

# **Annual Report 2013**

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# Opening Statement from Sergey Ignatiev, Chairman of the Supervisory Board



04

Dear shareholders,

Sberbank of Russia is surely among the leaders in the Russian financial system. Today, the credit organisation is planning a serious transformation of its technology and principles of work, aimed at taking of a worthy position among global financial institutions.

In the end of last year, Sberbank finalised the results of its five-year Development Strategy. The results allow us to look optimistically into the future, in particular, to set more ambitious goals and objectives in the Strategy 2014-2018. I am sure that the bank's well-managed team will do its best to ensure that the direction and pace of development of Sberbank of Russia will fully satisfy the needs of its clients, shareholders and partners.

# Opening Statement from Herman Gref, CEO & Chairman of the Executive Board



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## Dear shareholders, customers and partners,

Though for the Russian economy last year was difficult, for Sberbank Group it was a year of significant achievements. We again set a record in terms of net profit, which reached RUB 362 bn, according to international financial reporting standards. Return on equity (ROE) remained high and amounted to 20.8%. The cost-to-income ratio decreased to 46.6%. The loan book grew by 22.4%: corporate—by 19.1%, retail—by 32.1%. In the mortgage business, Sberbank's share exceeded the 50% threshold, in the retail deposit market it reached 46.7%.

In the current difficult conditions, our priorities for 2014 remain unchanged: preserving asset quality, improved operational efficiency, and ensuring that the return on equity continues at a level sufficient to maintain a comfortable capital adequacy.

We completed the Development Strategy of Sberbank for 2009 – 2013, exceeding our goals on profit and return on equity. We launched our brand in Europe. Sberbank really became an international group, one of global financial institutions. Thus, we proved that not only Russian resource companies could operate successfully in the global market.

In 2013, we adopted the Sberbank Development Strategy which covers the period until 2018. The Strategy was developed on the basis of four principles of effective organisation formulated by Stephen Covey:

- ▶ The organisation, which consistently achieves the highest level of performance and succeeds in both the short and the long term;
- ▶ The organisation, which gains loyalty, devotion, and love of its customers;
- ▶ The organisation, the staff of which take the business personally and commit to work with all the passion and energy;
- ▶ The organisation whose mission distinguishes it from all others.

We have identified five key areas for further development of Sberbank Group:

- ▶ With the customer for life—We will build deep relationships of trust with our customers, and we will become a useful, sometimes imperceptible but still an integral part of their lives. Our goal is to exceed the expectations of our customers;
- ▶ Team and corporate culture—We strive to ensure that our employees and corporate culture of Sberbank become one of the key sources of our competitive advantage;
- ▶ Technological breakthrough—We will complete the technological modernisation of the Bank and learn to integrate all of the most sophisticated technology and innovation in our business;
- ▶ Financial performance—We will improve the financial returns of our business through more effective cost management and the risk-return ratio;
- ▶ Mature organisation—We will build the organisational and managerial skills, creating processes that are in line with the scale of Sberbank Group and our ambitions.

Having launched the implementation of the new Strategy, Sberbank Group stepped into a new stage. By 2018, we will have to be at the same level in key technology areas with global leaders, or even outstrip them. Of course, it is a very serious goal, however, Sberbank is of those companies which are not afraid of difficulties and is able to scale all new heights.

I know this for sure, because we have a great team of professionals who understand and support our clients and shareholders. Thank you all for your support.

# Management Responsibility Statement

I confirm that to the best of my knowledge and belief:

(a) the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Sberbank and the undertakings included in the consolidation taken as a whole; and

(b) the management report includes a fair review of the development and performance of the business and the position of Sberbank and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Executive Board,



Herman Gref  
CEO, Chairman of the Executive Board

# Bank profile

Full name: Open Joint-Stock Company Sberbank of Russia.

Abbreviated name: OJSC Sberbank of Russia (the bank or Sberbank).

The principal shareholder: Central Bank of the Russian Federation (Bank of Russia).

Head office: 19 Vavilova St., Moscow, Russia, 117997.

## Our mission

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*We are committed to instil confidence, we make people's lives better, helping them to fulfil their dreams and aspirations.*



## Our values

Our values are the basis of attitude to life and work, internal compass helping make decisions in difficult situations, principles to which we are faithful everywhere and always.

The guidelines, which help us to take the right decisions in any situation:

### *I am a leader*

- ▶ We take responsibility for our actions and for what is happening around us.
- ▶ We give our best effort.
- ▶ We continuously develop and improve ourselves, the bank and our environment.
- ▶ We are honest with each other and with our clients.

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### *We are a team*

- ▶ We gladly help each other, working to achieve a common goal.
- ▶ We are open and trust our colleagues.
- ▶ We respect each other.
- ▶ We help our colleagues to grow and develop.

### *All for the customer*

- ▶ All our activities are built around clients and are in their interests.
- ▶ We aim to surprise and delight clients with the quality of our services and attitude.
- ▶ We exceed client expectations.

# Sberbank's position in the financial market

In 2013, Sberbank considerably strengthened its positions in financial markets in Russia, Europe, Turkey and the CIS.

## Sberbank's shares in Russian financial markets

	January 1, 2014	January 1, 2013
Assets	29.6%	28.9%
Equity	28.4%	27.4%
Corporate Lending	33.3%	33.6%
Retail Lending	33.5%	32.7%
Due to corporate customers	17.2%	17.2%
Retail deposits	46.7%	45.7%

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## Market share and position of Sberbank Group subsidiary banks in domestic financial markets in the countries of operation\*

	Belarus		Kazakhstan		Ukraine		Turkey	
	Jan 1 2014	Jan 1 2013	Jan 1 2014	Jan 1 2013	Jan 1 2014	Jan 1 2013	Jan 1 2014	Jan 1 2013
Assets	10.4% (3)	10.2%	6.7% (4)	5.3%	2.7%(8)	2.4%	4.6% (8)	4.1%
Equity	6.3% (3)	4.9%	5.6% (5)	4.4%	1.9% (12)	1.8%	3.1% (9)	3.1%
Net profit	13.8% (3)	13.7%	8.3% (5)	9.0%	39.9% (5)	8.4%	4.1% (8)	3.1%

\*Market position is given in parentheses.

Sberbank continued to develop systematically in the markets of Belarus, Kazakhstan and Ukraine. Subsidiary banks in the CIS countries are among the leaders in terms of the effectiveness of banking activity: their share in the total profit of the national banking systems considerably exceeds the share in equity and assets.

The Group is actively developing markets in Central and Eastern Europe. In May 2013, the Group obtained a full banking license for providing banking services in Austria. On January 1, 2014, the branch network of Sberbank Europe had 277 branches and served over 500,000 clients.

The subsidiary bank in Turkey has a very strong position. DenizBank is included in the 10 largest Turkish banks by assets, with a market share of 4.2%. In 2013, the Group completed the acquisition of the Citibank retail division in Turkey. Over the year, the subsidiary bank's loan book grew almost by one third. The Turkish bank's branch network consists of 713 offices. DenizBank has subsidiary banks in Austria and Russia, and branches in Germany and Bahrain.

# Management Report

Sberbank Group is represented in 22 countries. Nevertheless, the Russian market remains the most important for the Group, accounting for about 90% of assets, and it is the market in which the Group earns the bulk of its profits.

In this regard, this report first describes the Group banking business in the Russian market and then provides the performance results of main subsidiary banks.

# Macro developments and banking system trends in Russia

The most important domestic economic trend was the slowing economy, as Russia's GDP in 2013 rose by only 1.3%. Investments in fixed capital decreased by 0.3%. Industrial production growth hovered around zero.

Capital outflows from emerging markets in 2013, including from Russia, was significant. The Russian rouble exchange rate decreased by 7.8% to the dollar and by 11.8% to the Euro.

Inflation was 6.5%, having exceeded the upper target limit of the Bank of Russia of 5-6%. Staying within the target limit was impossible owing to a number of factors, including rising food prices.

The liquidity situation in the banking sector in 2013 remained tense. The Bank of Russia continued to provide liquidity to the banking system, including using new tools. By the end of 2013, the banking system indebtedness to the Bank of Russia amounted to RUB 4.4 trillion, having increased during the year by RUB 1.7 trillion. Interbank market rates remained high. In 2013, Mosprime 3M was between 6.8% and 7.2%.

In the second half of the year, the Bank of Russia focused on strengthening the banking sector. In addition to the policy limiting the growth of risky unsecured consumer lending, the regulator actively identified the banks that related to money laundering and conversion-into-cash transactions. Banks-violators were deprived of licenses. In 2013, licenses were revoked from 33 Russian banks.

# Corporate services

*In 2013, Sberbank's corporate business was reorganised. As a result, an independent unit of corporate investment business and global market transactions (Sberbank CIB) was established, the main clients of which became the largest companies of the Group. Another unit, Corporate Business, is engaged in servicing large, medium and small enterprises.*

*In addition to business separation by areas, we worked actively on improving the quality of management. Over the year, the quality of planning was increased, regular results monitoring was introduced, and communication between regional banks and senior business managers was improved.*

*Corporate organisation changes contributed to active development of the product range for corporate clients, which helped the bank significantly increase the number of clients and strengthen its position as the main supplier of financial resources for the Russian economy. In 2013, Sberbank conducted credit and financial operations with all types of corporate clients.*

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## Corporate and investment business

### Loans to largest clients

More than half of Sberbank's corporate loan book falls on accounts of the largest borrowers. On January 1, 2014, the receivables of this client category amounted to RUB 4.6 trillion. Over the year, the number of borrowers increased to 920. In 2013, new transactions exceeded RUB 2.9 trillion.

### Trade finance business

One of the successful businesses developed by the bank has been trade finance. Over the last four years, the bank's trade finance portfolio grew six-fold to USD 14 bn. Currently, Sberbank offers a full line of trade finance products and documentary business, based on the best international standards.

Thanks to international network development, Sberbank is actively involved in intra-group transactions involving foreign subsidiary banks in the CIS, Central and Eastern Europe, and Turkey. In 2013, a new line of products: Commodity Trade Finance and Supply Chain Finance, covering the financing of export flows from the Russian Federation, including financing trade transactions after the goods cross the border, was launched.

According to Global Trade Review, Sberbank was the only Russian bank to be on the list of world's best banks in trade finance area. Furthermore, for the second consecutive year, the bank was recognised as the best in trade finance business in CIS countries.

### Investment banking business

Sberbank CIB maintained a strong position in the external debt market of the CIS countries. In 2013, 27 transactions were carried out and Eurobonds of 22 issuers from Russia and Ukraine were placed for the total nominal value of USD 15.7 bn.

Leadership in innovative transactions and products in the debt and equity markets in Russia and CIS continued. Sberbank CIB won 10 industry awards in these segments as well as in the area of mergers and acquisitions.

At year-end, Sberbank CIB became the absolute leader of Investment Research market. It attracted 238 new customers to Global Markets; 34 absolutely new products were introduced and new product geographical sectors—Central and Eastern Europe—were developed.

## Corporate business

### Large and medium-sized businesses

Lending to large and medium-sized businesses also developed successfully. During the year, the bank managed to increase the loan book of this client category by a quarter, to RUB 3.2 trillion.

This result was possible due to the fact that the bank had optimised its internal processes to reduce consideration of loan applications and continued to improve and expand the range of products for medium-sized and large businesses.

The bank optimised the terms of a number of products, including tender loans and various guarantees, standardised lending terms for various industrial companies, including leasing companies and retailers. Special products for agro-industrial companies were also developed.

### Small and micro businesses

The bank pays special attention to cooperation with small and micro businesses. As a result of active work in this area, the loan book in this segment grew by 31% and reached the amount of RUB 600 bn. Sberbank provides funding to 231,500 small and micro businesses; over the year their number increased by more than a quarter.

During the year, Sberbank continued to implement and develop small business lending technologies. For example, the Sberbank “Credit Factory” product range was boosted by new special programmes for micro businesses. Sberbank extended the use of the Express-Asset product to equipment procurement; Express-Mortgage—a product that is designed to stimulate micro business investment activities and to solve the problem of lack of free funds—was launched in a pilot mode.

In 2013, the “Business” product line designed for companies with stable operating business, was further developed. Over the year, this loan book grew by 50% to about RUB 380 bn.

Business-Start, a product allowing start-ups to receive funding to start a business using a franchise or a typical business plan, developed successfully, too. As of January 1, 2014, more than 26,000 people expressed interest in this project and 456 loans worth RUB 725 mn had been provided. From June, this segment started two businesses daily. During the project, more than 90 franchisors joined the programme, and their number is constantly growing. The bank offers 18 sample business plans developed by its partners.

# Retail business

*In 2013, the growth rate in the Russian consumer loan market decreased to 28.7% from 39.4% in 2012. Meanwhile, Sberbank managed not only to increase its retail loan book faster than the industry average, but also to keep its quality at a high level despite the negative trend in the market as a whole. The priority was given to the development of mortgage products.*

*At the end of 2013, Sberbank managed to increase its deposit market share in all client segments.*

*In 2013, the bank posted record results in the bank card segment, strengthening its leadership position in this market. This contributed to the active development of remote channels, expanding the range of products and affiliate programmes.*

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## Lending

In 2013, Sberbank increased its share in the Russian consumer loan market by 0.8 pp to 33.5%. Sberbank's retail loan book increased by 31.8% to RUB 3.3 trillion. During the year, private customers were provided with loans of more than RUB 1.8 trillion.

### Mortgage loans

Mortgages remain one of the most important elements of the bank's product line. In 2013, the Sberbank mortgage portfolio grew at a record pace: monthly record-breaking mortgage loans were achieved from April to December. For example, in December 2013, RUB 89 bn were granted in loans, i.e. almost twice of that of December of the previous year.

Such significant results were achieved partly by the expansion of the product line. Military Mortgage—Finished Housing Purchase was replicated throughout the country. Some regions implemented the programme of crediting school teachers and certain categories of population for improving housing conditions. In addition, over the year, interest rates on all housing programmes were reduced by 1 percentage point.

Due to record levels of growth in 2013, the bank's share in the mortgage market exceeded 50%<sup>1</sup>.

### Credit cards

Among all retail portfolio components, the bank's credit card segment grew most rapidly—in 2013, the portfolio grew by 70% to RUB 270 bn. The number of the cards issued over the year exceeded 12.1 mn, which allowed Sberbank to strengthen its leading position in this segment, increasing the share in the domestic market from 19.9% to 23.5%<sup>2</sup>.

### Consumer loans

In 2013, the bank's consumer loan book grew by 23.4% and on January 1, 2014 it reached RUB 1.5 trillion. Origination of new consumer loans exceeded RUB 990 bn.

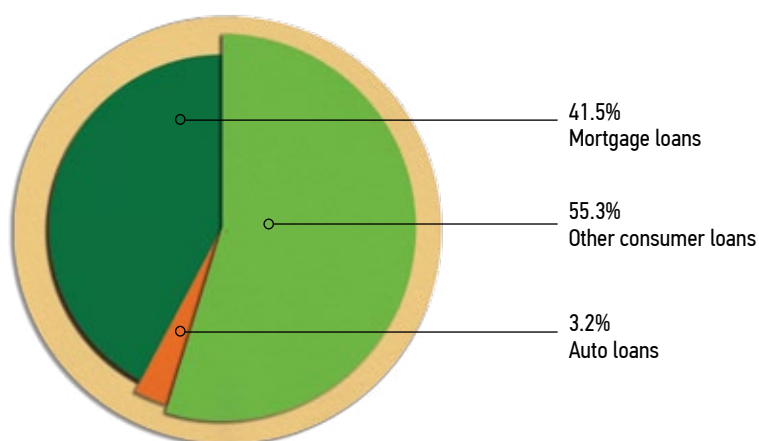
<sup>1</sup> Source: Frank Research Group.

<sup>2</sup> Source: Frank Research Group.

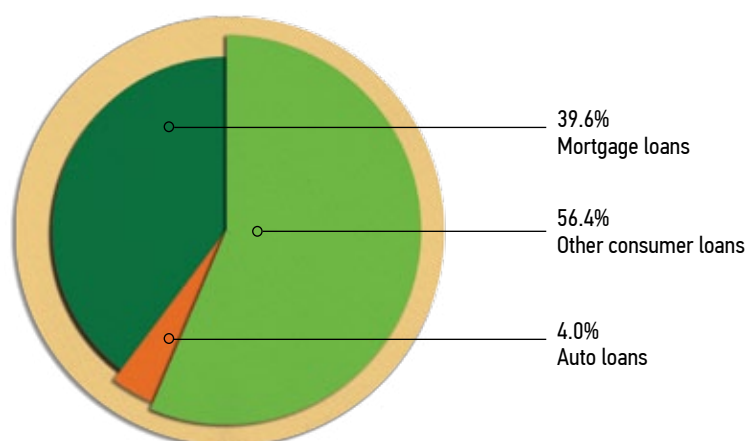
These figures are largely the result of the bank's work on improving the products offered:

- ▶ The loan questionnaire was simplified.
- ▶ All regional operations launched a new consumer loan to refinance foreign loans.
- ▶ A loan promotion dedicated to the New Year was held, with up to one-year maturity and loan amounts up to RUB 150,000 at a special interest rate of 14.5% per annum.
- ▶ A consumer loan for borrowers with existing credit agreements was launched. The loan is granted to existing customers, part of funds is allocated to full early repayment of the loan, and the balance is used at the discretion of the client.

**01.01.2014**



**01.01.2013**



**Auto loans**

The loan market, as in 2013, developed modestly: the growth rate was 17.6% as compared with 20.8% in 2012. However, the bank's loan book outperformed the market and in 2013 increased by 26.7%, or RUB 30 bn<sup>3</sup>.

<sup>3</sup> Including Cetelem Bank's loan book.



Cetelem Bank, a Group subsidiary, established in August 2012 by Sberbank and BNP Paribas, significantly contributed to the growth of auto loan market share. The subsidiary bank specialises in express-lending in retail outlets and express auto loans. In 2013, the loan book of Cetelem Bank more than doubled to RUB 60.9 bn.

### Retail deposits

Retail deposits remain the main source for the bank's funding base<sup>4</sup>. In 2013, they rose by 20.6% to exceed RUB 8 trillion, with the fastest growth in time deposits, card account balances, and funds attracted in savings certificates. The main growth was registered for deposits opened via remote channels and for deposit products targeting pensioners.

Sberbank's share in the deposit market increased from 45.7% to 46.7%. The biggest growth occurred in November and December due to two main factors. First, at year-end part of funds flew to large banks, including Sberbank. Second, in December Sberbank experienced a seasonal growth in demand deposits from government employees coupled with the fact that pensioners were paid pensions for the two months of December 2013 and January 2014.

## Transaction services and fee income

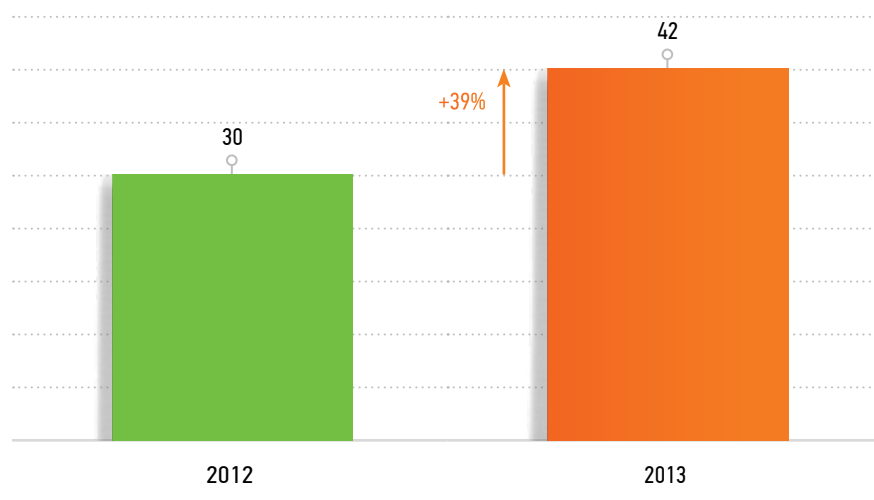
### Bankcards and acquiring services

In terms of issued bankcards, Sberbank has been a leader in Europe since 2008. Sberbank was the sixth top in Europe and the 24th in the world among acquiring banks.

In August 2013, Sberbank introduced new premium bankcards based on the Premier tariff plan: Visa Platinum PayWave and World MasterCard Black Edition Paypass.

### Bankcards issued

millions (year-to-date)



Sberbank strengthened its position in the market of bankcard payment (acquiring) services, increasing its share up to 43.2%. The bank's clients are largest airlines, retailers, trade houses, shops and other

<sup>4</sup> Source: Sberbank's non-consolidated management accounts. The indicator includes deposits, current accounts, banking cards, savings certificates, promissory notes, precious metals.

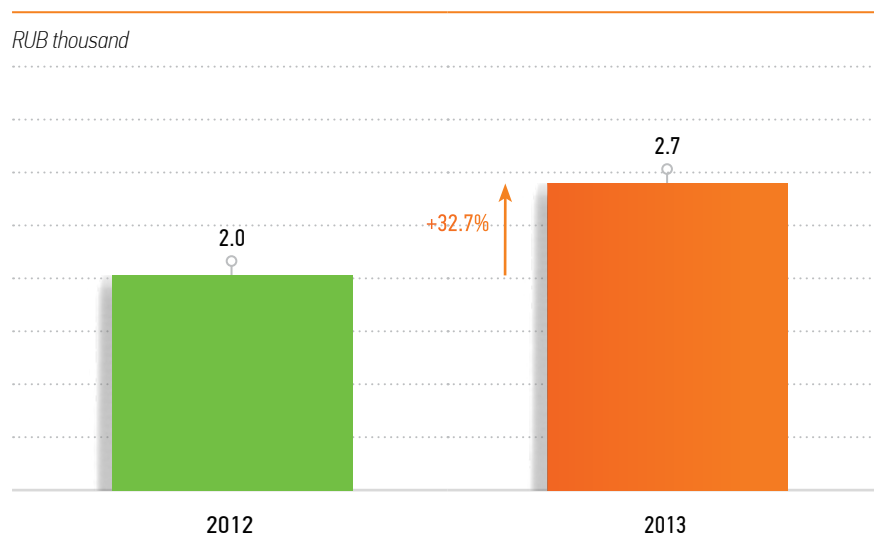
companies of the federal level. The bankcard payments processed by the bank for the year exceeded RUB 1.49 trillion—that was an all-time record for the development of client credit-verification in Sberbank.

The development of client bankcard payment self-service systems allows us to successfully promote cashless payment forms in the sphere of micro-payments, which previously used exclusively cash payments. The bank plans to further develop similar systems.

The bank continued developing the network that accepts MasterCard PayPass and Visa PayWave bankcards. Trade and service outlets were equipped with 433,000 terminals to accept such cards.

The bank successfully implemented innovative technology of mobile merchant acquiring, which allows clients to pay for goods and services by means of bankcards with a magnetic stripe, or chip cards using a mobile phone.

### Average monthly turnover generated per active bankcard



### Payroll projects and retirement accounts

Over the year, the number of active payroll bankcards increased by 1.9 mn to 21.1 mn cards. Payroll payments rose 28% to nearly RUB 6.3 trillion.

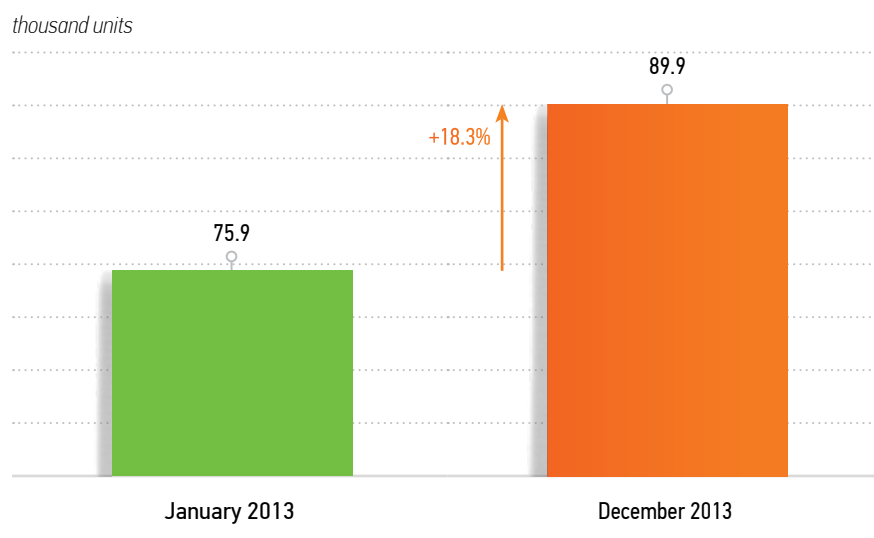
The number of pensioners receiving a social pension through Sberbank increased to 21.8 mn. At the same time, the proportion of pensioners receiving a pension via Sberbank to total social pensioners in the Russian Federation grew to 53.2%.

### Development of the remote sales channels

Sberbank continues to actively develop remote sales channels, including the expansion of the self-service machine network: the number of ATMs increased from 44,600 to 53,400, the number of payment terminals—from 29,400 to 35,700. The development of remote channels helps not only ensure greater accessibility of the bank’s services, but also reduce queues in offices.

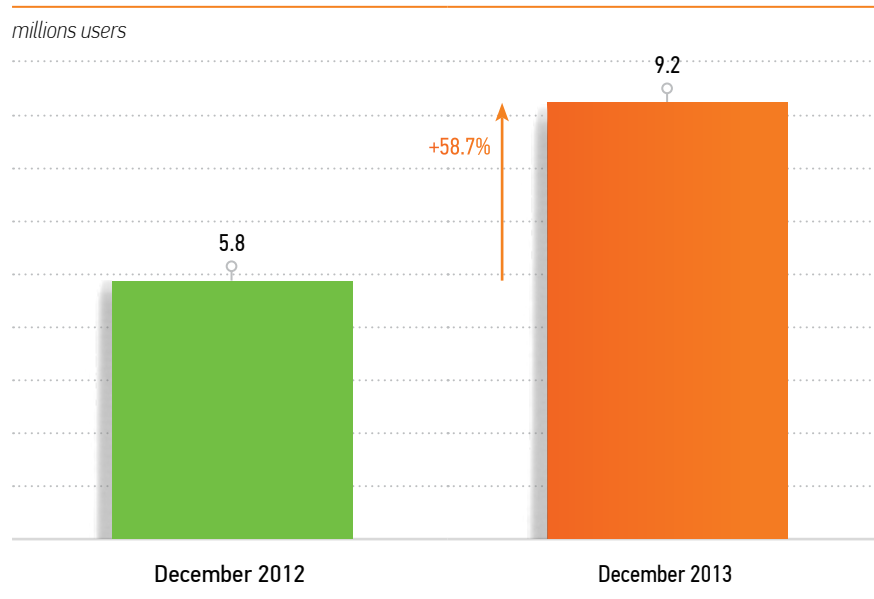
Special attention was paid to terminal interface and expanding their functionality. We developed an English-language interface, while ATMs at Sochi Olympic facilities received also Chinese and French interfaces. We introduced the “Fast pay” function for mobile payment, which helped reduce the number of steps a client has to make and save the client’s time. The option to instantaneously open a deposit account was added. Together with Yandex.Money, the bank offered the service of replenishing Yandex.purses via ATMs and terminals.

### Self-service machines

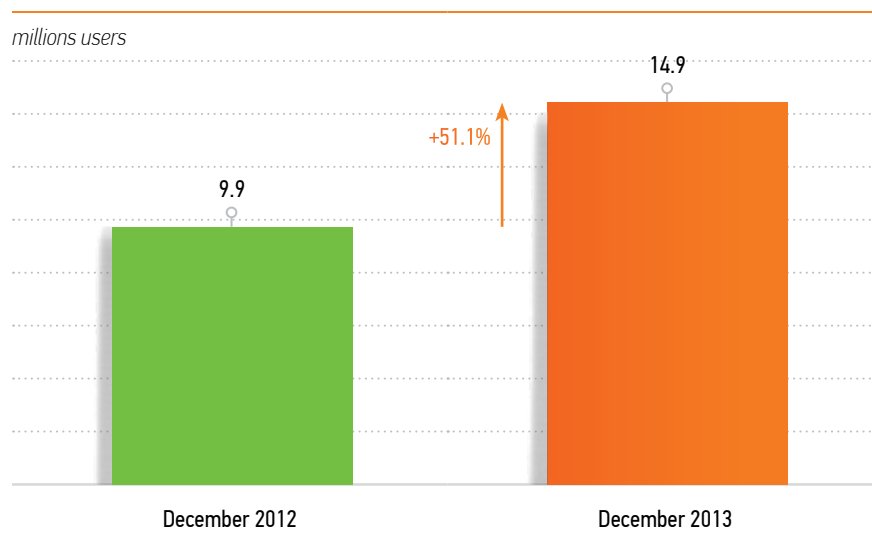


The bank is actively developing other remote service channels such as Sberbank Online (Internet-bank) and Mobile Bank. In 2013, the average number of Internet Bank active users increased by 60 percent. Mobile Bank’s audience increased on average by 50 percent.

### Number of SberbankOnline active users at year end



## Number of Mobile Bank active users at year end



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## Quality of retail banking services

In 2013, the bank reviewed its approach to assessing customer service quality and, in addition to standard checks of basic products, introduced the assessment of the quality service of car loans, mortgages, credit cards and remote channels. To evaluate customer satisfaction, we use mobile applications, client calls, SMS-requests and interviews at our offices.

Since the second half of 2013, client complaint management has become a key priority. The focus shifted from responding to client to solving his or her problem. We are committed to ensure that complaint handling is transparent for the customer, who has encountered a problem with the bank, and to address the root cause that led to the complaint. In the second half of 2013, the bank managed to contain the growth in complaints compared with the previous year.

Sberbank carries out a number of projects aimed at service quality improvement:

- ▶ Queue Management: by the end of 2013, 92% of customers had to spend not more than 10 minutes in the queue—the result is achieved by 92% of all offices equipped with the Queue Management System
- ▶ Pilot project designed to use 2D barcodes to accept payments from households
- ▶ Improving a paperless technology for deposit transactions that would provide an option to sign documents with the use of client's bankcard

# Wealth management

*In September 2013, Sberbank created a Wealth Management division responsible for the development of insurance and pension products, asset management, and custody services.*

## Insurance

In 2013, more than 4.4 mn households used Sberbank insurance programmes, and 190,000 insurance contracts were signed with corporate customers.

During the year, the bank focused on promoting long-term life insurance products. Sberbank and Sberbank Premier clients acquired 20,000 long-term endowment and investment life insurance policies.

In 2013, Sberbank Insurance subsidiary company demonstrated a rapid growth and joined the top three life insurers in Russia. The company's share in the new insurance premiums collected is 19.2%. The company is the leading seller of long-term insurance policies in Russia.

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## Private Pension Fund

In 2013, a record 1.9 mn of clients transferred their pension savings to Sberbank Private Pension Fund. Since Sberbank entered the bank insurance market, over 13 mn retail customers obtained insurance programmes, corporate customers acquired 310,000 insurance products, and 3 mn Russians became Sberbank Private Pension Fund customers<sup>5</sup>.

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<sup>5</sup> Since September 2009

# Financial results of key subsidiary banks

*In 2013, the Group set up a business unit 'International Operations' responsible for managing subsidiary banks and developing international corporate and retail business.*

*In the reporting year, Sberbank focused on integrating the acquired foreign assets into the Sberbank Group and developing a new model of international business management.*

## Sberbank Ukraine

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In 2013, Sberbank Ukraine was one of the most dynamically developing Ukrainian banks. In 2013, its assets grew by 41.5% to RUB 139.4 bn, net loan book increased by RUB 28.6 bn, up to RUB 105.5 bn. At year-end the bank improved its rankings: from 11th to ninth position in assets, from ninth to sixth position in retail deposits; from sixth to fifth position in corporate loans, from 27th to 22nd position in retail loans.

The bank continued to develop its regional network: during the reporting period 50 new customer service outlets opened, reaching the total of 210 outlets.

The Ukrainian bank remains focused on developing processes and technologies. The bank built its own bankcard personalisation centre, enhanced the functionality of the Contact Centre, optimised business processes related to payroll card projects, and completed a number of other technology projects.

In 2013, the bank implemented a number of large payroll card projects with strategic clients, which enabled it to increase considerably its client base. The number of retail clients grew by 90% to 777,000, while bankcard accounts increased 2.3 times to over 1,187,000.

## Sberbank Kazakhstan

Sberbank Kazakhstan has been operating in the Republic of Kazakhstan as a Sberbank subsidiary for seven years. The subsidiary bank has 105 business units across the country. The client base consists of 27,900 corporate customers and 532,600 households. The network comprises 3,300 ATMs and self-service machines.

During the year, the bank's loan book increased by 49.6% to RUB 156.3 bn. The book growth was mostly financed from the client deposits attracted: retail deposits doubled to RUB 48 bn; corporate deposits grew by 41.9% to RUB 110.4 bn.

In 2013, the bank transformed its Internet Office into a full-service sales channel. Currently, the bank is actively implementing a number of strategic projects, including the Credit Factory technology, CRM systems for corporate and retail blocks, a Centralised Data Repository, development and automation of overdue retail debt collection at an early stage.

## BPS-Sberbank (Belarus)

At the end of 2013, BPS-Sberbank retained the position of the third largest bank in the Republic of Belarus by total assets, corporate loans and deposits, retail deposits and net profits. In terms of equity, the bank rose from the fourth to the third position. The bank is the sixth largest by retail loans. The client base comprises 30,400 legal entities and 1.36 mn households. The branch network consists of 159 branches located in all regions of the Republic of Belarus.

In 2013, the subsidiary bank's loan book grew by 12% to RUB 75.5 bn, customer deposits increased by 2% to RUB 61 bn.

In 2013, the bank actively developed its governance approach, improving the risk management system. All the subsidiary bank's branches introduced the Credit Factory technology, the Hunter system of detecting fraudulent claims, and others.

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## Sberbank Europe AG

Sberbank Europe AG, until November 2012 known as Volksbank International, became part of Sberbank Group in February 2012. It owns 9 banks in Central and Eastern Europe: in the Czech Republic, Slovakia, Hungary, Croatia, Serbia, Slovenia, Bosnia and Herzegovina, Banja Luka in Bosnia and Herzegovina, and Ukraine. In May 2013, the Group obtained a full banking license for providing banking services in Austria. As of January 1, 2014, Sberbank Europe Group had a branch network of 277 offices, and served 541,000 companies and households. Fitch Ratings assigned the BBB- credit rating to the bank.

To ensure dynamic integration of Sberbank Europe in Sberbank Group, the bank introduces the target liquidity management model, monitors and handles troubled assets, develops a new credit process for corporate clients according to Sberbank standards. The bank set up underwriting centres in the Czech Republic and Serbia. Integrated risk management were introduced. All system elements were revised: risk appetite, all risk policies, collection of overdue debts, etc. The team of top-managers both at the Group level and in local banks is being strengthened. An advanced professional training programme is implemented.

In terms of corporate business development, the Sberbank Europe Group focused on establishing relations and expanding business with subsidiaries and joint ventures of the largest Russian holdings, as well as with leading companies in the countries of operation. A number of loan transactions with major corporate clients in Serbia, Slovenia, Czech Republic and Croatia were carried out. A special attention is paid to developing the products, which are most popular among corporate clients. For example the bank actively develops trade finance services involving export agencies in the countries of operation, and syndicated loans.

In retail banking, new loans yields and fee rates were increased to the market level. In Slovakia and the Czech Republic, Credit Factories were introduced, retail products and brand promotional campaigns were held.

In the field of information technology, the subsidiary bank continues to implement projects aimed at developing and adopting architectural standards of Sberbank Europe subsidiaries and implementing a new IT platform. In late 2013, the Sberbank Europe Group received official permission from national central banks and data protection agencies in all countries of operation to place server equipment outside the EU. Thus, Sberbank will be the first bank in Europe serving European households via Sberbank Mega Data Centre located in the Russian Federation.

## DenizBank (Turkey)

DenizBank joined Sberbank Group in September 2012. In 2013, the Group completed the acquisition of the Citibank retail division in Turkey. As a result, DenizBank acquired the retail business including more than 600,000 customers, assets of more than USD 620 mn, and deposits worth more than USD 825 mn, and 32 retail service outlets in Turkey that employ approximately 1,400 people. By the 2013 year-end, the share of DenizBank in Group's assets increased by 0.2 percentage points to 6.7%.

Currently, comprehensive measures are being taken to integrate DenizBank into Sberbank Group. An active rotation of managers between Sberbank of Russia and DenizBank is scheduled. We also plan to seek talents among Russian-speaking students/graduates of Turkish higher education institutions to invite them later to work for DenizBank.



# The Bank's development

## Sberbank's New Development Strategy for 2014-2018

On November 12, 2013, Sberbank's Supervisory Board approved the bank's Development Strategy for the period 2014-2018.

The Sberbank Strategy aims to further strengthen its position as one of the leading and stable financial institutions in the world. For the next five years, we will double our net income and assets, achieve a breakthrough in cost management, improve our Tier 1 capital adequacy ratio, and the return on equity will remain above that of global competitors.

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### Group performance indicators

Profitability, %		Efficiency, %		Growth	
Return on equity	Tier 1 capital adequacy ratio	Operating costs to operating income	Operating costs to assets	Assets	Net income
2018	2018	2018	2018	2018/2013	2018/2013
18-20	>10	40-43	<2.5	x 2	x 2

We believe that we will be able to achieve this result based on the following efforts:

- ▶ Strengthening our competitive position
- ▶ Maintaining a higher net interest margin compared to competitors
- ▶ Ensuring strong growth in non-credit earnings
- ▶ Managing costs in a highly efficient manner
- ▶ Maintaining high quality of assets

Following the Strategy, we shall seek to maintain Tier 1 capital adequacy ratio above 10%. In the next few years we intend to move to the "advanced" Basel II approach for assessing risk-weighted assets, and we assume that this will have a positive impact on the level of capital adequacy. However, Basel II implementation heavily depends on the regulator's actions, which currently does not enable us to provide accurate estimates.

*The full version of the Sberbank Development Strategy for 2014-2018 is available at the Group's official website at [www.sberbank.ru](http://www.sberbank.ru)*

# IT development

## New IT development strategy

One of the most important IT events in 2013 was the development and approval of Sberbank Technological Development Strategy to 2018. The new Strategy provides that the mission of the IT Department is to support Sberbank as an effective and reliable provider of traditional banking services and a leader in introducing innovative products. The Strategy lays down the following basic principles:

- ▶ Industrial approach to IT service production
- ▶ Maximum simplification of IT landscape
- ▶ Maximum concentration of financial and human resources to address priority objectives of the bank
- ▶ Attracting, retaining and developing key IT professionals—the main source of technological competitive advantages of the bank.

## Infrastructure development

In 2013, the bank continued modernisation and development of client-friendly automated systems, industrialisation of business processes, development of remote service channels and expanding the range of services.

In particular, we developed a programme for centralisation of the bank's IT systems, which aims to optimise the cost of ownership of the bank's IT landscape and increase the speed of introduction of new services:

- ▶ The Moscow regional bank introduced the target system for servicing retail loans
- ▶ Severo-Vostochny regional bank completed the replacement of outdated retail service platform
- ▶ Volgo-Vyatsky regional bank replaced its non-standard platform with target IT systems for retail and corporate services.

The bank opened a special programme aimed at ensuring the required level of reliability of all key automated systems in the conditions of dynamic business development and transaction growth. The programme involves re-engineering of the IT system architecture, which allows us to considerably increase systems' scalability.

The programme for standardisation and integration of subsidiaries' IT infrastructure defines unified target IT architecture standards for Sberbank Europe.

As a part of a system aimed at increasing of IT investments' efficiency, negotiations with key suppliers of IT solutions were held in order to reduce the cost of equipment and shift to direct equipment supplies to the bank. Total savings from these measures carried out in 4Q 2013 exceeded RUB 5 bn.

### Client service development

In 2013, Sberbank began accepting Visa payWave bankcards, allowing customers to pay for purchases in seconds: holders of Visa payWave bankcard only need to bring the card to the terminal equipped with contactless payment technology.

Together with the VSK Insurance House, SCCP and Visa, the bank launched a pilot mobile POS acquiring project. VSK insurance agents in Moscow and the Moscow Region were authorised to accept bankcard payments via smartphone or tablet.

A Sberbank OnLine mobile application was released for Windows Phone operating system. Thus, the Sberbank OnLine application became available on three leading mobile platforms: iOS, Android and Windows Phone.

The list of online stores that support payments via Internet Bank in real-time mode was expanded.

SMS-based payments for Aeroexpress tickets in Moscow were implemented.

A new technology that allows clients to make money transfers without opening an account (“Colibri”, formerly “Blitz-transfer”) made it possible to reduce the maximum delivery time from one hour to 10 minutes.

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## Smart spending

In 2013, the bank launched a three-year strategic programme to introduce the Smart Spending cost management system.

The programme’s main goal is to introduce the cost management system that would allow us to achieve the balance of business support, higher business efficiency, and the effect of reducing costs via cost optimisation. In 2013, the programme achieved the following results:

- ▶ In line with the bank’s Development Strategy for 2014–2018, a set of cost optimisation measures was approved, with the estimated benefit of over RUB 100 bn
- ▶ Innovative cost management processes were developed
- ▶ In 2013, the effect from the Programme was RUB 6 bn
- ▶ A procurement management system was developed and is being introduced

# The Group's integrated risk management system

*Sberbank Group's integrated risk management system* is based on the Policy approved by the Executive Board. The system incorporates a three-level process:

*Management level 1* (Executive Board, Sberbank of Russia's Risk Management Committee) refers to the management of the Group's aggregate risks, including the development of requirements for individual risk group management, risk management by Group members, composition of collegiate bodies and divisions at Group members responsible for the management of target risk groups;

*Management level 2* (Management Committees responsible for the management of individual risk groups) is responsible for the management of individual risk groups of the Group, in compliance with the requirements set forth by management level 1;

*Management level 3* (collegiate bodies and divisions of Group members) includes the management of individual risk groups by Group members, in compliance with the requirements and restrictions set forth by levels 1 and 2.

Based on the risk identification and assessment completed in Q1 2013, we composed a list of material risks for the Group to set up the basis for the creation of target risk management systems. To comply with the principles of complete coverage and thorough awareness of every material risk, we think that we need the system of risk management which would comply with the bank's Integrated Risk Management Policy, Bank of Russia's requirements, and Basel II recommendations.

From 2013-2015, we plan to introduce and improve risk management processes and technologies both on the integrated level and on the level of individual risks.

The bank's achievements in the principal areas of risk management in 2013:

## Credit risk

Based on the latest tools and technologies of credit risk management, the Group builds up common processes for retail lending which take account of client risk profile and use centralisation and automation to minimise the number of process participants. One of them is the Credit Factory technology used by the bank in retail lending: unsecured loans, mortgages, car loans, and credit cards. The technology is regularly improved. In particular, in 2013:

- ▶ An automated review of the real estate evaluation report was introduced;
- ▶ An automated passport reading to eliminate a manual check of the passport data entered to the system was implemented;
- ▶ An automated system was put into place designed to identify fake ID's based on photographic material.

The Group launched a project aimed to automate the Credit Conveyor technology, with the ultimate goal to build up a transparent and manageable lending process for small businesses, reduce operating costs and credit process duration (including the handling of loan applications) decrease bank's losses through a higher quality of loan application processing.

In 2013, we changed our approach to collecting outstanding indebtedness on retail loans. As opposed to previous years when Sberbank tended to use its own divisions to collect retail debts, last year we set up ActiveBusinessCollection LLC, a subsidiary responsible for collecting non-performing loans on an agency basis, that would compete with other debt collection agencies contracted by the bank. In 2013, we assigned RUB 5.8 bn of non-performing loans to our subsidiary.

In 2013, Sberbank was also active in the market of retail portfolio assignment. Total retail debts assigned in 2013 reached RUB 16.7 bn, which made it possible to fix potential losses from previous years and release the resources required to improve the collection of other outstanding retail debts.

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### **Operational risks**

Since May 2013, the automated operational risk management system has been introduced at all regional banks. The system incorporates a self-evaluation module for the bank's divisions, and a module for monitoring key risk indicators. Employees of all functions are connected to the self-evaluation module. A stage-by-stage connection to the key risk indicator monitoring module is under way.

To improve the quality of operational risk management, all bank divisions and subsidiaries have appointed risk-coordinators who are regularly trained in the identification and management of operational risks.

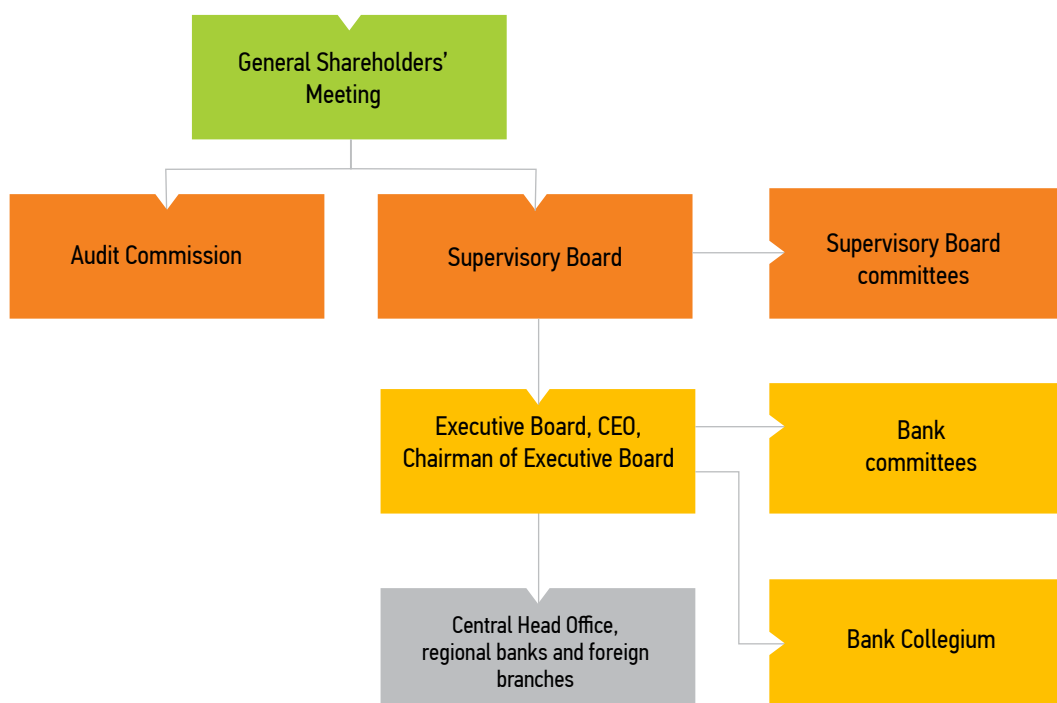
*More details of risk management are provided in the Financial Risk Management section of the Group's IFRS financial statements.*

# Corporate governance

Principal improvements in Sberbank's corporate organisation in 2013:

- a. First Vice-Chairpersons of the Executive Board were appointed; Executive Board procedures were changed accordingly
- b. Separate lines of business were set up: Corporate and Investment Business, Corporate Business, International Operations, Wealth Management

## Corporate organisation



## General Shareholders' Meeting

General Shareholders' Meeting is the supreme management body of Sberbank, which acts on principal issues of the bank's activity. The list of matters referred to the competence of the General Shareholders' Meeting is established by the Russian federal law No. 208-FZ of December 26, 1992, *On Joint-Stock Companies*, and the bank's Charter.<sup>6</sup>

The annual General Shareholders' Meeting held on May 31, 2013, approved the 2012 annual report prepared according to the requirements of the Russian Federal Service for Financial Markets and the annual report based on the requirements of the Bank of Russia. The Meeting also approved the distribution and payment

<sup>6</sup> Available at the official Sberbank website at [www.sberbank.ru](http://www.sberbank.ru)

of 2012 dividends, appointed the auditor for 2013 and Q1 2014, elected members of the Supervisory Board and Audit Commission, approved the new version of the bank's Charter, established remuneration for the members of the Supervisory Board and the Statutory Audit Commission, approved the Regulation on Remuneration and Compensation for Members of Supervisory Board, and the basic remuneration paid to Supervisory Board members.

## Supervisory Board

According to the Charter, the Supervisory Board is responsible for general management matters. The authority of the Supervisory Board includes establishment of priority lines of business, appointment and dismissal of Executive Board members, preparation and convocation of General Shareholders' Meetings, recommendations on dividends, regular review of the CEO and Chairman of the Executive Board's reports about the bank's activity, and other matters.

In 2013, the Supervisory Board held 7 meetings to review inter alia: preparation and convocation of the Annual General Shareholders' Meeting; annual and interim reports; recommendations on the distribution of profits and the amount of dividends; appointment of the bank's auditor; approval of Sberbank Development Strategy for 2014-2018; improving the efficiency of the Supervisory Board activity, including Board Committees; risk management issues; implementation of corporate business development projects; IT condition and development; the results of Internal Control inspections; approval of related-party transactions, and other matters.

In 2013 Sberbank's Supervisory Board consisted of 17 members, including 7 independent directors. The representation of management on the Board remained unchanged—2 executive officers.

### Members of the Supervisory Board of OJSC Sberbank of Russia

<b>Members of the Supervisory Board elected on June 1, 2012</b>		<b>Members of the Supervisory Board elected on May 31, 2013</b>	
1	Sergey Ignatiev	1	Sergey Ignatiev
2	Georgy Luntovsky	2	Georgy Luntovsky
3	Alexey Ulyukaev	3	Alexey Ulyukaev
4	Nadezhda Ivanova	4	Nadezhda Ivanova
5	Valery Tkachenko	5	Alexey Moiseev
6	Sergey Shvetsov	6	Sergey Shvetsov
<b>Executive officers of OJSC Sberbank of Russia</b>			
7	Herman Gref	7	Herman Gref
8	Bella Zlatkis	8	Bella Zlatkis
<b>Independent and external directors</b>			
9	Sergey Guriev	9	Sergey Guriev
10	Mikhail Dmitriev	10	Alexey Kudrin
11	Mikhail Matovnikov	11	Ilya Lomakin-Rumyantsev
12	Vladimir Mau	12	Vladimir Mau
13	Rair Simonyan	13	Alessandro Profumo

**Members of the Supervisory Board  
elected on June 1, 2012**

14	Sergey Sinelnikov-Murylev
15	Alessandro Profumo
16	Dmitry Tulin
17	Ronald Freeman

**Members of the Supervisory Board  
elected on May 31, 2013**

14	Sergey Sinelnikov-Murylev
15	Dmitry Tulin
16	Ronald Freeman
17	Elgimez Ahmet Mahfi

**Supervisory Board committees<sup>7</sup>**

The Supervisory Board committees are special-purpose bodies, established to conduct a preliminary review of the most important matters that fall under the responsibility of the Supervisory Board and to make relevant recommendations. Committees are formed annually from members of the Supervisory Board. Every committee includes independent directors. Committees facilitate communications with the bank's governing bodies. The committees' decisions are recommendatory in nature.

**The Audit Commission** is responsible for preliminary evaluation of nominees to the bank's auditors, preparing recommendations for the Supervisory Board regarding audit organisation to be approved by the General Shareholders' Meeting, developing recommendations on the draft contract to be concluded with the auditor, reviewing auditor opinion and Internal Audit Commission opinion, evaluating internal control effectiveness, and preliminary approval of annual financial statements.

Committee members:

Vladimir Mau, Chairman

Members: Nadezhda Ivanova, Alexey Moiseev, Ilya Lomakin-Rumyantsev, Dmitry Tulin.

**The Committee for Personnel and Remuneration** is responsible for developing policy and criteria for remuneration of Supervisory Board members and executive bodies of the bank, preparing suggestions on material provisions of employment contracts with Supervisory Board members and members of executive bodies, establishing the criteria for recruiting nominees to the Supervisory Board and executive bodies, and preliminary review of such nominees.

Committee members:

Georgy Luntovsky, Chairman

Members: Ilya Lomakin-Rumyantsev, Vladimir Mau, Sergey Sinelnikov-Murylev.

**The Committee for Strategic Planning** reviews and evaluates long-term trends in the banking market, makes an analysis of draft strategies, concepts, programmes, strategic development plans, including strategic risk assessment, and prepares proposals on their approval or development, prepares suggestions for the bank's risk management policy, reviews and analyses the adequacy and efficiency of risk management systems with a view to facilitate the creation of proper risk management conditions, etc.

<sup>7</sup> As of December 31, 2013



Committee members:

Alexey Kudrin, Chairman

Members: Herman Gref, Alessandro Profumo, Sergey Sinelnikov-Murylev, Elgimez Ahmet Mahfi, Sergey Shvetsov

### Attendance of Supervisory Board meetings and meetings of its committees

The information about the Supervisory Board members who attended less than 75% of meetings of the Board and its committees in 2013, is provided below:

Supervisory Board members	Total meetings of Supervisory Board and its committees	Number of meetings attended	Attendance rate
Alessandro Profumo	13	8	62%
Mikhail Dmitriev*	5	3	60%
Sergey Shvetsov	11	6	55%
Sergey Guriev	13	6	46%
Alexey Ulyukaev	9	4	44%
Alexey Moiseev	6	2	33%
Elgimez Ahmet Mahfi	8	2	25%
Rair Simonyan*	6	0	0%

\* Membership in Supervisory Board and its committees terminated as of May 31, 2013

## Evaluating the effectiveness of Supervisory Board meetings

Sberbank's Supervisory Board also carried out a self-assessment of its own efficiency in 2013, including internal evaluation of Board procedure and composition, and the evaluation of its internal effectiveness and the practice of communication between the Board and the bank. In the first half of 2013 we carried out an external evaluation of the Supervisory Board activity as required by the British and Russian codes of corporate governance.

The evaluation identified principal and additional matters the Supervisory Board and its committees will need to focus on while planning their future activity.

The evaluation also showed a high level of the Board activities efficiency, optimal regularity of Board meetings, and the availability of sufficient time for Board members to perform their duties. The Supervisory Board devotes much time to discuss such matters as the current financial position and development strategies of the bank.

Board members provide a high level of communication between the Supervisory Board and the bank's management as well as compliance of financial/management reports with the principles of completeness, timeliness, and clarity.

## Executive Board

The day-to-day management of the bank is the responsibility of CEO and Chairman of the Executive Board, and the Executive Board.

The Executive Board is a collegiate executive governance structure. The Executive Board reviews all matters which are subject to review by the General Shareholders' Meeting and the Supervisory Board, determines the bank's policy in risk management and other areas of operation, discusses performance reports from the heads of the Central Head Office and regional banks, makes arrangements to introduce innovative banking technologies and implement comprehensive automation projects, supports the creation of modern banking infrastructure, and solves day-to-day issues.

In 2013, in addition to the matters to be considered by the General Shareholders' Meeting and the Supervisory Board, the Executive Board discussed other issues, including the approval of a business plan, the concept for client base review, asset management development policy, loan debt classification, provision requirements, acquiring/increasing interest in other companies, increasing authorised capital of affiliated companies, borrowing resources from international capital markets, creating a cost management system, charity and sponsorship, federal advertising campaigns, number of bank's divisions, registration as a payment system operator, risk management automation on financial markets, elimination of collegiate bodies at bank's branches, liquidity risk management policy, employee bonus awards.

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### Executive Board members as of December 31, 2013

	<b>Name</b>	<b>Position</b>	<b>Share in authorised capital</b>	<b>Common shares held</b>
1	Herman Gref	CEO, Chairman of the Executive Board	0.0031%	0.003%
2	Maxim Poletaev	First Deputy Chairman of the Executive Board	0.0001%	None
3	Lev Khasis	First Deputy Chairman of the Executive Board	None	None
4	Sergey Gorkov	Deputy Chairman of the Executive Board	None	None
5	Andrey Donskih	Deputy Chairman of the Executive Board	0.0012%	0.0013%
6	Bella Zlatkis	Deputy Chairman of the Executive Board	0.0004%	0.0005%
7	Stanislav Kuznetsov	Deputy Chairman of the Executive Board	None	None
8	Vadim Kulik	Deputy Chairman of the Executive Board	None	None
9	Alexander Morozov	Deputy Chairman of the Executive Board	0.0014%	0.0009%
10	Alexander Torbakhov	Deputy Chairman of the Executive Board	None	None
11	Alexander Bazarov	Senior Vice President	0.0022%	0.0023%
12	Denis Bugrov	Senior Vice President	None	None
13	Olga Kanovich	Senior Vice President	None	None
14	Nikolay Tsekhomsky	Vice President, Director of Finance Department	None	None

In 2013, none of Executive Board members carried out any transactions in shares.

**From January 1 to December 31, 2013, the following changes in the Executive Board took place:**

*By the decision of the Supervisory Board dated November 16, 2012:*

Alexander Morozov was appointed Deputy Chairman of the Executive Board, effective January 1, 2013;

Nikolai Tsekhomsky was appointed Vice President, Director of Finance Department, and joined the board, effective January 1, 2013;

Anton Karamzin resigned from the Board, effective January 1, 2013;

Vadim Kulik was appointed Senior Vice President, and joined the Board, effective January 15, 2013;

*By the decision of the Supervisory Board dated February 22, 2013:*

Maxim Poletaev joined the Board, effective March 1, 2013;

Viktor Orlovsky resigned from the Board, effective March 1, 2013;

Vadim Kulik was appointed Deputy Chairman of the Executive Board, effective May 24, 2013;

*By the decision of the Supervisory Board dated May 31, 2013:*

Maxim Poletaev was appointed First Deputy Chairman of the Executive Board, effective June 10, 2013.

*By the decision of the Supervisory Board dated July 29, 2013:*

Igor Artamonov resigned from the Board, effective August 8, 2013;

Lev Khasis was appointed the First Deputy Chairman of the Executive Board, and joined the Board, effective September 2, 2013.

**From January 1, 2014, to the date of signing bank's reports, the following changes in the Executive Board took place:**

*By the decision of the Supervisory Board dated February 21, 2014:*

Andrey Donskikh resigned from the Board following his resignation from the bank, effective February 28, 2014.

**Management committees**

The Retail Lending Committee is responsible for implementing the bank's retail lending policy.

The Staff Management Committee is responsible for implementing the bank's Development Strategy in relation to HR management issues.

The Processes and Technologies Committee is responsible for implementing the bank's Development Strategy related to the issues of processes and technologies.

The Corporate Business Committee is responsible for implementing the bank's Development Strategy related to corporate services, including international, large, medium, small and micro businesses.

The Retail Business Committee is responsible for implementing the bank's Development Strategy related to retail services.

The Asset and Liability Management Committee is responsible for implementing the bank's Development Strategy related to asset and liability management, liquidity risk and market risk management.

The Loans and Investments Committee is responsible for implementing and improving the credit policy of the bank.

The Committee for Distressed Assets is responsible for effective settlement of non-performing loans.

The Subsidiaries and Associated Companies Management Committee oversees the achievement of the targets set by Sberbank of Russia for subsidiaries and associated companies.

The Group Risks Committee is responsible for developing, implementing and improving risk management strategies and policies across the entire Sberbank Group.

The Subsidiary Bank Management Committee reviews business plans of subsidiary banks, suggestions to create or liquidate subsidiaries and affiliates, integration of the acquired assets, and the inspection of results of subsidiary banks.

The International Business Committee approves and establishes limits for subsidiary banks' transactions with clients/counterparties.

The Group Trading Risks Committee is responsible for implementing the bank's Development Strategy related to transaction risk management on financial markets.

The Investment Business Committee approves and sets prices for investment products.

The Compliance Committee is responsible for compliance risk management, prevention and settlement of conflicts of interest.

The Tender Commission deals with supplier certification and procurement bids.

### **Bank Collegium**

The bank has the Collegium, a permanent collegial working body, comprising members of the Executive Board and heads of regional and subsidiary banks. The Collegium is a platform for discussing strategic development issues and developing optimal solutions that take account of specific regional features of the bank's activity.

In 2013, the Collegium discussed and decided on such key issues as the 2014 target-setting system for the bank's management, the concept and technology for developing and implementing medium-term strategies in Russian regions that take account of local market factors, and other issues.

### **Audit Commission**

The annual General Shareholders' Meeting elects the Statutory Audit Commission, which comprises 7 members, to supervise the bank's business. The Statutory Audit Commission oversees the bank's compli-

ance with legal and other acts governing the bank's activity, the exercise of internal control and the legitimacy of the bank's operations. The Statutory Audit Commission assesses the accuracy of information included in the bank's annual reports and presented in its financial statements.

### Members of the Statutory Audit Commission of OJSC Sberbank of Russia, elected on May 31, 2013:

1	Natalia Borodina	Head of Audit Department, Moscow Region, Internal Audit Department, Central Bank of Russia
2	Vladimir Volkov	Deputy Director of the Accounting and Reporting Department, Head of the Division for Methodology, Implementation of Accounting Standards, Development and Updating of the Methodological Framework for Financial Reporting under International Standards, Central Bank of Russia
3	Olga Polyakova	Director of the Internal Audit Department, Central Bank of Russia
4	Maxim Dolzhenkov	Deputy Director of the Internal Control, Revisions and Audit Department, Sberbank <sup>8</sup>
5	Yulia Isakhanova	Head of the Financial Control Division, Finance Department, Sberbank
6	Alexey Minenko	Deputy Chief Accountant, Deputy Director of the Accounting Department, Sberbank
7	Natalia Revina	Director of Risk Methodology and Control Department, Sberbank

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### Committee for Minority Shareholder Engagement

Sberbank's Committee for Minority Shareholder Engagement, chaired by Anton Danilov-Danilyan, continues interacting with minority shareholders. In 2013, the Committee held 5 meetings in Moscow and 2 on-site sessions at Vostochno-Sibirsky bank and Severo-Kavkazsky bank. The meetings in Moscow were attended by the Supervisory Board's independent directors, advisers who reported on the evaluation of the Supervisory Board activity, the head of Sberbank Private Pension Fund who described the Fund's performance, and a Sberbank executive who told the meeting about the Wealth Management prospects.

### Committee for Minority Shareholder Engagement members as of December 31, 2013:

Chairman	Anton Danilov-Danilyan	Sberbank minority shareholder
Members:	M. Lyubomudrov	Sberbank minority shareholder
	A. Navalny	Sberbank minority shareholder
	M. Nedelsky	Sberbank minority shareholder, Director General, CJSC Status
	I. Repin	Sberbank minority shareholder
	D. Udalov	Sberbank minority shareholder
	D. Shabanov	Sberbank minority shareholder
	A. Belyanina	Managing Director, Investor Relations, Sberbank
Committee Secretary	A. Ryabenkova	Senior Investor Relations Officer

<sup>8</sup> As of the date of election

## Internal Control System

The Internal Control System is organised to comply with the Bank of Russia's requirements aimed at ensuring efficient business operations, asset and liability management, keeping up the risk level that would not threaten the interests of the bank's shareholders and clients.

In accordance with international internal control practices, the bank is committed to improving internal control effectiveness at all levels of governance, along all lines of business, and in all divisions, as well as to ensuring compliance of the internal control system with the nature and scale of the bank's operations.

The key division responsible for an independent assessment of internal control and risk management efficiency is the Internal Control Service which operates in compliance with the principles of continuity, independence, fairness, and professional competence.

The Internal Control Service is committed to the International Professional Practices Framework promulgated by The Institute of Internal Auditors, and strives to comply with these standards in its operation. The Internal Control Service applies a consistent and systematic approach to assessing and improving the efficiency of risk management, control and corporate governance.

In 2013, in accordance with the plan of action approved by the Supervisory Board and orders of the bank's management, the Internal Control Service carried out over 7,200 routine audits and more than 9,900 random checks.

In 2013, the Internal Control Service completed 30 audits of financial and business operations of subsidiary and affiliated non-credit organisations, and inspected 4 subsidiary banks and 2 foreign representative offices.

In 2013, the Internal Control Service carried out regular independent monitoring of the quality of corporate and individual household loan portfolios; operations of the bank's business units; registration, investigation and elimination of IT incidents; transaction support by CSC cross-territorial service centres; AML/FT measures; transactions on financial markets; and operations of subsidiary and affiliated non-credit organisations and foreign subsidiary banks.<sup>9,10</sup>

The problems identified in the internal control system were communicated to management of the bank, branches, corresponding divisions of the Central Head Office and regional banks. The Internal Control Service monitors how the problems are being solved.

## Remuneration of members of the bank's governing and control bodies

Developing the principles and criteria for determining the remuneration of members of the Supervisory Board, the CEO and Chairman of the Executive Board, and members of Sberbank's Executive Board is the responsibility of the Supervisory Board's Staff and Remuneration Committee. The decision to pay remuneration to members of the Supervisory Board is approved by the annual General Shareholders' Meeting.

## Remuneration of Executive Board members, the CEO and Chairman of the Executive Board

Remuneration and compensations are paid to members of the Executive Board in accordance with contracts signed by the CEO and Chairman of the Executive Board, and every Board member. Sberbank does not pay any commission or use any stock options for the remuneration of Board members.

<sup>9</sup> Cross-territorial service centres, Client Support Centres.

<sup>10</sup> Legislation on counteracting the legitimisation of the proceeds of crime (money laundering) and the financing of terrorism

There were no stock options, nor interest-free nor preferential loans issued to bank employees either in 2013, or in 2012, and no other indirect incentive schemes offered (such as insurance or credit-deposit programmes).

Seeking to reduce the costs of remuneration for Executive Board members, the Supervisory Board established:

- ▶ Basic salary thresholds for Executive Board members;
- ▶ Limits for bonus payments over the year that depend on the projects implemented and key performance indicators achieved by a Board member;
- ▶ Limits for the annual bonus paid as a percentage of Sberbank Group's net profit in accordance with International Financial Reporting Standards.

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These limits are stipulated in each board member's employment contract. Information on the value of payments to Executive Board members is regularly published on the Sberbank website as part of the bank's quarterly securities report.

For the year ended December 31, 2013, remuneration of Executive Board members comprised salaries and bonuses totalling RUB 3.2 bn (in 2012: RUB 2.4 bn).<sup>11</sup> The remuneration growth was due to an increase in the number of Board members from 13 on December 31, 2012, to 14 on December 31, 2013 (including the CEO and Chairman of the Executive Board). In addition, in 2013, the bank filled two vacant positions of the First Deputy Chairman of the Executive Board. The remuneration of Executive Board members is of a short-term nature.

### Remuneration of Supervisory Board members

As provided by Russian federal law No. 208-FZ, determining the remuneration and compensations for Supervisory Board members is the responsibility of the General Shareholders' Meeting.

Remuneration and compensation of expenses, related to Board membership, is paid to Supervisory Board members as established by the bank's Regulation on Remuneration and Compensation for Supervisory Board members of OJSC Sberbank of Russia, approved by the General Shareholders' Meeting on May 31, 2013.

The remuneration consists of a fixed part paid to a Supervisory Board member on the condition that, in the reporting period, he/she attended at least half of Supervisory Board meetings, and bonuses for committee chair or membership, and Supervisory Board chairmanship. As established by the above Regulation, in 2012 the remuneration paid to Supervisory Board members totalled RUB 61.3 mn (2011: RUB 55.8 mn).

No remuneration is paid unless consent is obtained from a Supervisory Board member, as required by Russian law.

### Remuneration for Statutory Audit Commission members

The decision to pay remuneration to members of the Statutory Audit Commission is adopted by the Annual General Shareholders' Meeting of OJSC Sberbank of Russia.

<sup>11</sup> According to IFRS

It is expected that, in 2013, the remuneration of Statutory Audit Commission members will remain unchanged from 2012, namely: RUB 1 mn for the Chairman of the Statutory Audit Commission and RUB 750,000 for every Commission member, subject to their consent, as required by Russian law.

As resolved by the Annual General Shareholders' Meeting held on May 31, 2013, the remuneration for Statutory Audit Commission members for 2012 totalled RUB 3.3 mn, remaining unchanged from 2011.

### Outstanding shares, share capital structure

Since privatisation in June 1991, the bank has placed 13 share issues among Russian and foreign investors, corporates and individuals. The bank's share capital totals RUB 67.76 bn comprising 21,586,948,000 ordinary shares and 1,000,000,000 preferred shares with a par value of RUB 3 each.

The principal shareholder is the Central Bank of the Russian Federation with a stake of 50% plus one voting share and 52.32% of voting shares.

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### Share capital structure

%	2013*	2012**
Bank of Russia	50.00	50.00
Foreign legal entities	43.52	44.05
Russian legal entities	2.52	2.30
Foreign individuals	0.01	0.01
Russian individuals	3.95	3.64

\*as of April 17, 2014

\*\*as of April 11, 2013

Sberbank is a public company. Its shares are in free float on the Russian stock market and its ADRs are traded in the London, Frankfurt and US stock markets on an OTC basis. Though the appetite of foreign investors for Russian stock markets declined in 1H 2013, Sberbank shares remained the most popular on Russian trading platforms: in 2013, the MICEX trading volume of Sberbank's ordinary and preferred shares exceeded RUB 2.2 trillion, or 35% of the entire MICEX trade volume, which is comparable to the total trade of major Russian «blue chips».

In 2013, the closing price of Sberbank's ordinary share (as of December 30, 2013) rose 9% to RUB 101.1, while the MICEX index grew only 2%. Over the reporting period, share dynamics demonstrated high volatility, affected both by global economic developments and material corporate events.



## Sberbank's share price and market capitalisation

	January 1, 2014	January 1, 2013
Ordinary share (MICEX), RUB per share	101.1	92.9
Preferred share (MICEX), RUB per share	80.0	67.3
MICEX Index, p.	1,504	1,475
RTS Index, p.	1,443	1,527
Market capitalisation (including preferred shares), USD bn	68.7	68.3

Source: Bloomberg

### Report on payment of declared and accrued dividends

As required by the Dividend Policy adopted by the Supervisory Board, Sberbank, starting with the dividend payment for 2011, intends to gradually bring dividend payments to 20% of net profits due to shareholders and established on the basis IFRS consolidated financial statements. The history of Sberbank's dividend payments for the latest two years is provided below:

Dividend year	Proportion of dividends to IFRS net profits	Share of RAS net profits used for dividend payments	Dividend per 1 ordinary share RUB	Dividend per 1 preferred share RUB	Total dividends, RUB thousand		Date of General Meetings of Shareholders that approved dividend payment
					Total dividends on ordinary and preferred shares RUB mn		
2011	15.0%	15.3%	2.08	2.59	47,491		01.06.2012
2012	16.9%	17.0%	2.57	3.20	58,678		31.05.2013

After the meeting on April 11, 2014 The Supervisory Board recommended General Shareholders' Meeting to approve dividends in the amounts of RUB 3.2 per ordinary and RUB 3.2 per preferred shares. The aggregate amount of dividends is equal to RUB 72.3 bn or 20% of IFRS net profit. The decision on dividends for 2013 will be taken at the annual General Shareholders' Meeting that is scheduled for June 6, 2014.

### Compliance with corporate governance code

The bank's management operates in accordance with applicable Russian law and the bank's Charter to comply with the norms and traditions of corporate behaviour, based on the best Russian and international standards and aimed at creating a positive image of the bank among its shareholders, clients, and employees. The bank is committed to introducing innovative technologies and approaches, while eliminating the practices that do not meet today's requirements.

Incorporated in Russia, the bank complies with the Code of Corporate Conduct recommended by the stock market authority in 2002 for the use by Russian joint-stock companies. Though the Code is of a non-regulatory nature, the bank fully complies with its material provisions including inter alia the listing of issuers on Russian stock exchanges: Sberbank's ordinary and preferred shares are on the highest MICEX quotation list.

The bank regularly notifies the exchange of compliance with corporate conduct requirements and submits supporting documents.

Among the measures taken to improve corporate governance in 2013, we note the following:

- ▶ The number of independent members of the Supervisory Board substantially exceeds the Code requirements;
- ▶ The General Shareholders' Meeting approved the approach to remunerating Supervisory Board members (we created a transparent and shareholder-friendly tool to control the activity and remuneration of the Board of Directors);
- ▶ The Supervisory Board approved new versions of the Information Disclosure Policy and Regulation on Supervisory Board Committees which incorporate the latest developments in applicable law, the requirements of supervisory and regulatory authorities, corporate governance practices, and internal needs of the bank.

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### **Investor relations**

In 2013, seeking to raise the information transparency and investment attractiveness, the bank:

- ▶ Held an Investor Day on international platforms in London and New York presenting the results of the bank's 2008-2014 Strategy (April 2013);
- ▶ Held a range of meetings with investors that helped Sberbank become the first among major Russian banks to issue Basel III subordinated eurobonds that provide for investor participation in possible losses with 10-year maturity, USD 1 bn value, and 5.25% of annual return (May 2013);
- ▶ Held a Strategy Day in London presenting Sberbank's Development Strategy to 2018 to investors (November 2013). To ensure the maximum coverage, the event was broadcast online;
- ▶ Held a number of meetings to promote the new Strategy among major investors from Europe and America (December 2013).

In addition, we had over 300 meetings with investment funds. The bank participated in 12 international investment conferences: Sberbank CIB, Barclays, Deutsche Bank, BoAML, JPM, Citi Bank, and others.

The annual surveys of Sberbank perception by leading international investors and analysts, which have been carried out since 2011, demonstrate continuous improvements in financial communication, information disclosure, presentation material, accessibility and recognition of the bank's management in the investment community, which positively affects the bank's equity story.

# Financial review

## Dynamics of Sberbank Group's key figures over the past five years in accordance with IFRS

### Statement of profit or loss

- ▶ General trends
- ▶ Net interest income
- ▶ Fee and commission income
- ▶ Provision charge for loan impairment
- ▶ Other operating income
- ▶ Operating expenses

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### Structure of Sberbank Group's assets under IFRS

- ▶ General trends
- ▶ Loans and advances to customers
- ▶ Credit quality
- ▶ Securities portfolio

### Structure of Sberbank Group's liabilities and equity under IFRS

- ▶ General trends
- ▶ Due to customers
- ▶ Debt securities in issue
- ▶ Equity

# Capital adequacy

## Dynamics of Sberbank Group's key figures over the past five years in accordance with IFRS

	2013	2012	Change, %	2011	2010	2009
<b>PER SHARE, RUB</b>						
Basic and diluted earnings	16.8	16.0	5.0%	14.6	8.4	1.1
Dividends per ordinary share declared during the year	2.6	2.1	23.8%	0.9	0.1	0.5
Net assets per ordinary share	87.2	75.2	16.0%	58.7	45.7	36.1
<b>FINANCIAL RATIOS, %</b>						
<b>Profitability ratios</b>						
Return on assets (ROA)	2.2	2.7	-0.5 pp	3.2	2.3	0.4
Return on equity (ROE)	20.8	24.2	-3.4 pp	28.0	20.6	3.2
Spread (yield on assets less cost of funds)	5.7	5.8	-0.1 pp	6.1	5.9	7.1
Net interest margin (NIM)	5.9	6.1	-0.2 pp	6.4	6.4	7.6
Operating expenses to operating income before provisions	46.6	49.0	-2.4 pp	46.4	40.9	34.1
Loans and advances to customers after provision for loan impairment to amounts due to individuals and corporate customers	107.2	103.1	4.1 pp	97.3	82.5	89.4
<b>Capital adequacy ratios</b>						
Core capital adequacy ratio (Tier 1 capital)	10.6	10.4	0.2 pp	11.6	11.9	11.5
Total capital adequacy ratio (Tier 1 and Tier 2 capital)	13.4	13.7	-0.3 pp	15.2	16.8	18.1
Equity to total assets	10.3	10.8	-0.5 pp	11.7	11.4	11.0
<b>Asset quality ratios</b>						
Non-performing loans to total loans outstanding	2.9	3.2	-0.3 pp	4.9	7.3	8.4
Provisions for impairment of loans and advances to customers to non-performing loans (times)	1.5	1.6	-0.1 pp	1.6	1.6	1.3
Provisions for impairment of loans and advances to customers to gross loans	4.5	5.1	-0.6 pp	7.9	11.3	10.7

# Statement of profit or loss

## General trends

Net profit under IFRS earned by Sberbank Group in 2013 increased to RUB 362 bn, up 4% y-o-y. Excluding the impact of DenizBank acquired by the Group in Q4 2012, the net profit decreased in 2013 by 1.6%.

The Group's net operating income before provisions increased in 2013 by 19.9% up to RUB 1.1 trillion driven mostly by net interest income and net fee income from the core banking business and acquisition of DenizBank. Excluding the impact of this acquisition, net operating income before provisions increased by 13.5%.

Operating expenses for 2013 slowed y-o-y and increased by 14% to RUB 514.6 bn. Excluding the impact of DenizBank, operating expenses for 2013 grew 8%.

In 2013, the provision charge for loan impairment rose to RUB 133.5 bn as compared to RUB 21.5 bn in 2012, of which RUB 16.9 bn were contributed by DenizBank. The significant increase in the provision charge was mainly driven by a gradual rise in the level of loan portfolio provisioning resulting from the completion of the post-crisis recovery.

## Net interest income

In 2013, the Group's interest income increased 27.8% to RUB 1.48 trillion. Excluding the impact of DenizBank, the growth amounted to 19.5%.

Most of this growth came from the expansion of the Group's loan portfolio, which supplied more than 80% of the growth in interest income with retail and corporate lending contributing approximately equally.

### Analysis of changes in interest income

RUB bn	Volume factor	Interest rate factor	Change in interest income
<b>ASSETS</b>			
Loans to legal entities	135.5	13.3	148.8
Loans to individuals	123.9	25.4	149.3
Due from banks, correspondent accounts and overnight placements with banks	5.9	(1.1)	4.8
Debt securities	23.1	(4.7)	18.4
Change in interest income	288.4	32.9	321.3

	2013			2012		
	Average amount for the year, RUB bn	Interest income, RUB bn	Average yield, %	Average amount for the year, RUB bn	Interest income, RUB bn	Average yield, %
Loans to legal entities	8 707,1	842.6	9.7%	7 284,8	693.8	9.5%
Loans to individuals	3 195,5	493.1	15.4%	2 348,9	343.8	14.6%
Due from banks, correspondent accounts and overnight placements with banks	801.5	11.5	1.4%	426.9	6.7	1.6%
Debt securities	1 913,6	131.4	6.9%	1 588,9	113	7.1%
Working assets, total*	14 617,7	1 478,6	10.1%	11 649,5	1 157,3	9.9%
Provision for loan impairment	(592,1)			(600,4)		
Non-interest-earning assets	2 124,7			1 650,3		
Total assets	16 150,3			12 699,4		

\*interest-earning assets

The increase in loan yields explains 12.0% of the total growth of interest income of the Group in 2013, with the yield on loans to individuals and legal entities contributing to a 7.9% and 4.1% of total increase in interest income, respectively.

### Quarterly loan yields



Interest expense increased 36.2% y-o-y to RUB 616.4 bn in 2013. Excluding the impact of DenizBank, interest expense grew 30.0%.

The main driver of the interest expense growth was the rise in the amounts due to individuals. This factor accounts for more than 30% of the increase in interest expense. The increase in amounts due to corporate customers contributed to a 16.8% rise in interest expense.

The increase in debt securities in issue, amounts due to banks and other borrowed funds has contributed to a RUB 46.5 bn upsurge in interest expense for 2013, or a 28.4% rise in total interest expense.

### Analysis of changes in interest expense

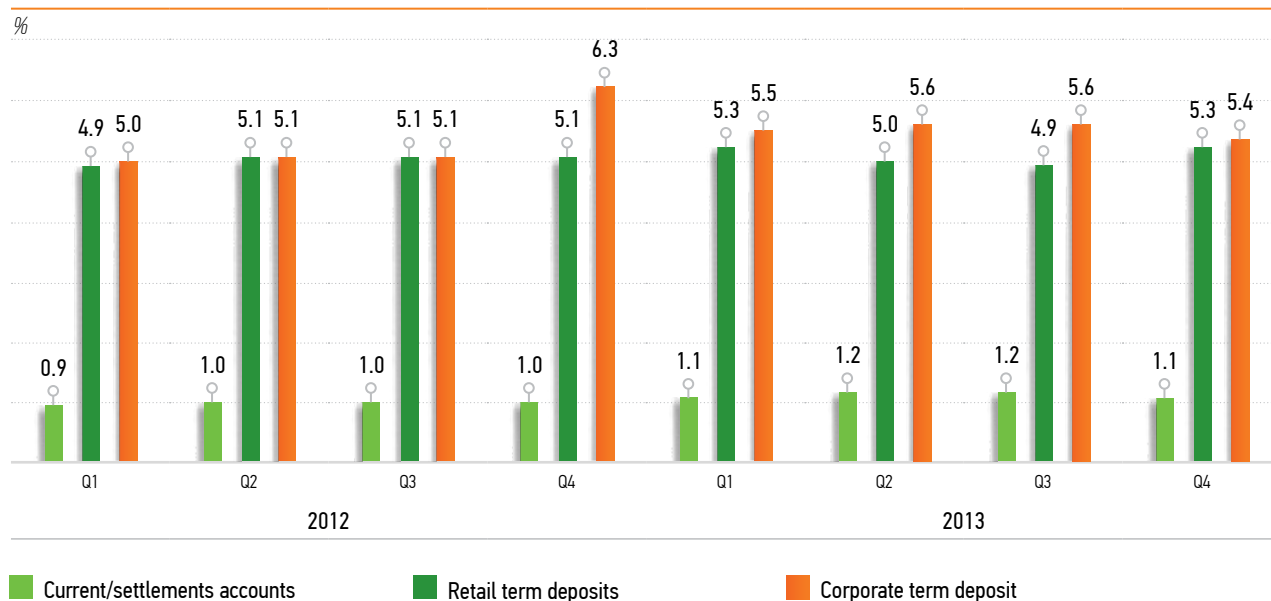
RUB bn	Volume factor	Interest rate factor	Change in interest expense
<b>LIABILITIES</b>			
Due to individuals	(52.7)	(28.4)	(81.1)
Due to corporate customers	(27.6)	(9.6)	(37.2)
Subordinated debt	(5.8)	1.6	(4.2)
Other borrowed funds	(5.1)	3.3	(1.8)
Debt securities in issue	(17.2)	(2.9)	(20.1)
Due to banks	(18.4)	(1.1)	(19.5)
Change in interest expense	(126.8)	(37.1)	(163.9)

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	Average amount for the year, RUB bn	Interest and similar expense, RUB bn	Average cost, %	Average amount for the year, RUB bn	Interest and similar expense, RUB bn	Average cost, %
Due to individuals	7 474,0	343.6	4.6%	6 244,5	262.5	4.2%
Due to corporative customers	3 491,2	127.7	3.7%	2 676,0	90.5	3.4%
Subordinated debt	419.0	25.1	6.0%	327.9	20.9	6.4%
Other borrowed funds	544.8	8.7	1.6%	313.2	6.9	2.2%
Debt securities in issue	815.7	45.2	5.5%	483.6	25.1	5.2%
Due to banks	1 293,9	66.1	5.1%	928.1	46.6	5.0%
Total liabilities	14 038,6	616.4	4.4%	10 953,3	452.5	4.1%

The rise in the cost of liabilities also contributed to the rise in interest expense of the Group. The increase in the cost of amounts due to customers contributed to a RUB 38 bn rise in interest expense, or 23.2% of the total increase in interest expense for the period, with the growth in the cost of amounts due to individuals being the main driver. The movement in other liabilities did not have a significant impact on interest expense of the Group.

### Quarterly cost of interest-bearing liabilities



In 2013, the net interest margin of the Group declined by 20 basis points y-o-y; however, it remained high at 5.9%.

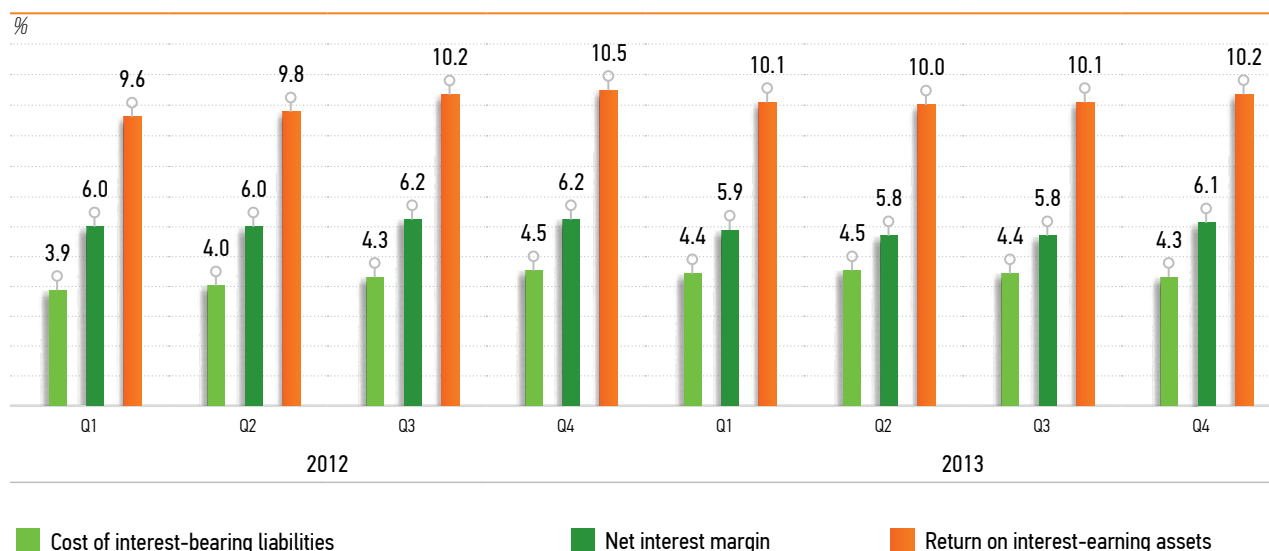
The main factors that negatively affected the margin were a reduction in the share of loans to legal entities in interest-earning assets and the rising ratio of interest-bearing liabilities to interest-earning assets. At the same time, the increase in loan yields was entirely offset by an increase in the cost of amounts due to customers.

### The following factors affected net interest margin in 2013

<b>2012 net interest margin</b>	<b>6.1%</b>
Return on loans to legal entities	0.1%
Return on loans to individuals	0.2%
Return on amounts due from banks	-
Return on securities	-
Structure of interest-earning assets	-0.1%
Cost of amounts due to corporate customers	-0.1%
Cost of amounts due to individuals	-0.2%
Cost of amounts due to banks	-
Cost of debt securities in issue and subordinated debt	-
Structure of interest-bearing liabilities	-
<b>Ratio of interest-earning assets to interest-bearing liabilities</b>	<b>-0.1%</b>
<b>2013 net interest margin</b>	<b>5.9%</b>



### Quarterly interest margin, %



### Fee and commission income and expense

The Group's net fee and commission income increased 29.4% to RUB 220.3 bn in 2013. Excluding the impact of DenizBank, the growth amounted to 24.1%.

The main driver of net fee and commission income growth were fees from bankcards operations, which increased 47.6% for the year to RUB 76.6 bn.

Cash and settlement transactions with individuals and legal entities increased 13.9% to RUB 109.6 bn in 2013.

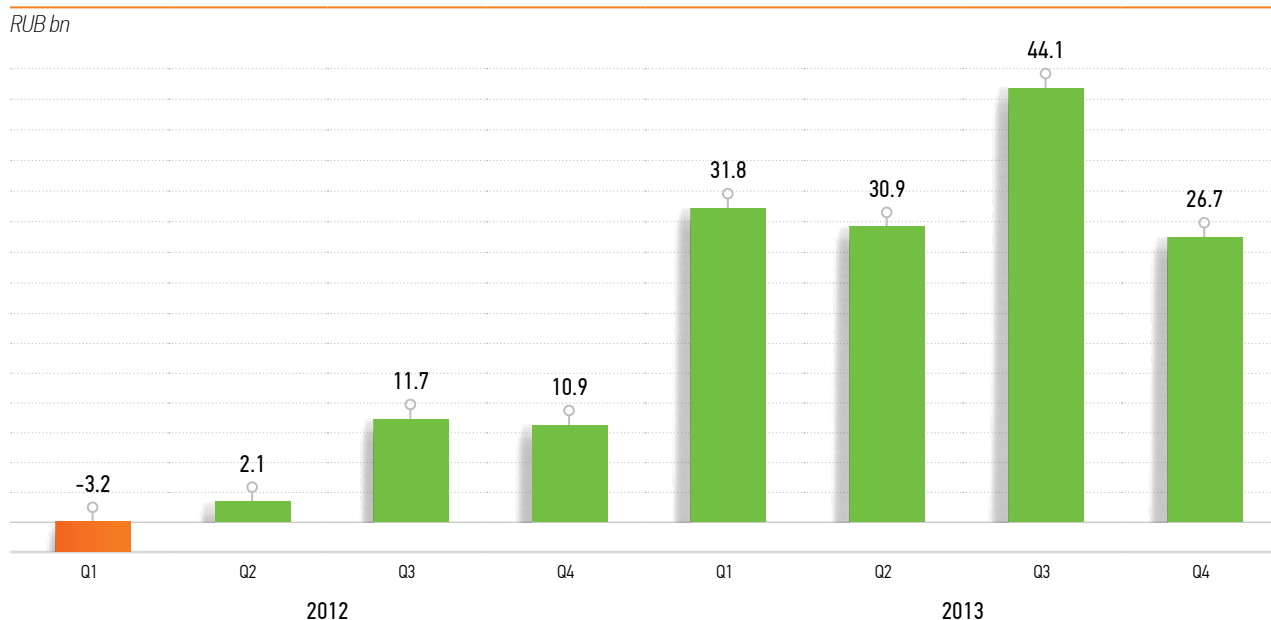
Agent commissions on selling insurance contracts and fees from issuing guarantees also delivered strong growth.

### Fee and commission income and expense

RUB bn	2013	2012	Change, RUB bn	Change, %
Bankcard operations	76.6	51.9	24.7	47.6%
Cash and settlements transactions with individuals	57.5	48.7	8.8	18.1%
Cash and settlements transactions with legal entities	52.1	47.5	4.6	9.7%
Agent commissions on selling insurance contracts	28.9	17.0	11.9	70.0%
Guarantees issued	10.0	7.3	2.7	37.0%
Operations with foreign currencies	3.8	5.2	-1.4	-26.9%
Cash collection	5.6	5.1	0.5	9.8%
Transactions with securities	3.4	2.6	0.8	30.8%
Other	6.9	3.9	3.0	76.9%
Fee and commission expense	-24.5	-18.9	-5.6	29.6%
<b>Net fee and commission income</b>	<b>220.3</b>	<b>170.3</b>	<b>50</b>	<b>29.4%</b>

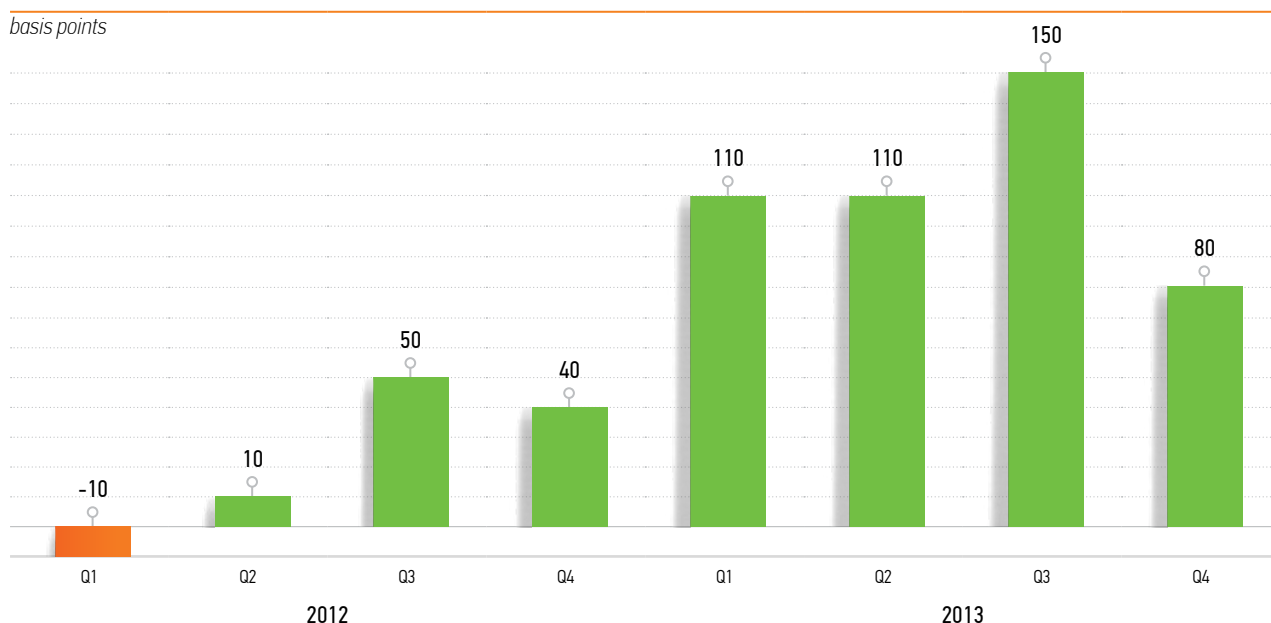
# Provision charge for loan impairment

## Provision charge for loan impairment



In 2013, the provision charge rose to RUB 133.5 bn as compared to RUB 21.5 bn in 2012, of which RUB 16.9 bn were contributed by DenizBank. The increase in the provision charge was driven by a normalisation of the level of loan portfolio provisioning resulting from the completion of the post-crisis recovery. This level of provisioning corresponds to the annual credit risk cost of 110 basis points.

## Quarterly credit risk cost



## Other operating income

Other operating income, which includes net gains arising from operations with securities and derivatives and from trading in foreign currencies declined by 53.4% in 2013., and totaled 1.9% of the aggregate net operating income of the Group.

The main reason underlying lower income was the sale in 2012-2013 of certain non-banking subsidiaries of the Group resulting in lower revenue from non-financial business activities.

### Operating expenses

In 2013, the operating expense growth slowed down to 14% from 32.1% in 2012. By far the largest increase of the Group's operating expenses came in staff costs (+16.1%), operating lease expenses (+49.6%) and other taxes (+27.5%).

The growth in operating expenses is attributable mostly to consolidating DenizBank in the financial statements of the Group (44% of the aggregate increase). Excluding the impact of DenizBank, the growth amounted to 8%. The share of the Group's subsidiaries in operating expenses increased by 4 percentage points y-o-y to 18%.

As the income of the Group outpaced its expenses, the ratio of operating expenses to operating income before provisions dropped significantly in 2013 by 2.4 percentage points to 46.6%.

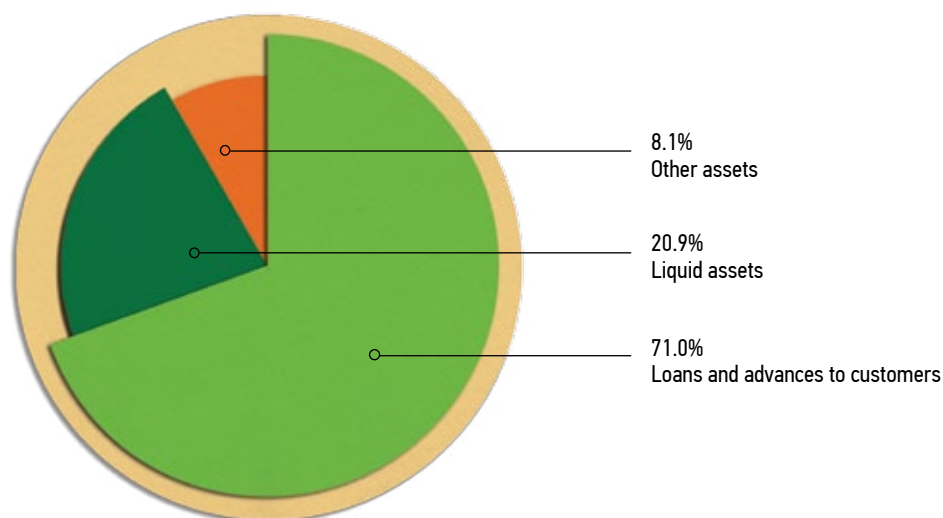
<b>RUB bn</b>	<b>2013</b>	<b>2012</b>	<b>Change, RUB bn</b>	<b>Change, %</b>
Staff costs	285.3	245.8	39.5	16.1%
Depreciation of premises and equipment	54.5	51.8	2.7	5.2%
Repairs and maintenance of premises and equipment	31.8	29.8	2.0	6.7%
Administrative expenses	29.7	30.7	- 1.0	-3.3%
Taxes other than on income	24.6	19.3	5.3	27.5%
Operating lease expenses for premises and equipment	17.5	11.7	5.8	49.6%
Telecommunication expenses	16.6	19.1	- 2.5	-13.1%
Amortisation of intangible assets	14.4	10.8	3.6	33.3%
Advertising and marketing services	12.7	9.6	3.1	32.3%
Consulting and assurance services	9.2	7.3	1.9	26.0%
Other	18.3	15.5	2.8	18.1%
<b>Total operating expenses</b>	<b>514.6</b>	<b>451.4</b>	<b>63.2</b>	<b>14.0%</b>

# Structure of Sberbank Group's assets

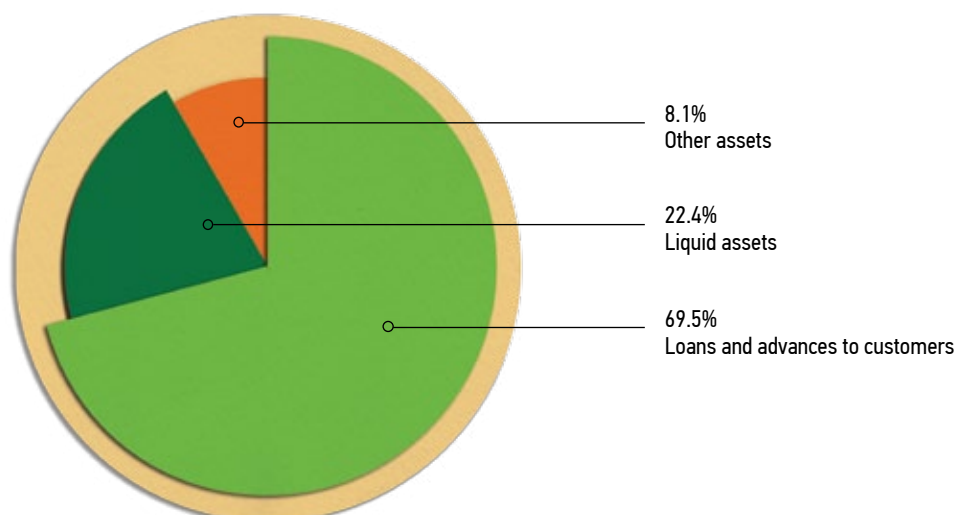
The Group's assets increased by 20.6% to RUB 18.2 trillion in 2013. Loans and advances to customers remained the largest asset class, comprising 71% of total assets as of the 2013 year-end. The proportion of liquid assets—comprising cash and cash equivalents, due from banks and the securities portfolio—amounted to 20.9%.

The securities portfolio increased by RUB 171.5 bn to RUB 2.1 trillion at the 2013 year-end. The portfolio comprised mostly bonds and is primarily used for liquidity management.

## 2013



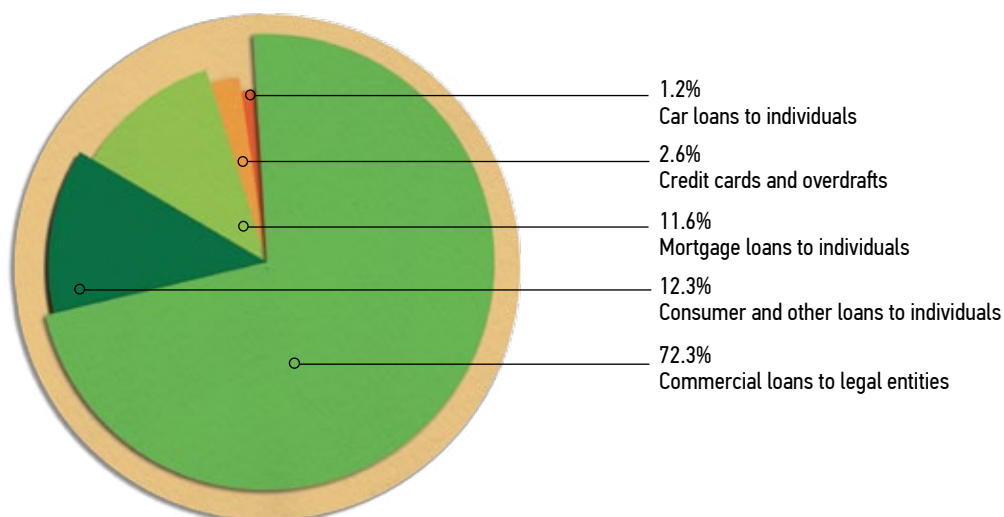
## 2012



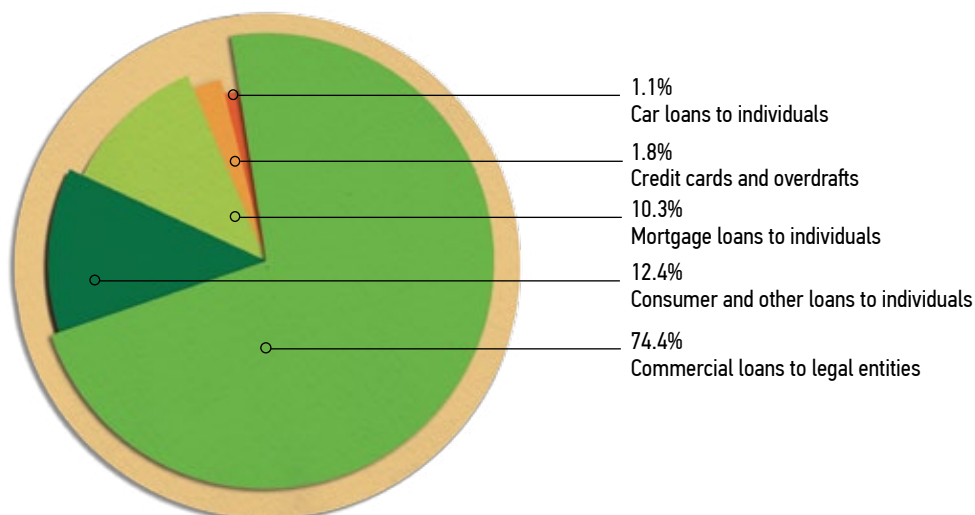
### Loans and advances to customers

The Group's total gross loan portfolio increased 22.4% y-o-y to RUB 13.5 trillion. The main driver underlying the growth in the loan portfolio were loans to individuals, which increased by 32.1% in 2013 versus a 19.1% growth in loans to legal entities. As a result, loans to individuals increased by 2.1 percentage points to 27.7% of total gross loans.

#### 2013



#### 2012



The retail portfolio expanded by 32.1% y-o-y to RUB 3.7 trillion. The structure of the loan portfolio shifted towards mortgage loans, which increased in 2013 by 1.3 percentage points to 11.6% of total gross loans.

	2013		2012	
	RUB bn	% of total	RUB bn	% of total
Commercial loans to legal entities	6,223.9	46.0%	5,281.5	47.8%
Specialized loans to legal entities	3,572.1	26.3%	2,946.3	26.6%
Consumer and other loans to individuals	1,672.8	12.3%	1,371.5	12.4%
Mortgage loans to individuals	1,569.0	11.6%	1,143.4	10.3%
Credit cards and overdrafts	349.0	2.6%	198.2	1.8%
Car loans to individuals	157.2	1.2%	123.4	1.1%
<b>Total loans and advances to customers before provision for loan impairment</b>	<b>13,544.0</b>	<b>100.0%</b>	<b>11,064.30</b>	<b>100.0%</b>

The portfolio of loans to legal entities expanded by 19.1% y-o-y to RUB 9.8 trillion. In 2013, the Group successfully increased underwriting of loans to all categories of clients, especially in the SME segment. These efforts resulted in a decline of exposure to the Top 20 clients from 19.3% of the total portfolio of loans to legal entities in 2012 to 18.5% as of 2013 year-end.

#### Credit quality

The provision coverage of the total gross loan portfolio declined from 5.1% to 4.5% in 2013. In 2013, the proportion of NPL90+ (non-performing loans with principal or interest payments overdue more than 90 days) in the total loan portfolio of the Group declined to 2.9% as compared to 3.2% in the previous year.

The provision coverage of restructured loans remained at a comfortable level above 150% in 2013.

In 2013, loans written off against the provision amounted to RUB 89.5 bn versus RUB 118.6 bn in the previous year.

#### Securities portfolio

The securities portfolio of the Group consists of bonds by 97.3% and is used for liquidity management.

The proportion of equities in the portfolio decreased by 1.3 percentage points to 2.6% by the 2013 year-end. Corporate bonds reached 33.1% of the total portfolio as of end 2013, which represents an increase of 0.6 percentage points. The share of investment-grade papers in this category increased to 59.8% (versus 52.5% in 2012).

During 2013, the share of securities pledged under repo transactions increased to 62.8% of the total portfolio from 48.2% in 2012. Most of these transactions are with the Bank of Russia.

## Securities portfolio breakdown

<b>RUB bn</b>	<b>2013</b>	<b>% of total</b>	<b>2012</b>	<b>% of total</b>
Federal loan bonds (OFZ bonds)	946.1	44.2%	783.9	39.8%
Corporate bonds	707.9	33.1%	641.6	32.5%
Foreign government bonds	169.5	7.9%	205.0	10.4%
Russian Federation Eurobonds	139.6	6.5%	141.7	7.2%
Municipal and subfederal bonds	120.0	5.6%	117.9	6.0%
<b>Total debt securities</b>	<b>2,083.1</b>		<b>1,890.1</b>	
Corporate shares	55.1	2.6%	76.5	3.9%
Investments in mutual funds	3.0	0.1%	3.1	0.2%
<b>Total securities</b>	<b>2,141.2</b>	<b>100.0%</b>	<b>1,969.7</b>	<b>100.0%</b>

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## Bond portfolio by credit rating

	<b>2013</b>	<b>% of total</b>	<b>2012</b>	<b>% of total</b>
Investment rating	1,719.4	82.5%	1,514.2	80.1%
Speculative rating	310.5	14.9%	331.0	17.5%
Not rated	53.2	2.6%	44.9	2.4%
<b>Total debt securities</b>	<b>2,083.1</b>	<b>100.0%</b>	<b>1,890.1</b>	<b>100.0%</b>

# Structure of Sberbank Group's liabilities and equity under IFRS

## General trends

The Group's liability structure is dominated by amounts due to individuals and corporate customer totaling RUB 12.1 trillion, or 73.9% of total liabilities as of end 2013.

In 2013, the Group increased borrowings from banks by RUB 659 bn (up 45.4% y-o-y); 61.3% of this incremental addition is attributable to repo operations mainly with the Central Bank of Russia.

## Customer Deposits

Amounts due to customers increased 18.5% to RUB 12.1 trillion in 2013. Last year, the growth in amounts due to individuals outpaced the growth in amounts due to corporate customers thus increasing by 1.3 pp to 69.9% of total amounts due to customers.

In 2013, amounts due to individuals grew 20.8% to RUB 8.4 trillion, with the Q4 seeing a record inflow of RUB 842.7 bn (versus RUB 479.4 bn in Q4 2012). The share of current accounts in total amounts due to individuals reached 20.7% by end 2013.

### Breakdown of amounts due to customers

	December 31, 2013		December 31, 2012	
	RUB bn	% of total	RUB bn	% of total
<b>Due to individuals</b>				
– Current/demand accounts	1,748.4	14.5%	1,401.1	13.8%
– Term deposits	6,687.4	55.4%	5,582.1	54.8%
<b>Total due to individuals</b>	<b>8,435.8</b>	<b>69.9%</b>	<b>6,983.2</b>	<b>68.6%</b>
<b>Due to corporate customers</b>				
– Current/settlement accounts	1,663.5	13.8%	1,229.1	12.1%
– Term deposits	1,964.9	16.3%	1,967.0	19.3%
<b>Total due to corporate customers</b>	<b>3,628.4</b>	<b>30.1%</b>	<b>3,196.1</b>	<b>31.4%</b>
<b>Total</b>	<b>12,064.2</b>	<b>100.0%</b>	<b>10,179.3</b>	<b>100.0%</b>



## Debt securities in issue

The RUB 161.7 bn expansion of debt securities in issue in 2013 was more than 70% driven by a RUB 117.3 bn increase in savings certificates.

RUB bn	December 31, 2013	December 31, 2012	Change, RUB bn	Change, %
Savings certificates	344.5	227.2	117.3	51.6%
Loan participation notes issued under the MTN programme	324.9	291.6	33.3	11.4%
Promissory notes	74.7	110.1	(35.4)	-32.2%
Bonds issued	59.4	44.3	15.1	34.1%
Notes issued under the ECP programme	46.9	16.1	30.8	191.3%
Structured notes	1.4	2.3	(0.9)	-39.1%
Other debt securities issued	1.6	0.1	1.5	1500.0%
<b>Total debt securities in issue</b>	<b>853.4</b>	<b>691.7</b>	<b>161.7</b>	<b>23.4%</b>

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## Equity

In 2013, the Group's equity increased 16% to RUB 1.88 trillion. The increase is attributed to the capitalisation of profit earned in 2012.

RUB bn	December 31, 2013	December 31, 2012	Change, RUB bn	Change, %
Share capital	87.7	87.7	—	0%
Treasury shares	(7.2)	(7.6)	0.4	-5%
Share premium	232.6	232.6	—	0%
Revaluation reserve for office premises	75.8	79.0	(3.2)	-4%
Fair value reserve for investment securities available for sale	1.3	37.3	(36.0)	-97%
Foreign currency translation reserve	(13.7)	(4.7)	(9.0)	191%
Retained earnings	1,495.2	1,186.7	308.5	26%
Total equity attributable to shareholders of the bank	1,871.7	1,611.0	260.7	16%
Non-controlling interest	9.7	12.8	(3.1)	-24%
<b>TOTAL EQUITY</b>	<b>1,881.4</b>	<b>1,623.8</b>	<b>257.6</b>	<b>16%</b>

## Capital adequacy

	<b>2013</b>	<b>2012</b>
<b>Tier 1 capital</b>		
Share capital	87.7	87.7
Share premium	232.6	232.6
Retained earnings	1,495.2	1,186.7
Treasury shares	-7.2	-7.6
less Goodwill	-20.2	-25
<b>Total Tier 1 capital (main capital)</b>	<b>1,788.1</b>	<b>1,474.4</b>
<b>Tier 2 capital</b>		
Revaluation reserve for premises	75.8	79
Fair value reserve for investment securities available for sale	0.6	16.8
Foreign currency translation reserve	-13.7	-4.7
Subordinated capital	420.1	382.7
less Investments in associates	-4.4	-8.6
<b>Total Tier 2 capital</b>	<b>478.4</b>	<b>465.2</b>
<b>Total capital</b>	<b>2,266.5</b>	<b>1,939.6</b>
<b>Risk weighted assets (RWA)</b>		
Credit risk	16,397.1	13,693.1
Market risk	550	452.5
<b>Total risk weighted assets (RWA)</b>	<b>16,947.1</b>	<b>14,145.6</b>
<b>Core capital adequacy ratio (Total Tier 1 capital to Total RWA)</b>	<b>10.6</b>	<b>10.4</b>
<b>Total capital adequacy ratio (Total capital to Total RWA)</b>	<b>13.4</b>	<b>13.7</b>

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In 2013, the core capital adequacy ratio increased to 10.6%, with capitalisation of profits being the major source of the increase.

The total capital adequacy ratio reached 13.4%. The Group's capital adequacy ratio is well above the Basel committee minimum requirements (8%).

# **Corporate Social Responsibility 2013**

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# 1. Approach to corporate social responsibility

## 1.1 Mission, development strategy and corporate social responsibility

In 2013, Sberbank adopted its *Development Strategy for 2014–2018* to formulate long-term development goals for the Group. Following a review of current and prospective developments in financial and business environment, opportunities, threats, and challenges that the Group faces, we have laid down ambitious financial and quality objectives that will make it possible to strengthen our position of a leading and sustainable financial institution on international markets. This goal achievement would be impossible if we continue doing business as a matter of routine. Our mission, which we set up five years ago, defines the very sense of our existence. It explains why what we do is important, not only for ourselves, but for the entire community including our clients and society as a whole.

In this regard, the Group's corporate social responsibility (CSR) is one of the integral parts of our identity which connects our mission and strategy. CSR must become an important component of what we call a «mature organisation», that is a technological, organisational, and managerial preparedness of the company to handle challenges of any scope or complexity. Our goal is to become a region-leading company in the sphere of corporate social responsibility.

Sberbank Group's Development Strategy is based on implementing five key themes of strategic development. Although all of them arise from our commitment to reach our business targets, everyone will win in this case—every stakeholder with whom we interact in the course of implementing our goals. Managing stakeholder relationships, finding the areas that may bring positive results for all those concerned is, in fact, the primary goal of Sberbank Group's corporate social responsibility policy.

**Table 1 Contribution of the Group's strategic development key themes for 2014-2018 in meeting stakeholder needs**

	<b>Clients</b>	<b>Employees</b>	<b>Society and local communities</b>	<b>Shareholders and investors</b>	<b>Government</b>
<b>With our customers for life</b>	<p>Using state-of-the-art, useful and profitable financial products and services to achieve personal and corporate goals and commitments</p> <p>Obtaining better experience in client-bank communication, proactive approach to meeting customer needs and expectation</p> <p>Availability of financial services at any place, any time, and in any efficient manner</p> <p>New fee-based and non-banking products</p> <p>Packaging and combining products to meet individual client needs</p> <p>Product simplicity and user friendliness</p>		<p>Accessibility of financial infrastructure</p> <p>Enhancing financial literacy</p> <p>Improving life quality</p>	<p>Raising long-term earnings, improving financial stability</p>	<p>Contributing to national economic development</p> <p>Efficient budget cycle</p>
<b>Team and culture</b>	<p>Improving quality service in the process of interacting with bank employees ("All for the customer" is among the bank's corporate values)</p>	<p>Developing professional, leadership and technical skills</p> <p>Renovated value-focused corporate culture</p> <p>Best workplace conditions and value offered to people of different generations and ambitions</p> <p>Engagement in developing and improving the bank's operations</p> <p>"Quality Mark" for any employer anywhere in the world</p>	<p>Responsible and reliable employer in local labour markets</p>	<p>Securing sustainable development of the bank, irrespective of appointment/dismissal of individual managers</p>	
<b>Technological breakthrough</b>	<p>Safety of banking products and transactions</p> <p>Protection of personal data</p> <p>Availability, simplicity and safety of remote channels</p>	<p>Automation of routine procedures, saving time for complex transactions/sales, improving business processes, and self-development</p> <p>Efficient interaction between operational units</p>	<p>Creating innovative businesses in the areas of operation</p>	<p>Improving operating performance of banking processes</p>	<p>Reliability and development of financial infrastructure</p>

	<b>Clients</b>	<b>Employees</b>	<b>Society and local communities</b>	<b>Shareholders and investors</b>	<b>Government</b>
<b>Financial performance</b>		Adequate remuneration and social package	Reducing environmental impact via improving resource efficiency  Maintaining/increasing charity and sponsorship contributions due to financial sustainability	Improving financial performance  Best equity ratios  Costs optimisation and reduction  Higher earnings	Increased tax payments  Positive impact on the national economy and soundness of the banking system
<b>Mature organisation</b>		Engagement in technological management and improvement via developing Sberbank Production System (SPS), crowdsourcing, and the innovative platform "Ideas Exchange"	Socially-responsible financial institution achieving its business goals, focused on public interests	Transparency and efficiency of corporate governance  Improving the bank's competitiveness via the synergy effect from all businesses	Certain management technologies introduced by the bank may be used in the federal government system (with support from the bank)

## 1.2 Approach to managing the Group's corporate social responsibility

### CSR management system at Sberbank Group

Sberbank is moving fast to become one of the largest financial institutions in the world. We continue building a diversified international group that unites banks in Turkey, three CIS member states, nine countries of Central and Eastern Europe, representations in Germany and China, and a branch in India, as well as businesses in various segments of the Russian market.

Now the Group is developing integration processes aimed at introducing a common approach to management. They include the issues closely related to corporate social responsibility: HR management, charity and sponsorship activity, compliance risk management, anticorruption effort, and decreasing environmental impact.

In 2012, the bank adopted the CSR Policy that defines goals and priorities, and regulates CSR management.<sup>1</sup> The policy also defines general principles and requirements for managing various CSR aspects by subsidiary banks and affiliated companies, while the latter will set their own priorities and implement CSR projects. The principles for managing various CSR aspects will be fixed in internal regulations of the subsidiary banks and affiliated companies.

<sup>1</sup> The system of CSR management is described in detail in the Corporate Social Responsibility Policy of OJSC Sberbank of Russia.



**Table 2 CSR management systems at Sberbank Group (availability of internal regulations)<sup>2</sup>**

	<b>Business ethics and human rights</b>	<b>Human resources management</b>	<b>Sponsorship and charity</b>	<b>Compliance and corruption control</b>	<b>Reduction of environmental impact</b>
Sberbank	✓	✓	✓	✓	✓
<b>Subsidiary banks</b>					
DenizBank	✓	✓		✓	
Sberbank Europe	✓	✓	✓	✓	✓
BPS-Sberbank	✓	✓	✓	✓	✓
Sberbank Kazakhstan	✓	✓	✓	✓	
Sberbank Ukraine	✓	✓	✓	✓	
Cetelem Bank	✓	✓		✓	
<b>Affiliated companies</b>					
Sberbank Technologies	✓	✓		✓	
Sberbank Leasing	✓	✓		✓	
Sberbank Private Pension Fund	✓	✓		✓	
Yandex.Money	✓	✓		✓	
Sberbank Insurance	✓	✓		✓	
KORUS Consulting	✓	✓			
Sberbank-AST	✓	✓		✓	✓
Corporate University	✓				
Business Environment		✓			

✓ This means that management systems are well developed in this field.

Most subsidiary banks and affiliated companies have well developed HR management systems and regulated processes in the fields related to business ethics and the observance of human rights. Sberbank is committed to continuously improve management practices of Group members in other fields too. In 2014, for example, many subsidiary banks and affiliated companies of the Group plan to introduce anticorruption policies. In addition, compliance risk policy and management process will become a mandatory requirement for all members of Sberbank Group.

## 1.3 Stakeholder engagement

Stakeholder engagement in handling economic, social and environmental issues creates the basis for defining CSR priorities for the Group.<sup>3</sup> Therefore, we continue to develop new and improve current communication channels. Continuous use of various feedback tools remains our core priority as they enable us to discover changes in stakeholder needs on time to make right managerial decisions.

<sup>2</sup> According to the Report boundary, see About the Report section

<sup>3</sup> Stakeholder details are provided in the Corporate Social Responsibility Policy of OJSC Sberbank of Russia.

**Table 3 Principal feedback tools**

	<b>Tool</b>	<b>Description</b>	<b>Coverage</b>	<b>Results 2013</b>
Clients	Client satisfaction research	A system of research designed to evaluate client satisfaction with the quality of service: client satisfaction and loyalty polls; Mystery Calling research; evaluating the level of comfort of systems and processes used by customer service outlets.  At Sberbank, this also includes customer satisfaction index, and the comprehensive research system called «Client Voice».	Sberbank, all subsidiary banks	page 80
	Client complaint management	A system designed to process and review client requests and complaints received via various channels, including call centre, website, social networks, books of comments and suggestions available at customer service outlets, and personal appointments with CSO executives.  Sberbank has also developed and introduced the Central Automated Client Complaint Management System (CACCMS).	Sberbank, all subsidiary banks	page 77
Employees	Employee satisfaction research	Employee polls designed to evaluate the level of employee motivation and satisfaction with labour conditions, and to identify critical issues.	Sberbank, all subsidiary banks and affiliated companies	page 92,93
	Internal Client Voice	Anonymous online poll designed to identify the level of employee satisfaction with the bank's internal processes and services.	Sberbank	page 93
	Hot line with the President	Annual hot line (live videoconference) with Sberbank CEO and Chairman of the Executive Board.	Sberbank, all subsidiary banks and affiliated companies	page 67
Society	Mass Media Review	Daily/weekly monitoring of mass media in the areas of operation and across the world wide web to prepare analytical reports for top managers.  At Sberbank, this also includes daily monitoring of unfavourable comments in mass media and complaints to supervisors from dissatisfied clients.	Sberbank, subsidiary banks and affiliated companies	page 67
	Crowdsourcing platform	An online platform designed to involve an unlimited number of participants in developing critical solutions.	Sberbank	page 66
Investors	Perception study	Questionnaires and phone interviews with investment analysts and institutional investors to obtain an unbiased picture of how key investors perceive the bank.	Sberbank	

### Discussion of the bank's Annual Report 2012 on the crowdsourcing platform

In 2013, Sberbank continued to use the crowdsourcing technology to involve a large number of participants in discussing critical issues. The bank's management makes it a rule to involve local communities in making managerial decisions, seeking ideas, optimising operations, developing instructions and regulations.

In 2013, the crowdsourcing platform *www.sberbank21.ru* was used to implement a number of projects including the «Retail Office: Comfort and Quality Service», «Public Discussion of Sberbank's CSR Report 2012», and «Sberbank Development Strategy for 2014-2018» which attracted 15,000 participants. In total, the bank's crowdsourcing projects involved more than 20,000 people in 2013.

In addition, last year Sberbank introduced the rule of mandatory crowdsourcing evaluation of internal regulations. In 2013, the crowdsourcing technology was used to evaluate 31 documents, which generated 5,700 proposals and 9,100 comments.

## Results of the public discussion of Sberbank's Corporate Social Responsibility Report 2012

The discussion was held in autumn 2013. In total, the project involved 2,700 people including not only the bank's employees but also CSR experts, non-profit organisations, economists, experts in international economic relations, business consultants, and clients. The project generated 778 proposals, 3,595 comments, and 13,940 scores. The most critical issues were:

- ▶ improving quality service and reducing queue;
- ▶ socially-oriented products;
- ▶ sponsorship and charity;
- ▶ personnel training;
- ▶ ensuring the availability of financial services.

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### Hot line with Herman Gref

In 2013, a live video and audio conference was arranged, which was also broadcast online and in text form in Twitter, in Russian and in English, in all areas of operation. In total, the hot line attracted 135,771 people, nearly five times as many as in 2012.

Herman Gref received 1,230 questions, most of which concerned the bank's development strategy, remuneration and motivation, social programmes, and banking products.

All answers are published on the President's page on the bank's internal portal. The feedback from experts and employees proposed mostly to increase the number of questions and answers, and to hold the hot line more frequently than once a year.

### Key Sberbank-related issues covered by mass media in 2013

Issue (in the order of priority)	Content	Comments
Mortgage products of the banks	Reducing interest rates on mortgage loans	Lower mortgage rates reflect the bank's commitment to expand households' access to this type of financial service
Increasing Sberbank's interest in Cetelem Bank and Yandex.Money	The reasons for increasing Sberbank's interest in these companies	The need in this acquisition was created by the diversification of the bank's product range. The deal helped Sberbank strengthen its position in important segments of the retail banking market
Sberbank's strategy for 2014-2018	Highly spread stakeholder interest in the bank's long-term development plans	The Strategy was approved by Sberbank's Supervisory Board in November 2013. Upon publication, it was widely covered by Russian and foreign mass media. The Strategy was also published on the bank's web-site. On November 14, the Strategy was presented to investors in London
Supervisory Board activity	The process for electing the bank's Supervisory Board	Public coverage of the results of the Board activity, including the appointment of Sergei Guriev, enabled us to create clear and unbiased expectations, on the part of investors and clients, regarding the bank's development prospects
Construction of Olympic facilities	Extended construction of the OJSC Krasnaya Polyana project where Sberbank is among investors	The bank took an active part in the construction of Olympic facilities and financial support for the Sochi Olympic Games. The publications were of a reporting nature, providing maximum information about the bank's effort to complete the construction on time

Issue (in the order of priority)	Content	Comments
Incidents of fraud related to the bank	As a result of fraudulent action with 5,000 notes, Sberbank's system was injected with several million fake roubles	Sberbank has implemented a comprehensive programme designed to enhance its security. In response to fraud, the bank toughened its security arrangements. For example, Sberbank's ATMs were equipped with improved cash acceptors

#### Primary areas of concern of the bank's employees in 2013<sup>4</sup>

Issue (in the order of priority)	Content	Comments
Compensation Policy	Compensation compliance with market levels, inflation adjustments	On April 1, 2014, the bank plans to increase compensation for common service staff (CSS), which make up 56% of its total workforce. The increased compensation will correspond to market levels. Individual increases will depend on the employee's qualification, performance and the position of his/her current compensation within the compensation range
Voluntary Medical Insurance (VMI)	New approach to the employee VMI system	Since January 1, 2014, VMI has become free for the employees that have more than one year' service at the bank (see details on page 95)
Long-service award policy	Withdrawing annual longevity pay	We have changed our approach to employee compensation: we no longer pay for being present on the workplace, we seek to pay for high performance and efficiency. The long-service award is socially unfair in respect of the employees that have recently joined, but perform well. Therefore, in 2013 the long-service award will be paid for the last time. Still, we value the employees that have stayed with the bank for a long time. In 2010, we introduced a new Corporate Pension Plan which provides incentives for the employees to foster long-term relationships with the bank
"5+" individual performance scoring system	Subjective judgement of the immediate manager affecting employee final performance score.	In 2013, we continued improving the system based on detailed structuring of the assessment process and developing clear and transparent assessment criteria, with the main focus on self-assessment and feedback from the immediate manager. This makes the entire motivation system more transparent, enabling both the employee and the manager to discuss critical issues and identify the areas for professional and individual growth. In 2014, we plan to introduce material changes to the "5+" system connected with the new model of competencies and values ("I am a leader", "We are a team", "All for the customer"). The evaluation criteria will become more transparent, clear and specific

<sup>4</sup>Source: Top FAQs via CEO hotline (December 2014), special Compensation Issues e-mail account (oplata-truda@sberbank.ru), feedback link from the Employees page on the intranet portal, and employee forum on internal web-portal.

## 2. Contributing to economic development

Sberbank Group contributes to economic development of the countries of operation primarily in the form of improving availability of financial services for households, business, municipal and federal governments. Our main objective is to ensure that everyone has the opportunity to use Sberbank's service: everyone who trusts our financial institution, and seeks to use our services to raise the quality of life, start his/her own business, develop a large business, or improve local infrastructure. To handle this task in the most efficient way, we continue to improve the quality of service, raise the security of banking transactions, and introduce state-of-the-art tools for managing banking business.

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### 2.1 Ensuring availability of financial services

#### Developing branch network

In 2013, we continued to manage our network on the basis of the new geomarketing technology, which means that customer service outlets (CSOs) are created and developed in the locations with the highest client concentration. Our goal is to ensure that our offices are conveniently located for most clients and bring our services closer to their homes, jobs, or studies.

Modern geomarketing technology enables us to analyse large information files from various regions of Russia including our operating outlets, competitor offices, urban infrastructure facilities, population density, and pedestrian traffic. This information makes up the basis for modelling optimal office locations convenient for most clients. As a result, in 2013 we opened 514 new CSOs, moved more than 580 CSOs to other more convenient locations, and closed 1,009 CSOs. In urban areas, we closed 379 outlets that did not comply with the approved geomarketing criteria in terms of location, or did not meet the standards of premises' conditions required by the Branch Network Reformatting programme. In rural areas, 630 CSOs were closed primarily for objective reasons, including unsatisfactory or critical condition of buildings<sup>5</sup>.

To replace the CSOs closed in remote areas, we open mobile banking units, with a 27% growth in 2013 compared to 2012. In addition, if it is technically possible, we install self-service machines in rural areas that enable our clients to perform the transactions they need. In 2013, we installed 623 ATMs and 214 payment terminals in rural areas. Remote channels such as Mobile Bank and Sberbank OnLine, also contribute to expanding the household access to banking services.

**Table 4 Development of Sberbank's service channels in Russia**

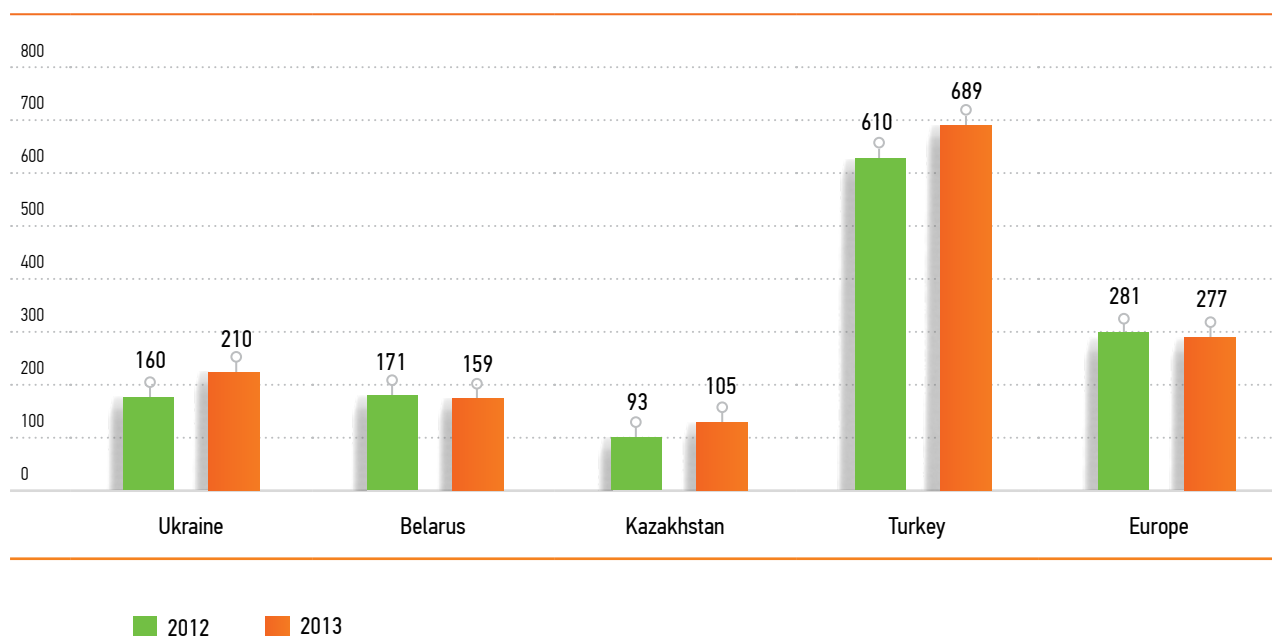
	01.01.2012	01.01.2013	01.01.2014	Growth in 2013
<b>Offices in Russia, units</b>	19,249	18,588	17,976	<b>-3%</b>
including customer service outlets, units	18,727	18,377	17,882	<b>-3%</b>
including underdeveloped and low-populated areas	18.13%	17.25%	16.86%	<b>-2.3%</b>

<sup>5</sup> Provided that no alternative office premises are available at a given location.

	01.01.2012	01.01.2013	01.01.2014	Growth in 2013
<b>ATMs, units</b>	34,490	44,600	51,900	<b>16.4%</b>
including underdeveloped and low-populated areas	11.99%	11.78%	12.30%	<b>4%</b>
<b>Payment terminals, units</b>	21,550	29,380	34,780	<b>18.4%</b>
including underdeveloped and low-populated areas	12.17%	12.20%	12.52%	<b>3%</b>
<b>Mobile Bank, thousands of active users</b>	5,411	10,035	14,918	<b>48.7%</b>
<b>Sberbank OnLine, thousands of active users</b>	2,412	5,823	9,347	<b>60.5%</b>

In 2013, the branch network of subsidiary banks expanded in Ukraine, Kazakhstan, and Turkey. In total, at the end of 2013 there were 1,440 customer service outlets outside Russia, including 118 CSOs located in low-populated, or economically disadvantaged areas, in the countries of the Group's operation.

**Fig. 1 CSOs development by subsidiary banks**



**Table 5 The proportion of CSOs of Sberbank and subsidiary banks located in low-populated or economically disadvantaged areas<sup>6</sup>**

Russia	Europe	Ukraine	Belarus	Kazakhstan	Turkey
16,9%	24,6%	5.7%	6.0%	15.2%	no data

DenizBank operates the second largest network among Turkish banks, with CSOs located in every city of every region of the country.

<sup>6</sup> The method of calculation is described in the GRI Context Index table, indicator FS13

### Reformatting customer service outlets

In 2013, we continued to implement the Branch Network Reformatting programme which covered all subsidiary banks of the Group. We modernise our offices, make them more convenient for our clients, optimise their internal space, and adapt our customer service outlets to specific needs of various client groups. Over the 3 years of implementing the programme, we reformatted more than 4,600 customer service outlets in Russia.

**Table 6 Results of the Branch Network Reformatting programme in Russia**

Indicator	2011	2012	2013
Reformatted customer service outlets	894	2,835	4,612
including small settlements (cities with up to 100,000 people, towns, villages)	203	752	1,246

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### Improving access to financial services for disabled people

Alongside the branch reformatting, we seek to adapt our CSOs to the needs of the disabled people (DP): we equip our offices with wheelchair ramps and install service desks at a lower level. At the end of 2013, we had 28.5% of our total offices in Russia were of this specification, and 27.6% across the entire Group.

**Table 7 Customer service outlets adapted for disabled people across the Sberbank Group in 2013**

	Russia	Europe	Turkey	Ukraine	Belarus	Kazakhstan
CSOs equipped with devices that ease access of the disabled people, units	5,119	59	8	45	80	54
CSOs adapted for disabled people in relation to total CSOs, %	28.5	21.3	1.2	21.4	50.3	51.4

Sberbank is also committed to adapt self-service machines for disabled people. We install ATMs at a lower level that would be more comfortable for wheelchair clients. This work has just started: now we have only 8% of ATMs and 3% of payment terminals adapted for DP in Russia. The bank plans to continue expanding the network of DP-adapted terminals.

In 2013, Sberbank's regional banks and subsidiary banks also took steps to improve access to financial services for disabled people, namely:

- ▶ regional banks continue opening specialised CSOs adapted for disabled people;
- ▶ nearly all regional banks now use the facsimile technology to provide services to visually-impaired people;
- ▶ BPS-Sberbank now has 50% of CSOs equipped with wheelchair ramps, and will continue to install them within the Branch Reformatting programme; in addition, all ATMs are equipped with special buttons for visually-impaired clients;

- ▶ at Sberbank Ukraine, 26% of customer service outlets opened in 2013 were equipped with wheelchair ramps; all ATMs at all offices of the subsidiary bank are equipped with Braille alphabet.

## 2.2 Socially-oriented products

Sberbank, with the largest CSO network, is the institution that operates in close cooperation with the most vulnerable groups of population. We are not only responsible for making social payments to them but also we offer favourable terms for products to this client category.

**Table 8 Number of clients receiving social payments via Sberbank in 2013**

Payment	Number of clients, mn
Pensions and other payments from the Russian Pension Fund (PFR)	21.8
Military pensions	2.3
Allowances and scholarships	2.6
Children's allowances	8
Pensions based on PFR contracts	0.6
<b>Total</b>	<b>35.3</b>

### Service of pensioners

Currently, we offer three types of special rate products to our pensioner clients:

- ▶ Sberbank-Maestro Social card to receive pension payments;
- ▶ loans to pensioners that receive pension payments through Sberbank at special rates, which are among the lowest on the market. Simplified procedures are used to process applications for these loans, which are completed within 2 days;
- ▶ standard deposits at special preferential rates. In particular, pensioners can obtain the maximum standard rate for the term they have selected, irrespective of the amount of deposit.

In 2013 over 18.5 mn pensioners chose to use modern and comfortable way of pension payments to Sberbank-Maestro Social card. Last year, pensioners conducted 13.8 mn transactions through our partner shops, obtaining RUB 271.6 mn worth of discounts, which is further evidence that the card is increasingly popular among our pensioner clients.

In 2013, in cooperation with the Russian Union of Pensioners, we continued our effort to enhance financial literacy of elderly people, aiming to change their attitude to banking products and help them master modern technologies. For this purpose, we use various formats of communication including seminars and "Days of Knowledge" held at the bank's offices, where pensioners obtain information about financial products and how to use modern technologies to manage their personal savings as well as the new web-site format, with a special focus on services for pensioners. Most often these events are held at customer service outlets.



Based on the vast experience we have gained in this field, we developed a unique training programme for pensioners which will be implemented by all regional banks in 2014.

### Housing loans

Housing loans are among the products that are most popular among our retail clients. At the end of 2013, the bank's share of retail housing loan balances was 50.4%, and the number of the housing loans granted was 453,000.

**Table 9 Housing loans granted and balance performance**

	2009	2010	2011	2012	2013
Granted (RUB mn)	107,359	220,690	345,722	455,522	651,860
Closing balance (RUB mn)	513,993	599,957	769,644	1,005,391	1,393,806
including The Young Family programme					
Granted (RUB mn)	32,554	61,657	66,958	95,908	156,407
Closing balance (RUB mn)	96,465	128,127	157,221	206,447	271,024

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Improving the availability of housing loans is among Sberbank's social priorities. Therefore, for the last few years, we have offered a range of products that have special preferential terms for certain social groups.

**Table 10 Sberbank's main socially oriented products in the housing financing segment**

Product	Preferential Terms	2013 results
<b>Young Family</b>	Reduced first payment (at least 10%); deferred repayment of principal debt; revenue recognition of up to six co-borrowers simultaneously (spouses and their parents) Promotional campaigns offering lower interest rates	110,000 loans granted worth over RUB 156 bn
<b>Military Mortgage—Finished Housing Acquisition</b>	Annual interest rate 10.5% in roubles, 20-year maturity The first payment is 10%; the loan is repaid from the target housing loan provided to the military by the government	2,000 loans granted worth RUB 4 bn
<b>Mortgage + Maternity Capital</b>	The Maternity Capital (MC) may be used to cover the first payment or to repay the loan The loan amount may reach 100% of the immovable property value	107,000 borrowers used the MC to repay loans worth RUB 43 bn

Product	Preferential Terms	2013 results
<b>Regional housing programmes</b>	Reduced interest rates of 10.5% to 12.5% p.a. Acceptance of housing and other certificates which confirm that certificate holders are entitled to financing from regional or federal housing programmes Subsidies from regional or local government, or employers	26,000 loans granted worth RUB 40 bn
<b>Building-and-Loan Associations (Popular Mortgage)</b>	Fixed special rate of 6% to 8% p.a. in roubles Regional government funds up to 30% of participants' savings	4,200 accumulation deposits opened worth RUB 657 mn

Subsidiary banks participate in a range of projects aimed to raise housing availability and improve housing conditions. For example, DenizBank signed an agreement with the Turkish Ministry of Environment and Urbanisation for preferential financing of the reconstruction of residential houses located in earthquake-prone areas. The reconstruction of urban areas is generally viewed by the Turkish government as the primary solution for the earthquake problem which affects 8 mn of households living in earthquake-prone areas. In December 2013, DenizBank issued first loans to the local community under this programme.

### Support for students

Over the period of 2010-2013, Sberbank participated in the pilot initiative of the Russian Ministry of Education and Science aimed to provide government support for educational lending. Sberbank granted educational loans while the government reimbursed part of interest payments on the loans granted to project participants. In total, we provided 1,500 loans worth RUB 378 mn in 2013, with the total loans balance at year end of RUB 576 mn. In 2014, we plan to participate in the new government programme designed to support higher education.

Our subsidiary banks also offer a number of products for students. In particular, BPS-Sberbank has developed a special loan product "Studying Together", which is subject to express approval, based on the Credit Factory technology. DenizBank has also created a package offer for students, which includes a credit card that accrues purchase bonuses, a commission-free bank account, a debit card combined with a university pass, and special preferential terms for educational loans.

## 2.3 Enhancing financial literacy

### Initiatives to raise financial literacy among Russian households

In 2013, with the aim of enhancing financial literacy of households, Sberbank completed 32 promotional campaigns via such communication channels as federal periodicals, radio programmes, popular web resources and social networks which enabled us to bring information about banking products to the widest possible audience.

We also implemented a number of special initiatives to improve financial literacy via both the online space and direct interaction with various groups of Russian households.

**Internet platforms “Personal Finance” on rbc.ru and “Circle of Trust” on Mail.ru.** These platforms are used every month to publish articles, tests and interviews on specific financial products. Internet users are also able to ask a question, and receive a response from our experts, regarding the product they are interested in. At the end of 2013, the projects covered 6.2 mn and 3.5 mn users, respectively.

**Sberbank’s communities in social networks.** “Sberbank: The Bank of Friends” community aims to describe banking products in simple terms, but the format of delivering the information differs from other projects by more interactive nature: we actively use notes, infographics, video, games, and competitions. In 2013, for example, we published 24 infographic materials. Over 2.8 mn users joined Sberbank’s communities in Facebook, Twitter, Vkontakte, Odnoklassniki in 2013. Sberbank’s communities in social networks rank first among all banking communities in Russia in terms of the number of users.

In 2014 we plan to launch a new project “Financial Brain Ring” based on the popular TV show. The project will focus on team competitions between different social networks, for example Vkontakte users against Facebook users. It will become a new way to spread knowledge of the opportunities offered by banking products. We anticipate that 500,000 participants will take part in the game.

**Game and training applications in the Internet.** In 2013, we launched 27 interactive applications that were used by more than 20 mn people. Game and training applications help users understand the features of banking products and how to use them in the form of a game. The “Financial Navigator” app, for example, offers its users to pass an entertaining quest which is used to train them in making transactions in the Sberbank OnLine system.

**Assisting in financial planning.** Since August 2012, we have offered a free service of financial planning to certain client categories. This service is also aimed at improving financial literacy. Our experts analyse the current financial situation of the client, help him/her to select the most appropriate product, and create a financial plan. Average duration of the financial planning sessions is 40 minutes. Since its launch, over 450,000 clients have used the service, including 350,000 in 2013.

**Olympiad for senior school students.** In 2013, Sberbank supported the All-Russia Olympiad in Financial Markets for Senior School Students which is held every year by the Institute of Stock Market and Management in cooperation with the Russian Federal Service for Financial Markets. Sberbank is a traditional general sponsor of the event. More than 5,000 school students from Russia, Belarus, Kazakhstan, Ukraine, and Uzbekistan participated in the Olympiad.



The initiatives to enhance financial literacy among small businesses are described in section Small business support.



The projects to raise financial literacy among pensioners are described in section Socially oriented products.

Raising financial literacy of households will remain a Sberbank priority in 2014. This programme will include awareness campaigns in federal mass media and Internet, and other special events designed for various age groups.

Initiatives to raise financial literacy of households in the countries of operation of subsidiary banks  
 Subsidiary banks implement various events and initiatives designed to enhance financial literacy in the countries of their operation. To improve the efficiency of these initiatives, the subsidiary banks use various communication channels that are often adapted for the target audience.

**Table 11 Initiatives to raise financial literacy in the countries of operation of subsidiary banks**

Country	Initiative
<b>Republic of Belarus</b>	Presentations for partnercompany employees: «A Person and a Bank: How to Make the Right Choice» and «Golden Rules of Saving» .Total number of participants exceeded 30,000 people.
	Webinars devoted to individual deposits, consumer loans, safe use of payment cards, online banking. In 2013, to expand the audience covered, we developed a mobile application for iOS devices.
	Regional seminars for business people in Gomel and Vitebsk highlighting key economic trends and current challenges. The project is implemented in cooperation with the Institute of Privatisation and Management (IPM) Business School.
<b>Ukraine</b>	Local publications describing interest rates, types of loans, advantages of using loan and deposit products.
	Training programme for junior school children (6-9 years of age) «All You Need to Know About a Bank: From A to Z».
<b>Slovenia</b>	Pre-school children visit to the bank with interactive presentations explaining the importance of savings.
	Seminars devoted to personal finance management for retail clients.
<b>Croatia</b>	Online training materials on «How to Manage Personal Budget» prepared in cooperation with Croatian Banking Association.
<b>Bosnia and Herzegovina</b>	Junior school children visits to the bank devoted to the World Savings Day and explaining the idea of personal savings.

## 2.4 Improving quality service

### Complaint management

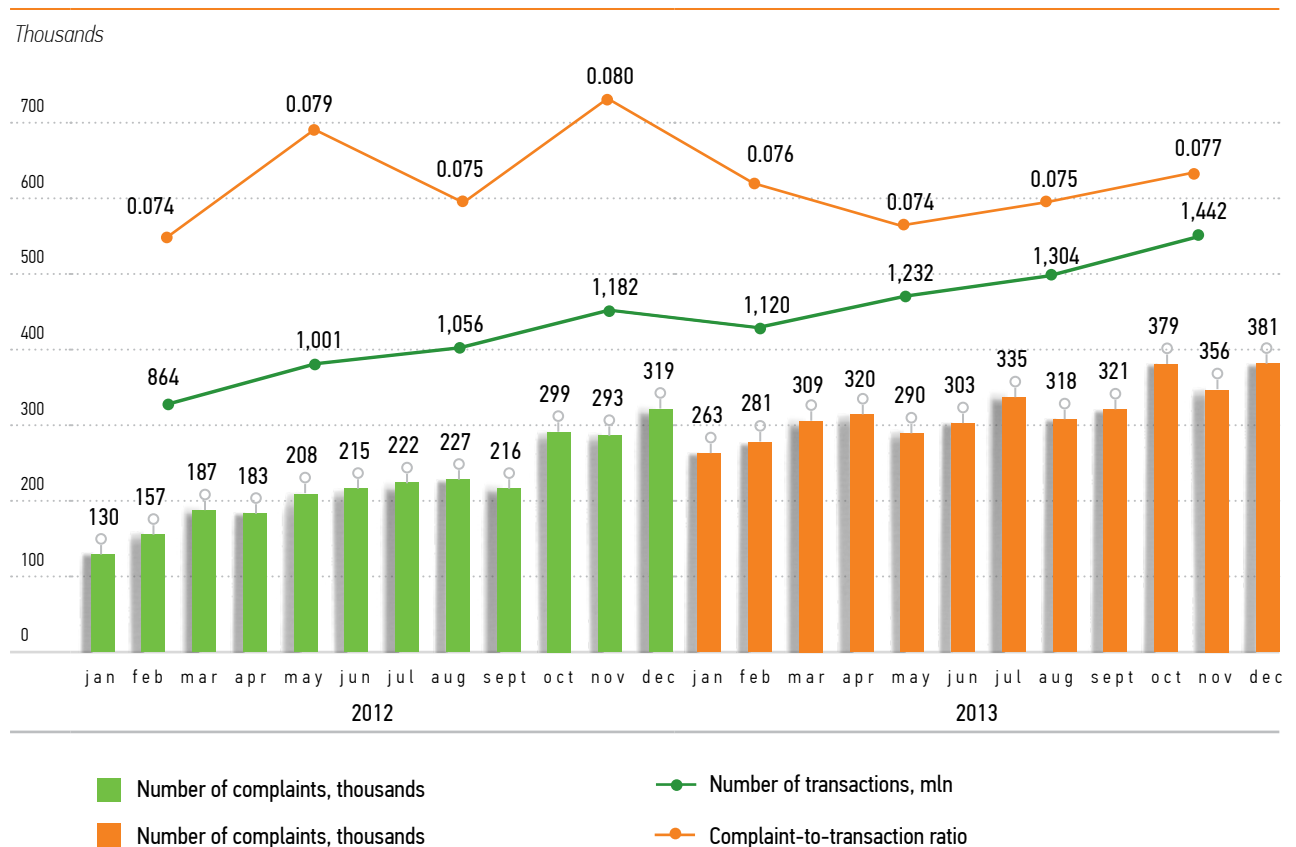
In complaint management, we focus both on improving the comfort and transparency of complaint filing and processing and on removing the reasons for complaints.

In 2013, Sberbank launched the process of reengineering complaint management aiming to change the approach and attitude to complaints and turn the entire complaint management system to client side. Now we focus on the client's problem itself, not only on closing the complaint which was caused by the problem, and seek to solve it «right here and now», if possible. To strengthen this approach, we:

- ▶ changed the principles of internal evaluation of service quality aiming to ensure thorough and rigorous evaluation of complaint management, both at customer service outlets (pre-complaint settlement) and in the central automated system (correct registration, timely request handling, etc.);
- ▶ expanded the authority of our internal divisions and call centre to enable our officers to solve the client's problem immediately when the client comes to the bank;
- ▶ launched a new approach to handling public complaints based on the level of public response: complaints from opinion leaders and top bloggers will be settled on an individual basis.

We evaluate the complaint performance on the basis of their relation to the number of transactions. Since the number of transactions increases substantially from year to year, the number of complaints grows too. However, in the second half of 2013 we managed to constrain the growth of the complaint-to-transaction ratio compared to the previous reporting period (45% vs. 144%, respectively). In 2014, we aim to reduce it by a further 25%.

**Fig. 2. Client complaint trends in 2012-2013**



Based on complaint research, we found out that the problems our clients face most often relate to operating self-service machines, making payments, low service quality and long queues. The complaint research enabled us to develop detailed plans aimed at removing the gaps in the bank's products and processes that lead to complaints.

**Table 12 Reasons for complaints to the Group banks located in CIS member states**

Country	Problem areas	Action taken to remove the reason for complaints
Russia	Depositing/withdrawing cash via self-service machines Investigation/return/loss of payment via various payment channels Unreasonable appropriation of a loan to outstanding debt accounts	Self-service machine settings (screen forms, labels, voice support) are changed Regular maintenance of most problem-prone machines is initiated A pilot device to ensure that transactions are completed in the event of machine disconnection is launched Payment confirmations are issued immediately upon request Stage-by-stage introduction of the automatic loan repayment technology is launched
Republic of Belarus	Low quality of service Unsatisfactory operation of remote channels Tariff/product policy	Additional personnel training in problem areas identified by complaint research is arranged The timeliness of updating the ATM-Cards Seized database is improved The model individual bank account agreement is amended to include the penalty that the bank is obliged to pay in the event it fails to give out cash immediately upon request of account holder
Ukraine	Tariff/product policy Queues, correctness and completeness of advice from bank managers Sending/receiving money transfers	Credit card alert sms-messages are amended to include the amount of minimum repayment The bank account agreement is amended to include annual interest rate Banking service terms are amended to include the procedure to connect to Sberbank OnLine
Kazakhstan	Low quality of service Queues and electronic queues Failures in card transactions	Customer service outlets are equipped with the Evaluating Service Quality zone The Quality Service training arranged for the front-office as well as training and attestation of call centre employees The Calendar of Convenient Time to Visit the Bank is created

### Reducing queues

In 2013, we continued implementing the No Queues! programme. By the end of the year target KPIs were achieved, in particular 92% of all clients, that used the services of the bank, spent less than 10 minutes in queues.

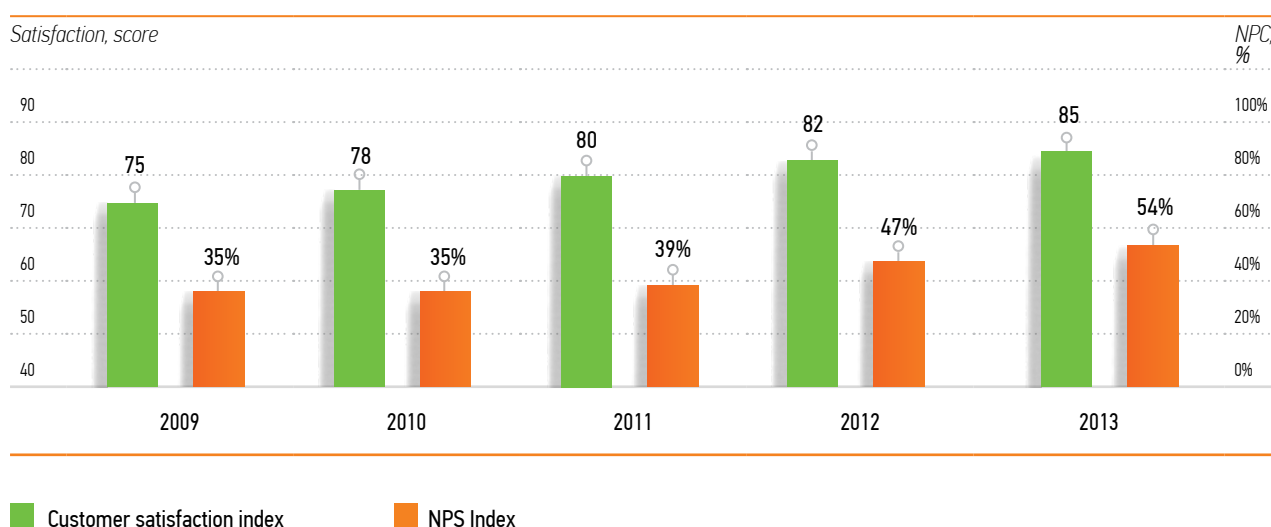
Now we have 5,620 customer service outlets in Russia equipped with the Queue Management System (QMS), a 15% growth compared to the number in 2012 (4,902 CSOs). All CSOs equipped with the Queue Management System are connected to the QMS automatic monitoring system which enables the bank's management at any level to monitor the current client flow and offer system solutions to reduce queues.

### Client satisfaction research

To improve the quality of service, we monitor customer satisfaction at every stage of our communication with clients. For this purpose, we use inter alia:

- ▶ The Client Voice research system designed to conduct client satisfaction and loyalty polls, evaluate the effectiveness of internal banking processes, use the Mystery Calling technology;
- ▶ Phone polls to obtain feedback from our clients;
- ▶ Customer Loyalty Index (Net Promoter Score, NPS) based on responses from our clients if they would recommend Sberbank to their friends.

**Fig. 3 Customer satisfaction and loyalty index**



**Introducing the CRM-Sensor technology for real-time evaluation of the quality of service at Sberbank**

In 2013, Sberbank and its subsidiary banks, including banks in the Republic of Belarus, Ukraine and Kazakhstan, launched a pilot operation of the CRM-Sensor technology that allows us to evaluate employee performance in real-time mode. The CRM-Sensor technology is based on tablets installed at customer service outlets that clients can use to evaluate speed, comfort and convenience of service including performance of our specialists. In addition, the module functionality enables the client to provide his/her phone number for feedback. With this technology, the response time can be reduced to 24 hours after the complaint. Upon completing the pilot operation, in 2014 we shall decide if it is reasonable to expand the application of this technology.

To improve the quality of service, Sberbank also monitors the performance of the Service Quality Index based on the indicators of employee performance (approach to clients, attention to their needs, development of employees' skills and knowledge) and the index of meeting the bank's service standards. In 2013, both indices rose 6 percentage points coming close to the maximum performance of service standards.



**Fig. 4 Service Quality Index and service standards performance at Sberbank**



## 2.5 Ensuring security

**Fraud prevention.** In 2013, we achieved the following results in preventing theft of our clients' funds:

- ▶ In cooperation with law enforcement agencies, members of two criminal groups were arrested that infected user computers with malicious viruses, including the Carberp trojan;
- ▶ Fraud attempts worth over RUB 1 bn were detected and prevented at the points of sale that accept bank cards via Sberbank's payment terminals;
- ▶ The first mass attacks on Sberbank OnLine mobile app users from mobile viruses were detected and prevented as well as DDoS attacks on our infrastructure from international radical hacker groups;
- ▶ The loss from skimming operations, worth nearly RUB 5.6 bn, was prevented.

**Protecting client personal data.** In 2013, we detected four incidents of disclosing client personal data at Sberbank. All incidents were local in nature and affected an insignificant number of clients. However, we decided to improve the personal data processing policy involving representatives from different departments in its development and expanding it to include a number of additional procedures, designed to protect personal data. In addition, since 2013, regional banks have carried out regular inspections of premises and taken additional measures to protect tangible media.

**Licensing, certification, and accreditation of information systems.** In 2013, we carried out mandatory procedures to verify information systems of the subsidiary banks. In particular, we certified information systems in terms of compliance with the information security requirements and obtained certificate of compliance for 20 information facilities.

## 2.6 Small business support<sup>7</sup>

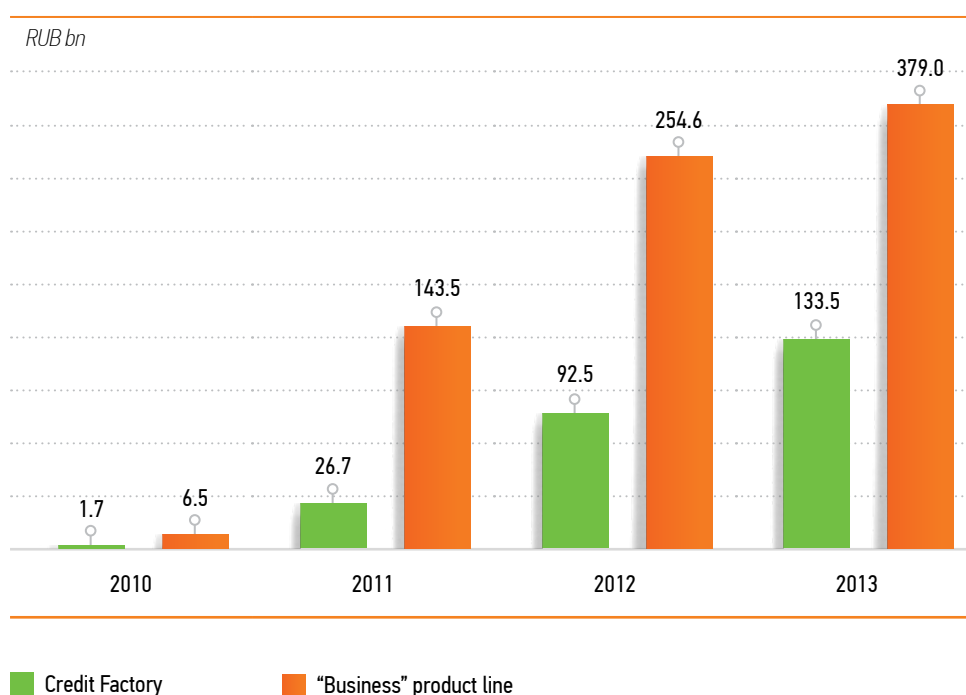
Small business support is a strategic priority for Sberbank Group. Our goal is to become a preferred partner for small businesses in Russia and facilitate our development in this segment in other countries.

Sberbank and its subsidiary banks maintain a common approach to supporting small businesses. We offer a wide range of products for those who start business and for the companies willing to develop and expand their operations. We develop the infrastructure of Business Development Centres and support the development of new business culture.

### Sberbank

Today, to approve small loans to startup entrepreneurs, we use the “Credit Factory” technology: a simplified scoring model for borrower analysis that accelerates obtaining approval to three days. For small businesses that have stable operations, we offer the “Business” product line. In 2013, 231,500 small businesses obtained financing from Sberbank, a 26% growth year-on-year.

**Fig. 5 Sberbank’s loan book by “Credit Factory” scoring model and “Business” product line**



In 2013, Sberbank continued to develop the “Business Start” product that provides financing for launching a new business based on franchising programmes or model business plans. Over 450 entrepreneurs participated in this programme last year, with the types of businesses eligible for financing rising 1.8 times to a total of 85.

Aiming to create favourable conditions for small business development, in 2013 we actively expanded the network of business development centres (BDC) across Russia. The BDC infrastructure enables entrepreneurs to obtain access to free seminars and trainings, advice from Sberbank’s experts, and negotiating rooms

<sup>7</sup> At Sberbank, this segment includes corporate clients with annual sales of RUB 60 to 400 mn (small businesses) and below 60 mn (micro businesses).

and conference halls that they can use for their own purposes. In 2013, we built up a network of more than 170 specialised offices in 70 Russian regions which are used by 3,000 entrepreneurs every week. In average, all BDCs hold 300 events every week. We introduced innovative formats for cooperation between BDCs and entrepreneurs: all-Russia business seminars broadcast online to more than 100 Centres located in various cities across Russia. In 2013, we held 3 seminars that attracted some 7,000 participants in total. In 2014, we plan to connect at least 150 centres.

We continued implementing the online initiative named “Business Environment”, a unique portal where entrepreneurs can communicate, discuss business ideas, learn latest news, obtain expert advice, and undergo training. The portal traffic for the entire period of its existence exceeded 2.9 mn unique visitors.

### **Business Environment performance in 2013**

- ▶ 237,000 registered users
- ▶ 120,000 registered businesses
- ▶ 111,000 products and services sold
- ▶ 157 training courses at the Business School
- ▶ 37 web apps in online shop

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### **DenizBank**

In 2013, DenizBank participated in the EU programme to finance small businesses in underdeveloped Turkish areas. Total DenizBank financing under the programme is EUR 34.8 mn (RUB 1.8 bn). As of December 31, 2013, DenizBank granted loans worth a total of TRY 10.6 mn (RUB 177 mn).

In 2013, to improve the quality of small business service, DenizBank set up a special call centre team KOBİ UMIT dedicated exclusively to providing services to small businesses. In July 2013, DenizBank launched HangiDestek.com, a project designed to support small businesses in finding appropriate government subsidies and donations. Small businesses use this portal to select a government subsidy programme and learn how to apply for it. Since the web-site launch, it was visited by nearly 100,000 users, and the service was used by more than 10,000 small businesses.

### **Sberbank Europe**

Today, Sberbank Europe is in the very beginning of creating a unique strategy for the small business segment. However, a number of Sberbank Europe’s subsidiary banks have achieved certain progress in small business financing. In particular, Sberbank Bosnia and Herzegovina concluded an agreement with the European Fund for Southeast Europe (EFSE) for financing micro and small businesses worth EUR 7 mn (RUB 297 mn).

The bank plans to further improve the quality of service provided to small businesses, in particular through monitoring their progress and offering customised products in a timely manner. The bank also plans to develop a package offer for small businesses including the launch of salary payments to small business employees.

### Sberbank Ukraine

In 2013, Sberbank Ukraine's small business client base increased by 51% (from 11,500 to 17,400). This growth required from the bank to take a number of organisational measures to improve management of this segment. In particular, the bank introduced the system of training for the managers involved in small business operations.

### Sberbank Kazakhstan

In 2013, the bank introduced a new service model for small business clients across the entire branch network: the institute of account managers responsible for specific clients to ensure an individualised approach to every client. Together with account managers, the bank launched the Business Express product with simplified financial analysis, and reduced the approval period for banking guarantees.

As part of developing the small business infrastructure, the bank opened a specialised Business Development Centre in Almaty with the primary aim to provide advice to entrepreneurs on financial and business issues.

### BPS-Sberbank

In 2013, BPS-Sberbank concluded a five-year agreement with EBRD for small business financing worth EUR 10 mn (RUB 424 mn)<sup>8</sup>. The programme includes small business financing for upgrading production, optimising energy consumption and improving energy efficiency. The programme participants can also obtain advice and technical support from world-class experts in energy efficiency. In addition, in 2013, BPS-Sberbank focused on improving the quality of service and training employees of local branches.

## 2.7 Contributing to the development of countries and regions of operation

The Sberbank Group considerably affects social and economic development of the areas of operation. Every region faces its own challenges, and we consider it important to invest in developing strategic industries and support target government programmes.

### Russia

In 2013, Sberbank financed a number of initiatives that had a positive effect on social and economic development in Russian regions. Among socially significant projects and initiatives financed by Sberbank were

- ▶ upgrade and expansion of airports in the Krasnodar Territory including airports in Krasnodar, Sochi, Anapa, Gelendzhik;
- ▶ renovation of energy facilities in Vladimir and Perm Regions;
- ▶ construction of gas chemical facility in Novy Urengoy;
- ▶ construction of the toll motorway: Western High-Speed Diameter in St. Petersburg;
- ▶ production and sale of innovative products in Russian regions operated by a number of companies;

<sup>8</sup>Belarus Sustainable Energy Finance Facility programme (BelSEFF).

- ▶ housing construction including heat, water and electricity supply infrastructure in Ekaterinburg;
- ▶ participation in the government agriculture development programme for 2013–2020 including the construction of a large greenhouse facility in Belgorod Region and a cattle farm in Voronezh Region;
- ▶ implementing the Presidential programme for providing households with child care facilities including the financing of construction and reconstruction of preschool child care centres in Tambov Region.

The bank remains a key supplier of financial resources to the real sector of local economies due to cooperation with government authorities of Russian constituents. In 2013, the bank concluded over 2,700 government contracts with government authorities and municipalities of Russian constituents and granted loans for the total amount of RUB 590 bn. The highest-value contracts were made with the governments of Moscow, Novosibirsk Region, Arkhangelsk Region, Krasnodar Territory, and municipalities of Nizhny Novgorod, Kazan, and Novosibirsk. At the end of 2013, Sberbank's share of the government lending market was 73.5%.

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Details of loans to industries and other lending activity of Sberbank are provided in the 2013 Management Report.

### Republic of Belarus

In 2013, BPS-Sberbank provided active support for various initiatives in developing strategic industries introduced by Presidential and government decrees of the Republic of Belarus, namely:

- ▶ BYR 359.0 bn (RUB 1.3 bn) for the development of the woodworking industry and renovation of woodworking production;
- ▶ BYR 183.9 bn (RUB 0.7 bn) for housing construction;
- ▶ BYR 119.1 bn (RUB 0.4 bn) for creating a comprehensive export system in the Republic of Belarus.

### Kazakhstan

In 2013, Sberbank Kazakhstan provided financing for the projects included in the industrialisation map of certain Kazakhstan areas, including:

- ▶ construction of the cement plant worth KZT 7.7 bn (RUB 1.6 bn) and the integrated home-building factory worth KZT 3.6 bn (RUB 0.8 bn) under the industrialisation programme for the Kostanay Region;
- ▶ renovation of machine-building production worth KZT 400 mn (RUB 84 mn) and construction of cattle-breeding facility worth KZT 624 mn (RUB 131 mn) under the industrialisation programme for the Western-Kazakhstan Region.

### Turkey

In 2013, DenizBank carried out the function of an intermediary under the EU programme of financial assistance to preaccession countries. In particular, DenizBank offered preferential loans for the Turkish agricultural sector. In 2013, the bank granted 76 loans totalling TRY 16.8 mn (RUB 281 mn). In addition, DenizBank was the first among Turkish banks to provide consulting support for agricultural investors willing to participate in the EU programme regarding the preparation of application, technical proposal, and business plan.

### Europe

In 2013, Sberbank Europe supported economic development of the countries of operations facilitating the export of home-made products. For example, Sberbank Bosnia and Herzegovina obtained additional finance from the International Finance Corporation for lending to corporate clients involved in international trade. The bank anticipates that the total volume of loans under this programme will reach USD 20 mn (RUB 638 mn). Sberbank Serbia concluded an agreement with the Chamber of Commerce to facilitate exports of Serbian products to new markets.

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## 2.8 Business management

### Compliance risk management

The system of compliance risk management is designed to ensure that Sberbank Group's operations comply with legal requirements and best practices in anti-money laundering and financing of terrorism (AML/FT), monitoring economic sanctions imposed by the Russian Federation, international organisations or individual states, preventing the use of insider information and price abuse in financial markets, managing conflicts of interest, anticorruption effort, and compliance with other employee ethical conduct requirements. Now the Group is creating a common compliance risk management system across all subsidiary banks and affiliated companies. To this end, in 2013 we completed, in general, the formation of compliance management organisational structure at Sberbank, which is the heart of the Group's compliance management system. We set up a standing Compliance Committee authorised to manage significant components of compliance risk.

Subsidiary banks and affiliated companies also continued to improve the organisational structure and the introduction of compliance risk management system across all business lines based on Sberbank's unique methodological approach.

In 2014, we expect to complete the unification of compliance risk management principles and focus on developing and introducing automated compliance control systems.

#### Managing conflicts of interest and fighting corruption

In 2013, the bank adopted the Conflict of Interest Management Policy and Anticorruption Policy. Based on these documents, Sberbank Group is committed to the principle of fair dealing when providing advice, or transacting with or on behalf of our clients, as well as the principle of zero tolerance in relation to any incidents of corruption.

The improvement of internal control procedures also contributed to toughening the fight with corruption-related crimes. We are strongly committed to detect incidents of corruption and apply strict administrative and disciplinary sanctions to those involved.

In 2014, implementing the Anti-corruption Policy and the Conflict of Interest Management Policy, the bank will continue integrating the mechanisms built in the bank's operating procedures with the Group members.

### Counteracting the legitimisation of the proceeds of crime (money laundering) and the financing of terrorism

In 2013, we continued to improve AML/FT and the system for counteracting financial crime. For this purpose, we updated Sberbank's internal regulations, introduced changes to banking processes, and improved automated procedures to detect and monitor client transactions. In 2013, the bank continued the introduction of the automated system based on the Oracle Mantas platform. This system will make it possible to implement a unique system-based approach to the automated control of client transactions and carry out analytical procedures for the purposes of AML/FT.

BPS-Sberbank completed the introduction of the automated system designed to ensure a centralised control of client operations in order to detect suspect transactions that may be connected with money laundering or the financing of terrorism. DenizBank introduced the Audit Command Language platform that will enable the bank to raise the efficiency of monitoring and managing suspect transactions through modelling scenarios based on transaction data.

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## Responsible financing

The concept of responsible financing is based primarily on social and environmental risks that are considered in lending and investment processes. This is a component of risk management system as social and environmental problems of borrowers may result in financial and reputation risks for financial institutions. The practice of responsible financing is new to the Group's banks and now we lack a common policy in social and environmental risk management. In developing an approach to these risks the Group's member banks are governed by national laws of the countries of operations and the maturity of financial markets.

Therefore, the level of regulation and the scope of application of social and environmental risk management procedures differ across the Group. At Sberbank, for example, the evaluation of the borrower's unfavourable effect on society and environment is carried out within the quality analysis of the borrower. In addition, the bank's rules prohibit financing of any projects related to pawnbroker or gambling business. DenizBank, BPS-Sberbank, and Sberbank Kazakhstan evaluate environmental risks related to projects that are financed from the funds provided by development banks (EBRD, EIB, and IFC). In addition, DenizBank requires from borrowers to provide environmental impact assessment in relation to project financing.

Sberbank Europe introduced a comprehensive system of environmental and social risk management comprising several components: environmental and social policies, environmental and social risk assessment procedures, and monitoring borrower's compliance with applicable standards. This system covers all corporate clients of the bank including project and trade financing.

**Fig. 6 Environmental and social risk management system at Sberbank Europe**





## 3. Social sphere

We are convinced it is very important to manage Sberbank Group's impact on society, and always take it into account in making strategic decisions. We outline two key lines in this sphere: investing in human capital, and sponsorship and charity.

### 3.1 Investing in human capital

#### Personnel training

Today, Sberbank Group is comprises 300,000 employees<sup>9</sup> in 22 countries of operations. For us, this is not only the most important asset and the tool for competitive growth, this is also a high responsibility for employee professional and personal development. Therefore, in 2013 we continued to improve the training system for both staff and managers, and key professionals of the Group.

##### Training for common service staff (CSS)

In 2013, the number of the Group's common service staff (line managers and front-office specialists) was about 157,000 employees. Our training system is designed to enable each of them to improve their qualifications and competencies in banking products and services, special software, effective communication and sales skills. Last year, we developed over 150 training programmes: 61 programme for on-site training at 17 specialised training centres, and 91 multimedia courses for self-education.

Among the new personnel training tools in 2013, we wish to highlight the programme designed to create specialised training offices where beginners will take a two-week course in retail services, under the supervision of experienced employees, obtaining advice and support from trainers in complex situations. In 2014, this training programme will be implemented in 130 Russian cities.

To ensure a uniform quality of training programmes and processes, in 2013 we introduced the training audit that makes it possible to identify the areas for improvement in training programmes, preparing business trainers, and enhancing process effectiveness. We expect to use this tool on a regular basis to manage the training function.

The Group's subsidiaries were also improving the training system for common service staff. Training programmes are customised to meet the requirements of various functions and business targets. DenizBank, for example, organised employee training on the basis of its corporate training institution Deniz Academy in such topics as Fundamentals of Lending, Operating Risk Assessment, Introduction to Investment Analysis, Financial Settlements, as well as basic training for front-line employees.

Sberbank Insurance also set up a corporate academy to implement employee training and education programmes. Sberbank Kazakhstan opened a specialised training centre for job applicants and probationers, which trained over 1,500 students in 2013. Sberbank Ukraine carries out the training of common service staff based on the needs of retail, corporate and operating functions; in 2013 1,650 employees completed training courses.

<sup>9</sup> According to the Report boundary, see About the Report section.

### Developing remote training

We see a great potential in remote training and continued to develop the system of online courses for self-education. In 2013, the share of remote training increased 7.4% compared to 2012. In 2014, we expect to transfer another 10% of on-site training to remote channels to improve its availability and efficiency.

We continued using the unique remote training platform Sberbank Corporate University Virtual School, which provides access to knowledge database and the opportunity of team work in real time, 24 hours a day, 7 days a week. In 2013, the number of registered users of Sberbank Corporate University Virtual School exceeded 36,000 people, with more than 14,000 courses completed.

### Training and developing executives

Division managers and key experts are trained at Sberbank Corporate University. In 2013, over 35,000 employees completed training courses at the University, with the training target for executives and key experts achieved 117%.

In 2013, the Corporate University continued implementing educational and training programmes for the Group's executives in cooperation with leading international business schools:

- ▶ Quality management system for the two most successful programmes Sberbank 500—Leader Programme in cooperation with INSEADNES, and Finance and Management for Bankers in cooperation with the London Business School was developed and implemented. In total, in 2013, 433 employees completed the Sberbank 500—Leader Programme, and 54—the LBS Finance and Management for Bankers;
- ▶ The Management Innovations: Challenges of the 21st Century programme was developed in conjunction with the **Stanford Graduate School of Business**. In 2013, the first module of the programme was completed by members of the bank's Executive Board;
- ▶ A short-term training programme Improving Risk Management and Risk Modelling was prepared in cooperation with the Haas School of Business, University of California, Berkley. In 2013, 64 executives from Risks, IT, and Finance functions, as well as from Distressed Assets Department, completed the programme.

In 2013, the Group implemented other training courses designed to develop professional executive competencies, in particular:

- ▶ All Group executives completed a number of training courses to develop feedback, efficient communication, time management skills, and others;
- ▶ New executives from DenizBank were able to participate in the New Captains Club programme to develop management skills;
- ▶ 119 executives from the Central Head Office, and divisions of Sberbank Kazakhstan, completed training in the new management model (MBO).

## Motivation and compensation of employees

In 2013, we continued developing the system of financial and non-financial incentives. We raised employee salaries in certain divisions of regional banks which were below the market level. In total, in 2013 payroll expenses rose 6.5% year-on-year. Further improvement of the performance management system (PMS) and employee engagement and satisfaction was also among our primary objectives.

### Employee performance assessment

In 2013, Sberbank continued integrating employee performance assessment with the performance management system (PMS) that covers all employees of the Group. PMS is a comprehensive target-based management system that allows for unbiased assessment of employee performance and ensuring interconnection between employee performance, career growth and financial reward.

#### Key corporate competencies at Sberbank Group:

- ▶ Individual performance
- ▶ Improving professional knowledge
- ▶ Innovation/optimisation of operating processes
- ▶ Team work
- ▶ Client focus in respect of both external and internal clients

Sberbank as well as certain subsidiaries including BPS-Sberbank, Sberbank Ukraine, Sberbank Leasing, Sberbank Insurance, and Business Environment use the “5+” system of employee assessment based on key corporate competencies. In 2013, 92.5% of Group employees passed the performance assessment and career growth process.



Details about improving the “5+” system are provided in section Stakeholder engagement (the Primary Areas of Employee Concern in 2013 table).

**Table 13 Performance assessment tools at Group subsidiary banks and affiliated companies**

Additional performance assessment tools	Group subsidiary banks and affiliated companies
Talent Q remote testing system	Sberbank Ukraine Sberbank Private Pension Fund
PersonalAktiv remote testing system	Sberbank Ukraine
Diagnostic research of significant professional qualities and competencies in various employee categories	Sberbank Europe Sberbank Ukraine Sberbank Technologies
360° assessment	Sberbank Ukraine
Competence assessment at manager's request	KORUS Consulting

Additional performance assessment tools	Group subsidiary banks and affiliated companies
Self-assessment of manager priority projects (MPP)	BPS-Sberbank Sberbank Private Pension Fund Sberbank Insurance
Performance Development Programme	DenizBank

### Improving employee engagement and satisfaction

In 2013, we conducted the fourth annual survey of Sberbank employee engagement and satisfaction, which covered over 124,000 people. Over the last three years, the employee engagement index demonstrated a considerable growth of 1.1 point.

**Fig. 7 Sberbank's employee engagement index**



The most important factors that positively affected employee engagement were satisfaction with the bank's top management, organisation of operating processes, and the system of compensation and reward.

Based on the index, we set up individual targets for all top managers for further improvement of employee engagement. Now we develop special programmes to upgrade the processes that employees are most concerned about.

### Internal Client Voice research

Since 2012, Sberbank has conducted regular online employee polls as part of the Internal Client Voice programme designed to identify problem areas in internal processes and services.

In 2013, we conducted two polls—in April and November. Based on poll results, we launched nearly 200 projects aimed to improve the quality of internal services in the Central Head Office and regional banks, which made it possible to achieve considerable success, in particular:

- ▶ The issuance of income certificates and other documents was considerably simplified at the Central Head Office;
- ▶ A range of training courses was held covering most common difficulties in operating the Electronic Document Circulation System (EDCS);
- ▶ The function of automatic notice of the document approval status via MS Outlook was realised in EDCS;
- ▶ Business trip procedures were changed.

In 2014, the poll will be expanded to include many other internal services. In addition, in the first half of 2014 we plan to launch over 800 initiatives designed to improve the quality of internal services. To control the quality of implementing the initiatives, they will be monitored on a regular basis.

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In 2013, most of the Group's subsidiary banks and affiliated companies conducted their own employee satisfaction research.

**Table 14 Employee satisfaction research at subsidiary banks and affiliated companies in 2013**

Company	Format and number of participants	Principal results
Sberbank Europe	Employee satisfaction monitoring 2013: 83% employees	Projects designed to improve internal communication, performance assessment, and knowledge exchange is developed
DenizBank	Individual interviews: 51% employees	Career growth management system is amended Lunch vouchers are introduced Carrier contractor is changed
Sberbank Private Pension Fund	Satisfaction research: All employees	Employee engagement index reached 76% Development of internal corporate portal is underway The option to use special software application to approve documents is considered Regular employee meetings with the Fund President are arranged
Sberbank Insurance	Poll of employee satisfaction with the quality of internal services carried out every quarter: all employees	New premises were leased to remove the lack of work places

Company	Format and number of participants	Principal results
Sberbank Technologies	Employee engagement and satisfaction research: 41% employees	Corporate celebrations and teambuilding events were held Special measures were taken to improve workplace conditions and usability SBT-Vision corporate publication and announcement boards were launched, internal portal was upgraded
Sberbank Leasing	Corporate culture research: all employees	Work satisfaction indicator reached 74%
KORUS Consulting	Evaluation of psychic atmosphere and the level of employee satisfaction with workplace conditions: all employees	Free English and Spanish courses were arranged Relaxation room and additional kitchen were set up
Cetelem Bank	The Employee Voice pilot project	In January 2014, the bank will launch a new system of motivation Training programmes were updated A Welcome Day is held every week Feedback improved following the introduction of the Comment Box which employees can use to communicate their concerns
Yandex.Money	Anonymous poll: 46% employees	Employee job satisfaction and team motivation demonstrated positive trends

## Corporate benefits

In 2013 we continued implementing a number of initiatives designed to improve and develop the system of corporate benefits. In particular, we developed and introduced compensation rates for business trips for all employees of the bank, and for business mobile communication for the Central Head Office. The unification of corporate benefits for all bank employees was among our key tasks in 2013.

### Corporate Pension Plan

Sberbank continued implementing its Corporate Pension Plan. The number of Plan members grows from year to year: in 2013 it exceeded 185,000 employees, up 5.7% compared to the previous year.

Subsidiary banks have their own pension programmes. Sberbank Europe, for example, implements the Employer Contributions to the Specialised Pension Fund programme. For the employees with over one-year employment with the company, the bank contributes 3.5% of basic salary to the Pension Fund. BPS-Sberbank pays monthly allowances to the retired pensioners that used to work for the bank.

### Comprehensive medical checkups

In 2013, we completed the two-year cycle of comprehensive medical check-ups of Sberbank employees. The main goal was not only to diagnose current diseases, but also to assess the risk of their development to be able to take timely, preventive measures. Every employee that passed the medical check-up was issued a Health Passport with recommendations regarding healthy life style.

In 2013, medical check-ups were completed by the employees of Sberbank Leasing, Sberbank Technologies, and Sberbank Insurance.



Details of our initiatives in employee health and safety are provided in section Occupational health and safety.

### Voluntary medical insurance

In 2013, we decided that starting from 2014 VMI programmes would be 100% paid by the bank. Therefore, the share of the insured employees will rise to 100% from 24-28% in 2012-2013.

In July 2013, we carried out a VMI satisfaction research among our employees that led to significant changes in the programme, based on employee comments. Starting from 2014, the bank will pay 100% medical insurance costs (except dental services) for the personnel with over one-year employment with Sberbank compared to the 50% of the basic programme that the bank paid before. In respect of the employees that passed their probation period, but are still below the one-year employment threshold, the bank will pay for the emergency medical care programme. The employees that work and reside in the territories where quality VMI services are unavailable were offered the programme of compensation for medical care costs.

### Accident and critical illness insurance

In 2013, all Sberbank employees were provided with accident and critical illness insurance. While improving the system of accident and critical illness insurance, we achieved a considerable reduction in employee complaints regarding the insurance services. We introduced the remote insured event settlement via the insurer's web-site and optimised the list of documents required to make a decision on every insured event, which enabled us to reduce considerably the period of handling insurance claims.

## Occupational health and safety

### The Group's approach to occupational health and safety

In 2013, to minimise the risk of occupational diseases and create comfortable workplace conditions, Group members carried out a number of training courses in occupational health, acquired medical equipment, first aid kits, and personal protective equipment.

This made it possible to reduce the number of accidents at Sberbank from 240 to 223 in 2013, which unfortunately included two fatalities resulting from road traffic accidents. To avoid this kind of accidents in future, we carried out additional training and toughened the requirements for drivers of bank's vehicles.

In 2014, we expect to introduce common occupational health procedures in the Central Head Office and in regional banks. To monitor the state of occupational health at regional banks, we will hold regular video conferences in 2014.

### Health care and healthy life style

We always take a proactive position in health care and promoting healthy life style among our employees.

In 2013, as part of the Health programme Sberbank continued the Quitting Together! initiative designed to promote the cessation of smoking. The initiative obtained the first award in the Life Style category from the Intercomm, an all-Russia annual award in the field of internal corporate communications.

In 2013, as part of the Office Doctor programme, over 12,000 employees of the Central Head Office and regional banks participated in the Healthy Heart Day, which launched a long-term effort aimed at having Sberbank employees measure cholesterol and blood pressure. Now, all doctor offices are equipped with the means of express measuring of cholesterol and glucose. The Office Doctor programme is also implemented by our subsidiary banks, in particular Sberbank Europe, DenizBank, and Cetelem Bank.

In addition, every year we organise sports events for the bank's employees. In 2013, we held Sberbankiad and tournaments in various team sports, which gathered employees from 12 countries of the Group operations.

We also focus on promoting healthy diet. In 2013, as part of the Healthy Diet programme, we carried out both technological initiatives (menu and cooking technology review in corporate canteens) and awareness projects (master classes in healthy diet, the introduction of calorie labels, and the publication of a healthy diet booklet).

Our subsidiary banks and affiliated companies also implement certain initiatives aimed at promoting a healthy life style among their employees. In 2012, based on Sberbank's successful practices, Sberbank Europe developed the Health@Work programme which includes sports events, compensation for fitness-club membership, smoking cessation initiatives, health support advice, and healthy diet.

## 3.2 Sponsorship and charity

Sponsorship and charity are a part of Sberbank Group's corporate culture and a traditional contribution to social life. The causes of charity activities and volumes of charity expenses are determined by special committees that were created at different levels of governance, both in Sberbank and in other Group members.

### Support for children and child care institutions

Sberbank has traditionally provided charity support for orphanage children financing repairs, medical equipment, accommodation equipment, and educational events. In 2013, we continued implementing two major initiatives in this sphere.

**From Heart to Heart, a corporate charity programme designed to support orphanage children** that was launched in 2008. In 2013, the programme covered 268 child care centres in 120 Russian cities, with nearly 3,000 employees and executives from the bank participating in various events. In particular, Severo-Zapadny bank held the 3rd forum of volunteers on the premises of the Tolmachevsky Orphanage in Leningrad Region. As part of the forum, corporate volunteers completed over 40 training courses in the skills of communication with orphan children and improved the area of the orphanage. The bank also donated a van to the orphanage.



**Cooperation with the Podari Zhizn' (Gift of Life) Charitable Foundation for childhood cancer support.** In 2013, Sberbank was an Official Partner for the International Children's Games of Winners, the largest contest for children who are fighting oncological diseases. More than 400 children from 12 countries participated in the Games. We set up a play zone with a special colouring wall, and ski and scooter racing. In addition, the bank continued issuing the Podari Zhizn' Visa card. In 2013, this initiative brought over RUB 28.9 mn of donations to the Fund; total donations since the launch of the project reached RUB 170 mn. In addition, as part of the Say THANK YOU to Children campaign, our clients transferred bonuses of the Thank You from Sberbank loyalty programme to the Fund's account, worth the total of RUB 24.5 mn.

**Table 15 Principal results of support programmes for children and child care institutions in the Group's areas of operation in 2013<sup>10</sup>**

Programme	Country	Results
Happy Childhood	Ukraine	The bank financed the acquisition of vouchers to summer recreation camps for children from 26 orphanages. In addition, in 2013 nearly 1,000 employees from Sberbank Ukraine responded with New Year wishes to 1,700 children from 22 orphanages
New Year presents for children	Russia Kazakhstan Hungary	Our employees prepared New Year presents for orphanage children as well as Christmas presents for children in hospitals
Do the Good	Republic of Belarus	Our employees collected cash for puppet shows, special educational games, medication, sports goods, children's toys and books for the children from special school No. 7.
Hurrah! I go to school!	Kazakhstan	The bank's employees presented school kits to 1,100 children from orphanages and needy families.

### Support for XXII Winter Olympic games 2014 in Sochi

Since 2009 Sberbank has been a general partner for the 22nd Winter Olympic Games in Sochi and implemented a number of initiatives aimed at developing infrastructure and promoting the Games.

**Infrastructure development** Sberbank made a considerable financial contribution in preparing formal infrastructure for the Sochi Olympic Games. We were directly involved in the construction of the Russian Villages spring-board facility, Highland Media Village, and Highland Ancillary Media Centre. In 2013 we were also actively involved in preparing banking and payment infrastructure for receiving Games guests and participants: we reformatted all our offices in Sochi and considerably expanded the network of ATMs and payment terminals.

**Games promotion and popularisation.** In 2013, Sberbank continued providing support for the Red Rocks musical festival, a part of the Sochi-2014 Culture Olympiad. In 2012-2013, the Red Rock festival covered the total of 37 Russian cities. During the project the main musical composition of Olympic Games in Sochi—the Anthem of fans will be created. We also developed special Olympic-branded products, including a number of Olympic Sberbank Visa cards: 50% of the annual fee for the Russian Olympic Team card and 0.3% of all card purchases are donated to the Russian Olympic Committee. Sberbank also continued implementing the Sochi-2014 coin programme: in 2013, 40 types of commemorative coins and 6 types of investment coins made from gold and silver were available from Sberbank offices.

<sup>10</sup> According to the Report boundary, see About the Report section.

### Support for sports and healthy lifestyle

Group members actively support children and youth sports schools and sports competitions, and provide traditional sponsorship assistance to national sports federations and associations in the countries of operation, including the federations and associations of basketball, football, rowing, tennis, skiing in Russia, the Republic of Belarus, Slovenia, and others. Sberbank Insurance supported the Parafest paralympic festival, which gathered paralympic sportsmen from 11 Russian regions and the Back to Life award ceremony of the Paralympic Committee.



The Green Marathon project is described in detail in section Promoting environmental protection.

### Support of education and educational establishments

We continue to provide financial aid to scientific and educational institutions aimed at holding educational and scientific conferences and competitions, organising research and training activity, and allocate considerable resources for grants to best students.

Among the most important events in 2013 we note:

- ▶ The Virtual School project designed to develop IT infrastructure at Russian educational institutions. In 2013, we opened «virtual schools» in Veliky Novgorod, Vladimir, Ulan-Ude, Magadan, Minsk, and Orsha;
- ▶ The Banks Battle international student competition in banking management held in conjunction with the Russian Presidential Academy of National Economy. Following the competition, some of the winners were employed by Sberbank;
- ▶ The 14th April International Academic Conference on Economic and Social Development. In 2013, Sberbank was a general partner for the Conference, which gathered together world-class economists.

**Table 16 Support for education and educational institutions in the countries of operation<sup>11</sup>**

Country	Event/Programme
000 IC Sberbank Insurance	HSE Alumni Awards 2013, annual award from the HSE Graduate Association
Kazakhstan	The Dobry Start programme (educational grants for students and applicants from needy families, orphanages and boarding schools)
Turkey	500,000 books for 5,000 communities The Forex Student Competition (in cooperation with Istanbul Technical University)

<sup>11</sup> According to the Report boundary, see About the Report section

### Culture and Arts Support

Sberbank has traditionally supported leading Russian theatres and is a 14-year partner for the Golden Mask Russian Performing Arts Festival and National Theatre Award. Since 2011 Sberbank has been a general partner for off-site performances by the Obraztsov Puppet Theatre including visits to Russian cities where the Theatre invites orphanage children to its performances. The bank also supports the Andrey Tarkovsky International Film Festival Mirror.

Our subsidiary banks and affiliated companies participate in landmark events of culture and art including the organisation of symphony concerts and culture festivals. In 2013, Sberbank Ukraine organised the Sberbank Debut international festival and competition which gathered 15 young piano talents from Ukraine, Russia, Georgia, Canada, Australia, Uzbekistan, and Switzerland.

## 4. Environment

The main sources of Sberbank Group's environmental impact are the infrastructure facilities, expendable materials, and vehicle and aircraft business trips. To minimise unfavourable impact on environment, we control the use of resources and take action to improve resource and energy efficiency. Reducing indirect environmental impact, we finance projects in the fields of alternative power and raising energy efficiency. We also hold various ecological events designed to promote environmental friendliness.

To control the use of resources, Sberbank develops the management accounting system that covers waste generation, water consumption, greenhouse gas emissions, and the use of electric and heat power.



Details of the resource consumption by Group members are provided in Supplements. Environmental impact.

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### 4.1 Raising resource and energy efficiency

#### Reducing paper consumption

In 2013, Sberbank and a number of subsidiary banks and affiliated companies completed the introduction of the electronic document circulation system. Over the year the number of system users rose 25% to 100,000 subscribers. The system made it possible to save about 40 tonnes of office paper, which is equivalent to a hectare of live wood.

In 2013, DenizBank implemented the initiative aimed at a drastic reduction in the use of paper for office routine. In particular, all printers at the bank's outlets are set for two-sided printing by default, and employees are prohibited to photocopy documents. Now, at all meetings and conferences DenizBank employees use tablets or laptops, instead of printed materials. In addition, in 2013 we completed the transition to a digital archive.

Sberbank Insurance introduced a centralised management system for document printing and scanning. Replacement of paperbased documents by digital ones in the transmission, processing and safekeeping business documentation resulted in a considerable reduction in paper consumption. Now, every employee is able to count in his/her dashboard how many trees he/she has saved.

Cetelem Bank supports the ISO 14000 environmental management standard which requires to use industrial shredding machines to dispose of paper waste, which is then recycled. This initiative resulted in 4.3 tonnes of processed paper waste, which is equivalent to 74 saved trees. Paper recycling also made it possible to save 129,000 litres of fresh water and 8,600 kW of electric power.

#### Separate waste collection

BPS-Sberbank and Sberbank Europe have introduced a separate waste collection system. At BPS-Sberbank, following the introduction of separate collection of PET packings, the non-recyclable plastic waste was reduced by 90%. Sberbank Croatia participated in the national programme of electronic waste collection and recycling which made it possible to prevent toxic substances from penetrating to the soil.

### Lighting systems

In 2013, Sberbank Europe, Sberbank Ukraine, and DenizBank replaced energy-consuming neon elements on ads and pointers at their offices with LED lamps which resulted in substantially higher light output at lower energy consumption.

In the course of scheduled maintenance, Sberbank, BPS-Sberbank, and Sberbank Technologies installed LED lights in their offices, which have lower power consumption and longer service life. This made it possible to reduce lamp replacement costs and release additional power capacity. For example, Sberbank's Central Head Office achieved 98,287 kWh of annual power savings.

### Air conditioning systems

Air conditioning and heating take a substantial share of electric and heat power consumption. Therefore, we seek to introduce energy efficient technologies in this sphere. For example, in the course of the scheduled maintenance, Sberbank Technologies used an innovative technical solution—air recovery, balanced ventilation system, which produces higher micro-climate quality and reduces power consumption. In addition, BPS-Sberbank installed individual temperature control devices, which resulted in 482 Gcal of annual reduction in the heat power consumption.

### Requirements for office equipment

At DenizBank and Sberbank Europe, office and IT equipment procurement is based on certain energy-efficiency specifications. In particular, all electronic devices purchased for DenizBank must comply with the A+ energy efficiency class, and air conditioners must be equipped with inverter. At Sberbank Europe, the procurement of computers, servers and other IT equipment is based on higher energy-efficiency requirements. These measures make it possible to achieve the highest efficiency of every energy unit and higher machine capacity.

### Energy certification

Sberbank Europe conducted energy certification of its offices in Croatia. The energy certificate contains a description of energy consumption by heating, ventilation, and hot water supply. In addition, energy certificate makes it possible to calculate greenhouse gas emissions by buildings.

#### **The new building of Sberbank's main cash centre obtained the first prize from Hi-Tech Building Awards**

In 2013, we commissioned new buildings of Volgo-Vyatsky bank's Client Transaction Centre in Volgograd and Sberbank's Main Cash Centre in Moscow that incorporated innovative energy saving technologies. The Main Cash Centre building obtained the first prize in the Best Comprehensive Automation Solution for Commercial Property category. State-of-the-art engineering solutions in energy-efficiency were used in construction of the buildings including low-emissivity glass, atmospheric cooling air condition systems, air recovery ventilation systems, and LED lighting systems.

## 4.2 Financing alternative and renewable energy sources and the initiatives to raise energy efficiency

Sberbank seeks new opportunities to develop business in the field of energy efficiency and implementation of alternative energy sources. A step along this way was the pilot project implemented on the premises of our affiliated company. The project included the development and application of the «smart heat supply networks» technology based on automatic tuning of heat-generating facilities to current consumer demand. The technology was implemented in hot water supply system of ten heat distribution stations in Moscow. In total the project covered 39 apartment buildings that are connected to those distribution stations. The project proved that the smart heat supply networks technology used on this set of facilities brings about 800 Gcal of monthly energy savings.

In 2013, Sberbank Ukraine financed the construction of solar electric plants and a wind farm in Nikolayev, Kherson, and Odessa Regions, with the total installed capacity of 96.8 MW, worth EUR 167 mn (RUB 7 bn).

DenizBank participated in the TurSEFF national programme designed to promote energy efficiency and renewable power source in the private sector. In 2013, the bank financed 16 projects within the programme, for a total of TRY 16 mn (over RUB 267 mn). In addition, DenizBank granted USD 110 mn (over RUB 3.5 bn) in loans for the construction of a number of power plants based on renewable energy sources. Finally, in partnership with international financial institutions, EBRD and EIB, the bank was a loan agent in arranging financing for five major renewable energy facilities worth USD 85 mn (over RUB 2.7 bn).

## 4.3 Promoting environmental protection

We seek to promote a responsible approach to environment among all our stakeholders. For this purpose, we hold various environment-related events, with the participation of our employees' representatives from government agencies, and the public.

### The Yenisei Day

In 2013, Sberbank was again involved in the organisation of The Yenisei Day, an environment-related event aimed to attract public attention to the state of the Yenisei, one of the largest Russian rivers. This year, this environment-protection event turned into a full-scale public movement. In 2013, The Yenisei Day expanded beyond the Krasnoyarsk Territory and is now held in the adjacent Republics of Khakassia and Tyva. Over 500 representatives from 12 organisations took part in the event. The participants, including employees of Vostochno-Sibirsky bank, worked hard to remove dozens of tonnes of garbage and clean the banks of small rivers that feed the Grand Yenisei—Kana, Kacha, Angara, Chulyma, Podkamennay Tunguska, and Abakana.

### The Green Marathon

In 2013, Sberbank continued conduction of the Green Marathon. Over 50,000 Russians in 42 Russian cities participated in the 4.2 km race, after which they planted over 3,000 trees and bushes contributing to the landscaping of their cities.

Sberbank's initiative was highly praised by international organisations. The Green Marathon project is included into the Billion Trees campaign implemented worldwide by UNEP (United Nations Environment Programme) since 2007.

In addition, the Green Marathon project received two awards for contributing to sustainability from the Gateway to the Future! National Award. This award was also granted to Sberbank for environmental and social initiatives, implemented as part of the Olympic partnership.

#### **Joint events with environmental organisations**

Over 9% of Sberbank Czech Republic employees participated in environmental events held jointly with the Čmelák—Friends of Nature non-profit organisation. The participants planted 1,300 trees and built a fence to protect the newly-born trees from wild animals. The bank also cooperates with the Pálava Environmental Education Centre to collect garbage and improve the Děvín nature reserve.

# About The Report

OJSC Sberbank of Russia's 2013 Corporate Social Responsibility Report differs from previous non-financial reports of the bank. Previously, corporate social responsibility reports did not include any information or data other than in Russia. However, consistent Sberbank's development as an international diversified financial group made us review our approach to information disclosure. We are launching integrating processes and building common approaches to corporate governance. Meanwhile the sphere of Sberbank's influence expands through its subsidiary banks and affiliated companies with the increasing number of stakeholders and level of responsibility to them.

Therefore, in 2013, we decided to issue a corporate social responsibility report of the Sberbank Group («Report») which is included in the Annual Report comprising also Management Report and the Group's financial statements.

The Report is designed to provide our principal stakeholders with unbiased, complete, and consolidated quantitative and qualitative information on the development priorities established by Sberbank's *Corporate Social Responsibility Policy*.

The Group followed the GRI Guidelines' principles to define the Report content: materiality, stakeholder inclusiveness, sustainability context, and completeness in accordance with the GRI Guidelines' recommendations. To decide whether to include an issue in the Report, we used the following tools:

- ▶ interviews with bank managers;
- ▶ analysis of industry non-financial reporting;
- ▶ analysis of the Russian business press;
- ▶ employee and client polls;
- ▶ institutional investor polls;
- ▶ results of the public discussion of the previous Report, with the use of the crowdsourcing platform.

To ensure Report quality, the Group applied the principles of balance, comparability, accuracy, timeliness, clarity and reliability established by the GRI Guidelines.

The Report complies with Level B of the GRI Sustainability Reporting Guidelines.



# Report Boundary

Unless indicated otherwise, the information and performance results, included in the Report, refer to

- ▶ OJSC Sberbank of Russia in Russia including the **Central Head Office** and **regional banks**;
- ▶ **Subsidiary banks** in Ukraine, Republic of Belarus, Kazakhstan, Turkey, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Bosnia and Herzegovina, and Serbia;
- ▶ **Affiliated companies** in Russia.

The decision whether to include a subsidiary bank or an affiliated company in the Report was based on the level of Sberbank's control (over 50% interest in the company) and materiality of the company's impact (staff number over 60 employees).

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**Table 17 Subsidiary banks and affiliated companies**

Corporate name	Name used in Report
<b>Subsidiary banks</b>	
DENIZBANK A.S.	DenizBank
Sberbank Europe A.G.	Sberbank Europe
OJSC BPS-Sberbank (Republic of Belarus)	BPS-Sberbank
SB JSC Sberbank (Kazakh-stan)	Sberbank Kazakhstan
JSC SBERBANK OF RUSSIA (Ukraine)	Sberbank Ukraine
Cetelem Bank LLC	Cetelem Bank
<b>Affiliated companies</b>	
CJSC Sberbank Technologies	Sberbank Technologies
CJSC Sberbank Leasing	Sberbank Leasing
Sberbank Private Pension Fund	Sberbank Private Pension Fund
Yandex.Money, NBCO LLC	Yandex.Money
IC Sberbank Insurance Ltd.	Sberbank Insurance
KORUS Consulting CIS LLC	KORUS Consulting
CJSC Sberbank-AST	Sberbank-AST
AND Sberbank's Corporate University	Corporate University
CJSC Business Environment	Business Environment

The information disclosed in the Report covers the year of 2013, ending on December 31, 2013. Nevertheless in order to depict the dynamics of certain key processes, in a number of sections data for previous periods is provided.

The Management Report contains *consolidated financial results for the Sberbank Group*, prepared in accordance with the International Financial Reporting Standards. The Management Report also includes the information about Sberbank Group's market position, risk management approach, key corporate governance

information, description of brands, products and services, operating results, improvements in the procurement system, and other information commonly disclosed in non-financial reports.

For calculation of direct and indirect emissions of greenhouse gases from the consumption of heat and electricity, as well as greenhouse gas emissions, from using fuel when transporting, were used IPCC Guidelines for National Greenhouse Gas Inventories and the RF National Report on cadastre of man-made emission from sources and absorption by greenhouse gas sinks outside the scope of Montreal Protocol for 1990-2010.

Information and expert opinions set forth in the Report, are relevant solely on the Report submission date and may change without prior notice. Neither the Report nor any part therein contains and should not be interpreted as an offer or incentive to make a purchase or issuance or as an attempt to make a bid, a tender, underwriting or other acquisition, or as a recommendation to such acquisition of any shares or equity securities issued by the Bank or any Bank subdivision; also neither the Report nor any part therein, as well as the fact of its submission or distribution should be interpreted as the basis, direct or indirect, for concluding any contractual relations, undertaking any obligations or taking investment decisions.

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The Information from the Report may contain forward-looking statements. Forward-looking statements include all statements that are not historic facts, statements concerning Bank intentions, opinions or current expectation relating among other things to the Bank operational indicators, its financial status, liquidity, perspectives, growth, strategies and the sector where the Bank operates. By their nature, forward-looking statements involve risk and uncertainty as they involve events which may not take place in the future and depend on circumstances that may not occur in the future.

Hereby, the Bank warns that forward-looking statements are not guarantees of achievement of the specified indicators in the future; the actual operational indicators, indicators of the financial status, liquidity and development of the sector where the Bank operates, may vary considerably from those specified and offered in forward-looking statements contained in the Report. Besides, even if the Bank operational indicators, its financial status, liquidity position and development indicators for the sector where the Bank operates, do correspond to the forward-looking statements contained either in this presentation or in oral statements, such indicators may not serve as a guideline for indicators, nor events of future periods.

## Feedback

To take account of the opinion of all stakeholders, the Report will again be discussed publicly on the crowd-sourcing platform at [www.sberbank21.ru](http://www.sberbank21.ru). All feedback obtained from the public discussion will be reviewed and taken into account in the preparation of corporate social responsibility reports for future periods.

# Supplements

## Actual staff number of the Group<sup>12</sup>

Bank/Company	As of 31.12.2012	As of 31.12.2013
Sberbank	245,316	255,515
Sberbank Ukraine	2,465	3,136
BPS-Sberbank	4,320	4,364
Sberbank Europe	4,365	4,673
DenizBank	11,618	14,413
Sberbank Kazakhstan	2,455	3,237
Business Environment	79	87
KORUS Consulting	150	180
Sberbank Private Pension Fund	101	428
Sberbank Technologies	1,850	2,871
Corporate University	48	94
Yandex.Money	264	302
Sberbank-AST	112	128
Sberbank Insurance	58	223
Sberbank Leasing	495	556
Cetelem Bank <sup>13</sup>	4,654	8,496
<b>TOTAL</b>	<b>278,352</b>	<b>298,703</b>

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## Bank staff by gender<sup>14</sup>

Bank/Company	As of 31.12.2012		As of 31.12.2013	
	Females	Males	Females	Males
Sberbank	181,277	64,039	187,492	68,023
Sberbank Ukraine	1,723	742	2,249	887
BPS-Sberbank	3,113	1,207	3,136	1,228
Sberbank Europe	2,751	1,614	2,926	1,747
DenizBank	5,875	5,743	7,387	7,026
Sberbank Kazakhstan	1,552	903	2,028	1,209
Business Environment	34	45	45	42
KORUS Consulting	80	69	100	78
Sberbank Private Pension Fund	71	31	361	67
Sberbank Technologies	479	1,371	843	2,028

<sup>12</sup> According to the Report boundary, see About the Report section.

<sup>13</sup> Considerable growth in the number of staff is based on the large-scale transfer of employees from BNP Paribas.

<sup>14</sup> According to the Report boundary, see About the Report section.

Bank/Company	As of 31.12.2012		As of 31.12.2013	
	Females	Males	Females	Males
Corporate University	31	17	62	32
Yandex.Money	122	142	155	147
Sberbank-AST	62	50	68	60
Sberbank Insurance	31	27	145	78
Sberbank Leasing	251	244	284	272
Cetelem Bank	3,800	854	6,846	1,650
<b>TOTAL</b>	<b>201,253</b>	<b>77,099</b>	<b>214,129</b>	<b>84,574</b>

### Bank staff by age<sup>15</sup>

Bank/Company	As of 31.12.2012			As of 31.12.2013		
	Under 30	30-50 years	Over 50	Under 30	30-50 years	Over 50
Sberbank	94,876	122,590	27,850	106,577	122,574	26,364
Sberbank Ukraine	986	1,328	151	1,219	1,726	191
BPS-Sberbank	989	2,590	741	1,067	2,555	742
Sberbank Europe	896	2,917	552	871	3,325	477
DenizBank	4,182	7,204	232	5,359	8,770	284
Sberbank Kazakhstan	1,205	1,112	138	1,653	1,428	156
Business Environment	27	50	2	33	51	3
KORUS Consulting	101	43	6	121	55	4
Sberbank Private Pension Fund	47	41	15	238	164	26
Sberbank Technologies	719	1,028	101	1,089	1,635	147
Corporate University	21	24	3	27	59	8
Yandex.Money	146	111	7	163	129	10
Sberbank-AST	62	45	5	70	51	7
Sberbank Insurance	34	23	1	150	71	2
Sberbank Leasing	178	294	23	203	322	31
Cetelem Bank	4,093	526	35	7,404	1 043	49
<b>TOTAL</b>	<b>108,562</b>	<b>139,926</b>	<b>29,864</b>	<b>126,244</b>	<b>143,958</b>	<b>28,501</b>

<sup>15</sup> According to the Report boundary, see About the Report section.

<sup>16</sup> According to the Report boundary, see About the Report section.

**Group staff with higher education<sup>16</sup>**

Bank/Company division	As of 31.12.2012	As of 31.12.2013
Sberbank	73.83%	72.41%
Sberbank Ukraine	92.05%	91.49%
BPS-Sberbank	71.18%	73.46%
Sberbank Europe	59.40%	62.68%
DenizBank	58.05%	60.77%
Sberbank Kazakhstan	85.91%	87.52%
Business Environment	88.61%	91.95%
KORUS Consulting	84.00%	81.11%
Sberbank Private Pension Fund	83.50%	57.71%
Sberbank Technologies	79.62%	72.80%
Corporate University	100.00%	98.94%
Yandex.Money	70.08%	72.52%
Sberbank-AST	94.64%	92.19%
Sberbank Insurance	91.38%	88.34%
Sberbank Leasing	98.18%	97.30%
Cetelem Bank	46.09%	43.70%
<b>TOTAL</b>	<b>72.81%</b>	<b>71.33%</b>

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**Group staff by type of employment (employee category)<sup>17</sup>**

Bank/Company	As of 31.12.2012				As of 31.12.2013			
	Executives	Specialists	Common service staff	Other employee categories	Executives	Specialists	Common service staff	Other employee categories
Sberbank	30,531	76,693	138,092	107,224	32,280	81,085	142,150	0
Sberbank Ukraine	368	448	1,585	64	561	551	1,943	81
BPS-Sberbank	544	673	2,837	266	539	701	2,867	257
Sberbank Europe	No data							
DenizBank	1,133	8,905	1,577	3	1,334	11,372	1,706	1
Sberbank Kazakhstan	464	998	829	164	625	1,332	1,145	135
Business Environment	13	63	0	3	12	70	0	5
KORUS Consulting	28	111	0	11	33	134	0	13
Sberbank Private Pension Fund	27	71	5	0	35	93	300	0
Sberbank Technologies	549	1,301	0	0	824	2,047	0	0
Corporate University	12	36	0	0	32	60	0	2
Yandex.Money	37	226	0	1	49	249	0	4

<sup>17</sup> According to the Report boundary, see About the Report section.

Bank/Company	As of 31.12.2012				As of 31.12.2013			
	Executives	Specialists	Common service staff	Other employee categories	Executives	Specialists	Common service staff	Other employee categories
Sberbank-AST	25	77	0	10	28	90	0	10
Sberbank Insurance	25	15	16	2	43	39	139	2
Sberbank Leasing	173	313	0	9	179	362	0	15
Cetelem Bank	492	406	3,756	0	1,058	851	6,587	0
<b>TOTAL</b>	<b>3,890</b>	<b>13,643</b>	<b>148,697</b>	<b>107,757</b>	<b>37,632</b>	<b>99,036</b>	<b>156,837</b>	<b>525</b>

### Governing bodies<sup>18</sup>

Bank/Company	Headcount											
	By age						By gender					
	Total		Under 30		30-50 years		Over 50		Females		Males	
	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013
Sberbank	221	218	0	1	155	161	66	56	61	58	160	160
Sberbank Ukraine	9	11	0	0	6	8	3	3	2	2	7	9
BPS-Sberbank	10	9	0	0	5	5	5	4	3	3	7	6
Sberbank Europe	16	20	0	0	13	17	3	3	2	3	14	17
DenizBank	36	44	0	0	32	40	4	4	3	4	33	40
Sberbank Kazakhstan	14	15	0	1	11	12	3	2	1	1	13	14
Business Environment	4	8	0	2	4	6	0	0	1	2	3	6
KORUS Consulting	9	9			n/a				1	2	8	7
Sberbank Private Pension Fund	9	10	0	0	9	7	0	3	2	3	7	7
Sberbank Technologies	7	6	0	0	6	5	1	1	1	2	6	4
Corporate University	9	11	0	0	9	11	0	0	2	2	7	9
Yandex.Money	6	9	0	1	5	7	1	1	3	4	3	5
Sberbank-AST	6	6	0	0	4	4	2	2	0	0	6	6
Sberbank Insurance	8	8	0	0	8	8	0	0	0	0	8	8
Sberbank Leasing	5	6	0	0	3	4	2	2	1	1	4	5
Cetelem Bank	9	11	0	0	8	9	1	2	0	2	9	9

<sup>18</sup> According to the Report boundary, see About the Report section.

## Injury rate<sup>19</sup>

Bank/Company	Total injuries in 2013	Fatal injuries
Sberbank	223	2
Sberbank Ukraine	0	0
BPS-Sberbank	0	0
Sberbank Europe	0	0
DenizBank	0	0
Sberbank Kazakhstan	0	0
Business Environment	0	0
KORUS Consulting	0	0
Sberbank Private Pension Fund	0	0
Sberbank Technologies	0	0
Corporate University	0	0
Yandex.Money	0	0
Sberbank-AST	0	0
Sberbank Insurance	0	0
Sberbank Leasing	0	0
Cetelem Bank	4	0
<b>TOTAL</b>	<b>227</b>	<b>2</b>

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Cf.: Total injuries in 2012 at OJSC Sberbank of Russia—240

## Employee turnover rate for Sberbank

	2010		2011		2012		2013	
	Retirement	Turnover	Retirement	Turnover	Retirement	Turnover	Retirement	Turnover
<b>TOTAL</b>	<b>14.7%</b>	<b>7.5%</b>	<b>17.6%</b>	<b>14.2%</b>	<b>23.2%</b>	<b>18.9%</b>	<b>28.2%</b>	<b>22.5%</b>

<sup>19</sup> According to the Report boundary, see About the Report section.

<sup>20</sup> According to the Report boundary, see About the Report section.

## Employee turnover rate for the Group<sup>20</sup>

		Turnover rate according to LA2 (%)	Left during reporting period (people)	By age					
				Under 30 (people)	including females (%)	30-50 (people)	including females (%)	Over 50 (people)	including females (%)
Sberbank Ukraine	2012	16.1%	400	202	66.0%	166	70.0%	32	63.0%
	2013	17.1%	540	221	74.0%	294	76.0%	25	84.0%
BPS-Sberbank	2012	15.4%	752	190	52.1%	343	56.3%	219	73.5%
	2013	12.3%	601	191	69.1%	266	71.8%	144	79.2%
Sberbank Europe	2012	No data							
	2013	No data							
DenizBank	2012	12.9%	1,557	800	49.8%	733	45.7%	24	25.0%
	2013	13.7%	2,050	1,065	53.3%	953	47.5%	32	31.3%
Sberbank Kazakhstan	2012	16.5%	431	226	56.0%	190	53.0%	15	50.0%
	2013	18.4%	602	307	62.0%	276	65.0%	19	32.0%
Business Environment	2012	3.8%	3	0	0.0%	3	33.3%	0	0.0%
	2013	39.1%	34	11	36.4%	23	17.4%	0	0.0%
KORUS Consulting	2012	38.7%	58	43	55.8%	14	28.6%	1	100.0%
	2013	43.9%	80	55	49.1%	21	38.1%	4	25.0%
Sberbank Private Pension Fund	2012	23.3%	24	9	88.0%	14	57.0%	1	0.0%
	2013	11.0%	48	21	80.0%	20	80.0%	6	66.0%
Sberbank Technologies	2012	7.0%	129	38	15.0%	84	14.0%	7	0.0%
	2013	14.5%	416	188	55.0%	212	46.0%	16	12.5%
Corporate University	2012	2.1%	1	0	0.0%	1	10.0%	0	0.0%
	2013	25.5%	24	5	80.0%	17	82.0%	2	0.0%
Yandex.Money	2012	1.9%	5	4	80.0%	1	100.0%	0	0.0%
	2013	23.2%	70	49	49.0%	19	55.0%	2	0.0%
Sberbank-AST	2012	15.2%	17	12	75.0%	5	20.0%	0	0.0%
	2013	16.4%	21	17	59.0%	3	0.0%	1	0.0%
Sberbank Insurance	2012	27.6%	16	6	50.0%	9	66.7%	1	0.0%
	2013	15.2%	34	28	57.1%	6	16.7%	0	0.0%
Sberbank Leasing	2012	36.2%	179	66	55.0%	105	34.6%	6	17.0%
	2013	28.6%	159	59	42.0%	97	34.0%	3	33.0%
Cetelem Bank	2012	78.3%	3,661	3,260	78.6%	382	74.1%	19	36.8%
	2013	59.4%	5,122	4,714	77.4%	394	72.1%	14	35.7%

For reference: Sberbank uses another method for calculating turnover rate compared to GRI Guidelines' LA2 indicator, which is 22.5%. Sberbank of Russia's turnover rate calculated according to LA2 requirements in 2013 is 28.6% (73,017 employees left in the reporting period).



## Resource consumption by Sberbank

Resource consumption	2010	2011	2012	2013
Electric power, kWh	720,678,945	829,754,538	936,235,476	887,847,794
Thermal power, Gcal	886,406	1,191,541	996,446	1,950,064
Diesel fuel oil, l	7,236,423	9,833,126	11,248,716	13,063,854
Petrol, l	23,376,530	34,375,819	26,631,829	22,255,076
Gas, m <sup>3</sup>	17,367,878	18,619,647	19,420,180	12,257,083
Coal, tonnes	1,238	1,161	1,990	1,752
Firewood, cub.m	700	1,082	1,260	1,773
Water, m <sup>3</sup>			5,039,236	3,392,644

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## Resource consumption by subsidiary banks and affiliated companies<sup>21</sup>

Resource consumption	Electric power, kWh	Thermal power, Gcal	Diesel fuel oil, l	Petrol, l	Water, m <sup>3</sup>	Paper, tonnes
Sberbank Ukraine	1,746,000	300	3,653.7	123,544.5	3,903	No data
BPS-Sberbank	11,829,000	16,749	16,414	70,104	44,832	113.75
Sberbank Europe	22,130,727	No data	No data	No data	No data	No data
DenizBank	No data	No data	No data	No data	No data	No data
Sberbank Kazakhstan	5,298,420	1,915.89	56,244.48	290,553.88	14,156	No data
Business Environment	No data	No data	not used	not used	No data	0.55
KORUS Consulting	No data	No data	No data	No data	No data	No data
Sberbank Private Pension Fund	4,729.7	No data	No data	15,872.33	No data	No data
Sberbank Technologies	876,500	1,166	No data	No data	12,040	No data
Corporate University	124,785.28	459.68	not used	5,271.66	No data	No data
Yandex.Money	No data	No data	No data	7,702.87	No data	No data
Sberbank-AST	400,449.6	464.17	818.59	26,410.1	2,365.4	No data
Sberbank Insurance	89,605	No data	No data	No data	No data	No data
Sberbank Leasing	427,583	No data	not used	24,723.78	No data	No data
Cetelem Bank	1,372,269	No data	No data	25,005	4,569.6	4.30

<sup>21</sup> According to the Report boundary, see About the Report section.

## Waste generated by Sberbank

<b>in tonnes</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Luminescent lamps	29.6	26.1	26.9
Energy storage devices	10.4	12.3	12.6
Oil usage	49.4	55.7	25.5
Waste tyres	36.2	35.9	24.0
Litter from amenity and office space	27,624.7	29,554.8	32,846.5
Paper and cardboard waste	5,633.8	4,392.9	4,158.4
Waste office equipment	64.5	75.4	78.4
Other	10,672.9	10,721.1	8,087.7
<b>TOTAL</b>	<b>44,121.5</b>	<b>44,874.2</b>	<b>45,260.0</b>

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## Waste generated by subsidiary banks

	<b>Waste volume</b>	<b>Measurement unit</b>
Sberbank Ukraine	1,335.6	m <sup>3</sup>
BPS-Sberbank	26.6	tonnes
Sberbank Europe	8,601.4	m <sup>3</sup>
DenizBank	61,577.7	m <sup>3</sup>
Sberbank Kazakhstan	2,565.1	m <sup>3</sup>

# GRI Content Index

GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
1.1. Statement from the most senior decisionmaker of the reporting organisation about the relevance of sustainability to the organisation and its strategy	Opening Statement by Herman Gref, Sberbank CEO and Chairman of the Executive Board
1.2. Description of key impacts, risks, and opportunities	Opening Statement by Herman Gref, Sberbank CEO and Chairman of the Executive Board  About the Report <a href="http://www.sbrf.ru/common/img/uploaded/files/pdf/POLICY_for_Corporate_Social_Responsibility.pdf">http://www.sbrf.ru/common/img/uploaded/files/pdf/POLICY_for_Corporate_Social_Responsibility.pdf</a>  See the Development Strategy of Sberbank of Russia for 2014-2018 <a href="http://www.sbrf.ru/moscow/ru/about/today/strategy/">http://www.sbrf.ru/moscow/ru/about/today/strategy/</a>
2.1. Name of the organisation	About the Report
2.2. Primary brands, products, and/or services	<a href="http://www.sberbank.ru">www.sberbank.ru</a>  About the Report  Socially oriented products  Small business support
2.3. Operational structure of the organisation, including main divisions, operational companies, subsidiaries, and joint ventures	About the Report  Management Report
2.4. Location of organisation's headquarters	Management Report
2.5. Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	About the Report  Financial Statements
2.6. Nature of ownership and legal form	Management Report
2.7. Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Management Report  Financial Statements  Socially oriented products  Ensuring availability of financial services  Small business support
2.8. Scale of the reporting organisation	Management Report  Investing in human capital  Ensuring availability of financial services
2.9. Significant changes during the reporting period regarding size, structure, or ownership	Management Report  Financial Statements
2.10. Awards received in the reporting period	Awards
3.1. Reporting period (e.g., fiscal/calendar year) for information provided	About the Report
3.2. Date of most recent previous report (if any)	About the Report
3.3. Reporting cycle	About the Report
3.4. Contact point for questions regarding the report or its contents	About the Report
3.5. Process for defining report content	About the Report
3.6. Boundary of the report	About the Report
3.7. Limitations on the scope or boundary of the report	About the Report

<b>GRI disclosure/indicator (as defined by GRI Guidelines)</b>	<b>Report Section</b>
3.8. Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	About the Report
3.9. Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the Report	About the Report
3.10. Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	About the Report Sberbank's 2012 Corporate Social Responsibility Report contains a technical error in total waste data  Supplement: Waste generated by Sberbank
3.11. Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	About the Report
3.12. Table identifying the location of the Standard Disclosures in the report	Page 115
3.13. Policy and current practice with regard to seeking external assurance for the report	About the Report The Report corresponds to GRI Application Level B and was not subjected to external assurance procedures
4.1. Governance structure of the organisation	Management Report
4.2. Indication of whether the Chair of the highest governance body is also an executive officer	Management Report
4.3. For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Management Report
4.4. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Management Report Investing in human capital
4.5. Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	Sberbank's Supervisory Board established compensation thresholds for Executive Board members and restricted bonus payments, during the year. Actual bonus size depends on Sberbank's net profits, implementing projects, and achieving key performance indicators  See also section Motivation and compensation of employees  Remuneration of Board members in the Management Report
4.6. Processes in place for the highest governance body to ensure conflicts of interest are avoided	In 2013, OJSC Sberbank of Russia adopted the Anticorruption Policy and the Conflict of Interest Management Policy  Charter of the Bank  Management Report  Compliance risk management
4.7. Process for determining qualifications and expertise of members of the highest governance body for developing the organisation's economic, environmental, and social strategies	The highest competence and qualifications of Board members, including economic, environmental and social issues, are confirmed by academic degrees and relevant professional experience
4.8. Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Mission, development strategy and corporate social responsibility Management Report  <i>See also Sberbank's Corporate Social Responsibility Policy</i>
4.9. Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance	Management Report
4.10. Processes for evaluating the highest governance body's own performance	Management Report

<b>GRI disclosure/indicator (as defined by GRI Guidelines)</b>	<b>Report Section</b>
4.11. Explanation of whether and how the precautionary approach or principle is addressed by the organisation	The Bank does not directly use the precautionary approach to its activities
4.12. Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	In 2013, neither Sberbank nor Sberbank Group members subscribed or endorsed to any externally developed economic, environmental, and social charters, principles, or other initiatives
4.13. Memberships in associations (such as industry associations) and/or national/international advocacy organisations	Supplement: Association memberships
4.14. List of stakeholder groups engaged by the organisation	About the Report <i>See also Sberbank's Corporate Social Responsibility Policy</i>
4.15. Basis for identification and selection of stakeholders with whom to engage	<i>See also Sberbank's Corporate Social Responsibility Policy</i>
4.16. Approaches to stakeholder engagement	Stakeholder engagement Improving quality service Socially oriented products Contributing to the development of countries and regions of operation Small business support Motivation and compensation of employees <i>See also Sberbank's Corporate Social Responsibility Policy</i>
4.17. Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Stakeholder engagement
<b>Economic Performance Indicators</b>	
Management approach	Management Report
EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Financial Statements, Sberbank Group's 5-Year Key Performance Indicators in Accordance with IFRS (partially) Management Report
EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change	Financing alternative and renewable energy sources and the initiatives to raise energy efficiency Performing the functions of a carbon unit operator regarding expert evaluation of projects applied for approval under Article 6 of the Kyoto Protocol
EC3 Coverage of the organisation's defined benefit plan obligations	Corporate benefits Financial Statements  The Group applies IAS 19 Employee Benefits for pension liabilities accounting. The corporate pension plan is implemented in cooperation with Sberbank Private Pension Fund  <i>See also Actuarial Report 2012</i>
EC4 Significant financial assistance received from government	Financial Statements
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	To reduce corruption risks and increase transparency, Sberbank is committed to organize a centralised electronic procurement system. Since main business is geographically distributed, decentralised procurement (other things being equal) is made from local suppliers  The centralised procurement system does not cover subsidiary banks and affiliated companies of the Group

GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Contributing to economic development Sponsorship and charity  Charity expenses are disclosed in the bank's Income Statement in accordance with RAS
EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts	Socially oriented products Improving access to financial services for disabled people  Small business support  Enhancing financial literacy
<b>Environmental Performance Indicators</b>	
Management approach	Environment
EN3 Direct energy consumption by primary energy source	Supplements: Resource consumption by Sberbank  Resource consumption by subsidiary banks and affiliated companies
EN4 Indirect energy consumption by primary source	Supplements: Resource consumption by Sberbank  Resource consumption by subsidiary banks and affiliated companies
EN7 Initiatives to reduce indirect energy consumption and reductions achieved	Raising resource and energy efficiency (partly)
EN8 Total water withdrawal by source	Water is withdrawn exclusively from municipal water supply systems. In 2013 total drinking water consumed reached 3,474,500 m <sup>3</sup> which is nearly 1,500,000 m <sup>3</sup> less than in 2012
EN9 Water sources significantly affected by withdrawal of water	Water withdrawal does not have any significant impact on water sources since water use is not included in production cycle
EN10 Percentage and total volume of water recycled and reused	Since water is consumed for household needs only, no recycling technologies are used
EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A
EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	N/A
EN16 Total direct and indirect greenhouse gas emissions by weight	Direct greenhouse gas emissions reached 116,017.7 tonnes of CO <sub>2</sub> <sup>22</sup> -equivalent  Indirect greenhouse gas emissions from electric energy consumption reached 581,972.1 tonnes of CO <sub>2</sub> -equivalent, heat energy consumption brought 280,505 tonnes of CO <sub>2</sub> -equivalent <sup>23</sup>
EN17 Other relevant indirect greenhouse gas emissions by weight	Other greenhouse gas emissions are negligible
EN21 Total water discharge by quality and destination	Water use is not a part of the production cycle; water discharge is equal to consumption. The accepting party is the municipal water-discharge system
EN22 Total weight of waste by type and disposal method	Supplements: Waste generated by Sberbank  Waste generated by subsidiary banks
EN23 Total number and volume of significant spills	N/A

<sup>22</sup> Across the entire Group, excluding Sberbank Europe and DenizBank.

<sup>23</sup> Across the entire Group, excluding Sberbank Europe, DenizBank, Sberbank Technologies, and Cetelem Bank.

<b>GRI disclosure/indicator (as defined by GRI Guidelines)</b>	<b>Report Section</b>
EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and percentage of transported waste shipped internationally	N/A
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	N/A
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Raising resource and energy efficiency Financing alternative and renewable energy sources and the initiatives to raise energy efficiency
EN27 Percentage of products sold and their packaging materials that are reclaimed by category	N/A
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Environmental impact management Greenhouse gas emissions from transport fuel in 2013 reached 104,726.3 tonnes of CO <sub>2</sub> -equivalent <sup>24</sup>
<b>Human Rights Performance Indicators</b>	
Management approach	Investing in human capital
HR5 Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	The Group is not involved in any business that may require any restriction of the freedom of association or collective bargaining
HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	The Group is not involved in any operations that may have significant risk of child labour
HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	The Group is not involved in any operations that may have significant risk of forced or compulsory labour
HR9 Total number of incidents of violations involving rights of indigenous people and actions taken	No incidents of violations involving rights of indigenous people detected in 2013
<b>Labor Practices &amp; Decent Work Performance Indicators</b>	
Management approach	Investing in human capital
LA1 Total workforce by employment type, employment contract, and region	Personnel Training Supplements: Actual Group staffing number Group staff by age Group staff by gender Group staff by type of employment (employee category) Group staff with higher education
LA2 Total number of employees and employee turnover by age group, gender, and region	Supplements: Actual Group staffing number Employee turnover rate for Sberbank Employee turnover rate for the Group
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Corporate benefits At Sberbank Group, corporate benefits are not provided to any employees other than to full-time staff members

<sup>24</sup> Across the entire Group, excluding Sberbank Europe and DenizBank.

<b>GRI disclosure/indicator (as defined by GRI Guidelines)</b>	<b>Report Section</b>
LA4 Percentage of employees covered by collective bargaining agreements	Collective bargaining agreements cover all employees of Sberbank. Subsidiary banks and affiliated companies do not have trade union organisations, and collective bargaining agreements are not concluded
LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Current collective bargaining agreement does not provide for any notice to employees of significant operational changes. Employees are notified of significant changes in bank's operations in accordance with the laws of the country of operation
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Current collective bargaining agreement provides for employer's obligation to control occupational health and safety in close cooperation with the trade union. The bank and its branches have established joint health safety commissions from employer and trade union representatives which operate on a parity basis
LA7 Rates of injury	Occupational Health and Safety Supplement: Injury rate
LA9 Health and safety topics covered in formal agreements with trade unions	The collective bargaining agreement effective in 2010-2013 includes the Occupational Health and Safety section
LA 12 Percentage of employees receiving regular performance and career development reviews	Employee performance assessment
LA13 Composition of governance bodies and breakdown of employees according to gender, age group, minority group membership, and other indicators of diversity	Supplement: Governing bodies
LA14 Ratio of basic salary of men to women by employee category	The Group does not keep records of remuneration by gender
<b>Product Responsibility Performance Indicators</b>	
Management approach	Improving quality service
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Improving quality service Small business support
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Ensuring security
<b>Society Performance Indicators</b>	
Management approach	Improving quality service Sponsorship and charity  <i>See also Sberbank's Corporate Social Responsibility Policy</i>
S04 Actions taken in response to incidents of corruption	In 2013, we identified 68 incidents of corruption at Sberbank. Each one was subjected to internal investigation followed by administrative and disciplinary sanctions. Most cases were handed over to law enforcement authorities, a number of suspects were charged of a crime. DenizBank, based on the findings of the joint audit carried out by Internal Audit Service and Internal Control Department, dismissed five employees on suspicion of their involvement in corruption-related crimes
S06 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	The Group does not support any political parties
<b>Financial Services Sector Supplement to GRI Sustainability Reporting Guidelines</b>	
Management approach	Management Report
FS1 Policies with specific environmental and social components applied to business lines	Responsible financing
FS2 Procedures for assessing and screening environmental and social risks in business lines	Responsible financing
FS3 Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Responsible financing



GRI disclosure/indicator (as defined by GRI Guidelines)	Report Section
FS13 Access points in low-populated or economically disadvantaged areas by type	Ensuring availability of financial services  Subsidiary banks used various methods of calculation of the proportion of offices in low-populated or economically disadvantaged areas. The methods are based on featured characteristics of the countries of operations (in particular, population and population density, indicators presenting economic development of the regions, etc.). In the future we plan to standardize the method of calculation of this indicator for all subsidiary banks
FS14 Initiatives to improve access to financial services for disadvantaged people	Ensuring availability of financial services
FS16 Initiatives to enhance financial literacy by type of beneficiary	Enhancing financial literacy

# Glossary

**UNDERWRITING** — assessment of credit risk (including integrity check) of a participant in a transaction/counterparty/real estate facility performed by an authorised officer of the bank.

**VIRTUAL SCHOOL**—a national comprehensive educational programme implemented as part of Sberbank’s social activity. The programme is aimed to improve school education by introducing an educational multi-service information environment.

**INTERNAL CLIENT**—a formalised internal structural unit of the bank that consumes services of other internal units.

**GEOMARKETING**—marketing survey technology that relies on geographic analysis of various geographically distributed items and events used to identify target audience in the relevant territorial unit, determine the best location for a new unit, develop concept for existing or proposed unit, etc.

**CLIENT VOICE**—a marketing research system that allows to identify client attitude to the quality of the bank’s service and determine client satisfaction.

**INTERNAL CLIENT VOICE**—a regular employee poll designed to identify satisfaction with internal services.

**STAKEHOLDERS**—physical persons or business entities, or groups thereof, that affect or are affected by the bank’s operations (clients, employees, shareholders, government authorities, public organisations, etc.)

**CONTACT CENTRE**—a specialised internal operation unit (UDCC) that supports interaction with clients through communication channels (telephone, Internet) on various service-related issues.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**—a set of principles and obligations that the bank follows in the fields of

- ▶ stakeholder relationship management
- ▶ assessment and management of own economic, social, and environmental impact.

**CROWDSOURCING**—finding critical solutions involving intellectual resources of unlimited number of volunteers, normally through IT channels.

**CREDIT FACTORY** — a loan process for retail clients and small businesses based on centralised and automated processing of loan applications followed by loan approval or disapproval.

**MISSION**—a socially oriented objective of the organisation that reflects the sense of its existence, and generally recognised purpose.

**BANK’S OWN IMPACT**—positive or negative social, economic or environmental changes that result, in full or in part, from the bank’s operations.

**ENVIRONMENT**—a natural environment in which organisation operates including air, water, land, natural resources, flora, fauna, humans, outer space, and their interrelation.

**EQUATOR PRINCIPLES**—a risk management tool comprising a set of voluntary standards applied by financial organisations to determine, evaluate and manage environmental and social risks.

**TRANSPARENCY**—openness in decisions and operations that may have social, economic, or environmental impact, and preparedness to exchange relevant information in a clear, exact, timely, fair, and complete manner.

**REGIONAL PROGRAMMES**—loan programmes stipulated by relevant agreements between OJSC Sberbank of Russia and Russian constituents that provide for loan benefits to improve housing conditions of local community members.

**STRATEGY**—a formal document approved by the bank's Supervisory Board that identifies the bank's mission and describes its purposes and objectives, and principal ways to achieve them for a certain period of time.

**SKIMMING**—card fraud that involves fraudulent scanning devices (skimmers) used to read card data, for example magnetic strip or PIN code.

**SCORING MODEL**—a quantitative value that reflects the probability of default, debt repayment, or other target attribute of the model. May be obtained via statistical procedures, or from expert opinions.

**COMMON SERVICE STAFF (CSS)**—front-line employees involved in servicing retail clients, small and micro businesses, UDCC employees, employees of client transaction support centres, collection officers, cash office employees, NPL handling officers, underwriting specialists, etc.

**TOP MANAGERS**—President, Chairman of Executive Board, Vice Chairpersons of Executive Board, Senior Vice Presidents, Vice Presidents, Heads of Department.

**CUSTOMER SERVICE OUTLETS**—supplementary or operational offices, cash desks outside cash office, and mobile cash offices.

**CARBON UNIT**—a measure of greenhouse gas emissions, emission reductions, and emission absorption established by the Kyoto Protocol to the UN Framework Convention on Climate Change and other international requirements.

**REMOTE SERVICE CHANNELS**—ATMs, payment terminals, Mobile Bank, Sberbank OnLine

**SUSTAINABILITY**—the development that meets current needs without threatening the ability of future generations to satisfy their needs.

**FRONT OFFICE**—a division of the bank responsible for direct communication with clients.

**ELECTRONIC PROCUREMENT (AUCTION/REQUEST FOR PROPOSALS)**—a competitive procedure for procuring goods, work, services with potential suppliers/participants making bids on an electronic trading platform. The participant that offered the lowest bid wins the auction.

**CALL CENTRE**—a special division of the bank responsible for handling client requests and providing information via voice communication channels.

**DDoS ATTACK**—a distributed network attack of the “service denied” type, which leads to the disruption, or total blocking of services to legitimate users, systems or other resources.

# Acronyms and abbreviations

ANE	Academy of National Economy
BU	Business Units
VMI	Voluntary Medical Insurance
EBRD	European Bank for Reconstruction and Development
EIB	European Investment bank
UDCC	UDCC—Unified Distributed Contact Center
CJSC	Closed Joint-Stock Company
DP	Disabled People
IFC	International Finance Corporation
CSS	Common service staff
CSR	CSR—Corporate Social Responsibility
OJSC	Open Joint-Stock Company
CC	Client Complaint
AML/FT	Counteracting the legitimisation of the proceeds of crime (money laundering) and the financing of terrorism
MCO	Mobile Cash Office
RAS	RAS—Russian Accounting Standards
Russia	Russian Federation
Mass media	Mass Media
CIS	CIS—Commonwealth of Independent States
QMS	QMS—Queue Management System
PMS	Performance Management System
EDCS	EDCS—Electronic Document Circulation System
SSM	Self-service Machine
BDC	BDC—Business Development Centre
CAS	Central Automated System
24/7	24 hours a day, 7 days a week
UNEP	UNEP—United Nations Environment Program
BelSEFF	Belarus Sustainable Energy Finance Facility Programme
GRI	Global Reporting Initiative
HR	HR—Human Resources
LBS	LBS—London Business School
PR	PR—Public Relations

# Awards

Group member	Country	Award/Rating	Awarding organisation
Sberbank	Russia	Award in Eurobond Issue on the Developing Markets in 2012	Euroweek
		Winner in The Best Deal on Developing European Markets in 2012	Euroweek
		Winner in the Best Marketing on Financial Markets annual poll	Marketers Guild
		13th position in The Banker/Brand Finance® Banking 500 2013, the rating of most valuable banking brands worldwide	The Banker and Brand Finance
		1st position in the rating of most valuable world brands (Russia)	Brand Finance
		Winner of the Gateway to the Future! award for the environmental and social initiative, implemented as part of Olympic partnership	Winter Sochi Olympic Games Organising Committee
		Winner in Best Services for Small and Medium Businesses, Innovation of the Year (Sberbank's Mega-DPC), Event of the Year (a joint venture between Sberbank and Yandex based on Yandex.Money)	Banking Industry 2012 award in financial innovations and achievements
		Best Russian Bank	Global Finance
		HSBC Award for the highest share of STP payments in UK pounds among foreign banks in 2012	HSBC, London
		70th position in the BrandZ rating of most valuable world brands—according to MBO estimates, over the year the value of Sberbank brand rose 19% to reach USD 12.655 bn	Millward Brown Optimor (MBO)
		Top position in international corporate web-site efficiency index (Russia)	Financial Times, index from Bowen Craggs & Co
		A winner of the Ideal Russian Employer ranking	Universum international research company
		Award for excellent quality in formatting STP payments in USD and EUR in 2012 (2012 USD STP Excellence Award and 2012 EUR STP Excellence Award)	Deutsche Bank, Germany
		Award for Excellence 2012 in Recognition for Outstanding STP Rate	The Bank of New York Mellon
		STP Award 2012 for high quality of payments routed via Sberbank's correspondent account in Euro, opened with Commerzbank AG, Frankfurt am Main	Commerzbank AG, Germany
		Winner of the Fundamentals of Growth 2013 award for supporting small and medium businesses in the Infrastructure Project of the Year category, awarded for Effective Support for Small and Medium Businesses	Russian Ministry of Economic Development, RSPP
		Visa LEADER Award in the Best Issuer category	Visa global payment system
Best Russian Bank, Best Bank in Central and Eastern Europe, Awards for Excellence	Euromoney		
11th Annual Forum Expert-400: Who Makes Russian Economy, Business Efficiency award	PwC		

Group member	Country	Award/Rating	Awarding organisation
Sberbank	Russia	Best Annual Report in Financial Industry, and Consistent Promotion of Corporate Brand in Annual Statements	Expert-RA
		Bank of Decade, the Big Money 2013 award	Itogi
		1st position among best banks in trade financing in the CIS	Global Trade Review
		39th position in world SWIFT traffic, 1st position among 50 major SWIFT share-holders in SWIFT traffic growth rate (48%) 24th position on the world SWIFT payments market	SWIFT
		Winner in The Best Private Investor 2013 award in The Best Broker 2013 and The Best Manager 2013 categories	Moscow Stock Exchange
		Retail Finance Award in the Creative Idea of the Year category for the Olympic Gods promotional campaign	Retail Finance
		Visa Global Service Quality Performance Award—2012  1.The lowest level of fraud in the bank's acquiring system  2.The lowest number of challenged non-fraud transactions  3. The highest efficiency in challenging fraud transactions as a credit card issuer  4. The highest efficiency in challenging fraud transactions as a debit card issuer  5. The highest number of approvals of international debit card transactions	Visa global payment system
DenizBank	Turkey	Winner in the Greatest Job Creating a Culture that Inspires World-Class Excellence category (bank's call centre), 2013 Call Centre Week Awards	iQor
		9th place in The Strongest Social Brands category, 100 Social Brands research	Brandwatch
		1st place in The Best Retail Business category	Global Financial Market Review
		1st place in	The Banker
		The Retail Technology Project of the Year	
		Innovations in Mobile Banking	
		Innovations in Social Media,	
		Innovations in Technologies and Transactions award	
		2nd place in Utilities and Services	Stevie Awards
Winner in The Most Innovative Client Service, ICMI European Call Centre Awards	International Customer Management Institute		
The finalist in the Retail Delivery category, 2013 Channel Innovation Award	Retail TouchPoints		

Group member	Country	Award/Rating	Awarding organisation
DenizBank	Turkey	The Best Security Strategy for Online and Mobile Banking award from the European Banking Forum 2013 (EBF)	European Banking Forum 2013 (EBF)
		BEST award	American Society for Learning and Development (ASTD)
		2nd place in The Best Training Team	Brandon Hall Group
		3rd place in The Best Leadership Programme	
		3rd place in The Best Training Results, Brandon Hall Excellence Awards	
		The Best Payment System, Banking Technologies 2013 award	Banking Technology
		Winner in The Century of Advertising	MediaCat, Advertising Age
		The Fastest Growing Company in the Industry, and The Employer Brand awards	yenibiris.com
		The finalist in the Recruiting and Employer Brand Construction categories, People Management Awards	PERYÖN Association
		Sedat Simavi Award	Turkish Association of Journalists
Sberbank Europe	Croatia	The Best Banking Support for Tourist Industry, QM Awards	Professional Hotel Managers Associations
		Winner in The Most Respected Banks and The Most Respected Industry Brand, the 14th Most Respected in the Companies survey	Capital Magazine
	Slovakia	Employer Partner award for outstanding achievements in HR management	Selectio advisers, MojPosao recruiting portal
		2nd winner in The Most Innovative Bank in the Country, Zlatá minca (The Golden Coin) annual award	OVB Allfinanz Slovensko
	Czech Republic	Winner in The Best Relations with Private Clients, Private Banking Award	Euromoney
		3rd place in The Most Dynamic Bank category, Banka roku 2013 award	Fincentrum
		Winner in The Most Client-Friendly Bank category, The Best Bank 2013 award	Czech business daily
Bosnia and Herzegovina	Among the top five most attractive employers in financial industry	www.posao.ba	
BPS-Sberbank	Republic of Belarus	2nd place in the rating of 27 Belarusian banks having call centres	Infobank.by and Association of Belarusian Banks
		STP Award 2012 Excellent Quality for achievements in international payments	Commerzbank AG, Germany
Sberbank Kazakhstan	Kazakhstan	Winner in The Most Social Bank category	Kapital.kz
		KASE Exchange Market Leader	KASE Information Portal
Sberbank Ukraine	Ukraine	Winner in The Most Dynamic Bank and The Best Employer on the Banking Market categories	Investgazeta
		2nd place in The Best Loan Product and The Best Service Bank categories, the Ukrainian Banker 2013 rating	
		The leader among super-reliable financial institutions in Ukraine	Lichny Schot (Personal Account)



Group member	Country	Award/Rating	Awarding organisation		
Sberbank Ukraine	Ukraine	1st place in the call centre efficiency rating among Ukrainian banks	Minfin financial portal		
		Winner in The Most Favourable Cash Loans in Ukraine category	Dengi (Money)		
		For the Highest Growth Rate in Visa Card Issuance diploma	Visa International global payment system		
		One of the most convenient banks in Ukraine	Focus		
		One of the most reliable banks in Ukraine	Expert Ukraine		
		1st place in The Most Professional Bank category, Financial Rating	Business newspaper		
		1st place in The Best Ukrainian Banks rating	Kontrakry (Contracts)		
		Among the three most effective Ukrainian banks	Forbes-Ukraine		
		Long-term credit rating uaAA+ with stable outlook	Ukrainian Credit Rating Agency		
		Deposit rating A (the highest reliability)			
		Sberbank Ukraine's credit ratings: Financial sustainability rating (BSFR)—E Baseline credit assessment (BCA)—B3 Adjusted baseline credit assessment (Adjusted BCA)—B3 Deposits in foreign currencies (GFC)—Caa1 Deposits in national currency (GLC)—Caa2 National scale rating (NSR)—Ba3.ua Outlook stable	Moody's Investors Service		
		Cetelem Bank	Russia	22nd place in the Popular Rating based on the comments of portal visitors regarding the quality of banking service	Banki.ru portal
				Among the 25 best Russian banks in service quality	Banki.ru portal
				49th place on the Employer Rating 2012, a list of most attractive Russian employers	HeadHunter online recruiter in cooperation with Ekopsi Consulting and PwC
				One of the most attractive employers in 2013	SuperJob.ru online recruiter
10th place in car loans issued by Russian banks in the first half of 2013	RBC.Rating rating agency				
9th place among Russian banks providing car loans according to the Rating prepared by the Banki.ru Information and Research Service based on the review of loan portfolios of the largest retail financial organisations in the first half of 2013	Banki.ru portal				
Sberbank Technologies	Russia	40th place in CNews 100: Largest IT Companies in Russia 2012 in 2013	CNews		
		1st place in CNews 100: The Fastest Growing IT Companies 2012 in 2013	CNews		
Sberbank, Sberbank Leasing	Russia	GTR Leaders in Trade Awards 2012 in The Transaction of the Year 2012, and The Best CIS Bank in Trade Finance 2012 categories	Global Trade Review		

Group member	Country	Award/Rating	Awarding organisation
Sberbank Leasing	Russia	For Contributing to Industry Development awards granted to the company managers	Expert-RA
		For Comprehensive Risk Management System diploma from the 11th Annual Professional Conference Risk Management in Russia—2013	Expert-RA
		A++ (exclusively high (the highest) financial sustainability rating) from the Credit Rating of Leasing Companies (Financial Sustainability)	Expert-RA
		The 3rd largest leasing company in Russia	Expert-RA
		BBB (sufficient credit rating), AAA according to national scale (the highest credit rating)	Fitch Ratings
Sberbank Private Pension Fund	Russia	For R&D development	Expert-RA
		The Development Performance category from the Russian Financial Elite national award	Expert-RA
		A++ (exclusively high (the highest) reliability) reliability rating of non-state pension funds	Expert-RA
		AAA (maximum reliability) individual reliability rating of asset management companies	National Rating Agency
Sberbank Insurance	Russia	The highest reliability rating A.hr of the Employee Attractiveness Rating	Expert-RA
		The Invention of the Year category of the Golden Salamander Russian Public Insurance Award	Financial World
		1st place in The Best Product in Investment Life Insurance 2012 category from Investor Awards 2013	Investor.ru The Securities Market magazine
		1st place in The Fastest Life Insurance Start-up category from Retail Finance Awards	Retail Finance
		A winner in the Insurance category of The Best Legal Departments international competition	Corporate Lawyer
KORUS Consulting	Russia	The Largest SaaS Suppliers in Russia 2013 award in cloud services	CNews
Sberbank-AST	Russia	A winner in the Electronic Trade category of The Company of the Year 2013 national business award	RBC Group, Russian Chamber of Commerce and Industry
		2nd place in the Russian Electronic Trade Platforms Rating	National Association of Electronic Trade Participants
Corporate University	Russia	SABA Newcomer: Rookie Award 2013	SABA, a supplier of strategic software solutions and human capital management services
Business Environment	Russia	2nd Annual Award The Basis for Growth in The Best Business Project in Entrepreneurship Promotion category; For Contributing to the Development of Russian Small and Medium Businesses diploma	Russian Ministry of Economic Development, RSPP
		Award from the 2nd All-Russia Journalist Competition Business in Russia: Stories, Successes, Problems in The Best Journalist Business Report (or Investment Climate in Russia) in Internet-media, on Information Agency's Web-site, or Blogosphere	Strategic Initiative Agency
		A winner in The Best Journalist Report on Youth Business category of the Respect annual award	GENERATION 2025 Youth and Business Initiative Centre

# Association memberships

## Sberbank

- ▶ Association of Russian Banks (ARB)
- ▶ Russian National SWIFT Association, ROSSWIFT
- ▶ Association of MasterCard Members (non-profit organisation), AMM (on 13.05.2013 the name was changed from the Association of Russian EUROPAY Members)
- ▶ Association of Bill Market Participants (ABMP)
- ▶ U.S.-Russian Business Council (USRBC)
- ▶ Non-profit association of legal entities Russian-American Business Cooperation Council (RABCC)
- ▶ Non-profit partnership Russian-Chinese Business Council (NP RCBC)
- ▶ World Economic Forum (WEF)
- ▶ International Monetary Conference (IMC)
- ▶ International Banking Security Association (IBSA)
- ▶ International Capital Market Association (ICMA)
- ▶ National Foreign Exchange Association (NFEA)
- ▶ National Association of Securities Market Participants
- ▶ National Securities Market Association (NSMA)
- ▶ Non-commercial Partnership National Payments Council

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## Sberbank Europe

### Austria

- ▶ Vienna Economic Forum
- ▶ Austrian-Russian Society

### Bosnia and Herzegovina

- ▶ Global Agreement Network in Bosnia and Herzegovina
- ▶ Banking Association of Bosnia and Herzegovina

### Czech Republic

- ▶ Association of Czech Banks
- ▶ Regional Chamber of Commerce and Industry, Brno
- ▶ Czech Institute of Internal Auditors
- ▶ Russian-Czech Chamber of Commerce and Industry
- ▶ Association of Small and Medium Businesses
- ▶ Chamber for Commercial Relations with CIS States, special chamber of commerce
- ▶ Czech-German Foreign Trade Chamber
- ▶ French-Czech Chamber of Commerce
- ▶ Italian-Czech Chamber of Commerce
- ▶ Russian Chamber of Commerce
- ▶ Capital Market Association

## Slovakia

- ▶ Bratislava Stock Exchange
- ▶ Association of Slovakian Banks
- ▶ Slovakian Chamber of Commerce and Industry
- ▶ Association of Security Dealers
- ▶ Association of Financial Servants
- ▶ Slovak-Austrian Chamber of Commerce
- ▶ American Chamber of Commerce
- ▶ Slovak-French Chamber of Commerce
- ▶ Slovak-Spanish Chamber of Commerce
- ▶ The Netherlands Chamber of Commerce in Slovak Republic
- ▶ Slovak-German Chamber of Commerce

## Croatia

- ▶ Association of Croatian Banks
- ▶ Croatian Chamber of Economy
- ▶ Croatian Employers Association
- ▶ Croatian Financial Market Association

## BPS-Sberbank

- ▶ Association of Belarusian Banks
- ▶ Belarusian Association of Securities Market Participants
- ▶ Moscow Interbank Currency Exchange—currency market section
- ▶ Belarusian Currency and Stock Exchange—currency, stock and forward market sections
- ▶ Society for Worldwide Interbank Financial Telecommunications S.W.I.F.T. (member and shareholder)

## Sberbank Ukraine

- ▶ Association of Ukrainian Banks

## Cetelem Bank

- ▶ French Club Association—French-Russian Chamber of Commerce and Industry (CCIFR).  
Honorary member from 01.06.2012 to 31.05.2013

## Sberbank Technologies

- ▶ Resident of Skolkovo Innovation Centre, Russia
- ▶ Resident of High Technologies Park, Republic of Belarus

## Sberbank Leasing

- ▶ United Leasing Association (ULA)
- ▶ European Federation of Leasing Company Associations

## Sberbank Private Pension Fund

- ▶ Board of NP National Association of Non-state Pension Funds (NAPF)
- ▶ Task team for improving the regulation of pension provision and pension insurance activities
- ▶ Expert Council for Collective Investments under the Bank of Russia's Financial Markets Service
- ▶ RSPF Committee for developing the pension system and social insurance
- ▶ Interdepartmental task team under a Russian Ministry for improving Russian legislation in the field of the regulation of private pension fund activity
- ▶ Decision Board

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## Yandex.Money

- ▶ Electronic Money Association (EMA)

## Sberbank Insurance

- ▶ Life Insurers Association
- ▶ Russian Insurers Union

## Korus Consulting

- ▶ Non-profit partnership Effective Response to Customer Requests
- ▶ Member of the UNISCAN/GS1 RUS Association of Automatic Identification
- ▶ St. Petersburg Chamber of Commerce and Industry

## Corporate University

- ▶ European Foundation for Management Development (EFMD)
- ▶ Corporate University Xchange (CorpU)

**Consolidated financial statements**  
***Sberbank of Russia and its subsidiaries***  
**for the year ended 31 December 2013**

*with independent auditor's report*

## Consolidated Financial Statements – Sberbank of Russia and its subsidiaries

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## Independent auditor's report

To the Shareholders and the Supervisory Board of Sberbank

We have audited the accompanying consolidated financial statements of Sberbank and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2013, and a summary of significant accounting policies and other explanatory information.

### ***Audited entity's responsibility for the consolidated financial statements***

Management of the audited entity 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 audit.

We conducted our audit in accordance with the federal standards on auditing effective in the Russian Federation and 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 audit 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 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 of the audited entity, 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 Sberbank and its subsidiaries as at 31 December 2013, and its financial performance and cash flows for the year 2013 in accordance with International Financial Reporting Standards.



S.M. Taskaev  
Partner  
Ernst & Young Vneshaudit CJSC

24 March 2014

### **Details of the audited entity**

Name: Sberbank of Russia  
Record made in the State Register of Legal Entities on 16 August 2002, State Registration Number 1027700132195.  
Address: 19 Vavilova st., 117997, Moscow, Russia.

### **Details of the auditor**

Name: Ernst & Young Vneshaudit CJSC  
Record made in the State Register of Legal Entities on 16 September 2002, State Registration Number 1027739199333.  
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
CJSC Ernst & Young Vneshaudit is a member of Non Profit partnership "Russian Audit Chamber" ("NP APR").  
CJSC Ernst & Young Vneshaudit is registered in the register of auditors and audit organizations of NP APR, number 3027, and also included in the control copy of the register of auditors and audit organizations, main registration number 10301017410.

## Consolidated Statement of Financial Position

<i>in billions of Russian Roubles</i>	Note	31 December 2013	31 December 2012
<b>ASSETS</b>			
Cash and cash equivalents	7	1,327.0	1,290.8
Mandatory cash balances with central banks		251.5	211.2
Trading securities	9	101.2	90.4
Securities designated as at fair value through profit or loss	10	17.5	19.2
Due from banks	8	330.5	114.8
Loans and advances to customers	11	12,933.7	10,499.3
Securities pledged under repurchase agreements	12	1,343.8	949.7
Investment securities available-for-sale	13	476.2	804.5
Investment securities held-to-maturity	14	202.5	105.9
Deferred tax asset	29	12.3	7.5
Premises and equipment	15	477.3	436.0
Other financial assets	16	406.2	227.6
Other non-financial assets	16	330.6	340.5
<b>TOTAL ASSETS</b>		<b>18,210.3</b>	<b>15,097.4</b>
<b>LIABILITIES</b>			
Due to banks	17	2,111.3	1,452.4
Due to individuals	18	8,435.8	6,983.2
Due to corporate customers	18	3,628.4	3,196.1
Debt securities in issue	19	853.4	691.7
Other borrowed funds	20	499.1	469.2
Deferred tax liability	29	23.8	33.2
Other financial liabilities	21	291.7	227.2
Other non-financial liabilities	21	60.7	35.9
Subordinated debt	22	424.7	384.7
<b>TOTAL LIABILITIES</b>		<b>16,328.9</b>	<b>13,473.6</b>
<b>EQUITY</b>			
Share capital	23	87.7	87.7
Treasury shares	23	(7.2)	(7.6)
Share premium		232.6	232.6
Revaluation reserve for office premises		75.8	79.0
Fair value reserve for investment securities available-for-sale		1.3	37.3
Foreign currency translation reserve		(13.7)	(4.7)
Retained earnings		1,495.2	1,186.7
<b>Total equity attributable to shareholders of the Bank</b>		<b>1,871.7</b>	<b>1,611.0</b>
Non-controlling interest		9.7	12.8
<b>TOTAL EQUITY</b>		<b>1,881.4</b>	<b>1,623.8</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>18,210.3</b>	<b>15,097.4</b>

Approved for issue and signed on behalf of the Management Board on 24 March 2014.



Herman Gref, Chairman of the Management Board and CEO



Marina Lukianova,  
Acting Chief Accountant

## Consolidated Statement of Profit or Loss

<i>in billions of Russian Roubles</i>	Note	Year ended 31 December	
		2013	2012
Interest income	24	1,478.6	1,157.3
Interest expense	24	(587.8)	(428.6)
Deposit insurance expenses	24	(28.6)	(23.9)
<b>Net interest income</b>		<b>862.2</b>	<b>704.8</b>
Net provision charge for loan impairment	11	(133.5)	(21.5)
<b>Net interest income after provision for loan impairment</b>		<b>728.7</b>	<b>683.3</b>
Fee and commission income	25	244.8	189.2
Fee and commission expense	25	(24.5)	(18.9)
Net (losses)/ gains arising from trading securities		(3.6)	3.2
Net losses arising from securities designated as at fair value through profit or loss		(1.1)	(0.7)
Net gains arising from investment securities available-for-sale		10.7	7.5
Impairment of investment securities available-for-sale		(5.2)	(5.0)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	26	12.9	19.6
Net gains arising from operations with precious metals and precious metals derivatives		2.4	5.8
Net gains arising from operations with other derivatives		8.2	4.2
Goodwill impairment	16,40	(8.7)	(1.7)
Other provisions	14,16,33	(5.9)	(4.1)
Revenue of non-financial business activities and insurance	27	38.1	51.2
Cost of sales of non-financial business activities and insurance	27	(36.8)	(38.6)
Other operating income		10.3	4.3
<b>Operating income</b>		<b>970.3</b>	<b>899.3</b>
Operating expenses	28	(514.6)	(451.4)
<b>Profit before tax</b>		<b>455.7</b>	<b>447.9</b>
Income tax expense	29	(93.7)	(100.0)
<b>Profit for the year</b>		<b>362.0</b>	<b>347.9</b>
Attributable to:			
- shareholders of the Bank		363.8	348.8
- non-controlling interest		(1.8)	(0.9)
<b>Earnings per ordinary share for profit attributable to the shareholders of the Bank, basic and diluted</b> (expressed in RR per share)	<b>30</b>	<b>16.78</b>	<b>16.03</b>

Approved for issue and signed on behalf of the Management Board on 24 March 2014.



Herman Gref, Chairman of the Management Board and CEO



Marina Lukianova,  
Acting Chief Accountant

## Consolidated Statement of Comprehensive Income

<i>in billions of Russian Roubles</i>	Note	Year ended 31 December	
		2013	2012
<b>Profit for the year recognized in the statement of profit or loss</b>		<b>362.0</b>	<b>347.9</b>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income which could be reclassified to profit or loss in subsequent period</i>			
Investment securities available-for-sale:			
- Net (losses)/ gains on revaluation of investment securities available-for-sale		(39.9)	58.2
- Impairment of investment securities available-for-sale transferred to statement of profit or loss	13	5.2	5.0
- Accumulated gains transferred to statement of profit or loss upon disposal of investment securities available-for-sale		(10.7)	(7.5)
Net foreign currency translation effect		(9.0)	0.9
Deferred income tax relating to other comprehensive income on:			
- Investment securities available-for-sale	29	9.4	(10.9)
<b>Total other comprehensive (loss) / income which could be reclassified to profit or loss in subsequent period, net of tax</b>		<b>(45.0)</b>	<b>45.7</b>
<b>Total comprehensive income for the year</b>		<b>317.0</b>	<b>393.6</b>
Attributable to:			
- shareholders of the Bank		318.8	394.6
- non-controlling interest		(1.8)	(1.0)

## Consolidated Statement of Changes in Equity

<i>in billions of Russian Roubles</i>	Note	Attributable to shareholders of the Bank									Total equity
		Share capital	Treasury shares	Share premium	Revaluation reserve for office premises	Fair value reserve for investment securities available-for-sale	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	
<b>Balance as at 31 December 2011</b>		<b>87.7</b>	<b>(7.0)</b>	<b>232.6</b>	<b>81.5</b>	<b>(7.5)</b>	<b>(5.7)</b>	<b>882.9</b>	<b>1,264.5</b>	<b>3.5</b>	<b>1,268.0</b>
<b>Changes in equity for the year ended 31 December 2012</b>											
Net result from treasury shares transactions		–	(0.6)	–	–	–	–	–	(0.6)	–	(0.6)
Dividends declared	30	–	–	–	–	–	–	(47.5)	(47.5)	–	(47.5)
Amortization of revaluation reserve for office premises		–	–	–	(2.5)	–	–	2.5	–	–	–
Changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	–	10.3	10.3
Total comprehensive income for the year ended 31 December 2012		–	–	–	–	44.8	1.0	348.8	394.6	(1.0)	393.6
<b>Balance as at 31 December 2012</b>		<b>87.7</b>	<b>(7.6)</b>	<b>232.6</b>	<b>79.0</b>	<b>37.3</b>	<b>(4.7)</b>	<b>1,186.7</b>	<b>1,611.0</b>	<b>12.8</b>	<b>1,623.8</b>
<b>Changes in equity for the year ended 31 December 2013</b>											
Net result from treasury shares transactions		–	0.4	–	–	–	–	–	0.4	–	0.4
Dividends declared	30	–	–	–	–	–	–	(58.5)	(58.5)	–	(58.5)
Amortization of revaluation reserve for office premises		–	–	–	(3.2)	–	–	3.2	–	–	–
Changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	–	(1.3)	(1.3)
Total comprehensive income for the year ended 31 December 2013		–	–	–	–	(36.0)	(9.0)	363.8	318.8	(1.8)	317.0
<b>Balance as at 31 December 2013</b>		<b>87.7</b>	<b>(7.2)</b>	<b>232.6</b>	<b>75.8</b>	<b>1.3</b>	<b>(13.7)</b>	<b>1,495.2</b>	<b>1,871.7</b>	<b>9.7</b>	<b>1,881.4</b>

## Consolidated Statement of Cash Flows

<i>in billions of Russian Roubles</i>	Note	Year ended 31 December	
		2013	2012
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>			
Interest received		1,445.8	1,135.2
Interest paid		(507.1)	(384.5)
Expenses paid directly attributable to deposit insurance		(26.8)	(22.9)
Fees and commissions received		244.2	188.3
Fees and commissions paid		(25.5)	(16.7)
Net (losses incurred) / gains received from trading securities		(3.3)	5.9
Net gains received / (losses incurred) from securities designated as at fair value through profit or loss		1.2	(1.7)
Net (losses incurred) / gains received from trading in foreign currencies and from operations with foreign currency derivatives		(10.3)	16.6
Net gains received / (losses incurred) from operations with other derivatives		0.5	(0.7)
Net gains received from operations with precious metals and precious metals derivatives		0.9	5.0
Revenue of non-financial business activities and insurance		31.8	48.7
Cost of sales of non-financial business activities		(33.1)	(34.4)
Insurance premiums received		8.9	0.5
Other operating income received		24.8	8.5
Operating expenses paid		(417.3)	(370.7)
Income tax paid		(98.2)	(100.1)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>636.5</b>	<b>477.0</b>
<b>Changes in operating assets and liabilities</b>			
Net increase in mandatory cash balances with central banks		(51.1)	(36.2)
Net decrease in trading securities		36.1	6.8
Net (increase) / decrease in securities designated as at fair value through profit or loss		(0.4)	31.1
Net increase in due from banks		(224.7)	(62.3)
Net increase in loans and advances to customers		(2,422.0)	(2,003.3)
Net increase in other assets		(128.7)	(69.8)
Net increase in due to banks		652.4	820.9
Net increase in due to individuals		1,438.2	867.8
Net increase in due to corporate customers		340.0	664.3
Net increase in debt securities in issue		113.3	257.3
Net increase / (decrease) in other liabilities		13.5	(34.6)
<b>Net cash from operating activities</b>		<b>403.1</b>	<b>919.0</b>
<b>Cash flows from investing activities</b>			
Purchase of investment securities available-for-sale		(710.0)	(474.9)
Proceeds from disposal and redemption of investment securities available-for-sale		541.1	232.2
Purchase of investment securities held-to-maturity		(168.3)	(8.0)
Proceeds from redemption of investment securities held-to-maturity		107.0	61.1
Acquisition of premises and equipment		(124.5)	(144.4)
Acquisition of investment property		(0.2)	(0.1)
Proceeds from disposal of investment property		0.8	–
Proceeds from disposal of premises and equipment including insurance payments		16.4	4.5
Proceeds from disposal of associates		3.4	–
Acquisition of subsidiaries net of cash acquired		(12.1)	(93.2)
Proceeds from disposal of subsidiaries net of cash disposed		0.6	8.6
Dividends received		1.3	5.1
<b>Net cash used in investing activities</b>		<b>(344.5)</b>	<b>(409.1)</b>
<b>Cash flows from financing activities</b>			
Other borrowed funds received		258.6	141.9
Redemption of other borrowed funds		(249.2)	(98.8)
Repayment of interest on other borrowed funds		(14.1)	(5.4)
Subordinated debt received		39.5	66.0
Redemption of subordinated debt		(0.7)	(0.2)
Repayment of interest on subordinated debt		(24.6)	(19.8)
Funds received from loan participation notes issued under the MTN programme		43.9	144.3
Redemption of loan participation notes issued under the MTN programme		(36.5)	(8.1)
Repayment of interest on loan participation notes issued under the MTN programme		(18.7)	(11.8)
Cash received from non-controlling shareholders		1.9	–
Acquisition of non-controlling interests in subsidiaries		(0.3)	–
Purchase of treasury shares		(49.2)	(0.6)
Proceeds from disposal of treasury shares		48.8	–
Dividends paid	30	(58.3)	(47.3)
<b>Net cash (used in) / from financing activities</b>		<b>(58.9)</b>	<b>160.2</b>
Effect of exchange rate changes on cash and cash equivalents		37.5	(4.2)
Effect of hyperinflation on cash and cash equivalents		(1.0)	(0.7)
Net increase in cash and cash equivalents		36.2	665.2
Cash and cash equivalents at the beginning of the year		1,290.8	625.6
<b>Cash and cash equivalents as at the end of the reporting period</b>	<b>7</b>	<b>1,327.0</b>	<b>1,290.8</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 1 Introduction

These consolidated financial statements of Sberbank of Russia (Sberbank, “the Bank”) and its subsidiaries (together referred to as “the Group” or “Sberbank Group”) have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013. Principal subsidiaries include Russian and foreign commercial banks and other companies controlled by the Group. A list of principal subsidiaries included in these consolidated financial statements is disclosed in Note 40.

The Bank is an open joint stock commercial bank established in 1841 and operating in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank’s principal shareholder, the Central Bank of the Russian Federation (“Bank of Russia”), owns 52.3% of ordinary shares or 50.0% plus 1 voting share of the issued and outstanding shares as at 31 December 2013 (31 December 2012: 52.3% of ordinary shares or 50.0% plus 1 voting share of the issued and outstanding shares).

As at 31 December 2013 the Supervisory Board of the Bank is headed by Sergey M. Ignatiev, Chairman of the Bank of Russia in the period of 2002-2013. The Supervisory Board of the Bank includes representatives from both the Bank’s principal shareholder and other shareholders as well as independent directors.

The Bank operates under a general banking license issued by the Bank of Russia since 1991. In addition, the Bank holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer, a custodian, and provision of asset management services. The Bank is regulated and supervised by the Bank of Russia as a united regulator for banking and financial markets activities in the Russian Federation being a successor to the Federal Service for Financial Markets which was abolished in 2013 and all its powers were transferred to the Bank of Russia. The Group’s foreign banks/companies operate under the banking/companies regulatory regimes of their respective countries.

The Group’s principal business activity is corporate and retail banking. This includes, but is not limited to, deposit taking and commercial lending in freely convertible currencies, local currencies of countries where the subsidiary banks operate 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. As at 31 December 2013 the Group conducts its business in Russia through Sberbank with its network of 17 (31 December 2012: 17) regional head offices, 77 (31 December 2012: 193) branches and 17 893 (31 December 2012: 18 377) sub-branches, and through principal subsidiaries located in Russia such as CJSC Sberbank Leasing, LLC Sberbank Capital, companies of ex-Troika Dialog Group Ltd. and Cetelem Bank LLC (former BNP Paribas Vostok LLC). The Group carries out banking operations in Turkey, Ukraine, Belarus, Kazakhstan, Austria, Switzerland and other countries of Central and Eastern Europe and also conducts operations through a branch office in India, representative offices in Germany and China and companies of ex-Troika Dialog Group Ltd. located in the United States of America, the United Kingdom, Cyprus and certain other jurisdictions.

The actual headcount of the Group’s employees as at 31 December 2013 was 306,123 (31 December 2012: 286,019).

**Registered address and place of business.** The Bank’s registered address is: Vavilova str., 19, Moscow, Russian Federation.

**Presentation currency.** These consolidated financial statements are presented in Russian Roubles (“RR”). All amounts are expressed in RR billions unless otherwise stated.

### 2 Operating Environment of the Group

The Group conducts its business in the Russian Federation, Turkey, CIS region (Ukraine, Belarus, Kazakhstan), Austria, Switzerland and other countries of Central and Eastern Europe.

**The Russian Federation.** The most part of the Group operations are conducted in the Russian Federation.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 2 Operating Environment of the Group (Continued)

The most important trend in the Russian economy in 2013 was significant slow-down in economic growth resulted in the decrease of GDP growth to 1.3% in 2013 as per preliminary assessment by the Ministry of Economic Development of the Russian Federation primarily due to the low investment demand. External factors were also significant for the economic trends in the Russian Federation during 2013. The considerable capital outflow from developing markets in 2013, including the Russian market, was caused by curtailment plans for a third round of quantitative easing (QE3) of Federal Reserve System (US Fed). Consequently the Russian Rouble lost 7.2% of its value towards US dollar and 10.5% towards Euro in 2013 enhancing downtrend caused by fundamental factors. Though the crude oil prices were relatively stable in 2013, decrease in current account surplus together with above negative factors adversely influenced Russian Rouble perspectives. Inflation amounted to 6.5% in 2013 exceeding threshold planned by the Bank of Russia.

Increase in consumption remained the main driver of economic growth in 2013 despite its deceleration (increase of 3.9% in 2013 vs. 6.3% in 2012). This slowdown in consumption growth resulted from the same trend in volumes of retail loans due to the restrictions from the Bank of Russia, weakening in personal income and salaries growth.

In addition to the policy of limitation of exposure to risky unsecured consumer lending, the Bank of Russia initiated campaign for re-registration of non-state pension funds as joint-stock companies and purging the Russian banking system of the banks involved in money laundering and tax evasion transactions. As a result Russian banking system faced the decrease in the level of public trust resulted in a shift to foreign currency and precious metals deposit savings in state-owned banks.

Corporate lending increased more slowly than retail lending resulting in 12.7% compared to 28.7% growth in 2013. Low attractiveness of corporate lending was caused by decreased investment demand and extremely small share of investments financed through bank loans (appr. 10%). Increase of industrial output continued to fluctuate around zero. Moreover average real rates of interest remained relatively high also reducing demand on loans. Increase in corporate sector foreign liabilities was another factor which contributed to slowdown in lending growth.

Current account surplus decrease accompanied with capital outflow resulted in the lower fundamental supporting factors for Russian Rouble exchange rate. This required foreign currencies interventions from the Bank of Russia, which started in May 2013 and led to some liquidity tension on Russian Rouble money market. Consequently the Bank of Russia logically increased refinancing volume of banking sector especially during tax payment periods. Liabilities of the banks due to the Bank of Russia under repo deals reached its maximum – over RR 3 trillion. Interest rates on money market remained relatively high during the year with reaching the peak of interest rate corridor set by the Bank of Russia during the tax payment periods.

**Other jurisdictions.** In addition to Russia the Group conducts operations in CIS (Ukraine, Belarus, Kazakhstan), Central and Eastern Europe (Austria, Czech Republic, Slovakia, Bosnia and Herzegovina, Slovenia, Serbia, Hungary, Croatia), Turkey, Switzerland and some other countries. Tough economic and liquidity situation in many countries led to decrease or insignificant growth of GDP followed by shrinking in consumption as well as in investment activities. The primary goals 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 as defined by IAS 29.

### 3 Basis of Preparation and Significant Accounting Policies

**Basis of Preparation.** These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the revaluation of office premises, investment property, available-for-sale financial assets and financial instruments at fair value through profit or loss.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.



## Notes to the Consolidated Financial Statements – 31 December 2013

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### 3 Basis of Preparation and Significant Accounting Policies (Continued)

**Consolidated financial statements.** Subsidiaries are those companies (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. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method. For each business combination, the acquirer measures the non-controlling interest in the acquiree that are present ownership interests either at fair value or at the proportionate share of the acquiree's identifiable net assets and other components of non-controlling interests at their acquisition date fair value. Non-controlling interest is the interest in subsidiaries not held by the Group. Acquisition costs incurred are expensed. Non-controlling interest is presented as a separate component within equity.

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is lower than the fair value of the net assets of the subsidiary acquired, the difference ("gain from bargain purchase") is recognized in the consolidated statement of profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies for the purpose of preparation of these consolidated financial statements.

**Associates.** 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 recognized 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.

**Financial instruments – Key measurement terms.** Depending on their classification financial instruments are carried at cost, fair value, or amortized cost as described below.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 3 Basis of Preparation and Significant Accounting Policies (Continued)

*Cost* is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, derivatives that are linked to and must be settled by delivery of such unquoted equity instruments.

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

*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. Fair value is the current bid price for financial assets, current ask price for financial liabilities and the average of current bid and ask prices when the Group is both in short and long position for the financial instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

*Valuation techniques* are used to fair value certain financial instruments for which external market pricing information is not available. Such valuation techniques include discounted cash flows models, generally accepted option pricing models, models based on recent arm's length transactions or consideration of financial data of the investees. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

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

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. Premiums and discounts on variable interest instruments are amortized to the next interest repricing date except for premiums and discounts which reflect the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 3 Basis of Preparation and Significant Accounting Policies (Continued)

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

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

**Cash and cash equivalents.** Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents include correspondent accounts, overnight interbank loans and reverse sale and repurchase agreements with original maturity up to 1 day. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents. During the year ended 31 December 2013 the Management changed its estimate of the maximum maturity of interbank loans and repo deals which are considered as cash and cash equivalents from up to 30 days to up to 1 business day. Comparative figures have not been adjusted.

**Mandatory cash balances with Central Banks.** Mandatory cash balances with Central Banks are carried at amortized cost and represent mandatory reserve deposits which are not available to finance the Group’s day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

**Precious metals.** Physical precious metals and deposits in precious metals are recorded at the lower of cost and net realizable value on the reporting date.

**Plastic cards settlements.** Plastic cards settlements are recorded when the legal right to receive the payment or legal obligation to execute payment arise under the agreement and are carried at amortized cost.

**Trading securities.** Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or trader’s margin, or are securities on initial recognition included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within six months.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest rate method is accounted for in the consolidated statement of profit or loss as interest income. Dividends are included in dividend income within other operating income when the Group’s right to receive the dividend payment is established. Translation differences are included in Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in the consolidated statement of profit or loss as net gains/ (losses) arising from trading securities in the period in which they arise.

**Securities designated as at fair value through profit or loss.** Securities designated as at fair value through profit or loss are securities designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if a group of financial assets is managed and its performance is evaluated on a fair value basis and information on that basis is regularly provided to and reviewed by the Group’s key management personnel. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

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

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 3 Basis of Preparation and Significant Accounting Policies (Continued)

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

**Impairment of financial assets carried at amortized cost.** Impairment losses on financial assets carried at amortized cost 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 when deciding whether a financial asset is impaired or not are (i) past due status of financial asset, (ii) financial position of the borrower, (iii) unsatisfactory debt servicing and (iv) realisability of related collateral, if any.

A loan is considered past due when the borrower fails to make any payment due under the loan at the reporting date. In this case a past due amount is recognized as the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions. As defined by the Group for the purposes of internal credit risk assessment, loans fall into the “non-performing” category when a principal and/or interest payment becomes more than 90 days overdue.

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

**Reversals of impairment.** 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.

**Write-off of assets at amortized cost.** Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

**Impairment of loans and advances to legal entities.** Estimating loan portfolio impairment provision for corporate loans involves the following steps:

- Identification of loans that are individually significant and contain signs of impairment, i.e., those loans, that, if fully impaired, would have a material impact on the Group’s operating income.
- Determination of whether an individually significant loan shows objective evidence of impairment. This requires estimating the expected timing and amount of cash flows from interest and principal payments and other cash flows, including amounts recoverable from guarantees and collateral, and discounting them at the loan’s original effective interest rate. The loan is considered impaired if its carrying amount materially exceeds its estimated recoverable amount. A separate impairment loss is recorded on an individually significant impaired loans.
- All remaining loans and individually significant loans without objective evidence of impairment are assessed on a portfolio basis.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 3 Basis of Preparation and Significant Accounting Policies (Continued)

The Group applies the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and creates portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the reporting date. Total impairment provisions may exceed the gross amount of individually impaired loans as a result of this methodology.

For the purposes of credit risk measurement and analysis the Group internally classifies loans depending on their quality. The quality of a corporate loan is monitored regularly on the basis of a comprehensive analysis of the borrower's financial position and includes analysis of liquidity, profitability and sufficiency of own funds. The capital structure, organizational structure, credit history and business reputation of the borrower are also taken into consideration. The Group takes into account the customer's position in the industry and the region, production equipment and level of the technology used as well as the general efficiency of management. Upon analysis corporate borrowers are assigned internal ratings and classes. For the purpose of collective assessment of not past due loans and advances the Group analyses loans of each class in terms of its historical loss and recovery rate separately for renegotiated and non-renegotiated loans. 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. For the purpose of collective assessment of past due loans and advances Group analyses ageing of past due debts.

*Impairment of loans and advances to individuals.* For the purpose of credit quality analysis, loans to individuals are grouped by type of credit product into homogeneous sub-portfolios with similar risk characteristics. The Group analyses each portfolio by the ageing of past due debts.

**Investment securities available-for-sale.** This classification includes investment securities, which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available-for-sale at the time of purchase.

Investment securities available-for-sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognized in profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss in other operating income when the Group's right to receive payment is established. Foreign currency exchange differences arising on debt investment securities available-for-sale are recognized in profit or loss in the period in which they arise. All other elements of changes in the fair value are recognized in other comprehensive income until the investment is derecognized or impaired, at which time the cumulative gain or loss is reclassified to profit or loss.

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 investment securities available-for-sale. A significant or prolonged decline in the fair value of the security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost (less scheduled principal repayments for debt securities) and the current fair value, less any impairment loss on that asset previously recognized in profit or loss – is reclassified from other comprehensive income and recognized in profit or loss. Recognized impairment losses on equity instruments are not reversed through profit or loss in a subsequent period. As for debt instruments classified as available-for-sale, if, in a subsequent period, the fair value of such instruments increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through current period's profit or loss. The unrealised gains/(losses) on revaluation of investment securities available-for-sale other than impairment losses are presented in other comprehensive income as net gains/(losses) on revaluation of investment securities available-for-sale.

If the Group has both the intention and ability to hold investment securities available-for-sale to maturity, they may be reclassified as investment securities held-to-maturity. In this case the fair value of securities as at the date of reclassification becomes their new amortized cost. For instruments with a fixed maturity the revaluation reserve as at the date of reclassification is amortized to profit or loss during the period until maturity using the effective interest rate method.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 3 Basis of Preparation and Significant Accounting Policies (Continued)

**Sale and repurchase agreements.** Sale and repurchase agreements (“repo agreements”) are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognized. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as securities pledged under repurchase agreements. The corresponding liability is presented within amounts due to banks or due to corporate customers.

Funds granted under reverse repo agreements are recorded as cash and cash equivalents, due from banks or loans and advances to customers, in accordance with the nature of the counterparty and the term of the deal.

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

Securities lent to counterparties are retained in the consolidated 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 securities, in which case they are reclassified and presented separately. Securities borrowed are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the sale proceeds are recorded as a liability held for trading representing the obligation to deliver (repurchase and return) securities. The liability is carried at fair value with effects of remeasurement presented as net gains/ (losses) arising from trading securities in the consolidated statement of profit or loss.

**Investment securities held-to-maturity.** This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held-to-maturity at their initial recognition or upon reclassification from available-for-sale category when the Group changes its intention and has the ability to hold investment securities which were previously classified as available-for-sale to maturity. The investment securities held-to-maturity are carried at amortized cost.

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

**Renegotiated financial assets.** From time to time in the normal course of business the Group performs restructuring of financial assets, mostly of loans.

*Accounting treatment of renegotiations which do not lead to derecognition of financial assets.* If terms of an agreement are not materially modified, restructuring of financial instruments leads to reassessment of effective interest rate based on current carrying amount and modified future cash flows.

*Accounting treatment of renegotiations which lead to derecognition of financial assets.* Material modifications of agreement terms lead to derecognition of a financial asset and a recognition of a new asset at fair value. The following principal modifications in terms are considered to be material:

- Change of currency in which cash flows are denominated;
- Consolidation or separation of several financial instruments;
- Present value of the cash flows under the new terms discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 3 Basis of Preparation and Significant Accounting Policies (Continued)

In all cases if the restructuring of financial assets is due to financial difficulties of a borrower, financial assets are assessed for impairment before recognition of a renegotiation.

**Goodwill.** Goodwill represents the excess of the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill on acquisitions of subsidiaries is included in other assets. Goodwill on acquisitions of associates is included as part of investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than a segment before aggregation. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

**Premises and equipment.** Equipment and premises other than office premises are stated at cost less accumulated depreciation. Office premises of the Group are held at revalued amount subject to revaluation to market value on a regular basis. The revaluation gains are recognized in other comprehensive income. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation reserve for office premises included in equity is transferred directly to retained earnings on a straight-line basis as the asset is used by the Group. On the retirement or disposal of the asset the remaining revaluation reserve is immediately transferred to the retained earnings.

Construction in progress is accounted for based on actual costs, less provision for impairment where required. Upon completion, assets are transferred to corresponding category of Premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred through consolidated statement of profit or loss. Cost of replacing major parts or components of premises and equipment items are capitalized and the replaced part is retired.

If impaired, premises 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 profit or loss to the extent it exceeds the previous revaluation surplus in other comprehensive income.

Positive revaluation shall be recognized in profit or loss to the extent that it reverses a negative revaluation of the same asset previously recognized in profit or loss. The amount that exceeds negative revaluation previously charged to profit or loss shall be recognized in other comprehensive income.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss.

**Depreciation.** Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate cost or revalued amounts of premises and equipment to their residual values over the estimated remaining useful lives. The following basic annual rates are applied for the main categories of premises and equipment:

Office premises	2.5-3.3%;
Other premises	2.5%;
Office equipment	14.3%;
Computer equipment	33.3%; and
Vehicles and other equipment	18%.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 3 Basis of Preparation and Significant Accounting Policies (Continued)

During the year ended 31 December 2013 the management changed its estimate of expected useful life of office and computer equipment of the Group. Based on the results of analysis, beginning from 1 July 2013 expected useful life of office equipment was changed from 4 years to 7 years; expected useful life of computer equipment was changed from 4 years to 3 years. In case this change in the assessment was not carried out, depreciation charge for premises and equipment for the year ended 31 December 2013 would have been approximately RR 4.1 billion higher. Comparative figures have not been adjusted.

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

**Investment property.** Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment property is stated at fair value which reflects current market value and represents potential price between knowledgeable, willing parties in an arm's length transaction. Revaluation of investment property is held on each reporting date and recognized in consolidated statement of profit or loss as gains/losses on investment property revaluation. Earned rental income is recorded in consolidated statement of profit or loss within other operating income.

Subsequent expenditure on investment property is capitalized only when it is probable that additional 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 occupied by the Group, it is reclassified to the corresponding category of Premises and equipment, and its carrying value at the date of reclassification becomes its deemed cost to be subsequently measured according to the accounting policy provided for such category.

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

**Finance leases.** A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Where the Group is a lessor lease receivables are recognized at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables. The net investment in finance lease is recorded within loans and advances to customers.

**Due to banks.** Amounts due to banks are recorded when money or other assets are advanced to the Group by counterparty banks. Amounts due to banks present non-derivative financial liabilities and are carried at amortized cost.

**Due to individuals and corporate customers.** Amounts due to individuals and corporate customers are non-derivative financial liabilities to individuals and corporate customers (including state agencies and state-controlled companies) and are carried at amortized cost.

**Debt securities in issue.** Debt securities in issue include promissory notes, certificates of deposit, savings certificates and other debt securities issued by the Group. Debt securities in issue except structured notes which are described below are stated at amortized cost. If the Group repurchases its debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other operating income in the consolidated statement of profit or loss.



## Notes to the Consolidated Financial Statements – 31 December 2013

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### 3 Basis of Preparation and Significant Accounting Policies (Continued)

**Structured notes.** Structured notes are issued by the Group and are stated at fair value. The underlying assets of structured notes are securities issued by Russian companies which cannot be purchased by the Group's foreign clients directly from the market. Recognition and measurement of these financial liabilities is consistent with the policy for trading securities stated above in this Note. Structured notes are included in Debt securities in issue.

**Other borrowed funds.** Other borrowed funds represent syndicated loans attracted by the Group on financial markets and trade finance deals. Other borrowed funds are carried at amortized cost.

**Obligation to deliver securities.** Obligation to deliver securities refers to transactions in which the Group sells securities which it does not own, and which it is obligated to deliver at a future date. Such transactions are initially recorded at cost as liabilities and then are carried at fair value. Any unrealized gain or loss is recorded in the consolidated statement of profit or loss in net gains/ (losses) arising from trading securities for the difference between the proceeds receivable from the sale and the value of the open short position. The Group realizes a gain or loss when the short position is closed. Valuation of such securities is consistent with the accounting policy of the Group for trading securities.

**Subordinated debt.** Subordinated debt represents long-term funds attracted by the Group on the international financial markets or domestic market. The holders of subordinated debt would be subordinate to all other creditors to receive repayment on debt in case of the companies' of the Group liquidation. Subordinated debt is carried at amortized cost.

**Derivative financial instruments.** Derivative financial instruments, including forward and future contracts, option contracts on financial instruments and swap contracts are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of foreign exchange derivative financial instruments are included in the consolidated statement of profit or loss in net results arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation; changes in the fair value of derivative financial instruments on precious metals are included in net results arising from operations with precious metals and precious metals derivatives; changes in the fair value of derivatives on securities, interest rates and other derivatives – in net results arising from operations with other derivative financial instruments.

**Income taxes.** Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation and legislation of other jurisdictions in which the Group performs business enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognized in the profit or loss except if it is recognized in other comprehensive income because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income.

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

Deferred income tax is recognized for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recognized for temporary differences on initial recognition of goodwill or any other asset or liability if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

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

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 3 Basis of Preparation and Significant Accounting Policies (Continued)

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

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

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

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

**Preference shares.** Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the shareholders' meeting. Preference shares are classified as a part of equity.

**Treasury shares.** Where the Bank or its subsidiaries purchase the Bank's equity instruments, the consideration paid including any attributable incremental external costs is deducted from equity until they are cancelled or disposed of. Where such shares are subsequently disposed or reissued, any consideration received is included in equity.

**Dividends.** Dividends are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the consolidated financial statements are authorized for issue are disclosed in the subsequent events note. Dividends are calculated based on IFRS net profit and distributed out from the Bank statutory net results.

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

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

When loans and other debt instruments become doubtful for collection, the base for calculation of interest income is reduced to present value of expected cash inflows and interest income is thereafter recorded based on the asset's original effective interest rate which was used before impairment recognition.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportion basis. Trust and custody services fees related to investment funds are recorded proportionally over the period the service is provided.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 3 Basis of Preparation and Significant Accounting Policies (Continued)

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

**Credit related commitments.** The Group enters into credit related commitments, including letters of credit and financial 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 guarantees and commitments to provide a loan are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

**Foreign currency translation.** The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Rouble ("RR").

Monetary assets and liabilities are translated into each entity's functional currency at the applicable exchange rate at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions performed by the companies of the Group and from the translation of monetary assets and liabilities into each entity's functional currency are recognized in profit or loss. Effects of exchange rate changes on the fair value of equity instruments are recorded as part of the fair value gain or loss.

The results and financial position of each group entity (except for the subsidiary bank in Belarus the economy of which is considered hyperinflationary) are translated into the presentation currency as follows:

- (I) assets and liabilities for each statement of financial position presented are translated at the applicable closing rate at the respective reporting date;
- (II) income and expenses for each statement of profit or loss and statement of other comprehensive income are translated either at the rates prevailing at the dates of the transactions or at average exchange rates (in case this average is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates).

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedure: all amounts (ie assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position.

When amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (ie not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Exchange differences arising on the translation of results and financial position of each of the Group's consolidated entities are included in components of other comprehensive income and taken to a separate component of equity.

The cumulative balance of currency translation differences presented in equity at 31 December 2013 amounted to a loss of RR 13.7 billion (31 December 2012: a loss of RR 4,7 billion).

## Notes to the Consolidated Financial Statements – 31 December 2013

### 3 Basis of Preparation and Significant Accounting Policies (Continued)

At 31 December 2013 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RR	/UAH	/BYR	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.252	291.483	4.693	0.022	0.027	0.065
USD/	32.729	8.240	9,540.010	153.595	0.728	0.892	2.139
EUR/	44.970	11.322	13,107.968	211.039	1.000	1.225	2.939

At 31 December 2012 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RR	/UAH	/BYR	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.266	282.985	4.948	0.025	0.030	0.059
USD/	30.373	8.080	8,595.009	150.280	0.755	0.912	1.790
EUR/	40.229	10.702	11,384.078	199.046	1.000	1.208	2.371

**Accounting for the effects of hyperinflation.** With the effect from 1 January 2011, the Belarusian economy is considered to be hyperinflationary in accordance with the criteria in IAS 29 *Financial Reporting in Hyperinflationary Economies* ("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.

In applying IAS 29, the Group has used conversion factors derived from the Belarusian consumer price index ("CPI"), published by the State Committee on Statistics of the Republic of Belarus. The CPIs for the six year period and respective conversion factors after Belarus previously ceased to be considered hyperinflationary on 1 January 2006 were as follows:

Year	Index, %	Conversion factors
2006	106.5	454.6
2007	112.0	406.0
2008	113.5	357.9
2009	109.9	325.8
2010	110.0	296.1
2011	208.7	141.9
2012	121.7	116.6
2013	116.6	100.0

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as of 31 December 2013. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current as of 31 December 2013) are restated by applying the relevant index. The effect of hyperinflation on the Group's net monetary position is included in profit or loss.

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

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 3 Basis of Preparation and Significant Accounting Policies (Continued)

**Assets under management.** The Group has set up mutual investment funds and acts as the manager of their assets. The assets of these funds do not represent assets of the Group and therefore are not reported on the consolidated statement of financial position. The management fee income is recorded in the consolidated statement of profit or loss within fee and commission income.

**Contingent assets.** Contingent assets are assets that could arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognized by the Group in its consolidated statement of financial position, but disclosed in the notes to the consolidated financial statements if inflow of economic benefits is probable.

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

**Earnings per share.** Preference shares are not redeemable and are not considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the reporting period, excluding treasury shares.

**Staff costs and related contributions.** Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, pensions, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

**Segment reporting.** The Group determined its operating segments on the basis of organizational structure of the Group and geographical areas. Operating segments are reported in a manner consistent with the internal reporting provided to the Management Board. Segments whose revenue, result or assets are 10% or more of all the segments are reported separately.

### 4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

Also, the Group's management accounting system in some cases does not allow collecting all necessary information on incurred losses for certain groups of loans. Management uses estimates and incurred loss models for groups of loans with similar credit risk profile. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

**Held-to-maturity financial assets.** Management applies judgement in assessing whether financial assets can be categorized as held-to-maturity at initial recognition, in particular (a) its intention and ability to hold the assets to maturity and (b) whether the assets are quoted in an active market. If the Group fails to keep these investments to maturity other than in certain specific circumstances – for example, selling an insignificant amount or settle a position close to maturity – it will be required to reclassify the entire category as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost. For the estimated fair value of investment securities held-to-maturity as at 31 December 2013 refer to Note 35.

Evidence of an active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

**Tax legislation.** Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 33.

**Deferred income tax asset recognition.** The recognised deferred tax asset represents amount of income tax which may be recovered through future income tax expenses and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on management expectations that are believed to be reasonable under the circumstances.

**Fair value of financial instruments.** Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. To the extent practical, models use only observable data, however certain areas require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore sometimes not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

**Related party transactions.** The Group's principal shareholder is the Bank of Russia (refer to Note 1). Disclosures are made in these consolidated financial statements for transactions with state-controlled entities and government bodies. Currently the Government of the Russian Federation does not provide to the general public or entities under its ownership/control a complete list of the entities which are owned or controlled directly or indirectly by the State. Judgement is applied by the Management in determining the scope of operations with related parties to be disclosed in the consolidated financial statements. Refer to Notes 38 and 39.

**Revaluation of office premises.** The Group regularly reviews the value of its office premises for compliance with fair value and performs revaluation to ensure that the current carrying amount of office premises does not materially differ from its fair value. Office premises have been revalued to market value at 31 December 2011. The revaluation was performed based on the reports of independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The basis used for the appraisal was market value. Revalued premises are depreciated in accordance with their remaining useful life since 1 January 2012.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

**Impairment of available-for-sale investments.** The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value of the investment below the cost. Determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the volatility in securities' prices and future cash flows. In addition, impairment may be appropriate when there is evidence of changes in technology or deterioration in the financial health of the investee, industry and sector performance, or operational or financing cash flows.

**Changes in presentation and reclassifications.** Following the improved disclosure of other liabilities in the current period, the presentation of the comparative information has been adjusted to be consistent with the new presentation. The effect of changes on the consolidated statement of financial position and on the corresponding note as at 31 December 2012 is as follows:

<i>in billions of Russian Roubles</i>	<b>As previously reported</b>	<b>Reclassification</b>	<b>As reclassified</b>
<b>Other financial liabilities</b>			
Accrued employee benefit costs	–	29.3	29.3
Deferred commissions received on guarantees issued	1.3	(1.3)	–
<b>Total other financial liabilities</b>	<b>1.3</b>	<b>28.0</b>	<b>29.3</b>
<b>Other non-financial liabilities</b>			
Accrued employee benefit costs	29.3	(29.3)	–
Deferred commissions received on guarantees issued	–	1.3	1.3
<b>Total other non-financial liabilities</b>	<b>29.3</b>	<b>(28.0)</b>	<b>1.3</b>

Due to the growth of the insurance business of the Group, in these financial statements the results of operations on insurance activities have been presented separately. The presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the consolidated statement of profit or loss for the year ended 31 December 2012 is as follows:

<i>in billions of Russian Roubles</i>	<b>As previously reported</b>	<b>Reclassification</b>	<b>As reclassified</b>
Cost of sales of non-financial business activities and insurance	(38.2)	(0.4)	(38.6)
Other operating income	3.9	0.4	4.3

The effect of corresponding reclassifications on the disclosure of revenues and costs of sales of non-banking operations and insurance for the year ended 31 December 2012 is as follows:

<i>in billions of Russian Roubles</i>	<b>As previously reported</b>	<b>Reclassification</b>	<b>As reclassified</b>
<b>Total revenue of non-financial business activities and insurance</b>			
- Revenue from other activities	3.9	(0.4)	3.5
- Revenue from insurance	–	0.4	0.4
<b>Total cost of sales of non-financial business activities and insurance</b>			
- Costs related to insurance activities	–	(0.4)	(0.4)
<b>Total net income of non-financial business activities and insurance</b>	<b>13.0</b>	<b>(0.4)</b>	<b>12.6</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

The corresponding effect on the segment reporting of the Group for the year ended 31 December 2012 is as follows:

<i>in billions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
<b>Moscow segment</b>			
Cost of sales of non-financial business activities and insurance	(11.9)	(0.4)	(12.3)
Other operating income	10.6	0.4	11.0
<b>Total</b>			
Cost of sales of non-financial business activities and insurance	(38.1)	(0.4)	(38.5)
Other operating income	14.1	0.4	14.5

The effect of corresponding reclassifications on disclosure of the consolidated statement of cash flows for the year ended 31 December 2012 is as follows:

<i>in billions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Insurance premiums received	–	0.5	0.5
Interest received	1,135.7	(0.5)	1,135.2

### 5 Adoption of New or Revised Standards and Interpretations

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

**IFRS 10 Consolidated Financial Statements.** IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In addition IFRS 10 introduces specific application guidance for agency relationships. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation – Special Purpose Entities*. It is effective for annual periods beginning on or after 1 January 2013.

**IFRS 11 Joint Arrangements.** IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* and is effective for annual periods beginning on or after 1 January 2013.

**IFRS 12 Disclosure of Interests in Other Entities.** IFRS 12 includes all of the disclosures that were previously in IAS 27 *Consolidated and Separate Financial Statements* related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Adoption of the standard did not require any new disclosures to be made in the consolidated financial statements of the Group and had no impact on its financial position or performance.

**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. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. The adoption of the IFRS 13 had no effect on the measurement of the Group's assets and liabilities accounted for at fair value.

**IAS 27 Separate Financial Statements (as revised in 2011).** As a consequence of the new IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities*, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.



## Notes to the Consolidated Financial Statements – 31 December 2013

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

**IAS 28 Investments in Associates and Joint Ventures (as revised in 2011).** IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

**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 proposes 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 limit the changes in the net pension asset (liability) recognized in profit or loss to net interest income (expense) and service costs.

**Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income.** The amendment becomes effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 *Presentation of Financial Statements* change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time (for example, on derecognition or settlement) would be presented separately from items that will never be reclassified (for example, revaluation of buildings). These amendments changed presentation in the statement of comprehensive income but had no effect on the financial position and performance.

**Disclosures — Offsetting Financial Assets and Financial liabilities – Amendments to IFRS 7 Financial instruments: Disclosures** (effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods, with retrospective application). These disclosures, which are similar to the new US GAAP requirements, provide users with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity’s financial position and (b) analyzing and comparing financial statements prepared in accordance with IFRSs and US GAAP.

**Improvements to IFRS.** The amendments are effective for annual periods beginning on or after 1 January 2013.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.
- **IAS 1 Presentation of Financial Statements:** This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.
- **IAS 16 Property, Plant and Equipment:** This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- **IAS 32 Financial Instruments, Presentation:** This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.
- **IAS 34 Interim Financial Reporting:** The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

**Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12** (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 *Consolidated Financial Statements*. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

## Notes to the Consolidated Financial Statements – 31 December 2013

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

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

The above mentioned new or amended standards and interpretations effective from 1 January 2013 did not have a material impact on the accounting policies, financial position or performance of the Group.

### 6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods and which the Group has not early adopted:

**IFRS 9 Financial Instruments.** IFRS 9, as issued in November 2009 and amended in October 2010, December 2011 and November 2013, reflects two of the three phases of the IASB project on replacement of IAS 39 *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial assets and financial liabilities and hedge accounting. The standard has no mandatory effective date and may be applied voluntarily. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but is not expected to have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect when the remaining part of the standard containing guidance on impairment of financial assets is issued. Key features of the standard are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized 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 amortized 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 recognize unrealized and realized 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 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 as at fair value through profit or loss in other comprehensive income.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 6 New Accounting Pronouncements (Continued)

**Investment Entities – Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements.** These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments become effective for annual periods beginning on or after 1 January 2014.

**Offsetting Financial Assets and Financial liabilities – Amendments to IAS 32 Financial Instruments: Presentation** (issued in December 2011). These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after 1 January 2014, retrospective application is possible.

**Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 Financial Instrument: Recognition and Measurement.** These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have an impact on its financial statements as the Group does not apply hedge accounting according to IFRS.

**IFRIC 21 Levies.** IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 becomes effective for annual periods beginning on or after 1 January 2014.

**Recoverable amount disclosures for non-financial assets – Amendments to IAS 36 Impairment of Assets** (issued in May 2013). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. These amendments are 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.

**Defined benefit plans: Employee contributions – Amendments to IAS 19 Employee Benefits** (issued in November 2013). The amendment allows entities to recognize employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. These amendments are effective for annual periods beginning 1 July 2014.

**Improvements to IFRS 2010 – 2012 cycle** (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below).

- *IFRS 2 Share-based Payment* was amended to clarify the definition of a ‘vesting condition’ and to define separately ‘performance condition’ and ‘service condition’; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
- *IFRS 3 Business Combinations* was amended to clarify that
  - an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and
  - all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 6 New Accounting Pronouncements (Continued)

Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

- *IFRS 8 Operating Segments* was amended to require
  - disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and
  - a reconciliation of segment assets to the entity's assets when segment assets are reported.
- *IFRS 13 Fair Value Measurement*. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.
- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets* were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- *IAS 24 Related Party Disclosures* was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

**Improvements to IFRSs 2011–2013 Cycle** (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

- *IFRS 1 First-time Adoption of International Financial Reporting Standards*. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
- *IFRS 3 Business Combinations* was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
- *IFRS 13 Fair Value Measurement*. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
- *IAS 40 Investment Property* was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

**IFRS 14 Regulatory Deferral Accounts** (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

The Group is considering the implications of the new standards, the impact on the Group and the timing of their adoption by the Group.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 7 Cash and Cash Equivalents

<i>in billions of Russian Roubles</i>	<b>2013</b>	<b>2012</b>
Cash on hand	723.9	680.8
Cash balances with the Bank of Russia (other than mandatory reserve deposits)	298.8	260.4
Correspondent accounts and placements with other banks:		
- Russian Federation	68.8	53.1
- Other countries	208.3	215.4
Reverse repo agreements	27.2	81.1
<b>Total cash and cash equivalents</b>	<b>1,327.0</b>	<b>1,290.8</b>

As at 31 December 2013 correspondent accounts and placements with banks and reverse repo agreements with original maturities up to 1 day mostly represent balances with the top and well-known foreign and Russian banks, financial companies and corporate customers. As at 31 December 2012 correspondent accounts and placements with banks and reverse repo agreements with original maturities up to 30 days mostly represent balances with the top and well-known foreign and Russian banks, financial companies and corporate customers.

Analysis by credit quality of the correspondent accounts and placements with banks and reverse repo agreements with original maturities up to 1 day at 31 December 2013 made on the basis of ratings of international rating agencies is as follows:

<i>in billions of Russian Roubles</i>	<b>Investment rating</b>	<b>Speculative rating</b>	<b>Not rated</b>	<b>Total</b>
Correspondent accounts and placements with banks:				
- Russian Federation	60.3	1.1	7.4	68.8
- Other countries	169.4	12.1	26.8	208.3
Reverse repo agreements	23.3	–	3.9	27.2
<b>Total correspondent accounts and placements with banks and reverse repo agreements</b>	<b>253.0</b>	<b>13.2</b>	<b>38.1</b>	<b>304.3</b>

Analysis by credit quality of the correspondent accounts and placements with banks and reverse repo agreements with original maturities up to 30 days at 31 December 2012 made on the basis of ratings of international rating agencies is as follows:

<i>in billions of Russian Roubles</i>	<b>Investment rating</b>	<b>Speculative rating</b>	<b>Not rated</b>	<b>Total</b>
Correspondent accounts and placements with banks:				
- Russian Federation	32.8	0.4	19.9	53.1
- Other countries	191.1	10.7	13.6	215.4
Reverse repo agreements	24.0	22.1	35.0	81.1
<b>Total correspondent accounts and placements with banks and reverse repo agreements</b>	<b>247.9</b>	<b>33.2</b>	<b>68.5</b>	<b>349.6</b>

Rating definitions in the tables above represent the rating scale developed by the international rating agencies.

Refer to Note 36 for the information on amounts in cash and cash equivalents which are collateralized by securities received under reverse sale and repurchase agreements.

As at 31 December 2013 and 31 December 2012 all cash and cash equivalents are neither past due nor impaired.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 7 Cash and Cash Equivalents (Continued)

The estimated fair value of cash and cash equivalents and fair value measurement used are disclosed in Note 35. Currency and maturity analyses of cash and cash equivalents are disclosed in Note 32. The information on related party balances is disclosed in Note 38.

### 8 Due from Banks

<i>in billions of Russian Roubles</i>	<b>2013</b>	<b>2012</b>
Term placements with banks:		
- Russian Federation	108.9	59.6
- Other countries	90.3	45.4
Reverse repo agreements with banks	131.3	9.8
<b>Total due from banks</b>	<b>330.5</b>	<b>114.8</b>

As at 31 December 2013 term placements with banks and reverse repo agreements mostly represent balances with the top and well-known foreign and Russian banks with original maturities over 1 day. As at 31 December 2012 term placements with banks and reverse repo agreements mostly represent balances with the top and well-known foreign and Russian banks with original maturities over 30 days.

Analysis by credit quality of the term placements with banks and reverse repo agreements with original maturities over 1 day at 31 December 2013 made on the basis of ratings of international rating agencies is as follows:

<i>in billions of Russian Roubles</i>	<b>Investment rating</b>	<b>Speculative rating</b>	<b>Not rated</b>	<b>Total</b>
Term placements with banks:				
- Russian Federation	78.4	11.3	19.2	108.9
- Other countries	58.3	18.6	13.4	90.3
Reverse repo agreements with banks	52.2	24.0	55.1	131.3
<b>Total due from banks</b>	<b>188.9</b>	<b>53.9</b>	<b>87.7</b>	<b>330.5</b>

Analysis by credit quality of the correspondent accounts and placements with other banks and reverse repo agreements with original maturities over 30 days at 31 December 2012 made on the basis of ratings of international rating agencies is as follows:

<i>in billions of Russian Roubles</i>	<b>Investment rating</b>	<b>Speculative rating</b>	<b>Not rated</b>	<b>Total</b>
Term placements with banks:				
- Russian Federation	35.6	7.1	16.9	59.6
- Other countries	13.8	6.0	25.6	45.4
Reverse repo agreements with banks	5.3	3.6	0.9	9.8
<b>Total due from banks</b>	<b>54.7</b>	<b>16.7</b>	<b>43.4</b>	<b>114.8</b>

Rating definitions in the tables above represent the rating scale developed by the international rating agencies.

The estimated fair value of due from banks and fair value measurement used are disclosed in Note 35. Currency and maturity analyses of due from banks are disclosed in Note 32. The information on related party balances as well as state-controlled entities and government bodies balances is disclosed in Notes 38 and 39.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 9 Trading Securities

<i>in billions of Russian Roubles</i>	31 December 2013	31 December 2012
Corporate bonds	57.9	19.6
Federal loan bonds (OFZ bonds)	13.2	26.6
Russian Federation Eurobonds	6.6	12.4
Municipal and subfederal bonds	2.7	0.8
Foreign government bonds	2.3	15.1
<b>Total debt trading securities</b>	<b>82.7</b>	<b>74.5</b>
Corporate shares	16.9	14.8
Investments in mutual funds	1.6	1.1
<b>Total trading securities</b>	<b>101.2</b>	<b>90.4</b>

Fair value of trading securities is based on their market quotations and valuation models with use of data both observable and not observable on the open market and reflects credit risk related write downs.

As trading securities are carried at fair value the Group does not analyse or monitor impairment indicators separately for these securities.

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

<i>in billions of Russian Roubles</i>	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	32.1	25.4	0.4	57.9
Federal loan bonds (OFZ bonds)	13.2	–	–	13.2
Russian Federation Eurobonds	6.6	–	–	6.6
Municipal and subfederal bonds	1.6	1.1	–	2.7
Foreign government bonds	0.6	1.7	–	2.3
<b>Total debt trading securities</b>	<b>54.1</b>	<b>28.2</b>	<b>0.4</b>	<b>82.7</b>

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

<i>in billions of Russian Roubles</i>	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	26.6	–	–	26.6
Corporate bonds	9.5	8.9	1.2	19.6
Foreign government bonds	7.8	7.3	–	15.1
Russian Federation Eurobonds	12.4	–	–	12.4
Municipal and subfederal bonds	–	0.8	–	0.8
<b>Total debt trading securities</b>	<b>56.3</b>	<b>17.0</b>	<b>1.2</b>	<b>74.5</b>

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

At 31 December 2013 and 31 December 2012 there were no renegotiated trading debt securities that would otherwise be past due. Trading debt securities are not collateralized. All trading debt securities are not past due.

Currency and maturity analyses of trading securities are disclosed in Note 32. The information on trading securities issued by state-controlled entities and government bodies is disclosed in Note 39.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 10 Securities Designated as at Fair Value through Profit or Loss

<i>in billions of Russian Roubles</i>	31 December 2013	31 December 2012
Federal loan bonds (OFZ bonds)	7.1	8.5
Foreign government bonds	0.7	0.9
Corporate bonds	0.4	0.8
<b>Total debt securities designated as at fair value through profit or loss</b>	<b>8.2</b>	<b>10.2</b>
Corporate shares	7.9	7.0
Investments in mutual funds	1.4	2.0
<b>Total securities designated as at fair value through profit or loss</b>	<b>17.5</b>	<b>19.2</b>

The Group irrevocably designated the above securities that are not part of its trading book, as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because Management of the Group assesses performance of these investments based on their fair values in accordance with the Policy of the Group for securities portfolios classification. Fair value of securities designated as at fair value through profit or loss is based on their market quotations and valuation models with use of data both observable and not observable on the open market.

Securities designated as at fair value through profit or loss are carried at fair value, which also reflects credit risk related write downs. Analysis by credit quality of debt securities designated as at fair value through profit or loss outstanding at 31 December 2013 is as follows:

<i>in billions of Russian Roubles</i>	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	7.1	–	–	7.1
Foreign government bonds	–	0.7	–	0.7
Corporate bonds	–	0.4	–	0.4
<b>Total debt securities designated as at fair value through profit or loss</b>	<b>7.1</b>	<b>1.1</b>	–	<b>8.2</b>

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

<i>in billions of Russian Roubles</i>	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	8.5	–	–	8.5
Foreign government bonds	–	0.8	0.1	0.9
Corporate bonds	0.6	0.2	–	0.8
<b>Total debt securities designated as at fair value through profit or loss</b>	<b>9.1</b>	<b>1.0</b>	<b>0.1</b>	<b>10.2</b>

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

At 31 December 2013 and 31 December 2012 there are no renegotiated balances that would otherwise be past due. Debt securities designated as at fair value through profit or loss are not collateralized. All debt securities designated as at fair value through profit or loss are not past due.

Currency and maturity analyses of securities designated as at fair value through profit or loss are disclosed in Note 32. The information on securities designated as at fair value through profit or loss issued by state-controlled entities and government bodies is disclosed in Note 39.



## Notes to the Consolidated Financial Statements – 31 December 2013

### 11 Loans and Advances to Customers

The tables below show credit quality of the Group's loan portfolio by loan classes as at 31 December 2013 and 31 December 2012.

In these consolidated financial statements the Group has made more detailed presentation of loan classes and disclosed separately credit cards and overdrafts which were previously included in consumer and other loans to individuals. Presentation of the comparative figures has been adjusted to be consistent with the new presentation.

For the purposes of these consolidated financial statements a loan is considered past due when the borrower fails to make any payment due under the loan agreement at the reporting date. In this case the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions is recognized as past due.

<i>in billions of Russian Roubles</i>	31 December 2013		
	Not past due loans	Past due loans	Total
Commercial loans to legal entities	5,965.5	258.4	<b>6,223.9</b>
Specialized loans to legal entities	3,428.6	143.5	<b>3,572.1</b>
Consumer and other loans to individuals	1,561.6	111.2	<b>1,672.8</b>
Mortgage loans to individuals	1,509.6	59.4	<b>1,569.0</b>
Credit cards and overdrafts	303.2	45.8	<b>349.0</b>
Car loans to individuals	148.8	8.4	<b>157.2</b>
<b>Total loans and advances to customers before provision for loan impairment</b>	<b>12,917.3</b>	<b>626.7</b>	<b>13,544.0</b>
Less: Provision for loan impairment	(218.5)	(391.8)	<b>(610.3)</b>
<b>Total loans and advances to customers net of provision for loan impairment</b>	<b>12,698.8</b>	<b>234.9</b>	<b>12,933.7</b>

<i>in billions of Russian Roubles</i>	31 December 2012		
	Not past due loans	Past due loans	Total
Commercial loans to legal entities	5,033.7	247.8	<b>5,281.5</b>
Specialized loans to legal entities	2,836.0	110.3	<b>2,946.3</b>
Consumer and other loans to individuals	1,298.3	73.2	<b>1,371.5</b>
Mortgage loans to individuals	1,094.6	48.8	<b>1,143.4</b>
Credit cards and overdrafts	174.3	23.9	<b>198.2</b>
Car loans to individuals	118.2	5.2	<b>123.4</b>
<b>Total loans and advances to customers before provision for loan impairment</b>	<b>10,555.1</b>	<b>509.2</b>	<b>11,064.3</b>
Less: Provision for loan impairment	(237.1)	(327.9)	<b>(565.0)</b>
<b>Total loans and advances to customers net of provision for loan impairment</b>	<b>10,318.0</b>	<b>181.3</b>	<b>10,499.3</b>

Commercial lending to legal entities comprises corporate loans, loans to individual entrepreneurs, federal bodies and municipal authorities of the Russian Federation. Loans are granted for current needs (working capital financing, acquisition of movable and immovable property, portfolio investments, expansion and consolidation of business, etc.). Majority of commercial loans are provided for periods up to 5 years depending on the borrowers' risk assessment. Commercial lending also includes overdraft lending and lending for export-import transactions. The repayment source is cash flow from current production and financial activities of the borrower.

Specialized lending to legal entities includes investment and construction project financing and also developers' financing. As a rule, loan terms are linked to payback periods of investment and construction projects, contract execution periods and exceed the terms of commercial loans to legal entities. The principal and interest may be repaid from cash flows generated by the investment project at the stage of its commercial operation.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 11 Loans and Advances to Customers (continued)

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and repair of real estate as well as car loans and credit cards and overdrafts. These loans include loans for current needs.

Mortgage loans to individuals include loans for acquisition, construction and reconstruction of real estate. These loans are mostly long-term and are collateralized by real estate.

Credit cards and overdrafts represent revolving credit lines. These loans are considered a comfortable instrument for customers as a reserve source of funds in case of need available everywhere and anytime. Credit card loans are provided for 3 years period. Interest rates for such loans are higher than for consumer loans as they carry higher risks for the Group.

Car loans to individuals include loans for purchasing a car or other vehicle. Car loans are provided for periods of up to 5 years.

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2013:

<i>in billions of Russian Roubles</i>	<b>Gross loans</b>	<b>Provision for impairment</b>	<b>Net loans</b>	<b>Provision for impairment to gross loans</b>
<b>Commercial loans to legal entities</b>				
<b>Collectively assessed</b>				
Not past due	5,869.0	(81.7)	5,787.3	1.4%
Loans up to 30 days overdue	33.0	(5.1)	27.9	15.5%
Loans 31 to 60 days overdue	12.3	(4.2)	8.1	34.1%
Loans 61 to 90 days overdue	11.6	(4.4)	7.2	37.9%
Loans 91 to 180 days overdue	16.3	(10.2)	6.1	62.6%
Loans over 180 days overdue	131.0	(122.6)	8.4	93.6%
<b>Total collectively assessed loans</b>	<b>6,073.2</b>	<b>(228.2)</b>	<b>5,845.0</b>	<b>3.8%</b>
<b>Individually impaired</b>				
Not past due	96.5	(28.8)	67.7	29.8%
Loans up to 30 days overdue	4.9	(3.0)	1.9	61.2%
Loans 31 to 60 days overdue	1.7	(0.2)	1.5	11.8%
Loans 61 to 90 days overdue	7.5	(4.2)	3.3	56.0%
Loans 91 to 180 days overdue	3.8	(2.4)	1.4	63.2%
Loans over 180 days overdue	36.3	(26.6)	9.7	73.3%
<b>Total individually impaired loans</b>	<b>150.7</b>	<b>(65.2)</b>	<b>85.5</b>	<b>43.3%</b>
<b>Total commercial loans to legal entities</b>	<b>6,223.9</b>	<b>(293.4)</b>	<b>5,930.5</b>	<b>4.7%</b>
<b>Specialized loans to legal entities</b>				
<b>Collectively assessed</b>				
Not past due	3,315.0	(71.0)	3,244.0	2.1%
Loans up to 30 days overdue	11.6	(1.3)	10.3	11.2%
Loans 31 to 60 days overdue	9.2	(3.3)	5.9	35.9%
Loans 61 to 90 days overdue	3.7	(1.4)	2.3	37.8%
Loans 91 to 180 days overdue	6.4	(4.4)	2.0	68.8%
Loans over 180 days overdue	40.3	(35.0)	5.3	86.8%
<b>Total collectively assessed loans</b>	<b>3,386.2</b>	<b>(116.4)</b>	<b>3,269.8</b>	<b>3.4%</b>
<b>Individually impaired</b>				
Not past due	113.6	(31.1)	82.5	27.4%
Loans up to 30 days overdue	10.7	(5.8)	4.9	54.2%
Loans 31 to 60 days overdue	3.2	(2.8)	0.4	87.5%
Loans 61 to 90 days overdue	1.8	(1.5)	0.3	83.3%
Loans 91 to 180 days overdue	4.5	(3.9)	0.6	86.7%
Loans over 180 days overdue	52.1	(44.6)	7.5	85.6%
<b>Total individually impaired loans</b>	<b>185.9</b>	<b>(89.7)</b>	<b>96.2</b>	<b>48.3%</b>
<b>Total specialized loans to legal entities</b>	<b>3,572.1</b>	<b>(206.1)</b>	<b>3,366.0</b>	<b>5.8%</b>
<b>Total loans to legal entities</b>	<b>9,796.0</b>	<b>(499.5)</b>	<b>9,296.5</b>	<b>5.1%</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 11 Loans and Advances to Customers (continued)

<i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
<b>Consumer and other loans to individuals</b>				
<b>Collectively assessed</b>				
Not past due	1,561.6	(3.2)	1,558.4	0.2%
Loans up to 30 days overdue	38.0	(2.7)	35.3	7.1%
Loans 31 to 60 days overdue	9.9	(2.7)	7.2	27.3%
Loans 61 to 90 days overdue	7.7	(3.2)	4.5	41.6%
Loans 91 to 180 days overdue	14.1	(9.9)	4.2	70.2%
Loans over 180 days overdue	41.5	(38.4)	3.1	92.5%
<b>Total consumer and other loans to individuals</b>	<b>1,672.8</b>	<b>(60.1)</b>	<b>1,612.7</b>	<b>3.6%</b>
<b>Mortgage loans to individuals</b>				
<b>Collectively assessed</b>				
Not past due	1,509.6	(0.7)	1,508.9	–
Loans up to 30 days overdue	22.3	(0.6)	21.7	2.7%
Loans 31 to 60 days overdue	4.6	(0.5)	4.1	10.9%
Loans 61 to 90 days overdue	2.9	(0.5)	2.4	17.2%
Loans 91 to 180 days overdue	3.9	(1.5)	2.4	38.5%
Loans over 180 days overdue	25.7	(22.4)	3.3	87.2%
<b>Total mortgage loans to individuals</b>	<b>1,569.0</b>	<b>(26.2)</b>	<b>1,542.8</b>	<b>1.7%</b>
<b>Credit cards and overdrafts</b>				
<b>Collectively assessed</b>				
Not past due	303.2	(1.8)	301.4	0.6%
Loans up to 30 days overdue	22.4	(1.5)	20.9	6.7%
Loans 31 to 60 days overdue	3.7	(1.0)	2.7	27.0%
Loans 61 to 90 days overdue	2.3	(1.2)	1.1	52.2%
Loans 91 to 180 days overdue	4.5	(3.4)	1.1	75.6%
Loans over 180 days overdue	12.9	(11.7)	1.2	90.7%
<b>Total credit cards and overdrafts</b>	<b>349.0</b>	<b>(20.6)</b>	<b>328.4</b>	<b>5.9%</b>
<b>Car loans to individuals</b>				
<b>Collectively assessed</b>				
Not past due	148.8	(0.2)	148.6	0.1%
Loans up to 30 days overdue	3.2	(0.2)	3.0	6.3%
Loans 31 to 60 days overdue	0.8	(0.2)	0.6	25.0%
Loans 61 to 90 days overdue	0.6	(0.2)	0.4	33.3%
Loans 91 to 180 days overdue	1.0	(0.6)	0.4	60.0%
Loans over 180 days overdue	2.8	(2.5)	0.3	89.3%
<b>Total car loans to individuals</b>	<b>157.2</b>	<b>(3.9)</b>	<b>153.3</b>	<b>2.5%</b>
<b>Total loans to individuals</b>	<b>3,748.0</b>	<b>(110.8)</b>	<b>3,637.2</b>	<b>3.0%</b>
<b>Total loans and advances to customers as at 31 December 2013</b>	<b>13,544.0</b>	<b>(610.3)</b>	<b>12,933.7</b>	<b>4.5%</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 11 Loans and Advances to Customers (continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2012:

<i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
<b>Commercial loans to legal entities</b>				
<b>Collectively assessed</b>				
Not past due	4,972.5	(105.9)	4,866.6	2.1%
Loans up to 30 days overdue	29.3	(3.5)	25.8	11.9%
Loans 31 to 60 days overdue	11.0	(3.1)	7.9	28.2%
Loans 61 to 90 days overdue	6.6	(2.3)	4.3	34.8%
Loans 91 to 180 days overdue	14.9	(8.2)	6.7	55.0%
Loans over 180 days overdue	133.2	(121.8)	11.4	91.4%
<b>Total collectively assessed loans</b>	<b>5,167.5</b>	<b>(244.8)</b>	<b>4,922.7</b>	<b>4.7%</b>
<b>Individually impaired</b>				
Not past due	61.2	(26.1)	35.1	42.6%
Loans up to 30 days overdue	5.0	(2.5)	2.5	50.0%
Loans 31 to 60 days overdue	4.0	(2.6)	1.4	65.0%
Loans 61 to 90 days overdue	1.5	(0.5)	1.0	33.3%
Loans 91 to 180 days overdue	1.5	(0.1)	1.4	6.7%
Loans over 180 days overdue	40.8	(33.3)	7.5	81.6%
<b>Total individually impaired loans</b>	<b>114.0</b>	<b>(65.1)</b>	<b>48.9</b>	<b>57.1%</b>
<b>Total commercial loans to legal entities</b>	<b>5,281.5</b>	<b>(309.9)</b>	<b>4,971.6</b>	<b>5.9%</b>
<b>Specialized loans to legal entities</b>				
<b>Collectively assessed</b>				
Not past due	2,772.8	(76.1)	2,696.7	2.7%
Loans up to 30 days overdue	12.3	(1.4)	10.9	11.4%
Loans 31 to 60 days overdue	2.2	(0.4)	1.8	18.2%
Loans 61 to 90 days overdue	1.4	(0.7)	0.7	50.0%
Loans 91 to 180 days overdue	3.4	(2.2)	1.2	64.7%
Loans over 180 days overdue	43.7	(39.6)	4.1	90.6%
<b>Total collectively assessed loans</b>	<b>2,835.8</b>	<b>(120.4)</b>	<b>2,715.4</b>	<b>4.2%</b>
<b>Individually impaired</b>				
Not past due	63.2	(26.1)	37.1	41.3%
Loans up to 30 days overdue	5.8	(0.5)	5.3	8.6%
Loans 31 to 60 days overdue	1.9	(1.5)	0.4	78.9%
Loans 61 to 90 days overdue	3.5	(2.5)	1.0	71.4%
Loans 91 to 180 days overdue	2.9	(1.4)	1.5	48.3%
Loans over 180 days overdue	33.2	(28.2)	5.0	84.9%
<b>Total individually impaired loans</b>	<b>110.5</b>	<b>(60.2)</b>	<b>50.3</b>	<b>54.5%</b>
<b>Total specialized loans to legal entities</b>	<b>2,946.3</b>	<b>(180.6)</b>	<b>2,765.7</b>	<b>6.1%</b>
<b>Total loans to legal entities</b>	<b>8,227.8</b>	<b>(490.5)</b>	<b>7,737.3</b>	<b>6.0%</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 11 Loans and Advances to Customers (continued)

<i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
<b>Consumer and other loans to individuals</b>				
<b>Collectively assessed</b>				
Not past due	1,298.3	(1.7)	1,296.6	0.1%
Loans up to 30 days overdue	23.6	(1.2)	22.4	5.1%
Loans 31 to 60 days overdue	7.0	(1.4)	5.6	20.0%
Loans 61 to 90 days overdue	4.8	(1.6)	3.2	33.3%
Loans 91 to 180 days overdue	8.1	(4.9)	3.2	60.5%
Loans over 180 days overdue	29.7	(26.5)	3.2	89.2%
<b>Total consumer and other loans to individuals</b>	<b>1,371.5</b>	<b>(37.3)</b>	<b>1,334.2</b>	<b>2.7%</b>
<b>Mortgage loans to individuals</b>				
<b>Collectively assessed</b>				
Not past due	1,094.6	(0.8)	1,093.8	0.1%
Loans up to 30 days overdue	13.6	(0.5)	13.1	3.7%
Loans 31 to 60 days overdue	3.8	(0.4)	3.4	10.5%
Loans 61 to 90 days overdue	2.4	(0.4)	2.0	16.7%
Loans 91 to 180 days overdue	2.9	(1.0)	1.9	34.5%
Loans over 180 days overdue	26.1	(23.4)	2.7	89.7%
<b>Total mortgage loans to individuals</b>	<b>1,143.4</b>	<b>(26.5)</b>	<b>1,116.9</b>	<b>2.3%</b>
<b>Credit cards and overdrafts</b>				
<b>Collectively assessed</b>				
Not past due	174.3	(0.3)	174.0	0.2%
Loans up to 30 days overdue	11.5	(0.9)	10.6	7.8%
Loans 31 to 60 days overdue	2.7	(0.5)	2.2	18.5%
Loans 61 to 90 days overdue	1.6	(0.5)	1.1	31.3%
Loans 91 to 180 days overdue	3.1	(2.1)	1.0	67.7%
Loans over 180 days overdue	5.0	(3.9)	1.1	78.0%
<b>Total credit cards and overdrafts</b>	<b>198.2</b>	<b>(8.2)</b>	<b>190.0</b>	<b>4.1%</b>
<b>Car loans to individuals</b>				
<b>Collectively assessed</b>				
Not past due	118.2	(0.1)	118.1	0.1%
Loans up to 30 days overdue	2.0	(0.1)	1.9	5.0%
Loans 31 to 60 days overdue	0.4	(0.1)	0.3	25.0%
Loans 61 to 90 days overdue	0.3	(0.1)	0.2	33.3%
Loans 91 to 180 days overdue	0.4	(0.2)	0.2	50.0%
Loans over 180 days overdue	2.1	(1.9)	0.2	90.5%
<b>Total car loans to individuals</b>	<b>123.4</b>	<b>(2.5)</b>	<b>120.9</b>	<b>2.0%</b>
<b>Total loans to individuals</b>	<b>2,836.5</b>	<b>(74.5)</b>	<b>2,762.0</b>	<b>2.6%</b>
<b>Total loans and advances to customers as at 31 December 2012</b>	<b>11,064.3</b>	<b>(565.0)</b>	<b>10,499.3</b>	<b>5.1%</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 11 Loans and Advances to Customers (continued)

The table below shows the credit quality analysis of the Group's not past due collectively assessed loans before provision for loan impairment as at 31 December 2013:

<i>in billions of Russian Roubles</i>	<b>1 group</b>	<b>2 group</b>	<b>3 group</b>	<b>Total</b>
Commercial loans to legal entities	871.0	2,859.7	2,138.3	5,869.0
Specialized loans to legal entities	162.5	1,372.0	1,780.5	3,315.0
Consumer and other loans to individuals	39.6	1,489.3	32.7	1,561.6
Mortgage loans to individuals	58.0	1,437.4	14.2	1,509.6
Credit cards and overdrafts	20.0	260.3	22.9	303.2
Car loans to individuals	40.0	106.3	2.5	148.8
<b>Total not past due collectively assessed loans before provision for loan impairment as at 31 December 2013</b>	<b>1,191.1</b>	<b>7,525.0</b>	<b>3,991.1</b>	<b>12,707.2</b>

The table below shows the credit quality analysis of the Group's not past due collectively assessed loans before provision for loan impairment as at 31 December 2012:

<i>in billions of Russian Roubles</i>	<b>1 group</b>	<b>2 group</b>	<b>3 group</b>	<b>Total</b>
Commercial loans to legal entities	522.7	2,620.7	1,829.1	4,972.5
Specialized loans to legal entities	151.3	1,336.7	1,284.8	2,772.8
Consumer and other loans to individuals	26.3	1,253.5	18.5	1,298.3
Mortgage loans to individuals	43.2	1,036.4	15.0	1,094.6
Credit cards and overdrafts	10.5	152.3	11.5	174.3
Car loans to individuals	2.5	113.6	2.1	118.2
<b>Total not past due collectively assessed loans before provision for loan impairment as at 31 December 2012</b>	<b>756.5</b>	<b>6,513.2</b>	<b>3,161.0</b>	<b>10,430.7</b>

For the purpose of these consolidated financial statements, all not past due collectively assessed loans to legal entities are classified in three quality groups presented in the tables above with group 1 loans being of the highest quality. The 1-st group includes borrowers with high level of liquidity and profitability as well as high capital adequacy ratio. The probability of breach of loan agreement terms is assessed as low. The 2-nd group includes borrowers with average level of liquidity and profitability as well as average capital adequacy ratio. The probability of breach of loan agreement terms is assessed as moderate. The 3-rd group includes borrowers with satisfactory level of liquidity and profitability as well as moderate capital adequacy ratio. The probability of breach of loan agreement terms is assessed as above moderate.

For the purpose of these consolidated financial statements, all not past due loans to individuals are combined into three groups presented in the tables above. The 1-st group of these loans to individuals is represented by loans with good debt servicing and excellent financial position of a borrower. The 2-nd group is represented by loans with good/average debt servicing and excellent/moderate financial position of a borrower. The 3-rd group is represented by loans with average debt servicing and moderate financial position of a borrower.

As defined by the Group for the purposes of internal credit risk assessment, loans fall into the "non-performing" category when a principal and/or interest payment becomes more than 90 days overdue.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 11 Loans and Advances to Customers (continued)

As at 31 December 2013 the outstanding non-performing loans were as follows:

<i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	187.4	(161.8)	25.6	86.3%
Spezialized loans to legal entities	103.3	(87.9)	15.4	85.1%
Consumer and other loans to individuals	55.6	(48.3)	7.3	86.9%
Mortgage loans to individuals	29.6	(23.9)	5.7	80.7%
Credit cards and overdrafts	17.4	(15.1)	2.3	86.8%
Car loans to individuals	3.8	(3.1)	0.7	81.6%
<b>Total non-performing loans and advances to customers as at 31 December 2013</b>	<b>397.1</b>	<b>(340.1)</b>	<b>57.0</b>	<b>85.6%</b>

As at 31 December 2012 the outstanding non-performing loans were as follows:

<i>in billions of Russian Roubles</i>	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Commercial loans to legal entities	190.4	(163.4)	27.0	85.8%
Spezialized loans to legal entities	83.2	(71.4)	11.8	85.8%
Consumer and other loans to individuals	37.8	(31.4)	6.4	83.1%
Mortgage loans to individuals	29.0	(24.4)	4.6	84.1%
Credit cards and overdrafts	8.1	(6.0)	2.1	74.1%
Car loans to individuals	2.5	(2.1)	0.4	84.0%
<b>Total non-performing loans and advances to customers as at 31 December 2012</b>	<b>351.0</b>	<b>(298.7)</b>	<b>52.3</b>	<b>85.1%</b>

**Provisions for Loan Impairment.** The analysis of changes in provisions for loan impairment for the year ended 31 December 2013 is presented in the table below:

<i>in billions of Russian Roubles</i>	Commercial loans to legal entities	Specialized loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Credit cards and overdrafts	Car loans to individuals	Total
<b>Provision for loan impairment as at 1 January 2013</b>	<b>309.9</b>	<b>180.6</b>	<b>37.3</b>	<b>26.5</b>	<b>8.2</b>	<b>2.5</b>	<b>565.0</b>
Net provision charge for loan impairment during the year	36.4	36.0	39.4	5.2	14.0	2.5	<b>133.5</b>
Foreign currencies translation	(0.8)	0.7	0.6	0.6	0.2	–	<b>1.3</b>
Loans and advances written off during the year	(52.1)	(11.2)	(17.2)	(6.1)	(1.8)	(1.1)	<b>(89.5)</b>
<b>Provision for loan impairment as at 31 December 2013</b>	<b>293.4</b>	<b>206.1</b>	<b>60.1</b>	<b>26.2</b>	<b>20.6</b>	<b>3.9</b>	<b>610.3</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 11 Loans and Advances to Customers (continued)

The analysis of changes in provisions for loan impairment for the year ended 31 December 2012 is presented in the table below:

<i>in billions of Russian Roubles</i>	Commercial loans to legal entities	Specialized loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Credit cards and overdrafts	Car loans to individuals	Total
<b>Provision for loan impairment as at 1 January 2012</b>	<b>299.6</b>	<b>293.7</b>	<b>34.4</b>	<b>28.8</b>	<b>2.9</b>	<b>3.1</b>	<b>662.5</b>
Net provision charge/ (net recovery of provision) for loan impairment during the year	41.2	(29.9)	5.9	(0.8)	5.3	(0.2)	<b>21.5</b>
Foreign currencies translation	–	(0.2)	–	(0.2)	–	–	<b>(0.4)</b>
Loans and advances written off during the year	(30.9)	(83.0)	(3.0)	(1.3)	–	(0.4)	<b>(118.6)</b>
<b>Provision for loan impairment as at 31 December 2012</b>	<b>309.9</b>	<b>180.6</b>	<b>37.3</b>	<b>26.5</b>	<b>8.2</b>	<b>2.5</b>	<b>565.0</b>

**Renegotiated loans.** Information on loans whose terms have been renegotiated, as at 31 December 2013 and 31 December 2012 is presented in the table below. It shows the amount for renegotiated loans before provision for loan impairment by class.

<i>in billions of Russian Roubles</i>	Commercial loans to legal entities	Specialized loans to legal entities	Consumer and other loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
<b>31 December 2013</b>						
Not past due collectively assessed loans	542.6	533.0	6.9	16.7	0.8	1,100.0
Other renegotiated loans	96.1	107.6	6.9	10.6	1.4	222.6
<b>Total renegotiated loans</b>	<b>638.7</b>	<b>640.6</b>	<b>13.8</b>	<b>27.3</b>	<b>2.2</b>	<b>1,322.6</b>
<b>31 December 2012:</b>						
Not past due collectively assessed loans	477.2	379.8	3.0	8.2	0.5	868.7
Other renegotiated loans	90.4	37.1	2.0	6.4	0.6	136.5
<b>Total renegotiated loans</b>	<b>567.6</b>	<b>416.9</b>	<b>5.0</b>	<b>14.6</b>	<b>1.1</b>	<b>1,005.2</b>

**Disclosure of corporate loans before provision for loan impairment by business size of borrowers.** Sberbank Group members apply its own management policies in allocating corporate borrowers according to business size.

<i>in billions of Russian Roubles</i>	31 December 2013	31 December 2012
Largest clients	4,291.2	4,164.6
Large clients	2,340.0	1,964.4
Medium business	2,150.9	1,379.5
Small business	1,013.9	719.3
<b>Total loans and advances to legal entities before provision for loan impairment</b>	<b>9,796.0</b>	<b>8,227.8</b>



## Notes to the Consolidated Financial Statements – 31 December 2013

### 11 Loans and Advances to Customers (continued)

**Investments in finance lease.** Included in specialized loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease is as follows:

<i>in billions of Russian Roubles</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Gross investment in finance lease	190.4	152.4
Unearned future finance income on finance lease	(53.9)	(46.5)
<b>Net investment in finance lease before provision for impairment</b>	<b>136.5</b>	<b>105.9</b>
Less provision for impairment	(5.4)	(3.3)
<b>Net investment in finance lease after provision for impairment</b>	<b>131.1</b>	<b>102.6</b>

The contractual maturity analysis of net investments in finance lease as at 31 December 2013 is as follows:

<i>in billions of Russian Roubles</i>	<b>Net investment in finance lease before provision for impairment</b>	<b>Provision for impairment</b>	<b>Net investment in finance lease after provision for impairment</b>
Not later than 1 year	35.0	(1.2)	33.8
Later than 1 year but not later than 5 years	74.9	(3.2)	71.7
Later than 5 years	26.6	(1.0)	25.6
<b>Total as at 31 December 2013</b>	<b>136.5</b>	<b>(5.4)</b>	<b>131.1</b>

The contractual maturity analysis of net investments in finance lease as at 31 December 2012 is as follows:

<i>in billions of Russian Roubles</i>	<b>Net investment in finance lease before provision for impairment</b>	<b>Provision for impairment</b>	<b>Net investment in finance lease after provision for impairment</b>
Not later than 1 year	31.3	(1.4)	29.9
Later than 1 year but not later than 5 years	62.8	(1.6)	61.2
Later than 5 years	11.8	(0.3)	11.5
<b>Total as at 31 December 2012</b>	<b>105.9</b>	<b>(3.3)</b>	<b>102.6</b>

The analysis of minimal finance lease receivables per contractual maturity is as follows:

<i>in billions of Russian Roubles</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Not later than 1 year	38.5	34.5
Later than 1 year but not later than 5 years	101.0	88.9
Later than 5 years	50.9	29.0
<b>Total</b>	<b>190.4</b>	<b>152.4</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 11 Loans and Advances to Customers (continued)

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

<i>in billions of Russian Roubles</i>	31 December 2013		31 December 2012	
	Amount	%	Amount	%
Individuals	3,748.0	27.7	2,836.5	25.6
Services	2,445.3	18.1	1,962.5	17.7
Trade	1,366.2	10.1	1,304.3	11.8
Food and agriculture	900.6	6.6	862.4	7.8
Government and municipal bodies	672.9	5.0	370.4	3.3
Machine building	658.7	4.9	528.6	4.8
Energy	644.9	4.8	512.2	4.6
Telecommunications	560.1	4.1	489.2	4.4
Construction	492.6	3.6	402.7	3.6
Metallurgy	459.6	3.4	410.6	3.7
Transport, aviation, space industry	448.3	3.3	387.0	3.5
Chemical industry	386.9	2.9	378.2	3.4
Oil and gas	208.3	1.5	162.2	1.5
Timber industry	76.1	0.6	72.3	0.7
Other	475.5	3.4	385.2	3.6
<b>Total loans and advances to customers before provision for loan impairment</b>	<b>13,544.0</b>	<b>100.0</b>	<b>11,064.3</b>	<b>100.0</b>

“Services” category includes financial, insurance and other service companies, as well as loans granted to holding and multi-industry companies.

Refer to Note 36 for the information on amounts in loans and advances to customers which are collateralized by securities received under reverse sale and repurchase agreements.

As at 31 December 2013 the Group had 20 largest corporate borrowers with aggregated loan amounts due from each of these borrowers exceeding RR 64.5 billion (31 December 2012: 20 largest borrowers with loan amounts due from each of these borrowers exceeding RR 59.1 billion). The total aggregate amount of these loans was RR 2,499.0 billion or 18.5% of the total gross loan portfolio of the Group (31 December 2012: RR 2,140.3 billion or 19.3%).

Interest income accrued on loans, for which individual impairment has been recognized, for the year ended 31 December 2013, comprised RR 15.9 billion (2012: RR 7.3 billion).

In interest income on loans and advances to customers in the consolidated statement of profit or loss are included fines and penalties received from borrowers in the amount of RR 8.0 billion (2012: RR 6.3 billion).

The estimated fair value of loans and advances to customers and fair value measurement used are disclosed in Note 35. Currency and maturity analyses of loans and advances to customers are disclosed in Note 32. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 38 and 39.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 12 Securities Pledged under Repurchase Agreements

<i>in billions of Russian Roubles</i>	31 December 2013	31 December 2012
<b>Trading securities pledged under repurchase agreements</b>		
Federal loan bonds (OFZ bonds)	4.9	19.7
Russian Federation Eurobonds	2.8	0.5
Municipal and subfederal bonds	2.2	3.4
Corporate shares	0.9	8.0
Corporate bonds	0.5	19.5
Foreign government bonds	–	6.0
<b>Total trading securities pledged under repurchase agreements</b>	<b>11.3</b>	<b>57.1</b>
<b>Securities designated as at fair value through profit or loss pledged under repurchase agreements</b>		
Federal loan bonds (OFZ bonds)	10.2	8.7
Municipal and subfederal bonds	0.1	0.1
<b>Total securities designated as at fair value through profit or loss pledged under repurchase agreements</b>	<b>10.3</b>	<b>8.8</b>
<b>Investment securities available-for-sale pledged under repurchase agreements</b>		
Federal loan bonds (OFZ bonds)	560.9	401.7
Corporate bonds	348.4	150.2
Russian Federation Eurobonds	100.0	11.1
Municipal and subfederal bonds	49.1	25.4
Foreign government bonds	13.5	26.7
Corporate shares	–	1.2
<b>Total investment securities available-for-sale pledged under repurchase agreements</b>	<b>1,071.9</b>	<b>616.3</b>
<b>Investment securities held-to-maturity pledged under repurchase agreements</b>		
Federal loan bonds (OFZ bonds)	139.6	160.3
Corporate bonds	77.1	47.1
Municipal and subfederal bonds	30.1	60.1
Foreign government bonds	3.5	–
<b>Total investment securities held-to-maturity pledged under repurchase agreements</b>	<b>250.3</b>	<b>267.5</b>
<b>Total securities pledged under repurchase agreements</b>	<b>1,343.8</b>	<b>949.7</b>

Refer to Note 36 for the detailed information on securities pledged under sale and repurchase agreements with banks and corporate customers.

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

<i>in billions of Russian Roubles</i>	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	715.6	–	–	715.6
Corporate bonds	277.6	123.1	25.3	426.0
Russian Federation Eurobonds	102.8	–	–	102.8
Municipal and subfederal bonds	53.2	28.3	–	81.5
Foreign government bonds	17.0	–	–	17.0
<b>Total debt securities pledged under repurchase agreements</b>	<b>1,166.2</b>	<b>151.4</b>	<b>25.3</b>	<b>1,342.9</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 12 Securities Pledged under Repurchase Agreements (Continued)

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

<i>in billions of Russian Roubles</i>	Investment rating	Speculative rating	Not rated	Total
Federal loan bonds (OFZ bonds)	590.4	–	–	590.4
Corporate bonds	89.2	102.8	24.8	216.8
Municipal and subfederal bonds	72.4	16.6	–	89.0
Foreign government bonds	32.7	–	–	32.7
Russian Federation Eurobonds	11.6	–	–	11.6
<b>Total debt securities pledged under repurchase agreements</b>	<b>796.3</b>	<b>119.4</b>	<b>24.8</b>	<b>940.5</b>

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

All corporate bonds pledged under repurchase agreements are not past due. None of the securities pledged under repurchase agreements were renegotiated.

Currency and maturity analyses of securities pledged under repurchase agreements are disclosed in Note 32. The information on securities issued by state-controlled entities and government bodies is disclosed in Note 39.

### 13 Investment Securities Available-for-Sale

<i>in billions of Russian Roubles</i>	31 December 2013	31 December 2012
Corporate bonds	155.9	320.2
Federal loan bonds (OFZ bonds)	142.6	149.6
Foreign government bonds	113.2	150.2
Russian Federation Eurobonds	30.2	117.7
Municipal and subfederal bonds	4.9	21.3
<b>Total debt investment securities available-for-sale</b>	<b>446.8</b>	<b>759.0</b>
Corporate shares	29.4	45.5
<b>Total investment securities available-for-sale</b>	<b>476.2</b>	<b>804.5</b>

Investment securities available-for-sale are carried at fair value which also reflects credit risk related write downs. Fair value of investment securities available-for-sale is based on their market quotations and valuation models with use of data both observable and not observable on the open market. According to the assessment of the Group as at 31 December 2013 impairment of investment securities available-for-sale comprised RR 5.2 billion (31 December 2012: RR 5.0 billion) and was recognized in profit or loss. The unrealized gains/(losses) on revaluation of investment securities available-for-sale other than impairment loss are recognized in other comprehensive income and presented in equity as fair value reserve for investment securities available-for-sale as at 31 December 2013 in the cumulative gain of RR 1.3 billion (31 December 2012: gain of RR 37.3 billion).

At 31 December 2013 there are no renegotiated balances that would otherwise be past due. As at 31 December 2012 included in investment securities available-for-sale are past due fully impaired corporate bonds with nominal value of RR 0.1 billion.

None of the investment securities available-for-sale were renegotiated.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 13 Investment Securities Available-for-Sale (Continued)

Analysis by credit quality of debt investment securities available-for-sale outstanding at 31 December 2013 is as follows:

<i>in billions of Russian Roubles</i>	<b>Investment rating</b>	<b>Speculative rating</b>	<b>Not rated</b>	<b>Total</b>
Corporate bonds	106.2	42.7	7.0	155.9
Federal loan bonds (OFZ bonds)	142.6	–	–	142.6
Foreign government bonds	74.2	28.2	10.8	113.2
Russian Federation Eurobonds	30.2	–	–	30.2
Municipal and subfederal bonds	2.8	2.1	–	4.9
<b>Total debt investment securities available-for-sale</b>	<b>356.0</b>	<b>73.0</b>	<b>17.8</b>	<b>446.8</b>

Analysis by credit quality of debt investment securities available-for-sale outstanding at 31 December 2012 is as follows:

<i>in billions of Russian Roubles</i>	<b>Investment rating</b>	<b>Speculative rating</b>	<b>Not rated</b>	<b>Total</b>
Corporate bonds	219.9	95.1	5.2	320.2
Foreign government bonds	126.9	21.2	2.1	150.2
Federal loan bonds (OFZ bonds)	149.6	–	–	149.6
Russian Federation Eurobonds	117.7	–	–	117.7
Municipal and subfederal bonds	8.1	13.0	0.2	21.3
<b>Total debt investment securities available-for-sale</b>	<b>622.2</b>	<b>129.3</b>	<b>7.5</b>	<b>759.0</b>

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

The estimated fair value of investment securities available-for-sale and fair value measurement used are disclosed in Note 35. Currency and maturity analyses of investment securities available-for-sale are disclosed in Note 32. The information on securities issued by state-controlled entities and government bodies is disclosed in Note 39.

### 14 Investment Securities Held-to-Maturity

<i>in billions of Russian Roubles</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Corporate bonds	67.7	84.2
Federal loan bonds (OFZ bonds)	67.6	8.8
Foreign government bonds	36.3	6.1
Municipal and subfederal bonds	30.9	6.8
<b>Total investment securities held-to-maturity</b>	<b>202.5</b>	<b>105.9</b>

In the third quarter 2013 the Group changed its intention regarding the part of investments in foreign government bonds previously classified as available-for-sale. Taking into account changed intention and the ability of the Group to hold these securities to maturity, these investments were reclassified from available-for-sale category into held-to-maturity category. The fair value of reclassified securities as at the date of reclassification amounted to RR 26.4 billion.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 14 Investment Securities Held-to-Maturity (Continued)

In the fourth quarter 2013 the Group changed its intention regarding the part of investments in OFZ bonds previously classified as available-for-sale. Taking into account changed intention and the ability of the Group to hold these securities to maturity, these investments were reclassified from available-for-sale category into held-to-maturity category. The fair value of reclassified securities as at the date of reclassification amounted to RR 118.1 billion.

During the year ended 31 December 2013 the Group recognized provision for impairment of investment securities held-to-maturity in the amount of RR 1.4 billion in the consolidated statement of profit or loss (31 December 2012: nil).

Analysis by credit quality of debt investment securities held-to-maturity outstanding at 31 December 2013 is as follows:

<i>in billions of Russian Roubles</i>	<b>Investment rating</b>	<b>Speculative rating</b>	<b>Not rated</b>	<b>Total</b>
Corporate bonds	7.5	51.1	9.1	67.7
Federal loan bonds (OFZ bonds)	67.6	–	–	67.6
Foreign government bonds	34.4	1.3	0.6	36.3
Municipal and subfederal bonds	26.5	4.4	–	30.9
<b>Total investment securities held-to-maturity</b>	<b>136.0</b>	<b>56.8</b>	<b>9.7</b>	<b>202.5</b>

Analysis by credit quality of debt investment securities held-to-maturity outstanding at 31 December 2012 is as follows:

<i>in billions of Russian Roubles</i>	<b>Investment rating</b>	<b>Speculative rating</b>	<b>Not rated</b>	<b>Total</b>
Corporate bonds	17.7	55.8	10.7	84.2
Federal loan bonds (OFZ bonds)	8.8	–	–	8.8
Municipal and subfederal bonds	0.1	6.7	–	6.8
Foreign government bonds	3.7	1.8	0.6	6.1
<b>Total investment securities held-to-maturity</b>	<b>30.3</b>	<b>64.3</b>	<b>11.3</b>	<b>105.9</b>

Credit quality in the table above is based on the rating scale developed by the international rating agencies.

At 31 December 2013 and at 31 December 2012 there are no renegotiated debt investment securities held-to-maturity that would otherwise be past due. All debt investment securities held-to-maturity are not past due.

The estimated fair value of investment securities held-to-maturity and fair value measurement used are disclosed in Note 35. Currency and maturity analyses of investment securities held-to-maturity are disclosed in Note 32. The information on securities issued by state-controlled entities and government bodies is disclosed in Note 39.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 15 Premises and Equipment

<i>in billions of Russian Roubles</i>	Note	Office premises	Other premises	Office and equipment	Vehicles and other equipment	Construction in progress	Total
<b>Cost or revalued amount at 1 January 2012</b>		<b>245.0</b>	<b>12.2</b>	<b>180.7</b>	<b>23.6</b>	<b>26.7</b>	<b>488.2</b>
<b>Accumulated depreciation</b>		<b>–</b>	<b>(0.7)</b>	<b>(116.8)</b>	<b>(10.8)</b>	<b>–</b>	<b>(128.3)</b>
<b>Carrying amount at 1 January 2012</b>		<b>245.0</b>	<b>11.5</b>	<b>63.9</b>	<b>12.8</b>	<b>26.7</b>	<b>359.9</b>
Additions		17.5	7.6	58.0	7.8	57.2	148.1
Acquisitions through business combinations		4.1	1.0	6.7	2.2	5.5	19.5
Transfers		27.2	0.4	–	0.1	(27.7)	–
Transfers to investment property from fixed assets		–	(0.1)	–	–	–	(0.1)
Disposals – at cost or revalued amount		(12.7)	(16.7)	(7.1)	(5.8)	(8.1)	(50.4)
Disposals - accumulated depreciation		0.4	2.7	7.7	4.4	–	15.2
Depreciation charge	27,28	(8.3)	(2.4)	(40.6)	(4.8)	–	(56.1)
Foreign currencies translation		0.1	–	(0.2)	–	–	(0.1)
<b>Carrying amount at 31 December 2012</b>		<b>273.3</b>	<b>4.0</b>	<b>88.4</b>	<b>16.7</b>	<b>53.6</b>	<b>436.0</b>
<b>Cost or revalued amount at 31 December 2012</b>		<b>281.1</b>	<b>4.3</b>	<b>238.1</b>	<b>28.0</b>	<b>53.6</b>	<b>605.1</b>
<b>Accumulated depreciation</b>		<b>(7.8)</b>	<b>(0.3)</b>	<b>(149.7)</b>	<b>(11.3)</b>	<b>–</b>	<b>(169.1)</b>
Additions		14.6	2.6	47.8	9.9	51.3	126.2
Transfers		40.0	–	0.1	0.2	(40.6)	(0.3)
Transfers to investment property from fixed assets		(0.2)	–	–	–	–	(0.2)
Transfers to assets held for sale at cost		–	–	–	(0.5)	–	(0.5)
Disposals – at cost or revalued amount		(18.3)	(0.4)	(10.9)	(2.3)	(10.1)	(42.0)
Foreign currencies translation related to cost or revalued amount		1.1	–	(0.1)	0.2	0.1	1.3
Disposals - accumulated depreciation		0.4	–	10.4	2.0	–	12.8
Depreciation charge	27,28	(9.2)	–	(41.5)	(4.2)	–	(54.9)
Depreciation charge during the period included in inventory		–	(0.4)	–	(0.1)	–	(0.5)
Foreign currencies translation related to depreciation		(0.3)	–	(0.3)	–	–	(0.6)
<b>Carrying amount at 31 December 2013</b>		<b>301.4</b>	<b>5.8</b>	<b>93.9</b>	<b>21.9</b>	<b>54.3</b>	<b>477.3</b>
<b>Cost or revalued amount at 31 December 2013</b>		<b>318.3</b>	<b>6.5</b>	<b>275.0</b>	<b>35.5</b>	<b>54.3</b>	<b>689.6</b>
<b>Accumulated depreciation</b>		<b>(16.9)</b>	<b>(0.7)</b>	<b>(181.1)</b>	<b>(13.6)</b>	<b>–</b>	<b>(212.3)</b>

Construction in progress consists of construction or refurbishment of the Group's premises and equipment. Upon completion, assets are transferred to office premises, other premises or equipment categories.

Office premises have been revalued to market value at 31 December 2011. At 31 December 2013 the carrying amount of office premises would have been RR 217.0 billion (31 December 2012: RR 183.6 billion) had the premises been carried at cost less depreciation.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 15 Premises and Equipment (Continued)

As at 31 December 2013 included in office and computer equipment were fully depreciated items in the amount of RR 73.4 billion (31 December 2012: RR 60.7 billion). As at 31 December 2013 included in vehicles and other equipment were fully depreciated items in the amount of RR 6.0 billion (31 December 2012: RR 4.0 billion).

Analysis of fair value measurement of office premises is disclosed in Note 35. Maturity analyses of premises and equipment is disclosed in Note 32.

### 16 Other Assets

<i>in billions of Russian Roubles</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Other financial assets</b>		
Receivables on bank cards settlements	162.3	107.5
Derivative financial instruments	108.9	74.4
Receivables from Deposit Insurance Agency	54.0	–
Settlements on currency conversion operations	19.8	16.7
Margin calls given	19.7	3.5
Settlements on operations with securities	12.8	10.1
Trade receivables	8.6	4.4
Funds in settlement	7.2	2.2
Accrued fees and commissions	5.4	4.5
Other	9.3	6.7
Provision for impairment of other financial assets	(1.8)	(2.4)
<b>Total other financial assets</b>	<b>406.2</b>	<b>227.6</b>
<b>Other non-financial assets</b>		
Prepayments for premises and other assets	93.6	67.7
Inventory	71.2	58.9
Intangible assets	55.7	52.3
Precious metals	42.4	84.8
Goodwill	20.2	25.0
Investment property	15.3	15.3
Prepaid expenses	10.2	8.6
Tax settlements (other than on income)	8.2	8.0
Investments in associates	4.4	8.6
Non-current assets held for sale and assets of the disposal group	3.1	5.1
Prepayment on income tax	2.0	2.4
Other	13.7	9.9
Provision for impairment of other non-financial assets	(9.4)	(6.1)
<b>Total other non-financial assets</b>	<b>330.6</b>	<b>340.5</b>
<b>Total other assets</b>	<b>736.8</b>	<b>568.1</b>

As at 31 December 2013 receivables on plastic cards settlements of RR 162.3 billion (31 December 2012: RR 107.5 billion) represent receivables due within 30 days on operations of the Group's customers with plastic cards.

As at 31 December 2013 receivables from Deposit Insurance Agency of RR 54,0 billion (31 December 2012: nil) represent receivables recognized from settlements on deposit compensations to clients of the banks whose license was withdrawn by the Bank of Russia. The Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 0.7 million per individual in case of the withdrawal of a license of a bank or the Bank of Russia imposed moratorium on payments. The settlement of receivables due to the Bank from the Deposit Insurance Agency is conducted in tranches and not earlier than 3 months from the date of first payment of deposit compensations to clients or from the date of previous tranche transfer.



## Notes to the Consolidated Financial Statements – 31 December 2013

### 16 Other Assets (Continued)

Movements in the provision for impairment of other assets during the year ended 31 December 2013 are as follows:

<i>in billions of Russian Roubles</i>	Funds in settlement	Other financial assets	Prepayments for premises and other assets	Other non-financial assets	Total
<b>Provision for impairment at 1 January 2013</b>	<b>0.1</b>	<b>2.3</b>	<b>1.1</b>	<b>5.0</b>	<b>8.5</b>
Net provision charge/ (net recovery of provision) for impairment of other assets during the year	0.8	(1.0)	1.1	2.9	3.8
Other assets written off during the year as uncollectible	(0.1)	(0.3)	(0.1)	(0.6)	(1.1)
<b>Provision for impairment at 31 December 2013</b>	<b>0.8</b>	<b>1.0</b>	<b>2.1</b>	<b>7.3</b>	<b>11.2</b>

Movements in the provision for impairment of other assets during the year ended 31 December 2012 are as follows:

<i>in billions of Russian Roubles</i>	Funds in settlement	Other financial assets	Prepayments for premises and other assets	Other non-financial assets	Total
<b>Provision for impairment at 1 January 2012</b>	<b>0.1</b>	<b>2.1</b>	<b>1.0</b>	<b>2.9</b>	<b>6.1</b>
Net provision charge for impairment during the year	–	0.5	0.1	3.5	4.1
Other assets written off during the year as uncollectible	–	(0.3)	–	(1.4)	(1.7)
<b>Provision for impairment at 31 December 2012</b>	<b>0.1</b>	<b>2.3</b>	<b>1.1</b>	<b>5.0</b>	<b>8.5</b>

Provision for impairment of other assets is recognized by the Group on operations conducted in the normal course of the Group's business. Provision is assessed on the basis of the Group's best estimates of recoverability of other assets.

Movements in goodwill arising on the acquisition of subsidiaries are:

<i>in billions of Russian Roubles</i>	Note	2013	2012
<b>Carrying amount at 1 January</b>		<b>25.0</b>	<b>15.1</b>
Goodwill related to acquisition of subsidiaries	40	3.7	16.7
Disposal of subsidiaries		–	(5.1)
Impairment loss	40	(8.7)	(1.7)
Currency revaluation of goodwill		0.2	–
<b>Carrying amount at 31 December</b>		<b>20.2</b>	<b>25.0</b>

The estimated fair value of other financial assets is disclosed in Note 35. Currency and maturity analyses of other assets are disclosed in Note 32. The information on related party balances as well as state-controlled entities and government bodies balances is disclosed in Notes 38 and 39.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 17 Due to Banks

<i>in billions of Russian Roubles</i>	31 December 2013	31 December 2012
Direct repo deals with banks	1,293.9	854.9
Term placements of banks	738.0	518.2
Correspondent accounts and overnight placements of banks	79.4	79.3
<b>Total due to banks</b>	<b>2,111.3</b>	<b>1,452.4</b>

Term placements of other banks represent funds received on interbank market.

Refer to Note 36 for information on the amounts in due to banks received under sale and repurchase agreements and fair value of securities pledged.

The estimated fair value of due to banks and fair value measurement used are disclosed in Note 35. Currency and maturity analyses of due to banks are disclosed in Note 32. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 38 and 39.

### 18 Due to Individuals and Corporate Customers

<i>in billions of Russian Roubles</i>	31 December 2013	31 December 2012
<b>Individuals:</b>		
- Current/demand accounts	1,748.4	1,401.1
- Term deposits	6,687.4	5,582.1
<b>Total due to individuals</b>	<b>8,435.8</b>	<b>6,983.2</b>
<b>State and public organizations:</b>		
- Current/settlement accounts	158.7	99.0
- Term deposits	88.6	270.1
<b>Total due to state and public organizations</b>	<b>247.3</b>	<b>369.1</b>
<b>Other corporate customers:</b>		
- Current/settlement accounts	1,504.8	1,130.1
- Term deposits	1,863.5	1,660.5
- Direct repo deals	12.8	36.4
<b>Total due to other corporate customers</b>	<b>3,381.1</b>	<b>2,827.0</b>
<b>Total due to corporate customers</b>	<b>3,628.4</b>	<b>3,196.1</b>
<b>Total due to individuals and corporate customers</b>	<b>12,064.2</b>	<b>10,179.3</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 18 Due to Individuals and Corporate Customers (continued)

Economic sector concentrations within customer accounts are as follows:

<i>in billions of Russian Roubles</i>	31 December 2013		31 December 2012	
	Amount	%	Amount	%
Individuals	8,435.8	69.9	6,983.2	68.6
Services	829.5	6.9	826.3	8.1
Oil and gas	534.2	4.4	453.7	4.5
Trade	509.0	4.2	404.8	4.0
Construction	382.9	3.2	253.8	2.5
Machine building	213.4	1.8	165.6	1.6
Energy	140.7	1.2	167.4	1.6
Metallurgy	125.9	1.0	77.2	0.8
Transport, aviation, space industry	114.0	0.9	118.5	1.2
Food and agriculture	97.1	0.8	84.3	0.8
Telecommunications	94.5	0.8	59.4	0.6
Chemical	92.4	0.8	96.6	0.9
Municipal bodies and state organizations	90.0	0.7	208.4	2.0
Timber industry	31.1	0.3	26.2	0.3
Other	373.7	3.1	253.9	2.5
<b>Total due to individuals and corporate customers</b>	<b>12,064.2</b>	<b>100.0</b>	<b>10,179.3</b>	<b>100.0</b>

As at 31 December 2013 included in Due to corporate customers are deposits of RR 107.7 billion (31 December 2012: RR 79.0 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 33.

As at 31 December 2013 the Group had 20 largest customers with balances above RR 12.1 billion each (31 December 2012: 20 customers with balances above RR 13.1 billion each). The aggregate balance of these customers was 1,043.6 billion (31 December 2012: RR 914.2 billion) or 8.7% (31 December 2012: 9.0%) of total due to individuals and corporate customers.

Refer to Note 36 for information on the amounts in due to corporate customers received under sale and repurchase agreements and fair value of securities pledged.

The estimated fair value of due to individuals and corporate customers and fair value measurement used are disclosed in Note 35. Currency and maturity analyses of due to individuals and corporate customers are disclosed in Note 32. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 38 and 39.

### 19 Debt Securities in Issue

<i>in billions of Russian Roubles</i>	31 December 2013	31 December 2012
Savings certificates	344.5	227.2
Loan participation notes issued under the MTN programme	324.9	291.6
Promissory notes	74.7	110.1
Bonds issued	59.4	44.3
Notes issued under the ECP programme	46.9	16.1
Structured notes	1.4	2.3
Other debt securities issued	1.6	0.1
<b>Total debt securities in issue</b>	<b>853.4</b>	<b>691.7</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 19 Debt Securities in Issue (Continued)

Description of the debt securities issued by the Group is presented in the table below:

Issue	Drawdown date	Maturity date	Currency	Nominal value in currency of issue, in millions of currency	Contractual interest rate, %p.a.	31 December 2013		31 December 2012		
						Carrying value, in billions of RR	Effective interest rate, %p.a.	Carrying value, in billions of RR	Effective interest rate, %p.a.	
<b>MTN programme</b>										
Series 1	15 May 2006	15 May 2013	USD	500	6.5	-	-	15.3	6.6	
Series 3	02 July 2008	02 July 2013	USD	500	6.5	-	-	15.7	6.6	
Series 4	07 July 2010	07 July 2015	USD	1,500	5.5	50.0	5.4	46.9	5.4	
Series 5	24 September 2010	24 March 2017	USD	1,250	5.4	41.2	5.4	38.6	5.4	
	12 November 2010	12 November 2014								
Series 6	16 June 2011	16 June 2021	CHF	400	3.5	14.7	3.6	13.4	3.6	
Series 7	07 February 2012	07 February 2017	USD	1,000	5.7	32.8	5.8	30.4	5.8	
Series 8	07 February 2012	07 February 2022	USD	1,500	6.1	52.0	5.6	48.4	5.6	
Series 9	14 March 2012	14 September 2015	CHF	410	3.1	15.2	3.2	13.7	3.2	
	28 June 2012	28 June 2019								
Series 10	31 January 2013	31 January 2016	USD	1,000	5.2	32.7	5.3	30.3	5.3	
Series 11	28 February 2013	28 February 2017	RR	25,000	7.0	25.7	7.2	-	-	
Series 12	04 March 2013	04 March 2018	CHF	250	2.1	9.3	2.1	-	-	
Series 13	04 March 2013	04 March 2017	CHF	250	2.1	9.3	2.1	-	-	
Series 14	04 March 2013	04 March 2017	CHF	250	2.1	9.3	2.1	-	-	
Series 15	04 March 2013	04 March 2018	TRY	550	7.4	7.7	7.6	-	-	
<b>Total</b>										
<b>carrying amount</b>								<b>324.9</b>	<b>291.6</b>	

In May 2013 the Group repaid in full the Series 1 of loan participation notes under the MTN issuance programme for the amount of USD 0.5 billion. The notes were issued in May 2006 and had contractual fixed interest rate of 6.5% p.a.

In July 2013 the Group repaid in full the Series 3 of loan participation notes under the MTN issuance programme for the amount of USD 0.5 billion. The notes were issued in July 2008 and had contractual fixed interest rate of 6.5% p.a.

Bonds issued represent interest-bearing securities issued by the members of the Group. They are denominated in Russian Roubles, Turkish Lira, Belarusian Roubles, US Dollars, Euro, Kazakh Tenge and Czech crowns and have maturity dates from January 2014 to September 2023 (2012: from "on demand" to September 2023). Interest rates on these securities vary from 0.0% to 10.9% p.a. (2012: from 0.0% to 8.0% p.a.).

In November 2012 the Group launched Euro-Commercial Paper programme (ECP programme) for the total amount of issues limited by USD 3 billion. As at 31 December 2013 the outstanding amount of funds attracted by the Group totalled USD 1.4 billion. As at 31 December 2013 these notes were accounted for at amortized cost of RR 46,9 billion (31 December 2013: RR 16.1 billion). The issues include both discount and coupon issues. The notes have maturity dates from January 2014 to December 2014 (31 December 2012: October 2013 to September 2014) with contractual interest rates varying from 0.5% to 1.6% p.a. (31 December 2012: from 0.4% to 1.8% p.a.).

Promissory notes are interest-bearing or discount securities issued by the Group. They are denominated in Russian Roubles, US Dollars, Euro and Hungarian Forints and have maturity dates from two weeks to seven years (31 December 2012: from two weeks to three years). Interest or discount rates on promissory notes issued by the Group vary from 0.1% to 9.0% p.a. (31 December 2012: from 4.7% to 8.3% p.a.).

## Notes to the Consolidated Financial Statements – 31 December 2013

### 19 Debt Securities in Issue (Continued)

Savings certificates are interest-bearing securities issued by the Group. They are denominated in Russian Roubles and have maturity dates from three months to three years (31 December 2012: from three months to three years). Interest rates on these securities vary from 5.5% to 9.8% p.a. (31 December 2012: from 0.01% to 10.5% p.a.).

Structured notes represent interest-bearing and non-interest-bearing securities issued by the Group. They are denominated mainly in Russian Roubles and have maturity dates from "on demand" to November 2023 (31 December 2012: from "on demand" to June 2021). Interest rates on these securities vary from 0.0% to 14.9% p.a. (31 December 2012: from 0.0% to 13.3% p.a.).

The estimated fair value of debt securities in issue and fair value measurement used are disclosed in Note 35. Currency and maturity analyses are disclosed in Note 32.

### 20 Other Borrowed Funds

<i>in billions of Russian Roubles</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Trade finance deals	380.8	306.3
Syndicated loans received	118.3	162.9
<b>Total other borrowed funds</b>	<b>499.1</b>	<b>469.2</b>

Description of the syndicated loans issued by the Group is presented in the table below:

Issue	Drawdown date	Maturity date	Currency	Nominal value in currency of issue, in millions of currency	Contractual interest rate, %p.a.	31 December 2013		31 December 2012	
						Carrying value, in billions of RR	Effective interest rate, %p.a.	Carrying value, in billions of RR	Effective interest rate, %p.a.
<b>Syndicated loans</b>									
Issue 1	17 December 2010	17 December 2013	USD	2,000	6m LIBOR + 1.50%	-	-	60.6	2.4%
Issue 2 - tranche in USD	25 November 2011	25 November 2014	USD	1,059	3m LIBOR + 1.50%	34.6	2.1%	32.0	2.2%
Issue 2 - tranche in EUR	25 November 2011	25 November 2014	EUR	103	3m EURIBOR + 1.10%	4.6	1.6%	4.1	1.6%
Issue 3	30 October 2012	30 October 2015	USD	1,500	3m LIBOR + 1.50%	48.8	2.2%	45.0	2.3%
Issue 4	15 November 2012	14 November 2013	EUR	393	1.1%	-	-	15.6	1.1%
Issue 5	15 November 2012	14 November 2013	USD	221	1.3%	-	-	5.6	1.3%
Issue 6	21 November 2013	20 November 2014	EUR	1,419	0.62%	21.7	0.62%	-	-
Issue 7	21 November 2013	20 November 2014	USD	560	0.65%	8.6	0.65%	-	-
<b>Total carrying amount</b>						<b>118.3</b>		<b>162.9</b>	

## Notes to the Consolidated Financial Statements – 31 December 2013

### 20 Other Borrowed Funds (continued)

In December 2013 the Group repaid in full the syndicated loan for the amount of USD 2 billion. The loan was received in December 2010 from a consortium of foreign banks and had contractual floating interest rate of 6 months LIBOR + 1.5% p.a.

As at 31 December 2013 trade finance deals were accounted for at amortised cost of RR 380.8 billion (31 December 2012: RR 306.3 billion), had interest rates varying from 0.7% to 6.4% p.a. (31 December 2012: from 0.3% to 12.4% p.a.) and maturity dates from January 2014 to December 2021 (31 December 2012: from January 2013 to December 2021).

The estimated fair value of other borrowed funds and fair value measurement used are disclosed in Note 35. Currency and maturity analyses of other borrowed funds are disclosed in Note 32.

### 21 Other Liabilities

<i>in billions of Russian Roubles</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Other financial liabilities</b>		
Payables on bank card settlements	87.6	63.7
Derivative financial instruments	65.7	41.7
Funds in settlement	18.8	32.2
Trade payables	29.4	11.7
Accrued employee benefit costs	29.2	29.3
Obligation to deliver securities	21.4	18.6
Deposit insurance system fees payable	7.4	6.2
Settlements on operations with securities	3.1	4.1
Margin calls received	9.9	4.3
Deferred consideration on acquisition of subsidiaries	–	2.7
Other	19.2	12.7
<b>Total other financial liabilities</b>	<b>291.7</b>	<b>227.2</b>
<b>Other non-financial liabilities</b>		
Taxes payable other than on income	25.2	18.1
Advances received	10.3	2.8
Payables arising out of insurance operations	8.9	0.5
Income tax payable	2.3	3.3
Provisions for credit related commitments and legal claims	1.6	2.2
Deferred commissions received on guarantees issued	1.5	1.3
Liabilities of the disposal group	0.2	–
Deferred gains on initial recognition of financial instruments	–	0.4
Other	10.7	7.3
<b>Total other non-financial liabilities</b>	<b>60.7</b>	<b>35.9</b>
<b>Total other liabilities</b>	<b>352.4</b>	<b>263.1</b>

The second stage of payment for the acquisition of 100.0% Troika Dialog was settled in the third quarter of 2013. As the second stage of the deal USD 0.35 billion (RR 11.3 billion) was paid to Standard Bank and the Troika Dialog Partnership. This amount is disclosed in the cash flow statement as “Acquisition of subsidiaries net of cash acquired”.

**Defined pension plans of the Group.** The Group applies IAS 19 Employee Benefits for accounting for its pension liabilities. As at 31 December 2013 the Group operates two benefit pension plans – benefit plan with defined pension payments and benefit plan with defined pension contributions. The Group takes direct liability to provide pension payments and contributions defined according to the Group’s pension programmes.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 21 Other Liabilities (continued)

All the employees of the Bank (including retired) who are entitled for state pension payments or have five years or less to retirement as at 1 January 2011 participate in the benefit plan with defined pension payments. The amount of payments is determined based on employee staying with the Bank at the date of retirement. As at 31 December 2013 the Bank operates 18 separate pension programmes with defined payments, for Central Head Office and each Regional Head Office.

All the employees of the Bank with three years of continuous employment with the Bank except the Management Board members, those employees who have five years or less to retirement as at 1 January 2011 or those who are already entitled for state pension payments participate in the benefit plan with defined pension contributions (which are calculated as a percent of wage). According to the programme employees whose continuous employment with the Bank reaches seven years become unconditionally entitled for these contributions upon retirement.

As at pension liabilities of the Group comprised RR 8.2 billion (31 December 2012: RR 8.1 billion) and were included in accrued employee benefit costs in the item Other liabilities of the consolidated statement of financial position. Pension expenses for 2013 amounted to RR 2.0 billion (31 December 2012: RR 4.4 billion) and were included in staff costs within operating expenses.

The estimated fair value of other financial liabilities and fair value measurement used are disclosed in Note 35. Currency and maturity analyses of other liabilities are disclosed in Note 32.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 22 Subordinated Debt

<i>in billions of Russian Roubles</i>	31 December 2013	31 December 2012
Subordinated debt received from the Bank of Russia	303.3	303.3
Subordinated debt received under the MTN programme	98.5	61.1
Other subordinated debts	22.9	20.3
<b>Total subordinated debt</b>	<b>424.7</b>	<b>384.7</b>

Description of the subordinated loans received by the Group is presented in the table below:

Issue	Drawdown date	Maturity date	Currency	Nominal value in currency of issue, in millions of currency	Contractual interest rate, %p.a.	31 December 2013		31 December 2012	
						Carrying value, in billions of RR	Effective interest rate, %p.a.	Carrying value, in billions of RR	Effective interest rate, %p.a.
<b>Subordinated debt received from the Bank of Russia</b>	16 December 2008	31 December 2019	RR	300,000	6.5	<b>303.3</b>	6.5	<b>303.3</b>	6.5
<b>Subordinated debt received under the MTN programme</b>									
Series 12	29 October 2012	29 October 2022	USD	2,000	5.1	<b>65.7</b>	5.2	<b>61.1</b>	5.2
Series 16	23 May 2013	23 May 2023	USD	1,000	5.3	<b>32.8</b>	5.4	-	-
<b>Total carrying amount</b>						<b>98.5</b>		<b>61.1</b>	
<b>Other subordinated debts</b>						<b>22.9</b>		<b>20.3</b>	

In the event of the Bank's liquidation the holders of these debts would be subordinated to all other creditors.

The estimated fair value of subordinated debt and fair value measurement used are disclosed in Note 35. Currency and maturity analyses of subordinated debt are disclosed in Note 32. The information on related party balances is disclosed in Note 38.



## Notes to the Consolidated Financial Statements – 31 December 2013

### 23 Share Capital and Treasury Shares

<i>In billions of Russian Roubles, except for number of shares</i>	31 December 2013			31 December 2012		
	Number of shares, in millions	Nominal amount	Hyper- inflation adjusted amount	Number of shares, in millions	Nominal amount	Hyper- inflation adjusted amount
Ordinary shares	21,587	64.8	83.3	21,587	64.8	83.3
Preference shares	1,000	3.0	4.4	1,000	3.0	4.4
<b>Total share capital</b>	<b>22,587</b>	<b>67.8</b>	<b>87.7</b>	<b>22,587</b>	<b>67.8</b>	<b>87.7</b>

As at 31 December 2013 all ordinary shares have a nominal value of RR 3 per share and rank equally. Each ordinary share carries one vote. All issued ordinary shares are fully paid. Preference shares have a nominal value of RR 3 per share and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the shareholders meeting. If preference dividends are not declared, the preference shareholders obtain the right to vote as ordinary shareholders, but lose this right when the next dividend is paid. Preference share dividends are set at 106.7% of nominal value in 2013 for the year ended 31 December 2012 (31 December 2012: 86.3% of nominal value for the year ended 31 December 2011). Preference share dividends rank above ordinary dividends.

On 22 March 2013 Supervisory Board in accordance with the Dividend policy recommended to the General Shareholders Meeting to pay RR 58,7 billion to shareholders as dividends for the year ended 31 December 2012.

The treasury shares as at 31 December 2013 and 31 December 2012 were as follows:

<i>In billions of Russian Roubles, except for number of shares</i>	31 December 2013			31 December 2012		
	Number of shares, in millions	Inflation adjusted amount	Acquisition cost	Number of shares, in millions	Inflation adjusted amount	Acquisition cost
Ordinary shares	51.4	0.2	4.7	56.4	0.2	5.4
Preference shares	30.0	0.1	2.5	32.1	0.1	2.2
<b>Total treasury shares</b>	<b>81.4</b>	<b>0.3</b>	<b>7.2</b>	<b>88.5</b>	<b>0.3</b>	<b>7.6</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 24 Interest Income and Expense

	Year ended 31 December	
<i>in billions of Russian Roubles</i>	2013	2012
<b>Interest income</b>		
<b>Interest income on financial assets carried at amortized cost and on financial assets available-for-sale:</b>		
- Loans and advances to customers	1,335.7	1,037.4
- Debt investment securities available-for-sale	98.2	76.8
- Debt investment securities held-to-maturity	24.9	28.9
- Due from banks	11.0	6.0
- Correspondent accounts with banks	0.5	0.7
	<b>1,470.3</b>	<b>1,149.8</b>
<b>Interest income on financial assets carried at fair value through profit or loss:</b>		
- Debt trading securities	7.0	5.7
- Debt securities designated as at fair value through profit or loss	1.2	1.6
- Other interest income	0.1	0.2
	<b>8.3</b>	<b>7.5</b>
<b>Total interest income</b>	<b>1,478.6</b>	<b>1,157.3</b>
<b>Interest expense</b>		
Term deposits of individuals	(304.1)	(230.6)
Term deposits of legal entities	(104.7)	(73.1)
Term placements of banks	(64.0)	(45.4)
Debt securities in issue	(45.2)	(25.1)
Subordinated debts	(25.1)	(20.9)
Current/settlement accounts of legal entities	(21.9)	(16.7)
Current/demand accounts of individuals	(10.9)	(8.0)
Other borrowed funds	(8.7)	(6.9)
Correspondent accounts of banks	(2.1)	(1.2)
Other interest expense	(1.1)	(0.7)
<b>Total interest expense</b>	<b>(587.8)</b>	<b>(428.6)</b>
Deposit insurance expenses	(28.6)	(23.9)
<b>Total interest expense including deposit insurance expenses</b>	<b>(616.4)</b>	<b>(452.5)</b>
<b>Net interest income</b>	<b>862.2</b>	<b>704.8</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 25 Fee and Commission Income and Expense

<i>in billions of Russian Roubles</i>	Year ended 31 December	
	2013	2012
<b>Fee and commission income</b>		
Bank cards operations	76.6	51.9
Cash and settlements transactions with individuals	57.5	48.7
Cash and settlements transactions with legal entities	52.1	47.5
Agent commissions on selling insurance contracts	28.9	17.0
Guarantees issued	10.0	7.3
Cash collection	5.6	5.1
Operations with foreign currencies	3.8	5.2
Transactions with securities	3.4	2.6
Other	6.9	3.9
<b>Total fee and commission income</b>	<b>244.8</b>	<b>189.2</b>
<b>Fee and commission expense</b>		
Settlement transactions	(20.1)	(12.3)
Cash collection	(0.4)	(0.3)
Operations with foreign currencies	(0.4)	(0.5)
Other	(3.6)	(5.8)
<b>Total fee and commission expense</b>	<b>(24.5)</b>	<b>(18.9)</b>
<b>Net fee and commission income</b>	<b>220.3</b>	<b>170.3</b>

### 26 Net Gains Arising from Trading in Foreign Currencies, Operations with Foreign Currency Derivatives and Foreign Exchange Translation Gains

<i>in billions of Russian Roubles</i>	Year ended 31 December	
	2013	2012
Net gains arising from trading in foreign currencies	13.8	10.6
Net gains on revaluation of foreign currency derivatives	1.1	8.4
Net foreign exchange translation (losses) / gains	(2.0)	0.6
<b>Total net gains arising from trading in foreign currencies, foreign exchange translation and revaluation of foreign currency derivatives</b>	<b>12.9</b>	<b>19.6</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 27 Net Income of Non-financial Business Activities and Insurance

<i>in billions of Russian Roubles</i>	Year ended 31 December	
	2013	2012
Revenue from sale of goods	24.8	45.8
Revenue from insurance	7.9	0.4
Revenue from completed construction contracts	1.1	1.5
Revenue from operating lease	0.1	–
Revenue from other activities	4.2	3.5
<b>Total revenue of non-financial business activities and insurance</b>	<b>38.1</b>	<b>51.2</b>
Cost of sales:		
- cost of goods sold	(21.5)	(23.2)
- costs related to insurance activities	(7.4)	(0.4)
- staff costs	(3.0)	(1.7)
- depreciation of fixed assets	(0.4)	(4.3)
- maintenance of premises and equipment	(0.2)	(0.5)
- customs duties and taxes	–	(4.9)
- transport costs	–	(0.7)
- other costs	(4.3)	(2.9)
<b>Total cost of sales of non-financial business activities and insurance</b>	<b>(36.8)</b>	<b>(38.6)</b>
<b>Total net income of non-financial business activities and insurance</b>	<b>1.3</b>	<b>12.6</b>

Due to the growth of the insurance business of the Group, the results of operations on insurance activities have been presented separately in the table above.

### 28 Operating Expenses

<i>in billions of Russian Roubles</i>	Year ended 31 December	
	2013	2012
Staff costs	285.3	245.8
Depreciation of premises and equipment	54.5	51.8
Repairs and maintenance of premises and equipment	31.8	29.8
Administrative expenses	29.7	30.7
Taxes other than on income	24.6	19.3
Operating lease expenses for premises and equipment	17.5	11.7
Telecommunication expenses	16.6	19.1
Amortization of intangible assets	14.4	10.8
Advertising and marketing services	12.7	9.6
Consulting and assurance services	9.2	7.3
Other	18.3	15.5
<b>Total operating expenses</b>	<b>514.6</b>	<b>451.4</b>

### 29 Income Taxes

Income tax expenses consist of the following components:

<i>In billions of Russian Roubles</i>	2013	2012
Current tax	97.6	101.0
Deferred tax	(13.3)	9.9
Less: Deferred tax recognized in other comprehensive income	9.4	(10.9)
<b>Income tax expense for the year</b>	<b>93.7</b>	<b>100.0</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 29 Income Taxes (Continued)

The income tax rate applicable to the major part of the Group's income for 31 December 2013 is 20% (31 December 2012: 20%).

Reconciliation between the expected and the actual taxation charge is provided below:

<i>In billions of Russian Roubles</i>	<b>2013</b>	<b>2012</b>
<b>IFRS profit before tax</b>	<b>455.7</b>	<b>447.9</b>
Theoretical tax charge at statutory rate (2013: 20%; 2012: 20%)	91.1	89.6
Tax effect on income on government securities taxed at different rates	(3.3)	(3.2)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible staff costs	1.0	1.7
- Unrecognised tax asset of subsidiaries	3.7	9.8
- Non-deductible losses on cessions	0.4	1.1
- Other non-temporary differences	0.8	1.0
<b>Income tax expense for the year</b>	<b>93.7</b>	<b>100.0</b>

Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (31 December 2012: 20%), except for income on state, municipal and certain other types of securities that is taxed at 15%, 9% and 0% (31 December 2012: 15%, 9% and 0%) and on dividends that is taxed at a standard rate of 9% (31 December 2012: 9%).

<i>in billions of Russian Roubles</i>	<b>31 December 2012</b>	<b>Business combinations</b>	<b>Credited/ (charged) to profit or loss</b>	<b>Recognized in other comprehensive income</b>	<b>Recognized directly in equity</b>	<b>Unrecognized currency translation differences</b>	<b>31 December 2013</b>
<b>Tax effect of deductible temporary differences</b>							
Deferred fees and commissions income	5.3	-	(0.1)	-	-	(0.1)	5.1
Accrued employee benefit costs	0.9	-	1.1	-	-	-	2.0
Low value items write-off	2.5	-	0.1	-	-	-	2.6
Accrued interest on loans	3.8	-	(0.8)	-	-	-	3.0
Fair valuation of trading securities and securities designated as at fair value through profit or loss	17.0	-	(5.1)	-	-	-	11.9
Other	5.9	-	4.0	-	(0.1)	0.3	10.1
<b>Gross deferred tax asset</b>	<b>35.4</b>	<b>-</b>	<b>(0.8)</b>	<b>-</b>	<b>(0.1)</b>	<b>0.2</b>	<b>34.7</b>
<b>Tax effect of taxable temporary differences</b>							
Loan impairment provision	(13.7)	-	6.0	-	0.6	(0.2)	(7.3)
Premises and equipment	(20.7)	(0.4)	(1.4)	-	-	-	(22.5)
Fair valuation of investment securities available-for-sale	(7.2)	-	(1.5)	9.4	-	-	0.7
Other	(19.5)	(0.1)	1.6	-	0.4	0.5	(17.1)
<b>Gross deferred tax liability</b>	<b>(61.1)</b>	<b>(0.5)</b>	<b>4.7</b>	<b>9.4</b>	<b>1.0</b>	<b>0.3</b>	<b>(46.2)</b>
<b>Total net deferred tax asset /(liability)</b>	<b>(25.7)</b>	<b>(0.5)</b>	<b>3.9</b>	<b>9.4</b>	<b>0.9</b>	<b>0.5</b>	<b>(11.5)</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 29 Income Taxes (Continued)

<i>In billions of Russian Roubles</i>	31 December 2011	Business combinations	Credited/ (charged)to profit or loss	Recognized in other comprehensive income	Unrecognized currency translation differences	31 December 2012
<b>Tax effect of deductible temporary differences</b>						
Deferred fees and commissions income	5.1	0.5	(0.3)	–	–	5.3
Accrued employee benefit costs	0.1	0.4	0.4	–	–	0.9
Low value items write-off	1.9	–	0.6	–	–	2.5
Accrued interest on loans	5.2	(0.4)	(1.0)	–	–	3.8
Fair valuation of trading securities and securities designated as at fair value through profit or loss	9.3	–	7.7	–	–	17.0
Other	(8.6)	–	14.5	–	–	5.9
<b>Gross deferred tax asset</b>	<b>13.0</b>	<b>0.5</b>	<b>21.9</b>	<b>–</b>	<b>–</b>	<b>35.4</b>
<b>Tax effect of taxable temporary differences</b>						
Loan impairment provision	(4.5)	3.0	(12.1)	–	(0.1)	(13.7)
Premises and equipment	(22.4)	0.7	1.0	–	–	(20.7)
Fair valuation of investment securities available-for-sale	2.4	–	1.3	(10.9)	–	(7.2)
Other	(1.9)	(6.7)	(11.1)	–	0.2	(19.5)
<b>Gross deferred tax liability</b>	<b>(26.4)</b>	<b>(3.0)</b>	<b>(20.9)</b>	<b>(10.9)</b>	<b>0.1</b>	<b>(61.1)</b>
<b>Total net deferred tax asset /(liability)</b>	<b>(13.4)</b>	<b>(2.5)</b>	<b>1.0</b>	<b>(10.9)</b>	<b>0.1</b>	<b>(25.7)</b>

As at 31 December 2013 the temporary difference associated with investments in subsidiaries in the statement of financial position of the parent company amounted to RR 47.9 billion (31 December 2012: RR 27.3 billion). In accordance with IAS 12 Income Taxes respective deferred tax asset of RR 9.6 billion (31 December 2012: respective deferred tax asset of RR 5.5 billion) was not recognized in the financial statements.

### 30 Earnings per Share and Dividends

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Bank has no dilutive potential ordinary shares; therefore the diluted earnings per share equal to the basic earnings per share.

<i>In billions of Russian Roubles</i>	Year ended 31 December	
	2013	2012
Profit for the year attributable to the shareholders of the Bank	363.8	348.8
Less preference dividends declared	(3.1)	(2.6)
<b>Profit attributable to the ordinary shareholders of the Bank</b>	<b>360.7</b>	<b>346.2</b>
Weighted average number of ordinary shares in issue (billions)	21.5	21.6
<b>Earnings per ordinary share, basic and diluted (expressed in RR per share)</b>	<b>16.78</b>	<b>16.03</b>

On 31 May 2013, the Annual General Shareholders' Meeting of the Bank declared dividends of RR 58.7 billion for 2012 including RR 0.2 billion paid to one of the subsidiary of the Bank. In June 2012 the Annual General Shareholders' Meeting of the Bank declared dividends of RR 47.5 billion for 2011.

<i>In billions of Russian Roubles</i>	2013		2012	
	Ordinary	Preference	Ordinary	Preference
Dividends payable at 1 January	0.2	0.1	0.1	–
Dividends declared during the year ended 31 December	55.4	3.1	44.9	2.6
Dividends paid during the year ended 31 December	(55.2)	(3.1)	(44.8)	(2.5)
<b>Dividends payable as at 31 December</b>	<b>0.4</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>
<b>Dividends per share declared during the year (RR per share)</b>	<b>2.57</b>	<b>3.20</b>	<b>2.08</b>	<b>2.60</b>

All dividends were declared and paid in Russian Roubles.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 31 Segment Analysis

For the purposes of management the Group is divided into operating segments of activity – central head office, 17 regional head offices and subsidiaries – which are defined on the basis of organizational structure of the Group and geographical areas. The principal activity of all operating segments is banking operations. For the purposes of presentation in these consolidated financial statements the operating segments are aggregated in the following reportable segments:

- **Moscow, including:**
  - Central head office of the Group,
  - Regional head office of Moscow,
  - Subsidiaries of the Group located in the region.
- **Central and Northern regions of European part of Russia, including:**

Regional head offices:

  - Severny – Yaroslavl,
  - Severo-Zapadny – Saint-Petersburg,
  - Tsentralno-Chernozemny – Voronezh,
  - Srednerussky – Moscow;

Subsidiaries of the Group located in the region.
- **Volga region and South of European part of Russia, including:**

Regional head offices:

  - Volgo-Vyatsky – Nizhniy Novgorod,
  - Povolzhsky – Samara,
  - Severo-Kavkazsky – Stavropol,
  - Yugo-Zapadny – Rostov-on-Don;

Subsidiaries of the Group located in the region.
- **Ural, Siberia and Far East of Russia, including:**

Regional head offices:

  - Zapadno-Uralsky – Perm,
  - Uralsky – Ekaterinburg,
  - Sibirsky – Novosibirsk,
  - Zapadno-Sibirsky – Tumen,
  - Severo-Vostochny – Magadan,
  - Dalnevostochny – Khabarovsk,
  - Vostochno-Sibirsky – Krasnoyarsk,
  - Baikalsky – Irkutsk;

Subsidiaries of the Group located in the region.
- **Other countries, including:**
  - Subsidiaries located in Turkey,
  - Subsidiaries located in CIS (Ukraine, Kazakhstan, Belarus),
  - Subsidiaries located in Austria and Switzerland,
  - Subsidiaries of Sberbank Europe AG located in Central and Eastern Europe,
  - Companies of ex-Troika Dialog Group Ltd. located in the USA, the United Kingdom, Cyprus and certain other jurisdictions,
  - A branch office in India.

The Management of the Group analyses operating results of every segment of activity for the purposes of making decision about allocation of resources and assessment of segments' business results. The segments' reporting and operating results which are provided to the Management of the Group for analysis are prepared under Russian accounting standards, except the segments' reporting of the subsidiaries which is prepared under International Financial Reporting Standards.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 31 Segment Analysis (continued)

Intersegment operations are performed on the basis of internal transfer pricing rates which are established, approved and regularly revised by the Management of the Group.

The subsidiaries' activity is controlled by the Group integrally.

Segment reporting of the Group's assets and liabilities as at 31 December 2013 is as follows:

<i>in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
<b>Total assets</b>	<b>7,103.9</b>	<b>2,797.3</b>	<b>2,516.6</b>	<b>3,400.8</b>	<b>2,438.5</b>	<b>18,257.1</b>
<b>Total liabilities</b>	<b>6,720.8</b>	<b>2,914.1</b>	<b>2,131.4</b>	<b>2,683.7</b>	<b>1,919.5</b>	<b>16,369.5</b>

Segment reporting of the Group's assets and liabilities as at 31 December 2012 is as follows:

<i>in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
<b>Total assets</b>	<b>6,226.8</b>	<b>2,299.7</b>	<b>1,971.7</b>	<b>2,694.2</b>	<b>1,913.9</b>	<b>15,106.3</b>
<b>Total liabilities</b>	<b>5,651.6</b>	<b>2,395.3</b>	<b>1,725.9</b>	<b>2,213.2</b>	<b>1,497.8</b>	<b>13,483.8</b>

Reconciliation of total assets and total liabilities as per the reportable segments with the Group's total assets and total liabilities under IFRS as of 31 December 2013 and 31 December 2012 is as follows:

<i>in billions of Russian Roubles</i>	Total assets		Total liabilities	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
<b>Total amount per segment information</b>	<b>18,257.1</b>	<b>15,106.3</b>	<b>16,369.5</b>	<b>13,483.8</b>
Adjustment of provisions	69.9	96.4	(33.7)	(16.4)
Additional interest accrued on loans	6.5	4.6	0.4	0.1
Deferred commission income on loans	(22.3)	(23.7)	0.3	0.4
Adjustment of depreciation and cost or revalued amount of premises and equipment including effect of deferred tax	(44.2)	(57.1)	3.2	(2.0)
Differences arising on securities' classification and valuation	–	–	(7.3)	10.5
Pledged securities received under reverse repo deals	(55.1)	(36.0)	(55.1)	(36.0)
Accounting for derivatives at fair value	(3.1)	2.4	(0.3)	(0.1)
Staff expenses accrued related to the reporting period (bonuses, annual leave, pension liabilities)	0.2	0.2	21.4	17.5
Adjustment of income tax	–	0.4	27.9	7.8
Deferred commission income on guarantees	–	–	1.4	1.3
Other adjustments	1.3	3.9	1.2	6.7
<b>The Group's total amount under IFRS</b>	<b>18,210.3</b>	<b>15,097.4</b>	<b>16,328.9</b>	<b>13,473.6</b>



## Notes to the Consolidated Financial Statements – 31 December 2013

### 31 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2013 is as follows:

<i>in billions of Russian Roubles</i>	<b>Moscow</b>	<b>Central and Northern regions of European part of Russia</b>	<b>Volga region and South of European part of Russia</b>	<b>Ural, Siberia and Far East of Russia</b>	<b>Other countries</b>	<b>Total</b>
Interest income	482.4	257.1	225.9	330.1	171.2	<b>1,466.7</b>
Interest expense	(264.8)	(110.4)	(77.0)	(96.2)	(67.6)	<b>(616.0)</b>
Inter-segment (expense)/income	(30.8)	47.3	0.3	(16.8)	–	<b>–</b>
Fee and commission income	50.4	51.6	44.1	65.4	30.3	<b>241.8</b>
Fee and commission expense	(15.4)	(0.5)	(0.6)	(0.8)	(7.1)	<b>(24.4)</b>
Net gains arising from securities	7.7	–	–	–	2.5	<b>10.2</b>
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	15.1	3.8	2.2	3.2	–	<b>24.3</b>
Net gains/ (losses) arising from operations with other derivatives	6.0	–	–	–	(2.2)	<b>3.8</b>
Net gains arising from operations with precious metals	2.6	0.3	0.2	0.5	0.2	<b>3.8</b>
Revenue of non-financial business activities and insurance	16.1	0.1	20.2	–	1.7	<b>38.1</b>
Cost of sales of non-financial business activities and insurance	(16.5)	(0.1)	(19.2)	(0.1)	(0.9)	<b>(36.8)</b>
Other operating (expense) / income	(0.8)	0.9	0.6	1.5	1.8	<b>4.0</b>
<b>Operating income before provision charge for loan impairment</b>	<b>252.0</b>	<b>250.1</b>	<b>196.7</b>	<b>286.8</b>	<b>129.9</b>	<b>1,115.5</b>
Net provision charge for loan impairment	(11.8)	(29.0)	(19.7)	(26.4)	(25.4)	<b>(112.3)</b>
<b>Operating income after provision charge for loan impairment</b>	<b>240.2</b>	<b>221.1</b>	<b>177.0</b>	<b>260.4</b>	<b>104.5</b>	<b>1,003.2</b>
Operating expenses	(149.1)	(92.2)	(91.3)	(116.5)	(80.2)	<b>(529.3)</b>
<b>Profit before tax (Segment result)</b>	<b>91.1</b>	<b>128.9</b>	<b>85.7</b>	<b>143.9</b>	<b>24.3</b>	<b>473.9</b>
<b>Other disclosures</b>						
Capital expenditure incurred (additions of fixed assets)	30.8	23.4	34.7	32.9	8.9	<b>130.7</b>
Depreciation of premises and equipment	(19.2)	(7.8)	(6.7)	(10.5)	(3.5)	<b>(47.7)</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 31 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2012 is as follows:

<i>in billions of Russian Roubles</i>	<b>Moscow</b>	<b>Central and Northern regions of European part of Russia</b>	<b>Volga region and South of European part of Russia</b>	<b>Ural, Siberia and Far East of Russia</b>	<b>Other countries</b>	<b>Total</b>
Interest income	413.9	207.1	180.0	256.3	84.7	<b>1,142.0</b>
Interest expense	(198.6)	(75.9)	(53.0)	(67.2)	(34.0)	<b>(428.7)</b>
Inter-segment (expense)/income	(24.3)	31.8	1.1	(8.6)	–	–
Fee and commission income	46.4	42.2	36.2	52.3	13.0	<b>190.1</b>
Fee and commission expense	(13.4)	(0.4)	(0.6)	(0.7)	(4.0)	<b>(19.1)</b>
Net gains arising from securities	5.2	–	–	–	2.1	<b>7.3</b>
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	8.7	3.9	2.6	3.1	5.6	<b>23.9</b>
Net gains arising from operations with other derivatives	–	–	–	–	3.0	<b>3.0</b>
Net gains/ (losses) arising from operations with precious metals	0.7	0.4	0.4	0.7	(0.3)	<b>1.9</b>
Revenue of non-financial business activities and insurance	15.3	2.8	14.2	18.8	0.1	<b>51.2</b>
Cost of sales of non-financial business activities and insurance	(12.3)	(2.1)	(13.4)	(10.6)	(0.1)	<b>(38.5)</b>
Other operating income/(expense)	11.0	4.6	1.6	(1.1)	(1.6)	<b>14.5</b>
<b>Operating income before provision charge for loan impairment</b>	<b>252.6</b>	<b>214.4</b>	<b>169.1</b>	<b>243.0</b>	<b>68.5</b>	<b>947.6</b>
Net provision charge for loan impairment	(0.2)	(12.8)	(16.4)	(1.7)	(21.1)	<b>(52.2)</b>
<b>Operating income after provision charge for loan impairment</b>	<b>252.4</b>	<b>201.6</b>	<b>152.7</b>	<b>241.3</b>	<b>47.4</b>	<b>895.4</b>
Operating expenses	(136.2)	(92.2)	(76.4)	(116.6)	(40.1)	<b>(461.5)</b>
<b>Profit before tax (Segment result)</b>	<b>116.2</b>	<b>109.4</b>	<b>76.3</b>	<b>124.7</b>	<b>7.3</b>	<b>433.9</b>
<b>Other disclosures</b>						
Capital expenditure incurred (additions of fixed assets)	39.9	27.5	27.2	48.5	3.5	<b>146.6</b>
Depreciation of premises and equipment	(11.5)	(7.1)	(6.5)	(13.1)	(2.0)	<b>(40.2)</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 31 Segment Analysis (continued)

Reconciliation of profit before tax, interest income and expense, fee and commission income, gains from operations with securities and gains from operations with foreign currencies for the reportable segments with the Group's statement of profit or loss items under IFRS for the year ended 31 December 2013 as follows:

<i>in billions of Russian Roubles</i>	<b>Profit before tax</b>	<b>Interest income</b>	<b>Interest expense</b>	<b>Fee and commission income</b>	<b>Net gains arising from operations with securities</b>	<b>Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains</b>
<b>Total amount per reportable segment</b>	<b>473.9</b>	<b>1,466.7</b>	<b>(616.0)</b>	<b>241.8</b>	<b>10.2</b>	<b>24.3</b>
Adjustment of provisions	(17.9)	(3.7)	–	–	–	–
Staff expenses accrued for the year (bonuses, annual leave, pension liabilities)	(3.7)	–	–	–	–	–
Differences arising on reporting of fee and commission income and expense	1.3	13.7	26.6	3.0	–	(3.1)
Differences arising on securities classification	(4.3)	(1.2)	–	–	(4.1)	0.1
Accounting for derivatives at fair value	(7.7)	0.2	–	–	–	(8.9)
Additional interest accrued on loans	1.9	2.6	–	–	–	–
Adjustment of depreciation and cost or revalued amount of premises and equipment	10.8	–	–	–	–	–
Adjustment of amortized cost and partial repurchase of other borrowed funds	(0.2)	(0.1)	(0.2)	–	–	0.5
Other adjustments	1.6	0.4	1.8	–	(5.3)	–
<b>The Group's total amount under IFRS</b>	<b>455.7</b>	<b>1,478.6</b>	<b>(587.8)</b>	<b>244.8</b>	<b>0.8</b>	<b>12.9</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 31 Segment Analysis (continued)

Reconciliation of profit before tax, interest income and expense, fee and commission income, gains from operations with securities and gains from operations with foreign currencies for the reportable segments with the Group's statement of profit or loss items under IFRS for the year ended 31 December 2012 as follows:

<i>in billions of Russian Roubles</i>	<b>Profit before tax</b>	<b>Interest income</b>	<b>Interest expense</b>	<b>Fee and commission income</b>	<b>Net gains arising from operations with securities</b>	<b>Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains</b>
<b>Total amount per reportable segment</b>	<b>433.9</b>	<b>1,142.0</b>	<b>(428.7)</b>	<b>190.1</b>	<b>7.3</b>	<b>23.9</b>
Adjustment of provisions	24.4	(1.4)	–	–	–	–
Staff expenses accrued for the year (bonuses, annual leave, pension liabilities)	(5.1)	–	–	–	–	–
Differences arising on reporting of fee and commission income and expense	–	11.9	–	(1.9)	–	(4.5)
Differences arising on securities classification	6.1	1.3	–	–	(2.3)	–
Accounting for derivatives at fair value	3.9	–	–	–	–	0.2
Additional interest accrued on loans	0.5	0.5	–	–	–	–
Adjustment of depreciation and cost or revalued amount of premises and equipment	(9.0)	–	–	–	–	–
Adjustment of amortized cost and partial repurchase of other borrowed funds	(1.4)	–	(0.1)	–	–	–
Other adjustments	(5.4)	3.0	0.2	1.0	–	–
<b>The Group's total amount under IFRS</b>	<b>447.9</b>	<b>1,157.3</b>	<b>(428.6)</b>	<b>189.2</b>	<b>5.0</b>	<b>19.6</b>

The differences shown above arise from classification variances as well as different accounting policies.

Adjustment of provisions is related to the difference between estimation methodology applied in statutory accounting records used as a basis for management reporting and estimation methodology according to IFRS.

Differences arising on securities' classification relate to gains/(losses) on revaluation of securities designated as at fair value through profit or loss in IFRS reporting but classified as available-for-sale in statutory accounting records.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 31 Segment Analysis (continued)

For the year ended 31 December 2013 the Group's revenues from customers in the Russian Federation amounted to RR 1,600.8 billion (for the year ended 31 December 2012: RR 1,345.5 billion); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 200.5 billion (for the year ended 31 December 2012: RR 96.1 billion).

No revenue from transactions with a single external customer or counterparty amounted to 10.0% or more of the Group's total revenue during the year ended 31 December 2013 and 31 December 2012.

### 32 Financial Risk Management

The risk management function within the Group is carried out in respect of major types of risks: credit, market, liquidity and operational risks. Market risk includes interest rate risk, equity risk and currency risk. The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and limits. The operational risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational risk.

Integrated risk management system (IRMS) of the Group is defined by Integrated risk management policy of the Bank and represented as three-level process defined below:

- First management level (performed by The Bank's Management Board, The Group Risks Committee) – is management of aggregated risk. This process results in setting requirements and limits to the management of specific groups of risks, to the management of the Group members' risks as well as appointment of collective bodies and subdivisions of the Group responsible for the management of certain risk groups.
- Second management level (performed by the appropriate Bank's committees) – the management of specific groups of risks considering requirements and limits stated on the first management level.
- Third management level (performed by collective bodies and structural subdivisions of the Group) – the management of specific groups of risks in the companies of the Group considering requirements and limits stated on the first and second management level.

Integrated risk management process includes five core group steps:

- Risk identification and measurement of its materiality for the Group – aimed to identify all the significant risks which the Group is exposed to;
- Developing system for managing significant risks – aimed to allocate functions (or actualize such allocation) of risk management between executives, subdivisions and collective bodies of the Bank and its subsidiaries as well as developing (or actualize such development) methodological framework regulating risk management for the Group;
- Forecasting risk exposure level – aimed to define target risk level using risk-metrics in business-plan of the Group and each of its members;
- Setting risk appetite for the Group and each of its members – aimed to confirm by the Bank and then by its Supervisory Board maximum allowable risk exposure for the Group and launch of limit and restriction system that will enable not to exceed the maximum risk level;
- Management of aggregated risk level of the Group – aimed to provide correspondence between risk level and target values.

The Group is constantly developing risk management system in order to correspond to the best practices and recommendations of regulators. Thereupon it is expected that risk management methods and processes would be integrated and improved on aggregate level as well as on the level of specific risks management systems.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 32 Financial Risk Management (Continued)

**Credit risk** is the risk of losses caused by failure to fulfill, as well as untimely or incomplete fulfillment of financial obligations by debtor in accordance with contract conditions. Among financial obligations mentioned above there are obligations of debtor concerning loans received including interbank loans, bonds, other placed funds including requirements for repurchase of debt securities, shares and promissory notes, provided in accordance with loan agreement, discounted bills, bank guarantees for which money paid by the organization was not compensated by the principal, finance deals with assignment of monetary claim (factoring), rights (claims) obtained in accordance with agreement (cession), mortgages obtained on secondary market, deals of financial assets sale (purchase) with deferred payments (supply of financial assets), paid letter of credit (including uncovered letter of credit), return of cash (assets) in accordance with deal of financial assets purchase with an obligation of their repurchase, claims for financial leasing operations.

Credit risk management policy applied by the Group aims at increasing competitive advantage of the Group by expanding the list of counterparties and the range of credit products, implementing systemic approach to credit risk to maintain or bring down the level of credit risk losses, optimization of credit portfolio structure by industry, region and product.

The Group applies the following basic methods of credit risk management:

- prevention of credit risk by identifying, analyzing and assessing potential risks before entering the transaction creating risk exposure;
- planning the level of credit risk by assessing the level of expected losses;
- implementation of common assessment processes and identification of risks;
- limiting credit risk by setting exposure or risk limits;
- structuring of transactions;
- collateral management for transactions on financial markets;
- monitoring and control of credit risk level;
- application of the system of decision-making authority;
- provisions for impairment losses.

In the sphere of credit risk management the Group sets following objectives:

- implementation of systemic approach to credit risk, optimization of Group's credit portfolio structure by industry, region and product in order to limit credit risk level;
- increasing competitive advantage of the Group by more precise assessment of risks taken as well as the implementation of measures aimed at credit risk management including maintaining or bringing down the level of credit risk losses;
- retention of sustainability during expansion of product range of Group members (introduction of more complicated products) in consequence of reasonable assessment and taken risks' management particularly credit risks.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 32 Financial Risk Management (Continued)

Credit risk management system of the Group is organized on the basis of integrated risk management principles as well as following principles:

- application of modern methods and instruments in credit risk management of the Bank and the Group as a whole developed on the basis of unified approach used for building crediting processes standardized to the maximum taking into account client segmentation by risk profile and minimization of process member's quantity due to centralization and process automation;
- objectivity, concreteness and precision of credit risk assessment, application of reliable actual and statistical information;
- integration of credit risk management process into organizational structure of the Bank and Group members;
- application of unified rules for allocation and delimitation of authorities for credit risk management based on combination of centralized and decentralized approaches;
- independence of departments responsible for credit risk assessment and control from departments that initiate deals generating credit risk;
- credit risk management system of the Group meets the requirements of the Bank of Russia / bank regulator (for the credit organizations – members of the Group operating outside the Russian Federation) as well as the requirements of the Russian law or law of other countries under which Group members operate;
- control and risk limitation as well as control over expected loss of the Bank in consequence of borrower/group of related borrowers' default are performed by means of Bank limit system.

The system of Group credit risk level control and monitoring is performed on the basis of principles stated in Group's internal normative documents providing preliminary, current and subsequent control over operations subject to credit risk, observance of stated risk limits and timely performance of its actualization.

There is multilevel system of limit for each business line generated in the Group based on the limitation of credit risk for credit operations and operations on financial markets.

For retail credit risks set limits are based on the assessment of borrower's risk and divided into groups in the following way:

- structure limits (this group includes such limit types as limit of crediting by scheme, limit of guarantee for the corporate client, limit for the product/group of approved products);
- authority limits (divided into authority limits of collegial body and personal limits);
- limits of risk concentration by the size of credit product provided to the borrower (this group includes the limit of borrower's debt amount);
- limits for the department giving the credit (this group includes the limit of received application amount).

Assessment of the Group's credit risk is made in aggregate, by individual portfolios of credit risk bearing assets, by individual counterparties, transactions and groups, by country, geographic region and by industry.

The Group operates a system of internal ratings based on economic-mathematical models for estimating the probability of default of counterparties and transactions. Assessment of credit risks of the Group's counterparties in transactions which carry credit risks depends on the counterparty category:

- corporate customers, credit institutions, financial companies, clients – the subjects of small business, sovereigns, subjects of the Russian Federation and municipal entities, insurance and leasing companies are assessed on the basis of the system of credit ratings and expected cash flow models or other important indicators;
- individuals and clients – the subjects of Micro business are assessed based on their creditworthiness in accordance with the Bank's internal regulatory documents and express assessment.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 32 Financial Risk Management (Continued)

The Group's system of credit ratings provides a differentiated assessment of probability of default/non-execution by the counterparties of their obligations by analyzing quantitative (financial) and qualitative factors of credit risk (factors of market and external influence, characteristics of management quality, assessment of business reputation and others), materiality of their impact on the ability of the counterparty to serve and repay their obligations.

The Group's internal procedures provide for a multi-factor approach, the factor list being standardized depending on the counterparty category: risk factors related to counterparty's creditworthiness and its volatility, ownership structure, business reputation, credit history, cash flow and financial risks control, transparency, position of the client in the industry and the region, strength of support from local administration and parent companies (in case of a holding) as well as the so-called early warning factors are subject to mandatory monitoring and control. Based on the analysis of these risk factors the probability of default is assessed and graded by counterparty/transaction with their subsequent classification ratings.

The Group closely monitors its credit risk concentration and compliance with prudential regulations of the regulator, making analysis and forecast of credit risk level. In analysis, monitoring and management of credit risk concentration the following methods are used:

- a distributed criteria mechanism for identifying legally and economically related borrowers, followed by the centralized maintenance of a uniform hierarchical list of groups of related borrowers;
- control of large loans per borrower in groups of related borrowers,
- identifying groups of borrowers by industry, country and region.

Collateral is the main instrument decreasing credit risk of non-payment under the credit contract. The Group usually requires collateral for granted loans. Different kinds of collateral could be approved in order to limit credit risk simultaneously. In accordance with Group's policy collateral for loans provided to legal entities (pledge amount and/or liability amount (limit of responsibilities) through surety agreement and/or guarantee amount) should cover the amount of credit and interests, accrued during not less than 3 months.

One of the concepts concerning hedge of credit deals risks is represented by developed Pledge policy (as a part of Credit policy) which defines basis principles and elements of work organization for pledges in case of loan granting.

Pledge policy is concentrated on the improvement of quality of credit portfolio in the part of collateral. Collateral quality depends on the probability of cash receipt in amount of supporting pledge in case of enforcement or realization of pledge. Collateral quality can be indirectly characterized by the list and materiality of risks conjugated to the pledge and is represented by the range of factors (liquidity, reliability of cost determination, impairment risks, susceptibility to the risks of loss and damage, law risks and others).

Pledge amount assessment is performed on the base of internal expert valuation of Group experts, assessment of independent valuers or pledge amount stated in borrower's financial reports with discount correction. Using surety of creditworthiness legal entities as the collateral requires risk assessment from the side of guarantor as well as from borrower's side.

At the same time, the Group operates a multi-dimensional system of authority to determine the level of decision-making for each loan application. Each territorial unit is assigned a risk profile, which defines the discretionary powers of the unit to take independent decisions, depending on the risk category of the requested loan. In its turn, the risk category of the requested loan depends on the aggregate risk limit and the risk category of the borrower/group of related borrowers and also on loan product category. Thus, existing systems of limits and decision-making authority allows to optimize the lending process and provides for proper management of credit risk.

Considering the focus of the Bank and the Group for the using of modern technics and instruments of credit risk managing, the Group is in the process of constructing the most common standardized processes of retail lending considering the customer segmentation by risk profile and minimizing the number of participants in the process by centralizing and automatizing.



## Notes to the Consolidated Financial Statements – 31 December 2013

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### 32 Financial Risk Management (Continued)

The Bank provides basic types of loan products to individual customers – consumer loans, auto- and mortgage loans, credit cards under "Credit Factory" technology. "Credit Factory" technology is constantly improving, in particular:

- technology of automatized verification (check) of real estate valuation assessment report in the context of credit application processing procedure has been realized;
- technology of automatized passport identification aimed at the exclusion of check of client's passport data correctness manually has been realized;
- automatized system ensuring revelation of the facts of forgery or falsification of documents identifying client on the base of photomaterials has been integrated.

At the Group's level the implementation of the "Credit Factory" technology is continued in the subsidiaries - Belpromstroy Bank OJSC (OAO BPS Bank) (Belarus), Sberbank of Russia JSC (Ukraine), Sberbank SB JSC (Kazakhstan), Sberbank Europe AG.

In accordance with "Credit Factory" technology main types of credit products are provided to the subjects of Micro business as well as such subjects are translated to "Credit Factory" technology in a number of Group banking subsidiaries.

In 2013 the Group has opened the project of technology automation "Credit conveyor". Development of this technology has following objectives:

- building of transparent and controlled credit process for Small Business;
- decrease of Bank operational expenses and work time related to credit process including time of credit application processing;
- shortage of Bank losses level caused by increase in quality of application processing.

As part of the introduction of Basel II in the Bank and a number of banking subsidiaries, the complete set of behavioral models of Basel for all retail lending products has been developed. Also, there were identified indicators required to calculate economic capital.

Using the macroeconomic scenarios, the Group conducts sensitivity analyses of credit risk level by both counterparty and credit portfolio to identify macro factors of maximum correlation with the counterparties' probability of default. Statistics on radical changes of macro factors is used in stress-scenario for ratings models for the purpose of stress-testing.

The Group monitors debt recovery at all phases of debt collection. In case of identification of problem areas/phases in the process of debt recovery, drop in debt recovery ratio and non-performing loans growth in territorial units, customer or product segments, the optimization of lending/collection process is performed.

**Country risk** is the risk of losses due to the default by sovereign and other counterparties in a particular country for reasons other than the standard risks (caused by the Government actions but beyond the control of the counterparties).

Risk exposure of the Group when financing non-residents or foreign Governments is minimized by assessment of the country related risk and setting country risk limits. Assessment of country risks is based on the ratings by international rating agencies (Fitch, Moody's, S&P), the nominal GDP, the level of economic development of the country and its strategic relevance for the group. Countries without international ratings are assessed in accordance with internal procedures, which include the analysis of risk factors related to sovereign solvency, current development trends, efficiency of external debt management, offshore status and international reputation, public policy and domestic political situation. To reduce the country risk, transactions with counterparties are conducted within the risk limits on the countries concerned.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 32 Financial Risk Management (Continued)

**Market risk** is the possibility of the Group's financial losses as a result of unfavorable movements in exchange rates, equity prices, interest rates, precious metal prices and other market indicators. The main goal of Market Risk Management is the optimization of market risk level within the Group, compliance of the risk level risk with limits set and minimization of loss in case of unfavorable scenario realization.

The Group categorises market risk into:

- **Currency risk** is the risk of losses or reduction of income due to fluctuations in the prevailing foreign currency exchange rates;
- **Interest rate risk** is the risk of losses or reduction of income due to fluctuations in interest rates;
- **Equity price risk** is the risk of losses or reduction of income due to changes in fair value of equity securities, for example, ordinary and preference shares;
- **Commodity risk** is the risk of losses or reduction of income due to changes in value of commodity assets, in particular, precious metals;
- **Volatility risk** is the risk of losses or reduction of income on option operations due to changes in imputed option volatility of underlying assets;
- **Liquidity risk** is the risk of inability to open / close or change of a market position on the market, exchange, or in case of market quotation against a particular counterparty, and an inability to fulfill contractual obligations in time without incurring losses unacceptable to the financial stability.

The Group manages its market risks through securities portfolios management and control over open positions in currencies, interest rates and derivatives. Authorized bodies and departments determine the methodology for the market risk management and set limits on particular transactions.

Market risk limits are set on the basis of the value-at-risk analysis (VaR), scenario analysis and stress-testing as well as regulatory requirements of the Bank of Russia and recommendations of the Basel Committee on Banking Supervision. The Group calculates VaR for the operations on financial markets both by components and in aggregate, determining the diversification effect.

The Group divides the principles of market risk management under the trading and banking book. Authority to manage the market risk are divided between Trading Risk Committee (TRC) of the Bank and Bank Committee of assets and liabilities management (ALMC) by type of market risk on a group of operations (trading and non-trading operations).

Market risk management is carried out in accordance with the "Policy for managing market and credit risk operations on financial markets" and "Policy for managing interest rate and currency risk of the banking book".

#### **Market risk on non-trading positions**

**Interest rate risk on non-trading assets and liabilities.** The Group accepts risk on market interest rate fluctuations effect on cash flows. Interest rate risk of non-trading positions includes:

- the risk of a parallel shift, change in the slope and shape of the yield curve resulting from the maturities (repricing) mismatch of assets and liabilities sensitive to interest rate changes;
- basis risk, which results from a mismatch in the degree of interest rate sensitivity, of assets and liabilities with similar maturity (repricing term); and
- risk of early repayment (repricing) of interest rate sensitive assets and liabilities.

Increasing interest rates can drive the cost of borrowed funds up faster and at a higher growth rate than return on investments, thus worsening financial results and interest rate margin. Decreasing interest rates can decrease return on working assets faster than the cost of borrowed funds.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 32 Financial Risk Management (Continued)

The objective of managing this type of market risk is minimization of potential losses caused by realization of interest rate risk and stabilization of bank interest margin regardless of market conditions. To manage interest rate risk the ALMC sets maximum interest rates on corporate deposits/ current accounts and minimum rates on corporate loans, minimum rate of return on investments into securities and limits on investments into long-term assets bearing inherently the maximum interest rate risk. The Bank's Management Board approves fixed interest rates on deposits. Interest rates on deposits depend on deposit maturity date, amount and the client's category. Interest rates on loans for individuals are confirmed by ALMC.

ALMC of each regional bank approves interest rates for corporate clients taking into account the regional market situation and the efficiency of the regional bank's transactions on the assets and liabilities side as well as the limits on interest rates set by the ALMC of the Bank's Head Office for corporate funds and placements.

This type of interest rate risk is assessed using the standardized shock in accordance with Basel Committee for Banking Supervision (BCBS) recommendations. Forecasting of possible changes in interest rates is carried out separately for Russian Rouble positions and positions in foreign currency. The shock of interest rates is calculated as 1% and 99% of the allocation quantile of average annual interest rate's change by historical simulations method using data no less than the last 5 years. As basic rate for the purpose of shock assessment in RUR the indicative rate is used for interest swap in RUR with 1 year terms (RR IRS 1Y). For the purpose of shock assessment in foreign currency position the rate LIBOR 3M is used.

The table below shows the impact of bps interest rates increase and decrease on profit before tax as at 31 December 2013:

<b>Change in profit before tax as at 31 December 2013</b> <i>(in billions of Russian Roubles)</i>	<b>RR positions</b>	<b>Foreign currency positions</b>	<b>Total</b>
Decrease in interest rates by 292 bps	89.0	–	<b>89.0</b>
Increase in interest rates by 570 bps	(173.6)	–	<b>(173.6)</b>
Decrease in interest rates by 19 bps	–	0.12	<b>0.12</b>
Increase in interest rates by 66 bps	–	(0.41)	<b>(0.41)</b>

The table below shows the impact of bps interest rates increase and decrease on profit before tax as at 31 December 2012:

<b>Change in profit before tax as at 31 December 2012</b> <i>(in billions of Russian Roubles)</i>	<b>RR positions</b>	<b>Foreign currency positions</b>	<b>Total</b>
Decrease in interest rates by 302 bps	50.7	–	<b>50.7</b>
Increase in interest rates by 583 bps	(98.0)	–	<b>(98.0)</b>
Decrease in interest rates by 20 bps	–	0.3	<b>0.3</b>
Increase in interest rates by 85 bps	–	(1.4)	<b>(1.4)</b>

Increase of interest rate risk of non-trading positions as at 31 December 2013 in comparison with 31 December 2012 is caused mostly by the rise of short-term borrowings from the Bank of Russia and increase in total assets.

**Currency risk of non-trading assets and liabilities.** Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign exchange risk on open positions (mainly US dollar/RR and EUR/RR exchange rate fluctuations).

As part of managing foreign exchange risk the Group sets sublimits for open foreign exchange positions for Regional Head Offices. Besides, limits and control system are in place for conversion operations which sets open position limits for foreign currencies, limits on operations on the international and domestic markets.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 32 Financial Risk Management (Continued)

The Bank's Treasury Department undertakes daily aggregation of the currency position of the Group and takes measures for maintaining of the Group's currency risk exposure at a minimum level. The Group uses swaps, forwards and USD futures contracts tradable on MOEX as the main instruments for risk management.

**Market risk on the operations on financial markets.** Among credentials of TRC there is management over market risk of the trade operations on financial markets, concerning liquidity risk TRC obeys to ALMC.

Market risks are controlled by monitoring of operations on foreign exchange and securities market by departments independent of trading divisions. Monitoring of market risks implies continual control over trading deals at all steps of operational process.

For the purposes of market risk management of the financial markets' operations, trade operations are aggregated in portfolios with hierarchical structure defined in accordance with risk types and responsibilities allocation. Market risk management of the trade operations in Group is performed through the system of authorized bodies, making decisions depending on risk level and portfolio hierarchy, such system allows to reach efficiency and flexibility of decision making.

In 2013 the Group process of market risk for trade operations management was stated, its integration was initiated in banking Group members, completion of the process of integration is planned in 2014.

The Group derives following most important types of market risk of the trade operations.

**Interest rate risk on the trade operations.** The Group is exposed to interest rate risk of its trade operations with debt securities and derivatives.

For managing and limiting interest rate risk in accordance with the "Policy for managing market and credit risk operations on financial markets" TRC as well as persons authorized by it set following types of limits and restrictions: limits on investments, limits on sensitivity to interest rate changes (DV01), concentration limits, limits on losses of trade operations, VaR limits, limits on direct and reverse REPO-deals.

**Equity Price Risk.** The Group is exposed to equity price risk through changes in fair value of corporate lobar securities as well as its derivatives in case of Group having positions in them. In order to limit equity price risk the TRC and persons authorized by it set common position limits, limits on losses of trade operations, VaR limits, sensitivity limits. Regional Head Offices does not take part in trade operations with shares.

**Currency Risk.** In order to limit the foreign exchange risk of financial market operations TRC as well as persons authorized by it set VaR limits and limits for open foreign exchange positions for all operations, which are sensitive to currency risk.

**Value-at-Risk, VaR.** The VaR methodology is one of the main instruments of assessing market risk of the Group. VaR allows to estimate the maximum financial loss with a defined confidence level of probability and time horizon.

The Group calculates VaR using the historical modeling methodology. This method allows to evaluate probability scenarios of future price fluctuations on the basis of past changes taking into account market indicators correlations (e.g. interest rates and foreign exchange rates) as well as changes in price of specific instruments not due to changes in the market situation.

VaR is calculated using the following assumptions:

- historical data on changes in financial market indicators comprise 2 years preceding the reporting date;
- the market indicators used include currency exchange rates, bond, equity and precious metal prices as well as interest rates levels;
- movements in financial market indicators are calculated over a 10-day period, i.e. an average period when the Group is able to close or hedge its positions exposed to market risk; and
- a 99% one-way confidence level is used, which means that losses in the amount exceeding VaR are expected by the Group maximum once every 100 trading days.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 32 Financial Risk Management (Continued)

For evaluating the adequacy of the applied VaR calculation model the Group regularly back-tests the model by comparing the modeled losses with actual losses.

Despite the fact that VaR allows to measure risk, its shortcomings must be taken into account such as:

- past price fluctuations are not sufficient to assess accurately future price fluctuations;
- calculation of financial market price indicators over a 10-day period is based on the assumption that the Group will be able to close (or hedge) all positions within this period. This assessment may be far from accurate in measuring risk exposure at the time of reduced market liquidity, when the period of closing (or hedging) the Group's positions may increase;
- using 99% one-way confidence level of probability does not provide for estimating losses with a probability below 1%; and
- VaR is calculated based on end-of-day position and misses the intra-day risks accepted by the Group.

Taking into account the shortcomings of the VaR methodology the Group applies scenario analysis and stress-testing to have a better understanding of market risk exposure.

The table below shows the interest rate, equity and currency risk calculation using the VaR methodology as at 31 December 2013:

<i>In billions of Russian Roubles</i>	<b>Value as at 31 December 2013</b>	<b>Average value for 2013</b>	<b>Maximum value for 2013</b>	<b>Minimum value for 2013</b>	<b>Impact on equity</b>	<b>Impact on profit</b>
Interest rate risk on debt securities	17.2	16.1	17.2	15.0	0.9%	4.4%
Equity price risk	2.2	2.2	2.5	2.0	0.1%	0.6%
Currency risk	5.7	5.5	5.7	5.3	0.3%	1.5%
Market risk including diversification effect	18.8	18.5	18.9	18.0	0.9%	4.8%
Diversification effect	6.4	–	–	–	0.3%	1.6%

The table below shows the interest rate, equity and currency risk calculation using the VaR methodology as at 31 December 2012:

<i>In billions of Russian Roubles</i>	<b>Value as at 31 December 2012</b>	<b>Average value for 2012</b>	<b>Maximum value for 2012</b>	<b>Minimum value for 2012</b>	<b>Impact on equity</b>	<b>Impact on profit</b>
Interest rate risk on debt securities	18.1	16.6	21.7	12.1	1.1%	5.2%
Equity price risk	4.0	9.0	12.6	4.3	0.2%	1.2%
Currency risk	5.3	3.1	7.0	1.4	0.3%	1.5%
Market risk including diversification effect	19.6	17.6	24.5	12.1	1.2%	5.7%
Diversification effect	7.8	–	–	–	0.5%	2.3%

Data in the tables above are calculated on the basis of the Bank's internal management accounting system which is based on the statutory accounting reports of the Bank.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 32 Financial Risk Management (Continued)

The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 31 December 2013. Foreign exchange risk on forward and future contracts is represented by their discounted positions. Foreign exchange options are disclosed in the amount that reflects theoretical sensitivity of their fair value to reasonable change in exchange rates. Commodity options are shown at their fair value in relative settlement currency. Equity instruments are classified based on the country of origin of issuer.

	Russian Roubles	US Dollars	Euro	Turkish Lyra	Other	Total
<b>Assets</b>						
Cash and cash equivalents	1,023.0	120.6	77.2	27.3	78.9	<b>1,327.0</b>
Mandatory cash balances with central banks	112.2	52.0	45.3	12.1	29.9	<b>251.5</b>
Trading securities	66.3	29.5	3.4	1.5	0.5	<b>101.2</b>
Securities designated as at fair value through profit or loss	14.2	3.2	–	–	0.1	<b>17.5</b>
Due from banks	210.5	35.1	44.8	3.2	36.9	<b>330.5</b>
Loans and advances to customers	9,371.1	2,270.3	508.7	457.3	326.3	<b>12,933.7</b>
Securities pledged under repurchase agreements	1,153.0	140.8	32.9	10.7	6.4	<b>1,343.8</b>
Investment securities available-for-sale	244.9	101.1	49.5	48.3	32.4	<b>476.2</b>
Investment securities held-to-maturity	136.9	32.8	2.8	29.5	0.5	<b>202.5</b>
Other financial assets (less fair value of derivatives)	250.5	28.4	5.5	6.4	6.5	<b>297.3</b>
<b>Total financial assets</b>	<b>12,582.6</b>	<b>2,813.8</b>	<b>770.1</b>	<b>596.3</b>	<b>518.4</b>	<b>17,281.2</b>
<b>Liabilities</b>						
Due to banks	1,834.0	151.2	80.3	10.1	35.7	<b>2,111.3</b>
Due to individuals	6,785.5	676.2	582.8	210.6	180.7	<b>8,435.8</b>
Due to corporate customers	2,039.7	1,046.0	222.4	125.7	194.6	<b>3,628.4</b>
Debt securities in issue	425.9	321.0	20.7	32.4	53.4	<b>853.4</b>
Other borrowed funds	0.1	376.8	94.2	28.0	–	<b>499.1</b>
Other financial liabilities (less fair value of derivatives)	143.7	42.7	11.9	23.7	4.0	<b>226.0</b>
Subordinated debt	303.2	110.3	4.7	–	6.5	<b>424.7</b>
<b>Total financial liabilities</b>	<b>11,532.1</b>	<b>2,724.2</b>	<b>1,017.0</b>	<b>430.5</b>	<b>474.9</b>	<b>16,178.7</b>
<b>Net financial assets/(liabilities)</b>	<b>1,050.5</b>	<b>89.6</b>	<b>(246.9)</b>	<b>165.8</b>	<b>43.5</b>	<b>1,102.5</b>
<b>Net derivatives</b>	<b>271.7</b>	<b>(341.3)</b>	<b>218.3</b>	<b>(101.5)</b>	<b>(4.0)</b>	<b>43.2</b>
<b>Credit related commitments (Note 33)</b>	<b>2,524.2</b>	<b>847.0</b>	<b>258.5</b>	<b>320.4</b>	<b>62.2</b>	<b>4,012.3</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 32 Financial Risk Management (Continued)

The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 31 December 2012.

	Russian Roubles	US Dollars	Euro	Turkish Lyra	Other	Total
<b>Assets</b>						
Cash and cash equivalents	946.0	125.6	118.8	19.8	80.6	<b>1,290.8</b>
Mandatory cash balances with central banks	122.6	32.8	31.5	5.6	18.7	<b>211.2</b>
Trading securities	47.3	31.6	0.5	7.9	3.1	<b>90.4</b>
Securities designated as at fair value through profit or loss	11.2	2.9	4.4	–	0.7	<b>19.2</b>
Due from banks	60.6	1.7	39.6	–	12.9	<b>114.8</b>
Loans and advances to customers	7,714.9	1,783.9	366.4	367.9	266.2	<b>10,499.3</b>
Securities pledged under repurchase agreements	888.8	28.3	–	32.6	–	<b>949.7</b>
Investment securities available-for- sale	394.8	222.3	72.0	77.9	37.5	<b>804.5</b>
Investment securities held-to- maturity	85.0	13.2	2.5	2.4	2.8	<b>105.9</b>
Other financial assets (less fair value of derivatives)	123.8	18.7	3.0	6.5	1.2	<b>153.2</b>
<b>Total financial assets</b>	<b>10,395.0</b>	<b>2,261.0</b>	<b>638.7</b>	<b>520.6</b>	<b>423.7</b>	<b>14,239.0</b>
<b>Liabilities</b>						
Due to banks	1,289.4	52.7	57.7	22.3	30.3	<b>1,452.4</b>
Due to individuals	5,660.1	521.8	452.1	170.5	178.7	<b>6,983.2</b>
Due to corporate customers	1,958.3	747.8	171.6	153.3	165.1	<b>3,196.1</b>
Debt securities in issue	297.7	327.3	17.2	12.9	36.6	<b>691.7</b>
Other borrowed funds	0.7	362.9	76.8	25.4	3.4	<b>469.2</b>
Other financial liabilities (less fair value of derivatives)	122.8	32.0	5.0	23.1	2.6	<b>185.5</b>
Subordinated debt	303.4	71.6	4.7	–	5.0	<b>384.7</b>
<b>Total financial liabilities</b>	<b>9,632.4</b>	<b>2,116.1</b>	<b>785.1</b>	<b>407.5</b>	<b>421.7</b>	<b>13,362.8</b>
<b>Net financial assets/ (liabilities)</b>	<b>762.6</b>	<b>144.9</b>	<b>(146.4)</b>	<b>113.1</b>	<b>2.0</b>	<b>876.2</b>
<b>Net derivatives</b>	<b>(323.4)</b>	<b>223.9</b>	<b>178.9</b>	<b>(39.1)</b>	<b>(7.6)</b>	<b>32.7</b>
<b>Credit related commitments (Note 33)</b>	<b>1,848.2</b>	<b>621.7</b>	<b>236.8</b>	<b>258.4</b>	<b>64.6</b>	<b>3,029.7</b>

The Group provides loans and advances to customers in foreign currency. Fluctuations of foreign currency exchange rates may negatively affect the ability of borrowers to repay loans, which will in turn increase the probability of loan loss.

**Liquidity risk.** Liquidity risk is defined as the ability of the Group to fulfill all its obligations to the clients and counterparties subject to the requirements of the local regulator unconditionally and promptly in the normal course of business as well as during crisis situations. The Group is subject to the liquidity risk caused by daily calls on its available cash resources from obligations to clients, settlements of interbank deposits, guarantees payments, from calls on cash settled derivative instruments and other operations. The Group does not maintain cash resources to meet all of the above mentioned needs, performing on the basis of accrued historical data, current market situation as well as information from business divisions a forecast of sufficient level of cash and liquidity reserves necessary for the fulfillment of these obligations.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 32 Financial Risk Management (Continued)

The Group liquidity risk management is aimed at ensuring timely and complete fulfillment of present payment obligations on the condition of absolute compliance to the requirements of local regulator. For this purpose the Group:

- maintains a stable and diversified liabilities structure including resources attracted from different groups of investors/clients into term instruments as well as into funds on demand,
- invests in highly liquid assets diversified by currencies and maturities for quick and effective coverage of unexpected gaps in liquidity;
- has an opportunity to attract funds from financial markets in short period of time.

**Policy and Procedures.** The Treasury performs analysis and forecasts and advises Management on regulation of short-term, medium-term and long-term liquidity of the Group. Liquidity position and execution of requirements on managing the liquidity risk are controlled by the ALMC of the Bank. Liquidity risk is assessed, managed and controlled on the basis of “Policy of “Sberbank of Russia” OJSC for liquidity risk management” and the guidelines of the Bank of Russia, local regulators and the Basel Committee for Banking Supervision. The Bank performs control and management over liquidity on the level of the Group as well as the coordination of all external borrowings of the Group in order to minimize the cost of funding.

The managing bodies of banking subsidiaries are responsible for efficiently managing and controlling the liquidity of banking subsidiaries. They are also responsible for monitoring limits and controls required by the Group’s internal regulations and the requirements of local regulators. Assessment, management and control of banking subsidiaries liquidity risk are performed in accordance with unified Group standards. In case of an insufficient liquidity banking subsidiaries are provided with mandate on attraction of funds from financial markets or funding in accordance with stated limits (planned limit and reserve limit).

Group liquidity risk management is based on the initiative of the Bank of Russia / local regulators taking into consideration the use of the best world practices and applies following methods of assessment and liquidity risk management instruments:

- forecasting payment flows by major currencies to ensure the necessary volume of liquid assets to cover liquidity deficit and amounts of mandatory rules stated by local regulators;
- forecasting assets and liabilities structure for different scenarios of Group balance development to control the required volume of liquid assets in medium-term and long-term perspective in the context of making plans concerning funding;
- control and forecasting of amounts of the main liquidity factors on the basis of Group Standard for liquidity risk-metrics calculation;
- settlement of limits for risk metrics including but not only components of risk appetite of the Group;
- stress-testing of liquidity profile by analysis of different scenarios and stress phases as well as planning activities to recover necessary liquidity level in case of negative conditions or during crisis;
- control over indicators of early warning in order to uncover timely negative changes in liquidity situation.



## Notes to the Consolidated Financial Statements – 31 December 2013

### 32 Financial Risk Management (Continued)

The tables below show distribution of undiscounted contractual cash flows (taking into account future interest payments) on liabilities by remaining contractual maturities. The analysis of undiscounted cash flows on the Group's liabilities by remaining contractual maturity at 31 December 2013 is set out below:

<i>in billions of Russian Roubles</i>	<b>On demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 3 years</b>	<b>More than 3 years</b>	<b>Total</b>
<b>Liabilities</b>						
Due to banks	1,675.1	176.8	179.9	53.0	51.1	2,135.9
Due to individuals	2,360.8	1,406.4	1,097.4	3,446.5	430.0	8,741.1
Due to corporate customers	1,303.4	442.5	186.1	1,707.2	97.2	3,736.4
Debt securities in issue	73.9	197.1	183.0	217.7	284.0	955.7
Other borrowed funds	56.9	128.4	156.1	144.8	36.7	522.9
Other financial liabilities (including derivative financial instruments)	179.7	49.8	21.6	31.9	26.0	309.0
Subordinated debt	–	2.8	22.4	54.8	515.7	595.7
<b>Total liabilities</b>	<b>5,649.8</b>	<b>2,403.8</b>	<b>1,846.5</b>	<b>5,655.9</b>	<b>1,440.7</b>	<b>16,996.7</b>
Credit related commitments	4,012.3	–	–	–	–	4,012.3

The analysis of undiscounted cash flows on the Group's liabilities by remaining contractual maturity at 31 December 2012 is set out below:

<i>in billions of Russian Roubles</i>	<b>On demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 3 years</b>	<b>More than 3 years</b>	<b>Total</b>
<b>Liabilities</b>						
Due to banks	1,050.3	230.8	123.0	24.4	39.9	1,468.4
Due to individuals	1,871.6	1,252.4	1,159.6	2,599.8	361.4	7,244.8
Due to corporate customers	1,271.1	375.1	91.0	1,558.5	5.7	3,301.4
Debt securities in issue	74.3	145.7	159.0	163.1	242.1	784.2
Other borrowed funds	29.6	75.7	174.4	192.6	42.3	514.6
Other financial liabilities (including derivative financial instruments)	140.7	50.1	10.0	31.6	13.5	245.9
Subordinated debt	–	1.8	22.0	46.0	500.3	570.1
<b>Total liabilities</b>	<b>4,437.6</b>	<b>2,131.6</b>	<b>1,739.0</b>	<b>4,616.0</b>	<b>1,205.2</b>	<b>14,129.4</b>
Credit related commitments	3,029.7	–	–	–	–	3,029.7

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 32 Financial Risk Management (Continued)

Following principles underlying gap analysis presentation and the Group liquidity risk management are based on the mix of CBR initiatives and the Bank's practice:

- Cash and cash equivalents represent highly liquid assets and are classified as "on demand and less than 30 days";
- Trading securities, securities designated as at fair value through profit or loss and highly liquid portion of investment securities available-for-sale are considered to be liquid assets as these securities could be easily converted into cash within short period of time. Such financial instruments are disclosed in gap analysis table as "on demand and less than 30 days";
- Investment securities available-for-sale which are less liquid are disclosed according to remaining contractual maturities (for debt instruments) or as "no stated maturity" (for equities);
- Investment securities held-to-maturity including those pledged under repurchase agreements are classified based on the remaining maturities;
- Highly liquid portion of securities pledged under repurchase agreements is disclosed based on the remaining maturities of repurchase agreements;
- Loans and advances to customers, amounts due from banks, other assets, debt securities in issue, amounts due to banks, other borrowed funds and other liabilities are included into gap analysis table based on remaining contractual maturities;
- Customer deposits aren't disclosed as "on demand and less than 30 days" although customers have an opportunity to withdraw money from any account, including term deposits, before maturity date, losing the right on accrued interest. Customer deposits diversification by number and type of depositors and the past experience of the Group indicate that such accounts and deposits provide a long-term and stable source of funding, and as a result they are allocated per expected time of funds outflow in the gap analysis table on the basis of statistical data accumulated by the Group during the previous periods and assumptions regarding the "permanent" part of current account balances.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 32 Financial Risk Management (Continued)

The liquidity position of the Group's assets and liabilities as at 31 December 2013 is set out below.

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
<b>Assets</b>							
Cash and cash equivalents	1,327.0	–	–	–	–	–	1,327.0
Mandatory cash balances with central banks	72.2	37.1	26.2	101.0	15.0	–	251.5
Trading securities	101.2	–	–	–	–	–	101.2
Securities designated as at fair value through profit or loss	17.5	–	–	–	–	–	17.5
Due from banks	185.2	112.6	18.8	9.2	4.7	–	330.5
Loans and advances to customers	616.9	1,337.6	1,941.4	4,200.0	4,743.9	93.9	12,933.7
Securities pledged under repurchase agreements	1,094.0	9.9	25.5	39.1	175.3	–	1,343.8
Investment securities available-for-sale	444.6	4.5	2.0	6.0	18.8	0.3	476.2
Investment securities held-to-maturity	0.5	20.6	28.4	55.0	98.0	–	202.5
Deferred income tax asset	–	–	–	–	–	12.3	12.3
Premises and equipment	–	–	–	–	–	477.3	477.3
Other assets	314.3	89.9	32.4	115.7	82.2	102.3	736.8
<b>Total assets</b>	<b>4,173.4</b>	<b>1,612.2</b>	<b>2,074.7</b>	<b>4,526.0</b>	<b>5,137.9</b>	<b>686.1</b>	<b>18,210.3</b>
<b>Liabilities</b>							
Due to banks	1,669.1	176.8	169.9	50.1	45.4	–	2,111.3
Due to individuals	2,337.2	1,301.5	1,019.7	3,349.5	427.8	0.1	8,435.8
Due to corporate customers	1,298.8	414.8	162.2	1,659.5	93.1	–	3,628.4
Debt securities in issue	72.3	186.7	165.9	178.7	249.8	–	853.4
Other borrowed funds	48.5	125.5	150.3	137.2	37.6	–	499.1
Deferred income tax liability	–	–	–	–	–	23.8	23.8
Other liabilities	180.7	67.7	23.3	36.6	22.6	21.5	352.4
Subordinated debt	–	–	–	4.5	420.2	–	424.7
<b>Total liabilities</b>	<b>5,606.6</b>	<b>2,273.0</b>	<b>1,691.3</b>	<b>5,416.1</b>	<b>1,296.5</b>	<b>45.4</b>	<b>16,328.9</b>
<b>Net liquidity gap</b>	<b>(1,433.2)</b>	<b>(660.8)</b>	<b>383.4</b>	<b>(890.1)</b>	<b>3,841.4</b>	<b>640.7</b>	<b>1,881.4</b>
<b>Cumulative liquidity gap as at</b>							
<b>31 December 2013</b>	<b>(1,433.2)</b>	<b>(2,094.0)</b>	<b>(1,710.6)</b>	<b>(2,600.7)</b>	<b>1,240.7</b>	<b>1,881.4</b>	<b>–</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 32 Financial Risk Management (Continued)

The liquidity position of the Group's assets and liabilities as at 31 December 2012 is set out below.

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
<b>Assets</b>							
Cash and cash equivalents	1,290.8	–	–	–	–	–	<b>1,290.8</b>
Mandatory cash balances with central banks	61.4	32.4	25.6	80.7	11.1	–	<b>211.2</b>
Trading securities	90.4	–	–	–	–	–	<b>90.4</b>
Securities designated as at fair value through profit or loss	19.2	–	–	–	–	–	<b>19.2</b>
Due from banks	57.0	46.2	0.6	2.4	8.6	–	<b>114.8</b>
Loans and advances to customers	373.0	1,384.1	1,541.0	3,524.7	3,595.5	81.0	<b>10,499.3</b>
Securities pledged under repurchase agreements	723.6	21.4	39.4	89.4	75.9	–	<b>949.7</b>
Investment securities available-for-sale	788.3	2.7	2.6	8.4	2.2	0.3	<b>804.5</b>
Investment securities held-to-maturity	0.2	5.8	8.8	38.5	52.6	–	<b>105.9</b>
Deferred income tax asset	–	–	–	–	–	7.5	<b>7.5</b>
Premises and equipment	–	–	–	–	–	436.0	<b>436.0</b>
Other assets	174.3	72.7	36.3	94.3	46.3	144.2	<b>568.1</b>
<b>Total assets</b>	<b>3,578.2</b>	<b>1,565.3</b>	<b>1,654.3</b>	<b>3,838.4</b>	<b>3,792.2</b>	<b>669.0</b>	<b>15,097.4</b>
<b>Liabilities</b>							
Due to banks	1,046.3	226.6	115.4	18.5	45.6	–	<b>1,452.4</b>
Due to individuals	1,848.2	1,162.9	1,091.2	2,521.1	359.8	–	<b>6,983.2</b>
Due to corporate customers	1,245.5	363.4	82.3	1,500.7	4.2	–	<b>3,196.1</b>
Debt securities in issue	70.9	140.6	142.5	131.2	206.5	–	<b>691.7</b>
Other borrowed funds	29.1	69.9	169.6	160.1	40.5	–	<b>469.2</b>
Deferred income tax liability	–	–	–	–	–	33.2	<b>33.2</b>
Other liabilities	135.5	53.4	21.2	21.9	6.0	25.1	<b>263.1</b>
Subordinated debt	–	0.1	0.7	–	383.9	–	<b>384.7</b>
<b>Total liabilities</b>	<b>4,375.5</b>	<b>2,016.9</b>	<b>1,622.9</b>	<b>4,353.5</b>	<b>1,046.5</b>	<b>58.3</b>	<b>13,473.6</b>
<b>Net liquidity gap</b>	<b>(797.3)</b>	<b>(451.6)</b>	<b>31.4</b>	<b>(515.1)</b>	<b>2,745.7</b>	<b>610.7</b>	<b>1,623.8</b>
<b>Cumulative liquidity gap as at</b>							
<b>31 December 2012</b>	<b>(797.3)</b>	<b>(1,248.9)</b>	<b>(1,217.5)</b>	<b>(1,732.6)</b>	<b>1,013.1</b>	<b>1,623.8</b>	<b>–</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 32 Financial Risk Management (Continued)

**Operational Risk.** Operational risk is the risk of Group losses caused by defects of internal processes, functioning of informational systems, unapproved/unlawful actions or mistakes of employees as well as due to external events.

Operational risk management system is defined by the Policy for operational risk management and aimed at prevention of such risk or maximum possible decrease of potential loss danger (direct and/or related) connected to internal process organization and external factors (events), measurement of operational risk for the calculation of necessary regulatory and economic capital as well as generation of adequate system of internal control.

Operational risk management process in Group includes following basic phases:

- operational risk identification;
- operational risk assessment;
- analysis of problem zones of processes, development of solution and decision-making concerning optimization / change in processes in order to decrease operational risk level;
- operational risk monitoring;
- control and/or decrease of operational risk.

In order to perform the phases mentioned above such operational risk management instruments as collection of internal data concerning losses caused by the realization of operational risk incidents, self-appraisal of departments and scenario analysis for operational risks are integrated in the Group. In 2013 the Group began replication of operational risk management instruments into banking and non-banking subsidiaries.

Risk-coordinators were appointed in all organization departments of the Bank and group members who are employees whose composition of functions includes interaction with operational risk departments concerning questions of identification, measurement, monitoring and control over operational risk. In particular risk-coordinators inform about realized incidents of operational risk as well as measure potential risks during self-appraisal.

In 2013 new automatized operational risk management system was integrated in the context of which forming of internal database concerning realized operational risk and loss taken was continued. Step-by-step transfer of departments' self-appraisal process into new automatized system is conducted. Work on replication of this system into banking and non-banking subsidiaries is initiated that will allow to measure operational risk level throughout the Group and uncover risk concentration zones of the Group.

In order to monitor operational risk the Group uses the system of reports for the management and collegial bodies, involved in risk management process. Operational risk reporting is formed on daily, monthly and quarterly basis.

During the period of realized operational risk database formation assessment and forecast of operational risk level are performed using basic indicative approach, recommended by Basel Committee on Banking Supervision, on the basis of statement of profit or loss. Current level of operational risk in Group is estimated as acceptable.

In order to prevent or/and decrease losses arised from operational risk the Group has developed and used mechanisms and procedures such as overall reglamentation of business-processes and procedures, segregation of duties, rules and procedures for deals and transactions execution, control over credit limit discipline, action plan for information security, continuity, improvement of an audit procedures and quality control over performance of automatized systems and hardware complex, property and assets insurance, ongoing professional development of staff across the Group's hierarchy, etc.

Measures for operational risk minimization are being processed during accrued statistical information analysis concerning operational risk incidents, analysis of Bank / subsidiaries processes, self-appraisal of organization departments concerning operational risks as well as during scenario analysis. They are subject to the regular monitoring from the side of organization departments as well as operational risk departments, management and collegial bodies of the Bank and Group's subsidiary.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 33 Contingencies and Commitments

**Legal proceedings.** From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and internal professional advice the Management is of the opinion that no material losses will be incurred in respect of the claims. During the year ended 31 December 2013 the Group recognized provision in the consolidated statement of profit or loss for the claims on which the Group expects cash outflows in the amount of RR 0.8 billion (31 December 2012: nil).

**Tax legislation.** 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. It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged. As a result, additional taxes, penalties and 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 new Russian transfer pricing legislation, which came into force on 1 January 2012, allows the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all "controlled" transactions if the transaction price deviates from the market prices determined for tax purposes. The list of "controlled" transactions includes transactions concluded with Russian and foreign related parties and certain types of cross-border transactions concluded with independent parties concluded starting 1 January 2012 or earlier if related income and expenses were recognized in 2012 or thereafter. Russian transfer pricing rules which are currently in effect have considerably increased the compliance burden for the taxpayers as compared to the transfer pricing rules which were in effect before 2012 due to, inter alia, shifting the burden of proof from the Russian tax authorities to the taxpayers. Special transfer pricing rules continue to apply to securities transactions and derivatives.

In 2013 the Group determined its tax liabilities arising from "controlled" transactions using actual transaction prices and making appropriate transfer pricing adjustments (where applicable).

Due to the uncertainty and absence of any stable practice of the application of the current Russian transfer pricing legislation the Russian tax authorities may challenge the level of prices applied by the Group under the "controlled" transactions and accrue additional tax liabilities, unless the Group is able to demonstrate the use of market prices with respect to the "controlled" transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation.

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

**Capital expenditure commitments.** As at 31 December 2013 the Group had contractual capital expenditure commitments in respect of premises and equipment totaling RR 13.9 billion (31 December 2012: RR 38.9 billion) and in respect of computer equipment acquisition of RR 9.2 billion (31 December 2012: RR 2.1 billion). The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 33 Contingencies and Commitments (Continued)

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

<i>In billions of Russian Roubles</i>	31 December 2013		31 December 2012	
	Lease payments under cancellable operating lease	Lease payments under non-cancellable operating lease	Lease payments under cancellable operating lease	Lease payments under non-cancellable operating lease
Not later than 1 year	13.2	1.8	10.8	1.4
Later than 1 year and not later than 5 years	29.7	5.5	19.0	3.2
Later than 5 years	29.2	4.2	14.5	3.3
<b>Total operating lease commitments</b>	<b>72.1</b>	<b>11.5</b>	<b>44.3</b>	<b>7.9</b>

**Compliance with covenants.** The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group. The Group is in compliance with covenants as at 31 December 2013 and as at 31 December 2012.

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

Commitments to extend credit represent unused portions of authorizations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss equal to the total amount of 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. The Group monitors the maturities of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

<i>in billions of Russian Roubles</i>	31 December 2013	31 December 2012
Commitments to extend credit	1,477.8	1,112.0
Guarantees issued	1,362.4	934.2
Undrawn credit lines	545.7	495.2
Export letters of credit	399.5	302.8
Import letters of credit and letters of credit for domestic settlements	226.9	185.5
<b>Total credit related commitments</b>	<b>4,012.3</b>	<b>3,029.7</b>

At 31 December 2013 included in Due to corporate customers are deposits of RR 107.7 billion (31 December 2012: RR 79.0 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 18.

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

The information on credit related commitments issued by state-controlled entities and government bodies is disclosed in Note 39.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 33 Contingencies and Commitments (Continued)

**Assets under management.** As at 31 December 2013 and 31 December 2012 several asset management companies of the Group were managing assets of various investment entities. The net value of such assets was as follows:

<i>In billions of Russian Roubles</i>	<b>2013</b>	<b>2012</b>
Pension funds	90.7	47.7
Mutual investment funds	25.3	17.5
Individual	8.9	7.4
Hedge funds	5.2	3.7
Designated funds	3.9	4.3
Venture funds	2.6	2.7
Private equity funds	–	0.9
Other	6.2	1.1
<b>Total</b>	<b>142.8</b>	<b>85.3</b>

### 34 Derivative Financial Instruments

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

Fair value of forward contracts is calculated as present value of amounts receivable less present value of amounts payable. The inputs in the discounted cash flows model used are forward exchange rate quotations and quoted implied depo rates. Such instruments are classified as level 2 of fair value hierarchy. Refer to Note 35.

Fair value of option contracts is calculated using the Black-Scholes model. Adjustments for credit risk are made where appropriate. The main inputs of this model are current market price and implied volatility. Where these inputs could be observed on the open market, the carrying amounts are disclosed as level 2 of fair value hierarchy. Otherwise, the amounts are disclosed as level 3. Refer to Note 35.

The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting date. The contracts are short term in nature.



## Notes to the Consolidated Financial Statements – 31 December 2013

### 34 Derivative Financial Instruments (Continued)

The table below shows the analysis of derivative financial instruments of the Group as at 31 December 2013:

<i>in billions of Russian Roubles</i>	Fair value of principal debt amount or agreed amount		Assets - Positive fair value	Liabilities - Negative fair value
	Receivables	Payables		
<b>Foreign currency:</b>				
Market swaps	35.9	(36.0)	–	(0.1)
OTC options	294.4	(291.6)	24.9	(22.1)
OTC swaps	1,822.4	(1,796.4)	40.7	(14.7)
Forwards	317.0	(316.1)	3.1	(2.2)
Futures	0.7	(0.7)	0.7	(0.7)
<b>Total</b>	<b>2,470.4</b>	<b>(2,440.8)</b>	<b>69.4</b>	<b>(39.8)</b>
<b>Interest rate:</b>				
Market options	2.6	(2.6)	–	–
Market swaps	5.8	(5.7)	0.1	–
OTC options	3.6	(3.6)	0.8	(0.8)
OTC swaps	455.7	(448.3)	26.5	(19.1)
Forwards	0.2	(0.2)	–	–
<b>Total</b>	<b>467.9</b>	<b>(460.4)</b>	<b>27.4</b>	<b>(19.9)</b>
<b>Commodities including precious metals:</b>				
OTC options	10.3	(10.4)	4.4	(4.5)
OTC swaps	19.4	(15.1)	4.3	–
Forwards	3.6	(3.9)	0.2	(0.5)
Futures	0.6	(0.2)	0.6	(0.2)
<b>Total</b>	<b>33.9</b>	<b>(29.6)</b>	<b>9.5</b>	<b>(5.2)</b>
<b>Equities:</b>				
Market options	0.4	–	0.4	–
OTC options	2.3	(1.5)	1.0	(0.2)
OTC swaps	0.1	(0.4)	0.1	(0.4)
Forwards	0.3	–	0.3	–
Futures	0.1	(0.1)	0.1	(0.1)
<b>Total</b>	<b>3.2</b>	<b>(2.0)</b>	<b>1.9</b>	<b>(0.7)</b>
<b>Other:</b>				
Market options	0.1	–	0.1	–
OTC options	0.4	(0.4)	–	–
Forwards	0.2	–	0.2	–
Futures	0.1	–	0.1	–
<b>Total</b>	<b>0.8</b>	<b>(0.4)</b>	<b>0.4</b>	<b>–</b>
<b>Credit risk:</b>				
OTC swaps	1.1	(0.9)	0.3	(0.1)
<b>Total</b>	<b>1.1</b>	<b>(0.9)</b>	<b>0.3</b>	<b>(0.1)</b>
<b>Total</b>	<b>2,977.3</b>	<b>(2,934.1)</b>	<b>108.9</b>	<b>(65.7)</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 34 Derivative Financial Instruments (Continued)

The table below shows the analysis of derivative financial instruments of the Group as at 31 December 2012:

<i>in billions of Russian Roubles</i>	Fair value of principal debt amount or agreed amount		Assets - Positive fair value	Liabilities - Negative fair value
	Receivables	Payables		
<b>Foreign currency:</b>				
Market options	0.3	(0.3)	–	–
Market swaps	(6.7)	6.7	(0.1)	0.1
OTC options	246.1	(245.5)	9.7	(9.1)
OTC swaps	1,018.6	(1,000.9)	30.7	(13.0)
Forwards	203.2	(203.7)	1.8	(2.3)
Futures	13.1	(13.1)	0.4	(0.4)
<b>Total</b>	<b>1,474.6</b>	<b>(1,456.8)</b>	<b>42.5</b>	<b>(24.7)</b>
<b>Interest rate:</b>				
Market swaps	2.1	(1.9)	0.2	–
OTC options	0.6	(0.6)	–	–
OTC swaps	406.6	(403.4)	16.9	(13.7)
Forwards	0.3	(0.3)	–	–
Futures	14.4	(14.4)	–	–
<b>Total</b>	<b>424.0</b>	<b>(420.6)</b>	<b>17.1</b>	<b>(13.7)</b>
<b>Commodities including precious metals:</b>				
OTC options	2.5	(2.5)	2.3	(2.3)
OTC swaps	21.3	(12.8)	8.7	(0.2)
Forwards	3.2	(3.2)	–	–
Futures	2.5	(2.5)	–	–
<b>Total</b>	<b>29.5</b>	<b>(21.0)</b>	<b>11.0</b>	<b>(2.5)</b>
<b>Equities:</b>				
Market options	0.6	(0.6)	0.1	(0.1)
OTC options	9.6	(6.4)	3.5	(0.3)
Forwards	2.5	(2.4)	0.2	(0.1)
Futures	7.8	(7.8)	–	–
<b>Total</b>	<b>20.5</b>	<b>(17.2)</b>	<b>3.8</b>	<b>(0.5)</b>
<b>Debt securities:</b>				
Forwards	0.2	(0.2)	–	–
<b>Total</b>	<b>0.2</b>	<b>(0.2)</b>	<b>–</b>	<b>–</b>
<b>Other:</b>				
OTC swaps	–	(0.3)	–	(0.3)
<b>Total</b>	<b>–</b>	<b>(0.3)</b>	<b>–</b>	<b>(0.3)</b>
<b>Total</b>	<b>1,948.8</b>	<b>(1,916.1)</b>	<b>74.4</b>	<b>(41.7)</b>

During the year the Group has incurred a net gain on foreign currency derivatives in the amount of RR 1.1 billion (31 December 2012: a net gain of RR 8.4 billion) and earned net gain on precious metals derivatives in the amount of RR 4.4 billion (31 December 2012: a net gain of RR 6.0 billion), which is recorded in the Group's consolidated statement of profit or loss within net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation, and net gains arising from operations with precious metals and precious metals derivatives correspondingly.

### 35 Fair Value of Financial Instruments

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.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 35 Fair Value of Financial Instruments (Continued)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table show an analysis of classes of assets carried at fair value by level of the fair value hierarchy as at 31 December 2013:

<i>in billions of Russian Roubles</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets carried at fair value</b>				
<b>Trading securities</b>	<b>98.2</b>	<b>1.2</b>	<b>1.8</b>	<b>101.2</b>
Corporate bonds	57.3	0.6	–	57.9
Corporate shares	15.5	0.3	1.1	16.9
Federal loan bonds (OFZ bonds)	13.2	–	–	13.2
Russian Federation Eurobonds	6.6	–	–	6.6
Municipal and subfederal bonds	2.7	–	–	2.7
Foreign government bonds	2.0	0.3	–	2.3
Investments in mutual funds	0.9	–	0.7	1.6
<b>Securities designated as at fair value through profit or loss</b>	<b>7.5</b>	<b>0.9</b>	<b>9.1</b>	<b>17.5</b>
Corporate shares	–	–	7.9	7.9
Federal loan bonds (OFZ bonds)	7.1	–	–	7.1
Investments in mutual funds	–	0.3	1.1	1.4
Foreign government bonds	–	0.6	0.1	0.7
Corporate bonds	0.4	–	–	0.4
<b>Securities pledged under repurchase agreements</b>	<b>1,093.5</b>	<b>–</b>	<b>–</b>	<b>1,093.5</b>
Federal loan bonds (OFZ bonds)	576.0	–	–	576.0
Corporate bonds	348.9	–	–	348.9
Russian Federation Eurobonds	102.8	–	–	102.8
Municipal and subfederal bonds	51.4	–	–	51.4
Foreign government bonds	13.5	–	–	13.5
Corporate shares	0.9	–	–	0.9
<b>Investment securities available-for-sale</b>	<b>425.2</b>	<b>51.0</b>	<b>–</b>	<b>476.2</b>
Corporate bonds	117.0	38.9	–	155.9
Federal loan bonds (OFZ bonds)	142.6	–	–	142.6
Foreign government bonds	101.4	11.8	–	113.2
Russian Federation Eurobonds	30.2	–	–	30.2
Corporate shares	29.1	0.3	–	29.4
Municipal and subfederal bonds	4.9	–	–	4.9
<b>Derivative financial instruments</b>	<b>1.5</b>	<b>89.8</b>	<b>17.6</b>	<b>108.9</b>
OTC swaps	–	55.1	16.8	71.9
OTC options	–	30.3	0.8	31.1
Forwards	–	3.8	–	3.8
Futures	1.5	–	–	1.5
Market options	–	0.5	–	0.5
Market swaps	–	0.1	–	0.1
<b>Investment property</b>	<b>–</b>	<b>–</b>	<b>15.3</b>	<b>15.3</b>
<b>Office premises</b>	<b>–</b>	<b>–</b>	<b>318.3</b>	<b>318.3</b>
<b>Total assets carried at fair value</b>	<b>1,625.9</b>	<b>142.9</b>	<b>362.1</b>	<b>2,130.9</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 35 Fair Value of Financial Instruments (Continued)

The following table show an analysis of classes of assets for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2013:

<i>in billions of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
<b>Assets for which fair values are disclosed</b>				
Due from banks	–	330.5	–	330.5
Loans and advances to customers	–	118.5	13,243.0	13,361.5
Investment securities held-to-maturity	199.3	0.9	–	200.2
Investment securities held-to-maturity pledged under repurchase agreement	250.3	–	–	250.3
<b>Total assets for which fair values are disclosed</b>	<b>449.6</b>	<b>449.9</b>	<b>13,243.0</b>	<b>14,142.5</b>

The following tables show an analysis of classes of liabilities carried at fair value and of liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2013:

<i>in billions of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
<b>Liabilities carried at fair value</b>				
<b>Derivative financial instruments</b>	<b>1.0</b>	<b>64.6</b>	<b>0.1</b>	<b>65.7</b>
OTC swaps	–	34.3	–	34.3
OTC options	–	27.5	0.1	27.6
Forwards	–	2.7	–	2.7
Futures	1.0	–	–	1.0
Market swaps	–	0.1	–	0.1
<b>Obligation to deliver securities</b>	<b>19.9</b>	<b>1.5</b>	<b>–</b>	<b>21.4</b>
Corporate bonds	13.3	1.0	–	14.3
Corporate shares	4.2	–	–	4.2
Foreign government bonds	1.3	0.5	–	1.8
Russian Federation Eurobonds	0.8	–	–	0.8
Federal loan bonds (OFZ bonds)	0.3	–	–	0.3
<b>Structured notes</b>	<b>–</b>	<b>0.4</b>	<b>1.0</b>	<b>1.4</b>
<b>Total liabilities carried at fair value</b>	<b>20.9</b>	<b>66.5</b>	<b>1.1</b>	<b>88.5</b>
<b>Liabilities for which fair values are disclosed</b>				
Due to banks	–	2,111.3	–	2,111.3
Due to individuals	–	154.2	8,276.1	8,430.3
Due to corporate customers	–	180.0	3,517.3	3,697.3
Debt securities in issue	341.7	518.1	–	859.8
Other borrowed funds	–	501.0	–	501.0
Subordinated debt	92.6	325.4	–	418.0
<b>Total liabilities for which fair values are disclosed</b>	<b>434.3</b>	<b>3,790.0</b>	<b>11,793.4</b>	<b>16,017.7</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 35 Fair Value of Financial Instruments (Continued)

The following tables show an analysis of financial instruments carried at fair value as at 31 December 2012 by level of the fair value hierarchy:

<i>in billions of Russian Roubles</i>	<b>31 December 2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Trading securities	81.5	8.0	0.9	<b>90.4</b>
Securities designated as at fair value through profit or loss	11.5	0.6	7.1	<b>19.2</b>
Securities pledged under repurchase agreements	677.9	4.3	–	<b>682.2</b>
Investment securities available-for-sale	734.3	52.1	18.1	<b>804.5</b>
Derivative financial instruments	–	52.2	22.2	<b>74.4</b>
<b>Total financial assets at fair value</b>	<b>1,505.2</b>	<b>117.2</b>	<b>48.3</b>	<b>1,670.7</b>
<b>Financial liabilities</b>				
Obligation to deliver securities	15.9	2.7	–	<b>18.6</b>
Derivative financial instruments	–	41.4	0.3	<b>41.7</b>
Structured notes	–	1.3	1.0	<b>2.3</b>
<b>Total financial liabilities at fair value</b>	<b>15.9</b>	<b>45.4</b>	<b>1.3</b>	<b>62.6</b>

Level 2 includes debt securities of first-class borrowers and derivative financial instruments that are not actively traded on the market. Fair value of these financial instruments was calculated using techniques for which all inputs which have a significant effect on the recorded fair value are observable. Financial characteristics of comparable financial instruments actively traded on the market were used as inputs for the fair valuation models.

The following describes the methodologies and assumptions used to determine fair values for financial instruments.

#### *Derivatives*

Derivatives valued using a valuation technique with market observable inputs derived from well-known market information systems are mainly interest rate swaps, currency swaps, forward foreign exchange contracts and foreign exchange option contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Option-pricing is mostly done with Black-Scholes model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and implied volatility.

#### *Trading securities and investment securities available-for-sale*

Trading securities and investment securities available-for-sale valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 35 Fair Value of Financial Instruments (Continued)

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities measured as at fair value during the year ended 31 December 2013:

<i>in billions of Russian Roubles</i>	<b>Transfers between Level 1 and Level 2</b>	
	<b>From Level 1 to Level 2</b>	<b>From Level 2 to Level 1</b>
<b>Financial assets</b>		
Trading securities	–	0.6
Investment securities available-for-sale	2.1	0.6
<b>Total transfers of financial assets</b>	<b>2.1</b>	<b>1.2</b>
<b>Financial liabilities</b>		
Obligation to deliver securities	–	0.8
<b>Total transfers of financial liabilities</b>	<b>–</b>	<b>0.8</b>

The financial instruments are transferred from Level 2 and Level 3 to Level 1 when they become actively traded and fair values are determined using quoted prices in an active market.

The financial instruments are transferred from Level 1 to Level 2 when they ceased to be actively traded. The liquidity of the market is not sufficient to use the market quotation for its valuation and fair values are consequently obtained from valuation techniques using observable market inputs.

The financial instruments are transferred to Level 3 when they ceased to be actively traded and there is no possibility to use valuation techniques with observable market inputs.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 35 Fair Value of Financial Instruments (Continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 assets and liabilities which are recorded as at fair value as at 31 December 2013:

<i>in billions of Russian Roubles</i>	At 1 January 2013	Total gains/(losses) reported in statement of profit or loss	Foreign currency revaluation	Purchases	Sales	Transfers from Level 3	Transfers to Level 3	At 31 December 2013
<b>Financial assets</b>								
Trading securities	0.9	0.8	–	0.1	(1.0)	–	1.0	1.8
Securities designated as at fair value through profit or loss	7.1	(4.0)	–	7.6	(1.6)	–	–	9.1
Investment securities available-for- sale	18.1	–	–	–	(5.2)	(12.9)	–	–
Derivative financial instruments	22.2	1.2	(0.6)	0.2	(5.1)	(0.3)	–	17.6
Investment property	15.3	(0.1)	–	0.5	(0.4)	–	–	15.3
<b>Total level 3 financial assets</b>	<b>63.6</b>	<b>(2.1)</b>	<b>(0.6)</b>	<b>8.4</b>	<b>(13.3)</b>	<b>(13.2)</b>	<b>1.0</b>	<b>43.8</b>
<b>Financial liabilities</b>								
Derivative financial instruments	0.3	0.1	–	–	(0.3)	–	–	0.1
Structured notes	1.0	–	–	–	–	–	–	1.0
<b>Total level 3 financial liabilities</b>	<b>1.3</b>	<b>0.1</b>	<b>–</b>	<b>–</b>	<b>(0.3)</b>	<b>–</b>	<b>–</b>	<b>1.1</b>

During the year ended 31 December 2013 there was a transfer of Investment securities available-for-sale representing shares of the stock exchange from Level 3 to Level 1 as they became actively traded during the year ended 31 December 2013. The carrying amount of shares of the stock exchange as at the date of transfer was RR 13.7 billion.

For the year ended 31 December 2013 the losses in the amount of RR 4.3 billion reported in the consolidated statement of profit or loss on Level 3 financial assets were unrealized.

For the year ended 31 December 2013 the losses in the amount of RR 0.6 billion reported in components of other comprehensive income on Level 3 financial assets were unrealized.

Total gains recognized as profit or loss on trading securities which are presented in the table above are reported in the statement of profit or loss within net (losses)/gains arising from trading securities.

Total losses recognized as profit or loss on securities designated as at fair value through profit or loss which are presented in the table above are reported in the statement of profit or loss within net losses arising from securities designated as at fair value through profit or loss.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 35 Fair Value of Financial Instruments (Continued)

Total losses recognized as profit or loss on investment property which are presented in the table above are reported in the statement of profit or loss within other operating income.

Total gains recognized as profit or loss on derivative financial instruments which are presented in the table above are reported in the statement of profit or loss within net gains arising from operations with other derivatives.

#### **Valuation of securities designated as at fair value through profit or loss in a real estate company of RR 4.5 billion using valuation techniques based on non-observable inputs**

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated capitalization rate which depend on forecasts on property prices. As at 31 December 2013 the estimated value of the WACC used by the Group comprised 10.0%.

Should the discount rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 0.05 billion lower / RR 0.05 billion higher. Should the capitalization rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 1.1 billion lower / RR 1.0 billion higher.

#### **Valuation of investments in mutual fund which main assets comprised real estate investments of RR 1.7 billion using valuation techniques based on non-observable inputs**

Fair value of investments in mutual funds' units which main assets comprised real estate investments is determined based on fair value of property units. Each property unit is revalued regularly by independent appraisals using sales comparison and income approach. Application of market average rates, which is considered to be a reasonably possible change of assumptions used in valuation model for calculation of fair value of such units, resulted in increase/decrease of fair value by RR 0.07 billion in case of application of the highest / lowest level of the range respectively.

#### **Valuation of shares in a special oil and gas investment entity of RR 1.6 billion using valuation techniques based on non-observable inputs**

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated guaranteed fixed yield on exit. Guaranteed fixed yield is not linked to the market and so has immaterial influence on the value of the financial instrument. As at 31 December 2013 the estimated value of the WACC used by the Group comprised 10.0%.

Should the discount rate used by the Group in the valuation model increase/decrease by 1.0%, the carrying value of the financial instrument would be RR 0.03 billion lower / RR 0.03 billion higher.

#### **Valuation of foreign currency derivatives contracts of RR 16.8 billion using non-observable inputs**

The input used for estimation of fair values of foreign currency derivatives as at 31 December 2013 was the yield to maturity of the Belarusian Eurobonds in USD 7.5%. The obligations in Belarusian roubles were estimated against the prevailing rate of attracting funds in Belarusian roubles at the reporting date 34.9%. Should the input rate for Belarusian roubles decrease for 1000 base points the carrying value of the foreign currency derivatives would be 3.9% lower.



## Notes to the Consolidated Financial Statements – 31 December 2013

### 35 Fair Value of Financial Instruments (Continued)

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities measured as at fair value during the year ended 31 December 2012:

<i>in billions of Russian Roubles</i>	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
<b>Financial assets</b>		
Trading securities	2.4	1.3
Securities designated as at fair value through profit or loss	0.2	0.1
Investment securities available-for-sale	0.1	0.6
<b>Total transfers of financial assets</b>	<b>2.7</b>	<b>2.0</b>
<b>Financial liabilities</b>		
Obligation to deliver securities	1.4	0.2
Structured notes	0.2	–
<b>Total transfers of financial liabilities</b>	<b>1.6</b>	<b>0.2</b>

The financial instruments are transferred from Level 2 and Level 3 to Level 1 when they become actively traded and fair values are determined using quoted prices in an active market.

The financial instruments are transferred from Level 1 to Level 2 when they ceased to be actively traded. The liquidity of the market is not sufficient to use the market quotation for its valuation and fair values are consequently obtained from valuation techniques using observable market inputs.

The financial instruments are transferred to Level 3 when they ceased to be actively traded and there is no possibility to use valuation techniques with observable market inputs.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded as at fair value as at 31 December 2012:

<i>(in billions of Russian Roubles)</i>	At 1 January 2012	Total (losses)/gains reported in the statement of profit or loss	Foreign currency revaluation	Changes in fair value due to deferred gains	Purchases	Sales	Transfers from Level 3	Transfers to Level 3	At 31 December 2012
<b>Financial assets</b>									
Trading securities	2.7	(0.5)	–	–	0.5	(1.9)	–	0.1	0.9
Securities designated as at fair value through profit or loss	5.4	(2.3)	–	–	7.6	(0.5)	(3.5)	0.4	7.1
Investment securities available-for-sale	14.3	–	–	–	5.3	(1.5)	–	–	18.1
Derivative financial instruments	23.6	3.3	(2.1)	0.2	0.1	(2.9)	–	–	22.2
<b>Total level 3 financial assets</b>	<b>46.0</b>	<b>0.5</b>	<b>(2.1)</b>	<b>0.2</b>	<b>13.5</b>	<b>(6.8)</b>	<b>(3.5)</b>	<b>0.5</b>	<b>48.3</b>
<b>Financial liabilities</b>									
Structured notes	0.9	–	–	–	0.1	–	–	–	1.0
Derivative financial instruments	0.6	(0.6)	–	–	0.3	–	–	–	0.3
Obligation to deliver securities	0.3	(0.3)	–	–	–	–	–	–	–
<b>Total level 3 financial liabilities</b>	<b>1.8</b>	<b>(0.9)</b>	<b>–</b>	<b>–</b>	<b>0.4</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1.3</b>

Transfers from Level 3 during the year ended 31 December 2012 were due to receipt of control over construction company. The carrying amount of the total assets transferred was RR 3.5 billion.

For the year ended 31 December 2012 the losses in the amount of RR 1.8 billion reported in the consolidated statement of profit or loss on Level 3 financial assets were unrealized.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 35 Fair Value of Financial Instruments (Continued)

Total losses recognized as profit or loss on trading securities which are presented in the table above are reported in the consolidated statement of profit or loss within net gains arising from trading securities.

Total losses recognized as profit or loss on securities designated as at fair value through profit or loss which are presented in the table above are reported in the consolidated statement of profit or loss within net losses arising from securities designated as at fair value through profit or loss.

Total gains recognized as profit or loss on derivative financial instruments which are presented in the table above are reported in the consolidated statement of profit or loss within net gains from operations with other derivatives.

#### **Valuation of available-for-sale shares in a stock exchange of RR 13.7 billion using valuation techniques based on non-observable inputs**

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type of WACC and estimated future operating cash flows.

Should the WACC used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 1.2 billion lower / RR 1.4 billion higher.

#### **Valuation of investments in shares of a company involved in innovation business at fair value through profit and loss of RR 4.4 billion using a valuation technique based on non-observable inputs**

The Group determined the fair value of the investments based on discounted cash flow model with the following principal assumptions underlying the estimation of the fair value: type of the weighted average cost of capital (hereinafter – “WACC”); volume of production, sale price of goods sold (in particular crystal polysilicon), cost of sales. When determining the sale price of goods sold the Group used current market prices and forecasts of analytical companies. As at 31 December 2012 the estimated value of the WACC used by the Group comprised 18.38%.

Should the WACC used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 0.3 billion lower / RR 0.3 billion higher.

#### **Valuation of shares in a real estate company of RR 3.1 billion using valuation techniques based on non-observable inputs**

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated capitalization rate which depend on forecasts on property prices.

Should the discount rate used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 0.1 billion lower / RR 0.1 billion higher. Should the capitalization rate used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 0.3 billion lower / RR 0.3 billion higher.

#### **Valuation of shares in a special investment entity of RR 1.6 billion using valuation techniques based on non-observable inputs**

The Group determined fair value of investments based on discounted cash flow model using the following key assumptions: type of WACC and estimated guaranteed fixed yield on exit. Guaranteed fixed yield is not linked to the market and so has immaterial influence on the value of the financial instrument.

Should the discount rate used by the Group in the valuation model increase/decrease by 1%, the carrying value of the financial instrument would be RR 0.03 billion lower / RR 0.03 billion higher.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 35 Fair Value of Financial Instruments (Continued)

#### Valuation of foreign currency derivatives contracts of RR 19.8 billion using non-observable inputs

The inputs used for estimation of fair values of foreign currency derivatives were the yield to maturity of the Belarusian Eurobonds in USD (7.44%). The obligations in Belarusian Roubles were estimated against the prevailing rate of attracting funds in Belarusian Roubles at the reporting date (37.0%). Should the input rate for Belarusian roubles decrease for 1000 base points the carrying value of the foreign currency derivatives would be 3.1% lower.

Fair values of financial assets and liabilities not accounted at fair value in the financial statements are disclosed below. There are following financial assets and financial liabilities not disclosed in the table below because their carrying amount is a reasonable approximation of fair value due to their short-term nature or repricing to current market rates:

- cash and cash equivalents,
- mandatory cash balances with central banks,
- other financial assets,
- other financial liabilities.

Fair values of financial assets not accounted at fair value in the financial statements are as follows:

<i>in billions of Russian Roubles</i>	31 December 2013		31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets carried at amortized cost</b>				
Due from banks	330.5	330.5	114.8	114.8
Loans and advances to customers:				
- Commercial loans to legal entities	5,930.5	6,103.6	4,971.6	5,029.4
- Specialized loans to legal entities	3,366.0	3,531.0	2,765.7	2,734.4
- Consumer and other loans to individuals	1,612.7	1,691.4	1,334.2	1,274.6
- Mortgage loans to individuals	1,542.8	1,553.2	1,116.9	1,094.1
- Credit cards and overdrafts	328.4	328.5	190.0	189.6
- Car loans to individuals	153.3	153.8	120.9	118.2
Securities pledged under repurchase agreements:				
- Investment securities held-to-maturity pledged under repurchase agreements	250.3	250.3	267.5	266.8
Investment securities held-to-maturity	202.5	200.2	105.9	105.5
<b>Total financial assets carried at amortized cost</b>	<b>13,717.0</b>	<b>14,142.5</b>	<b>10,987.5</b>	<b>10,927.4</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 35 Fair Value of Financial Instruments (Continued)

Fair values of financial liabilities not accounted at fair value in the financial statements are as follows:

<i>in billions of Russian Roubles</i>	31 December 2013		31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial liabilities carried at amortized cost</b>				
Due to banks	2,111.3	2,111.3	1,452.4	1,452.4
Due to Individuals:				
- Current/demand accounts	1,748.4	1,748.4	1,401.1	1,401.1
- Term Deposits	6,687.4	6,681.9	5,582.1	5,541.7
Due to corporate customers:				
- Current/settlement accounts of state and public organizations	158.7	158.7	99.0	99.0
- Term deposits of state and public organizations	88.6	90.3	270.1	273.9
- Current/settlement accounts of other corporate customers	1,504.8	1,504.8	1,130.1	1,130.1
- Term deposits of other corporate customers	1,863.5	1,930.7	1,660.5	1,685.7
- Direct repo deals	12.8	12.8	36.4	36.4
Debt securities in issue:				
- Loan participation notes issued under the MTN programme	324.9	334.8	291.6	315.0
- Savings certificates	344.5	343.1	227.2	231.6
- Promissory notes	74.7	74.2	110.1	109.7
- Notes issued under the ECP programme	46.9	46.8	16.1	16.1
- Bonds issued	59.4	59.3	44.3	44.5
- Other debt securities except for structured notes	1.6	1.6	0.1	0.1
Other borrowed funds	499.1	501.0	469.2	467.4
Subordinated debt:				
- Subordinated debt received by the Group from the Bank of Russia	303.3	303.3	303.3	303.3
- Subordinated debt received under the MTN programme	98.5	92.6	61.1	62.3
- Other subordinated debts	22.9	22.1	20.3	19.0
<b>Total financial liabilities carried at amortized cost</b>	<b>15,951.3</b>	<b>16,017.7</b>	<b>13,175.0</b>	<b>13,189.3</b>

**Financial instruments carried at fair value.** Trading securities, other assets at fair value through profit or loss, financial derivatives, available-for-sale financial assets are carried in the consolidated statement of financial position at fair value.

Cash and cash equivalents are carried at amortized cost which approximately equals their current fair value.

Refer to Note 3 for accounting policy on financial instruments carried at fair value.

**Loans and receivables carried at amortized cost.** The fair value of floating rate instruments is normally their carrying amount. Due to significant changes in market situation interest rates for loans and advances to customers and due from banks issued at fixed interest rates can be revised. Therefore interest rates for loans issued just before reporting date do not differ significantly from interest rates for new credit instruments with similar credit risk and remaining maturity. If under the Group assessment interest rates for the loans issued before reporting date differ significantly from current interest rates for similar credit instruments the fair value for these loans is estimated. The estimation is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 35 Fair Value of Financial Instruments (Continued)

Contractual interest rates on loans and advances to customers and due from banks as at 31 December 2013 and 31 December 2012 were as follows:

	2013	2012
<i>Due from banks</i>	0.05% to 13.3% p.a.	0.01% to 11.0% p.a.
<i>Loans and advances to customers:</i>		
Corporate loans	4.1% to 25.0% p.a.	5.2% to 18.7% p.a.
Loans to individuals	8.0% to 25.5% p.a.	7.4% to 24.0% p.a.

Estimated fair value of other financial assets including trade debtors equals their carrying amount considering short-term nature of these assets.

**Liabilities carried at amortized cost.** The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period (“demandable liabilities”) is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Discount rates used were consistent with the Group’s credit risk and also depend on currency and maturity of the instrument and ranged from 0.0% p.a. to 14.9% p.a. (2012: from 0.0% p.a. to 13.3% p.a.).

**Derivative financial instruments.** All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Refer to Note 34.

### 36 Transfers of Financial Assets

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.

The table below shows the amount of operations under sale and repurchase agreements which the Group enters into in the normal course of business.

	31 December 2013				31 December 2012			
	Due to banks		Due to customers		Due to banks		Due to customers	
	Carrying value of assets	Carrying value of related liability	Carrying value of assets	Carrying value of related liability	Carrying value of assets	Carrying value of related liability	Carrying value of assets	Carrying value of related liability
Securities pledged under repurchase agreements	1,337.5	1,267.8	6.3	6.0	919.2	845.8	30.5	23.8
Securities issued by the Bank pledged under repurchase agreements	6.3	5.3	–	–	0.4	0.3	0.8	0.7
Securities of clients pledged under repurchase agreements	30.3	20.8	8.9	6.8	10.2	8.8	17.6	11.9
<b>Total before margin calls</b>	<b>1,374.1</b>	<b>1,293.9</b>	<b>15.2</b>	<b>12.8</b>	<b>929.8</b>	<b>854.9</b>	<b>48.9</b>	<b>36.4</b>
Other financial assets (margin calls under repurchase agreements)	0.7	–	0.6	–	2.4	–	1.1	–
<b>Total</b>	<b>1,374.8</b>	<b>1,293.9</b>	<b>15.8</b>	<b>12.8</b>	<b>932.2</b>	<b>854.9</b>	<b>50.0</b>	<b>36.4</b>

Refer to Note 12 for detailed information on types of securities pledged under repurchase agreements.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 36 Transfers of Financial Assets (continued)

In the normal course of business, the Group makes borrowings on interbank market using different financial instruments as collateral to support its everyday operations in terms of liquidity.

The summary of the assets transferred without derecognition is presented below:

<i>in billions of Russian Roubles</i>	31 December 2013		31 December 2012	
	Carrying value of assets	Carrying value of related liability	Carrying value of assets	Carrying value of related liability
Cash and cash equivalents	0.1	0.1	–	–
Loans to corporate customers	125.3	110.8	224.8	170.7
Securities	28.5	28.5	20.0	17.6
Other assets	18.3	39.7	–	–
<b>Total</b>	<b>172.2</b>	<b>179.1</b>	<b>244.8</b>	<b>188.3</b>

The Group also enters into reverse sale and repurchase agreements. The summary of such operations is provided in the table below:

<i>in billions of Russian Roubles</i>	31 December 2013		31 December 2012	
	Amount of loans granted under repo agreements	Fair value of securities received as collateral	Amount of loans granted under repo agreements	Fair value of securities received as collateral
Cash and cash equivalents	27.2	28.6	81.1	88.7
Due from banks	131.3	154.8	9.8	12.1
Loans and advances to customers	137.0	202.8	133.5	167.3
<b>Total</b>	<b>295.5</b>	<b>386.2</b>	<b>224.4</b>	<b>268.1</b>

### 37 Offsetting of Financial Instruments

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

<i>in billions of Russian Roubles</i>	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		
				Financial instruments	Cash collateral received	Net amount
<b>Financial assets</b>						
Derivative financial assets	69.5	(0.9)	68.6	(38.9)	(7.2)	22.5
Reverse repurchase agreements	295.5	–	295.5	(295.5)	–	–
Other financial assets	99.4	(0.2)	99.2	(2.2)	(0.6)	96.4
<b>Total</b>	<b>464.4</b>	<b>(1.1)</b>	<b>463.3</b>	<b>(336.6)</b>	<b>(7.8)</b>	<b>118.9</b>
<b>Financial liabilities</b>						
Derivative financial liabilities	82.2	(0.9)	81.3	(38.9)	(9.9)	32.5
Direct repurchase agreements	1,306.7	–	1,306.7	(1,306.7)	–	–
Other financial liabilities	6.2	(0.2)	6.0	(2.2)	(1.8)	2.0
<b>Total</b>	<b>1,395.1</b>	<b>(1.1)</b>	<b>1,394.0</b>	<b>(1,347.8)</b>	<b>(11.7)</b>	<b>34.5</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 37 Offsetting of Financial Instruments (continued)

The comparative information as at 31 December 2012 is presented in the table below:

<i>in billions of Russian Roubles</i>	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	
<b>Financial assets</b>						
Derivative financial assets	42.8	(1.5)	41.3	(27.6)	(1.3)	12.4
Reverse repurchase agreements	224.4	–	224.4	(224.4)	–	–
Other financial assets	75.6	(2.5)	73.1	(48.1)	(3.6)	21.4
<b>Total</b>	<b>342.8</b>	<b>(4.0)</b>	<b>338.8</b>	<b>(300.1)</b>	<b>(4.9)</b>	<b>33.8</b>
<b>Financial liabilities</b>						
Derivative financial liabilities	34.6	(1.5)	33.1	(27.6)	(2.4)	3.1
Direct repurchase agreements	891.4	–	891.4	(891.4)	–	–
Other financial liabilities	56.6	(2.5)	54.1	(48.1)	(2.9)	3.1
<b>Total</b>	<b>982.6</b>	<b>(4.0)</b>	<b>978.6</b>	<b>(967.1)</b>	<b>(5.3)</b>	<b>6.2</b>

### 38 Related Party Transactions

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

The Group's principal shareholder is the Bank of Russia (refer to Note 1). Other related parties in the tables below comprise key management personnel, their close family members, associated companies of the Group. Disclosures are made in Note 39 for significant transactions with state-controlled entities and government bodies.

As at 31 December 2013 and 31 December 2012, the outstanding balances with the Bank of Russia and other related parties were as follows:

	31 December 2013		31 December 2012	
	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
<b>Assets</b>				
Cash and cash equivalents (contractual interest rates: 0.0% p.a. - 4.5% p.a.)	348.8	–	260.4	–
Mandatory cash balances with the Bank of Russia	112.3	–	122.6	–
Gross amount of loans and advances to customers (contractual interest rates: 9.0% p.a. - 20.0% p.a.)	–	0.3	–	0.1
Other assets	–	51.5	–	23.0
<b>Liabilities</b>				
Due to banks (contractual interest rates: 5.5% p.a. - 6.8% p.a.)	1,669.4	–	1,070.8	–
Due to individuals	–	6.6	–	8.3
Due to corporate customers (contractual interest rates: 0.2% p.a. - 7.8% p.a.)	–	0.6	–	0.9
Subordinated debt (contractual interest rate: 6.5% p.a.)	303.3	–	303.3	–
Other liabilities	–	3.4	–	–

## Notes to the Consolidated Financial Statements – 31 December 2013

### 38 Related Party Transactions (Continued)

The income and expense items with the Bank of Russia and other related parties for the year ended 31 December 2013 and 31 December 2012 were as follows:

	Year ended 31 December			
	2013		2012	
	the Bank of Russia	Other related parties	the Bank of Russia	Other related parties
Interest income	0.1	0.1	–	–
Interest expense on subordinated debt	(19.5)	–	(19.6)	–
Interest expense other than on subordinated debt	(48.3)	(0.4)	(38.6)	(0.3)
Net other income	–	1.9	–	–
Operating expenses	(1.5)	(0.7)	(1.4)	(0.2)

For the year ended 31 December 2013, remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 3.2 billion (for the year ended 31 December 2012: RR 2.4 billion).

### 39 Operations with State-Controlled Entities and Government Bodies

In the normal course of business, the Group enters into contractual agreements with the government of the Russian Federation and entities controlled or significantly influenced by it. The Group provides the government-related entities with a full range of banking services including, but not limited to, lending, deposit-taking, issue of guarantees, operations with securities, cash and settlement transactions. Operations with government-related entities are carried out on general market terms and constitute the minority of the Group's operations.

Balances with government-related entities which are significant in terms of the carrying amount as at 31 December 2013 are disclosed below:

Client	Sector	Loans and advances to customers/Due from banks	Due to corporate customers/Due to banks	Guarantees issued
Client 1	Oil and gas	117.5	76.8	20.6
Client 2	Oil and gas	–	34.2	–
Client 3	Energy	163.3	38.6	–
Client 4	Energy	147.7	19.0	–
Client 5	Energy	–	61.9	0.1
Client 6	Telecommunications	116.0	–	5.9
Client 7	Machine building	134.9	45.0	23.5
Client 8	Machine building	115.7	36.2	16.0
Client 9	Machine building	22.0	–	98.2
Client 10	Machine building	98.9	–	8.4
Client 11	Transport, aviation, space industry	5.7	–	25.2
Client 12	Transport, aviation, space industry	5.0	–	21.2
Client 13	Transport, aviation, space industry	–	–	22.7
Client 14	Transport, aviation, space industry	7.9	–	11.6
Client 15	Transport, aviation, space industry	6.5	2.6	8.9
Client 16	Banking	71.9	0.2	90.0
Client 17	Banking	8.3	54.3	–
Client 18	Services	–	22.7	–
Client 19	Other	58.9	–	–
Client 20	Other	–	33.7	–



## Notes to the Consolidated Financial Statements – 31 December 2013

### 39 Operations with State-Controlled Entities and Government Bodies (Continued)

Additionally as at 31 December 2013 balances from operations with state-controlled entities and government bodies include receivables from Deposit Insurance Agency of RR 54,0 billion (31 December 2012: nil) which represent receivables recognized from settlements on deposit compensations to clients of the banks whose license was withdrawn by the Bank of Russia. These balances are included in other financial assets in the consolidated statement of financial position. Refer to Note 16.

Balances with government-related entities which are significant in terms of the carrying amount as at 31 December 2012 are disclosed below:

Client	Sector	Loans and advances to customers/Due from banks	Due to corporate customers/Due to banks	Guarantees issued
Client 1	Oil and gas	77.0	23.4	–
Client 2	Oil and gas	4.3	16.7	–
Client 3	Energy	110.9	23.7	–
Client 4	Energy	106.7	35.0	0.6
Client 5	Energy	62.5	63.3	–
Client 6	Telecommunications	137.4	–	–
Client 7	Machine building	81.5	25.1	8.4
Client 8	Machine building	84.2	25.0	–
Client 9	Machine building	5.7	–	33.3
Client 10	Machine building	79.0	–	8.9
Client 11	Transport, aviation, space industry	3.1	–	17.3
Client 13	Transport, aviation, space industry	–	–	21.6
Client 14	Transport, aviation, space industry	3.7	–	14.4
Client 16	Banking	0.9	20.2	100.0
Client 17	Banking	33.3	25.2	–
Client 18	Services	–	17.6	–
Client 19	Other	57.4	–	–
Client 20	Other	–	32.0	–
Client 21	Transport, aviation, space industry	–	55.7	–
Client 22	Government and municipal bodies	–	73.8	–
Client 23	Government and municipal bodies	–	17.4	–
Client 24	Government and municipal bodies	–	15.0	–

As at 31 December 2013 and 31 December 2012 the Group's investments in securities issued by government-related corporate entities were as follows:

	31 December 2013		31 December 2012	
	Corporate bonds	Corporate shares	Corporate bonds	Corporate shares
Trading securities	25.9	5.1	11.2	1.4
Securities designated as at fair value through profit or loss	–	–	0.1	–
Securities pledged under repurchase agreements	131.0	0.6	98.9	3.9
Investment securities available-for-sale	105.9	13.6	166.9	15.2
Investment securities held-to-maturity	19.7	–	8.9	–

For disclosures on investments in government debt securities please refer to Notes 9, 10, 12, 13 and 14.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 40 Principal Subsidiaries

The table below provides details on principal subsidiaries of the Bank as at 31 December 2013:

Name	Nature of business	Percentage of ownership	Country of registration
DenizBank (DenizBank AS)	banking	99.85%	Turkey
Sberbank Europe AG	banking	100.00%	Austria
OJSC BPS-Sberbank	banking	97.91%	Belarus
SB JSC Sberbank	banking	100.00%	Kazakhstan
JSC Sberbank of Russia	banking	100.00%	Ukraine
Sberbank (Switzerland) AG	banking	99.15%	Switzerland
Cetelem Bank LLC (former BNP Paribas Vostok LLC)	banking	74.00%	Russia
CJSC Sberbank Leasing	leasing	100.00%	Russia
LLC Sberbank Capital	finance	100.00%	Russia
Troika Dialog Group Ltd.	finance	100.00%	Cayman islands
CJSC Rublevo-Archangelskoe	construction	100.00%	Russia
LLC Sberbank Investments	finance	100.00%	Russia
LLC Aukcion	services	100.00%	Russia
OJSC Krasnaya Polyana	construction	92.10%	Russia
PS Yandex.Money LLC	telecommunications	75.00% minus one Russian Rouble	Russia
LLC Khrustalnye Bashni	construction	50.01%	Russia

In the first quarter 2013 final purchase price allocation of DenizBank AS was performed. The final fair values of identifiable assets and liabilities of DenizBank AS at the acquisition date do not differ significantly from preliminary results.

In April 2013 DenizBank and Citibank signed an agreement to purchase consumer banking business of Citibank Turkey. The transaction was approved by Turkish Authorities in June 2013. At the approval date Citibank Turkey's consumer banking business had consumer banking portfolio with more than 600,000 customers with loans/receivables fair value of TRY 1.2 billion, and fair value of deposits of TRY 1.4 billion. The deal on acquisition of Citibank retail business in Turkey was finalized in July 2013.

Final amounts of fair values of assets/liabilities from the business combination at the acquisition date were as follows:

<i>in billions of Russian Roubles</i>	<b>Fair value</b>
Loans and advances to customers	18.7
Premises and equipment	0.1
Intangible assets	0.5
Other financial assets	0.1
<b>Total assets</b>	<b>19.4</b>
Due to individuals	(22.2)
Other financial liabilities	(4.0)
Other non-financial liabilities	(0.1)
<b>Total liabilities</b>	<b>(26.3)</b>
<b>Fair value of net assets of subsidiaries</b>	<b>(6.9)</b>
<b>Calculation of goodwill:</b>	
<b>Total purchase consideration</b>	<b>(6.9)</b>
<b>Fair value of net assets of subsidiaries</b>	<b>6.9</b>
<b>Goodwill on acquisition</b>	<b>–</b>

## Notes to the Consolidated Financial Statements – 31 December 2013

### 40 Principal Subsidiaries (Continued)

The Group's consolidated net profit for the year ended 31 December 2013 would not change materially if the acquisition occurred on 1 January 2013.

The Group has finalized purchase price allocation of identifiable assets and liabilities of OJSC Krasnaya Polyana and several other companies based on the final results of an independent external appraisal. Final goodwill from the business combination at the acquisition date was as follows:

<i>in billions of Russian Roubles</i>	<b>Fair value</b>
Cash and cash equivalents	1.5
Due from banks	0.6
Loans and advances to customers	1.5
Premises and equipment	1.3
Other non-financial assets	10.2
<b>Total assets</b>	<b>15.1</b>
Due to banks	(5.6)
Other financial liabilities	(0.2)
Other non-financial liabilities	(2.1)
<b>Total liabilities</b>	<b>(7.9)</b>
<b>Fair value of net assets of subsidiaries</b>	<b>7.2</b>
<b>Calculation of goodwill:</b>	
<b>Total purchase consideration</b>	<b>13.3</b>
Non-controlling interest at fair value	3.4
<b>Fair value of net assets of subsidiaries</b>	<b>(7.2)</b>
<b>Goodwill on acquisition</b>	<b>9.5</b>

The Group tested the above disclosed goodwill as at 31 December 2013 for impairment. As a result of this test the Group recognized the impairment of goodwill in the amount of RR 8.7 billion, which relates to segment Volga region and South of European part of Russia in the amount of RR 7.8 billion and to segment Moscow in the amount of RR 0.9 billion. Refer to Note 16.

In the third quarter 2013 the Group and BNP Paribas Personal Finance completed the deal under which the Group increased its stake in Cetelem Bank LLC from 70.0% up to 74.0%. In accordance with the terms of the transaction the governance remained unchanged. The amount paid by the Group equaled RR 0.4 billion. After three years, the Group has an option to increase its stake in the Cetelem Bank LLC up to 80.0% subject to achieving certain agreed business performance metrics.

In July 2013 the Group and Yandex, the Russian internet company, completed acquisition by the Group of 75.0% share minus one Russian Rouble in PS Yandex.Money LLC for USD 59.1 million. The key objective of this deal is to drive innovation in online retail payment solutions. Yandex will retain a substantial interest of 25.0% plus one Russian Rouble.

The goodwill is primarily attributable to the potential synergies of the business as well as well established business processes. The goodwill will not be deducted for tax purposes in future periods.

The Group's consolidated net profit for the year ended 31 December 2013 would not have changed if the acquisition occurred on 1 January 2013. Profit of PS Yandex.Money LLC since the acquisition date amounted to RR 0.1 billion.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 40 Principal Subsidiaries (Continued)

Final amount of goodwill and final values for assets/liabilities from the business combination at the acquisition date were as follows:

<i>in billions of Russian Roubles</i>	<b>Fair value</b>
Cash and cash equivalents	1.2
Premises and equipment	0.8
Other financial assets	0.5
<b>Total assets</b>	<b>2.5</b>
Due to individuals	(0.3)
Other financial liabilities	(1.4)
<b>Total liabilities</b>	<b>(1.7)</b>
<b>Fair value of net assets of subsidiaries</b>	<b>0.8</b>
<b>Calculation of goodwill:</b>	
<b>Total purchase consideration</b>	<b>2.0</b>
Non-controlling interest at fair value	0.2
<b>Fair value of net assets of subsidiaries</b>	<b>(0.8)</b>
<b>Goodwill on acquisition</b>	<b>1.4</b>

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 31 December 2013 was 15.4% (31 December 2012: 14.5%).

### 41 Capital Adequacy Ratio

The Group's objectives when managing capital are (i) to comply with the regulatory capital requirements set by the Bank of Russia and (ii) to safeguard the Group's ability to continue as a going concern.

According to requirements set by the Bank of Russia statutory capital ratio has to be maintained by the Bank above the minimum level of 10.0%. As at 31 December 2013 this regulatory capital adequacy ratio N1 was 12.9% (31 December 2012: 12.6%). Compliance with capital adequacy ratios set by the Bank of Russia is monitored monthly with reports outlining the calculation.

## Notes to the Consolidated Financial Statements – 31 December 2013

### 41 Capital Adequacy Ratio (continued)

The Group also monitors capital adequacy ratio based on Basel Accord to make sure it maintains a level of at least 8.0%. As at 31 December 2013 and 31 December 2012, Capital Adequacy Ratios calculated by the Group in accordance with the International Convergence of Capital Measurement and Capital Standards (July 1988, updated to November 2005) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel 1 requirements, were as follows:

	31 December 2013	31 December 2012
<b>Tier 1 capital</b>		
Share capital	87.7	87.7
Share premium	232.6	232.6
Retained earnings	1,495.2	1,186.7
Treasury shares	(7.2)	(7.6)
less Goodwill	(20.2)	(25.0)
<b>Total Tier 1 capital</b>	<b>1,788.1</b>	<b>1,474.4</b>
<b>Tier 2 capital</b>		
Revaluation reserve for premises	75.8	79.0
Fair value reserve for investment securities available-for-sale	0.6	16.8
Foreign currency translation reserve	(13.7)	(4.7)
Subordinated capital	420.1	382.7
less Investments in associates	(4.4)	(8.6)
<b>Total Tier 2 capital</b>	<b>478.4</b>	<b>465.2</b>
<b>Total capital</b>	<b>2,266.5</b>	<b>1,939.6</b>
<b>Risk weighted assets (RWA)</b>		
Credit risk	16,397.1	13,693.1
Market risk	550.0	452.5
<b>Total risk weighted assets (RWA)</b>	<b>16,947.1</b>	<b>14,145.6</b>
<b>Core capital adequacy ratio (Total Tier 1 capital to Total RWA)</b>	<b>10.6</b>	<b>10.4</b>
<b>Total capital adequacy ratio (Total capital to Total RWA)</b>	<b>13.4</b>	<b>13.7</b>

### 42 Subsequent Events

In February 2014 the Group issued the seventeenth series of loan participation notes under the MTN issuance programme in the amount of USD 1.0 billion. The notes received the status of subordinated. The notes mature in February 2024 and have contractual fixed interest rate of 5.5% p.a.

In March 2014 the Group issued the eighteenth series of loan participation notes under the MTN issuance programme in the amount of USD 0.5 billion. The notes mature in March 2019 and have contractual fixed interest rate of 4.15% p.a.

In March 2014 the Group issued the nineteenth series of loan participation notes under the MTN issuance programme in the amount of EUR 0.5 billion. The notes mature in March 2019 and have contractual fixed interest rate of 3.08% p.a.

## Notes to the Consolidated Financial Statements – 31 December 2013

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### 42 Subsequent Events (continued)

Subsequent to 31 December 2013, the economic and political uncertainty in Ukraine increased significantly. Furthermore, the Ukrainian Hryvnia devalued to Russian Rouble by approximately 11%, and the National Bank of Ukraine imposed certain restrictions on purchase of foreign currencies at the inter-bank market. International rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in deterioration of liquidity and much tighter credit conditions where credit is available.

At 31 December 2013, the Group exposure to Ukrainian risk amounted to approximately 0.8% of total consolidated assets. The exposure consists of net assets of and the Group funding to the Group's Ukrainian subsidiaries, as well as investments in equity and debt instruments issued by and loans to the Ukrainian government and corporate clients.

International rating agencies revised their outlook of Russia's sovereign credit rating in local and foreign currency from stable to negative following the political instability in Ukraine and heightened geopolitical risk and the prospect of U.S. and EU economic sanctions following Russia's incorporation of Crimea, which may reduce the flow of potential investment, trigger rising capital outflows and other negative economic effects.

Management is monitoring these developments in the current environment and taking actions where appropriate. These and any further possible negative developments in Ukraine could adversely impact results and financial position of the Group in a manner not currently determinable.