in the above circumstances, the financial asset is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in the income statement is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Where financial assets have been reclassified out of the fair value through profit or loss category to the loans and receivables category, the effective interest rate determined at the date of reclassification is used to calculate any impairment losses.

*Financial assets at fair value through profit or loss:**(a) Financial assets held for trading*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired or generated for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as and are effective hedging instruments. Gains or losses on financial assets held for trading are recognized in the income statement.

Financial assets held for trading, are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio, in which a pattern of short-term trading exists. The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term.

Non-derivative trading financial assets are carried at fair value. Interest earned on non-derivative debt trading financial assets calculated using the coupon (contractual) interest rate is presented in the income statement as interest income. All elements of the changes in the fair value are recorded in the income statement as gains less losses from financial assets at fair value through profit or loss in the period, in which they arise.

(b) Financial assets designated as at fair value through profit or loss

Other financial assets at fair value through profit or loss are those designated irrevocably, at initial recognition, into this category. Management designates financial assets into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel as defined in IAS 24. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities and is in accordance with IAS 39.

7. Summary of Principal Accounting Policies (continued)**Financial assets (continued)***Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and not classified or designated as at fair value through profit or loss upon initial recognition. Such assets are carried at amortized cost using the effective interest method. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables of acquired subsidiaries are initially recorded in the statement of financial position at their estimated fair value at the date of acquisition.

The Group may change the intention of holding certain loans and receivables for foreseeable future and intend to sell these items. In the above case the Group reclassifies these specific items from loans and receivables to available-for-sale financial assets. These reclassified assets are measured at fair value through other comprehensive income.

Held-to-maturity investments

Quoted non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category. Held-to-maturity investments are subsequently measured at amortized cost. For investments carried at amortized cost, gains and losses are recognized in the income statement when the investments are disposed or impaired, as well as through the amortization process.

Held-to-maturity investments of acquired subsidiaries are initially recorded in the statement of financial position at their estimated fair value at the date of acquisition.

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 recognized in other comprehensive income in a separate component of equity until the investment is derecognized or until the investment is determined to be impaired. However, interest calculated using the coupon (contractual) interest rate is recognized in the income statement.

When the Group derecognizes available-for sale financial assets, the Group reclassifies the cumulative gain or loss previously recognized in other comprehensive income in a separate component of equity to a separate line in the income statement.

If there is objective evidence that an available-for-sale financial asset is impaired the cumulative loss previously recognized in other comprehensive income being the difference between the acquisition cost and the current fair value (less any impairment loss on that asset previously recognized in income statement) – is reclassified from separate component of equity to the income statement.

Financial assets classified as available-for-sale that would have met the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- 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 has no obligation to pay amounts to eventual recipients unless it collects equivalent amounts from the original assets 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.

7. Summary of Principal Accounting Policies (continued)**Financial assets (continued)**

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 recognized 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Restructuring of financial assets

The Group from time to time may restructure some of its financial assets. This mostly relates to loans and receivables. The accounting treatment of such restructuring is conducted in the following basic scenarios:

- If the currency of the loan has been changed the old loan is derecognized and the new loan is recognized. As a result, the new loan will be recognized which requires the estimation of a new effective interest rate. If the new effective interest rate is below the market interest rate, the loss on initial recognition is recognized in the reporting period.
- If the loan restructuring is not caused by the financial difficulties of the borrower but the cash flows were renegotiated on favorable terms for the borrower – the loan is not recognized as impaired. In the case where a modification of a restructured loan's cash flows is not considered substantial, the loan is not derecognized but the new effective interest rate is determined based on the remaining cash flows under the loan agreement till maturity.
- If the loan is impaired after being restructured, the Group uses the original effective interest rate in respect of the new cash flows after renegotiation to estimate the recoverable amount of the loan. The difference between the recalculated present value of the new cash flows taking into account collateral and the carrying amount before restructuring is included in the provision charges for debt financial assets for the period.

Securitization of financial assets

As part of its operational activities, the Group securitizes financial assets, generally through the transfer of these assets to special purpose entities that issue debt securities to investors or through the arrangement of funded participation agreements. The transferred securitized assets may qualify for derecognition in full or in part. Interests in the securitized financial assets may be retained by the Group and are primarily classified as loans to customers. Gains or losses on securitizations are based on the carrying amount of the financial assets derecognized and the retained interest, based on their relative fair values at the date of transfer.

Financial liabilities

Financial liabilities in the scope of IAS 32 and IAS 39 are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. When financial liabilities are recognized initially, they are measured at fair value, minus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Other financial liabilities are carried at amortized cost using the effective interest rate method.

Financial liabilities of acquired subsidiaries are initially recorded in the statement of financial position at their estimated fair value at the date of acquisition.

Financial liabilities are classified as financial liabilities at fair value through profit or loss if they are issued for the purpose of repurchasing them in the near term. They normally contain trade financial liabilities or "short" positions in securities. Derivatives with negative fair value are also classified as financial liabilities at fair value through profit or loss. Gains or losses on financial liabilities at fair value through profit or loss are recognized in the income statement.

7. Summary of Principal Accounting Policies (continued)**Financial liabilities (continued)***Derecognition of financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same creditor 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 recognized in the income statement.

When a financial liability is repurchased (bought-back) by a certain Group member, it is derecognized. The difference between the carrying value (amortized cost) of a financial liability as of the date of buy-back and the consideration paid is recognized in the income statement as the gain or loss arising from extinguishment of liability.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Cash and cash equivalents

Cash and cash equivalents are items, which can be converted into cash within a day. All short-term interbank placements, including overnight placements, are included in due from other banks. Amounts which relate to funds that are of a restricted nature, and correspondent accounts in precious metals are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortized cost, which approximates fair value.

Mandatory reserve deposits with central banks

Mandatory reserve deposits with the CBR and other central banks are carried at amortized cost and represent non-interest bearing deposits, which are not available to finance the Group's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Due from other banks

Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting receivable, which is due on fixed or determinable dates. Amounts due from other banks are carried at amortized cost less allowance for impairment.

Repurchase and reverse repurchase agreements and lending of financial instruments

Sale and repurchase agreements ("repo agreements") are treated as secured financing transactions. Securities or other financial assets sold under sale and repurchase agreements are not derecognized. The financial assets are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the financial assets, in which case they are reclassified as financial assets pledged under sale and repurchase agreements (repurchase receivables). The corresponding liability is presented within customer deposits, amounts due to other banks or other borrowed funds.

Financial assets purchased under agreements to resell ("reverse repo agreements") are recorded as due from other banks or loans and advances to customers, as appropriate.

The difference between the sale and repurchase price is treated as interest income/expense and accrued over the life of repo agreements using the effective interest method.

Financial assets lent to counterparties are retained in the financial statements in their original statement of financial position category unless the counterparty has the right by contract or custom to sell or repledge the financial assets, in which case they are reclassified and presented separately as loaned financial assets.

Financial assets borrowed are not recorded in the financial statements, unless these are sold to the third parties, in which case an obligation to return the financial assets ("short position") is recorded in Other liabilities at fair value through profit or loss in the statement of financial position. The revaluation of this obligation is recorded in the income statement within gains less losses arising from financial instruments at fair value through profit or loss.

7. Summary of Principal Accounting Policies (continued)**Derivative financial instruments**

Derivatives are recognised initially, and are subsequently remeasured, at fair value. Fair values of exchange traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

Derivatives may be embedded in other financial instruments. Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract; the terms of the embedded derivative would meet the definition of a stand-alone derivative if they were contained in a separate contract; and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with changes therein recognised in the income statement.

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognised in the income statement.

Hedge accounting

The Group uses derivative instruments to manage exposures to fluctuations both of cash flows from interest received and paid, and of fair values for specifically determined items. As a result, the Group applies hedge accounting for transactions, which meet the specified criteria.

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 each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period, for which the hedge is designated, are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognized in the income statement within "Gains less losses arising from financial instruments at fair value through profit or loss" caption. Meanwhile, the change in the fair value of the hedged item attributable to the risk being hedged is recorded as part of the carrying value of the hedged item and is also recognized in the income statement in "Gains less losses arising from financial instruments at fair value through profit or loss" caption.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the income statement.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized through other comprehensive income directly in equity in the cash flow hedge reserve within "Unrealized gain on financial assets available-for-sale and cash flow hedge" caption. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the income statement in "Gains less losses arising from financial instruments at fair value through profit or loss".

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is "recycled" in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement in "Gains less losses arising from financial instruments at fair value through profit or loss".

7. Summary of Principal Accounting Policies (continued)**Regular way transactions**

Regular way transactions are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. All regular way purchases and sales of financial assets are recognized or derecognized on the contractual settlement date which is the date when the asset is to be delivered to or by the Group. Regular way transactions are not recognized as derivatives because of the short duration of the commitment to deliver financial assets between the trade and settlement date.

Any change in the fair value of the financial assets at fair value through profit or loss to be received during the period between the trade date and the settlement date is recognized in the income statement and for financial assets available for sale is recognized in other comprehensive income for financial assets purchased. For financial assets sold on a regular way basis no changes in fair value are recognized in the income statement or in other comprehensive income between the trade and settlement date. Assets carried at cost or amortized cost are not affected by the change in fair value during the period between the trade and settlement date.

Promissory notes purchased

Promissory notes purchased are included in financial assets at fair value through profit or loss or in due from other banks or in loans and advances to customers or in investment securities held-to-maturity, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Finance and operating leases

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Group is a lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included 'Loans and advances to customers'. The finance income receivable is recognised in 'Interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the Group is a lessee under finance leases, the leased assets are capitalised and included in 'Land, property and equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Interest expense' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. When acting as lessor, The Group includes the assets subject to operating leases in 'Land, property and equipment' and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired. When Group is the lessee, leased assets are not recognised on the balance sheet. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'General and administrative expenses' and 'Other operating income', respectively.

Allowances for impairment of financial assets*Impairment of financial assets carried at amortized cost*

Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired include its overdue status and realizability of related collateral, if any.

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

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

7. Summary of Principal Accounting Policies (continued)

Allowances for impairment of financial assets (continued)

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Uncollectible assets are written-off against the related allowance for impairment after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Impairment of available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the income statement, but are rather retained in other comprehensive income in a separate component of equity. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss were recognized in profit or loss. A significant or prolonged decline in the fair value of an equity instrument classified as available-for-sale below its cost is also objective evidence of impairment of this instrument.

Insurance

Insurance operations. Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance risk exists when the Group has uncertainty in respect of the following matters at inception of the contract: the occurrence of insurance event, the date of occurrence of insurance event and claim value in respect of it. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk

Gross insurance premiums written. Upon inception of a contract, premiums are recorded as written and are earned on a pro-rata basis over the term of the related policy coverage. Decreasing insurance premiums in subsequent periods (for example, when signing additional agreements to the original signed contracts) are recognized as a reduction in insurance premiums in the reporting period. In the consolidated income statement of the Group gross insurance premiums written are included in Net insurance premiums earned.

Provision for unearned premiums. Provision for unearned premiums represents the proportion of premiums written that relate to unexpired term of policies in force as at the reporting date, calculated on a time apportionment basis. Provision for unearned premiums is calculated by «pro rata temporis» method for each policy and defined as insurance premium multiplied by ratio of unexpired portion of policy to the entire term of the policy. Movement in provision for unearned premiums is recognized within Net insurance premiums earned in the consolidated income statement of the Group.

Claims paid. Claims are charged to the consolidated income statement as incurred based on evaluated liability for compensation payable to policyholders or third parties suffered from occurrence of the insured event. Claims also include claims handling expenses related to cost of experts, appraisers, surveyors and emergency commissioners. Claims paid are recognized within Net insurance premiums incurred and movement in liabilities to policyholders in the consolidated income statement of the Group.

Loss provisions. Loss provisions represent an estimate of liabilities to pay claims in future and include outstanding claims provision ("OCP") and provision for claims incurred but not reported ("IBNR"). Estimates of claims handling expenses are included in both OCP and IBNR. OCP is provided in respect of claims reported, but not settled as at the reporting date. The estimation is made on the basis of information received by the Group during investigation of insurance cases as at and after the reporting date. IBNR is determined by the Group by line of business using actuarial methods, and includes assumptions based on prior years' claims and claims handling experience. Movement in loss provisions is recognized within Net insurance premiums incurred and movement in liabilities to policyholders in the consolidated income statement of the Group.

7. Summary of Principal Accounting Policies (continued)**Insurance (continued)**

Liability adequacy test. At each reporting date, liability adequacy test is performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs. In performing these tests, the current best estimates of the future contractual cash flows and claims handling expenses are used. Any deficiency is immediately charged to the consolidated income statement, initially by writing off deferred acquisition costs and by subsequently establishing a provision for losses arising from the liability adequacy test.

Non-current assets and disposal group held for sale

Non-current assets (or disposal groups, which may include both non-current and current assets and liabilities), are classified in the statement of financial position as 'non-current assets held for sale' (or as 'assets of disposal group held for sale' and 'liabilities of disposal group held for sale') if their carrying amount will be recovered principally through a sale transaction, including deconsolidation of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets (or disposal groups) are eligible to be classified or reclassified when all of the following conditions are met:

- (a) the assets are available for immediate sale in their present condition;
- (b) the Group's management approved and initiated an active programme to locate a buyer;
- (c) the assets are actively marketed for a sale at a reasonable price;
- (d) the sale is expected to occur within one year from the date of classification and
- (e) it is unlikely that significant change to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

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

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment and intangible assets are not depreciated or amortized. Reclassified financial instruments, deferred taxes and investment properties held at fair value are not subject to the write down to the lower of their carrying amount and fair value less costs to sell. Reclassified financial instruments, deferred taxes and investment properties held at fair value shall be remeasured in accordance with applicable IFRSs before the fair value less cost to sell of the disposal group is remeasured.

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

Gains or losses of the subsidiary classified as disposal group held for sale are included in the relevant caption of the consolidated income statement and other comprehensive income.

Investment property

Investment property is land or building or a part of building held to earn rental income or for capital appreciation and which is not used by the Group or held for the sale in the ordinary course of business. Property that is being constructed or developed or redeveloped for future use as investment property is also classified as investment property.

Investment property is initially recognized at cost, including transaction costs, and subsequently remeasured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Group's investment property is determined on the base of various sources including reports of independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Earned rental income is recorded in the income statement within income arising from non-banking activities. Gains and losses resulting from changes in the fair value of investment property are recorded in the income statement and presented within income or expense arising from non-banking activities.

7. Summary of Principal Accounting Policies (continued)

Investment property (continued)

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to premises and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Land, premises and equipment

Premises and equipment are stated at revalued amounts and cost, respectively, less accumulated depreciation and allowance for impairment where required. Land is stated at revalued amounts. Land has indefinite term of usage and, therefore, is not depreciable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is recognized in the income statement. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Land, premises and equipment of acquired subsidiaries are initially recorded in the statement of financial position at their estimated fair value at the date of acquisition. No accumulated depreciation on the premises and equipment acquired in the business combinations is presented in the financial statements on the date of acquisition.

Land and premises of the Group are subject to revaluation on a regular basis, approximately every three to five years. The frequency of revaluation depends upon the change in the fair values. When the fair value of a revalued asset differs materially from its carrying amount further revaluation is performed. The revaluation is applied simultaneously to the whole class of property to avoid selective revaluation.

Any revaluation surplus is credited to the other comprehensive income and increases land and premises revaluation reserve which is a separate equity section of the statement of financial position, except to the extent that it reverses an impairment of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement except for the deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve for land and premises.

The land and premises revaluation reserve included in equity is transferred directly to retained earnings when the surplus is realized, i.e. on the retirement or disposal of the asset or as the asset is used by the Group; in the latter case, the amount of the surplus realized is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Construction in progress is carried at cost less allowance for impairment, if any. Upon completion, assets are transferred to premises and equipment at their carrying value. Construction in progress is not depreciated until the asset is available for use.

If impaired, land, premises and equipment are written down to the higher of their value in use and fair value less costs to sell.

The decrease in carrying amount is charged to income statement to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposal of land, premises and equipment are determined by reference to their carrying amount and are taken into account in determining profit or loss. Repairs and maintenance are charged to the income statement when the expense is incurred.

Depreciation

Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets using the following basic annual rates:

	<i>Useful life</i>	<i>Depreciation rates</i>
Premises	Maximum 40 years	Minimum 2.5% per annum
Equipment	4-20 years	5%-25% per annum

Estimated useful lives and residual values are reassessed annually.

7. Summary of Principal Accounting Policies (continued)**Goodwill**

Goodwill recognized in a business combination represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized and is calculated as the excess of (a) over (b) below:

- (a) the aggregate of:
- the consideration transferred, which generally requires acquisition-date fair value;
 - the amount of any non-controlling interest in the acquiree; and
 - in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.
- (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the above resulting amount is negative, the acquirer has made a gain from a bargain purchase that gain is recognized in profit or loss.

The revised IFRS 3 allows the acquirer to measure any non-controlling interests, which are present ownership interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets for each business combination. This results in different amount of goodwill or gain from bargain purchase to be recognized in financial statements depending on the choice of the acquirer.

Goodwill on an acquisition of a subsidiary is disclosed in the caption "Intangible assets and goodwill" of the statement of financial position. Goodwill on an acquisition of an associate or joint venture is included in the carrying amount of investments in associates and joint ventures. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any.

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 acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of 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. Each unit or group of units, to which the goodwill is so allocated:

- represents the lowest level within the Group, at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment in accordance with IFRS 8 "Operating Segments" before aggregation.

Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms a part of a cash-generating unit (group of cash-generating units) and a part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets other than goodwill

Intangible assets other than goodwill include licenses, computer software, and other identifiable intangible assets, including those acquired in business combinations.

Intangible assets acquired or recognized separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized using straight-line method over the useful economic lives, which normally do not exceed 5 years, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and amortization methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

7. Summary of Principal Accounting Policies (continued)**Intangible assets other than goodwill (continued)**

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Core deposit and loan to customer intangibles

Core deposit and loan to customer intangibles relate to the acquisition of the Group's subsidiaries and are attributable to the customer demand deposits, loans to customers, stable client base, are identified as intangible assets. The identification is based on examination of the subsidiaries' customer base. The core deposit intangible is recognized if it was concluded that the acquired subsidiaries has a well-established and long-dated relationship with its major customers and that demand deposits actual maturity was significantly longer than contract maturity. The loan to customer intangible is determined by applying income approach and calculated as discounted cash-flow from new loans to existing borrowers. The useful life of the core deposit and loan to customer intangibles was estimated from five to eight years and is amortized over its useful life using the straight-line method.

Due to other banks

Amounts due to other banks are recorded when money or other financial assets are advanced to the Group by counterparty banks. The liability is carried at amortized cost using the effective interest method.

Customer deposits

Customer deposits are liabilities to individuals, state or corporate customers and are carried at amortized cost using the effective interest method. Customer deposits include both demand and term deposits. Interest expense is recognized in the income statement over the period of deposits using effective interest method.

Debt securities issued

Debt securities issued include promissory notes, certificates of deposit, eurobonds and debentures issued by the Group. Debt securities are stated at amortized cost using the effective interest method. If the Group purchases its own debt securities in issue, they are removed from the statement of financial position and the difference between the carrying amount of the liability the consideration paid is included in gains less losses arising from extinguishment of liability in the income statement.

Other borrowed funds

Other borrowed funds include some specific borrowings, which differ from the above items of liabilities and include funds from local central banks, syndicated loans, revolving, other credit lines and other specific items. Other borrowed funds are carried at amortized cost using the effective interest method. Interest expense is recognized in the income statement over the period of other borrowed funds using effective interest method.

Operations with precious metals

The Group enters into different types of transactions with precious metals including sale and purchase agreements, metal-currency swap transactions, lending and borrowing in precious metals. Correspondent accounts in precious metals (assets) are recorded within Cash and short-term funds; however, they are excluded from Cash and cash equivalents as the precious metals are considered to be a commodity rather than a financial instrument. Precious metals inventory in vault is included in Other assets.

When the Group borrows precious metals or accepts deposits in precious metals with a subsequent metal-currency swap or economically similar transaction, the Group accounts for such transactions as borrowings within the appropriate liability caption in the statement of financial position and recognizes interest expense at the effective interest rate over the term of the borrowing. Related derivatives, including bifurcated precious metals derivatives, are accounted for in the statement of financial position as assets or liabilities at fair value through profit or loss with any changes in fair value recorded in the income statement.

Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in the same statement in which the related item appears.

7. Summary of Principal Accounting Policies (continued)**Income tax (continued)**

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Group intends to settle on a net basis and the legal right to offset exists. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorized prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative expenses.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the Group has a legal right to offset.

Deferred tax relating to actuarial gains and losses on post-employment benefits is recognised in other comprehensive income. Deferred tax relating to share-based payment transactions is recognised directly in equity to the extent that the amount of the estimated future tax deduction exceeds the amount of the related cumulative remuneration expense. Deferred tax relating to fair value re-measurements of available-for-sale investments and cash flow hedging instruments which are charged or credited directly to other comprehensive income, is also charged or credited to other comprehensive income and is subsequently recognised in the income statement when the deferred fair value gain or loss is recognised in the income statement.

Provisions for liabilities and charges

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

Credit related commitments

In the normal course of business, the Group enters into irrevocable credit related commitments, including letters of credit and guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantee contracts are recognized initially at fair value and remeasured at the higher of the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 *Revenue*. Commitments to provide loans at a below-market interest rate are initially recognized at fair value, and subsequently measured at the higher of (i) the unamortized balance of the related fees received and deferred and (ii) the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Specific provisions are recorded against credit related commitments when losses are considered more likely than not.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of the unamortised balance of the amount at initial recognition and the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as loans and receivables upon transfer of the loss compensation to the guarantee's beneficiary.

Perpetual Loan Participation Notes

Due to the undefined maturity and an option for non-cumulative cancellation of coupon payments, the Group accounts for the Perpetual Loan Participation Notes as an equity instrument and as a Tier I eligible instrument for the purpose of Capital Adequacy Ratio calculation. The CBR approved the inclusion of the subordinated loan in the statutory capital ratio calculation of the Bank.

7. Summary of Principal Accounting Policies (continued)**Perpetual Loan Participation Notes (continued)**

The Group accounts for the Perpetual Loan Participation Notes (PLPN) denominated in the foreign currency in the amount of RUR equivalent amount using the foreign exchange rate at the reporting date with foreign exchange translation effects recorded in Retained earnings. Issuance costs were also recorded in Retained earnings.

While coupon payments are optional at the discretion of VTB, certain terms in the PLPN may cause such payments to become mandatory. At the moment the coupon under PLPN becomes mandatory, it is recorded as a dividend declaration described below.

Treasury perpetual loan participation notes are included in Treasury shares and PLPN in the consolidated statement of changes in shareholder's equity.

Share premium

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

Dividends

Dividends are recorded as a separate debit caption in equity in the period in which they are declared. Dividends declared after the reporting date and before the financial statements are authorized for issue are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit.

Interest income and expense

Interest income and expense for all financial instruments are recognised on an accrual basis in 'Interest income' and 'Interest expense' in the income statement using the effective interest method (for items carried at amortized cost) or the coupon (contractual) interest rate (for items carried at fair value). The effective interest method is a way of calculating the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Fee income is earned from a diverse range of services provided by the Group to its customers. Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party such as an arrangement for the acquisition of shares or other securities);
- income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management, portfolio and other management advisory and service fees); and
- income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees) and recorded in 'Interest income'.

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities. Dividends from equity securities classified as financial instruments at fair value through profit or loss recognised within "Gains less losses arising from financial instruments at fair value through profit or loss" line of consolidated income statement. Dividends from equity securities classified as available-for-sale financial assets recognised within "Other operating income" line of consolidated income statement.

7. Summary of Principal Accounting Policies (continued)**Staff costs and related contributions**

The Group's contributions to the State and Group's social insurance and obligatory medical insurance funds in respect of its employees are expensed as incurred and included in staff costs within staff costs and administrative expenses. The Group's contributions to the State and Group pension schemes are included in defined contribution pension expense within staff costs and administrative expenses. Unused vacations accrued amounts are also included in staff costs within staff costs and administrative expenses. The Group recognizes all actuarial gains and losses related to the defined benefit plan directly in other comprehensive income.

Share-based payment

Equity-settled share-based payment transactions are transactions, in which the entity receives goods or services as consideration for equity instruments of the entity.

For equity-settled share-based payment transactions, the goods or services received, and the corresponding increase in equity, are measured directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services received is cannot be estimated reliably, their value, and the corresponding increase in equity, should be measured indirectly, by reference to the fair value of the equity instruments granted.

For share-based payment transactions among Group's entities, in its separate or individual financial statements, the entity receiving the goods or services shall measure the goods or services received as either an equity-settles or a cash-settled share-based payment transaction be assessing:

- (a) the nature of the awards granted, and
- (b) its own rights and obligations.

The entity receiving the goods or services shall measure the goods or services received as an equity-settles share-based payment transaction when:

- (a) the awards granted are its own equity instruments, or
- (b) the entity has no obligation to settle the share-based payment transaction.

In all other circumstances, the entity receiving the goods or services received as a cash-settled share-based payment transaction.

The entity settling share-based payment transaction when another entity in the Group receives goods or services shall recognise the transaction as an equity-settled share-based payment transaction only if it is settled as an equity-settled share-based payment transaction only if it is settled in the entity's own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled share-based transaction.

Inflation accounting

If an economy in which a Group's subsidiary operates is considered to be hyperinflationary as defined by IAS 29 *Financial Reporting in Hyperinflationary Economies* than this subsidiary applies IAS 29. The standard requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date.

Foreign currency translation

Each Group member determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency equivalent, translated at the rate of exchange 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 recognized in the income statement as foreign exchange translation gains less losses. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

These financial statements are presented in Russian Roubles (RUR), the national currency of the Russian Federation, where the Bank is domiciled. As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group and is not a currency of hyperinflationary economy, are translated into RUR at the closing rate of exchange at the reporting date and their income statements are translated into RUR at the average exchange rates for the reporting period.

7. Summary of Principal Accounting Policies (continued)**Foreign currency translation (continued)**

The exchange differences arising on the translation are recognized in other comprehensive income in a separate component of equity ("Currency translation difference").

If the entity's functional currency is a currency of hyperinflationary economy, all amounts (assets, liabilities, equity items, income and expenses) of these entities are translated into RUR at the closing rate of exchange at the reporting date; and, before applying this translation method, the entity restates its financial statements in accordance with IAS 29 (see above "Inflation accounting"), except for comparative amounts that are translated into RUR. Differences which arise each period between the closing equity items of the previous year and the opening equity items of the current year presented in RUR are recognized as an "Effect of translation, net of tax" in other comprehensive income, as to the related equity items. The remaining exchange differences arising on the consolidation are recognized in other comprehensive income in a separate component of equity ("Currency translation difference").

On disposal of a subsidiary or an associate or joint venture, whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognized in equity relating to that particular entity is reclassified to the income statement.

As at 31 December 2013, the principal closing rate of exchange used for translating balances in USD to Russian Roubles was USD 1 to RUR 32.7292 (at 31 December 2012: USD 1 to RUR 30.3727), and the principal closing rate of exchange used for translating balances in Euro was EUR 1 to RUR 44.9699 (at 31 December 2012: EUR 1 to RUR 40.2286).

Fiduciary assets

Assets held by the Group in its own name, but for the account of third parties, are not reported in the consolidated statement of financial position. Commissions received from such operations are shown within fee and commission income in the consolidated income statement.

Segment reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Group's 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. Segments with a majority of revenue earned from sales to external customers and whose revenue, net profit (loss) or combined assets are ten percent or more of all the segments are reported separately (reportable segments). The segments, that are below the above materiality thresholds, but can be aggregated on the basis of their activities, production processes, products or services, should be tested for the meeting the criteria of reportable segments on these aggregated amounts.

In accordance with IFRS 8 *Operating Segments*, the Group defined as the operating segments its global business lines. This segment disclosure is presented on the basis of IFRS compliant data of the global business lines and entities adjusted, where necessary, for intersegment reallocation.

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity in accordance with common banking practice.

8. Significant Accounting Estimates and Judgements

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

8. Significant Accounting Estimates and Judgments (continued)**Allowance for impairment of loans, receivables and provision for commitments to provide loans**

The Group reviews its loans and receivables and loan commitments for impairment on a regular basis. The Group uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and sufficient historical data relating to similar borrowers is not available. Similarly, the Group estimates changes in future cash flows based on observable data to obtain indication of any adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

For the purposes of calculation of allowances and provisions for impairment of loans and commitments to provide loans at 31 December 2013 and 2012, the Group applied the internally approved formalized provisioning methodology for loans and commitments to provide loans with signs of individual impairment and collectively assessed loans on portfolio basis with no signs of individual impairment and similar credit risk characteristics.

During the year ended 31 December 2013, the Group modified certain aspects of the loan loss provision estimation process, primarily in respect of project development loans, assessment of seasonal factors for non-restructured consumer loans and the recovery assessment on non-performing consumer loans which resulted in the cumulative positive effect of RUR 16.3 billion on the provision for loan losses in the statement of income.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use or fair value less cost to sell of the cash-generating units, to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was RUR 120.4 billion (31 December 2012: RUR 120.4 billion) (Note 18).

Impairment of investments in associates

The Group performs impairment review for its investments in associates where indication of impairment exists at the reporting date. The recoverable amount of investments is determined as their fair value less costs to sell. When the Group's investments are not quoted in active markets, their fair values are determined using various valuation methods, including valuation multiples and discounted cash flow techniques.

Existence of significant influence in other entities

The Group may have voting rights in other entities approaching to, but lower than 20%. In assessing whether the Group has significant influence over such entities, judgment is exercised to determine whether the Group has the power to participate in the financial and operating policy decisions of the investee including the ability to block certain changes which are unfavorable to the Group but without control or joint control in those entities. The Group's investments in those entities where the Group has significant influence are detailed in Note 15.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are forecasted probable in the future are based on a medium term business plan prepared by management. The Group considers consolidating tax profitable entities with tax loss making entities for tax purposes.

Structured Entities. Structured entities are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Judgment is also required to determine whether the substance of the relationship between the Group and a structured entity indicates that the structured entity is controlled by the Group.

The Group does not consolidate structured entities that it does not control. As it can sometimes be difficult to determine whether the Group does control a structured entity, management makes judgments about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the structured entity in question. In many instances, elements are present that, considered in isolation, indicate control or lack of control over a structured entity, but when considered together make it difficult to reach a clear conclusion. In cases where more arguments are in place towards existence of control, the structured entity is consolidated. Refer to Note 54 for further information about the Group's exposure to structured entities

8. Significant Accounting Estimates and Judgments (continued)

Fair value estimation of financial assets where significant unobservable inputs have been used

Details of fair value estimation of unquoted shares classified as financial assets at fair value through profit or loss and financial assets available-for-sale are provided in Note 49. Assessment of significance of particular fair value measurement input requires management judgment and is disclosed in Note 49.

9. Cash and Short-Term Funds

	31 December 2013	31 December 2012
Cash on hand	116.9	102.0
Cash balances (other than mandatory) with central banks	120.4	227.4
Correspondent accounts with other banks		
- Russia	44.3	34.3
- OECD	70.0	201.2
- Other countries	2.7	4.1
Total cash and short-term funds	354.3	569.0
Less: correspondent accounts in precious metals	(3.8)	(6.3)
Less: restricted cash	(1.9)	(1.8)
Total cash and cash equivalents	348.6	560.9

10. Financial Assets at Fair Value through Profit or Loss

	31 December 2013	31 December 2012
Financial assets held for trading	377.1	485.4
Financial assets designated as at fair value through profit or loss	34.0	43.4
Total financial assets at fair value through profit or loss	411.1	528.8

Financial assets held for trading

	31 December 2013	31 December 2012
<i>Debt securities</i>		
- Bonds and eurobonds of Russian companies and banks	159.1	249.0
- Bonds and eurobonds of foreign companies and banks	47.5	9.8
- Bonds and eurobonds of foreign governments	14.4	17.7
- Russian municipal bonds and eurobonds	5.0	5.3
- Russian Federal loan bonds (OFZ)	4.4	21.3
- Eurobonds of the Russian Federation	1.6	0.8
- Promissory notes of Russian companies and banks	1.1	1.7
<i>Total debt securities</i>	233.1	305.6
<i>Derivative financial assets</i>	80.2	93.1
<i>Trading credit products</i>	49.0	31.6
<i>Equity securities</i>	14.8	55.1
Total financial assets held for trading	377.1	485.4

At 31 December 2013, bonds and eurobonds of Russian companies and banks are represented mostly by debt securities issued by oil, metal, energy companies and banks; equity securities are represented mostly by securities issued by Russian oil and gas, precious stones mining companies and a Russian stock-exchange.

10. Financial Assets at Fair Value through Profit or Loss (continued)**Reclassifications**

In December 2013, the Group reclassified certain financial assets that met the definition of loans and receivables out of financial assets at fair value through profit or loss category to loans and receivables. The Group considered holding these investment for the foreseeable future or till maturity, due to lower market liquidity and reduced price transparency as well as positive outlook for the issuers' credit risk. Information about the reclassified financial assets is presented in the table below:

	2013	2012
Fair value as at the date of reclassification	30.3	–
Carrying amount as at 31 December	30.3	–
Fair value as at 31 December	30.3	29.5
Fair value gain/(loss) recognized up to the date of reclassification	0.8	(0.1)
Interest income recognized in profit or loss for the year	2.3	2.4

The effective interest rate on the reclassified financial assets as determined on the reclassification date ranged from 8.13 % to 8.14%. The present value of the estimated cash flows the Group expects to recover equals to the fair value of the reclassified financial assets at the date of reclassification.

Financial assets designated as at fair value through profit or loss

	31 December 2013	31 December 2012
<i>Equity securities</i>	16.9	6.7
<i>Reverse sale and repurchase agreements to maturity</i>	11.4	–
<i>Debt securities</i>		
- Bonds and eurobonds of foreign companies and banks	5.5	27.2
- Bonds and eurobonds of Russian companies and banks	0.2	7.1
- Bonds and eurobonds of foreign governments	–	2.4
<i>Total debt securities</i>	5.7	36.7
Total financial assets designated as at fair value through profit or loss	34.0	43.4

At 31 December 2013 equity securities are represented mostly by securities issued by foreign mass-media and retail companies.

11. Financial Assets Pledged under Repurchase Agreements

	31 December 2013	31 December 2012
Financial assets at fair value through profit or loss		
<i>Financial assets held for trading</i>		
Debt securities		
- Bonds and eurobonds of Russian companies and banks	133.7	45.9
- Bonds and eurobonds of foreign companies and banks	0.8	0.8
- Bonds and eurobonds of foreign governments	0.8	0.7
- Russian Federal loan bonds (OFZ)	0.8	0.2
- Eurobonds of the Russian Federation	0.2	–
Equity securities	8.7	1.0
Total financial assets held for trading	145.0	48.6
<i>Financial assets designated as at fair value through profit or loss</i>	–	0.1
Total financial assets at fair value through profit or loss	145.0	48.7
Financial assets available-for-sale		
- Russian Federal loan bonds (OFZ)	12.8	5.6
- Bonds and eurobonds of Russian companies and banks	11.2	–
- Bonds and eurobonds of the Russian Federation	4.1	–
- Bonds and eurobonds of foreign governments	–	0.2
- Bonds and eurobonds of foreign companies and banks	–	0.1
Total financial assets available-for-sale	28.1	5.9
<i>Investment securities held-to-maturity</i>	0.1	–
Financial assets classified as loans and advances to customers	290.6	245.5
Financial assets classified as due from other banks	2.8	2.8
Total financial assets pledged under repurchase agreements	466.6	302.9

As at 31 December 2013, bonds and eurobonds of Russian companies and banks included in financial assets pledged under repurchase agreements are mostly represented by debt securities issued by Russian oil and gas companies and banks.

As at 31 December 2013, financial assets classified as loans and advances to customers pledged under repurchase agreements are mostly represented by federal loan bonds with debt amortization (OFZ-AD) with the carrying amount of RUR 259.2 billion (31 December 2012: RUR 244.8 billion) which were purchased by "Bank of Moscow", OJSC in September 2011 from proceeds of loan from DIA (Note 23).

12. Due from Other Banks

	31 December 2013	31 December 2012
OECD	303.9	251.5
Russia	99.8	99.1
Other countries	42.5	10.2
Total gross due from other banks	446.2	360.8
Less: Allowance for impairment (Note 39)	(2.8)	(2.2)
Total due from other banks	443.4	358.6

As at 31 December 2013, reverse sale and repurchase agreements with other banks amounted to RUR 42.2 billion (31 December 2012: RUR 65.6 billion). These reverse sale and repurchase agreements with other banks were collateralized by securities with fair value of RUR 47.0 billion (31 December 2012: RUR 66.7 billion).

As at 31 December 2013, amount included in due from other banks of RUR 3.2 billion is pledged against issued local mortgage-backed bonds (31 December 2012: RUR 2.2 billion) (Note 44).

13. Loans and Advances to Customers

The table below shows loans and advances to customers by class.

	31 December 2013	31 December 2012
Loans to legal entities		
Current activity financing	3,196.8	2,575.1
Project finance and other	1,125.5	1,068.7
Finance leases	277.6	205.6
Reverse sale and repurchase agreements	209.4	115.2
Total gross loans to legal entities	4,809.3	3,964.6
Loans to individuals		
Consumer loans and other	844.8	624.3
Mortgages	539.9	390.7
Car loans	133.2	102.0
Reverse sale and repurchase agreements	2.9	3.2
Total gross loans to individuals	1,520.8	1,120.2
Less: allowance for impairment (Note 39)	(361.1)	(323.3)
Total loans and advances to customers	5,969.0	4,761.5

Finance leases represent loans to leasing companies and net investment in leases.

Finance lease receivables

	31 December 2013	31 December 2012
Gross investment in leases	268.0	252.1
Less: unearned finance lease income	(76.0)	(75.9)
Net investment in leases before allowance	192.0	176.2
Less: allowance for impairment	(10.3)	(11.6)
Net investment in leases	181.7	164.6

Future minimum lease payments receivable

	31 December 2013	31 December 2012
Within 1 year	57.6	48.6
From 1 to 5 years	180.0	150.7
More than 5 years	30.4	52.8
Minimum lease payments receivable	268.0	252.1

Net investments in leases

	31 December 2013	31 December 2012
Within 1 year	50.2	43.4
From 1 to 5 years	125.2	105.0
More than 5 years	16.6	27.8
Net investment in leases	192.0	176.2

13. Loans and Advances to Customers (continued)

Net investments in leases (continued)

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

	31 December 2013		31 December 2012	
	Amount	%	Amount	%
Individuals	1,520.8	24	1,120.2	22
Construction	725.6	11	596.7	12
Manufacturing	649.0	10	479.9	10
Trade and commerce	556.6	9	492.3	10
Finance	536.7	9	524.5	10
Metals	519.4	8	454.4	9
Energy	320.7	5	257.3	5
Chemical	305.3	5	137.4	3
Oil and gas	297.0	5	208.1	4
Transport	269.5	4	362.6	7
Government bodies	150.5	2	153.3	3
Coal mining	130.3	2	42.6	1
Food and agriculture	109.1	2	103.4	2
Telecommunications and media	107.2	2	69.2	1
Aircraft	12.2	–	15.8	–
Other	120.2	2	67.1	1
Total gross loans and advances to customers	6,330.1	100	5,084.8	100

Finance industry includes loans issued to holding companies of industrial groups, mergers and acquisitions financing, and loans to leasing, insurance and other non-bank financial companies.

As at 31 December 2013, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprises RUR 1,189.2 billion or 18.0% of the gross loan portfolio and pledged financial assets under repurchase agreements (31 December 2012: RUR 1,030.7 billion or 19.3%).

As at 31 December 2013, the gross amount of non-performing loans which the Group defines as impaired loans with repayments overdue by over 90 days was RUR 312.7 billion, or 4.7% of the aggregate of the gross loan portfolio and loans pledged under repurchase agreements (31 December 2012: RUR 287.7 billion, or 5.4%).

As at 31 December 2013, loans and advances to customers represented by federal loan bonds with debt amortization (OFZ-AD) purchased in September 2011 by “Bank of Moscow”, OJSC with the carrying amount of RUR 6.3 billion are included in loans to government bodies for the purpose of economic sector risk concentrations disclosure (31 December 2012: RUR 34.7 billion).

As at 31 December 2013, the Group received collateral of securities under reverse sale and repurchase agreements with customers with a fair value of RUR 277.0 billion (31 December 2012: RUR 145.3 billion).

As at 31 December 2013, the total amount of pledged loans to corporate customers is RUR 241.2 billion (31 December 2012: RUR 283.8 billion). The loans are pledged against the funds accounted within other borrowed funds (Note 23) and due to other banks (Note 21). Included in the above amount of pledged loans are mortgage loans of RUR: nil billion (31 December 2012: RUR 5.0 billion) and car loans of RUR 17.3 billion (31 December 2012: RUR 13.2 billion) (Note 44).

As at 31 December 2013, the carrying value of mortgage loans pledged against debt securities issued amounted to RUR 38.9 billion (31 December 2012: RUR 23.9 billion).

14. Investment Financial Assets Available-for-Sale

	31 December 2013	31 December 2012
<i>Debt securities</i>		
- Bonds and eurobonds of Russian companies and banks	36.2	19.6
- Bonds and eurobonds of foreign governments	32.3	12.0
- Russian Federal loan bonds (OFZ)	26.3	19.8
- Bonds and eurobonds of foreign companies and banks	9.3	3.1
- Eurobonds of the Russian Federation	5.3	–
- Promissory notes of Russian companies and banks	1.3	1.7
<i>Total debt securities</i>	110.7	56.2
<i>Equity securities</i>	24.7	41.2
Total investment financial assets available-for-sale	135.4	97.4

As at 31 December 2013, bonds and eurobonds of Russian companies and banks are represented mostly by bonds of oil, telecommunication, metal companies and banks; equity securities are represented mostly by shares of Russian metal, manufacturing and building construction companies.

During 2013, the Group recognized an impairment loss of RUR 1.6 billion before tax, and realised portion of positive revaluation of financial assets available-for-sale transferred to income statement due to the sale of financial assets available-for-sale of RUR 8.9 billion before tax (2012: RUR 1.9 billion and RUR 6.8 billion respectively).

During 2013, the Group recognized impairment in the amount of RUR 7.8 billion on one of its available-for-sale equity investments. Concurrently, the Group entered into a forward purchase and sale agreement with a counterparty affiliated with the equity investee which compensated the Group for the past decline in value of the equity investment and is expected to offset any future changes in value of the equity investment. At 31 December 2013 and 31 December 2012, the fair value of the equity investment amounted to RUR 6.3 billion and RUR 12.2 billion, respectively with negative revaluation of RUR 1.9 billion before tax in accumulated as at 31 December 2012 in unrealised gain on financial assets available-for-sale and cash flow hedge reserve. At 31 December 2013, the value of the forward contract amounted to RUR 7.8 billion and was included in other assets in the consolidated statement of financial position. The Group used internal models and third party valuation reports in estimating the values of both the equity investment and the related forward contract. The performance by the counterparty under the forward contract is secured by the pledge of equity investment itself as well as a corporate guarantee and various performance covenants, including minimum net asset requirements.

Reclassifications

In December 2013 the Group reclassified certain financial assets purchased during 2013 that met the definition of loans and receivables out of financial assets available-for-sale to loans and receivables. The Group considered holding these investments in foreseeable future or till maturity, due to low market liquidity and price transparency as well as positive outlook for issuer's credit risk. Information about the reclassified financial assets is presented in the table below:

	2013
Fair value as at the reclassification date	22.0
Carrying amount as at 31 December	21.9
Fair value as at 31 December	22.0
Fair value gain/(loss) that would have been recognized on the reclassified assets for the year if the reclassification had not been made	0.1
Fair value gain/(loss) recognized up to the date of reclassification	0.1
Interest income recognized in profit or loss for the period	0.8
Provision charge recognized after reclassification	(0.1)

The effective interest rate on the reclassified financial assets as determined on the reclassification date ranged from 7.80 % to 8.64%. The present value of the estimated cash flows the Group expects to recover equals to the fair value of the reclassified financial assets at the date of reclassification.

15. Investments in Associates and Joint Ventures

	31 December 2013	31 December 2012 (restated)
Investments in associates and joint ventures designated as at fair value through profit or loss	55.2	1.3
Investments in associates and joint ventures accounted under equity method	32.4	31.5
Total investments in associates and joint ventures	87.6	32.8

In 2013 the Group acquired for USD 24 million (RUR 0.7 billion) a 49.0% share in Irrico Ltd which later decreased to 34.15% due to additional contribution made by a non-related party to the share capital of the associate. In 2013 the Group sold 9.34% in “Russ Out of Home”, BV for RUR 0.6 billion.

In September 2013, “Metropolitan Insurance Group”, OJSC acquired 50.0% as its treasury shares from a non-related party, which enabled the Group to receive control over “Metropolitan Insurance Group”, OJSC previously accounted for using equity method (Note 52).

The Group’s interests in its principal associates and joint ventures were as follows:

	<i>Principal place of business / Country of registration</i>	<i>Activity</i>	31 December 2013		31 December 2012 (restated)	
			<i>Carrying amount</i>	<i>Ownership percentage</i>	<i>Carrying amount</i>	<i>Ownership percentage</i>
Investments in associates and joint ventures accounted under equity method						
“Lenta Limited”	Russia / Virgin Islands	Retail	10.1	11.73%	9.4	11.85%
“KS Holding”, CJSC	Russia	Insurance	6.5	49.00%	6.1	49.00%
“Eurofinance Mosnarbank”, OJSC	Russia	Banking	3.3	25.00%	3.4	25.00%
“Russ Out of Home”, BV	Russia / Netherlands	Mass media	3.2	26.43%	4.2	35.77%
“Burger King Russia (Cyprus)”, Ltd	Russia / Cyprus	Fast food	2.5	48.80%	1.5	48.80%
“Vietnam-Russia Joint Venture Bank”	Vietnam	Banking	1.8	50.00%	1.8	50.00%
“Zapadnaya Gold Mining” Ltd	Russia / Virgin Islands	Gold mining	1.7	23.08%	1.7	23.08%
“Haberma Enterprises”, Ltd	Russia / Cyprus	Real estate	1.3	39.10%	1.8	39.10%
Irrico Ltd	Russia / Virgin Islands	Finance	0.9	34.15%	n/a	n/a
“Estonian Credit Bank”, JSC	Estonia	Banking	0.7	59.73%	0.6	59.73%
“United Electronic Market Place”, OJSC	Russia	IT	0.3	48.18%	0.1	48.18%
“Gelosa Holdings”, Ltd	Russia/Cyprus	Real estate	0.1	21.16%	0.8	21.16%
“The Academy of Football Dynamo of Lev Yashin”, Ltd	Russia	Other	–	10.00%	n/a	n/a
“VTB Capital I2BF JVC (Cayman)”, Ltd	Russia and Kazakhstan / Cayman Islands	Finance	–	50.00%	0.1	50.00%
“Metropolitan Insurance Group”, OJSC	Russia	Insurance	n/a	n/a	–	50.00%
Total investments in associates and joint ventures accounted under equity method			32.4		31.5	

15. Investments in Associates and Joint Ventures (continued)

In October 2013 the Group sold to a third party its 50% share in T2 (Netherlands) B.V., the successor of Tele2 Russia as a new holding legal entity of Tele 2 Group. The remaining investment in T2 (Netherlands) B.V. Group is accounted for as investment in joint-venture at fair value through profit or loss. As at 31 December 2013 the Group had no contingent liabilities or capital commitments related to T2 (Netherlands) B.V.

	Principal place of business / Country of registration	Activity	31 December 2013		31 December 2012 (restated)	
			Carrying amount	Ownership percentage	Carrying amount	Ownership percentage
Investments in associates and joint ventures designated as at fair value through profit or loss						
T2 (Netherlands) B.V.	Russia /Netherlands	Telecom	53.1	50.00%	n/a	n/a
"Thalita Trading", Ltd	Russia/Cyprus	Finance	1.7	50.00%	1.1	50.00%
"Ysmer", LTD	Russia/Cyprus	Construction	0.4	50.00%	0.2	50.00%
Total investments in associates and joint venture designated as at fair value through profit or loss			55.2		1.3	

Gains less losses arising from associates and joint-ventures designated as at fair value through profit or loss disclosed in Note 32.

Summarized financial information of material investments in associates and joint ventures is as follows at 31 December 2013:

	"Thalita Trading", Ltd	"Haberma Enterprises", Ltd	"Lenta Limited (BVI)"	"Russ Out of Home", BV
Current assets	5.5	3.4	31.0	6.7
Non-current assets	51.3	–	57.1	6.8
Current liabilities	1.6	–	41.5	4.4
Non-current liabilities	55.8	–	41.9	5.0
Net assets	(0.6)	3.4	4.7	4.1
Revenue	24.8	2.4	144.3	11.2
Net profit from continuing operations	(2.4)	1.5	7.1	(0.5)
Share of the Group in net assets	(0.3)	1.3	0.6	1.1
Goodwill included in carrying amount and other adjustments	n/a	–	9.5	2.1
Carrying value of investment in associate and joint venture	n/a	1.3	10.1	3.2

Summarized financial information of investments in associates and joint ventures is as follows at 31 December 2012:

	"Thalita Trading", Ltd	"Haberma Enterprises", Ltd	"Lenta Limited (BVI)"	"Russ Out of Home", BV
Current assets	6.5	0.3	20.3	5.3
Non-current assets	23.7	5.7	34.7	6.7
Current liabilities	1.9	0.1	30.1	3.1
Non-current liabilities	27.1	1.2	25.9	5.0
Net assets	1.2	4.7	(1.0)	3.9
Revenue	17.8	0.9	109.9	10.8
Net profit from continuing operations	0.7	1.1	5.1	(0.4)
Share of the Group in net assets	0.6	1.8	(0.1)	1.4
Goodwill included in carrying amount and other adjustments	n/a	–	9.5	2.8
Carrying value of investment in associate and joint venture	n/a	1.8	9.4	4.2

15. Investments in Associates and Joint Ventures (continued)

Summarized financial information of T2 (Netherlands) B.V., based on its consolidated IFRS financial statements is presented in the table below:

	31 December 2013
Current assets	11.8
<i>including cash and cash equivalents</i>	9.3
Non-current assets	42.6
Current liabilities	17.3
<i>including current financial liabilities</i>	7.0
Non-current liabilities	33.1
<i>including non-current financial liabilities</i>	31.5
Net assets	4.0
Revenue	65.3
Cost of sales	(33.8)
Selling, general and administrative expenses	(12.6)
<i>including depreciation charge</i>	(5.3)
Interest income	0.2
Interest expense	(2.6)
Income tax expense	(5.7)
Net profit from continuing operations	9.4

The unrecognized share of losses of associates for 2013 and cumulatively at 31 December 2013 was RUR 1.2 billion and RUR 1.9 billion, respectively (2012 and cumulatively at 31 December 2012: RUR 0.5 billion and RUR 0.7 billion, respectively).

As at 31 December 2013, investment in associate in the amount of RUR 1.7 billion was pledged against the funds obtained by the other associate of the Group (31 December 2012: RUR 0.8 billion).

16. Land, Premises and Equipment

	<i>Land and premises</i>	<i>Equipment</i>	<i>Construction in progress</i>	<i>Equipment in operating lease</i>	<i>Total</i>
Net book amount at 31 December 2012	93.4	22.7	7.9	18.5	142.5
Cost or revalued amount					
Opening balance at 1 January 2013	93.4	44.8	7.9	20.8	166.9
Effect of hyperinflation	0.1	0.1	–	–	0.2
Acquisitions of subsidiaries	11.1	0.9	4.6	3.6	20.2
Disposal of subsidiaries	(3.5)	(1.0)	–	–	(4.5)
Additions	6.0	11.5	12.5	2.5	32.5
Transfers and reclassifications	3.5	1.1	(8.9)	(0.1)	(4.4)
Disposals	(1.3)	(1.4)	(0.9)	–	(3.6)
Impairment	(0.7)	(0.6)	(1.1)	(0.6)	(3.0)
Effect of translation	0.3	0.6	0.1	0.2	1.2
Closing balance at 31 December 2013	108.9	56.0	14.2	26.4	205.5
Accumulated depreciation					
Opening balance at 1 January 2013	–	22.1	–	2.3	24.4
Effect of hyperinflation	–	0.1	–	–	0.1
Depreciation charge	2.5	7.9	–	1.4	11.8
Disposals	(0.1)	(1.3)	–	–	(1.4)
Disposal of subsidiaries	–	(0.1)	–	–	(0.1)
Transfers and reclassifications	0.1	(0.1)	–	–	–
Effect of translation	0.2	(0.1)	–	0.3	0.4
Closing balance at 31 December 2013	2.7	28.5	–	4.0	35.2
Net book amount at 31 December 2013	106.2	27.5	14.2	22.4	170.3

16. Land, Premises and Equipment (continued)

	<i>Land and premises</i>	<i>Equipment</i>	<i>Construction in progress</i>	<i>Equipment in operating lease</i>	<i>Total</i>
Net book amount at 31 December 2011	69.4	16.0	10.1	21.3	116.8
Cost or revalued amount					
Opening balance at 1 January 2012	72.2	33.7	10.1	22.8	138.8
Effect of hyperinflation	0.5	0.3	–	–	0.8
Acquisitions of subsidiaries	3.6	5.2	–	–	8.8
Disposal of subsidiaries	–	(0.1)	–	–	(0.1)
Additions	6.2	7.7	11.3	4.5	29.7
Transfer	6.4	1.0	(11.7)	–	(4.3)
Disposals	(1.4)	(2.7)	(0.5)	(6.3)	(10.9)
Revaluation	7.1	–	–	–	7.1
Impairment	(1.6)	–	(1.3)	–	(2.9)
Reversal of impairment	0.9	–	–	–	0.9
Reclassification	(0.1)	–	–	–	(0.1)
Effect of translation	(0.4)	(0.3)	–	(0.2)	(0.9)
Closing balance at 31 December 2012	93.4	44.8	7.9	20.8	166.9
Accumulated depreciation					
Opening balance at 1 January 2012	2.8	17.7	–	1.5	22.0
Effect of hyperinflation	–	0.1	–	–	0.1
Depreciation charge	2.5	6.0	–	1.2	9.7
Disposals	(0.2)	(1.4)	–	(0.4)	(2.0)
Disposal of subsidiaries	–	(0.1)	–	–	(0.1)
Transfer	0.2	–	–	–	0.2
Revaluation	(5.3)	–	–	–	(5.3)
Effect of translation	–	(0.2)	–	–	(0.2)
Closing balance at 31 December 2012	–	22.1	–	2.3	24.4
Net book amount at 31 December 2012	93.4	22.7	7.9	18.5	142.5

Transfers and reclassifications include both transfers between the categories of the land, premises and equipment, and reclassifications to/from investment property and property intended for sale in the ordinary course of business in other assets.

Land and premises were revalued at fair value at 31 December 2012. The valuation was carried out by an independent firm of appraisers, who hold a recognized and relevant professional qualification and who had experience in the valuation of assets in similar locations and in a similar category. Fair value was determined by reference to market-based evidence.

As at 31 December 2013 the Group analysed market prices in relation to its land and premises and concluded that the market value of land and premises was not materially different from their carrying value and had not performed revaluation.

If the premises were measured using the cost model, the carrying amounts would be as follows:

	31 December 2013	31 December 2012
Cost	93.6	77.9
Less: accumulated depreciation and impairment	(9.4)	(6.9)
Net carrying amount	84.2	71.0

17. Investment Property

	2013	2012
Investment property at 1 January	148.0	122.5
Acquisitions of subsidiaries	2.2	6.7
Disposal of subsidiaries	–	(2.3)
Additions	11.8	4.0
Disposals	(4.2)	(3.0)
Reclassified to premises	(0.8)	–
Reclassified from premises	5.3	2.8
Reclassified to property held for sale	(4.4)	(1.0)
Reclassified from property held for sale	–	0.7
Reclassified to assets of disposal groups held for sale (Note 20)	(5.2)	–
Net gain from fair value adjustments	1.7	11.4
Capitalization of expenses	6.3	6.2
Investment property at 31 December	160.7	148.0

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2013	2012
Not later than 1 year	3.2	2.5
Later than 1 year and not later than 5 years	9.4	10.5
Later than 5 years	0.3	0.7
Total operating lease payments receivable	12.9	13.7

In 2013 the Group recognized rental income as part of income arising from non-banking activities of RUR 3.5 billion (2012: RUR 2.1 billion) and direct operating expenses of RUR 0.7 billion (2012: RUR 0.7 billion) in relation to investment property that generated rental income.

As at 31 December 2013 investment property was revalued by RUR 1.7 billion (in 2012 – revalued by RUR 11.4 billion). The valuation was carried out on the basis of market prices for comparable real estate by the Group's internal appraisers and by an independent, professionally qualified appraiser who had recent experience in valuing similar properties in the Russian Federation.

In 2013, the Group's investment property increased in the amount of 2.2 RUR billion due to acquisition of Metropolitan Insurance Group (SSG). In 2012, the Group's investment property increased due to acquisition of subsidiaries by "Hals-Development", OJSC and "Bank of Moscow", OJSC in the amount of RUR 6.6 billion and RUR 0.1 billion, respectively.

In 2013 the Group received directly a property title for land plots, commercial and residential properties valued at RUR 4.2 billion (2012: RUR 2.2 billion) in exchange for settlement of the outstanding loans granted by the Group. The property of RUR 0.5 billion (2012: RUR 1.2 billion) was obtained through foreclosure of collateral under mortgage loans. The acquired investment properties were valued by an independent, professionally qualified appraiser at fair value at the acquisition date.

In 2013 the Group purchased in the ordinary course of business commercial properties and land plots in the amount of RUR 7.1 billion (2012: RUR 0.6 billion) for development and subsequent resale.

As at 31 December 2013 investment property in the amount of RUR 41.9 billion was under construction in progress or development (31 December 2012: RUR 36.5 billion).

18. Goodwill and Other Intangible assets

The movements in goodwill and intangible assets were as follows:

	<i>Core deposit and customer loan intangible</i>	<i>Computer software</i>	<i>Relations with the major lessee</i>	<i>Other rights</i>	<i>Brands and trademarks</i>	<i>Goodwill</i>	<i>Total</i>
Net book amount at 31 December 2012 (restated)	23.5	5.4	–	2.1	1.4	120.4	152.8
Cost less impairment Opening balance at 1 January 2013 (restated)	30.8	8.1	–	5.3	1.5	120.4	166.1
Opening balance at 1 January 2013	30.8	8.1	–	5.3	1.5	120.4	166.1
Additions	–	3.5	–	4.3	0.1	–	7.9
Acquisition through business combinations	–	0.5	10.4	0.2	0.3	–	11.4
Disposals	–	(0.9)	–	(0.8)	–	–	(1.7)
Write-offs through impairment	–	–	–	(0.6)	–	–	(0.6)
Translation difference	–	0.2	–	–	–	–	0.2
Transfer	–	(0.8)	–	0.8	–	–	–
Closing balance at 31 December 2013	30.8	10.6	10.4	9.2	1.9	120.4	183.3
Accumulated amortization Opening balance at 1 January 2013	7.3	2.7	–	3.2	0.1	–	13.3
Opening balance at 1 January 2013	7.3	2.7	–	3.2	0.1	–	13.3
Amortization charge	5.0	1.6	–	1.8	0.3	–	8.7
Disposals	–	(0.8)	–	(0.5)	–	–	(1.3)
Translation difference	–	0.1	–	–	–	–	0.1
Closing balance at 31 December 2013	12.3	3.6	–	4.5	0.4	–	20.8
Net book amount at 31 December 2013	18.5	7.7	10.4	4.0	1.5	120.4	162.5

18. Goodwill and other intangible assets (continued)

	Core deposit and customer loan intangible	Computer software	Other rights	Brands and trademarks	Goodwill	Total
Net book amount at 31 December 2011 (restated)	28.5	4.4	2.1	1.5	120.2	156.7
Cost less impairment						
Opening balance at 1 January 2012 (restated)	35.2	6.5	3.6	1.5	120.2	167.0
Write-offs of fully amortized items	(4.4)	–	–	–	–	(4.4)
Opening balance at 1 January 2012 after write-offs of fully amortized items (restated)	30.8	6.5	3.6	1.5	120.2	162.6
Additions	–	2.5	3.6	–	–	6.1
Acquisition through business combinations	–	–	–	–	1.7	1.7
Disposals	–	(0.7)	(2.3)	–	–	(3.0)
Write-offs through impairment	–	(0.2)	(0.1)	–	(1.5)	(1.8)
Reversal of previously written-off items	–	–	0.5	–	–	0.5
Closing balance at 31 December 2012 (restated)	30.8	8.1	5.3	1.5	120.4	166.1
Accumulated amortization						
Opening balance at 1 January 2012	6.7	2.1	1.5	–	–	10.3
Write-offs of fully amortized items	(4.4)	–	–	–	–	(4.4)
Opening balance at 1 January 2012 after write-offs of fully amortized items	2.3	2.1	1.5	–	–	5.9
Amortization charge	5.0	1.1	1.7	0.1	–	7.9
Disposals	–	(0.5)	–	–	–	(0.5)
Closing balance at 31 December 2012	7.3	2.7	3.2	0.1	–	13.3
Net book amount at 31 December 2012 (restated)	23.5	5.4	2.1	1.4	120.4	152.8

The table below presents the carrying amount of goodwill, core deposit and customer loan intangible, and relations with the major lessee intangible allocated to relevant cash-generating units (CGU) of the following entities:

	31 December 2013				31 December 2012 (restated)		
	Carrying amount of goodwill	Carrying amount of core deposit and customer loan intangible	Relations with the major lessee intangible (Note 52)	Total	Carrying amount of goodwill	Carrying amount of core deposit and customer loan intangible	Total
"Bank of Moscow", OJSC (restated)	101.8	16.0	–	117.8	100.2	20.2	120.4
"VTB Bank", OJSC ¹	8.8	–	–	8.8	5.2	–	5.2
"Upravlyayuschaya kompaniya Dynamo", CJSC (former "VTB Arena", CJSC)	4.3	–	–	4.3	4.3	–	4.3
"Bank VTB 24", CJSC	3.4	2.4	–	5.8	2.1	–	2.1
"Avia Capital Management" Ltd.	–	–	10.4	10.4	n/a	n/a	n/a
"TransCreditBank", JSC	n/a	n/a	–	n/a	7.7	3.1	10.8
Other subsidiaries	2.1	0.1	–	2.2	0.9	0.2	1.1
Net book amount	120.4	18.5	10.4	149.3	120.4	23.5	143.9

¹ in part of reallocated CGUs of former "TransCreditBank", JSC and former "Bank VTB North-West", OJSC

18. Goodwill and other intangible assets (continued)

The goodwill related to “TransCreditBank”, JSC was allocated to *Loans and Deposits*, a sub-segment of Corporate-Investment banking (CIB) and *Retail banking*, a sub-segment of Retail business, cash-generated units. In November 2013, “TransCreditBank”, OJSC ceased its operations as a subsidiary of VTB following the legal merger of “Bank VTB 24”, CJSC and “TransCreditBank”, OJSC. This reorganization was accompanied by recomposition of cash-generated units. As a result, the Group has reallocated the *Retail banking* CGU of “TransCreditBank”, JSC and the respective goodwill to the appropriate CGU of “Bank VTB 24”, CJSC. The *Loans and Deposits* CGU of “TransCreditBank”, JSC was distributed among appropriate CGUs of VTB Bank, “Bank of Moscow”, OJSC and other minor subsidiaries of the Group with respective reallocation of related goodwill. Core deposit and customer loan intangible was mainly attributable to *Retail banking* and were reallocated to “Bank VTB 24”, CJSC.

The goodwill related to “Bank of Moscow”, OJSC (including part of reallocated goodwill of former “TransCreditBank”, JSC as disclosed above) was allocated to Corporate-Investment banking (CIB) and Retail business CGUs and is tested separately for impairment for each CGU. As at 31 December 2013 the recoverable amounts related to these CGUs of “Bank of Moscow”, OJSC was determined based on a value in use calculation using pretax cash flow projections of five-year financial budgets approved by the Management. The calculated recoverable amounts at 31 December 2013 for Corporate-Investment banking (CIB) and Retail business CGUs were RUR 881.2 billion and RUR 49.4 billion respectively, which significantly exceeded the carrying amounts of the relevant CGUs and allocated goodwill. The discount rate applied to cash flow projections was 12% p.a.

The CGUs of former “TransCreditBank”, JSC and former “Bank VTB North-West”, OJSC, reallocated to VTB, formed the new CGU, which recoverable amount was RUR 401.6 billion as at 31 December 2013. The discount rate applied to cash flow projections was 7% p.a.

“Bank VTB 24”, CJSC entity level is considered as appropriate CGU (including part of reallocated goodwill of former “TransCreditBank”, JSC as disclosed above). The recoverable amount of “Bank VTB 24”, CJSC at the date of goodwill impairment testing at 31 December 2013 was determined on the base of a value in use calculation using pre-tax cash flow projections of five-period financial budgets approved by the Management, and amounted to RUR 1,044.4 billion. The discount rate applied to cash flow projections was 6.5% p.a.

The goodwill related to “Upravlyayuschaya kompaniya Dynamo”, CJSC (former “VTB Arena”, CJSC) was allocated to the development project of subsidiary as a separate CGU. The recoverable amount of “Upravlyayuschaya kompaniya Dynamo”, CJSC (former “VTB Arena”, CJSC) at the date of goodwill impairment testing at 30 September 2013 was determined based on a value in use calculation using pre-tax cash flow projections covering a twelve-year period (as a more reliable for a long-term development project), and amounted to RUR 26.3 billion. The discount rate applied to cash flow projections of the development project was 11.7% p.a. The calculation of value in use for “Upravlyayuschaya kompaniya Dynamo”, CJSC (former “VTB Arena”, CJSC) CGU was most sensitive to assumptions in discount rates, terminal capitalization rate; weighted average rent rates for shopping and entertainment centres, prices and sales schedules for apartments, occupancy rates and average prices per room in hotels and apart hotels.

For “Upravlyayuschaya kompaniya Dynamo”, CJSC (former “VTB Arena”, CJSC) development project, the estimated recoverable amount was close to its carrying value and, consequently, any adverse change in key assumptions would result in impairment losses, e.g. increase of terminal capitalization rate by 0.75% p.a. or increase of the discount rate by 0.5% p.a. would lead to a decrease in recoverable amount and recognition of related goodwill impairment loss.

Management believes that reasonable possible changes in key assumptions used to determine the recoverable amount will not result in an impairment of goodwill, except for that attributable to “Upravlyayuschaya kompaniya Dynamo”, CJSC (former “VTB Arena”, CJSC) development project, described above.

19. Other Assets

	31 December 2013	31 December 2012
Other financial assets		
Amounts in course of settlement	37.6	13.6
Positive fair value of derivatives (hedges) (Note 45)	8.9	0.6
Reinsurance and insurance receivables	8.3	2.5
Accrued commission income	4.6	5.1
Initial margin and other performance collateral	4.6	4.9
Advances issued to leasing equipment suppliers	4.4	4.5
Trade receivables and prepayments	2.3	1.8
Accrued income on operating leases	1.8	3.3
Other	6.2	8.0
Total other financial assets before allowance for impairment	78.7	44.3
Less: allowance for impairment of other financial assets (Note 39)	(3.3)	(2.9)
Total other financial assets	75.4	41.4
Other non-financial assets		
Property intended for sale in the ordinary course of business	60.7	44.1
Other assets related to non-banking activities	54.8	36.3
Precious metals	34.9	35.2
Prepayments	11.6	10.6
Tax prepayments	11.3	12.0
Deferred expenses	5.4	5.2
Inventories	3.8	2.9
Equipment purchased for subsequent leasing	3.3	6.6
Other assets related to insurance activities	3.3	1.7
Rights of claim to construct and receive the title of ownership of premises under investment contracts and related capitalized furnishing costs	1.5	0.7
Other	0.3	2.1
Total other non-financial assets before allowance for impairment	190.9	157.4
Less: allowance for impairment of other non-financial assets (Note 39)	(0.3)	(0.3)
Total other non-financial assets	190.6	157.1
Total other assets	266.0	198.5

As at 31 December 2013 amounts in course of settlement includes settlements with Deposit Insurance Agency for the reimbursement of bankrupt banks' deposits in the amount of RUR 29.6 billion.

As at 31 December 2013 and 2012, property intended for sale in the ordinary course of business mainly represented operations of "Hals-Development", OJSC, "Upravlyayuschaya kompaniya Dynamo", CJSC (former "VTB Arena", CJSC) and "M", CJSC.

As at 31 December 2013, property intended for sale in the ordinary course of business included the amount of RUR 1.4 billion (31 December 2012: RUR 1.4 billion) pledged against other borrowings within other borrowed funds (Note 23).

As at 31 December 2013 and 2012, other assets related to non-banking activities were predominantly related to real estate, construction and insurance.

19. Other assets (continued)

Other assets related to insurance activities presented above comprise:

	31 December 2013	31 December 2012
Reinsurer's share of provision for unearned premiums	1.9	0.8
Reinsurer's share of loss provisions	0.5	0.4
Deferred acquisition costs	0.9	0.5
Total other assets related to insurance activities	3.3	1.7

20. Disposal Groups Held for Sale

The Group has investments in the disposal groups held for sale, including subsidiaries acquired exclusively with a view to resale, accounted for in accordance with IFRS 5. The Management of the Group is committed to dispose of these investments in the near future, generally within one year from the initial classification as a disposal group.

		31 December 2013	31 December 2012
Assets of disposal groups held for sale			
Segezha Pulp and Paper Mill, OJSC	100% owned subsidiary	17.2	–
BM Bank, Ltd., Ukraine	100% owned subsidiary	7.0	6.7
Mariisky NPZ, CJSC	99.3% owned subsidiary	6.1	–
Energocomplex	49.0% owned investee	–	8.5
Tower B of Skylight Business Centre (Note 17)	non-current asset held for sale	5.2	–
Other		1.2	0.1
Total assets of disposal groups held for sale		36.7	15.3
Liabilities of disposal groups held for sale			
Segezha Pulp and Paper Mill, OJSC	100% owned subsidiary	12.7	–
BM Bank, Ltd., Ukraine	100% owned subsidiary	6.9	6.1
Mariisky NPZ, CJSC	99.3% owned subsidiary	0.4	–
Other		0.7	–
Total liabilities of disposal groups held for sale		20.7	6.1

In May 2013, the Group acquired 50% plus one controlling share in "Segezha Pulp and Paper Mill", OJSC as part of additional share issue of the acquiree for total consideration of RUR 6.3 billion including cash consideration of RUR 0.5 billion. In August 2013 the Group increased its share in "Segezha Pulp and Paper Mill", OJSC up to 100% by purchasing 50% minus one share from the other shareholder for RUR 0.5 billion under mandatory offer. As a result of this transaction the non-controlling interest increased by RUR 3.2 billion, and retained earnings decreased by RUR 3.8 billion. This investment is disclosed within segment "Other".

In November 2013, the Group received control over 99.3% controlling share in Mariisky NPZ, CJSC for total non-cash consideration of RUR 5.7 billion. As at 31 December 2013 the acquisition accounting was incomplete and Mariisky NPZ, CJSC was consolidated based on provisional amounts. This investment is disclosed within segment "Other".

The Group's control over these equity investments are intended to be temporary because the investments were made and are held exclusively with a view to resale in the near future and accordingly, the Group accounted for these investments as a subsidiaries held for sale in accordance with IFRS 5. At 31 December 2013 and 31 December 2012 these investments are accounted for at their carrying amounts which were lower than fair value less costs to sell.

In 2013 the Group disposed its investments in Energocomplex to one of government related entities for non-cash consideration and recognised gain on disposal in the amount of RUR 0.8 billion within gain from disposal of subsidiaries and associates.

20. Disposal Group Held for Sale (continued)

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

	2013	2012
<i>Assets of a disposal group held for sale:</i>		
Cash and cash equivalents	1.3	1.5
Mandatory cash balances with central banks	0.2	0.1
Financial assets at fair value through profit or loss	0.2	0.2
Due from other banks	0.1	–
Loans and advances to customers	5.3	4.3
Investment properties	0.1	0.3
Investment in associates	–	8.6
Deferred income tax asset	0.1	–
Intangible assets and goodwill	0.6	–
Premises and equipment	10.1	0.2
Other assets	13.4	0.1
<i>Non-current assets held for sale:</i>		
Premises and equipment	0.1	–
Investment properties (Note 17)	5.2	–
Total non-current assets and assets of disposal groups held for sale	36.7	15.3

Major classes of liabilities directly associated with disposal groups held for sale are as follows:

	2013	2012
Due to other banks	2.3	–
Customer accounts	11.1	5.7
Deferred income tax liability	1.0	–
Other liabilities	6.3	0.4
Total liabilities directly associated with disposal groups held for sale	20.7	6.1

21. Due to Other Banks

	31 December 2013	31 December 2012
Term loans and deposits	345.5	444.9
Correspondent accounts and overnight deposits of other banks	214.7	271.3
Sale and repurchase agreements with other banks	106.4	43.7
Total due to other banks	666.6	759.9

At 31 December 2013, term loans and deposits contain the amount of RUR 50.0 billion (31 December 2012: nil) secured with a pledge of financial assets at fair value through profit or loss in the amount of RUR 26.0 billion (31 December 2012: nil).

As at 31 December 2013, term loans and deposits in the amount of RUR 6.5 billion (31 December 2012: RUR 12.6 billion) is collateralized with loans to customers in the amount of RUR 16.6 billion (31 December 2012: RUR 24.3 billion).

As at 31 December 2013, financial assets pledged against sale and repurchase agreements with other banks are financial assets at fair value through profit or loss and financial assets available-for-sale with a total fair value of RUR 34.0 billion (31 December 2012: RUR 24.5 billion), classified as loans and advances to customers with amortized cost of RUR 30.6 billion (31 December 2012: RUR 0.7 billion). As at 31 December 2013, financial assets pledged against sale and repurchase agreements with other banks were also represented by financial assets received under reverse sale and repurchase agreements in the total amount of RUR 61.5 billion (31 December 2012: RUR 23.1 billion).

21. Due to Other Banks (continued)

As at 31 December 2013, term loans and deposits also contain term loans and deposits in the amount of RUR 0.3 billion (31 December 2012: RUR 0.7 billion) securitized with a pledge of premises and equipment of RUR 0.7 billion (31 December 2012: RUR 2.8 billion).

22. Customer Deposits

	31 December 2013	31 December 2012
Government bodies		
Current / settlement deposits	126.9	139.5
Term deposits	258.9	298.4
Other legal entities		
Current / settlement deposits	751.5	780.8
Term deposits	1,398.7	1,154.2
Individuals		
Current / settlement deposits	337.2	306.9
Term deposits	1,456.2	1,127.2
Sale and repurchase agreements	12.0	6.4
Total customer deposits	4,341.4	3,813.4

At 31 December 2013 term deposits of other legal entities include RUR 70.2 billion (31 December 2012: RUR 140.6 billion) of promissory notes issued, which represent in-substance deposit relationships.

As at 31 December 2013, the Group's 10 largest groups of interrelated customers had aggregated balances amounting to RUR 1,060.6 billion or 24.4% of total customer deposits (31 December 2012: RUR 1,214.0 billion or 31.8%).

As at 31 December 2013, deposits of RUR 10.5 billion (31 December 2012: RUR 11.2 billion) were held as collateral against irrevocable commitments under import letters of credit and guarantees (Note 45).

Economic sector risk concentrations within customer deposits are as follows:

	31 December 2013		31 December 2012	
	Amount	%	Amount	%
Individuals	1,793.4	41	1,434.1	38
Oil and gas	643.7	15	512.4	13
Government bodies	385.8	9	437.9	11
Finance	374.8	9	379.9	10
Building construction	241.9	6	158.2	4
Manufacturing	225.6	5	202.1	5
Trade and commerce	134.4	3	117.3	3
Telecommunications and media	119.3	3	70.7	2
Transport	104.6	2	174.3	5
Metals	31.0	1	35.8	1
Chemical	30.0	1	21.2	1
Energy	26.9	1	33.7	1
Food and agriculture	23.0	1	28.2	1
Aircraft	19.0	–	10.6	–
Coal mining	12.2	–	1.2	–
Other	175.8	3	195.8	5
Total customer deposits	4,341.4	100	3,813.4	100

As at 31 December 2013 financial assets pledged against sale and repurchase agreements represent financial assets at fair value through profit or loss and financial assets available-for-sale with fair value of RUR 1.7 billion (31 December 2012: RUR 3.9 billion) (Note 11) and securities received under reverse sale and repurchase agreements with fair value of RUR 11.0 billion (31 December 2012: RUR 3.3 billion).

23. Other Borrowed Funds

	31 December 2013	31 December 2012
Funds from local central banks	1,028.5	483.3
Syndicated loans	179.1	100.0
Other borrowings	278.3	222.9
Total other borrowed funds	1,485.9	806.2

As at 31 December 2013 funds from local central banks included payables to local central banks on sale and repurchase agreements in amount of RUR 399.5 billion (31 December 2012: 272.8) and other funds attracted from local central banks in amount of RUR 629.0 billion (31 December 2012: RUR 160.2 billion).

As at 31 December 2013 other funds attracted from local central banks contain the amount of RUR 547.7 billion (31 December 2012: RUR 24.3 billion) secured by pledged loans to customers in the amount of RUR 625.6 billion (31 December 2012: RUR 31.5 billion) (Note 11).

In September 2011, "Bank of Moscow", OJSC received a RUR 294.8 billion loan from the related party DIA at 0.51% p.a. maturing in 10 years under the plan of support of "Bank of Moscow", OJSC earlier signed by CBR and DIA. The Group recognized the loan initially at fair value. As at 31 December 2013 the carrying amount of the loan of RUR 159.0 billion was included in other borrowings (31 December 2012: RUR 153.4 billion). The loan was securitized with a pledge of loans to customers with carrying amount of RUR 205.4 billion (31 December 2012: RUR 199.2 billion) (Note 13).

In March 2013, the Group received a syndicated loan of USD 2.0 billion maturing in March 2016 with a floating rate of LIBOR plus 1.5% p.a. As at 31 December 2013 the carrying amount of the syndicated loan was RUR 65.0 billion.

In June 2012, the Group received a syndicated loan facility of EUR 225.0 million. During 2012 the Group utilized Tranche 1 in the amount of 106.6 million (RUR 4.4 billion) maturing in July 2024 with a floating rate of EURIBOR plus 1.6% p.a. guaranteed by a G7 country export credit agency in relation to a construction concession project, in which the Group has a 50% share (with cost capitalization). In December 2013, the syndicated loan facility was utilized in full as the Group received Tranche 2 in the amount of EUR 118.4 million (RUR 5.4 billion). The Group recognised the benefits of the below-market interest rate as the government grant in the amount of RUR 0.6 billion and RUR 0.3 billion on Tranche 1 and Tranche 2 respectively. The 50% of the government grant has been recognised upfront in gains on initial recognition of financial instrument as the benefits are not related to the Group's share in the construction concession project. The remaining 50% of the government grant was deferred and is to be amortized over the expected useful life of the concession.

As at 31 December 2013 financial assets pledged against sale and repurchase agreements with local central banks are financial assets with a total carrying amount of RUR 399.7 billion (31 December 2012: RUR 273.8 billion), which comprised of the financial assets held for trading with fair value of RUR 117.3 billion (31 December 2012: RUR 20.3 billion), financial assets available-for-sale with fair value of RUR 20.1 billion (31 December 2012: RUR 5.9 billion), pledged financial assets classified as loans and advances to customers of RUR 259.5 billion (31 December 2012: RUR 244.8 billion), pledged financial assets classified as due from other banks of RUR 2.8 billion (31 December 2012: RUR 2.8 billion) (Note 11), and securities received under reverse sale and repurchase agreements with fair value of RUR 12.4 billion (31 December 2012: nil).

As at 31 December 2013 other borrowed funds also contain other borrowings in the amount of RUR 22.9 billion (31 December 2012: RUR 18.9 billion) securitized with a pledge of loans to customers of RUR 27.2 billion (31 December 2012: RUR 22.9 billion) (Note 13) and other assets of RUR 1.4 billion (31 December 2012: RUR 1.4 billion) (Note 19).

24. Debt Securities Issued

	31 December 2013	31 December 2012
Bonds	592.1	592.3
Promissory notes	133.4	161.3
Deposit certificates	12.7	0.3
Total debt securities issued	738.2	753.9

24. Debt Securities Issued (continued)

Promissory notes represent notes primarily issued by VTB in the local market as an alternative to customer/bank deposits. As at 31 December 2013 promissory notes issued included both discount and interest bearing promissory notes denominated mainly in RUR with maturity ranging from demand to October 2028 (31 December 2012: from demand to March 2018).

The bonds represent eurobonds issued mostly under EMTN and ECP programs and local bonds issued by VTB and other Group members with the carrying amounts at the end of the reporting periods as follows:

	<i>Rates, p.a.</i>	<i>Maturity</i>	31 December 2013	31 December 2012
USD Eurobonds (EMTN)	2.04% to 6.88%	2014-2035	249.2	229.7
CHF Eurobonds (EMTN)	2.90% to 5.00%	2015-2018	43.9	43.1
ECP	n/a	2014	21.7	12.8
Other Eurobonds	1.30% to 13.23%	2014-2034	97.6	120.7
Local bonds	0.10% to 12.75%	2014-2046	179.7	186.0
Total bonds			592.1	592.3

25. Subordinated Debt

	<i>Rates, p.a.</i>	<i>Maturity</i>	31 December 2013	31 December 2012
VTB:				
RUR 200 billion subordinated loans	6.50%	2019	183.6	181.7
USD 1.5 billion subordinated Eurobonds	6.95%	2022	49.5	46.0
USD 400 million subordinated Eurobonds	5.01%	2015	11.5	10.6
"Bank of Moscow", OJSC:				
USD 400 million subordinated Eurobonds	6.02%	2017	12.7	12.0
RUR 11.1 billion subordinated loans	6.50%	2019	10.4	10.3
USD 300 million subordinated Eurobonds	5.97 %	2015	9.6	8.7
USD 100 million subordinated loans	LIBOR + 2.65 %	2016	3.3	3.0
"Bank VTB 24", CJSC (including former "TransCreditBank", JSC):				
RUR 6.8 billion subordinated loans (31 December 2012: RUR 9.8 billion)	10.00%-12.10 %	2014-2020	7.5	10.6
RUR 2.9 billion subordinated loans	6.50%	2019	2.9	2.9
Total subordinated debt			291.0	285.8

26. Other Liabilities

	31 December 2013	31 December 2012
Other financial liabilities		
Financial liabilities at fair value through profit or loss – held for trading (negative fair value of derivatives) (Note 45)	69.1	82.6
Obligation to deliver securities	26.9	29.1
Non-controlling interests in consolidated mutual funds	23.4	3.9
Amounts in course of settlement	11.0	10.0
Negative fair value of derivatives (hedges) (Note 45)	2.5	0.5
Advances received from lessees	1.9	2.1
Reinsurance and insurance payables	1.8	0.7
Trade creditors and prepayments received	1.6	2.1
Deferred income	0.9	1.5
Dividends payable	0.2	0.2
Other	8.2	7.8
Total other financial liabilities	147.5	140.5
Other non-financial liabilities		
Insurance provisions	30.9	12.0
Other liabilities related to non-banking activities	29.9	14.5
Payable to employees	29.3	23.4
Liabilities to pay taxes	8.0	6.6
Provisions for credit related commitments and legal claims (Note 39)	3.6	2.8
Liabilities on pension plans	1.9	1.6
Trade creditors and prepayments received	1.3	2.2
Deferred income	1.2	0.6
Other	9.0	7.8
Total other non-financial liabilities	115.1	71.5
Total other liabilities	262.6	212.0

Insurance provisions presented above comprise:

	31 December 2013	31 December 2012
Provision for unearned premiums	17.6	7.1
Provision for losses incurred but not yet reported	7.3	3.6
Outstanding claims provision	5.8	1.3
Provision for life insurance	0.1	–
Total insurance provisions	15.7	12.0

As at 31 December 2013 and 2012, other liabilities related to non-banking activities are predominantly related to real estate and other non-banking activity.

At 31 December 2013 non-controlling interests in consolidated mutual funds included RUR 20.4 billion (31 December 2012:nil) of non-controlling interest in the consolidated VTB - Long term investments, Closed-end Unit Investment Fund.

27. Share capital

Authorised, issued and fully paid share capital of the Bank comprises:

	31 December 2013		31 December 2012	
	Number of shares	Nominal amount	Number of shares	Nominal amount
Ordinary shares	12,960,541,337,338	138.1	10,460,541,337,338	113.1
Total share capital	12,960,541,337,338	138.1	10,460,541,337,338	113.1

Contributions to the Bank's share capital were originally made in RUR, foreign currency and gold bullion. All ordinary shares have nominal value of RUR 0.01, rank equally and carry one vote.

In April 2013, VTB's Supervisory Board authorised an issuance of 2,500,000,000,000 additional shares with a nominal value of RUB 0.01 per share (the "New Shares") at a price of RUB 0.041 per New Share. On 22 May 2013 VTB completed the issuance of the New Shares to new and existing shareholders for the gross proceeds of RUB 102.5 billion. The Bank incurred specific related items and costs for the amount of RUB 2.2 billion, net of tax, which were posted directly to equity as a reduction of share premium. As a result, net proceeds amounted to RUB 100.3 billion.

During 2013 the net change in Group members' balances of the Bank's shares decreased by 58,641,531,002 and the number of treasury shares decreased to 59,197,351,665. As a result, the number of the outstanding shares at 31 December 2013 amounted to 12,901,343,985,673.

As at 31 December 2013 the total authorised ordinary share capital comprised 14,000,000,000,000 shares (2012: 14,000,000,000,000) with a par value of RUR 0.01 each.

28. Perpetual Loan Participation Notes

In August 2012 and November 2012, VTB issued Perpetual loan participation notes for the amount of USD 1.0 billion (RUR 32.5 billion) and USD 1,250 million (RUR 39.2 billion) respectively. The transaction included the issuance of Perpetual Loan Participation Notes by VTB Eurasia Limited (Ireland), a consolidated structured entity, which used the proceeds to provide a subordinated loan to VTB. The Perpetual loan participation notes have an unlimited term and are redeemable at VTB's option starting from December 2022 at their principal amount. Coupon rate is fixed at 9.5% p.a. and will be reset in 10.5 years and then every 10 years as 10 year US Treasury yield increased by 806.7 b.p. Coupon payments are paid semi-annually from December 2012 and may be cancelled or deferred in accordance with the terms of the notes. Such cancellation or deferral might be mandatory or at the discretion of VTB.

Due to the undefined maturity and optional non-cumulative cancellation of coupon payments, the Group accounts for the Perpetual loan participation notes as an equity instrument and as a Tier I eligible instrument for the purpose of Basel Capital Adequacy Ratio calculation. Further, the CBR approved the inclusion of the subordinated loan in the statutory capital ratio calculation of VTB Bank.

The Group accounts for the USD-denominated Perpetual loan participation notes in the amount of RUR equivalent amount using the foreign exchange rate at the reporting date with foreign exchange translation effects recorded in retained earnings. Issuance costs were also recorded in retained earnings. As at 31 December 2013, the carrying amount of the Perpetual Loan Participation Notes is RUR 73.6 billion (31 December 2012: RUR 68.3 billion).

While coupon payments are optional at the discretion of VTB, certain terms in the Perpetual loan participation notes may cause such payments to become mandatory, one of such events being declaration or payment of dividends on ordinary shares within six months prior to the coupon payment date (Note 43).

In their capacity as market-makers, VTB Group subsidiaries buy and sell Perpetual loan participation notes in the market, usually with a short holding period. During the holding period, Perpetual loan participation notes are included in Treasury shares in equity.

29. Other Reserves

Movements in other reserves were as follows:

	<i>Unrealised gain on financial assets available- for-sale and cash flow hedge</i>	<i>Land and premises revaluation reserve</i>	<i>Currency translation difference</i>	<i>Total</i>
31 December 2011	7.9	11.4	11.0	30.3
Total comprehensive income for the period	(3.5)	9.8	(2.2)	4.1
Transfer of premises revaluation reserve upon disposal or depreciation	–	(0.4)	–	(0.4)
Acquisition of non-controlling interests and other capital transactions	(0.1)	–	–	(0.1)
31 December 2012	4.3	20.8	8.8	33.9
Total comprehensive income for the period	(1.3)	–	3.6	2.3
Transfer of premises revaluation reserve upon disposal or depreciation	–	(0.7)	–	(0.7)
Acquisition of non-controlling interests	–	–	0.1	0.1
31 December 2013	3.0	20.1	12.5	35.6

30. Interest Income and Expense

	2013	2012
Interest income		
Financial assets at fair value through profit or loss	37.0	27.5
Loans and advances to customers	637.4	513.3
Due from other banks	7.2	9.8
Other financial assets, including securities	4.7	5.1
Financial assets not at fair value through profit or loss	649.3	528.2
Total interest income	686.3	555.7
Interest expense		
Customer deposits	(208.3)	(173.8)
Due to other banks and other borrowed funds	(83.2)	(68.4)
Debt securities issued	(49.7)	(48.2)
Subordinated debt	(22.1)	(19.3)
Total interest expense	(363.3)	(309.7)
Net interest income	323.0	246.0

During 2013 interest income on impaired loans, recognized by the Group amounted to RUR 30.5 billion (2012: RUR 20.6 billion).

31. Net Fee and Commission Income

	2013	2012
Commission on settlement transactions	42.7	37.1
Commission on guarantees issued and trade finance	10.2	9.2
Commission on operations with securities and capital markets	8.4	6.4
Commission on cash transactions	4.8	6.1
Other	4.2	2.4
Total fee and commission income	70.3	61.2
Commission on settlement transactions	(10.0)	(8.2)
Commission on cash transactions	(2.2)	(2.4)
Other	(2.7)	(2.3)
Total fee and commission expense	(14.9)	(12.9)
Net fee and commission income	55.4	48.3

32. Gains Less Losses Arising from Financial Instruments at Fair Value Through Profit or Loss

	2013	2012
(Losses net of gains) / gains less losses arising from trading financial instruments	(18.2)	7.9
Gains less losses arising from financial instruments designated as at fair value through profit or loss	16.5	1.4
Gains less losses arising from associates and joint-ventures designated as at fair value through profit or loss (Note 15)	14.9	–
Gains less losses from financial obligation to purchase non-controlling interests	–	0.8
Total gains less losses / (losses net of gains) arising from financial instruments at fair value through profit or loss	13.2	10.1

Dividend income of RUR 1.6 billion received from T2 (Netherlands) B.V. in the fourth quarter 2013 was reported within gains less losses arising from associates and joint-ventures designated as at fair value through profit or loss.

33. (Losses Net Of Gains) / Gains Less Losses Arising From Foreign Currencies

	2013	2012
Gains less losses arising from dealing in foreign currencies	20.4	14.5
Foreign exchange translation losses net of gains	(29.1)	(7.7)
(Losses net of gains) / gains less losses arising from foreign currencies	(8.7)	6.8

34. Net Insurance Premiums Earned

	2013	2012
Gross premiums written	32.4	21.7
Change in provision for unearned premiums, gross	(2.6)	(2.6)
Premiums inward	1.5	–
Premiums ceded to reinsurers	(2.7)	(1.5)
Change in reinsurer's share of provision for unearned premiums	0.8	0.2
Net insurance premium earned	29.4	17.8

The movements in provision for unearned premiums were as follows:

	<i>Provision for unearned premiums, gross</i>	<i>Reinsurer share of provision for unearned premiums</i>	<i>Provision for unearned premiums, net</i>
31 December 2011	4.5	(0.6)	3.9
Gross premiums written	21.7	(1.5)	20.2
Gross premiums earned	(19.1)	1.3	(17.8)
31 December 2012	7.1	(0.8)	6.3
Gross premiums written	32.4	(1.2)	31.2
Gross premiums earned	(29.8)	0.4	(29.4)
Acquisition through business combination	7.9	(0.3)	7.6
31 December 2013	17.6	(1.9)	15.7

35. Net Insurance Claims Incurred and Movement in Liabilities to Policyholders

	2013	2012
Gross claims paid	(13.9)	(5.8)
Change in loss provisions, gross	0.1	(3.5)
Claims paid inward	(0.2)	–
Claims ceded to reinsurers	0.4	0.5
Change in reinsurer share of loss provisions	(0.3)	(0.3)
Acquisition costs paid net of related commission income from reinsurance ceded	(2.9)	(1.0)
Change in deferred acquisition costs	0.4	0.3
Total net insurance claims incurred and movement in liabilities to policyholders	(16.4)	(9.8)

The movements in loss provisions were as follows:

	<i>Loss provisions, gross</i>	<i>Reinsurer share of loss provisions</i>	<i>Loss provisions, net</i>
31 December 2011	1.4	(0.7)	0.7
Losses incurred	(2.3)	0.8	(1.5)
Gross claims paid	5.8	(0.5)	5.3
31 December 2012	4.9	(0.4)	4.5
Losses incurred	(14.0)	0.5	(13.5)
Gross claims paid	13.9	(0.2)	13.7
Acquisition through business combination	8.5	(0.4)	8.1
31 December 2013	13.3	(0.5)	12.8

36. Net Income / (Loss) From Non-Banking Activities

The results from non-banking activities for 2013 were the following:

	Construction, development and other real estate operations	Other non-banking business	Total
Revenue from non-banking activities	19.8	14.4	34.2
Cost of sales and other expenses from non-banking activities	(15.6)	(20.5)	(36.1)
Total net income/(loss) from non-banking activities	4.2	(6.1)	(1.9)

The results from non-banking activities for 2012 were the following:

	Construction, development and other real estate operations	Other non-banking business	Total
Revenue from non-banking activities	26.5	12.9	39.4
Cost of sales and other expenses from non-banking activities	(15.8)	(13.9)	(29.7)
Total net income/(loss) from non-banking activities	10.7	(1.0)	9.7

37. Other Operating Income

	2013	2012
Operating lease of equipment	2.1	1.9
Income arising from disposal of property	2.1	1.0
Dividends received	1.2	1.8
Fines and penalties received	0.2	0.3
Reversal of impairment of fixed assets	–	0.9
Other	4.0	2.8
Total other operating income	9.6	8.7

38. Staff Costs and Administrative Expenses

	2013	2012
Staff costs	108.0	87.6
Defined contribution pension expense	10.8	9.5
Depreciation and other expenses related to premises and equipment	19.7	19.3
Leasing and rent expenses	10.4	8.9
Taxes other than on income	9.4	9.7
Advertising expenses	8.2	6.9
Payments to deposit insurance system	6.1	4.7
Professional services	6.0	5.8
Impairment, amortization and other expenses related to intangibles, except for amortization of core deposit and customer loan intangibles	5.2	3.8
Amortization of core deposit and customer loan intangibles	5.0	5.0
Post and telecommunication expenses	4.0	3.3
Charity	3.4	2.3
Security expenses	3.2	2.7
Transport expenses	2.7	3.2
Insurance costs	0.9	0.8
Other	7.9	7.7
Total staff costs and administrative expenses	210.9	181.2

39. Allowances for Impairment and Provisions

The movements in allowances for impairment of due from other banks by classes were as follows:

	<i>Russia</i>	<i>OECD</i>	<i>Other</i>	<i>Total</i>
31 December 2011	1.8	–	0.8	2.6
Reversal of provision during the period	(0.1)	–	–	(0.1)
Write-offs	–	–	(0.2)	(0.2)
Effect of translation	–	–	(0.1)	(0.1)
31 December 2012	1.7	–	0.5	2.2
Provision for impairment / (reversal of provision) during the period	(0.1)	0.1	0.7	0.7
Write-offs	(0.2)	–	–	(0.2)
Effect of translation	–	–	0.1	0.1
31 December 2013	1.4	0.1	1.3	2.8

The movements in allowances for impairment of loans and advances to legal entities by class were as follows:

	<i>Finance leases</i>	<i>Current activity financing</i>	<i>Reverse sale and repurchase agreements with legal entities</i>	<i>Project finance and other</i>	<i>Total</i>
31 December 2011	16.5	145.6	–	81.6	243.7
Provision for impairment during the period	0.8	21.9	0.1	11.5	34.3
Write-offs	(0.5)	(8.9)	–	(1.0)	(10.4)
Recoveries of amounts written-off in previous period	–	0.1	–	–	0.1
Effect of translation	(0.4)	(2.2)	–	(3.5)	(6.1)
Reclassification to assets of disposal group held for sale	–	–	–	(0.4)	(0.4)
31 December 2012	16.4	156.5	0.1	88.2	261.2
Provision for impairment during the period	2.8	37.3	–	15.1	55.2
Write-offs	(5.1)	(35.5)	–	(4.8)	(45.4)
Recoveries of amounts written-off in previous period	–	0.2	–	–	0.2
Effect of translation	0.5	6.9	–	1.5	8.9
Reclassification to assets of disposal group held for sale	–	(0.5)	–	–	(0.5)
Business combinations	–	(1.4)	–	–	(1.4)
31 December 2013	14.6	163.5	0.1	100.0	278.2

Allowance for finance leases represents allowances for loans to leasing companies and net investment in leases.

39. Allowances for Impairment and Provisions (continued)

The movements in allowances for impairment of loans and advances to individuals by class were as follows:

	<i>Mortgages</i>	<i>Car loans</i>	<i>Consumer loans and other</i>	<i>Total</i>
31 December 2011	8.5	3.7	32.6	44.8
Provision for impairment during the period	1.0	0.9	23.3	25.2
Write-offs	(0.8)	(0.3)	(6.2)	(7.3)
Recoveries of amounts written-off in previous period	(0.3)	–	(0.1)	(0.4)
Effect of translation	–	–	(0.2)	(0.2)
31 December 2012	8.4	4.3	49.4	62.1
Provision for impairment / (reversal of provision) during the period	(1.4)	2.0	40.4	41.0
Write-offs	(0.3)	(0.7)	(19.9)	(20.9)
Recoveries of amounts written-off in previous period	–	–	0.1	0.1
Effect of translation	0.4	–	0.2	0.6
31 December 2013	7.1	5.6	70.2	82.9

The movements in allowances for impairment of other assets and investment securities held-to-maturity and provisions for credit related commitments and legal claims were as follows:

	<i>Other assets</i>	<i>Investment securities held-to-maturity</i>	<i>Credit related commitments</i>	<i>Legal claims</i>	<i>Total</i>
31 December 2011	2.7	2.0	1.1	0.9	6.7
Provision for impairment / (reversal of provision) during the period	2.0	–	(0.3)	1.0	2.7
Write-offs	(1.3)	–	–	–	(1.3)
Effect of translation	(0.1)	–	0.1	–	–
Reclassification to assets of disposal group held for sale	(0.1)	–	–	–	(0.1)
31 December 2012	3.2	2.0	0.9	1.9	8.0
Provision for impairment / (reversal of provision) during the period	1.5	–	(0.1)	0.9	2.3
Write-offs	(1.5)	(2.0)	–	–	(3.5)
Recoveries of amounts written-off in previous period	0.1	–	–	–	0.1
Reclassification to allowance due to reclassification of items to this category	0.1	–	–	–	0.1
Effect of translation	0.2	–	–	–	0.2
Reclassification to assets of disposal group held for sale	–	–	–	–	–
31 December 2013	3.6	–	0.8	2.8	7.2

Allowances for impairment of assets are deducted from the carrying amounts of the related assets. Provisions for claims, guarantees and credit-related commitments are recorded in liabilities. In accordance with Russian legislation, loans may only be written-off with the approval of the authorised management body and, in certain cases, with the respective decision of the Court.

40. Income Tax

Income tax expense comprises the following:

	2013	2012
Current tax expense	21.4	24.1
Deferred tax expense due to the origination and reversal of temporary differences	2.7	0.7
Income tax expense for the year	24.1	24.8

The income tax rate applicable to the majority of the Group's income in 2013 is 20% (2012: 20%). The income tax rate applicable to subsidiaries' income ranges from 10% to 32% in 2013 (2012: 10% to 32%).

	2013	2012
IFRS profit before tax	119.2	115.4
Theoretical tax expense at the applicable statutory rate of each Group entity	24.6	23.9
Tax effect of items, which are not deductible or assessable for tax purposes:		
- Change in unrecognized deferred taxes	(1.5)	0.5
- Non-deductible expenses	5.9	4.3
- Income taxed at different rates	(6.7)	(3.1)
- Other	1.8	(0.8)
Income tax expense for the year	24.1	24.8

The difference between the theoretical and actual income tax expense for 2013 and 2012 was mainly attributable to non-deductible expenses and income taxed at different rates.

Differences between IFRS and taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for profits tax purposes. The tax effect of the movement on these temporary differences is recorded at rates from 10% to 32% (2012: from 10% to 32%). The Bank and its subsidiaries have no right to set off current tax assets and tax liabilities between legal entities, so deferred tax assets and deferred tax liabilities are separately assessed for each entity.

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40. Income Tax (continued)

Origination and reversal of temporary differences	Origination and reversal of temporary differences						Origination and reversal of temporary differences						
	2011	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	Credited/ (charged) to retained earnings	Currency translation difference	Business combination	2012	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	Credited/ (charged) to retained earnings	Currency translation difference	Business combination	2013
Tax effect of deductible temporary differences:													
Fair value of loans acquired through business combinations	29.0	(4.4)	–	–	–	–	24.6	(2.3)	–	–	–	–	22.3
Allowances for impairment and provisions for other losses	20.7	1.2	–	–	(0.1)	–	21.8	(10.5)	–	–	0.1	–	11.4
Tax losses carried forward	17.8	4.6	–	(0.4)	(0.2)	0.6	22.4	4.5	–	3.2	0.2	0.8	31.1
Fair value of derivatives	0.4	1.5	–	–	–	–	1.9	0.1	(0.2)	–	–	–	1.8
Accruals	20.4	(4.1)	–	–	–	–	16.3	2.5	–	–	–	–	18.8
Fair value of securities	6.6	(3.8)	1.3	–	–	–	4.1	(5.7)	0.5	–	–	0.6	(0.5)
Fair value of investment property	4.9	0.2	–	–	–	–	5.1	(3.6)	–	–	–	0.3	1.8
Loans to customers	–	–	–	–	–	–	–	2.9	–	–	0.1	–	3.0
Other	4.8	3.7	–	–	0.3	–	8.8	(3.9)	–	(0.2)	0.1	6.0	10.8
Gross deferred tax assets	104.6	(1.1)	1.3	(0.4)	–	0.6	105.0	(16.0)	0.3	3.0	0.5	7.7	100.5
Unrecognized deferred tax assets	(7.4)	(0.5)	–	–	–	–	(7.9)	1.5	–	–	–	0.2	(6.2)
Gross deferred tax asset	97.2	(1.6)	1.3	(0.4)	–	0.6	97.1	(14.5)	0.3	3.0	0.5	7.9	94.3
Tax effect of taxable temporary differences:													
Fair value measurement of securities	(2.1)	(0.5)	(0.2)	–	–	–	(2.8)	0.9	–	–	(0.1)	–	(2.0)
Property and equipment	(7.8)	(1.1)	(2.3)	–	–	(0.2)	(11.4)	0.5	–	(0.1)	–	(1.0)	(12.0)
Intangible assets	(6.0)	1.1	–	–	–	–	(4.9)	0.3	–	–	–	–	(4.6)
Net investment in lease	(0.8)	(0.4)	–	–	–	–	(1.2)	5.0	–	–	–	(7.2)	(3.4)
Fair value of investment property	(9.4)	(2.1)	–	–	–	(0.3)	(11.8)	3.1	–	–	–	–	(8.7)
Allowances for impairment and provisions for other losses	(0.1)	(2.3)	–	–	0.1	–	(2.3)	(0.6)	–	–	(0.1)	–	(3.0)
Fair value of derivatives	(2.1)	(2.5)	–	–	–	–	(4.6)	0.5	–	–	–	–	(4.1)
Other borrowed funds	(29.7)	2.2	–	–	–	–	(27.5)	4.7	–	–	–	–	(22.8)
Other	(6.5)	6.5	–	–	–	–	–	(2.6)	–	–	–	(0.6)	(3.2)
Gross deferred tax liability	(64.5)	0.9	(2.5)	–	0.1	(0.5)	(66.5)	11.8	–	(0.1)	(0.2)	(8.8)	(63.8)
Deferred tax asset, net	42.7	(0.1)	(0.3)	–	–	0.6	42.9	(0.6)	0.3	2.9	0.3	(0.3)	45.5
Deferred tax liability, net	(10.0)	(0.6)	(0.9)	(0.4)	0.1	(0.5)	(12.3)	(2.1)	–	–	–	(0.6)	(15.0)

40. Income Tax (continued)

As at 31 December 2013 recognised deferred tax asset included RUR 27.5 billion resulted from tax loss carried forward (31 December 2012: RUR 18.5 billion).

As at 31 December 2013 the Group had unrecognised deferred tax asset of RUR 3.6 billion (2012: RUR 3.9 billion) in respect of unused tax loss expiring as presented below:

	2013	2012
Unused tax loss carried forward expiring by the end of:		
31 December 2013		17.4
31 December 2014	23.0	15.5
31 December 2015	17.7	14.2
31 December 2016	11.7	15.0
31 December 2017	12.8	10.8
31 December 2018	16.2	1.7
After 31 December 2018	58.6	19.7
Total tax loss carry forwards	140.0	94.3

In 2013, profit after tax from subsidiaries acquired exclusively with a view to resale was presented net of income tax expense in the amount of RUR 5.4 billion (2012: RUR 0 billion).

As at 31 December 2013, the aggregate amount of temporary differences associated with investments in subsidiaries, associates and joint ventures for which deferred tax liability has not been recognized amounted to RUR 92.7 billion (31 December 2012: RUR 120.5 billion).

The following table provides disclosure of income tax effects relating to each component of other comprehensive income:

	2013			2012		
	<i>Before tax</i>	<i>Tax expense/ (recovery)</i>	<i>Net of tax</i>	<i>Before tax</i>	<i>Tax expense/ (recovery)</i>	<i>Net of tax</i>
Net result on financial assets available-for-sale	(2.3)	0.5	(1.8)	(4.5)	1.1	(3.4)
Land and premises revaluation	–	–	–	12.4	(2.5)	9.9
Actuarial losses net of gains arising from difference between pension plan assets and obligations	(0.2)	–	(0.2)	–	–	–
Cash flow hedges	1.0	(0.2)	0.8	–	–	–
Share of other comprehensive income of associates and joint ventures	–	–	–	(0.2)	–	(0.2)
Effect of changes in tax rates recognized in land and premises revaluation reserve	–	–	–	–	0.2	0.2
Effect of translation	3.9	–	3.9	(2.1)	–	(2.1)
Other comprehensive income	2.4	0.3	2.7	5.6	(1.2)	4.4

41. Share-based Payments

In February 2012, several VTB Group members introduced for their selected employees a share-based remuneration plan. This plan has established a right of those employees to receive common shares (“Shares Plan”) or GDR (“GDRs Plan”) of VTB (depending on the employing entity’s country of incorporation) contingent on their service over a specified period of time.

In February 2013, several VTB Group members made additional awards to their selected employees under the same plan rules and vesting conditions.

41. Share-based Payments (continued)

Shares Plan. The vesting conditions envisage that an employee remains in service for a certain vesting period to receive the shares award. The awarded shares vest gradually in three equal instalments over the vesting periods of one, two and three years, subject to employee's continuous employment with the Group during the relevant vesting period. An award, or portion of it, may be forfeited or paid if the employee terminates employment before the end of the relevant vesting period voluntarily or subject to certain other conditions as described in the Plan rules.

GDRs Plan. Under GDRs Plan the selected employees are granted zero strike price options to purchase GDRs exercisable over ten years from each respective vesting date. The vesting conditions envisage that an employee remains in service for a certain vesting period to receive the GRDs award. The awarded GDRs vest gradually in three equal instalments over the vesting periods of one, two and three years, subject to employee's continuous employment with the Group during the relevant vesting period. An award, or portion of it, may be forfeited or exercised if the employee terminates employment before the end of the relevant vesting period voluntarily or subject to certain other conditions as described in the Plan rules.

As at 31 December 2013 the total value of the award granted under the Shares Plan was RUR 1.6 billion (31 December 2012: RUR 1.3 billion) represented by 24.7 billion shares of VTB (31 December 2012: 18.5 billion).

As at 31 December 2013 the total value of the award granted under the GDRs Plan was RUR 1.3 billion (31 December 2012: RUR 0.9 billion) represented by 9.7 million of GDRs of VTB Each GDR contains 2,000 VTB shares (31 December 2012: 6.4 million).

For the year ended 31 December 2013 the Group recognised in Staff costs the amount of RUR 1.3 billion (31 December 2012: RUR 1.5 billion) as expenses related to the above equity-settled share-based payment transactions.

The movement in units is presented in the table below.

	<i>Shares Plan</i>	<i>GDRs Plan</i>
Balance as at 1 January 2012	–	–
Granted in February 2012	19.6	7.1
Granted in April-December 2012	0.3	0.2
Accelerated vesting	(0.4)	–
Vested for Shares Plan / vested and exercised for GDRs Plan	–	(0.8)
Forfeited	(1.0)	(0.1)
Balance as at 31 December 2012	18.5	6.4
Granted in February 2013	12.1	4.1
Granted April-December 2013	0.7	1.5
Vested for Shares Plan / vested and exercised for GDRs plan	(6.2)	(2.2)
Forfeited	(0.4)	(0.1)
Balance as at 31 December 2013	24.7	9.7

For 2013 quantity of units were determined as fixed monetary value communicated to employees on the grant date divided by a simple average of the daily weighted-average market price of shares/GDRs for the actual number of relevant exchange working days in January 2013.

For 2012 quantity of units were determined as fixed monetary value communicated to employees on the grant date divided by a weighted-average market price of shares/GDRs for 30 days prior to 2 April 2012.

As at 31 December 2013 under the GDRs Plan 3.2 million GDRs were vested (31 December 2012: 1.0 million). As at 31 December 2013 the quantity of vested unexercised options comprised 0.2 million (31 December 2012: 0.2 million).

42. Basic and Diluted Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share are equal to basic earnings per share.

	2013	2012
Weighted average number of ordinary shares in issue	11,911,112,707,137	10,374,040,605,572
Net profit attributable to shareholders of the parent	101.5	85.8
Amounts due on perpetual loan participation notes, net of tax	(5.6)	(1.0)
Total net profit attributable to shareholders of the parent	95.9	84.8
Basic and diluted earnings per share (expressed in Russian Roubles per share)	0.00805	0.00817
Profit after tax from subsidiaries acquired exclusively with a view to resale	5.4	–
Basic and diluted earnings per share (expressed in Russian Roubles per share)	0.00045	–
Total net profit attributable to shareholders of the parent net of profit after tax from subsidiaries acquired exclusively with a view to resale	90.5	84.8
Basic and diluted earnings per share before profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian Roubles per share)	0.00760	0.00817

43. Dividends and Amounts Paid and Due under Perpetual Loan Participation Notes

The Regulation on VTB's Dividend Policy states that the proposals on dividend payments are made by the Supervisory Council taking into consideration the Bank's financial performance in the appropriate year and other factors and, as a rule, should envisage a dividend payment constituting at least 10 percent of the Bank's statutory net profit. The dividend payment is proposed by the VTB Supervisory Council to the General Shareholders' Meeting. The final decision on dividend payment, including decisions on dividend amount and payout mode, is taken by the General Shareholders' Meeting.

The amount of dividends to be declared and paid is decided at the VTB's annual shareholders' meeting on the basis of VTB's net profit for the previous fiscal year determined in accordance with Russian Accounting Legislation on a stand-alone basis.

In June 2013, Annual General Meeting of VTB shareholders declared dividends of RUR 15.0 billion for 2012 (RUR 0.00143 per share) which were paid in July-August 2013 including RUR 0.1 billion to several Group's subsidiaries. In June 2012, Annual General Meeting of JSC VTB Bank shareholders declared dividends of RUR 9.2 billion for 2011 (RUR 0.00088 per share), which were paid in July-August 2012 including RUR 0.1 billion to several Group's subsidiaries.

In June 2013 and December 2013, VTB paid USD 106.9 million (RUR 3.4 billion) and USD 106.9 million (RUR 3.6 billion) respectively due under Perpetual Loan Participation Notes. There were no other amounts due under Perpetual Loan Participation Notes as at 31 December 2013.

In December 2012, VTB paid in USD 40.9 million (RUR 1.3 billion) due under Perpetual Loan Participation Notes.

In March 2013, the Annual General Shareholders' Meeting of "TransCreditBank", JSC shareholders approved dividends of RUR 41.2 billion for 2012 (RUR 15.7 per share) including dividends payable to non-controlling shareholders in the amount of RUR 0.1 billion.

43. Dividends and Amounts Paid and Due under Perpetual Loan Participation Notes (continued)

In May 2013, the Annual General Shareholders' Meeting of "Banco VTB Africa S.A." shareholders approved dividends of RUR 0.4 billion (AKZ 1.12 billion) for 2012 (RUR 9,108.8 or AKZ 320.4 per share) including dividends payable to non-controlling shareholders in the amount of RUR 0.2 billion.

In June 2013, the Annual General Shareholders' Meeting of "Bank of Moscow", OJSC shareholders approved dividends of RUR 6.9 billion for 2012 (RUR 25.71 per share) including dividends payable to non-controlling shareholders in the amount of RUR 0.3 billion.

In December 2013, "RCB Bank Ltd" paid final dividends in the amount of USD 100 million for 2012 (RUR 3.3 billion), including USD 40 million (RUR 1.3 billion) attributable to non-controlling shareholders.

In June 2012, "RCB Bank Ltd" paid final dividends in the amount of USD 100 million for 2011 (RUR 3.2 billion), including USD 40 million (RUR 1.3 billion) attributable to non-controlling shareholders.

In June 2012, the Annual General Shareholders' Meeting of "Bank of Moscow", OJSC shareholders approved dividends of RUR 5.0 billion for 2011 (RUR 18.4 per share) which were paid in June 2012 including dividends paid to non-controlling shareholders in the amount of RUR 0.2 billion.

In April 2012, the Annual General Shareholders' Meeting of "VTB Bank (Belarus)", CJSC paid dividends of RUR 0.2 billion (BYR 61.8 billion at the exchange rate of RUR 0.0039 per BYR 1.00) for 2011 (RUR 847.03 or BYR 219,647.72 per share), including dividends paid to non-controlling shareholders in the amount of RUR 0.1 billion.

In July 2012, the Annual General Shareholders' Meeting of "Banco VTB Africa S.A." shareholders approved dividends of RUR 0.3 billion (AKZ 1.00 billion at the exchange rate of RUR 0.3453 per AKZ 1.00) for 2011 (RUR 98.92 or AKZ 286.49 per share) including dividends payable to non-controlling shareholders in the amount of RUR 0.1 billion.

44. Transfers of Financial Assets and Assets Held or Pledged as Collateral

The Group transferred financial assets in transactions that did not qualify for derecognition. The following note provides a summary of financial assets which have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition.

(a) Transfers that did not qualify for derecognition of the financial asset in its entirety

The table below shows the amount of operations under sale and repurchases agreements which the Group entered into in the normal course of business as at 31 December 2013 and 31 December 2012. (Note 11)

	31 December 2013			31 December 2012		
	Carrying amount of the assets	Carrying amount of the associated liabilities	Net position	Carrying amount of the assets	Carrying amount of the associated liabilities	Net position
Financial assets at fair value through profit or loss	145.0	177.4	(32.4)	48.7	41.9	6.8
Financial assets available-for-sale	28.1	26.5	1.6	5.9	5.3	0.6
Financial assets held to maturity	0.1	0.1	–	–	–	–
Financial assets classified as loans and advances to customers	290.6	283.0	7.6	245.5	248.4	(2.9)
Financial assets classified as due from other banks	2.8	0.5	2.3	2.8	2.4	0.4
Total	466.6	487.5	(20.9)	302.9	298.0	4.9

44. Transfer of Financial Assets and assets held or pledged as collateral (continued)

(a) Transfers that did not qualify for derecognition of the financial asset in its entirety (continued)

The table below shows the amount of securitization operations as at 31 December 2013 and 2012 which the Group enters into in the normal course of business.

		31 December 2013			31 December 2012		
		Carrying amount of the assets	Carrying amount of the associated liabilities	Net position	Carrying amount of the assets	Carrying amount of the associated liabilities	Net position
	Note						
Correspondent accounts ^(A)	12	3.2	3.2	–	2.2	2.2	–
Mortgage loans ^(A)	13	38.9	36.3	2.6	23.9	22.1	1.8
Car loans ^(B)	13	17.3	12.3	5.0	13.2	8.3	4.9
Total		59.4	51.8	7.6	39.3	32.6	6.7

^(A) Starting from 2010 “Bank VTB 24”, CJSC participates in VEB Program to support affordable housing projects using the mortgage. Under this Program “Bank VTB 24”, CJSC issues mortgage-backed securities which are all bought by VEB. As at 31 December 2013 carrying amount of pledged assets under this Program was RUR 42.1 billion (31 December 2012: RUR 26.1 billion), including RUR 38.9 billion of mortgage loans and RUR 3.2 billion on correspondent account with CBR (31 December 2012: RUR 23.9 billion and RUR 2.2 billion, respectively), amortized cost of issued mortgage-backed securities amounted to RUR 39.5 billion (31 December 2012: RUR 24.3 billion).

^(B) In August 2012, “Bank VTB 24”, CJSC arranged a structured transaction related to its car loan portfolio in the amount of RUR 14.0 billion through a sale to a special purpose entity, which further attracted funds through secured loan deal in the amount of USD 275 million with the expected maturity in August 2014. The USD loan bears the floating interest rate of monthly LIBOR plus 1.5% p.a. payable monthly. In October 2013, “Bank VTB 24”, CJSC additionally received the amount of USD 100 million. As at 31 December 2013 the carrying amount of the loan of RUR 12.3 billion was included in other borrowings (31 December 2012: RUR 8.3 billion). This loan was securitized with a pledge of loans to customers with the carrying amount of RUR 17.3 billion (31 December 2012: RUR 13.2 billion).

(b) Transfers that qualified for derecognition of the financial asset in its entirety

The Group has certain transferred financial assets which have been derecognized in their entirety, but for which there is continuing involvement at the reporting date due to the representation on the board of directors and/or due to effectively holding collateral under transferred assets to secure remaining payments from third parties related to the transfer. The collateral fair value under transferred assets comprised RUR 18.1 billion as at 31 December 2013 (31 December 2012: RUR 81.9 billion). Proceeds from the transfer were received in several instalments with RUR 1.5 billion and RUR 80.6 billion received in 2013 and 2012 respectively and the amount of RUR 0.03 billion to be received in future periods. The gain recognized at the date of transfer comprised RUR 0.5 billion.

Assets pledged as collateral

The Group pledges assets that are on its statement of financial position in various day-to-day transactions that are conducted under the usual terms and conditions applying to such agreements. The Group pledged securities as collateral in repurchase agreements for RUR 466.6 billion (2012: RUR 302.9 billion). Refer to the section “(a) Transfers that did not qualify for derecognition of the financial asset in its entirety” above.

Assets held as collateral

The Group holds certain assets as collateral which it is permitted to sell or repledge in the absence of default by the owner of the collateral, under the usual terms and conditions applying to such agreements. The Group received securities as collateral in reverse repurchase agreements with a fair value of RUR 324.0 billion (2012: RUR 212.1 billion). Of these, securities with a fair value of RUR 29.6 billion (2012: RUR 29.1 billion) were transferred to satisfy commitments under short sale transactions and securities with a fair value of RUR 84.9 billion (2012: RUR 26.4 billion) were sold under agreements to repurchase under the usual terms and conditions applying to such agreements.

45. Contingencies, Commitments and Derivative Financial Instruments

In addition, the Group held RUB 10.5 billion of deposits (2012: RUB 11.2 billion) under Due to customers as collateral for irrevocable commitments under import letters of credit (Note 22). The Group is obliged to return the collateral at maturity of the import letters of credit.

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. As at the reporting date the Group had several unresolved legal claims. Management assessed probable outflow of resources and respective provision in the amount of RUR 2.8 billion has been made in these consolidated financial statements (31 December 2012: RUR 1.9 billion).

Tax contingencies. Major part of the Group's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Trends within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and late payment interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

The Russian transfer pricing legislation allows the Russian tax authority to apply transfer pricing adjustments and impose additional profits tax liabilities in respect of all "controlled" transactions if the transaction price differs from the market price unless the Group is able to demonstrate the use of market prices with respect to the "controlled" transactions supported by appropriate available transfer pricing documentation and proper reporting to the Russian tax authorities.

In 2013 the Group determined its tax liabilities arising from "controlled" transactions using actual transaction prices. Management believes that the Group complies with the Russian transfer pricing legislation requirements in respect to "controlled" transactions, including a duly prepared notification submitted to the tax authorities and transfer pricing documentation confirming application of market prices by the Group with respect to its "controlled" transactions.

The Group also operates in various jurisdictions and includes companies incorporated outside of Russia that are taxed at different rates and under different legislation. Tax liabilities of the Group are determined on the basis that these companies do not have a permanent establishment in Russia and hence are not subject to Russian profits tax except for Russian tax withheld at source (i.e. dividend, interest, certain capital gains, etc.). Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of these rules and changes in the approach of the Russian tax authorities, some or all of the foreign companies of the Group may be treated as being subject to Russian taxation in a manner broadly similar to the taxation of a Russian legal entity.

As at 31 December 2013 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees that represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties carry the same credit risk as loans. Documentary and commercial letters of credit (L/Cs), which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by cash deposits and therefore carry less risk than direct borrowings.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards and/or the Bank confirming its willingness to extend a loan.

The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The total outstanding contractual amount of irrevocable undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

45. Contingencies, Commitments and Derivative Financial Instruments (continued)

Outstanding credit related commitments are as follows:

	31 December 2013	31 December 2012
Guarantees issued	975.2	621.8
Letters of credit	46.0	38.8
Undrawn credit lines	28.0	47.1
Commitments to extend credit	2.6	1.0
Less: provision for impairment on credit related commitments (Note 39)	(0.8)	(0.9)
Total credit related commitments	1,051.0	707.8

The Bank has received export letters of credit for further advising to its customers. The total amount of received letters of credit as at 31 December 2013 is RUR 109.0 billion (31 December 2012: RUR 128.1 billion). Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 10.5 billion (31 December 2012: RUR 11.2 billion) (Note 22).

As at 31 December 2013, included in guarantees issued are guarantees issued for a related Russian entity of RUR 52.9 billion or 5% of the guarantees issued. (31 December 2012: RUR 50.9 billion or 8% of the guarantees issued).

Commitments under operating leases. The Group's commitments under operating leases mainly of premises comprised the following:

	31 December 2013	31 December 2012
Remaining contractual maturity:		
Within 1 year	8.9	6.5
From 1 to 5 years	18.3	13.2
More than 5 years	47.5	6.1
Total operating lease commitments	74.7	25.8

Purchase commitments. As at 31 December 2013 the Group had RUR 27.8 billion of outstanding commitments for the purchase of precious metals (31 December 2012: RUR 35.6 billion). As the price of these contracts is linked to the fair value of precious metals at the date of delivery, no gain or loss is recognized on these contracts.

Commitments under construction contracts. The Group has entered into agreements with third parties for construction of investment property objects or properties intended for sale which will require capital outlays subsequent to 31 December 2013.

As at 31 December 2013 the Group has future minimum capital expenditures related to investment property under construction in progress or development in the amount of RUR 18.7 billion (31 December 2012: RUR 20.1 billion) of which RUR 10.2 billion to be expended in less than 1 year (31 December 2012: RUR 12.0 billion) and RUR 8.5 billion to be expended later than 1 year and not later than 5 years (31 December 2012: RUR 8.1 billion).

As at 31 December 2013 the Group has future minimum capital expenditures related to property intended for sale in the ordinary course of business under construction in progress or development in the amount of RUR 42.2 billion (31 December 2012: RUR 44.9 billion) of which RUR 16.4 billion to be expended in less than 1 year (31 December 2012: RUR 16.0 billion) and RUR 25.8 billion to be expended later than 1 year and not later than 5 years (31 December 2012: RUR 28.9 billion).

45. Contingencies, Commitments and Derivative Financial Instruments (continued)

Derivative financial instruments. Foreign exchange and other financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions.

The table below includes derivative contracts outstanding at 31 December 2013 and 31 December 2012:

	31 December 2013		31 December 2012	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Derivative financial assets and liabilities at fair value through profit or loss held for trading				
<i>Foreign exchange and precious metals contracts</i>				
Forwards	4.6	(4.3)	6.5	(8.4)
Futures	0.1	(0.7)	0.9	(5.2)
Swaps	13.4	(10.2)	17	(15.8)
Options	3.1	(4.9)	1.7	(1.7)
<i>Contracts with securities</i>				
Forward sale of equity securities	–	–	0.5	–
Futures sale of equity securities	–	–	–	(0.1)
Swap with securities	0.2	(0.2)	0.2	(0.2)
Options	4.2	(8.1)	6.3	(1.1)
<i>Interest Rate contracts</i>				
Single Currency Interest Rate swaps	10.1	(10.0)	12.3	(13.6)
Cross Currency Interest Rate swaps	34.1	(23.4)	22.5	(10.6)
Swaptions	0.6	(0.8)	0.8	(0.2)
Cap/Floor	–	(0.1)	–	–
Interest Rate futures	–	–	–	(0.1)
<i>Contracts with other basic variables</i>				
Sale of Credit Default swaps	3.2	(1.4)	–	(23.0)
Purchase of Credit Default swaps	0.9	(1.9)	21.7	–
Futures on Indexes	0.1	–	0.1	–
Options on Indexes	1.7	(1.2)	1.2	(0.9)
Commodity swaps	0.4	(0.2)	0.6	(0.5)
Commodity futures	0.5	(0.5)	0.1	(0.1)
Commodity options	0.1	(0.2)	–	–
<i>Embedded derivatives on structured instruments</i>				
Embedded derivatives on foreign exchange instruments	1.9	–	0.7	(0.1)
Embedded derivatives on interest rate instruments	1.0	–	–	–
Embedded derivatives on securities instruments	–	(1.0)	–	(1.0)
Total derivative financial assets and liabilities at fair value through profit or loss held for trading	80.2	(69.1)	93.1	(82.6)
Derivative financial assets and liabilities designated as hedging instruments				
<i>Derivatives held as fair value hedges</i>				
Interest Rate swaps	0.1	(2.4)	0.4	(0.5)
Forward sale of equity securities	7.8	–	–	–
<i>Derivatives held as cash flow hedges</i>				
Interest Rate swaps	0.2	(0.1)	0.2	–
Foreign exchange swaps	0.8	–	–	–
Total derivative financial assets and liabilities designated as hedging instruments	8.9	(2.5)	0.6	(0.5)
Total derivatives	89.1	(71.6)	93.7	(83.1)

46. Offsetting of financial instruments

The tables below show financial assets offset against financial liabilities and financial liabilities offset against financial assets in the statement of financial position, as well as the effect of enforceable master netting agreements and similar arrangements that does not result in an offset in the statement of financial position as at 31 December 2013:

Assets	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Financial assets pledged under repurchase agreements	466.6	–	466.6	(466.4)	–	0.2
Reverse sale and repurchase agreements with other banks	42.2	–	42.2	(42.2)	–	–
Reverse sale and repurchase agreements with legal entities and individuals	212.3	–	212.3	(212.3)	–	–
Due from banks other than Central banks	425.8	(6.8)	419.0	–	–	419.0
Derivative financial assets including fair value hedge	89.1	–	89.1	(1.1)	–	88.0
Total	1,236.0	(6.8)	1,229.2	(722.0)	–	507.2

Liabilities	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets set off in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Funds from local central banks under sale and repurchase agreements (other borrowed funds)	399.5	–	399.5	(399.5)	–	–
Sale and repurchase agreements with other banks (due to other banks)	113.2	(6.8)	106.4	(64.6)	–	41.8
Sale and repurchase agreements with customers (customer deposits)	12.0	–	12.0	(2.3)	–	9.7
Derivative financial liabilities including fair value hedge	71.6	–	71.6	(1.1)	–	70.5
Total	596.3	(6.8)	589.5	(467.5)	–	122.0

46. Offsetting of financial instruments (continued)

The tables below show financial assets offset against financial liabilities and financial liabilities offset against financial assets in the statement of financial position, as well as the effect of enforceable master netting agreements and similar arrangements that does not result in an offset in the statement of financial position as at 31 December 2012:

Assets	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Financial assets pledged under repurchase agreements	302.9	–	302.9	(301.9)	–	1.0
Reverse sale and repurchase agreements with other banks	65.6	–	65.6	(65.6)	–	–
Reverse sale and repurchase agreements with legal entities	115.4	(0.2)	115.2	(115.2)	–	–
Reverse sale and repurchase agreements with individuals	3.2	–	3.2	(3.2)	–	–
Loans to legal entities excluded reverse sale and repurchase agreements	3,854.0	(4.6)	3,849.4	–	–	3,849.4
Derivative financial assets including fair value hedge	93.7	–	93.7	(1.3)	–	92.4
Total	4,434.8	(4.8)	4,430.0	(487.2)	–	3,942.8

Liabilities	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets set off in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Term deposits of other legal entities (customer deposits)	1,154.4	(0.2)	1,154.2	–	–	1,154.2
Term loans and deposits (due to other banks)	449.5	(4.6)	444.9	–	–	444.9
Funds from local central banks under sale and repurchase agreements (other borrowed funds)	272.8	–	272.8	(272.8)	–	–
Sale and repurchase agreements with other banks (due to other banks)	43.7	–	43.7	(25.2)	–	18.5
Sale and repurchase agreements with customers (customer deposits)	6.4	–	6.4	(3.9)	–	2.5
Derivative financial liabilities including fair value hedge	83.1	–	83.1	(1.3)	–	81.8
Total	2,009.9	(4.8)	2,005.1	(303.2)	–	1,701.9

47. Analysis by Segment

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is group of persons – who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Group Managing Committee.

(a) Description of products and services from which each reportable segment derives its revenue

In accordance with IFRS 8, *Operating Segments*, the Group defined as the major operating segments the global business lines. On this basis, the Group aggregated these operating segments in accordance with IFRS 8 into the following reportable segments:

Corporate-Investment banking (CIB):

<i>Investment banking</i>	representing all operations on the securities market, excluding operations with securities included in Treasury securities portfolio for liquidity purpose; currency exchange operations with corporate customers and financial institutions (excluding Treasury operations); operations with derivative financial instruments of any kind, excluding operations for liquidity, currency and interest rate risk regulation; operations with precious metals, operations on commodity markets; brokerage services and financial consulting for corporate customers and financial institutions; syndication and securitization, placements on the primary and secondary markets of equity and debt instruments; structured products; trading credit products, merger and acquisitions advice.
<i>Loans and Deposits</i>	representing operations with corporate customers with regard to lending in any form (including overdrafts on current accounts of customers) and borrowing in the form of term deposits/loans from customers (including agreements on holding a minimum balance on settlement/current accounts).
<i>Transaction banking</i>	representing operations with corporate customers: raising customer funds on current and settlement accounts and raising the funds of legal entities on corporate cards; documentary operations: letters of credit and guarantees including raising customer funds to cover the conducted trade finance operations (without credit risk taking on these operations); depositary operations with corporate customers; fee services and products of all kinds not related to operations on financial markets and currency valuables, credit and deposit products: settlement and cash services, collection, storage box, providing distance banking services, electronic banking services, payment processing centre service, etc.

Retail business (RB):

<i>Retail banking</i>	representing operations with individuals, corporate customers defined as “small business” customers, and also POS-acquiring operations with major retail chains. It also includes Private Banking operations, operations of individuals with plastic cards and processing, payroll programs (including funds of corporate customers received as part of payroll programs), financial consulting of individuals; repurchase transactions and investment operations with individuals and small business customers, fiduciary and other operations with individual and small business customers.
<i>Insurance</i>	representing all types of insurance services.

Treasury: representing operations aimed to manage liquidity, payment and currency positions, and the interest rate risk and cash flow (including via internal funding procedure), reallocates resources both within the Head office or subsidiary and between VTB Group members.

Corporate Centre: representing unallocated staff and administrative expenses related to VTB Group management; expenses on strategic programs, connected with VTB Group brand development and positioning at local and international markets.

Other: representing non-banking business (construction and development, investment property etc.) and/or assets acquired from defaulted borrowers and managed by an internal department of VTB Group member or an outside contractor.

47. Analysis by Segment (continued)

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business lines that focus on different customers. They are managed separately because each business line requires different marketing strategies and service level.

Majority of the Group's entities' activities and resources are allocated and managed and their performance is assessed based on the respective global business line segment information. These operating segments represented by the global business lines are accompanied by entity based segments of those Group's entities that have not yet been integrated into the global business lines as of the reporting date.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on the basis of IFRS compliant data of the global business lines and entities adjusted, where necessary, for intersegment reallocation. Qualitative and quantitative information about operating segments is reported to the appropriate operating decision makers for the purposes of making operating decisions on allocation of resources to the segment and assessment of its performance.

Revenues disclosed in the note include the following: interest income, fee and commission income, other operating income, revenue from non-banking activities, net insurance premium earned, gains less losses from financial assets available-for-sale, gains less losses arising from financial assets at fair value through profit or loss, gains less losses from dealing in foreign currencies together with foreign exchange translation gains less losses, gains less losses arising from extinguishment of liability, recovery of losses on initial recognition of financial instruments and loans restructuring and other gains/(losses) on loans and advances to customers and share in income of associates. Each element is included in calculation of revenues in case it is positive. The totals are calculated as sum of the line components.

Intersegment transactions were executed predominantly in the normal course of business.

(d) Changes in reportable segments

The change in reportable segment composition is mainly caused by the change in the system of the Group management and the integration of activities of certain entities into the global business lines.

As at 31 December 2012 the Group introduced a new reportable segment "Treasury" as a result of further development of the global treasury function, which lends and borrows funds on money market, undertakes the Group's funding through issue of debt securities and attraction of syndicated facilities. In addition, the segment manages the liquidity position through transactions with marketable securities. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments.

As at 31 December 2013 the Group introduced new reportable segments "Retail business" and "Corporate Centre".

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47. Analysis by Segment (continued)

Segment information for the reportable segments of the Group at 31 December 2013 and results for the year ended 31 December 2013 is set out below:

For the year ended 31 December 2013	Corporate-Investment banking (CIB)					Retail business (RB)					Total before Inter- segment eliminations			Inter- segment eliminations	Total
	Investment banking	Loans and deposits	Transaction banking	Inter-CIB eliminations	Total CIB	Retail banking	Insurance	Inter-RB eliminations	Total RB	Treasury	Corporate centre	Other			
Revenues from:															
External customers	96.7	346.8	21.0	–	464.5	283.3	30.0	–	313.3	65.7	–	38.9	882.4	–	882.4
Other segments	62.3	44.2	22.9	(2.0)	127.4	53.1	2.6	(1.4)	54.3	345.4	–	5.3	532.4	(532.4)	–
Total revenues	159.0	391.0	43.9	(2.0)	591.9	336.4	32.6	(1.4)	367.6	411.1	–	44.2	1,414.8	(532.4)	882.4
Segment income and expense															
Interest income	119.4	380.8	22.6	(1.2)	521.6	293.0	1.2	(0.6)	293.6	392.3	–	0.9	1,208.4	(522.1)	686.3
Interest expense	(98.8)	(300.1)	(4.1)	0.9	(402.1)	(137.1)	(0.1)	0.4	(136.8)	(328.6)	–	(16.5)	(884.0)	520.7	(363.3)
Treasury result allocation	0.6	26.4	–	–	27.0	11.0	–	–	11.0	(38.0)	–	–	–	–	–
Net interest income	21.2	107.1	18.5	(0.3)	146.5	166.9	1.1	(0.2)	167.8	25.7	–	(15.6)	324.4	(1.4)	323.0
Provision charge for impairment of debt financial assets	(0.8)	(43.2)	–	–	(44.0)	(47.5)	–	(0.3)	(47.8)	(5.0)	–	(0.1)	(96.9)	–	(96.9)
Net interest income after provision for impairment	20.4	63.9	18.5	(0.3)	102.5	119.4	1.1	(0.5)	120.0	20.7	–	(15.7)	227.5	(1.4)	226.1
Net fee and commission income/(expense)	7.7	1.2	17.9	–	26.8	27.1	–	(0.1)	27.0	0.9	–	1.1	55.8	(0.4)	55.4
Other gains less losses arising from financial instruments and foreign currencies	28.0	1.3	–	(0.1)	29.2	4.0	0.3	–	4.3	(10.6)	–	(6.3)	16.6	0.6	17.2
Share in income of associates and joint ventures	1.4	0.6	–	–	2.0	–	–	–	–	0.2	–	–	2.2	–	2.2
Profit from disposal of subsidiaries and associates	0.1	–	–	–	0.1	–	–	–	–	–	–	2.7	2.8	–	2.8
Other operating income/(expense) items	0.8	10.9	0.2	–	11.9	1.7	12.6	0.4	14.7	(0.2)	–	6.7	33.1	(6.7)	26.4
Operating income	58.4	77.9	36.6	(0.4)	172.5	152.2	14.0	(0.2)	166.0	11.0	–	(11.5)	338.0	(7.9)	330.1
Staff costs and administrative expenses	(24.0)	(35.9)	(23.4)	–	(83.3)	(97.3)	(5.6)	0.4	(102.5)	(7.2)	(18.7)	(6.0)	(217.7)	6.8	(210.9)
Segment results: profit before taxation	34.4	42.0	13.2	(0.4)	89.2	54.9	8.4	0.2	63.5	3.8	(18.7)	(17.5)	120.3	(1.1)	119.2
Income tax expense	(4.6)	(6.5)	(2.6)	–	(13.7)	(10.9)	(1.8)	–	(12.7)	(0.7)	2.8	0.1	(24.2)	0.1	(24.1)
Net profit after tax	29.8	35.5	10.6	(0.4)	75.5	44.0	6.6	0.2	50.8	3.1	(15.9)	(17.4)	96.1	(1.0)	95.1
Profit after tax from subsidiaries acquired exclusively with a view to resale	5.0	–	–	0.3	5.3	–	–	–	–	–	–	–	5.3	0.1	5.4
Net profit	34.8	35.5	10.6	(0.1)	80.8	44.0	6.6	0.2	50.8	3.1	(15.9)	(17.4)	101.4	(0.9)	100.5
Capital expenditure	1.3	8.1	4.3	–	13.7	14.4	0.2	–	14.6	1.0	–	11.1	40.4	–	40.4
Depreciation/amortization charge	0.7	5.3	2.4	–	8.4	7.2	0.1	–	7.3	0.3	0.7	3.8	20.5	–	20.5

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47. Analysis by Segment (continued)

As at 31 December 2013	Corporate-Investment banking (CIB)					Retail business (RB)					Corporate centre	Other	Total before Inter-segment eliminations	Inter-segment eliminations	Total
	Investment banking	Loans and deposits	Transaction banking	Inter-CIB eliminations	Total CIB	Retail banking	Insurance	Inter-RB eliminations	Total RB	Treasury					
Cash and short-term funds	39.6	0.4	1.9	–	41.9	142.2	0.3	–	142.5	169.6	–	0.3	354.3	–	354.3
Mandatory cash balances with central banks	–	–	–	–	–	17.4	–	–	17.4	41.3	–	–	58.7	–	58.7
Due from other banks	62.7	28.2	–	–	90.9	3.7	3.1	–	6.8	345.4	–	0.3	443.4	–	443.4
Loans and advances to customers	454.4	3,810.9	–	–	4,265.3	1,629.8	–	–	1,629.8	43.8	–	30.1	5,969.0	–	5,969.0
Other financial instruments	505.9	7.6	–	–	513.5	43.7	8.0	–	51.7	416.6	–	32.0	1,013.8	–	1,013.8
Investments in associates and joint ventures	75.0	6.8	–	–	81.8	–	–	–	–	5.8	–	–	87.6	–	87.6
Other assets items	71.1	224.0	48.0	–	343.1	120.8	19.6	–	140.4	19.3	–	338.9	841.7	–	841.7
Net amount of intersegment settlements	164.3	–	652.1	(816.4)	–	527.9	17.0	–	544.9	1,874.3	–	–	2,419.2	(2,419.2)	–
Segment assets	1,373.0	4,077.9	702.0	(816.4)	5,336.5	2,485.5	48.0	–	2,533.5	2,916.1	–	401.6	11,187.7	(2,419.2)	8,768.5
Due to other banks	97.4	10.4	–	–	107.8	26.9	–	–	26.9	531.5	–	0.4	666.6	–	666.6
Customer deposits	943.3	482.3	649.8	–	2,075.4	2,099.9	–	–	2,099.9	161.4	–	4.7	4,341.4	–	4,341.4
Other borrowed funds	61.3	88.3	–	–	149.6	52.1	1.2	–	53.3	1,277.6	–	5.4	1,485.9	–	1,485.9
Debt securities issued	39.6	64.6	–	–	104.2	54.2	–	–	54.2	577.9	–	1.9	738.2	–	738.2
Subordinated debt	–	–	–	–	–	10.4	–	–	10.4	280.6	–	–	291.0	–	291.0
Other liabilities items	113.8	23.5	6.2	–	143.5	21.2	38.9	–	60.1	8.5	–	86.2	298.3	–	298.3
Net amount of intersegment settlements	–	2,950.5	–	(816.4)	2,134.1	–	–	–	–	–	–	285.1	2,419.2	(2,419.2)	–
Segment liabilities	1,255.4	3 619.6	656.0	(816.4)	4,714.6	2,264.7	40.1	–	2,304.8	2,837.5	–	383.7	10,240.6	(2,419.2)	7,821.4

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47. Analysis by Segment (continued)

Segment information for the reportable segments of the Group at 31 December 2012 and results for the year ended 31 December 2012 is set out below:

For the year ended 31 December 2012	Corporate-Investment banking (CIB)					Retail business (RB)					Corporate centre	Other	Total before Inter- segment elimi- nations	Inter- segment elimi- nations	Total	
	Investment banking	Loans and deposits	Transaction banking	Inter-CIB elimi- nations	Total CIB	Retail banking	Insurance	Inter-RB elimi- nations	Total RB	Treasury						
Revenues from:																
External customers	64.5	298.9	19.4	–	382.8	213.5	18.1	–	231.6	73.0	–	45.4	732.8	–	732.8	
Other segments	47.0	48.5	27.6	(0.6)	122.5	46.2	1.7	(0.8)	47.1	288.0	–	11.1	468.7	(468.7)	–	
Total revenues	111.5	347.4	47.0	(0.6)	505.3	259.7	19.8	(0.8)	278.7	361.0	–	56.5	1 201.5	(468.7)	732.8	
Segment income and expense																
Interest income	89.7	337.3	27.6	(0.1)	454.5	219.6	0.6	(0.3)	219.9	334.6	–	7.1	1 016.1	(460.4)	555.7	
Interest expense	(76.5)	(270.5)	(5.3)	0.1	(352.2)	(100.5)	–	0.2	(100.3)	(294.4)	–	(23.1)	(770.0)	460.3	(309.7)	
Treasury result allocation	1.7	25.9	–	–	27.6	13.6	–	–	13.6	(41.2)	–	–	–	–	–	
Net interest income	14.9	92.7	22.3	–	129.9	132.7	0.6	(0.1)	133.2	(1.0)	–	(16.0)	246.1	(0.1)	246.0	
(Provision charge) / reversal of provision for impairment of debt financial assets	(0.1)	(28.3)	–	–	(28.4)	(27.5)	–	(0.2)	(27.7)	(3.2)	–	–	(59.3)	(0.1)	(59.4)	
Net interest income after provision for impairment	14.8	64.4	22.3	–	101.5	105.2	0.6	(0.3)	105.5	(4.2)	–	(16.0)	186.8	(0.2)	186.6	
Net fee and commission income/(expense)	4.6	1.9	15.6	–	22.1	25.8	(0.1)	(0.1)	25.6	0.2	–	0.8	48.7	(0.4)	48.3	
Other gains less losses arising from financial instruments and foreign currencies	12.8	2.1	0.7	0.1	15.7	3.2	0.3	–	3.5	13.6	–	2.5	35.3	1.9	37.2	
Share in income of associates and joint ventures	2.0	(0.5)	–	–	1.5	–	–	–	–	(0.2)	–	(0.1)	1.2	–	1.2	
Gain/(loss) from disposal of subsidiaries and associates	1.4	–	–	–	1.4	–	–	–	–	–	–	(0.3)	1.1	–	1.1	
Other operating income/(expense) items	0.2	3.5	0.1	–	3.8	1.5	7.6	0.3	9.4	–	–	14.9	28.1	(5.9)	22.2	
Operating income	35.8	71.4	38.7	0.1	146.0	135.7	8.4	(0.1)	144.0	9.4	–	1.8	301.2	(4.6)	296.6	
Staff costs and administrative expenses	(23.5)	(37.3)	(21.8)	–	(82.6)	(73.7)	(2.3)	0.2	(75.8)	(6.6)	(16.8)	(5.3)	(187.1)	5.9	(181.2)	
Segment results: profit before taxation	12.3	34.1	16.9	0.1	63.4	62.0	6.1	0.1	68.2	2.8	(16.8)	(3.5)	114.1	1.3	115.4	
Income tax expense	(2.1)	(5.7)	(3.5)	–	(11.3)	(12.9)	(1.7)	–	(14.6)	(0.5)	2.6	(0.8)	(24.6)	(0.2)	(24.8)	
Net profit	10.2	28.4	13.4	0.1	52.1	49.1	4.4	0.1	53.6	2.3	(14.2)	(4.3)	89.5	1.1	90.6	
Capital expenditure	1.1	11.7	2.7	–	15.5	11.9	0.2	–	12.1	1.0	–	7.3	35.9	(0.1)	35.8	
Depreciation/amortization charge	0.6	5.3	2.5	–	8.4	5.4	–	–	5.4	0.3	0.6	2.9	17.6	–	17.6	

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47. Analysis by Segment (continued)

As at 31 December 2012	Corporate-Investment banking (CIB)				Retail business (RB)				Treasury	Corporate centre	Other	Total before inter-segment eliminations	Inter-segment eliminations	Total	
	Investment banking	Loans and deposits	Transaction banking	Inter-CIB eliminations	Total CIB	Retail banking	Insurance	Inter-RB eliminations							Total RB
Cash and short-term funds	9.7	0.5	–	–	10.2	102.8	–	–	102.8	453.6	–	2.4	569.0	–	569.0
Mandatory cash balances with central banks	–	–	–	–	–	15.4	–	–	15.4	48.4	–	–	63.8	–	63.8
Due from other banks	82.5	19.6	–	–	102.1	5.9	0.6	–	6.5	249.2	–	0.8	358.6	–	358.6
Loans and advances to customers	207.2	3,276.5	–	–	3,483.7	1,200.9	–	–	1,200.9	76.3	–	0.6	4,761.5	–	4,761.5
Other financial instruments	422.0	10.0	–	–	432.0	27.3	3.5	–	30.8	426.3	–	40.9	930.0	–	930.0
Investments in associates and joint ventures	20.8	0.1	–	–	20.9	–	–	–	–	11.9	–	–	32.8	–	32.8
Other assets items	77.3	233.9	32.4	–	343.6	65.8	4.9	–	70.7	25.1	–	260.6	700.0	–	700.0
Net amount of intersegment settlements	169.4	–	748.2	(917.6)	–	559.2	10.2	–	569.4	1,321.2	–	–	1,890.6	(1,890.6)	–
Segment assets	988.9	3,540.6	780.6	(917.6)	4,392.5	1,977.3	19.2	–	1,996.5	2,612.0	–	305.3	9,306.3	(1,890.6)	7,415.7
Due to other banks	63.8	18.0	0.3	–	82.1	21.6	–	–	21.6	655.3	–	0.9	759.9	–	759.9
Customer deposits	647.8	499.1	729.3	–	1,876.2	1,672.0	–	–	1,672.0	260.6	–	4.6	3,813.4	–	3,813.4
Other borrowed funds	51.9	19.4	–	–	71.3	36.3	–	–	36.3	694.2	–	4.4	806.2	–	806.2
Debt securities issued	25.0	16.8	–	–	41.8	36.9	–	–	36.9	672.8	–	2.4	753.9	–	753.9
Subordinated debt	–	–	–	–	–	–	–	–	–	285.8	–	–	285.8	–	285.8
Other liabilities items	130.5	18.5	4.1	–	153.1	14.5	12.5	–	27.0	14.2	–	36.1	230.4	–	230.4
Net amount of intersegment settlements	–	2,574.5	–	(917.6)	1,656.9	–	–	–	–	–	–	233.7	1,890.6	(1,890.6)	–
Segment liabilities	919.0	3,146.3	733.7	(917.6)	3,881.4	1,781.3	12.5	–	1,793.8	2,582.9	–	282.1	8,540.2	(1,890.6)	6,649.6

Geographical segment information is based on geographical location of entities within the Group. Information for the geographical areas of the Group is set out below for the years ended 31 December 2013 and 2012:

	2013					2012				
	Russia	Other	Total before inter-segment eliminations	Inter-segment eliminations	Total	Russia	Other	Total before inter-segment eliminations	Inter-segment eliminations	Total
Revenues from external customers for the year ended	766.9	98.7	865.6	–	865.6	624.6	112.5	737.1	–	737.1
Non-current assets as at end of period	540.1	41.0	581.1	–	581.1	435.3	40.8	476.1	–	476.1

48. Financial Risk Management

The Group is exposed to financial risks, including credit, liquidity and market risks.

The Management Board of VTB has overall responsibility for risk management at VTB. In each subsidiary bank of VTB risks are managed by the appropriate authorities, predominantly Supervisory Council (Board of Directors) and Management Board. The standard organizational structure of subsidiary banks includes a Chief Risk Officer and Risk division responsible for risk management. In the subsidiary financial companies whose activity implies assumption of financial risks (such as "VTB Leasing", OJSC, "VTB Factoring" Ltd, "VTB Capital", CJSC and "VTB Capital Holding", CJSC) the general principles of risk management organization are the same as in the subsidiary banks.

In addition to that, on the Group level and within the Group members (including VTB, its subsidiary banks and above-mentioned subsidiary companies) a number of the collective bodies and units are established to co-ordinate day-to-day consolidated risk management activities. On a Group level risk management is overseen by the Group Management Committee ("GMC").

Being a high-level Group's management co-ordination body, GMC considers the regular consolidated risk reports of the Group and takes decisions in the area of the Group's risk management policies and procedures based on powers delegated to it, in particular it approves Group-wide risk management standards and approaches. Decisions and recommendations of the GMC taken in a co-ordinated and consolidated way serve as a basis for respective managerial decisions in the entities of the Group.

As part of the Group-wide risk management reorganization, in 2012 the Group Risk Committee ("GRC") was created under the GMC (replacing the former Risk Management Sub-Committee ("RMC"), which was abolished). The principal tasks of the GRC include elaboration of the principles procedures and the basic documents on risk management of VTB Group, methodological support of "risk appetite" evaluation process in VTB Group and of implementing the economic capital conception, participation in developing aggregated limitations, checkpoints and portfolio limits with regard to the risk management in VTB Group, regular reviewing (monitoring, analysis) the current profile and the level of risks assumed by the Group, elaboration of the necessary measures to be taken in the context of the current and perspective risk management in VTB Group. GRC is chaired by the acting Head of VTB Risk Department (the Senior Vice-President of VTB who is responsible for the Group-wide risk management) and includes chief risk officers of some large subsidiaries (VTB24, Bank of Moscow, VTB Capital), representatives of VTB's units involved in consolidated risk control (Risk Department, Credit Department associated with Corporate Investment Business Global line) and representative of VTB24 Retail Business Development Division related to Retail Business Global line.

Concurrent with the creation of the GRC, the Commission on the Implementation of Risk Management Methods was established under the GRC. Its responsibility includes unifying within VTB Group principles, standards of the risk management systems and methods, coordinating practical work on implementing above standards in Group companies, as well as monitoring the realization of practical measures. This commission will also ensure the escalation of information to the GRC, implementation of measures aimed at increasing efficiency of decision making and feedback within the GRC and initiating proposals on the establishment of a general information and methodological platform for risk management operating processes within the Group.

The composition of the Commission on the Implementation of Risk Management Methods includes chief risk officers of the principal subsidiary banks and companies, as well as representatives of those of VTB's units involved in risk control.

In addition to that, in the area of balance sheet risks (which are taken into account within the Group Asset and Liability Management system) the key role is played by Asset and Liabilities Management Commission ("ALMC") under the GMC. It is chaired by Head of VTB Treasury. The various issues with regard to Group liquidity, interest rate risks and foreign exchange risks are discussed and elaborated by ALMC.

Within the process of the realization of the Group's policies for credit risk management, the VTB Group Credit Committee continued working in this area during 2013.

The Risk Department ("RD") of VTB is responsible for independent financial risks management in VTB and Group (in respect of liquidity risk – jointly with Treasury of VTB). As at the end of 2013 RD consisted of the following divisions:

- Credit risk division;
- Market risk division;
- Credit applications analysis service;
- Operational risk division;
- Risks strategy, methodology and consolidated analysis division.

48. Financial Risk Management (continued)

The RD proposes risk limits on various banking operations and prepares recommendations regarding market risk and liquidity risk management for the Asset and Liability Management Committee of VTB (“ALCO”). The RD reports to the ALCO, the VTB’s Credit Committee (“CC”) and the Management Board.

The ALCO establishes major target parameters for VTB’s statement of financial position for the purposes of asset and liability management and monitors VTB’s compliance with these targets with the assistance of VTB’s RD. The ALCO, the CC, the RD and the Treasury carry out risk management functions in respect of credit, market (interest rate, currency and price) and liquidity risks.

Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortized cost. The summary of principal accounting policies in Note _ describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized.

The following tables disclose the carrying amounts of financial assets and liabilities by category as defined in IAS 39 and by lines in the statement of financial position.

As at 31 December 2013:

	<i>Held for trading</i>	<i>Designated as at fair value through profit or loss</i>	<i>Derivatives designated as hedging instruments</i>	<i>Held-to-maturity</i>	<i>Loans and receivables</i>	<i>Available-for-sale</i>	<i>Financial liabilities measured at amortized cost</i>	<i>Total</i>
Financial assets								
Cash and short-term funds	–	–	–	–	354.3	–	–	354.3
Mandatory cash balances with central banks	–	–	–	–	58.7	–	–	58.7
Financial assets at fair value through profit or loss	377.1	34.0	–	–	–	–	–	411.1
Financial assets pledged under repurchase agreements	145.0	–	–	0.1	293.4	28.1	–	466.6
Due from other banks	–	–	–	–	443.4	–	–	443.4
Loans and advances to customers	–	–	–	–	5,969.0	–	–	5,969.0
Investment financial assets								
- available-for-sale	–	–	–	–	–	135.4	–	135.4
- held-to-maturity	–	–	–	0.7	–	–	–	0.7
Other financial assets	0.1	–	8.9	–	66.4	–	–	75.4
Total financial assets	522.2	34.0	8.9	0.8	7,185.2	163.5	–	7,914.6
Financial liabilities								
Due to other banks	–	–	–	–	–	–	666.6	666.6
Customer deposits	–	–	–	–	–	–	4,341.4	4,341.4
Other borrowed funds	–	–	–	–	–	–	1,485.9	1,485.9
Debt securities issued	–	–	–	–	–	–	738.2	738.2
Subordinated debt	–	–	–	–	–	–	291.0	291.0
Other financial liabilities	96.1	–	2.5	–	–	–	25.5	124.1
Total financial liabilities	96.1	–	2.5	–	–	–	7,548.6	7,647.2

48. Financial Risk Management (continued)

Analysis of financial assets and liabilities by measurement basis (continued)

As at 31 December 2012:

	<i>Held for trading</i>	<i>Designated as at fair value through profit or loss</i>	<i>Derivatives designated as hedging instruments</i>	<i>Held-to-maturity</i>	<i>Loans and receivables</i>	<i>Available-for-sale</i>	<i>Financial liabilities measured at amortized cost</i>	<i>Total</i>
Financial assets								
Cash and short-term funds	–	–	–	–	569.0	–	–	569.0
Mandatory cash balances with central banks	–	–	–	–	63.8	–	–	63.8
Financial assets at fair value through profit or loss	485.4	43.4	–	–	–	–	–	528.8
Financial assets pledged under repurchase agreements	48.6	0.1	–	–	248.3	5.9	–	302.9
Due from other banks	–	–	–	–	358.6	–	–	358.6
Loans and advances to customers	–	–	–	–	4,761.5	–	–	4,761.5
Investment financial assets								
- available-for-sale	–	–	–	–	–	97.4	–	97.4
- held-to-maturity	–	–	–	0.9	–	–	–	0.9
Other financial assets	0.1	–	0.6	–	40.7	–	–	41.4
Total financial assets	534.1	43.5	0.6	0.9	6,041.9	103.3	–	6,724.3
Financial liabilities								
Due to other banks	–	–	–	–	–	–	759.9	759.9
Customer deposits	–	–	–	–	–	–	3,813.4	3,813.4
Other borrowed funds	–	–	–	–	–	–	806.2	806.2
Debt securities issued	–	–	–	–	–	–	753.9	753.9
Subordinated debt	–	–	–	–	–	–	285.8	285.8
Other financial liabilities	111.8	–	0.5	–	–	–	24.3	136.6
Total financial liabilities	111.8	–	0.5	–	–	–	6,443.5	6,555.8

Credit risk

Credit risk means the risk of financial loss (reduction of revenue, extra costs) arising from non-performance or improper performance of obligations by borrower / transaction counterparty / security issuer.

VTB Group's exposures to credit risk arise principally from banking activities such as granting loans to corporate and retail customers, interbank lending, issuance of letters of credit and guarantees, securities and derivative financial instruments business and leasing business.

Credit risk management within the VTB Group is based on a combination of the following approaches:

- local credit risk management at the level of individual Group members;
- consolidated credit risk management at the Group level.

Within the frame of the local credit risk management system, the Group members assume and manage credit risks independently (including insurance, hedging, etc.) in the scope of the established powers and limits with regard to risk indicators, in accordance with the national regulations and the standards of the Group. The Group members are responsible for the results of their lending activity, for the quality of their loan portfolios and for monitoring and control of credit risk level in their portfolios.

As per the "VTB Group Consolidated Risk Management Concept", adopted by the GMC, the consolidated credit risk management comprises the following functions:

- consideration and approval of the Group-wide strategy, policies, unified basic principles and approaches related to the lending / investment activities and credit risk management;
- control of the current credit risk level (concentration) on a consolidated basis and elaboration of the necessary measures to mitigate risks (potential losses).

48. Financial Risk Management (continued)**Credit risk (continued)**

Consolidated credit risk management covers the main types of assets and off-balance sheet exposures of the Group members, which bear credit risk and require control of their concentration at the Group level. In the context of consolidated control and reporting the scope and parameters of such operations are defined by the co-coordinating bodies of the Group.

The key elements of consolidated credit risk management in the VTB Group are as follows:

- periodic review of the credit risk policies of the VTB Group, harmonizing and streamlining of credit policies of the subsidiaries with the Group's credit policy;
- setting of consolidated limits, portfolio limits (including limits on common counterparties / groups of related counterparties, countries, industry sectors), internal indicative limitations of large credit exposure;
- unifying credit procedures and methods of credit risk assessment (credit rating systems - for corporate customers and financial institutions, scoring systems – for retail customers);
- assessment of economic capital (Capital-at-Risk) sufficient to cover Group credit risks;
- consolidated analytical reporting on credit risks;
- stress-testing;
- making / monitoring loss impairment provisions according to IFRS.

"The basic principles and provisions of VTB Group credit policies", which are periodically revised by the GMC, outline the main approaches and standards of risk management and organization of credit operations in the Group. These principles should be complied with by each subsidiary bank and separate financial companies of the Group. The Group's credit policy covers, particularly, the following areas:

- roles and responsibilities of different committees, departments of VTB in the area of Group lending and credit risk management;
- regulations related to the approval and revision of credit policies in VTB subsidiary banks;
- Group-wide uniform basic methods, models, approaches to credit risk assessment and management;
- principles of pricing policy (interest rates and commissions), security policy and others.

Subsidiary banks should implement credit risk management system as well as credit policies and procedures in compliance with the Group's standards.

Credit risk policies are adopted by each subsidiary bank and are subject to a regular review, usually once in one or two years.

The general (typical) procedure for adopting credit policies is as follows:

- the draft credit policies or significant amendments are subject to the preliminary consideration and agreement by VTB and by VTB 24, CJSC (in respect of retail credit risks);
- the credit policies and amendments should be approved by the Supervisory Council (Board of Directors) of the subsidiary bank;
- VTB may propose amendments to the credit policies of a subsidiary bank as part of centralized regulation and credit risk control for the Group, provided that such amendments are in line with local regulations.

The authorities of management and executive bodies of the Group members in relation to decision making and lending transactions are determined by their constituent documents and applicable statutory legislation.

On a Group-wide basis credit risk management is overseen and co-ordinated by the following bodies:

- the GMC;
- the GRC and its Commission on the Implementation of Risk Management Methods;
- VTB Group Credit Committee ("GCC").

GCC is a permanent collective decision-making committee under the GMC. GCC is chaired by the acting Head of VTB Risk Department (the Senior Vice-President of VTB who is responsible for the group-wide risk management) and includes representatives of VTB departments / divisions (Risk, Legal, Corporate Business Support, Investment Banking, Treasury etc.). The key tasks of this committee are as follows:

- putting in place efficient mechanisms of consolidated credit risk management at VTB Group;
- setting consolidated limits for the credit risk;
- consideration of some individual operations and large-scale transactions of Group members.

48. Financial Risk Management (continued)

Credit risk (continued)

VTB Group is set to reduce the risk factors related to loan concentration per separate large corporate customers / group of related customers and to ensure credit risk diversification. For this purpose the benchmark for the share of VTB Group TOP-20 largest borrowers in Group's corporate loan portfolio is setting. VTB Group Companies are recommended to determine reasonable local levels of similar benchmarks within their local credit policies/ risk strategies, based on the Group's acceptable credit risk concentration target. For the analytical purposes it is also recommended to regularly evaluate risk concentration based on Herfindahl - Hirschman Index (HHI).

In VTB the RD is responsible for credit risk management on a Group-wide basis including development of credit risk management system, relevant Group data consolidation and consolidated limits monitoring.

The Risk analysis department of VTB24 co-ordinates retail credit risk management across the Group and is responsible for:

- developing systems of retail credit risk limits;
- developing standards of monitoring and reporting of retail credit risks (methodology and formats);
- consolidating reports on retail lending of the Group;
- monitoring performance and management of retail loan portfolios across the Group.

The VTB subsidiary banks, which engage in retail credit granting, apply the "Basic statements of retail credit risk management in the VTB Group" and Credit policies applicable to VTB Group retail lending, approved by the GMC.

Credit risk monitoring at the Group level is supported by regular reporting from subsidiaries to the RD for assessing of credit risk exposures on a consolidated basis. The RD reports to the GMC.

The following table discloses the Group's maximum credit risk exposure:

	31 December 2013	31 December 2012
Balance sheet exposure		
Cash and short-term funds (excluding cash on hand)	237.4	467.0
Trading credit products at fair value through profit or loss	49.0	31.6
Debt securities	529.0	455.1
<i>Financial assets held for trading</i>	236.0	307.7
debt securities of Russian companies and banks	160.2	250.7
debt securities of foreign companies and banks	50.4	11.9
debt securities of foreign government and municipal authorities	14.4	17.7
debt securities of Russian Federal and municipal authorities	11.0	27.4
<i>Financial assets designated as at fair value through profit or loss</i>	17.1	36.7
reverse sale and repurchase agreements to maturity	11.4	–
debt securities of foreign companies and banks	5.5	27.2
debt securities of Russian companies and banks	0.2	7.1
debt securities of foreign government and municipal authorities	–	2.4
<i>Financial assets pledged under repurchase agreements – held for trading</i>	136.3	47.6
debt securities of Russian companies and banks	133.7	45.9
debt securities of Russian Federal and municipal authorities	1.0	0.2
debt securities of foreign government and municipal authorities	0.8	0.7
debt securities of foreign companies and banks	0.8	0.8
<i>Financial assets pledged under repurchase agreements – designated as at fair value through profit or loss</i>	–	0.1
debt securities of Russian companies and banks	–	0.1
<i>Financial assets pledged under repurchase agreements – available-for-sale</i>	28.1	5.9
debt securities of Russian Federal and municipal authorities	16.9	5.6
debt securities of Russian companies and banks	11.2	–
debt securities of foreign government and municipal authorities	–	0.2
debt securities of foreign companies and banks	–	0.1
<i>Financial assets pledged under repurchase agreements – held-to-maturity</i>	0.1	–
debt securities of Russian Federal and municipal authorities	0.1	–

48. Financial Risk Management (continued)

Credit risk (continued)

	31 December 2013	31 December 2012
Financial assets available-for-sale	110.7	56.2
debt securities of Russian companies and banks	37.5	21.3
debt securities of foreign government and municipal authorities	32.3	12.0
debt securities of Russian Federal and municipal authorities	31.6	19.8
debt securities of foreign companies and banks	9.3	3.1
Investment securities held-to-maturity	0.7	0.9
debt securities of Russian companies and banks	0.3	0.3
debt securities of foreign government and municipal authorities	0.2	0.2
debt securities of Russian government and municipal authorities	0.1	0.3
debt securities of foreign companies and banks	0.1	0.1
Due from other banks	443.4	358.6
OECD	303.8	251.5
Russia	98.4	97.4
Other countries	41.2	9.7
Financial assets pledged under repurchase agreements – classified as due from other banks	2.8	2.8
Russia	2.8	2.8
Loans and advances to customers	5,969.0	4,761.5
Loans to legal entities	4,531.1	3,703.4
Current activity financing	3,033.3	2,418.6
Project finance and other	1,025.5	980.5
Finance leases	263.0	189.2
Reverse sale and repurchase agreements	209.3	115.1
Loans to individuals	1,437.9	1,058.1
Consumer loans and other	774.6	574.9
Mortgages	532.8	382.3
Car loans	127.6	97.7
Reverse sale and repurchase agreements	2.9	3.2
Financial assets pledged under repurchase agreements – classified as loans and advances to customers	290.6	245.5
Current activity financing	290.6	244.8
Project finance and other	–	0.7
Exposure arising from credit default swaps	4.1	21.7
sale of credit default swaps	3.2	–
purchase of credit default swaps	0.9	21.7
Other financial assets	66.4	40.7
Total balance sheet exposure	7,591.7	6,384.5
Off-balance sheet exposure		
Guarantees issued	974.9	621.8
Import letters of credit	45.5	37.9
Undrawn credit lines	28.0	33.5
Commitments to extend credit	2.6	14.6
Total off-balance sheet exposure	1,051.0	707.8
Total maximum exposure to credit risk	8,642.7	7,092.3

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.

48. Financial Risk Management (continued)

Credit quality by class of due from other banks and financial assets classified as due from other banks pledged under repurchase agreements

Credit quality of due from other banks and financial assets classified as due from other banks pledged under repurchase agreements (gross) neither past due nor impaired, which are neither past due nor impaired at 31 December 2013 is presented in the table below:

	<i>Not impaired</i>	
	<i>Individually assessed</i>	<i>Collectively assessed</i>
Due from other banks	101.7	342.3
Russia	34.8	63.6
OECD	52.6	251.3
Other countries	14.3	27.4
Financial assets classified as due from other banks pledged under repurchase agreements	–	2.8
Russia	–	2.8
Total due from other banks and financial assets classified as due from other banks pledged under repurchase agreements (gross) neither past due nor impaired	101.7	345.1

Credit quality of due from other banks and financial assets classified as due from other banks pledged under repurchase agreements (gross) neither past due nor impaired, which are neither past due nor impaired at 31 December 2012 is presented in the table below:

	<i>Not impaired</i>	
	<i>Individually assessed</i>	<i>Collectively assessed</i>
Due from other banks	117.2	244.3
Russia	23.3	76.8
OECD	91.4	160.1
Other countries	2.5	7.4
Financial assets classified as due from other banks pledged under repurchase agreements	–	2.8
Russia	–	2.8
Total due from other banks and financial assets classified as due from other banks pledged under repurchase agreements (gross) neither past due nor impaired	117.2	247.1

Not impaired individually assessed amounts due from other banks are subsequently included in the pools of collectively assessed loans.

Credit quality of debt securities which are neither past due nor impaired is presented in accordance with the long-term credit rating as presented below:

<i>A rated</i>			<i>B (I) rated</i>			<i>B (II) rated</i>			<i>C rated</i>		
<i>Standard & Poor's</i>	<i>Moody's</i>	<i>Fitch IBCA</i>	<i>Standard & Poor's</i>	<i>Moody's</i>	<i>Fitch IBCA</i>	<i>Standard & Poor's</i>	<i>Moody's</i>	<i>Fitch IBCA</i>	<i>Standard & Poor's</i>	<i>Moody's</i>	<i>Fitch IBCA</i>
AAA	Aaa	AAA	BBB+	Baa1	BBB+	BB+	Ba1	BB+	CCC+	Caa1	CCC+
AA+	Aa1	AA+	BBB	Baa2	BBB	BB	Ba2	BB	CCC	Caa2	CCC
AA	Aa2	AA	BBB-	Baa3	BBB-	BB-	Ba3	BB-	CCC-	Caa3	CCC-
AA-	Aa3	AA-				B+	B1	B+	CC	Ca	CC
A+	A1	A+				B	B2	B	C	C	C
A	A2	A				B-	B3	B-	D		D
A-	A3	A-									

Credit quality of debt securities which are neither past due nor impaired at 31 December 2013 is presented in the tables below:

48. Financial Risk Management (continued)

Credit quality of debt securities held for trading

	A rated	B (I) rated	B(II) rated	C rated	Unrated	Total
<i>Neither past due nor impaired (at fair value)</i>						
Bonds and eurobonds of foreign companies and banks	18.3	4.4	11.0	0.3	13.5	47.5
Bonds and eurobonds of foreign governments	8.8	0.1	3.4	0.9	1.2	14.4
Bonds and eurobonds of Russian companies and banks	0.3	84.9	62.1	0.3	11.5	159.1
Eurobonds of the Russian Federation	–	1.6	–	–	–	1.6
Promissory notes of Russian Companies and banks	–	–	–	–	1.1	1.1
Russian Federal loan bonds (OFZ)	–	4.3	–	–	0.1	4.4
Russian municipal bonds and eurobonds	–	0.2	4.8	–	–	5.0
Total neither past due nor impaired debt trading securities	27.4	95.5	81.3	1.5	27.4	233.1

Credit quality of debt securities designated as at fair value through profit or loss

	A rated	B (I) rated	B(II) rated	C rated	Unrated	Total
<i>Neither past due nor impaired (at fair value)</i>						
Bonds and eurobonds of foreign companies and banks	–	–	0.2	–	5.3	5.5
Bonds and eurobonds of Russian companies and banks	–	–	0.2	–	–	0.2
Total neither past due nor impaired debt securities designated as at fair value through profit or loss neither past due nor impaired	–	–	0.4	–	5.3	5.7

Credit quality of debt securities available-for-sale

	A rated	B (I) rated	B(II) rated	C rated	Unrated	Total
<i>Neither past due nor impaired (at fair value)</i>						
Bonds and eurobonds of foreign companies and banks	1.3	0.3	6.7	–	1.0	9.3
Bonds and eurobonds of foreign governments	27.3	–	2.6	1.1	1.3	32.3
Bonds and eurobonds of Russian companies and banks	–	14.8	18.7	–	2.7	36.2
Eurobonds of the Russian Federation	–	5.3	–	–	–	5.3
Promissory notes of Russian Companies and banks	–	–	–	–	1.3	1.3
Russian Federal loan bonds (OFZ)	–	26.3	–	–	–	26.3
Total neither past due nor impaired debt securities available-for-sale	28.6	46.7	28.0	1.1	6.3	110.7

Credit quality of investment held-to-maturity

	A rated	B (I) rated	B(II) rated	C rated	Unrated	Total
<i>Neither past due nor impaired</i>						
Bonds and eurobonds of foreign companies and banks	–	–	0.1	–	–	0.1
Bonds and eurobonds of foreign governments	–	–	–	–	0.2	0.2
Bonds and eurobonds of Russian companies and banks	–	0.3	–	–	–	0.3
Russian municipal bonds and eurobonds	–	–	0.1	–	–	0.1
Total neither past due nor impaired debt securities held-to-maturity	–	0.3	0.2	–	0.2	0.7

48. Financial Risk Management (continued)

Credit quality of debt securities pledged under repurchase agreements

	<i>A rated</i>	<i>B (I) rated</i>	<i>B(II) rated</i>	<i>C rated</i>	<i>Unrated</i>	<i>Total</i>
<i>Neither past due nor impaired (at fair value)</i>						
<i>Financial assets held for trading</i>						
Bonds and eurobonds of foreign companies and banks	–	0.2	0.6	–	–	0.8
Bonds and eurobonds of foreign governments	0.3	0.1	0.3	0.1	–	0.8
Bonds and eurobonds of Russian companies and banks	–	116.2	12.3	–	5.2	133.7
Eurobonds of the Russian Federation	–	0.2	–	–	–	0.2
Russian Federal loan bonds (OFZ)	–	0.8	–	–	–	0.8
<i>Financial assets available-for-sale</i>						
Bonds and eurobonds of foreign governments	–	–	–	–	–	–
Bonds and eurobonds of Russian companies and banks	–	10.2	1.0	–	–	11.2
Eurobonds of the Russian Federation	–	4.1	–	–	–	4.1
Russian Federal loan bonds (OFZ)	–	12.8	–	–	–	12.8
<i>Investment securities held-to-maturity</i>						
Russian municipal bonds	–	–	0.1	–	–	0.1
Total neither past due nor impaired debt securities pledged under repurchase agreements	0.3	144.6	14.3	0.1	5.2	164.5

Credit quality of debt securities which are neither past due nor impaired at 31 December 2012 is presented in the table below:

Credit quality of debt securities Held for trading

	<i>A rated</i>	<i>B (I) rated</i>	<i>B(II) rated</i>	<i>C rated</i>	<i>Unrated</i>	<i>Total</i>
<i>Neither past due nor impaired (at fair value)</i>						
Bonds and eurobonds of foreign companies and banks	0.5	3.7	1.4	–	4.2	9.8
Bonds and eurobonds of foreign governments	0.5	10.5	0.7	–	6.0	17.7
Bonds and eurobonds of Russian companies and banks	–	54.4	108.1	–	86.5	249.0
Russian municipal bonds and eurobonds	–	4.3	–	–	1.0	5.3
Russian federal loan bonds (OFZ)	–	–	19.9	–	1.4	21.3
Eurobonds of Russian Federation	–	–	0.8	–	–	0.8
Promissory notes of Russian Companies and banks	–	–	–	–	1.7	1.7
Total neither past due nor impaired debt trading securities	1.0	72.9	130.9	–	100.8	305.6

Credit quality of debt securities designated as at fair value through profit or loss

	<i>A rated</i>	<i>B (I) rated</i>	<i>B(II) rated</i>	<i>C rated</i>	<i>Unrated</i>	<i>Total</i>
<i>Neither past due nor impaired (at fair value)</i>						
Bonds and eurobonds of foreign companies and banks	12.2	1.3	2.1	–	11.6	27.2
Bonds and eurobonds of foreign governments	0.2	0.6	–	–	1.6	2.4
Bonds and eurobonds of Russian companies and banks	–	6.3	–	–	0.8	7.1
Total neither past due nor impaired debt designated as at fair value through profit or loss	12.4	8.2	2.1	–	14.0	36.7

48. Financial Risk Management (continued)

Credit quality of debt securities available for sale

	<i>A rated</i>	<i>B (I) rated</i>	<i>B(II) rated</i>	<i>C rated</i>	<i>Unrated</i>	<i>Total</i>
<i>Neither past due nor impaired (at fair value)</i>						
Bonds and eurobonds of foreign companies and banks	0.2	1.2	1.1	–	0.6	3.1
Bonds and eurobonds of foreign governments	9.3	1.8	–	–	0.9	12.0
Bonds and eurobonds of Russian companies and banks	–	8.8	8.7	–	2.1	19.6
Russian federal loan bonds (OFZ)	–	–	19.8	–	–	19.8
Promissory notes of Russian Companies and banks	–	0.1	–	–	1.6	1.7
Total neither past due nor impaired debt trading securities	9.5	11.9	29.6	–	5.2	56.2

Credit quality of investment held-to-maturity

	<i>A rated</i>	<i>B (I) rated</i>	<i>B(II) rated</i>	<i>C rated</i>	<i>Unrated</i>	<i>Total</i>
<i>Neither past due nor impaired (at fair value)</i>						
Bonds and eurobonds of foreign companies and banks	–	0.1	–	–	–	0.1
Bonds and eurobonds of foreign governments	–	–	–	–	0.2	0.2
Russian municipal bonds and eurobonds	–	0.3	–	–	–	0.3
Total neither past due nor impaired debt securities held-to-maturity	–	0.4	–	–	0.2	0.6

Credit quality of debt securities pledged under repurchase agreements

	<i>A rated</i>	<i>B (I) rated</i>	<i>B(II) rated</i>	<i>C rated</i>	<i>Unrated</i>	<i>Total</i>
<i>Neither past due nor impaired (at fair value)</i>						
<i>Financial assets held for trading</i>						
Bonds and eurobonds of foreign companies and banks	–	0.4	0.2	0.2	–	0.8
Bonds and eurobonds of foreign governments	0.1	0.2	0.3	–	0.1	0.7
Bonds and eurobonds of Russian companies and banks	0.3	13.9	28.0	–	3.7	45.9
Russian federal loan bonds (OFZ)	–	–	0.2	–	–	0.2
<i>Financial assets designated as at fair value through profit or loss</i>						
Bonds and eurobonds of foreign companies and banks	–	–	–	–	0.1	0.1
<i>Financial assets available-for-sale</i>						
Bonds and eurobonds of foreign companies and banks	–	–	–	–	0.1	0.1
Bonds and eurobonds of foreign governments	–	–	–	–	0.2	0.2
Russian federal loan bonds (OFZ)	–	–	5.6	–	–	5.6
Total neither past due nor impaired debt trading securities	0.4	14.5	34.3	0.2	4.2	53.6

Credit quality by class of loans and advances to customers

The credit quality of loans and advances to customers is presented according to five categories:

- Pass – provision rate from 0% to 2%;
- Watch – provision rate from 2% to 5%;
- Substandard – provision rate from 5% to 20%;
- Doubtful – provision rate from 20% to 50%;
- Loss – provision rate from 50% to 100%.

48. Financial Risk Management (continued)

Credit quality by class of due from other banks and financial assets classified as due from other banks pledged under repurchase agreements (continued)

Provision rate represents the weighted ratio of allowance for impairment to gross loans under each pool of loans with similar credit risk or individually impaired loan.

The table below shows credit quality by class of loans and advances to customers and financial assets classified as loans and advances to customers pledged under repurchase agreements (gross) at 31 December 2013, individually assessed. For individually assessed loans, which were not qualified as impaired, allowance was subsequently calculated on a collective basis.

	Not impaired			Impaired		Total
	Pass	Watch	Sub-standard	Doubtful	Loss	
Loans to legal entities	832.9	2.7	95.2	68.2	219.9	1,218.9
Finance leases	0.1	0.2	0.7	3.6	14.8	19.4
Current activity financing	252.5	0.9	30.1	36.3	128.6	448.4
Reverse sale and repurchase agreements	162.8	–	–	–	–	162.8
Project finance and other	417.5	1.6	64.4	28.3	76.5	588.3
Financial assets classified as loans and advances to customers pledged under repurchase agreements	290.6	–	–	–	–	290.6
Current activity financing	290.6	–	–	–	–	290.6
Loans to individuals	9.9	0.2	–	1.2	6.4	17.7
Mortgages	1.0	–	–	0.2	6.1	7.3
Consumer loans and other	8.9	0.2	–	1.0	0.3	10.4
Total loans and advances to customers and financial assets classified as loans and advances to customers pledged under repurchase agreements individually assessed	1,133.4	2.9	95.2	69.4	226.3	1,527.2

The table below shows credit quality by class of loans and advances to customers and financial assets classified as loans and advances to customers pledged under repurchase agreements (gross) at 31 December 2013, collectively assessed.

	Not impaired			Impaired		Total
	Pass	Watch	Sub-standard	Doubtful	Loss	
Loans to legal entities	2,956.7	432.2	186.5	2.6	12.4	3,590.4
Finance leases	246.3	4.3	7.5	–	0.1	258.2
Current activity financing	2,371.3	325.6	36.8	2.6	12.1	2,748.4
Reverse sale and repurchase agreements	46.6	–	–	–	–	46.6
Project finance and other	292.5	102.3	142.2	–	0.2	537.2
Loans to individuals	1,361.5	13.3	36.0	12.3	80.0	1,503.1
Mortgages	519.9	1.8	9.9	0.3	0.7	532.6
Car loans	121.3	0.3	4.0	1.6	6.0	133.2
Consumer loans and other	717.4	11.2	22.1	10.4	73.3	834.4
Reverse sale and repurchase agreements	2.9	–	–	–	–	2.9
Total loans and advances to customers collectively assessed	4,318.2	445.5	222.5	14.9	92.4	5,093.5

48. Financial Risk Management (continued)

Credit quality by class of loans and advances to customers (continued)

The table below shows credit quality by class of loans and advances to customers (gross) at 31 December 2012, individually assessed. For individually assessed loans, which were not qualified as impaired, allowance was subsequently calculated on a collective basis.

	<i>Not impaired</i>			<i>Impaired</i>		<i>Total</i>
	<i>Pass</i>	<i>Watch</i>	<i>Sub-standard</i>	<i>Doubtful</i>	<i>Loss</i>	
Loans to legal entities	1,234.1	70.5	55.6	41.9	228.5	1,630.6
Finance leases	26.1	8.3	6.8	1.5	17.7	60.4
Current activity financing	620.1	43.8	27.1	32.6	133.6	857.2
Reverse sale and repurchase agreements	66.7	–	–	–	–	66.7
Project finance and other	521.2	18.4	21.7	7.8	77.2	646.3
Financial assets classified as loans and advances to customers pledged under repurchase agreements	244.8	–	–	–	–	244.8
Current activity financing	244.8	–	–	–	–	244.8
Loans to individuals	7.2	–	–	1.1	6.4	14.7
Mortgages	2.3	–	–	0.1	6.2	8.6
Consumer loans and other	4.8	–	–	1.0	0.2	6.0
Reverse sale and repurchase agreements	0.1	–	–	–	–	0.1
Total loans and advances to customers and financial assets classified as loans and advances to customers pledged under repurchase agreements individually assessed	1,486.1	70.5	55.6	43.0	234.9	1,890.1

The table below shows credit quality by class of loans and advances to customers and financial assets classified as loans and advances to customers pledged under repurchase agreements (gross) at 31 December 2012, collectively assessed.

	<i>Not impaired</i>			<i>Impaired</i>		<i>Total</i>
	<i>Pass</i>	<i>Watch</i>	<i>Sub-standard</i>	<i>Doubtful</i>	<i>Loss</i>	
Loans to legal entities	1,877.0	252.7	196.1	1.8	6.4	2,334.0
Finance leases	141.4	3.3	0.2	–	0.3	145.2
Current activity financing	1,456.7	215.8	38.0	1.4	6.0	1,717.9
Reverse sale and repurchase agreements	48.0	0.4	0.1	–	–	48.5
Project finance and other	230.9	33.2	157.8	0.4	0.1	422.4
Financial assets classified as loans and advances to customers pledged under repurchase agreements	–	0.7	–	–	–	0.7
Project finance and other	–	0.7	–	–	–	0.7
Loans to individuals	1,007.6	1.8	27.4	17.9	50.8	1,105.5
Mortgages	368.1	0.8	1.7	10.0	1.5	382.1
Car loans	95.3	0.2	1.8	0.6	4.1	102.0
Consumer loans and other	541.1	0.8	23.9	7.3	45.2	618.3
Reverse sale and repurchase agreements	3.1	–	–	–	–	3.1
Total loans and advances to customers collectively assessed	2,884.6	255.2	223.5	19.7	57.2	3,440.2

48. Financial Risk Management (continued)

Credit quality by class of loans and advances to customers (continued)

The table below shows credit quality by class of loans and advances to customers and financial assets classified as loans and advances to customers pledged under repurchase agreements (gross) at 31 December 2013, neither past due nor impaired.

	<i>Pass</i>	<i>Watch</i>	<i>Sub-standard</i>	<i>Total</i>
Loans to legal entities	3,738.1	432.7	256.1	4,426.9
Finance leases	244.4	4.3	6.9	255.6
Current activity financing	2,587.2	324.7	49.4	2,961.3
Reverse sale and repurchase agreements	209.4	–	–	209.4
Project finance and other	697.1	103.7	199.8	1,000.6
Financial assets classified as loans and advances to customers pledged under repurchase agreements	290.6	–	–	290.6
Current activity financing	290.6	–	–	290.6
Loans to individuals	1,362.7	5.5	1.4	1,369.6
Mortgages	514.1	0.4	1.4	515.9
Car loans	121.2	–	–	121.2
Reverse sale and repurchase agreements	2.9	–	–	2.9
Consumer loans and other	724.5	5.1	–	729.6
Total loans and advances to customers and financial assets classified as loans and advances to customers pledged under repurchase agreements	5,391.4	438.2	257.5	6,087.1

The table below shows credit quality by class of loans and advances (gross) to customers at 31 December 2012, neither past due nor impaired.

	<i>Pass</i>	<i>Watch</i>	<i>Sub-standard</i>	<i>Total</i>
Loans to legal entities	3,071.0	312.0	233.6	3,616.6
Finance leases	167.7	9.7	0.8	178.2
Current activity financing	2,064.6	250.3	61.8	2,376.7
Reverse sale and repurchase agreements	114.7	0.4	0.1	115.2
Project finance and other	724.0	51.6	170.9	946.5
Financial assets classified as loans and advances to customers pledged under repurchase agreements	244.8	0.7	–	245.5
Current activity financing	244.8	–	–	244.8
Project finance and other	–	0.7	–	0.7
Loans to individuals	1,005.7	0.6	8.7	1,015.0
Mortgages	369.1	–	0.7	369.8
Car loans	95.2	–	–	95.2
Reverse sale and repurchase agreements	3.2	–	–	3.2
Consumer loans and other	538.2	0.6	8.0	546.8
Total loans and advances to customers and financial assets classified as loans and advances to customers pledged under repurchase agreements	4,321.5	313.3	242.3	4,877.1

48. Financial Risk Management (continued)

Credit quality by class of loans and advances to customers (continued)

Analysis of loans and advances to customers (gross) individually impaired by economic sector at 31 December 2013 and 2012 is presented in the table below.

	31 December 2013	31 December 2012
Trade and commerce	59.4	65.7
Manufacturing	53.9	34.0
Building construction	51.7	43.8
Oil and gas	43.6	44.7
Food and agriculture	20.0	24.9
Transport	16.7	15.0
Energy	15.4	3.9
Metals	12.6	8.3
Finance	10.2	23.5
Individuals	7.6	7.5
Telecommunications and media	1.6	1.8
Coal mining	0.5	0.7
Chemical	0.4	1.1
Other	2.1	3.0
Total loans and advances to customers individually impaired	295.7	277.9

As at 31 December 2013 the Group has a pool of collectively assessed impaired loans and advances in the amount of RUR 107.3 billion (31 December 2012: RUR 76.2 billion).

Ageing analysis (by days of delay in repayment) of past due, but not impaired loans and advances to customers (gross) by class at 31 December 2013 is presented in the table below.

	<i>From 1 to 30 days</i>	<i>From 31 to 60 days</i>	<i>From 61 to 90 days</i>	<i>From 91 to 180 days</i>	<i>From 181 days to 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Loans to legal entities	33.5	5.6	2.9	16.0	11.4	9.9	79.3
Finance leases	1.8	0.3	0.2	0.6	0.2	0.4	3.5
Current activity financing	28.4	5.2	2.6	5.5	11.0	3.2	55.9
Project finance and other	3.3	0.1	0.1	9.9	0.2	6.3	19.9
Loans to individuals	39.6	2.0	0.7	1.0	0.9	7.1	51.3
Mortgages	7.3	1.1	0.6	0.9	0.8	6.0	16.7
Car loans	4.2	0.1	–	–	–	0.1	4.4
Consumer loans and other	28.1	0.8	0.1	0.1	0.1	1.0	30.2
Total loans and advances to customers past due but not impaired	73.1	7.6	3.6	17.0	12.3	17.0	130.6

48. Financial Risk Management (continued)

Ageing analysis (by days of delay in repayment) of past due, but not impaired loans and advances to customers (gross) by class at 31 December 2012 is presented in the table below.

	<i>From 1 to 30 days</i>	<i>From 31 to 60 days</i>	<i>From 61 to 90 days</i>	<i>From 91 to 180 days</i>	<i>From 181 days to 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Loans to legal entities	15.0	12.0	4.1	8.4	11.6	18.8	69.9
Finance leases	2.7	4.7	0.7	–	–	–	8.1
Current activity financing	3.8	1.9	3.1	7.7	5.9	2.7	25.1
Project finance and other	8.5	5.4	0.3	0.7	5.7	16.1	36.7
Loans to individuals	25.3	1.1	0.3	0.1	0.6	1.8	29.2
Mortgages	4.6	0.6	0.3	0.1	–	0.1	5.7
Car loans	2.0	–	–	–	–	–	2.0
Consumer loans and other	18.7	0.5	–	–	0.6	1.7	21.5
Total loans and advances to customers past due but not impaired	40.3	13.1	4.4	8.5	12.2	20.6	99.1

Collateral and other credit enhancements

Exposure to credit risk is managed, in part, by obtaining collateral and guarantees issued by state authorities, entities and individuals.

The amount and type of collateral accepted by the Group depends on credit risk assessment of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Collateral received by the Group from borrowers as a result of loan settlement is usually represented by real estate, financial instruments and other assets.

Securities and guarantees are also obtained from counterparties for all types of lending.

The list of acceptable forms of credit support is subject to periodical review. Different forms of credit support may be used in combination. In cases when a loan is secured by guarantees received, the Group performs an analysis of the guarantor's financial performance, except for the state authorities.

The Group has a set of requirements applicable to each form of credit support. The value of the pledged property is determined by reference to its market value taking into account a liquidity margin. The value of the assets determined for these purposes must be sufficient to recover principal, interest, commissions and expenses related to the enforcement of the pledge. A liquidity margin related to different types of pledges varies from 15% to 70%.

The valuation and acceptance of each type and item of collateral may vary depending on individual circumstances. Generally, the Group takes collateral with a view to ensure that an adequate margin is obtained and maintained throughout the term of the facility, where applicable. The appropriate department responsible for collateral assessment establishes parameters for each individual facility.

In cases where a loan is secured by a pledge, the borrower is required to insure such assets and name the Group as the beneficiary of the insurance policy. The Group takes a complex approach to pledged assets insured. It depends on the level of risk involved in the loan operation, the borrower's financial condition and the risk of loss of the pledged property.

Collateral is taken to enhance an acceptable credit proposal, rather than being used as the sole rationale for any credit approval. Where facilities are approved against security, full details, including the type, value, and the frequency of review of the security should be detailed in the Application for Credit Facility Form. Where practical, a bank officer conducts inspection the physical existence of collateral offered.

The Group reassesses the fair value of pledged property with frequency stated for each form of pledge and, if necessary, requires additional collateral or other acceptable forms of credit support.

48. Financial Risk Management (continued)

Collateral and other credit enhancements (continued)

The financial effect of collateral is presented below by disclosing the gross carrying value of the customer loan portfolio values separately for (i) those loans where collateral and other credit enhancements are equal to or exceed carrying value of the loan ("over-collateralized") and (ii) those loans where collateral and other credit enhancements are less than the carrying value of the loan or where credit support obtained is not considered by the Group as a sufficient for credit risk mitigation ("under-collateralized").

The Group treated "over-collateralized" loans as loans for which a credit risk is minimized nearly in full as at the reporting date. As to "under-collateralized" loans the Group estimates a percentage of credit risk mitigated by obtaining a credit support in range from 0% to 75% of carrying value of the loan.

The effect of collateral at 31 December 2013 and 2012 by class is presented below:

	31 December 2013		31 December 2012	
	Over-collateralized	Under-collateralized	Over-collateralized	Under-collateralized
Loans to legal entities	2,443.3	2,366.0	2,287.9	1,676.7
Financial lease	214.8	62.8	155.2	50.4
Current activity financing	1,276.1	1,920.7	1,310.9	1,264.2
Reverse sale and repurchase agreements	164.2	45.2	115.2	–
Project finance and other	788.2	337.3	706.6	362.1
Financial assets classified as loans and advances to customers pledged under repurchase agreements	–	290.6	–	245.5
Current activity financing	–	290.6	–	244.8
Project finance and other	–	–	–	0.7
Loans to individuals	512.1	1,008.7	466.0	654.2
Mortgage	374.8	165.1	360.5	30.2
Car loans	110.7	22.5	84.6	17.4
Reverse sale and repurchase agreements	2.9	–	3.2	–
Consumer loans and other	23.7	821.1	17.7	606.6
Total loans and advances to customers	2,955.4	3,665.3	2,753.9	2,576.4

The Group's policy is to dispose of repossessed properties in accordance with the established internal and legal procedures. The proceeds are used to reduce or repay the outstanding claim.

Collateral repossessed

During 2013 and 2012 the Group obtained assets by taking possession in accordance with additional agreements with its borrowers of collateral held as security in exchange for the indebtedness of these borrowers. The carrying values and the nature of assets received as the collateral repossessed during the relevant year are as follows:

	2013	2012
Assets of disposal group available-for-sale	6.9	–
Investment property	4.8	3.4
Other assets	2.8	3.8
Premises and equipment	1.1	–
Financial assets available-for-sale	–	1.0
Total collateral repossessed during the period	15.6	8.2

After finalization of transferring procedures these assets were accounted in accordance with the Group accounting policies and included in the relevant items in the statement of financial position.

48. Financial Risk Management (continued)

Collateral and other credit enhancements (continued)

The table below shows carrying amount and the nature of the assets obtained and held as at the reporting date:

	31 December 2013	31 December 2012
Investment property	75.0	73.4
Assets of disposal group available-for-sale	6.9	–
Investments in associates	5.4	5.4
Premises and equipment	4.4	4.4
Other assets	3.4	2.7
Financial assets available-for-sale	1.4	1.6
Total collateral repossessed	96.5	87.5

Geographical concentration

Geographical concentration information is based on registration of the Group's counterparts. As at 31 December 2013 the geographical concentration of the Group's assets and liabilities is set out below:

	Russia	OECD	Other countries	Total
Assets				
Cash and short-term funds	248.8	83.2	22.3	354.3
Mandatory cash balances with central banks	48.7	1.6	8.4	58.7
Financial assets at fair value through profit or loss	208.8	115.2	87.1	411.1
Financial assets pledged under repurchase agreements	464.0	0.3	2.3	466.6
Due from other banks	98.4	303.8	41.2	443.4
Loans and advances to customers	4,650.1	245.6	1,073.3	5,969.0
Assets of disposal group held for sale	23.4	4.6	8.7	36.7
Investment financial assets				
- available-for-sale	80.3	31.6	23.5	135.4
- held-to-maturity	0.4	–	0.3	0.7
Investments in associates and joint ventures	11.8	57.0	18.8	87.6
Land, premises and equipment	152.6	3.5	14.2	170.3
Investment property	156.4	–	4.3	160.7
Goodwill and other intangible assets	150.1	0.5	11.9	162.5
Deferred tax asset	42.0	1.9	1.6	45.5
Other assets	218.5	28.2	19.3	266.0
Total assets	6,554.3	877.0	1,337.2	8,768.5
Liabilities				
Due to other banks	511.0	122.2	33.4	666.6
Customer deposits	3,894.9	174.7	271.8	4,341.4
Liabilities of disposal group held for sale	8.5	4.9	7.3	20.7
Other borrowed funds	1,192.3	271.0	22.6	1,485.9
Debt securities issued	319.4	411.8	7.0	738.2
Deferred tax liability	14.1	0.3	0.6	15.0
Other liabilities	151.3	86.5	24.8	262.6
Subordinated debt	204.4	86.6	–	291.0
Total liabilities	6,295.9	1,158.0	367.5	7,821.4
Net balance sheet position	258.4	(281.0)	969.7	947.1
Net off-balance sheet position – Credit Related Commitments	961.9	38.5	50.6	1,051.0

48. Financial Risk Management (continued)

Geographical concentration (continued)

Geographical concentration information is based on geographical registration of the Group's counterparts. As at 31 December 2012 the geographical concentration of the Group's assets and liabilities is set out below:

	<i>Russia</i>	<i>OECD</i>	<i>Other countries</i>	<i>Total</i>
Assets				
Cash and short-term funds	260.3	276.4	32.3	569.0
Mandatory cash balances with central banks	54.9	1.6	7.3	63.8
Financial assets at fair value through profit or loss	368.2	87.6	73.0	528.8
Financial assets pledged under repurchase agreements	301.0	0.6	1.3	302.9
Due from other banks	97.4	251.5	9.7	358.6
Loans and advances to customers	3,647.4	224.6	889.5	4,761.5
Assets of disposal group held for sale	8.7	–	6.6	15.3
Investment financial assets				
- available-for-sale	80.5	11.2	5.7	97.4
- held-to-maturity	0.6	–	0.3	0.9
Investments in associates and joint ventures	11.3	4.8	16.7	32.8
Land, premises and equipment	127.9	2.8	11.8	142.5
Investment property	144.2	–	3.8	148.0
Goodwill and other intangible assets	151.4	0.1	1.3	152.8
Deferred tax asset	42.2	0.2	0.5	42.9
Other assets	164.1	21.5	12.9	198.5
Total assets	5,460.1	882.9	1,072.7	7,415.7
Liabilities				
Due to other banks	476.7	139.6	143.6	759.9
Customer deposits	3,395.3	150.4	267.7	3,813.4
Liabilities of disposal group held for sale	0.5	–	5.6	6.1
Other borrowed funds	622.2	168.3	15.7	806.2
Debt securities issued	344.4	405.9	3.6	753.9
Deferred tax liability	11.4	0.1	0.8	12.3
Other liabilities	117.3	77.8	16.9	212.0
Subordinated debt	204.9	80.9	–	285.8
Total liabilities	5,172.7	1,023.0	453.9	6,649.6
Net balance sheet position	287.4	(140.1)	618.8	766.1
Net off-balance sheet position – Credit Related Commitments	643.5	22.8	41.5	707.8

Market risk

Market risk is the risk of the Group financial result decrease according to International Financial Reporting Standards because of assets/liabilities fluctuations due to changes in market variables – risk-factors (such as foreign exchange rates, interest rates, yields of debt securities and credit spreads, equity quotes etc.) and also due to changes in volatilities and correlations between them.

Interest rate risk exposure and sensitivity analysis

The Group is exposed to interest rate risk. Interest rate risk is defined as the risk of the decrease of interest income/increase of interest expense resulting from adverse changes of market interest rates.

The RD presents to the ALCO on a monthly basis interest rate risk indicators of the Group and of individual banks of the Group, including net present value of assets and liabilities exposed to interest rate risk, Capital-at-Risk, Net Interest Income, Earnings-at-Risk and sensitivity analysis. Valuation is prepared on the basis of Kamakura Risk Manager software.

48. Financial Risk Management (continued)

Market risk (continued)

To mitigate the interest rate risk the ALCO set up CaR limitations to cover interest rate risk of the Group as well as individual banks of the Group.

To mitigate interest rate risk the Treasury manages and hedges VTB's exposures by entering into interest rate derivative transactions within the limits and parameters set by the ALCO.

As at 31 December 2013 the Group has the following interest rate exposures based on information provided internally to key management personnel. Included in the table are Group's monetary assets and liabilities, categorized by the contractual repricing date.

	On demand and up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 3 years	From 3 years to 5 years	More than 5 years	Total
Assets								
Interest bearing assets								
RUR	461.0	198.5	891.3	712.7	1,597.7	976.7	807.3	5,645.2
USD	892.1	173.1	748.6	365.7	632.4	232.4	135.7	3,180.0
EUR	167.9	7.1	163.9	22.7	49.9	17.1	27.2	455.8
Other currencies	105.1	36.5	176.6	74.3	68.1	51.1	60.6	572.3
Total assets	1,626.1	415.2	1,980.4	1,175.4	2,348.1	1,277.3	1,030.8	9,853.3
Liabilities								
Interest bearing liabilities								
RUR	(1,921.2)	(668.4)	(1,106.2)	(719.0)	(632.4)	(40.8)	(517.7)	(5,605.7)
USD	(787.2)	(155.5)	(828.1)	(444.6)	(620.3)	(317.4)	(210.7)	(3,363.8)
EUR	(247.1)	(12.2)	(130.1)	(48.0)	(139.3)	(18.2)	(19.5)	(614.4)
Other currencies	(113.0)	(34.6)	(232.1)	(42.2)	(81.1)	(28.2)	(44.7)	(575.9)
Total liabilities	(3,068.5)	(870.7)	(2,296.5)	(1,253.8)	(1,473.1)	(404.6)	(792.6)	(10,159.8)
Net repricing gap	(1,442.4)	(455.5)	(316.1)	(78.4)	875.0	872.7	238.2	(306.5)

As at 31 December 2012 the Group has the following interest rate exposures based on information provided internally to key management personnel. Included in the table are Group's monetary assets and liabilities, categorized by the contractual repricing date.

	On demand and up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 3 years	From 3 years to 5 years	More than 5 years	Total
Assets								
Interest bearing assets								
RUR	392.5	587.5	325.6	592.6	1,372.9	696.1	692.9	4,660.1
USD	1,034.9	855.6	255.0	189.9	453.6	90.2	81.7	2,960.9
EUR	337.7	78.8	38.8	23.0	32.6	15.0	23.6	549.5
Other currencies	78.6	132.2	36.3	91.4	70.7	49.7	56.2	515.1
Total assets	1,843.7	1,654.1	655.7	896.9	1,929.8	851.0	854.4	8,685.6
Liabilities								
Interest bearing liabilities								
RUR	(1,955.6)	(870.8)	(502.7)	(326.0)	(468.8)	(19.4)	(526.4)	(4,669.7)
USD	(788.6)	(673.7)	(298.7)	(393.9)	(611.1)	(189.0)	(208.1)	(3,163.1)
EUR	(257.7)	(139.1)	(76.7)	(62.4)	(121.1)	(30.7)	(16.3)	(704.0)
Other currencies	(156.4)	(159.9)	(28.8)	(79.2)	(51.6)	(37.3)	(40.5)	(553.7)
Total liabilities	(3,158.3)	(1,843.5)	(906.9)	(861.5)	(1,252.6)	(276.4)	(791.3)	(9,090.5)
Net repricing gap	(1,314.6)	(189.4)	(251.2)	35.4	677.2	574.6	63.1	(404.9)

48. Financial Risk Management (continued)

Interest rate risk exposure and sensitivity analysis (continued)

The interest rate sensitivities set out in the tables below represent an effect on the historical net interest income for one-year period in case of a parallel shift in all yield curves. The calculations are based on the Group's actual interest rate risk exposures at the relevant reporting dates.

Interest rate sensitivity analysis as at 31 December 2013 as an effect on net interest income is as follows.

Currency	Interest rate increase, b.p.	Effect on net interest income	Interest rate decrease, b.p.	Effect on net interest income
RUR	72	(9.8)	(72)	9.8
USD	3	0.1	(3)	(0.1)
Total		(9.7)		9.7

Interest rate sensitivity analysis as at 31 December 2012 as an effect on net interest income is as follows.

Currency	Interest rate increase, b.p.	Effect on net interest income	Interest rate decrease, b.p.	Effect on net interest income
RUR	109	(12.8)	(109)	12.8
USD	5	0.2	(5)	(0.2)
Total		(12.6)		12.6

The total interest rate sensitivity, disclosed in the above tables, is attributable to assets and liabilities sensitive to possible changes of interest rates except current/settlement customer accounts. Management considers sensitivity of these accounts to fluctuations of interest rates in the financial market as low based on historical performance and competitive environment. The Group uses, and has access to, a number of market instruments, including IRS, to manage its interest rate sensitivity and repricing gaps.

Currency risk and VaR analysis

The Group is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on financial performance of the Group.

The Group manages its currency risk by seeking to match the currency of its assets with that of its liabilities on a currency-by-currency basis within established limits. For VTB Bank, such limits include internal VaR limits for open currency position (OCP) and stop-loss limits set by the ALCO for trading operations and regulatory OCP limits set by the CBR.

The RD of VTB performs VaR evaluations, analyses the structure of open currency positions and prepares reports for the ALCO on a monthly basis. The ALCO approves the methodology of the currency risk analysis, management and control procedures and sets limits on open currency positions. The Treasury manages and hedges VTB's currency positions on a daily basis by entering into foreign exchange spot and forward/option transactions within the limits set by the ALCO. Compliance with these limits and the relevant CBR limits is monitored by the Bank on a daily basis.

VTB measures its currency risk exposures by using VaR approach. It estimates the largest potential negative effect in pre-tax profit due to changes in value of foreign currency denominated positions over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk measurement.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. Even though positions may change throughout the day, the VaR only represents the risk of the open currency positions at the close of the reporting dates, and it does not account for any losses that may occur beyond the 99% confidence level. The use of ten-day holding period assumes as well that all positions can be liquidated or hedged in 10 business days. In practice, the actual effect on profit or loss before tax will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

48. Financial Risk Management (continued)

Currency risk and VaR analysis (continued)

The Group performs stress-testing of currency risk in order to assess the hypothetical maximum exposure.

The VaR model used by the Group is based on the historical simulation approach, which incorporates exchange rates interdependency. When calculating VaR the following parameters and assumptions were used:

- Currency exposures of the Group on the relevant reporting dates;
- Historical data on exchange rates for the last 2 years;
- 99% confidence level;
- 10 business days holding period.

As at 31 December 2013 and 2012, the Group had the following exposures to currency risk, which include balance sheet positions and off-balance sheet foreign currency derivatives positions against RUR (open positions).

Currency	Open positions	
	31 December 2013	31 December 2012
USD	80.1	(24.9)
UAH	26.8	26.1
GBP	7.4	13.3
EUR	4.7	22.7
AUD	4.4	6.0
BYR	2.8	2.1
AMD	2.2	2.4
NOK	1.8	–
GEL	1.7	1.4
AOA	1.3	1.2
KZT	1.1	(0.5)
SGD	0.8	1.6
RSD	0.3	1.2
CHF	(0.3)	(2.6)
JPY	(0.5)	–
BRL	–	2.8
Other currencies	2.0	1.7
Total	136.6	54.5

As at 31 December 2013 and 2012, the Group had the following VaR for its foreign currency positions:

	31 December 2013	31 December 2012
Open currency position	136.6	54.5
Value at Risk	6.6	1.5

The VaR figures above take into account all currencies with exposures over RUR 100 million.

Price risk

The Group is exposed to market risk of its securities portfolio, which is the risk of loss resulting from changes in market quotes of securities. On a daily basis RD controls market risk limits utilization and reports limits usage to the Business Departments and Internal Control Department. To mitigate market risk ALCO sets exposure limits (e.g. single name, product types, and portfolio level limits), VAR-limits, stop-loss limits and sensitivity limits. Exposure limits for particular debt securities are set by the Credit Committee. On a monthly basis RD reports to the ALCO limits usage discipline and suggestions for limits values and types modification. VTB measures its securities portfolio risk exposures using VaR measurement of risk. The basic assumptions applicable to the calculation of VaR for currency risk, as described above, are also applicable for the calculation of VaR for securities portfolio market risk.

48. Financial Risk Management (continued)**Price risk (continued)**

Parameters for VaR calculation are following:

- historical period – 2 year;
- holding period – 10 trading days;
- confidence level – 99%;
- method – historical simulation.

Due to limited liquidity of the Russian market of corporate fixed income instruments (typical for emerging markets), historical quotes were chosen according to the following methodology.

Original historical data is used for instruments with quotes history at least for 200 days and not more than 10 successive days without quotes and the issue date of the instrument is as early as the reporting year.

Quote history of proxy instruments are used to estimate the VaR for less liquid securities which do not meet those requirements. Proxy instrument should fulfil following criteria:

- proxy instrument should be the same type of financial instruments as original security;
- issuer country and industry of proxy instrument has to be the same as original security and credit rating should be close to the original security rating;
- currencies of proxy instrument and original security have to coincide;
- the durations of the proxy instrument and the original one should be comparable.

Approximately one fourth of the portfolio by volume was interchanged by proxy instruments for VaR evaluation.

During 2013 the Bank enhanced its Risk valuation software through the continuance of implementation of Kamakura Risk Manager.

Historical period for VaR calculation shifted from 1 year as of 31 December 2012 to 2 years for both reporting dates in this report.

Total Group's VaR for 2013 with diversification and 2-year historical period amounts to RUR 5.0 billion (2012: RUR 5.2 billion).

	<i>Financial assets available-for-sale</i>		<i>Financial assets at fair value through profit or loss</i>	
	<i>31 December 2013</i>	<i>31 December 2012</i>	<i>31 December 2013</i>	<i>31 December 2012</i>
Debt securities	1.4	0.9	3.9	3.3
Equity securities	–	0.2	1.4	2.8
VaR	1.4	0.8	4.5	4.4

For sensitivity analysis of Level 3 instruments refer to Note 49.

Liquidity risk and contractual maturity analysis

Liquidity risk is a risk resulting from inability of the Group to meet in full its obligations when they fall due and without borrowing funds at rates higher than market rates. The Group's exposure to liquidity risk arises due to a mismatch of maturities of assets and liabilities.

Liquidity risk management within the Group is carried out at two main levels:

- Bank/company level: Each bank / company of the Group manages its liquidity on an individual basis to meet its obligations and to comply with the requirements of its national regulator and standards of the Group.
- Group level: Liquidity of the Group is managed on the basis of centralized control and management of key activities of the Group including:
 - universal policy and approaches to liquidity management, including hedging;
 - integrated methodology of liquidity risk;
 - centralized system of on-going reporting and data warehousing.

48. Financial Risk Management (continued)**Liquidity risk and contractual maturity analysis (continued)**

The tools used by VTB for measurement, management and mitigation of liquidity risk include: Contractual maturity analysis (gap analysis) and cash flow forecasts including:

- planned transactions;
- forecasted roll-over of clients' term funds (deposits and promissory notes);
- possible outflow of unstable "on-demand" funds (clients' current accounts);
- Analysis of deposit base concentration;
- Stress-test analysis;
- Setting of internal liquidity indicators/limits, including (1) the minimum amount of highly liquid assets to cover possible outflow of resources on demand/one day and other short-term liabilities (up to 30 days); (2) Treasury portfolio limits which are monitored on a daily basis;
- Allocation and utilization of securities from Treasury portfolio, which provide financing from the CBR through reverse repo operations and help manage short-term liquidity; and
- Development of emergency plans (funding contingency plans).

VTB and other banks of the Group are also subject to liquidity requirements set by regulatory authorities, including those set by the CBR in the form of prudential ratios.

The RD analyses the liquidity position of the Group and prepares liquidity report for ALCO on a monthly basis. VTB's Treasury manages short-term liquidity on an ongoing basis through its cash position and portfolio of highly liquid securities and prepares information on short-term liquidity of the Bank and reports to the ALCO on a weekly basis.

The Inflow column in the tables below includes gross amounts to be received by the Group within a certain time band upon maturities/redemptions of financial instruments (assets/claims). Outflow column includes gross amounts to be repaid by the Group in a certain time band upon maturities/redemptions of financial instruments (liabilities/obligations except current and settlement accounts). Gap represents the difference between Inflow and Outflow columns. Gap Cumulative column represents the cumulative gap. FX Swap Cumulative column represents the cumulative gaps of notional amounts of foreign exchange transactions (FX Swaps, FX Spot and Forwards, NDFs). Dynamic Gap (total) Cumulative column represents the cumulative gap including FX Swap Cumulative. Opening balance represents highly liquid assets, which mostly consist of cash and Nostro accounts with other banks.

Management believes that in spite of a substantial portion of customer accounts being on demand or short-term, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide, in a substantial part, a long-term and stable source of funding for the Group. Also portfolios of Treasury and Trading securities could be used for short-term liquidity management through reverse sale and repurchase operations.

VTB Group medium-term liquidity needs are managed through interbank and customer deposits (new borrowings and renewal of existing deposits), repurchase agreements and in the form of collateralized loans (against corporate loans or securities) which allow the Group to reduce the negative medium-term liquidity gaps.

VTB Group has a number of additional funding facilities available to bridge negative medium term liquidity gaps such as Eurobonds (EMTN) and domestic stock exchange traded bonds.

Currency mismatches in the structure of liquidity gaps are managed with the use of foreign exchange transactions (FX Swaps).

48. Financial Risk Management (continued)

Liquidity risk and contractual maturity analysis (continued)

As at 31 December 2013, VTB Group had the following cash flow by remaining contractual maturities.

<i>Time Band</i>	<i>Inflow</i>	<i>Outflow</i>	<i>Gap</i>	<i>Gap Cumulative</i>	<i>FX Swap Cumulative</i>	<i>Dynamic Gap (total) Cumulative</i>
RUR positions						
Opening balance	–	–	198.8	198.8	–	198.8
Up to 1 month	588.7	(1,276.7)	(688.0)	(489.2)	(291.3)	(780.5)
From 1 to 3 months	358.8	(1,058.7)	(699.9)	(1,189.1)	(291.5)	(1,480.6)
From 3 months to 1 year	1,448.2	(1,260.8)	187.4	(1,001.7)	(264.7)	(1,266.4)
From 1 to 3 years	2,491.2	(941.6)	1,549.6	547.9	(308.2)	239.7
More than 3 years	2,806.5	(871.4)	1,935.1	2,483.0	(308.2)	2,174.8
Other currency positions						
Opening balance	–	–	161.6	161.6	–	161.6
Up to 1 month	1,435.7	(1,285.5)	150.2	311.8	293.8	605.6
From 1 to 3 months	280.3	(285.9)	(5.6)	306.2	293.7	599.9
From 3 months to 1 year	882.8	(1,064.7)	(181.9)	124.3	267.0	391.3
From 1 to 3 years	1,355.4	(1,619.6)	(264.2)	(139.9)	308.0	168.1
More than 3 years	1,326.2	(1,111.3)	214.9	75.0	308.0	383.0
Total						
Opening balance	–	–	360.4	360.4	–	360.4
Up to 1 month	2,024.4	(2,562.2)	(537.8)	(177.4)	2.5	(174.9)
From 1 to 3 months	639.1	(1,344.6)	(705.5)	(882.9)	2.2	(880.7)
From 3 months to 1 year	2,331.0	(2,325.5)	5.5	(877.4)	2.3	(875.1)
From 1 to 3 years	3,846.6	(2,561.2)	1,285.4	408.0	(0.2)	407.8
More than 3 years	4,132.7	(1,982.7)	2,150.0	2,558.0	(0.2)	2,557.8

As at 31 December 2012, VTB Group had the following cash flow by remaining contractual maturities.

<i>Time Band</i>	<i>Inflow</i>	<i>Outflow</i>	<i>Gap</i>	<i>Gap Cumulative</i>	<i>FX Swap Cumulative</i>	<i>Dynamic Gap (total) Cumulative</i>
RUR positions						
Opening balance	–	–	231.3	231.3	–	231.3
Up to 1 month	379.5	(995.0)	(615.5)	(384.2)	(432.1)	(816.3)
From 1 to 3 months	329.2	(593.8)	(264.6)	(648.8)	(505.7)	(1,154.5)
From 3 months to 1 year	1,146.6	(843.7)	302.9	(345.9)	(531.2)	(877.1)
From 1 to 3 years	2,078.1	(638.3)	1,439.8	1,093.8	(561.5)	532.3
More than 3 years	2,191.2	(875.2)	1,316.0	2,409.8	(561.5)	1,848.3
Other currency positions						
Opening balance	–	–	370.6	370.6	–	370.6
Up to 1 month	744.1	(756.8)	(12.7)	357.9	429.9	787.8
From 1 to 3 months	166.9	(366.6)	(199.7)	158.2	499.0	657.2
From 3 months to 1 year	690.1	(996.3)	(306.2)	(148.0)	521.9	373.9
From 1 to 3 years	1,092.0	(1,362.8)	(270.8)	(418.8)	548.4	129.6
More than 3 years	778.6	(787.2)	(8.6)	(427.4)	548.4	121.0
Total						
Opening balance	–	–	601.9	601.9	–	601.9
Up to 1 month	1,123.6	(1,751.8)	(628.2)	(26.3)	(2.1)	(28.4)
From 1 to 3 months	496.1	(960.4)	(464.3)	(490.6)	(6.6)	(497.2)
From 3 months to 1 year	1,836.6	(1,840.0)	(3.4)	(494.0)	(9.3)	(503.3)
From 1 to 3 years	3,170.1	(2,001.2)	1,168.9	674.9	(13.1)	661.8
More than 3 years	2,969.8	(1,662.4)	1,307.4	1,982.3	(13.1)	1,969.2

48. Financial Risk Management (continued)

Liquidity risk and contractual maturity analysis (continued)

The table below shows undiscounted cash flows payable under financial liabilities and credit-related commitments at 31 December 2013 by their remaining contractual maturity.

	<i>On demand and up to 1 month</i>	<i>From 1 month to 3 months</i>	<i>From 3 month to 6 months</i>	<i>From 6 months to 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Non-derivative liabilities						
Due to other banks	425.4	180.1	62.0	14.1	56.9	738.5
Customer deposits	1,856.4	557.0	491.5	564.0	1,027.7	4,496.6
Other borrowed funds	386.1	326.7	39.6	483.3	407.9	1,643.6
Debt securities issued	34.9	30.3	69.3	80.8	736.5	951.8
Subordinated debt	–	3.7	5.5	10.1	411.6	430.9
Other liabilities	48.5	0.4	–	0.1	3.5	52.5
Total cash flows payable under non-derivative liabilities	2,751.3	1,098.2	667.9	1,152.4	2,644.1	8,313.9
Derivative financial instruments – gross settled						
<i>Positive fair value of derivatives</i>						
(Inflow)	(408.6)	(192.8)	(200.8)	(210.7)	(591.3)	(1,604.2)
Outflow	402.8	181.4	192.2	206.8	555.6	1,538.8
<i>Negative fair value of derivatives</i>						
(Inflow)	(95.3)	(183.8)	(164.4)	(191.7)	(604.7)	(1,239.9)
Outflow	96.5	186.7	172.7	194.0	609.5	1,259.4
Derivative financial instruments – net settled						
(Inflow)	(5.9)	(15.9)	(9.2)	(16.8)	(25.4)	(73.2)
Outflow	8.3	11.7	6.5	12.0	104.0	142.5
Credit related commitments	1,051.8	–	–	–	–	1,051.8

The table below shows undiscounted cash flows payable under financial liabilities and credit-related commitments at 31 December 2012 by their remaining contractual maturity.

	<i>On demand and up to 1 month</i>	<i>From 1 month to 3 months</i>	<i>From 3 month to 6 months</i>	<i>From 6 months to 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Non-derivative liabilities						
Due to other banks	505.3	96.4	43.8	100.9	64.8	811.2
Customer deposits	1,927.3	441.5	413.8	404.5	706.4	3,893.5
Other borrowed funds	218.2	98.8	136.4	46.0	475.3	974.7
Debt securities issued	33.3	97.7	48.6	141.7	655.1	976.4
Subordinated debt	–	3.5	4.2	9.9	395.6	413.2
Other liabilities	34.7	1.6	1.1	2.1	13.6	53.1
Total cash flows payable under non-derivative liabilities	2,718.8	739.5	647.9	705.1	2,310.8	7,122.1
Derivative financial instruments – gross settled						
<i>Positive fair value of derivatives</i>						
(Inflow)	(257.5)	(176.2)	(118.9)	(83.2)	(482.1)	(1,117.9)
Outflow	253.6	168.7	110.2	80.8	464.4	1,077.7
<i>Negative fair value of derivatives</i>						
(Inflow)	(273.9)	(207.9)	(121.4)	(106.5)	(495.9)	(1,205.6)
Outflow	278.5	215.6	125.8	109.2	509.0	1,238.1
Derivative financial instruments – net settled						
(Inflow)	(2.7)	(4.8)	(6.2)	(9.6)	(10.5)	(33.8)
Outflow	5.3	7.9	3.3	8.5	8.0	33.0
Credit related commitments	708.7	–	–	–	–	708.7

48. Financial Risk Management (continued)

Liquidity risk and contractual maturity analysis (continued)

A significant portion of liabilities of the Group is represented by customer term deposits and promissory notes, current accounts of corporate and retail customers, bonds, Eurobonds and syndicated loans.

Management believes that although a substantial portion of customer deposits are on demand and mature in less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Group indicates that these deposits provide a long-term and stable source of funding for the Group. Therefore, an essential part of current accounts is considered as stable resources for the purposes of liquidity analysis and management. The stable part of resources on demand is statistically determined for separate currencies and based on the dynamics of the on these cumulative balances accounts.

Current and non-current assets and liabilities

Assets or liabilities are classified as current if they are expected to be recovered or settled within twelve months after the reporting date.

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

	<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Overdue, maturity undefined</i>	<i>Total</i>
Assets				
Cash and short-term funds	354.3	–	–	354.3
Mandatory cash balances with central banks	52.8	5.9	–	58.7
Financial assets at fair value through profit or loss	342.9	51.3	16.9	411.1
Financial assets pledged under repurchase agreements	146.1	320.5	–	466.6
Due from other banks	414.1	29.2	0.1	443.4
Loans and advances to customers	1,362.7	4,506.3	100.0	5969.0
Assets of disposal group held for sale	36.7	–	–	36.7
Investment financial assets				
- available-for-sale	23.5	87.2	24.7	135.4
- held-to-maturity	0.1	0.6	–	0.7
Investments in associates and joint ventures	–	–	87.6	87.6
Land, premises and equipment	–	–	170.3	170.3
Investment property	–	–	160.7	160.7
Goodwill and other intangible assets	–	–	162.5	162.5
Deferred tax asset	–	–	45.5	45.5
Other assets	156.6	33.3	76.1	266.0
Total assets	2,889.8	5,034.3	844.4	8,768.5
Liabilities				
Due to other banks	618.3	48.3	–	666.6
Customer deposits	3,411.3	930.1	–	4,341.4
Liabilities of disposal group held for sale	20.7	–	–	20.7
Other borrowed funds	1,223.6	262.3	–	1,485.9
Debt securities issued	164.1	574.1	–	738.2
Deferred tax liability	–	–	15.0	15.0
Other liabilities	166.3	67.3	29.0	262.6
Subordinated debt	0.7	290.3	–	291.0
Total liabilities	5,605.0	2,172.4	44.0	7,821.4

Management believes that although equity securities included in financial assets held for trading category have no contractual maturity these equity securities could be sold in less than one year and therefore they are included in respective contractual maturity category. Debt securities included in financial assets held for trading category are also classified as instruments with contractual maturity less than one year as Management believes that these debt securities could be sold in less than one year and it has no intentions to hold these debt securities until maturity.

48. Financial Risk Management (continued)

Current and non-current assets and liabilities (continued)

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

	<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Overdue, maturity undefined</i>	<i>Total</i>
Assets				
Cash and short-term funds	569.0	–	–	569.0
Mandatory cash balances with central banks	58.6	5.2	–	63.8
Financial assets at fair value through profit or loss	490.4	31.7	6.7	528.8
Financial assets pledged under repurchase agreements	63.5	239.4	–	302.9
Due from other banks	341.6	16.9	0.1	358.6
Loans and advances to customers	1,319.4	3,253.6	188.5	4,761.5
Assets of disposal group held for sale	15.3	–	–	15.3
Investment financial assets				
- available-for-sale	13.5	42.7	41.2	97.4
- held-to-maturity	0.2	0.7	–	0.9
Investments in associates and joint ventures	–	–	32.8	32.8
Land, premises and equipment	–	–	142.5	142.5
Investment property	–	–	148.0	148.0
Goodwill and other intangible assets	–	–	152.8	152.8
Deferred tax asset	–	–	42.9	42.9
Other assets	97.1	18.0	83.4	198.5
Total assets	2,968.6	3,608.2	838.9	7,415.7
Liabilities				
Due to other banks	708.9	51.0	–	759.9
Customer deposits	3,050.3	763.1	–	3,813.4
Liabilities of disposal group held for sale	6.1	–	–	6.1
Other borrowed funds	490.6	315.6	–	806.2
Debt securities issued	279.9	474.0	–	753.9
Deferred tax liability	–	–	12.3	12.3
Other liabilities	141.3	61.8	8.9	212.0
Subordinated debt	3.2	282.6	–	285.8
Total liabilities	4,680.3	1,948.1	21.2	6,649.6

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probabilities is applied to pricing and reserving, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using actuarial techniques. Factors that aggravate insurance risk include a lack of risk diversification in terms of the type and amount of risk, the geographical location and the type of policyholder base covered.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected pervasively by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the gender, age and geography of insurance risks accepted and within each of these categories to achieve a sufficiently large population to reduce the variability of the expected outcome.

48. Financial Risk Management (continued)**Insurance risk**

As at 31 December 2013 the Group is exposed to insurance risk using actuarial methods, but using different assumptions:

(1) The principal assumption is increasing in loss ratio that directly influences on loss provision. The following analysis is performed for reasonably possible movements in key assumption with all other assumptions held constant, showing the impact on loss provision. Confident level is considered between 75% and 95%.

Type of insurance business	Increase in loss provision			
Increase in variable:				
- confident level	75%	75%	95%	95%
- loss ratio	5%	10%	5%	10%
Motor own damage insurance	–	–	0.1	0.1
Voluntary Medical insurance	–	–	0.1	0.1
Personal Accident insurance	0.1	0.1	0.2	0.2
Obligatory Military State Insurance	0.3	0.5	0.5	0.7
Obligatory motor third party liability insurance	–	–	–	–
Total	0.4	0.6	0.9	1.1

(2) The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience, including analysis of deviation between actual and forecast amounts. The following analysis is performed for reasonably possible movements in key assumption with all other assumptions held constant, showing the impact on loss provision.

Type of insurance business	Increase in loss provision			
Increase in variable: claims	5%	10%	15%	20%
Motor own damage insurance	0.1	0.3	0.4	0.5
Voluntary Medical insurance	–	–	–	–
Property insurance and Third party liability	0.1	0.2	0.2	0.3
Personal Accident insurance	–	–	0.1	0.1
Obligatory motor third party liability insurance	0.2	0.4	0.6	0.8
Total	0.4	0.9	1.3	1.7

49. Fair value measurement**Fair value of financial instruments measured at 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement of a financial instrument in its entirety.

49. Fair value measurement (continued)

Assets and liabilities measured at fair value

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy as at 31 December 2013:

	<i>Quoted prices in active markets</i>	<i>Significant observable inputs</i>	<i>Significant unobservable inputs</i>	<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Financial assets measured at fair value				
Non-derivative financial assets at fair value through profit or loss				
<i>Financial assets held for trading</i>				
Debt securities	170.9	58.1	4.1	233.1
Trading credit products	–	49.0	–	49.0
Equity securities	9.4	5.4	–	14.8
<i>Financial assets designated as at fair value through profit or loss</i>				
Equity securities	–	1.4	15.5	16.9
Reverse sale and repurchase agreements to maturity	11.4	–	–	11.4
Debt securities	0.4	–	5.3	5.7
<i>Financial assets available- for- sale</i>				
Debt securities	56.0	54.1	0.6	110.7
Equity securities	0.1	0.7	23.9	24.7
Derivative financial assets at fair value through profit or loss				
<i>Trading derivative financial instruments</i>				
Interest rate contracts	–	44.8	–	44.8
Foreign exchange and precious metals contracts	–	16.1	5.1	21.2
Other basic assets contracts	–	6.9	–	6.9
Contracts with securities	–	4.4	–	4.4
Embedded derivatives on structured instruments	–	2.9	–	2.9
<i>Hedging derivative financial instruments</i>				
Derivatives held as fair value hedges	–	0.1	7.8	7.9
Derivatives held as cash flow hedges	–	1.0	–	1.0
Financial assets pledged under repurchase agreements	101.7	71.1	0.3	173.1
Investments in associates and joint ventures at fair value through profit or loss	–	–	55.2	55.2
Financial assets measured at fair value within assets of disposal group held for sale	–	0.2	–	0.2
Non- financial assets measured at fair value				
Land and premises	–	–	106.2	106.2
Investment property	–	–	160.7	160.7
Investment property within assets of disposal group held for sale	–	–	5.3	5.3
Financial liabilities measured at fair value				
Financial liabilities				
<i>Trading derivative financial instruments</i>				
Interest rate contracts	–	(34.3)	–	(34.3)
Foreign exchange and precious metals contracts	–	(20.1)	–	(20.1)
Contracts with securities	–	(2.0)	(6.3)	(8.3)
Other basic assets contracts	–	(5.4)	–	(5.4)
Embedded derivatives on structured instruments	–	(1.0)	–	(1.0)
<i>Hedging derivative financial instruments</i>				
Derivatives held as fair value hedges	–	(2.4)	–	(2.4)
Derivatives held as cash flow hedges	–	(0.1)	–	(0.1)
<i>Obligation to deliver securities</i>	(25.5)	(1.4)	–	(26.9)

49. Fair value measurement (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2012:

	<i>Quoted prices in active markets Level 1</i>	<i>Significant observable inputs Level 2</i>	<i>Significant unobservable inputs Level 3</i>	<i>Total</i>
Financial assets				
Non-derivative financial assets at fair value through profit or loss				
Financial assets held for trading	319.2	71.2	1.9	392.3
Financial assets designated as at fair value through profit or loss	31.7	2.2	9.5	43.4
<i>Trading Derivative financial instruments</i>	–	86.0	7.1	93.1
<i>Hedging Derivative financial instruments</i>	–	0.6	–	0.6
<i>Financial assets pledged under repurchase agreements</i>				
Financial assets held for trading	45.0	3.6	–	48.6
Financial assets available-for-sale	5.9	–	–	5.9
Financial assets designated as at fair value through profit or loss	–	0.1	–	0.1
<i>Investments in associates at fair value through profit or loss</i>	–	–	1.3	1.3
<i>Financial assets available-for-sale</i>	53.0	4.4	40.0	97.4
Financial liabilities				
<i>Trading Derivative financial instruments</i>	–	(82.5)	(0.1)	(82.6)
<i>Hedging Derivative financial instruments</i>	–	(0.5)	–	(0.5)
<i>Obligation to deliver securities</i>	(9.9)	(19.2)	–	(29.1)

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets at fair value through profit or loss are mainly dependent on the change of input variables used to determine fair value, such as interest rates, credit spreads, and foreign exchange rates. A significant portion of the available-for-sale financial assets in Level 3 is invested in shares of a non-listed companies which are valued based on non-market observable information. Changes in assumptions can lead to adjustments in the fair value of these investments.

49. Fair value measurement (continued)

Movement in Level 3 financial assets and liabilities measured at fair value

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the year ended 31 December 2013 is as follows:

	<i>Financial assets at fair value through profit or loss</i>		<i>Financial assets pledged under repurchase agreements</i>	<i>Financial assets available-for-sale</i>	<i>Investments in associates and joint ventures at fair value through profit or loss</i>	<i>Financial derivative assets and liabilities (net)</i>	<i>Financial derivative assets and liabilities (net) designated as hedging instrument</i>
	<i>Financial assets held for trading</i>	<i>Financial assets designated as at fair value through profit or loss</i>	<i>Financial assets held for trading</i>				
Fair value at 1 January 2013	1.9	9.5	–	40.0	1.3	7.0	–
Gains less losses arising from financial instruments at fair value through profit or loss	(0.1)	11.3	–	(9.5)	13.2	(4.8)	–
Gains less losses recognized in net result on financial assets available-for-sale in other comprehensive income	–	–	–	5.7	–	–	–
Initial recognition – purchase	2.3	–	–	3.1	40.7	(0.7)	7.8
Derecognition – sale	(1.8)	–	–	(7.7)	–	–	–
Derecognition – settlement	–	–	–	–	–	(0.1)	–
Acquisition of subsidiaries	–	–	–	0.1	–	–	–
Transfers into Level 3	3.9	–	0.3	0.6	–	–	–
Transfers out of Level 3	(2.1)	–	–	(7.8)	–	(2.6)	–
Fair value at 31 December 2013	4.1	20.8	0.3	24.5	55.2	(1.2)	7.8
Unrealized gains less losses recognized in net result on financial assets available-for-sale in other comprehensive income	–	–	–	2.8	–	–	–
Unrealized gains less losses recognized in gains less losses arising from financial instruments at fair value through profit or loss	(0.1)	11.3	–	(9.5)	13.2	(5.5)	–
Gains less losses from available-for-sale financial assets	–	–	–	–	–	–	7.8

49. Fair value measurement (continued)

Movement in Level 3 financial instruments measured at fair value (continued)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of non-financial assets measured at fair value for the year ended 31 December 2013 is as follows:

	<i>Land and premises</i>	<i>Investment property</i>	<i>Investment property within Assets of disposal group held for sale</i>
Fair value at 1 January 2013	93.4	148.0	0.3
Gains or losses recognized in profit or loss	(3.1)	1.7	–
Gains less losses recognized in other comprehensive income	0.2	–	–
Initial recognition – purchase	8.1	11.8	–
Initial recognition – capitalization of expenses	–	6.3	–
Derecognition – sale	(1.3)	(4.2)	–
Acquisition of subsidiaries	9.1	2.2	–
Disposal of subsidiaries	(3.5)	–	–
Transfers into Level 3 due to reclassification	3.3	5.3	5.0
Transfers out of Level 3 due to reclassification	–	(10.4)	–
Fair value at 31 December 2013	106.2	160.7	5.3
Unrealized gains less losses recognized in other comprehensive income	0.2	–	–
Unrealized gains less losses recognized in profit or loss	(3.1)	1.0	–

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the year ended 31 December 2012 is as follows:

	<i>Financial assets at fair value through profit or loss</i>					
	<i>Financial assets held for trading</i>	<i>Financial assets designated as at fair value through profit or loss</i>	<i>Financial assets available-for-sale</i>	<i>Investments in associates at fair value through profit or loss</i>	<i>Financial derivative assets and liabilities (net)</i>	<i>Other financial liabilities</i>
Fair value at 1 January 2012	1.7	9.8	49.4	0.7	0.5	(21.1)
Gains less losses/(losses net of gains) recognized in profit or loss for the year	0.2	(0.5)	–	0.4	2.0	0.8
Losses net of gains recognized in other comprehensive income	–	–	(2.5)	–	–	–
Initial recognition (purchase or issue)	–	0.2	11.5	0.2	4.5	–
Derecognition (sale or settlement)	–	–	(85.0)	–	–	20.3
Acquisition of subsidiary	–	–	–	–	–	–
Transfers into Level 3	–	–	80.4	–	–	–
Transfers out of Level 3 to other Levels	–	–	(2.1)	–	–	–
Transfers out of Level 3 due to reclassification from fair-valued financial instruments	–	–	(11.7)	–	–	–
Fair value at 31 December 2012	1.9	9.5	40.0	1.3	7.0	–
Unrealized gains less losses recognized in net result on financial assets available-for-sale in other comprehensive income			(3.8)			
Unrealized gains less losses recognized in gains less losses arising from financial instruments at fair value through profit or loss	0.2	(0.5)	–	0.4	2.0	–

49. Fair value measurement (continued)

Transfers between levels

During the period ended 31 December 2013	Reason for transfer (valuation at the reporting date)	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Financial Assets Pledged under Repurchase Agreements – financial assets held for trading	Financial Assets Pledged under Repurchase Agreements – financial assets available-for-sale	Financial assets available-for-sale	Total
From Level 1:							
- to Level 2	valuation models with market observable inputs	92.9	1.4	14.4	11.1	55.9	175.7
- to Level 3	valuation models with non-market-observable inputs	0.4	–	0.3	–	–	0.7
From Level 2:							
- to Level 1	active market quotes	9.6	–	–	–	1.7	11.3
- to Level 3	valuation models with non-market-observable inputs	3.5	–	–	–	0.6	4.1
From Level 3:							
- to Level 1	active market quotes	–	–	–	–	7.6	7.6
- to Level 2	valuation models with market observable inputs	2.1	–	–	–	0.2	2.3
Total		108.5	1.4	14.7	11.1	66.0	201.7

During the period ended 31 December 2012	Reason for transfer (valuation at the reporting date)	Financial assets held for trading	Financial assets available-for-sale	Total
From Level 1:				
- to Level 2	valuation models with market observable inputs	2.1	2.0	4.1
From Level 2:				
- to Level 1	active market quotes	1.6	10.2	11.8
- to Level 3	valuation models with non-market-observable inputs	–	80.4	80.4
From Level 3:				
- to Level 1	active market quotes	–	0.9	0.9
- to Level 2	valuation models with market observable inputs	–	1.2	1.2
Total		3.7	94.7	98.4

49. Fair value measurement (continued)
Impact on fair value of Level 3 financial instruments of changes to key assumptions
Impact on fair value of Level 3 financial instruments of changes to key assumptions as at 31 December 2013

The following table shows the quantitative information as at 31 December 2013 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

31 December 2013	Carrying amount	Valuation techniques	Unobservable input description	Input
Financial Assets Available-for-Sale				
Finance companies, banks and leasing companies	1.1	Discounted cash flow	Weighted average cost of capital exit multiple	12.3%-16.3% / (14.3%)
	2.4	Net asset value	n/a	0.6%-1% / (0.8%) n/a
Trade and commerce	2.0	Net asset value	n/a	n/a
Telecommunications	4.1	Comparative method	EV/EBITDA (defense/security systems) EV/EBITDA (microelectronics)	6.22-10.22 / (8.22) 7.99-11.99 / (9.99)
Railway vehicle construction	1.2	Discounted cash flow	Weighted average cost of capital Utilization Rate Change in Price of Railcars Change in Rental Rate	8%-12% / (9.97%) 97%-100% / (98.50%) -6%-6% / (0%) -5%-5% / (0%)
Non-ferrous metals	6.3	Discounted cash flow	Weighted average cost of capital Terminal growth Cost of Debt	12.4%-15.5% / (12.8%) 3%-3% / (3%) 8.5%-8.5% / (8.5%)
Real estate	0.5	Cost approach	Real estate prices	-10%-10% / (0%)
Air transport	1.8	Market comparable companies	EV/pax, comparable airports	100-132.9 / (123.22)
Building construction	3.2	Cost	n/a	n/a
Other mechanical engineering	0.5	Discounted cash flow	Weighted average cost of capital Terminal growth Cost of Debt	10%-20% / (15.2%) 2%-7% / (5%) 6%-10% / (8.3%)
Other economic sectors	1.4	Net asset value	n/a	n/a
Financial assets designated as at fair value through profit or loss				
Equity securities				
Finance companies and banks	1.7	Net asset value	n/a	n/a
Mass Media	13.6	Net asset value	n/a	n/a
Other economic sectors	0.2	Net asset value	n/a	n/a
Debt securities				
Finance companies and banks	5.3	Probable yield	Volatility	10%-30% / (20%)
Financial assets at fair value through profit or loss				
Equity securities				
Other mechanical engineering	17.1	Market prices	n/a	n/a
Other economic sectors	4.4	Net asset value	n/a	n/a
Derivatives				
Equity options	(6.3)	Option model	Volatility	10%-30% / (20%)
Foreign exchange	5.1	Discounted Cash flow	BYR interest rate curve	20%-30%/ (25%)
Derivative financial assets and liabilities designated as hedging instruments				
Equity forward	7.8	Forward model	CDS spread Fair value of underlying equity investment	4.5%-6.5% / (5.5%) RUR 4.7 billion – RUR 6.2 billion (RUR 6.2 billion)
Investments in associates and joint ventures at fair value through profit or loss				
Building construction and development	2.1	Discounted dividend flow	Weighted average cost of capital Base equity risk premium	14.4%-22.8% / (17.1%) 7%-8% / (7.5%)
Telecommunications	53.1	Discounted cash flow	Weighted average cost of capital Terminal growth Minutes of use additional growth CAGR in 2G subscribers Long-term CAPEX/Sales ratio after 2020	13.1%-15.1% / (14.08%) 1%-5% / (3%) -1.5%-1.5% / (0%) -4.65%-0.65% 5.77%-11.77%
Non-financial assets				
Land and premises	103.5	Comparative method	Trade discount	5.0%-24.2% / (7.0%)
	2.7	Discounted cash flow	Capitalisation ratio	11.5%-15.1% / (12.5%)
Investment property	160.7	Combination of comparative, discounted cash flow and cost	Trade discount Capitalisation ratio Rate of return on investments	7.0%-30.0% / (13.8%) 9.4%-18.0% / (16.7%) 7.8%-20.0% / (17.7%)
Investment property within Assets of disposal group held for sale	5.3	Discounted cash flow	Capitalisation ratio	16.0%-18.0% / (17.0%)

49. Fair value measurement (continued)

Impact on fair value of Level 3 financial instruments of changes to key assumptions

The following table shows the quantitative information about sensitivity of the fair value measurement categorized within Level 3 of the fair value hierarchy to changes in significant unobservable inputs as at 31 December 2013:

	Carrying amount	Effect of reasonably possible alternative assumptions
Investment securities – available-for-sale	24.5	20.2-26.8
Financial assets designated as at fair value through profit or loss	20.8	19.6-20.1
Financial instruments at fair value through profit or loss excluding derivatives	4.4	4.4-4.4
Financial instruments at fair value through profit or loss - derivatives	(1.2)	(1.2)-(1.2)
Derivative financial assets and liabilities designated as hedging instruments	7.8	7.5-9.5
Investments in associates and joint ventures at fair value through profit or loss	55.2	46.3-64.8
Non-financial assets: Land and premises	106.2	94.7-114.4
Non-financial assets: Investment property	160.7	145.8-171.2

Impact on fair value of Level 3 financial instruments of changes to key assumptions as at 31 December 2012 (disclosed in accordance with requirements of IFRS 7)

The fair value of financial assets at fair value through profit or loss, available for sale and derivative financial instruments valued according to Level 3 models was estimated based on DCF (discounted cash flows) method and peer based method. Peer based method is based on comparing certain financial ratios or multiples, such as the price to book value, price to earnings, EV/EBITDA, etc., of the equity in question to those of its peers. This type of approach, which is popular as a strategic tool in the financial industry, is mainly statistical and based on historical data. Main assumptions used in Level 3 models were short-term revenue projections (one year), cost of equity, liquidity discount, cost of debt and net margin fall forecast. The sensitivity to valuation assumptions disclosed below represents by how much the fair value could increase or decrease had management used reasonably possible alternative valuation assumptions that are not based on observable market data.

As at 31 December 2012 financial assets available-for-sale for the amount of RUR 40.0 billion were valued based on valuation models by using the peer based valuations, discounted cash flow or combinations of these two methods and others.

The assumptions related to projections of discounted cash flows in the models up to 2018 were in the following range:

	2012
WACC	9%-20%
Terminal Growth rate	2%-7%
Liquidity margin applied to the valuation	–
Terminal ROE	21.5%-22.3%
Aluminium price forecast	-10% - +10%
EBITDA margin Assumptions	-1.5% - +1.5%
Exit multiple	0.4-0.8
COE	13.3%-17.3%

If the Group had used other reasonably possible alternative assumptions at 31 December 2012, the fair value of the above equity securities valued based on valuation models, would have been in the range from RUR 37.7 billion to RUR 42.6 billion.

Methods and assumptions for Level 2 financial instruments

The fair value of financial assets at fair value through profit or loss, available for sale and derivative financial instruments valued according to Level 2 models was estimated based on DCF (projected cash flows) method using the assumption of future coupon payment, recent transactions prices and the quotes of non-active markets if based on the Group's analysis such quotes represent the best estimate of the fair value of the financial instrument as at the reporting date. The fair value of structured financial assets was estimated based on stochastic modelling (Level 2 model). Probability models were calibrated using market indicators (currency forward, ITRAX Index). Value at Risk was calculated based on full historical recalculation and Monte-Carlo simulation.

49. Fair value measurement (continued)

Non-financial assets and liabilities measured at fair value

Investment property. Investment property is measured at fair value reflecting market conditions at the end of the reporting period. The valuation was carried out by independent appraisers. Industry comparatives, discounted cash flow and cost methods or combination of the methods were used for revaluation. The following key non-observable assumptions (Level 3) were applied in determining the fair value of investments properties: trade discount and different discount rates in order to correct differences in location, range of areas, class and condition for comparable objects.

Land and premises. Land and premises of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the change in the fair values. When the fair value of a revalued asset differs materially from its carrying amount further revaluation is performed. The basis used for valuation was industry comparatives method. The following key non-observable assumptions (Level 3) were applied in determining the fair value of land and premises: trade discount and different discount rates in order to correct differences in location, range of areas and class for comparable objects.

Assets and liabilities of disposal group held for sale. Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Reclassified financial instruments, deferred taxes and investment properties held at fair value shall be remeasured in accordance with applicable IFRSs before the fair value less cost to sell of the disposal group is remeasured.

Assets and liabilities for which fair value are disclosed

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

	<i>Quoted prices in active markets Level 1</i>	<i>Significant observable inputs Level 2</i>	<i>Significant unobservable inputs Level 3</i>	<i>Total</i>
Financial assets for which fair values are disclosed				
Cash and short-term funds	116.9	237.4	–	354.3
Mandatory cash balances with central banks	–	58.7	–	58.7
Financial assets pledged under repurchase agreements	–	304.8	–	304.8
Due from other banks	–	450.8	–	450.8
Russia	–	98.9	–	98.9
OECD	–	309.7	–	309.7
Other countries	–	42.2	–	42.2
Loans and advances to customers	–	–	6,081.1	6,081.1
Loans to legal entities	–	–	4,582.5	4,582.5
Loans to individuals	–	–	1,498.6	1,498.6
Investment securities held-to-maturity	0.1	0.6	–	0.7
Other financial assets	–	–	66.4	66.4
Financial liabilities for which fair values are disclosed				
Due to other banks	–	679.9	–	679.9
Customer deposits	–	4,299.2	–	4,299.2
Deposits of legal entities	–	2,528.8	–	2,528.8
Deposits of individuals	–	1,770.4	–	1,770.4
Other borrowed funds	–	1,496.5	–	1,496.5
Debt securities issued	561.6	182	–	743.6
Subordinated debt	88.2	200.2	–	288.4
Other financial liabilities	–	–	25.5	25.5

Valuation processes for level 3 fair value measurements

Level 3 valuations are reviewed on a regular basis by the Group Managing Committee who report to the management on a monthly basis. The committee considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the financial services industry. In selecting the most appropriate valuation model the committee performs back testing and considers which model's results have historically aligned most closely to actual market transactions.

49. Fair value measurement (continued)

Non-financial assets and liabilities measured at fair value (continued)

In order to value Level 3 equity investments, the Group utilises comparable trading multiples. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortisation (EBITDA). The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

Internal valuation of the fair value of joint-ventures and associates designated as at fair value is performed at the time of commencing the project. Internal valuations of the fair value are performed on the quarterly basis, which are reviewed by business owners of the portfolio on at least a quarterly basis to make decisions on the best timing to exit the investment according to the investment strategy.

The Level 3 debt instruments are valued at the net present value of estimated future cash flows. The Group also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

Assets and liabilities for which fair value are disclosed

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and short-term funds	354.3	354.3	569.0	569.0
Mandatory cash balances with central banks	58.7	58.7	63.8	63.8
Financial assets pledged under repurchase agreements	293.5	304.8	248.3	265.0
Due from other banks	443.4	450.8	358.6	360.8
<i>Russia</i>	98.4	98.9	97.4	99.5
<i>OECD</i>	303.8	309.7	251.5	250.8
<i>Other countries</i>	41.2	42.2	9.7	10.5
Loans and advances to customers	5,969.0	6,081.1	4,761.5	4,863.4
<i>Loans to legal entities</i>	4,531.1	4,582.5	3,703.4	3,788.4
<i>Loans to individuals</i>	1,437.9	1,498.6	1,058.1	1,075.0
Investment securities held-to-maturity	0.7	0.7	0.9	0.9
Financial assets within Assets of disposal group held for sale	6.9	6.9	14.5	14.5
Other financial assets	66.4	66.4	40.7	40.7
Financial liabilities				
Due to other banks	666.6	679.9	759.9	789.5
Customer deposits	4,341.4	4,299.2	3,813.4	3,758.3
<i>Deposits of legal entities</i>	2,548.0	2,528.8	2,379.3	2,357.3
<i>Deposits of individuals</i>	1,793.4	1,770.4	1,434.1	1,401.0
Other borrowed funds	1,485.9	1,496.5	806.2	815.1
Debt securities issued	738.2	743.6	753.9	777.9
Subordinated debt	291.0	288.4	285.8	276.4
Financial liabilities within Liabilities of disposal group held for sale	13.4	13.4	5.7	5.7
Other financial liabilities	25.5	25.5	24.3	24.3

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value. For financial assets and financial liabilities that are liquid or having a short term maturity it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to customer current/settlement deposits without a specific maturity.

Fixed and variable rate financial instruments. For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

50. Related Party Transactions

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 as defined by IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

Transactions and balances with related parties comprise transactions and balances with Russian government-related entities and associates and joint ventures and are stated in the tables below:

Statements of financial position

	31 December 2013		31 December 2012	
	Government-related entities	Associates and joint ventures and other	Government-related entities	Associates and joint ventures and other
Assets				
Cash and short-term funds	135.3	0.3	149.9	1.8
Mandatory reserve deposits with central banks	31.3	0.0	39.4	–
Financial assets at fair value through profit or loss	128.5	1.9	324.2	1.7
Financial assets pledged under repurchase agreements	439.2	0.1	284.5	–
Due from other banks	39.7	0.2	40.7	12.3
Loans and advances to customers	1,147.0	127.4	823.2	100.5
Allowance for loan impairment	(18.5)	(6.7)	(23.1)	(3.7)
Financial assets available-for-sale	48.4	0.1	36.2	–
Investment securities held-to-maturity	0.4	–	0.6	–
Other assets	40.5	3.7	1.3	–
Liabilities				
Due to other banks	253.8	5.4	240.4	20.2
Customer deposits	1,178.4	48.8	1,233.6	41.8
Other borrowed funds	1,190.9	–	602.3	–
Subordinated debt	201.5	0.2	205.5	–
Other liabilities	3.3	0.5	33.2	–
Credit Related Commitments				
Guarantees issued	400.5	6.6	233.0	1.3
Undrawn credit lines	1.3	–	18.8	7.0
Import letters of credit	13.6	–	7.6	–
Commitments to extend credit	0.1	–	–	–

Income statements

	2013	2012
Interest income		
Loans and advances to customers	108.6	78.2
Securities	23.3	29.7
Due from other banks	1.9	1.5
Interest expense		
Customer deposits	(71.8)	(66.4)
Due to other banks and other borrowed funds	(62.0)	(49.5)
Subordinated debt	(16.9)	(16.8)
Provision charge for impairment of debt financial assets	1.7	(3.4)

For the year ended 31 December 2013, the excess of fair value of acquired net asset over cost of 100% share in Avia Capital Management Ltd. purchased from one of related party amounted to RUR 6.5 billion (refer to Note 52).

For the year ended 31 December 2013, the total remuneration of the key management personnel of the Group including pension contributions amounted to RUR 8.8 billion (31 December 2012: RUR 7.2 billion). Key management personnel include VTB Supervisory Council, VTB Management Board, VTB Statutory Audit Committee and key management of subsidiaries. Loans to the key management personnel as at 31 December 2013 amounted to RUR 0.7 billion (31 December 2012: RUR 1.0 billion). Compensation to key management personnel primarily consists of short term employee benefits.

VTB Bank
Notes to the Consolidated Financial Statements – 31 December 2013 and 2012
(in billions of Russian Roubles)
51. Consolidated Subsidiaries

The principal subsidiaries included in these consolidated financial statements are presented in the table below:

Name	Activity	Country of registration	Percentage of ownership	
			31 December 2013	31 December 2012
Subsidiaries:				
"VTB Bank (Austria)" AG	Banking	Austria	100.00%	100.00%
"RCB Bank Ltd "	Banking	Cyprus	60.00%	60.00%
"VTB Bank", PJSC (Ukraine)	Banking	Ukraine	99.97%	99.97%
"VTB Bank (Armenia)", CJSC	Banking	Armenia	100.00%	100.00%
"VTB Bank (Georgia)", JSC	Banking	Georgia	96.59%	96.31%
"VTB Bank (Belarus)", CJSC	Banking	Belarus	100.00%	71.42%
"Bank VTB 24", CJSC	Banking	Russia	99.90%	100.00%
"TransCreditBank", JSC	Banking	Russia	n/a	99.66%
"Bank of Moscow", OJSC	Banking	Russia	96.39%	95.52%
"Leto Bank", OJSC	Banking	Russia	100.00%	100.00%
"Bank Moscow-Minsk", OJSC	Banking	Belarus	100.00%	100.00%
"BM Bank", Ltd	Banking	Ukraine	100.00%	100.00%
"VTB Bank – Belgrade, OJSC	Banking	Serbia	100.00%	100.00%
"Russian National Commercial Bank", OJSC	Banking	Russia	100.00%	98.78%
"VTB Bank (Deutschland)", AG	Banking	Germany	100.00%	100.00%
"Bank VTB (Kazakhstan)", JSC	Banking	Kazakhstan	100.00%	100.00%
"VTB Bank (Azerbaijan)", OJSC	Banking	Azerbaijan	51.00%	51.00%
"VTB Bank (France)", SA	Banking	France	96.22%	96.22%
"VTB Capital", Plc	Banking	Great Britain	95.54%	95.54%
"Banco VTB Africa S.A."	Banking	Angola	50.10%	50.10%
"Multicarta", Ltd	Plastic cards (processing)	Russia	100.00%	100.00%
"ITC Consultants (Cyprus)", Ltd	Finance	Cyprus	100.00%	100.00%
"VB-Service", Ltd	Commerce	Russia	100.00%	100.00%
"VTB-Leasing", OJSC	Leasing	Russia	100.00%	100.00%
"Embassy Development Limited"	Finance	Jersey	100.00%	100.00%
"VTB Europe Strategic Investments Limited"	Investment	Great Britain	100.00%	100.00%
"Business-Finance", Ltd	Finance	Russia	100.00%	100.00%
"VTB Dolgovoï centre", LLC	Finance	Russia	100.00%	100.00%
"VTB DC", Ltd	Finance	Russia	100.00%	100.00%
"Sistema Leasing 24", CJSC	Finance	Russia	100.00%	100.00%
"VTB-Capital", CJSC	Finance	Russia	100.00%	100.00%
"Insurance Company VTB-Insurance", Ltd	Insurance	Russia	100.00%	100.00%
"Metropolitan Insurance Group", OJSC	Insurance	Russia	100.00%	n/a
"VTB-Leasing Ukraine", Ltd	Leasing	Ukraine	100.00%	100.00%
"Capablue", Ltd	Leasing	Ireland	100.00%	100.00%
"VTB Leasing (Europe)", Ltd	Leasing	Cyprus	100.00%	100.00%
"VTB-Leasing Finance", Ltd	Finance	Russia	99.99%	99.99%
"VTB-Leasing", Ltd	Leasing	Belarus	99.00%	99.00%
"VTB-Leasing Capital", Ltd	Finance	Ireland	100.00%	100.00%
"VTB Specialized Depository", CJSC	Finance	Russia	100.00%	100.00%
"VTB Capital Asset Management", CJSC	Finance	Russia	19.00%	19.00%
"Holding VTB Capital", CJSC	Finance	Russia	100.00%	100.00%
"VTB Factoring", Ltd	Factoring	Russia	100.00%	100.00%
"Financial Assistant", CJSC	Finance	Russia	100.00%	100.00%
"VTB Registrar", CJSC	Finance	Russia	100.00%	100.00%
"VTB Pension administrator", Ltd	Finance	Russia	100.00%	100.00%
"Pension Reserve", Ltd	Finance	Russia	100.00%	100.00%
"VTB-Development", CJSC	Development	Russia	100.00%	100.00%
"Hals-Development", OJSC	Real Estate	Russia	51.24%	51.24%
"M", CJSC	Real Estate	Russia	100.00%	100.00%
"Sistemapsys S.a.r.l."	Development	Luxembourg	100.00%	100.00%
"Hals-Technopark", CJSC	Real Estate	Russia	100.00%	100.00%
"StroyPromObyekt", JSC	Real Estate	Russia	100.00%	100.00%
"Upravlyayuschaya kompaniya Dynamo", CJSC (former "VTB Arena", CJSC)	Real Estate	Russia	75.00%	75.00%
"VTB Real Estate", LLC	Real Estate	Russia	100.00%	100.00%
"Hotel and Office Complex "Peking", OJSC	Real Estate	Russia	100.00%	100.00%
"Citer Invest", B.V.	Real Estate	Netherlands	50.50%	50.50%
"Nevsky Property", Ltd	Real Estate	Cyprus	100.00%	100.00%
Closed mutual fund "Globus"	Real Estate	Russia	100.00%	n/a
Closed mutual fund "Hotels and Resorts"	Real Estate	Russia	96.00%	n/a
"Almaz-Press", CJSC	Publishing	Russia	100.00%	100.00%
"FC Dynamo-Moscow", OJSC	Sports	Russia	74.00%	74.00%
"Consolidated companies", OJSC	Winery	Russia	100.00%	100.00%
"Orenburgskaya burovaya kompaniya", Ltd	Oil and gas	Russia	65.00%	65.00%
"Mariisky NPZ", Ltd.	Oil and gas	Russia	99.33%	n/a
VTB - Long term investments, Closed-end Unit Investment Fund	Finance	Russia	33.73%	99.65%

52. Business Combinations and Disposal of Subsidiaries

During 2013, the Group obtained control of the following companies as a result of debt settlement:

In April 2013, the Group received the authority of the sole executive body of “Print House “Pushkinskay ploshad”, OJSC, thus receiving control without increasing its 3.85% share. In September 2013 the Group lost the authority and deconsolidated the subsidiary.

In May 2013, the Group acquired 100% of the shares of the closed mutual fund “Globus” for RUR 1.3 billion, thus obtaining control over “Golovino Plaza”, LLC, “NPO Informatika”, LLC, “Trust-Reserve”, CJSC, “IPO Poligran”, CJSC.

In May 2013, the Group obtained 96.0% controlling share in the closed mutual fund “Hotels and Resorts” by purchasing additional share for RUR 0.5 billion, which resulted in control over “Hotel Sokolniki”, CJSC and “Management company “Hotel Management”, CJSC.

In September 2013, the “Metropolitan Insurance Group”, OJSC, a former associate of the Group, acquired 50.0% as treasury shares from a non-related party, which enabled the Group to obtain control over “Metropolitan Insurance Group”, OJSC previously accounted for using equity method (Note 15). The gross contractual amounts receivable from insurance activity of “Metropolitan Insurance Group”, OJSC at the acquisition date amounted to RUR 7.6 billion. The estimated contractual cash flows which were not expected to be collected amounted to RUR 2.0 billion.

In October 2013, the Group increased its stake in “VTB Bank (Belarus)”, CJSC to 97.37% from 71.42% by purchasing 72,974 ordinary shares for USD 19.1 million (RUR 617.2 million) under the purchase agreement with the State Property Committee of Belarus. In December 2013, the Group increased its stake in “VTB Bank (Belarus)”, CJSC to 100.00% from 97.37% by purchasing 7 406 ordinary shares for USD 1.9 million (RUR 63.8 million).

In November 2013, “TransCreditBank”, OJSC ceased its operations as a subsidiary of VTB following the legal merger of “Bank VTB 24”, CJSC and “TransCreditBank”, OJSC which resulted in the decrease of VTB's ownership in “Bank VTB 24”, CJSC from 100.00% to 99.90%.

On 6 December 2013, the Group acquired 100% of the outstanding shares of Avia Capital Management Ltd. (“Avia Capital”), from one of the government related entities. Avia Capital is a Bermuda-domiciled entity and specializes in aircraft leasing under operating lease agreements to a major airline, which is a government related entity. The Group acquired Avia Capital to increase its presence in the commercial passenger aircraft leasing market.

Group management performed the allocation of the purchase price, including the identification and measurement of an intangible asset in the amount of RUR 10.4 billion, based on a report from an experienced independent valuation firm. Group management determined that the excess of fair value of acquired net assets over the cost of acquisition should be recognized as a gain in the accompanying consolidated income statement.

The identified finite-life intangible asset represents a customer relationship with the major lessee. The intangible asset valuation is judgmental and is based on several key assumptions of (i) selling and general administrative (S&GA) expenses as a percent of revenue of 1.0% on average, (ii) aircraft remarketing period after end of lease term – nil months, (iii) aircraft value at the end of lease term – approximately USD 25 million (RUR 0.8 billion) per aircraft, on average, and (iv) weighted average cost of capital approach discount rate of 6.8%. The sensitivity of value of the intangible asset to the changes in these key assumptions is as follows:

	Change in value of intangible asset, RUR billion	Change, %
Double increase in S&GA expenses as percent of revenue	(0.4)	-4.1%
Triple increase of S&GA expenses as percent of revenue (%)	(0.9)	-8.3%
Increase by six months in aircraft remarketing period after end of lease	(0.3)	-3.0%
Increase by 12 months in aircraft remarketing period after end of lease	(0.7)	-6.4%
5% reduction in aircraft value at end of lease term	(0.8)	-8.0%
Increase discount rate to 8.2%	(7.0)	-69.5%
Increase discount rate to 8.8%	(10.0)	-96.6%

Group management believes that the excess of fair value of acquired net assets over cost, including any pre-existing relationships, is due to the unique position of the Group in the Russian market, its relationships with the various parties involved, as well as the limited time frame for the seller, a related party (other state-owned entities), to consummate the sale transaction before the end of 2013 in accordance with its strategy.

52. Business Combinations and Disposal of Subsidiaries (continued)

The acquisition date fair values of identifiable assets and liabilities acquired by the Group during 2013 were as follows:

	<i>Closed mutual fund "Globus"</i>	<i>Closed mutual fund "Hotels and Resorts"</i>	<i>"Metropolitan Insurance Group", OJSC</i>	<i>Avia Capital Management Ltd</i>
Assets				
Cash and short-term funds	–	0.1	0.7	–
Financial assets at fair value through profit or loss	–	–	2.8	–
Due from other banks	–	–	8.1	–
Financial assets available-for-sale	–	–	2.5	–
Premises and equipment	7.8	3.2	2.4	9.0
Investment property	–	–	2.2	–
Intangible assets and goodwill	–	–	1.0	10.4
Other assets	1.2	0.7	7.1	–
Total assets	9.0	4.0	26.8	19.4
Liabilities				
Due to other banks and other borrowed funds	–	–	3.4	–
Customer deposits	0.7	–	–	–
Deferred tax liability	0.7	0.3	0.1	–
Other liabilities	0.2	0.2	23.3	6.9
Total liabilities	1.6	0.5	26.8	6.9
Fair value of identifiable net assets of subsidiary	7.4	3.5	–	12.5
Excess of fair value of acquired net asset over cost:				
Consideration paid	1.3	0.5	–	1.3
Settlement of former relations	–	–	–	4.7
Derecognition of previously granted loans/ held trade receivables to the acquiree	4.9	2.0	–	–
Fair value of the acquirer's previously held interest in the acquiree	–	0.5	–	–
Non-controlling interests (proportionate share of the acquiree's identifiable net assets)	0.1	0.3	–	–
Less: fair value of identifiable net assets of subsidiary	(7.4)	(3.5)	–	(12.5)
Excess of fair value of acquired net assets over cost	(1.1)	(0.2)	–	(6.5)

In accordance with IFRS 3, the cost of acquisition of Avia Capital included the value of certain pre-existing relationships in the amount of RUR 4.7 billion. These relationships represented loans from the Group to Avia Capital outstanding at the date of acquisition. These loans' fair value approximated their carrying value, and accordingly, their derecognition in consolidation of the acquired business had no effect on the accompanying consolidated income statement.

If the acquisition of closed mutual funds "Globus" and "Hotels and Resorts" had taken place at the beginning of the year, the net profit and operating income of the Group would not have been materially different. Since the date of acquisition Avia Capital Management Ltd. non-interest income included in the consolidated income statement amounted to RUR 0.1 billion.

During 2013 the Group disposed of "BM Project - Lakokraska" with a gain of RUR 0.9 billion and several other subsidiaries and associates with a total gain of RUR 1.1 billion.

53. Non-controlling interests

The following table provides information about subsidiaries that has material to the Group non-controlling interest (the proportion of voting rights held by non-controlling interests is equal to the proportion of ownership interests held) as at December 2013:

Name	Activity	Country of registration	Proportion of non-controlling interest	Accumulated non-controlling interest in the subsidiary	Profit/(loss) attributable to non-controlling interest	Dividends paid to non-controlling interest during the year
"Bank of Moscow", OJSC	Banking	Russia	3.61%	8.3	1.5	0.3
"RCB Bank Ltd " (former "Russian Commercial Bank (Cyprus) Limited")	Banking	Cyprus	40.00%	5.3	1.2	1.3
"Upravlyayuschaya kompaniya Dynamo", CJSC	Real Estate	Russia	25.00%	4.5	(0.2)	–
CiTer Invest B.V.	Real Estate	Netherlands	49.50%	1.3	(0.4)	–
"VTB Bank (Azerbaijan)", OJSC	Banking	Azerbaijan	49.00%	0.9	0.1	–
"Hals-Development", OJSC	Real Estate	Russia	48.76%	5.5	1.7	–

There are no significant restrictions on the Group's ability to access or use assets and settle liabilities of subsidiaries listed above.

The Group has defined as material a non-controlling interest in subsidiaries in which it has between 50% and 75% of the voting rights. Some subsidiaries, which net assets form the significant part of the Group's net assets, may also be included in the list even if the Group has more than 75% of voting rights. The summarised financial information of these subsidiaries was as follows at 31 December 2013:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Profit/(loss)	Total comprehensive income	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financial activities
"Bank of Moscow", OJSC	626.5	960.8	1,033.7	322.1	37.5	37.8	36.3	11.6	(29.1)
"RCB Bank Ltd " (former "Russian Commercial Bank (Cyprus) Limited")	221.3	147.4	334.4	21.0	3.5	4.5	(14.7)	(0.1)	(3.5)
"Upravlyayuschaya kompaniya Dynamo", CJSC	0.5	34.8	0.9	16.5	(0.7)	(0.7)	2.7	(2.7)	–
CiTer Invest B.V.	2.5	10.7	1.2	9.4	(0.7)	(0.7)	0.5	(3.8)	3.2
"VTB Bank (Azerbaijan)", OJSC	0.9	7.8	2.4	4.4	0.2	0.2	(0.9)	(0.1)	1.2
"Hals-Development", OJSC	52.3	48.7	8.5	81.2	3.6	3.6	1.2	(1.8)	3.5

The following table provides information about subsidiaries that has non-controlling interest (the proportion of voting rights held by non-controlling interests is equal to the proportion of ownership interests held) as at December 2012:

Name	Activity	Country of registration	Proportion of non-controlling interest	Accumulated non-controlling interest in the subsidiary	Profit/(loss) attributable to non-controlling interest	Dividends paid to non-controlling interest during the year
"Bank of Moscow", OJSC	Banking	Russia	4.48%	8.5	1.6	0.3
"RCB Bank Ltd " (former "Russian Commercial Bank (Cyprus) Limited")	Banking	Cyprus	40.00%	4.7	1.6	1.3
"Upravlyayuschaya kompaniya Arena", CJSC (former "VTB Dynamo", CJSC)	Real Estate	Russia	25.00%	2.9	(3.2)	–
CiTer Invest B.V.	Real Estate	Netherlands	49.50%	1.7	0.4	–
"VTB Bank (Azerbaijan)", OJSC	Banking	Azerbaijan	49.00%	0.2	–	–
"Hals-Development", OJSC	Real Estate	Russia	48.76%	4.0	0.3	–

There are no significant restrictions on the Group's ability to access or use assets and settle liabilities of subsidiaries listed above.

53. Non-Controlling Interests (continued)

The summarised financial information of these subsidiaries was as follows at 31 December 2012:

	<i>Current assets</i>	<i>Non-current assets</i>	<i>Current liabilities</i>	<i>Non-current liabilities</i>	<i>Profit/(loss)</i>	<i>Total comprehensive income</i>	<i>Cash flows from operating activities</i>	<i>Cash flows from investing activities</i>	<i>Cash flows from financial activities</i>
"Bank of Moscow", OJSC	588.4	679.3	688.2	389.1	29.1	32.0	(68.5)	(16.0)	92.5
"RCB Bank Ltd " (former "Russian Commercial Bank (Cyprus) Limited")	275.4	262.5	368.7	157.1	4.0	3.4	(12.9)	0.5	(0.1)
"Upravlyayuschaya kompaniya Dynamo", CJSC (former "VTB Arena", CJSC)	10.3	7.9	0.1	6.7	(12.7)	(12.7)	–	(2.2)	2.4
CiTer Invest B.V.	1.1	8.8	1.0	5.4	0.8	0.8	–	(2.0)	2.1
"VTB Bank (Azerbaijan)", OJSC	1.4	1.9	1.3	1.5	(0.1)	(0.1)	0.1	–	–
"Hals-Development", OJSC	44.4	45.6	4.3	77.4	0.7	0.7	(9.8)	4.9	4.7

54. Interests in Structured Entities

The Group issues eurobonds and subordinated Eurobonds through a number of consolidated structured entities incorporated in OECD countries.

<i>Name</i>	<i>Country of registration</i>
BOM Capital P.L.C	Ireland
Kuznetski Capital S.A.	Luxembourg
Northern Lights B.V.	Netherlands
Or-ICB S.A.	Luxembourg
Turgenevka ABS Finance B.V.	Netherlands
VTB Capital S.A	Luxembourg
VTB ECP Finance Limited	Ireland
VTB Eurasia Limited	Ireland

As at 31 December 2013 the Group guarantees all obligations of these entities represented by the eurobonds issued in the amount of RUR 394.3 billion and by the subordinated eurobonds issued in the amount of RUR 83.3 billion (31 December 2012: eurobonds issued in the amount of RUR 390.2 billion and subordinated Eurobonds issued in the amount of RUR 77.3 billion).

The Group issues mortgage-backed securities and purchases right of claims under mortgage through a consolidated structured entity performing its activity as mortgage agent.

<i>Name</i>	<i>Country of registration</i>
Russian Mortgage Backed Securities 2006-1, S.A.	Luxembourg

As at 31 December 2013 the Group guarantees all obligations of these entities represented by the bonds issued in the amount of RUR 0.4 billion (31 December 2012: RUR 0.5 billion). As at 31 December 2013 the Group reported retail mortgage loans to individuals recognised as a result of these entities consolidation in the amount of RUR 0.3 billion (31 December 2012: RUR 0.4 billion).

54. Interests in Structured Entities (continued)

The Group performs some development projects through a number of consolidated structured entities.

Name	Country of registration
Aktiv StroyInvest Ltd	Russia
Global-Finance, CJSC	Russia
Linadia Ltd	Russia
Sovremennye stroitelnye tehnologii, CJSC	Ukraine
Triada Invest, CJSC	Russia
Elit Development, CJSC	Russia
Zifaria Holdings Limited	Cyprus
Yorknew Management LTD	Cyprus

During 2013 and 2012 the Group did not provide any financial or other support to consolidated structured entities. The Group has no any current obligation or intention neither to provide financial or other support to consolidated structured entities, nor to assist the structured entities in obtaining financial support.

55. Capital Management and Capital Adequacy

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

Capital adequacy ratio in accordance with CBR requirements

The CBR requires Russian banks to maintain a minimum capital adequacy ratio of 10% of risk-weighted assets, determined in accordance with CBR's requirements. In other countries the Group members comply with the regulatory capital requirements of the local central banks or other supervisory authorities.

During 2013 and 2012 the Bank's capital adequacy ratio in accordance with CBR requirements exceeded the minimum level and as at 31 December 2013 and 2012 was as follows:

	31 December 2013	31 December 2012
Capital	628.1	539.2
Risk-weighted assets	5,052.1	3,753.7
Capital adequacy ratio	12.4%	14.4%

55. Capital Management and Capital Adequacy (continued)

Capital adequacy ratio in accordance with CBR requirements (continued)

The Group's international risk based capital adequacy ratio is computed in accordance with the Basel Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks. These ratios exceeded the minimum ratio of 8.0% recommended by the Basel Accord as disclosed below:

	31 December 2013	31 December 2012 (restated)
Tier 1 capital		
Share capital	138.1	113.1
Share premium	433.8	358.5
Treasury shares and perpetual loan participation notes	(3.6)	(13.7)
Perpetual loan participation notes	73.6	68.3
Retained earnings	262.0	193.7
Unrealized gain on financial assets available-for-sale and cash flow hedge	3.0	4.3
Currency translation difference	12.5	8.8
Non-controlling interests	7.6	12.3
Deducted: Goodwill	(120.4)	(120.4)
Total Tier 1 capital	806.6	624.9
Tier 2 capital		
Land and premises revaluation reserve	20.1	20.8
Subordinated debt	271.9	272.6
Total Tier 2 capital	292.0	293.4
Total capital before deductions	1,098.6	918.3
Deducted: Investments in the capital of other banks and financial institutions	(5.8)	(23.0)
Total capital after deductions	1,092.8	895.3
Risk-weighted assets		
Credit risk	6,735.8	5,531.7
Market risks	695.0	672.1
Total risk-weighted assets	7,430.8	6,203.8
Tier 1 capital ratio to total risk-weighted assets	10.9%	10.1%
Total capital ratio to total risk-weighted assets	14.7%	14.4%

56. Subsequent Events

Subsequent to 31 December 2013, the economic and political uncertainty in Ukraine increased significantly. Further, between 1 January 2014 and the date of the authorization of the financial statements, the Ukrainian Hryvnia devalued to Russian Rouble by approximately 24.5% calculated based on the National Bank of Ukraine's (NBU) exchange rate of RUR as of the respective date, and the NBU imposed certain restrictions on purchase of foreign currencies in the inter-bank market. International rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of these events has resulted in deterioration of liquidity and tighter credit conditions where credit is available. At 31 December 2013, the Group's investments in Ukrainian sovereign and municipal securities as well as loans to Ukrainian government fully or majority owned enterprises amounted to less than 0.4% of the total Group's assets. Further, international rating agencies revised their outlook of Russia's sovereign credit rating in local and foreign currency from stable to negative. These and any further negative developments in Ukraine could adversely impact results and financial position of the Group and or the Group's Ukrainian subsidiaries in a manner not currently determinable. No additional impairment was recognized by the Group at 31 December 2013 as a result of this uncertainty.

56. Subsequent Events (continued)

In January 2014 the Group sold a 12.2% stake in Burger King Russia (Cyprus) Ltd. for USD 25 million (RUR 0.9 billion) to a financial investor. As a result, the stake of Golden Star Investment Ltd. in Burger King Russia (Cyprus) Ltd. decreased to 36.6%.

In January 2014 the Group acquired a 22.5% equity stake in Russian Fitness Group ("RFG") for USD 19.3 million (RUR 0.7 billion). RFG operates under the "Fizkult", "World Class LITE" (business format) and World Class (premium and luxury format) brands.

In January 2014 VTB Capital launched a Luxembourg-registered UCITS-fund (Undertakings for Collective Investment in Transferable Securities) for foreign investors. VTB Capital invested USD 20 million (RUR 0.7 billion) to the Fund.

In March 2014, "Lenta Limited", one of the largest retail chains in Russia, completed initial public offering (IPO). As a result of the IPO VTB Capital Private Equity reduced its stake in "Lenta Limited" from 11.73% to 9.10%.

In January 2014 "VTB Capital Finance", LLC redeemed its RUR 1.0 billion local bonds payable upon maturity with a floating rate linked to the MICEX index and a fixed coupon of 0.01% payable semi-annually.

In February 2014 "VTB Capital Finance", LLC issued RUR 0.9 billion local bonds maturing in March 2015 with a floating rate linked to the USD-RUB exchange rate payable at maturity and a fixed coupon of 0.01% payable semi-annually.

In February 2014, "VTB Capital", Plc redeemed two notes on its EMTN programme in total amount USD 2.2 million (RUR 0.1 billion) and RUR 0.5 billion on due date.

In January-March 2014, VTB redeemed Euro-Commercial Paper (ECP) notes in the total amount of CHF 14.5 million (RUR 0.5 billion), USD 322.5 million (RUR 11.2 billion), and RUR 0.8 billion upon maturity.

In January 2014, "VTB Capital", Plc has issued under its EMTN programme auto-redeemable equity-linked note linked to a basket of share, denominated in USD and issued on 22 January 2014, with a notional of USD 4.4 million (RUR 0.1 billion) and a coupon of 5.5%, which matures on 5 February 2016.

In February 2014, "Bank VTB 24", CJSC securitized loan portfolio in the total amount RUR 10.8 billion.

In February and March 2014, "Bank VTB 24", CJSC redeemed three subordinated loans with a nominal value of RUR 3.8 billion received from "RZhd", JSC with original maturity from February 2018 to January 2020.