



**Hlynov Commercial Bank
(Open Joint Stock Company)**

**Non-Consolidated Financial Statements
31 December 2013
and Independent Auditor's Report**

OJSC CB Hlynov
Non-Consolidated financial statements as at 31 December 2013
and Independent Auditor's report

Contents

Statement of Management Responsibilities

Independent auditor's Report

Statement of Financial Position	1
Statement of Profit and Loss and other Comprehensive Income	2
Statement of Cash Flows	3
Statement of Changes in Equity	4

Notes to the Financial Statements

1. Principal Activities	5
2. Operating Environment of the Bank	5
3. Basis of Presentation	5
4. Significant Accounting Policies	11
5. Cash and Cash Equivalents	18
6. Mandatory Balances with the Central Bank of Russian Federation ("CBRF")	19
7. Due from Banks	19
8. Financial Assets at Fair Value through Profit or Loss	19
9. Financial Assets Held to Maturity	22
10. Loans and Advances to Customers	23
11. Investment in Subsidiaries	25
12. Other Assets	25
13. Property, Plant and Equipment	26
14. Due to Banks	28
15. Customer Accounts	28
16. Debt Securities Issued	29
17. Taxation	29
18. Other Liabilities	31
19. Share Capital	32
20. Commitments and Contingencies	33
21. Allowance for Impairment	33
22. Gains less Losses from Trading with Securities	33
23. Commission Income and Expenses	34
24. Staff, Administrative and Other Operating Costs	34
25. Financial Risk Management	35
26. Fair Value of Financial Instruments	53
27. Related Party Transactions	54
28. Capital Management	56

STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management has prepared and is responsible for the financial statements and related notes of Open Joint Stock Company Commercial Bank Hlynov ("the Bank"). They have been prepared in accordance with International Financial Reporting Standards ("IFRS") and necessarily include amounts based on judgements and estimates by Management.

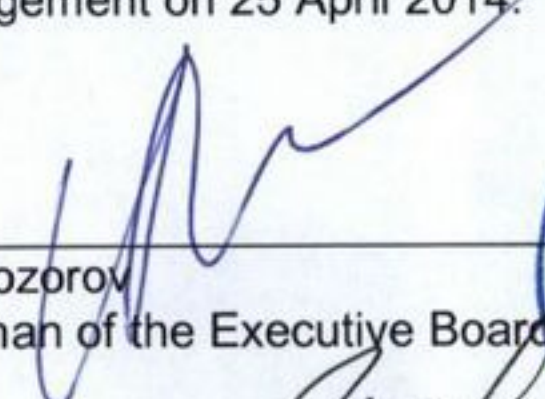
In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance;
- making an assessment of the Bank's ability to continue as a going concern.

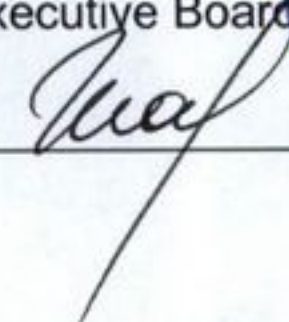
Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- maintaining statutory accounting records in compliance with Russian legislation and accounting standards;
- taking such steps as are reasonably available to them to safeguard the assets of the bank; and
- preventing and detecting fraud and other irregularities.

The financial statements of the Bank for the year ended 31 December 2013 were approved by management on 25 April 2014:



I.P. Prozorov
Chairman of the Executive Board



S.V. Shamseeva
Chief accountant

25 April 2014





INDEPENDENT AUDITOR'S REPORT

To Shareholders and Board of Directors of OJSC CB Hlynov and other users

Audited entity

Name: Commercial Bank "Hlynov" Open Joint Stock Company (OJSC CB "Hlynov").

Primary state registration number: 1024300000042

Location: 610002, Kirov, Uritskogo st., 40

Auditor

Name: Closed Joint Stock Company "Mazars" (CJSC "Mazars").

Primary state registration number: 1027739734219.

Location: 24/27 Sadovaya-Samotechnaya st., Moscow, 127051.

The Auditor is a corporate member of a professional audit organization, self-regulating organization of auditors - Noncommercial Partnership "Moscow Audit Chamber". The number in the register of auditors and audit organizations of self-regulating organization of auditors (main registration number of entry): 10303044761.

We have audited the accompanying financial statements of OJSC CB Hlynov (the "Bank"), which comprise of the statement of financial position as of December 31, 2013, statement of profit and loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

CJSC «Mazars»

Auditor



Sherstobitova I. M.

(auditor's qualification certificate № 02-000266, issued by order of the self-regulating organization NP IPR, in accordance with the minutes №210 from September, 20, 2012, ORZN 20702009542 for an indefinite period).

April 25, 2014

OJSC CB Hlynov
Non-Consolidated Statement of Financial Position as at 31 December 2013
(in thousands of Russian Roubles)

	Notes	2013	2012
Assets			
Cash and Cash Equivalents	5	2,238,312	1,444,294
Mandatory Balances with the CBRF	6	109,607	112,268
Due from Banks	7	170,898	140,804
Financial assets at fair value through profit or loss	8	1,864,953	1,562,544
Financial assets held to maturity	9	79,252	115,444
Loans and Advances to Customers	10	9,800,588	8,946,210
Investment in Subsidiaries	11	-	6,233
Other Assets	12	109,965	119,119
Property, Plant and Equipment	13	363,460	315,039
Investment properties	13	3,059	50,839
Total Assets		14,740,094	12,812,794
Liabilities			
Due to Banks	14	558,831	520,821
Customer Accounts	15	11,961,087	10,416,549
Debt Securities Issued	16	10,000	29,214
Taxation	17	51,976	49,308
Other Liabilities	18	80,685	56,062
Total Liabilities		12,662,579	11,071,954
Equity			
Share Capital	19	627,198	627,198
Retained Earnings		1,368,387	1,038,598
Revaluation Reserve		81,930	75,044
Total Equity		2,077,515	1,740,840
Total Liabilities and Equity		14,740,094	12,812,794
Credit Related Commitments	20	2,252,953	1,560,796

Signed and authorised for release on behalf of the Executive Board of the Bank on 25 April 2014

I.P. Prozorov
Chairman of the Executive Board

S.V. Shamseeva
Chief accountant



The accompanying notes on pages 5 to 55 form an integral part of these financial statements

OJSC CB Hlynov
Non-Consolidated Statement of Profit and Loss and other Comprehensive Income
for the year ended 31 December 2013
(in thousands of Russian Roubles)

	Notes	2013	2012
Interest income			
Loans and advances to legal entities		948,544	767,469
Loans and advances to individuals		304,437	203,099
Securities		191,105	146,493
Due from banks		5,055	6,705
		1,449,141	1,123,766
Interest expense			
Term deposits of individuals		(607,002)	(472,834)
Term deposits of legal entities		(67,140)	(25,083)
Current/settlement accounts		(7,366)	(9,396)
Due to banks		(33,206)	(10,703)
Debt securities issued		(353)	(428)
		(715,067)	(518,444)
Net interest income		734,074	605,322
Allowance for impairment on loans and advances to customers	21	(135,048)	(151,010)
Net interest income less allowance for losses		599,026	454,312
Net fee and commission income	23	356,822	284,924
Net gains less losses from trading with securities	22	9,758	5,293
Net gains / (losses) from transactions with foreign currencies		(7,759)	56,989
Net gain / (loss) from revaluation of items in foreign currencies		52,541	(30,153)
Gains / (losses) from disposal of property, plant and equipment		(8,905)	2,090
Allowance for impairment on other assets	21	(24,447)	-
Fair value adjustment of investment in subsidiary	11	(6,223)	6,233
Other operating income		18,478	10,016
Operating income		989,291	789,704
Staff costs	24	(347,496)	(269,999)
Administrative and other operating costs	24	(201,205)	(158,559)
Depreciation and amortisation	13	(20,300)	(14,825)
Operating expenses		(569,001)	(443,383)
Profit before tax		420,290	346,321
Income tax charge	17	(92,096)	(75,365)
Profit for the period		328,194	270,956
Other comprehensive income			
Gains on property revaluation, net of tax		8,481	28,429
Total other comprehensive income / (loss)		8,481	28,429
Total comprehensive income for the year		336,675	299,385

Signed and authorised for release on behalf of the Executive Board of the Bank on 25 April 2014

I.P. Prozorov
Chairman of the Executive Board

S.V. Shamseeva
Chief accountant



The accompanying notes on pages 5 to 55 form an integral part of these financial statements

OJSC CB Hlynov
Non-Consolidated Statement of Cash Flows
for the year ended 31 December 2013
(in thousands of Russian Roubles)

	Notes	2013	2012
Cash flows from operating activities			
Interest received		1,188,543	849,299
Interest paid		(715,067)	(518,444)
Income from securities trading		195,984	142,964
Income from trading in foreign currencies		(7,602)	59,310
Commissions received		420,606	331,186
Commissions paid		(36,393)	(28,962)
Losses from disposal of property, plant and equipment		-	(948)
Other operating incomes received		9,185	18,339
Other operating expenses paid		(550,354)	(429,210)
Income tax paid		(91,150)	(71,404)
Cash flows from operating activities received before changes in operating assets and liabilities		413,752	352,130
<i>Net (increase)/decrease in operating assets</i>			
Mandatory balance with CBRF		2,661	(13,796)
Securities at fair value through profit or loss		(238,509)	151,859
Due from banks		(30,094)	428,877
Loans and advances to customers		(989,426)	(2,695,464)
Other assets		34,997	112,967
<i>Net increase /(decrease) in operating liabilities</i>			
Due to banks		38,010	520,820
Customer accounts		1,544,538	1,703,988
Debt securities issued		(19,213)	10,305
Other liabilities		(24,512)	(24,115)
Net cash received from operating activities		732,204	547,571
Cash flows from investing activities			
Acquisition of property, plant and equipment		(25,569)	(21,636)
Disposal of property, plant and equipment		3,472	5,429
Purchase of financial assets HTM		(29,052)	(64,956)
Net cash paid in investing activities		(51,149)	(81,163)
Net cash received from financing activities			
Effect of exchange rate on cash and cash equivalents		112,963	30,269
Net increase of cash and cash equivalents		794,018	496,677
Cash and cash equivalents at the beginning of the year	5	1,444,294	947,617
Cash and cash equivalents at the end of the year	5	2,238,312	1,444,294

Signed and authorised for release on behalf of the Executive Board of the Bank on 25 April 2014

I.P. Prozorov
Chairman of the Executive Board

S.V. Shamseeva
Chief accountant



OJSC CB Hlynov
Non-Consolidated Statement of Changes in Equity
for the year ended 31 December 2013
(in thousands of Russian Roubles)

	Share capital	Revaluation reserve	Retained earnings	Total equity
01 January 2012	627,198	46,615	767,642	1,441,455
Total comprehensive income for the year	-	28,429	270,956	299,385
01 January 2013	627,198	75,044	1,038,598	1,740,840
Total comprehensive income for the year	-	8,481	328,194	336,675
Write-off of revaluation reserve	-	(1,595)	1,595	-
01 January 2014	627,198	81,930	1,368,387	2,077,515

In accordance with normative legal acts of the Russian Federation regulating the banking activity, the Bank must use financial statements prepared under Russian Accounting Standards ('RAS') as the basis for calculating distributable profit for the accounting year. The income may be used for paying dividends or for increasing the Bank's reserves.

As at 31 December 2013, retained earnings of the Bank calculated in accordance with RAS were 1,095,962 (2012: 750,725).

Signed and authorised for release on behalf of the Executive Board of the Bank on 25 April 2014

I.P. Prozorov
Chairman of the Executive Board

S.V. Shamseeva
Chief accountant



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

1. Principal Activities

On 6 March 1990, Bank "KirovCoopBank" was registered with the Central Bank of the Russian Federation ("CBRF"). In the year 1991 it was renamed as "Commercial Bank Hlynov" (Open Joint Stock Company).

The Bank conducts its business under general license № 254 issued by the CBRF on 24 February 2000 to conduct banking operations in Russian Roubles and foreign currency and to attract deposits from individuals in Roubles and foreign currency. Since 21 September 2004 the Bank has been a member of the State Deposit Insurance system. The Bank has also been granted licenses as professional participant of the Securities Market allowing it to carry out depository functions, and to act as broker and dealer and provide services in managing securities.

The principal activity of the Bank is to provide banking services to the population and legal entities in the Kirov district.

The structure of the Bank comprised a central office, situated at 40 Yritskogo Street, Kirov, 610002, plus 28 supplementary offices and 3 'cash-in offices'. The Bank does not have any branches.

During 2013 the Bank has had an average of 609 members of staff (2012: 551).

In the opinion of the Bank's management, and considering the structure and nature of the shareholders, described in Note 19, the Bank does not have a single ultimate controlling party.

2. Operating Environment of the Bank

Russian economy is influenced by market volatility and slowdown of the global economy. There is still some uncertainty concerning future economic growth, access to capital markets as well as cost of capital that can affect negatively financial position, operating results and economic perspectives of the Bank.

In 2013 key trends of the previous year remained the same in Russia: gradual slow-down of corporate lending on the back of the general cooling of the Russian economy, and continuing rapid expansion of the retail lending market accompanied by an increased regulators' attention to the rise of corresponding risks.

The future economic direction of the Russian Federation is largely dependent upon the state of the global economy, price of oil and other commodities, the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

The financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

3. Basis of Presentation

a) General

The non-consolidated financial statements of the Bank have been prepared on the going concern basis in accordance with IFRS which comprise existing standards and their interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations ("SIC") approved by the International Accounting Standards Committee that remain in effect. The Bank maintains its accounting records in accordance with Russian Accounting Standards ("RAS").



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Basis of Presentation (continued)

These financial statements are based on the Bank's RAS analytical books and records adjusted and reclassified in order to comply with IFRS.

These financial statements are presented and rounded to thousands of Roubles (RUR) unless otherwise indicated. The Rouble is utilised as the reporting currency as the majority of the Bank's transactions are denominated, measured, or funded in RUR, hence it is both the functional and reporting currency. Transactions in other currencies other than RUR are treated as transactions in foreign currencies.

These financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

b) Use of estimates

The preparation of financial statements in accordance with IFRS requires the use of estimations and assumptions that affect the reported data. These estimates are based on information available at the date of financial statements' preparation, and although are based on Management's best knowledge and understanding of current events, the actual results might differ from the estimated. The most significant are the estimates of level of allowances for possible losses.

(i) Impairment losses on loans to customers

The Bank reviews loans to customers on a quarterly basis for evidence of impairment. The reason for impairment could be late payments of loans and interest or negative financial information about the borrower. The credits exceeding the materiality level for financial statements are reviewed individually. Others are reviewed on a portfolio basis by counterparty industry type and geographical location. When impairment is required to be recognised it is done individually for loans, exceeding materiality level based on Managements estimate of the future cash flows arising from the loan. This is based on their knowledge and experience of the counterparty, its industry and location. For portfolio based impairment the estimate is based wherever possible on observable data such as CBRF statistics including industry areas statistics by industry and regions.

Impairment amount is calculated as the difference between the loan's carrying amount and the present value of estimated future cash flows (less future credit losses that have not been incurred) discounted at the loan's original effective interest rate. The aggregate of the allowances made during the year is charged against Statement of Profit and Loss and other Comprehensive Income for the year.

(ii) Impairment losses on receivables other than loans

The Bank reviews all its assets for impairment on a quarterly basis. In determining whether an impairments loss should be recorded in the Statement of Profit and Loss and other Comprehensive Income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an asset. Management uses estimates based on their knowledge and experience to determine both the amount and timing of future cash flows

(iii) Fair values

For assets and liabilities estimated at fair value the Bank applies the latest market bid prices where possible. In cases where this is not available it uses evaluation techniques or conventions. Further details are given in Note 8.

(iv) Related party transactions

In the normal course of business the Bank enters into transactions with related parties. These transactions are predominantly priced at market rates. Judgment is applied in determining if transactions are priced at market or non-market rates where there is no active market for such transactions. The basis for judgment is the pricing of similar types of transactions with non related parties and effective interest rate analysis.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Basis of Presentation (continued)

(v) *Depreciation*

The Bank applies the norms of depreciation based on the estimated useful life of its fixed assets. These estimates are based on Management's knowledge of assets and the use to which they are put. Estimates of useful lives are reviewed on an annual basis.

The allowances for impairment of financial assets and provisions in the accompanying financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in the Russian Federation and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in the future.

c) Application of new and revised International Financial Reporting Standards (IFRSs)

New, revised and amended standards and interpretations applicable for the periods beginning or ending in 2013:

IFRS 10 Consolidated Financial Statements

Establishes a single basis – control – to determine whether an entity (including a structured or special purpose entity) should be included in the consolidated financial statements.

Provides additional guidance to assist in the determination of control in circumstances when this is difficult to assess, such as control with less than 50% of voting rights, potential voting rights and agency relationships (eg, investment managers).

IFRS 11 Joint Arrangements

Introduces an amended approach to joint arrangements, which focuses on rights and obligations rather than legal form, and provides amended guidance on how joint operations and joint ventures should be accounted for. When an interest is classified as a joint venture under IFRS 11, proportionate consolidation is not permitted.

IFRS 12 Disclosure of Interests in Other Entities

A new and comprehensive standard providing disclosure requirements for all forms of interests in other entities including subsidiaries, joint arrangements, associates, structured or special purpose entities and off-balance sheet entities.

IAS 27 Separate Financial Statements

Contains the accounting and disclosure requirements for investments in subsidiaries, joint arrangements and associates when an entity prepares separate financial statements. The requirements in respect of consolidated financial statements are superseded by IFRS 10.

IAS 28 Investments in Associates and Joint Ventures

Prescribes the accounting treatment for investments in associates and joint ventures, and slightly modifies the accounting required when a portion of an investment in an associate or joint venture is held for sale.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

Provides additional transition relief in IFRS 10, 11 and 12 by limiting the requirement to provide adjusted comparative information to only the preceding comparative period.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Basis of Presentation (continued)

IFRS 13 <i>Fair Value Measurement</i>	Defines fair value, sets out a single framework for measuring fair value and requires disclosures about fair value measurement. Does not extend the circumstances when fair value is required to be used.
IAS 19 <i>Employee Benefits – Revised</i>	Makes several significant changes to accounting for defined benefit plans including eliminating the 'corridor method', amending the amount of the changes in assets reported in profit or loss and enhancing disclosure requirements.
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	Clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.
Amendments to IFRS 1 – Government Loans	Addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs.
Amendments to IFRS 7 – Disclosures: Offsetting Financial Assets and Financial Liabilities	Introduces new disclosures to help investors and other financial statement users better to assess the effect or potential effect of offsetting arrangements on the balance sheet and better to understand how entities mitigate credit risk.

New and revised IFRSs in issue but not yet effective

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not yet effective, and which the Bank has not early adopted:

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (effective for annual periods beginning on or after 1 January 2014)	Defines an investment entity and introduces an exception to consolidating particular subsidiaries for investment entities.
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)	Addresses inconsistencies in current practice when applying the offsetting criteria in IAS 32.
Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)	Introduces a narrow-scope exception to the requirement for the discontinuation of hedge accounting in IAS 39 by allowing hedge accounting to continue in a situation where a derivative that has been designated as a hedging instrument is novated from one counterparty to a central counterparty, as a consequence of new laws or regulations if specific conditions are met.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Basis of Presentation (continued)

IFRS 9 Financial Instruments
(effective for annual periods beginning on or after 1 January 2015)

Replaces the requirements of IAS 39 relating to the classification and measurement of financial assets and financial liabilities, reducing complexity in these areas. Subsequent stages of this project will replace the requirements of IAS 39 relating to impairments and hedging.

Management has decided not to early adopt any of the Standards, Interpretations and Amendments. Of the above Management believes that only the following will have a significant impact on the Bank's financial statements:

IFRS 9 Financial Instruments – Classification and Measurement

The Bank does not have a complex range of financial instruments and the anticipated changes are expected largely to relate to disclosure requirements only.

The Bank will adopt these standards when they become effective.

d) Inflation accounting

In the opinion of Management, effective from 1 January 2003, the Russian Federation no longer met the criteria of IAS 29 "Financial Reporting in Hyperinflationary Economies", and therefore, the Bank ceased applying IAS 29 to subsequent periods recognising only the cumulative impact of inflation indexing on non-monetary elements of the financial statements through 31 December 2002.

Consequently, monetary items and results of operations for 2012 and 2013 are reported in actual, nominal amounts. Non-monetary assets and liabilities acquired prior to 31 December 2002, and share capital transactions occurring before 31 December 2002 were restated by applying the relevant inflation factors to the historical cost ("restated cost") through 31 December 2002. Gains or losses on subsequent disposals are recognised based on the restated cost of the non-monetary assets and liabilities.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Basis of Presentation (continued)

e) Reconciliation of RAS and IFRS equity and net income

	31 December 2013		31 December 2012	
	Equity	Net profit	Equity	Net profit
RAS	1,830,951	343,642	1,476,428	241,002
Transfer value of loans	-	-	-	19,997
Allowance for loans and correspondent accounts	251,651	1,240	250,411	5,576
Interest expense/income	25,047	358	24,689	5,741
Write off of low value assets	(167)	(30)	(137)	204
Additional depreciation	(7,710)	(8,719)	(2,590)	(1,570)
Investments in subsidiaries		(6,223)	6,233	6,233
Adjustments of fixed assets	23,723	11,664	15,658	7,517
Deferred tax	(51,976)	(946)	(49,308)	(3,961)
Deposit insurance system	(7,831)	(1,174)	(6,657)	(772)
Revaluation of fixed assets	13,429	(1,187)	13,429	1,502
Recognition of SWAP deals	(157)	(426)	269	2,590
Recognition of financial assets HTM at amortised cost	(288)	(198)	(90)	2
Staff expenses	(20,848)	(5,033)	(15,815)	(4,891)
Commission on guarantees issued	(8,381)	(4,481)	(3,900)	34
Expenses on repairmen of rented premises	(4,014)	(291)	(3,723)	(3,723)
Other	34,086	(2)	35,943	(4,525)
IFRS	2,077,515	328,194	1,740,840	270,956

f) Fair value of financial instruments

Unless otherwise stated, the financial instruments of the Bank have been stated in these financial statements at their measured fair values in accordance with IFRS 13 "Fair Value Measurement". The estimated fair values are intended to approximate the amounts at which these instruments could be exchanged in an arm's length transaction between willing parties at the year end. Certain financial instruments lack an active trading market and therefore fair values are based on valuation techniques, which involve assumptions and judgement.

The specific valuation methodologies applied to these instruments are outlined in Note 3. In light of the foregoing, the fair values should not necessarily be interpreted as being realisable in an immediate settlement of the instruments.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

4. Significant Accounting Policies

a) Consolidation

These financial statements present the Bank's activities and balances on a non-consolidated basis. The Bank has produced separate financial statements presenting the consolidated Statement of Profit and Loss and other Comprehensive Income and Statement of Financial Position of the Bank and its subsidiaries.

b) Recognition of Financial Instruments

The Bank recognises financial assets and liabilities on its Statement of Financial Position when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognised using trade date accounting.

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

Financial assets and liabilities are initially recognised at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred, respectively. Any gain or loss at initial recognition is recognised in the current period's Statement of Profit and Loss and other Comprehensive Income. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBRF, excluding mandatory reserves, and due from credit institutions that mature within one day of the date of origination and are free from contractual encumbrances.

d) Mandatory Balances with the CBRF

Mandatory balances represent mandatory reserve assets which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

e) Due from Banks

In the normal course of business, the Bank maintains current accounts or deposits for various periods of time with other banks. Amounts due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from banks are carried net of any allowance for impairment.

f) Financial Assets at Fair Value through Profit or Loss ("FVPL")

Securities at FVPL are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term holding exists. Securities at FVPL are initially recognised at fair value and subsequently re-measured at fair value. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the reporting date.

All related realised and unrealised gains or losses are recorded within net gains or losses from trading activities in the Statement of Profit and Loss and other Comprehensive Income for the period in which the change occurs. Interest earned on trading securities is reflected in the Statement of Profit and Loss and other Comprehensive Income as interest income on securities.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Significant Accounting Policies (continued)

All purchases and sales of securities at FVPL that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at trade date, which is the date when the property is effectively transferred.

g) Investment in subsidiaries

Investments in subsidiaries are valued at fair value through profit or loss using the same basis as outlined in Note 3 (f) above.

h) Financial Assets Held to Maturity ("HTM")

This category includes non-derivative financial assets with fixed or determinable payments and fixed maturity which the Bank has both the intent and the ability to hold to maturity.

After initial recognition such securities are re-measured to amortised cost as at the date of the financial statements. At each reporting date the Bank also evaluates whether there are any objective signs of impairment of securities carried at amortised cost with the purpose of determining whether an impairment loss calculation is necessary.

Impairment losses are calculated as being equal to the difference between the statement of financial position value and anticipated future cash flows discounted at the effective interest rate that was applicable on initial recognition. Impairment loss is recognised in the Statement of Profit and Loss and other Comprehensive Income for the period.

i) Sale and Repurchase Agreements

Sale and repurchase ("repo") agreements are treated as secured financing transactions. Securities sold under sale and repurchase agreements are included in securities. The corresponding liability is presented under due to banks, amounts due to customers or other liabilities as appropriate. Securities purchased under agreements to resell ("reverse repo") are recorded as due from banks, loans to customers or other assets as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective interest method.

j) Promissory Notes Purchased

Promissory notes purchased are included in securities, due from credit institutions or in loans and advances to customers, depending on their substance and are recorded and subsequently re-measured and accounted in accordance with the accounting policies for these categories of assets.

k) Loans and Advances to Customers

Loans are stated at amortised cost, net of allowances for impairment. Amortised cost is calculated as the amount outstanding after amortisation of the premium or discount over fair value arising at initial recognition using the effective interest method.

A loan or portfolio of loans is considered impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or loans (a 'loss event'), that loss event (or events) has an impact on the estimated future cash flows that will be generated by the loan or portfolio of loans and that loss can be reliably estimated. Whether objective evidence of impairment exists is considered individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Should no objective evidence of impairment exist for an individually assessed loan, whether significant or not, the loan is included in a portfolio of loans with similar credit risk characteristics and is collectively assessed for impairment.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Significant Accounting Policies (continued)

The amount of impairment loss is calculated as the difference between the loan's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. The aggregate of the allowances made during the year is included in the Statement of Profit and Loss and other Comprehensive Income.

Loans and advances which cannot be recovered are written off and charged against the allowance for impairment loss. Such loans are written off after all necessary legal procedures have been completed and the amount of the loss is finally determined.

Mortgage loans for sale continue to be recognised as loans to customers because they contain the features of loans rather than securities.

1) Impairment of Financial Assets

(i) Assets carried at amortised cost

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is considered impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows that will be generated by the asset or group of assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experience by the borrower (for example, equity ratio, net income, percentage of sales, etc.);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrowers' competitive position;
- Deterioration in the value of collateral; and
- Downgrading in the CBR credit rating below II category.

The estimated period between losses occurring and their identification is determined by management for each identified portfolio.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Significant Accounting Policies (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit and Loss and other Comprehensive Income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of Profit and Loss and other Comprehensive Income in impairment charge for credit losses.

(ii) Assets classified as available for sale

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Statement of Profit and Loss and other Comprehensive Income – is removed from equity and recognised in the Statement of Profit and Loss and other Comprehensive Income. Impairment losses recognised in the Statement of Profit and Loss and other Comprehensive Income on equity instruments are not reversed through the Statement of Profit and Loss and other Comprehensive Income.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Significant Accounting Policies (continued)

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Profit and Loss and other Comprehensive Income, the impairment loss is reversed through the Statement of Profit and Loss and other Comprehensive Income.

(iii) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

m) Financial Guarantee Contracts

Potential liabilities arising under such contracts are initially recognised at fair value which is measured by reference to consideration received in respect of the contract unless it has been issued at non market rates.

The recognised amount is then amortised on a straight line basis by reference to time to maturity as this represents the reduction in potential liability remaining.

Assessments of counterparties are conducted on a regular basis on a similar basis to that used to assess whether loans are impaired as described in note 4I. When impairment equivalent events are noted the fair value of the guarantee contract is re-assessed by reference to the provisions of IAS 37.

n) Property, Plant and Equipment

Premises are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation, as assessed by management based on appraisals of market value undertaken by professional appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such premises is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the Statement of Profit and Loss and other Comprehensive Income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated profits.

Fixtures and equipment are carried at restated cost less accumulated depreciation and any accumulated impairment for diminution in value. Depreciation on other assets is calculated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Premises	50 – 80
Computer Equipment	3 – 4
Office Equipment	3 – 10
Furniture	3 – 5
Motor Vehicles	3 – 7



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Significant Accounting Policies (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and showed separately in the Statement of Profit or Loss and other Comprehensive Income.

o) Investment Property

Investment property comprises freehold properties that are held to earn rentals or for capital appreciation or both. It is not depreciated but is stated at fair value based on valuations by independent registered appraisers. Fair value is based on current prices for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the Statement of Profit and Loss and other Comprehensive Income. Rental income from investment property is recognised on a straight-line basis over the term of the lease.

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

p) Operating Leases

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to other operating expenses in the Statement of Profit and Loss and other Comprehensive Income on a straight-line basis over the period of the lease.

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

q) Due to Banks and Customers Accounts

Amounts due to banks and customer accounts are initially recognised in accordance with the recognition of financial instruments provisions of IAS 39 (revised). Subsequently, amounts due are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the Statement of Profit and Loss and other Comprehensive Income over the period of the borrowings using the effective interest method.

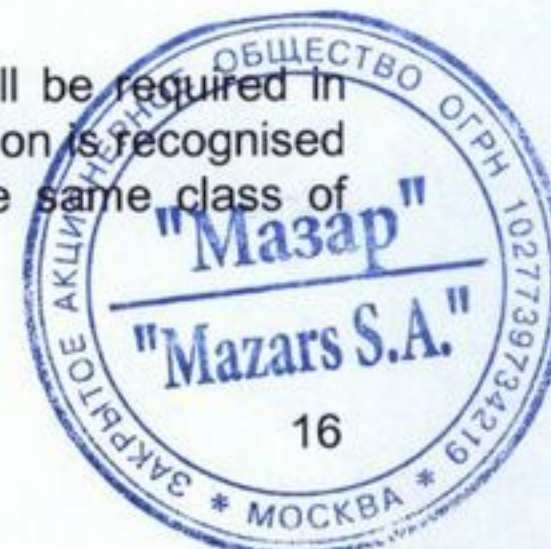
r) Debt Securities Issued

Debt securities issued represent promissory notes issued by the Bank. They are accounted for according to the same principles used for amounts due to credit institutions and to customers.

s) Provisions

Provisions for legal claims or other purposes are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Significant Accounting Policies (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

t) Retirement and Other Benefit Obligations

The Bank does not have any pension arrangements separate from the State pension system of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Bank has no post-retirement benefits or significant other compensated benefits requiring accrual.

u) Share Capital

Share capital is recognised at restated cost. When the bank holds treasury shares the fair value of consideration paid is recognised as a deduction from equity as treasury shares until they are cancelled. When the shares are subsequently sold or reissued the fair value of consideration received is added to equity.

v) Dividends

Dividends are recognised as a reduction in equity in the period in which they are declared. Dividends declared after the reporting dates are disclosed in the subsequent events note. The RAS financial statements of the Bank are the basis for profit distribution and other appropriations.

w) Taxation

The income tax charge in the Statement of Profit or Loss and other Comprehensive Income for the year comprises current tax and changes in deferred tax. The current income tax expense is calculated in accordance with the regulations of the Russian Federation. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided, using the balance sheet liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

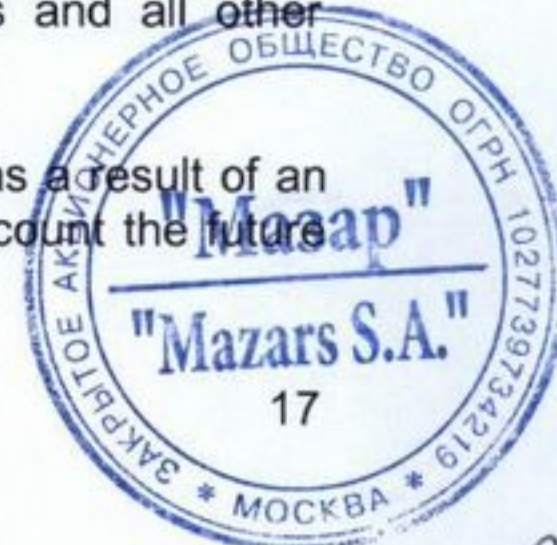
Deferred tax assets are recorded to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

x) Interest Income and Expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the Statement of Profit and Loss and other Comprehensive Income using the effective interest method.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Significant Accounting Policies (continued)

y) Fee and Commission Income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Other service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis.

z) Foreign Currency Translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Russian Roubles at the official CBRF exchange rates ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the Statement of Profit and Loss and other Comprehensive Income as gains less losses from foreign currencies (translation differences). Differences between the contractual exchange rate of a certain transaction and the Central Bank exchange rate on the date of the transaction are included in gains less losses from foreign currencies.

The official CBRF exchange rates at 31 December 2013 and 31 December 2012 were RUR 32.7292 and 30.3727 RUR to 1 USD, respectively and RUR 44.9699 and 40.2286 RUR to 1 EUR, respectively.

5. Cash and Cash Equivalents

	<u>2013</u>	<u>2012</u>
Cash on hand	767,044	561,421
Cash balances with the CBRF (other than mandatory reserve deposits)	510,085	333,143
Correspondent accounts with other banks		
Russian Federation	410,468	158,038
Other countries	449,804	321,780
	<u>860,272</u>	<u>479,818</u>
Other market placements	100,911	69,912
	<u><u>2,238,312</u></u>	<u><u>1,444,294</u></u>

As at 31 December 2013 the aggregate amount of NOSTRO accounts with the biggest counterparty (VTB Deutschland AG) amounted to 449,804 or 52.29% of total NOSTRO accounts (2012: 321,779 or 67.06%).



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Cash and Cash Equivalents (continued)

Information about the credit quality of NOSTRO accounts (based on Fitch ratings) with banks included in cash and cash equivalents is as follows:

	<u>2013</u>	<u>2012</u>
Rated BBB+	-	9,135
Rated BBB	462,900	329,439
Rated BB	269,869	106,718
Other (including banks that do not have a credit rating)	127,503	34,526
	<u>860,272</u>	<u>479,818</u>

Geographical, currency and maturity analyses of cash and cash equivalents are disclosed in Note 25.

6. Mandatory Balances with the CBRF

The mandatory balance with the CBRF represents amounts deposited and not available for use in the Bank's day to day operations. Credit institutions are required to maintain a non-interest earning cash deposit (mandatory reserve) with the CBRF, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw such deposit is significantly restricted by legislation, and therefore such amounts are excluded from cash and cash equivalents.

7. Due from Banks

	<u>2013</u>	<u>2012</u>
Interbank loans	170,898	140,804
	<u>170,898</u>	<u>140,804</u>

As at 31 December 2013 the aggregate amount of due from banks balances with the biggest counterparty (OJSC "NOMOS-BANK") amounted to 100,000 or 58.51% of total due from banks.

As at 31 December 2012 the aggregate amount of due from banks balances with the biggest counterparty (MDM Bank) amounted to 50,002 or 35.51% of total due from banks.

Geographical, currency, interest rate and maturity analyses of the balances due from banks are detailed in Note 25.

8. Financial Assets at Fair Value through Profit or Loss

	<u>2013</u>	<u>2012</u>
Credit organisation bonds	1,063,257	1,002,666
Corporate bonds	327,667	302,573
Government and municipal bonds	381,808	227,994
Promissory notes	88,708	1,000
Eurobonds	-	24,248
Corporate equity securities	2,273	2,719
Shares in credit organizations	1,240	1,344
	<u>1,864,953</u>	<u>1,562,544</u>



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Assets at Fair Value through Profit or Loss (continued)

The following table provides details of the Bank's FVPL securities portfolio as at 31 December 2013:

	Maturity (dates)		Coupon rate per annum (%)		Fitch rating	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Credit organizations bonds	25.03.2014	30.05.2023	7,65	12,25	B+	BBB+
Corporate Bonds	20.10.2015	02.10.2023	7,75	10,50	Not rated	BBB
Government and municipal bonds	17.12.2014	31.07.2020	7,95	9,85	B+	BBB-

As at 31 December 2013 promissory notes comprise promissory notes issued by credit institutions ranked in Top-20 among Russian banks by net assets value as at 31 December 2012 with coupon rates from 7.35% to 9.75%.

The following table provides details of the Bank's FVPL securities portfolio as at 31 December 2012:

	Maturity (dates)		Coupon rate per annum (%)		Fitch rating	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Credit organizations bonds	19.01.2013	19.07.2015	7,60	10,25	B	BBB+
Corporate Bonds	15.08.2013	07.11.2017	7,10	8,80	Not rated	BBB
Government and municipal bonds	16.04.2014	30.11.2016	7,49	8,75	B+	BBB-
Eurobonds	21.10.2015	21.10.2015	8,75	8,75	BB	BB

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. The hierarchy is as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like futures.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Assets at Fair Value through Profit or Loss (continued)

The following table provides information on the classification of financial assets carried at fair value as at 31 December 2013 based on data obtained from the sources of information about their fair values:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Credit organisations bonds	1,063,257	-	1,063,257
Corporate Bonds	327,667	-	327,667
Government and municipal bonds	381,808	-	381,808
Promissory notes	-	88,708	88,708
Eurobonds	-	-	-
Corporate equity securities	2,273	-	2,273
Shares of credit organizations	1,240	-	1,240
	<u>1,776,245</u>	<u>88,708</u>	<u>1,864,953</u>

The following table provides information on the classification of financial assets carried at fair value as at 31 December 2012 based on data obtained from the sources of information about their fair values:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Credit organisations bonds	1,002,666	-	1,002,666
Corporate Bonds	302,573	-	302,573
Government and municipal bonds	227,994	-	227,994
Promissory notes	-	1,000	1,000
Eurobonds	24,248	-	24,248
Corporate equity securities	2,719	-	2,719
Shares of credit organisations	1,344	-	1,334
	<u>1,561,544</u>	<u>1,000</u>	<u>1,562,544</u>

Reconciliation of Level 3 items in 2013 is presented below:

	<u>Promissory notes</u>	<u>Total</u>
At 1 January 2013	1,000	1,000
Total gains / (losses)		
Profit or loss (accrued income)	2,988	2,988
Purchases	1,144,557	1,144,557
Settlements	(1,059,837)	(1,059,837)
At 31 December 2013	<u>88,708</u>	<u>88,708</u>



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Assets at Fair Value through Profit or Loss (continued)

Reconciliation of Level 3 items in 2012 is presented below:

	<u>Promissory notes</u>	<u>Total</u>
At 1 January 2012	179,655	179,655
Total gains / (losses)		
Profit or loss (accrued income)	18	18
Purchases	570,445	570,445
Settlements	(749,118)	(749,118)
At 31 December 2012	1,000	1,000

Geographical, currency, maturity and interest rate analyses of the financial assets at fair value through profit or loss are disclosed in Note 25.

9. Financial Assets Held to Maturity

	<u>2013</u>	<u>2012</u>
Government and municipal bonds	27,727	63,676
Credit organisations bonds	51,525	51,768
	79,252	115,444

The following table provides details of the Bank's HTM securities as at 31 December 2013:

	<u>Maturity (dates)</u>		<u>Coupon rate per annum (%)</u>		<u>Fitch rating</u>	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Government and municipal bonds	05.11.2015	29.11.2016	9,00	9,00	BB+	BB+
Credit organizations bonds	01.02.2015	01.02.2015	7,70	7,70	BBB-	BBB-

The following table provides details of the Bank's HTM securities as at 31 December 2012:

	<u>Maturity (dates)</u>		<u>Coupon rate per annum (%)</u>		<u>Fitch rating</u>	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Government and municipal bonds	16.05.2013	29.11.2016	8,00	9,50	BB	BB+
Credit organizations bonds	01.02.2015	01.02.2015	8,50	8,50	BBB-	BBB-

Geographical, currency, maturity and interest rate analyses of the financial assets held to maturity are disclosed in Note 25.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

10. Loans and Advances to Customers

	<u>2013</u>	<u>2012</u>
Loans and advances to customers	10,089,165	9,313,264
Mortgage loans for sale	568,694	407,027
Factoring	43,265	23,935
	10,701,124	9,744,226
Less: Allowance for impairment	<u>(900,536)</u>	<u>(798,016)</u>
	<u>9,800,588</u>	<u>8,946,210</u>

The aggregate value of collateral received by the Bank in respect of its lending operations amounts to 14,691,566 (2012: 12,161,003).

In the normal course of business the Group sells mortgage loans to LLC "Regional Investment Agency" (46.53% of total sales in 2013) and JSC "Kirov Regional Mortgage Corporation" (53.47% of total sales in 2013). These loans are therefore held on the SOFP for a relatively short period of time and have been described as mortgage loans for sale in these notes.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Loans and Advances to Customers (continued)

The loan portfolio has been assigned to finance the following economic sectors:

	2013		2012	
	Amount	Allowance	Amount	Allowance
Trade	3,292,375	205,131	3,107,973	175,720
Individuals	1,623,958	134,476	1,051,130	114,307
Manufacturing industry	1,572,792	84,440	1,084,897	53,431
Construction	1,006,293	38,671	793,413	16,743
Transport and communication	745,386	172,339	919,734	221,433
Operation with immobile property	550,660	132,925	425,919	76,062
Agriculture	296,264	14,901	274,712	13,957
Finance	268,421	10,663	928	46
Light industry	238,316	7,528	164,178	3,161
Timber	143,454	50,843	102,098	35,245
Car manufacturing	102,187	12,696	110,046	7,752
Municipal government authorities	90,605	4,530	706,430	5,322
Hotels	51,310	2,566	91,480	10,005
Social and personal services, culture	28,056	1,960	17,903	1,055
Maintenance of residential properties	28,033	1,402	20,820	1,041
Sport	21,326	1,066	5,072	1,268
Mining	14,485	1,528	30,220	2,301
Chemical	13,771	413	18,446	369
Professional legal assistance	12,827	12,827	-	-
Fuel and energy sector	10,337	517	-	-
Medicine and tourism	8,990	450	7,382	369
Gas and water	6,287	314	58,624	2,931
Publishing	4,101	573	608	30
Security	777	39	-	-
Dealer activity	710	35	-	-
Education	709	116	408	89
Audit, accounting and consulting	-	-	223,336	39,127
Research and certification	-	-	82,566	4,128
Architecture	-	-	12,816	2,622
Personnel	-	-	6,929	347
Other	-	-	19,131	956
	10,132,430	892,949	9,337,199	789,817
Mortgage loans for sale	568,694	7,587	407,027	8,199
	10,701,124	900,536	9,744,226	798,016

During 2013 the Bank had taken possession of collateral for the total amount of 9,813 (2012: 6,604). This is shown in other assets (Note 12). The Bank's policy for disposing of such collateral is usually to sell it to a third party for maximum possible consideration.

Loans classified as current that had been subject to re-negotiation and would otherwise had been categorised as overdue comprised 18 loans for a total amount of 186,470 (2012: 11 loans for a total amount of 213,613).

Movements in the allowance for impairment on loans to customer are disclosed in Note 21.

Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 25.

Loans granted to related parties are disclosed in Note 26.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

11. Investment in Subsidiaries

	<u>2013</u>	<u>2012</u>
Valuation at start of year (Original cost 100)	6,233	-
Fair value adjustment in the year, recognized in Statement of Comprehensive Income	(6,223)	6,233
Disposal of subsidiary	(10)	-
	<u>-</u>	<u>6,233</u>

In 2004 the Bank acquired OOO "Leasing-Hlynov" a company specialising in leasing services. At 31 December 2013 and 2012 the Bank owned 100% of its share capital.

Untill April 2013 the Bank owned 100% of share capital and exercised control over OOO "Hlynov-Dom", which was acquired in 2010. The core activity of the company is operations with property; the company operates within the Russian Federation. Due to the selling of 81% of its share capital by the Bank in April 2013 to the third party at the price of 8,100 RUB (not thousand), which corresponds to the net asset value of 81% of share capital, OOO "Hlynov-Dom" was excluded from the Bank subsidiaries.

With regard to the hierarchies described in Note 8 the Bank considers the valuation to have been conducted under level 3.

The Bank has produced separate consolidated financial statements with the financial statements of OOO "Leasing-Hlynov".

12. Other Assets

	<u>2013</u>	<u>2012</u>
Repossessed collateral	77,554	86,808
Debtors and prepayments	39,257	25,787
Settlements with the budget	1,654	1,539
Other	15,947	4,985
	<u>134,412</u>	<u>119,119</u>
Less: Impairment allowance	(24,447)	-
	<u>109,965</u>	<u>119,119</u>

Debtors and prepayments include accounts receivable on credit card transactions.

Other assets include buildings and land plots repossessed by the Bank in respect of making recoveries for its lending operations for a total of 76,454 (2012: 85,828). As at the reporting date no decision has been made by Management as to how these assets will be utilised and accordingly they have not been shown in Property and Equipment or Investment Property.

Movements in the allowance for impairment other assets are disclosed in Note 21.

Geographical, currency and maturity analyses of other assets are disclosed in Note 25.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

13. Property, Plant and Equipment

	Land	Buildings	Motor vehicles	Computer equipment	Office equipment and furniture	Intangible assets	Construction in progress	Total
Cost or Valuation								
31 December 2011	3,652	220,516	3,679	23,586	43,145	46,521	10,814	351,913
Additions	104	-	-	3,823	9,018	6,793	1,898	21,636
Transfer to/from investment property	-	9,711	-	-	-	-	(11,998)	(2,287)
Disposals	-	(1,483)	-	(399)	(3,386)	(161)	-	(5,429)
Revaluation	-	33,656	-	-	-	-	-	33,656
Modernisation	-	-	-	967	44	-	-	1,011
31 December 2012	3,756	262,400	3,679	27,977	48,821	53,153	714	400,500
Additions	-	-	543	6,587	8,870	8,853	-	24,853
Transfer from investment property	-	39,668	-	-	-	-	(505)	39,163
Disposals	(7)	(2,216)	(226)	(1,788)	(1,338)	-	-	(5,575)
Revaluation	-	10,681	-	-	-	-	-	10,681
Modernisation	-	-	-	599	117	-	-	716
31 December 2013	3,749	310,533	3,996	33,375	56,470	62,006	209	470,338
Depreciation								
31 December 2011	-	(8,021)	(2,020)	(18,402)	(34,077)	(10,846)	-	(73,366)
Charge for the year	-	(4,135)	(354)	(2,815)	(3,927)	(3,594)	-	(14,825)
Depreciation of revalued part	-	-	-	-	-	-	-	-
Disposals	-	649	-	296	1,701	84	-	2,730
31 December 2012	-	(11,507)	(2,374)	(20,921)	(36,303)	(14,356)	-	(85,461)
Charge for the year	-	(4,771)	(413)	(5,175)	(4,947)	(4,994)	-	(20,300)
Depreciation of revalued part	-	(4,589)	-	-	-	-	-	(4,589)
Disposals	-	251	225	1,788	1,208	-	-	3,472
31 December 2013	-	(20,616)	(2,562)	(24,308)	(40,042)	(19,350)	-	(106,878)
Net Book Values								
31 December 2013	3,749	289,917	1,434	9,067	16,428	42,656	209	363,460
31 December 2012	3,756	250,893	1,305	7,056	12,518	38,797	714	315,039
31 December 2011	3,652	212,495	1,659	5,184	9,068	35,675	10,814	278,547

As at 31 December 2013 property, plant and equipment was insured to a value of 270,405 (2012: 224,707).

On 31 December 2013 the Bank revalued buildings held by and used by the Bank. The valuation was performed by independent appraisers "Viatskoe Property Agency" on the basis of open market value.

If buildings had been carried at cost the carrying value would be 181,780 (2012: 145,313).



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Property, Plant and Equipment (continued)

	<u>Investment properties</u>
Cost or Valuation	
31 December 2011	68,077
Additions	-
Transfer	2,287
Disposals	(23,060)
Revaluation	3,535
	<hr/>
31 December 2012	50,839
Additions	-
Transfer	(39,668)
Disposals	(8,500)
Revaluation	388
	<hr/>
31 December 2013	3,059
Depreciation	
31 December 2011	-
Charge for the year	-
Depreciation of revalued part	-
Disposals	-
	<hr/>
31 December 2012	-
Charge for the year	-
Depreciation of revalued part	-
Disposals	-
	<hr/>
31 December 2013	-
Net Book Values	-
	<hr/>
31 December 2013	3,059
	<hr/> <hr/>
31 December 2012	50,839
	<hr/> <hr/>
31 December 2011	68,077
	<hr/> <hr/>

The Bank revalued investment property on 31 December 2013. The valuation was performed by independent appraisers "Viatskoe Property Agency" on the basis of open market value.

As at 31 December 2013 investment property includes one building (2012: four buildings), acquired under the purchase and sale agreement. As at the reporting date this building is not leased to third parties.

Rental income from investment properties was 159 (2012: 911). There were no direct operating expenses related to investment properties (2012: none).



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

14. Due to Banks

	<u>2013</u>	<u>2012</u>
Loans and deposits received from CBRF	200,000	300,000
Current and term loans and deposits received from other banks	354,612	219,754
VOSTRO accounts	4,219	1,067
	<u>558,831</u>	<u>520,821</u>

As at 31 December 2013 100% of current and term loans and deposits received from other banks were received from OJSC "MSP Bank".

Geographical, currency, maturity and interest rate analyses of amounts due to banks are detailed in Note 25.

15. Customer Accounts

	<u>2013</u>	<u>2012</u>
Individuals		
Current accounts	659,762	600,892
Term deposits	7,333,951	6,444,351
	<u>7,993,713</u>	<u>7,045,243</u>
Other legal entities		
Current accounts	3,033,612	2,594,244
Term deposits	857,591	665,949
	<u>3,891,203</u>	<u>3,260,193</u>
State and budgetary organisations		
Current accounts	69,065	63,212
Term deposits	7,106	47,901
	<u>76,171</u>	<u>111,113</u>
	<u>11,961,087</u>	<u>10,416,549</u>

The breakdown of customer accounts per sector is presented in the following table:

	<u>2013</u>		<u>2012</u>	
	Amount	%	Amount	%
Individuals	7,993,713	66.8	7,045,243	67.6
Services	1,245,331	10.4	971,225	9.3
Trade	1,108,445	9.3	1,034,408	9.9
Construction	691,734	5.8	390,108	3.7
Manufacturing	580,438	4.9	564,861	5.4
Transport and telecommunication	137,145	1.1	107,365	1.0
Financial	59,500	0.5	91,970	0.9
Other	46,488	0.4	69,445	0.7
Agriculture	39,595	0.3	36,928	0.4
Health facilities	25,592	0.2	60,973	0.6
Education	23,340	0.2	28,778	0.3
Insurance	8,988	0.1	15,104	0.1
Fuel and energy	778	0.0	141	0.0
Total customer accounts	<u>11,961,087</u>	<u>100.0</u>	<u>10,416,549</u>	<u>100.0</u>

Geographical, currency, maturity and interest rate analyses of customer accounts are detailed in Note 25.

Balances of term deposits and current accounts of related parties are disclosed in Note 27.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

16. Debt Securities Issued

	<u>2013</u>	<u>2012</u>
Promissory notes	10,000	29,214
	<u>10,000</u>	<u>29,214</u>

As at 31 December 2013, promissory notes issued by the Bank were held by three investors, the maximum share of one investor in total amount of issued promissory notes was 50.00% (2012: 34.96% of issued promissory notes were purchased by 1 investor. Total number of investors was 6).

Geographical, currency, maturity and interest rate analyses of debt securities issued are detailed in Note 25.

17. Taxation

The corporate income tax expense comprises:

	<u>2013</u>	<u>2012</u>
Current tax charge	91,150	71,404
Deferred tax charge relating to the origination and reversal of temporary differences	946	3,961
Income tax expense	<u>92,096</u>	<u>75,365</u>

The corporation tax rate applicable to the majority of the Bank's income was 20% for 2013 (2012: 20%).

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense based on comparison of statutory rate with actual is as follows:

	<u>2013</u>	<u>2012</u>
Profit before tax	420,290	346,321
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	84,058	69,264
Tax on state securities income taxable at different rates	(3,980)	(3,602)
Effect of non-deductible/(taxable) items	11,072	5,742
Income tax expense	<u>91,150</u>	<u>71,404</u>

Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial purposes and for income tax purposes.

The tax effect of the movement on these temporary differences is recorded at the rate of 20% (2012: 20%).



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Taxation (continued)

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

Tax effect of deductible temporary differences	31 Dec 13	Taken to equity	Taken to SOCI	31 Dec 12
Allowance for losses on loans and promissory notes	(64,982)	-	(3,981)	(61,001)
Debtors and prepayments	9,466	-	16,980	(7,514)
Premises and equipment	(14,353)	(1,722)	(3,650)	(8,981)
Other assets	17,893	-	(10,295)	28,188
	(51,976)	(1,722)	(946)	(49,308)

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

Tax effect of deductible temporary differences	31 Dec 12	Taken to equity	Taken to SOCI	31 Dec 11
Allowance for losses on loans and promissory notes	(61,001)	-	(22,552)	(38,449)
Debtors and prepayments	(7,514)	-	(10,982)	3,468
Premises and equipment	(8,981)	(7,107)	4,196	(6,070)
Other assets	28,188	-	25,377	2,811
	(49,308)	(7,107)	(3,961)	(38,240)

18. Other Liabilities

	2013	2012
Accounts payable	38,240	29,274
Deferred commission	27,550	17,487
Operating taxes payable	14,160	8,498
Accrued interest expense	465	686
Dividends payable	13	30
Other	257	87
	80,685	56,062

Geographical, currency and maturity analyses of other liabilities are detailed in Note 25.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

19. Share Capital

Statutory share capital authorised, issued and fully paid comprised:

	2013			2012		
	Number of shares (<i>'000</i>)	Par value	Value	Number of shares (<i>'000</i>)	Par value	Value
Common shares	12,100	0.05	605,000	12,100	0.05	605,000
IAS 29 adjustments			<u>22,198</u>			<u>22,198</u>
			<u>627,198</u>			<u>627,198</u>

All ordinary shares have a nominal value of RUR 50 (not thousands) per share, rank equally and carry one vote. In 2013 no dividends were declared (2012: none).

In 2013 and 2012 the Bank did not increase share capital.

	2013	2012
Dividends payable at 1 January	30	34
Dividends declared during the year	-	-
Dividends paid during the year	<u>(17)</u>	<u>(4)</u>
Dividends payable at 31 December	<u>13</u>	<u>30</u>

All dividends are paid and declared in Russian Roubles.

Shareholders of the Bank were as follows:

Shareholder	2013 %	2012 %
Rekha Holdings Limited	20.0	20.0
OOO «Monolit»	10.5	11.1
OOO «Norma»	10.0	10.0
Quest Advisory Restructing Ltd.	9.3	9.3
OOO «Avangard»	8.9	8.3
OOO «Konkurent»	8.8	8.8
OOO «Strike»	8.4	8.4
OOO «Standart»	7.8	7.8
OOO «NTI»	6.6	6.6
Individuals with less than 5% each (132)	8.1	8.1
Legal entities with less than 5% each (14)	<u>1.6</u>	<u>1.6</u>
	<u>100.0</u>	<u>100.0</u>



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

20. Commitments and Contingencies

Legal actions

From time to time and in the normal course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Operating lease commitments

The following are the minimal amounts payable under non-cancellable operating leases over the relevant time periods where the Bank acts as a tenant:

	<u>2013</u>	<u>2012</u>
Not later than 1 year	23,290	20,136
Later than 1 year and not later than 5 years	37,582	41,634
Later than 5 years	9,955	16,149
	<u>70,827</u>	<u>77,919</u>

Capital commitments

As at 31 December 2013 and 31 December 2012 the Bank had not entered into any capital commitments which would require disclosure or recognition in the financial statements.

Credit related commitments

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

With respect to undrawn loan commitments the Bank is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since funding of most commitments are contingent upon certain conditions set out in the loan agreements.

Credit related commitments comprise:

	<u>2013</u>	<u>2012</u>
Undrawn loan commitments	723,544	728,044
Unused limits of overdrafts	459,155	189,270
Guaranties	1,070,254	643,482
	<u>2,252,953</u>	<u>1,560,796</u>

Derivatives

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



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Commitments and Contingencies (continued)

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the Statement of Financial Position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly over time.

As at 31 December 2013 the Bank had twelve financial instruments, foreign currency forward contracts (2012: seven financial instruments, foreign currency forward contracts).

	Notional amount		CBRF rate	
	31 Dec 13	31 Dec 12	31 Dec 13	31 Dec 12
Buy RUR sell USD				
Less than one month	199,975	151,864	32.7292	30.3727
Buy RUR sell EUR				
Less than one month	404,729	321,829	44.9699	40.2286

The corresponding fair value gain and liability of 157 has been recorded in Statement of Profit and Loss and other Comprehensive Income and the relevant liability in other liabilities.

21. Allowance for Impairment

The movements in allowances for impairment of financial assets were as follows:

	Loans and advances to customers	Other assets	Total
31 December 2011	675,271	-	698,016
Charge	151,010	-	151,010
Assets written off	(28,265)	-	(28,265)
31 December 2012	798,016	-	798,016
Charge	135,048	24,447	159,495
Assets written off	(32,528)	-	(32,528)
31 December 2013	900,536	24,447	924,983

Allowances for losses and provisions of assets are deducted from the related assets. In accordance with Russian legislation, loans may only be written off with the approval of the Shareholders' Meeting and, in certain cases, with the respective Court decision.

22. Gains less Losses from Trading with Securities

	2013	2012
Fair value adjustments	3,119	6,063
Gains less losses realized from sales and redemptions	6,528	(1,025)
Other gain from trading with securities	111	255
	9,758	5,293



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

23. Commission Income and Expenses

	<u>2013</u>	<u>2012</u>
Commission income		
Settlements and foreign currency exchange transactions	163,372	138,560
Cash operations	148,909	145,842
Commission from insurance companies	39,282	13,611
Commission from transaction with plastic cards	22,800	8,755
Commission on guarantees	15,857	9,222
Commission from loans to customers	2,101	326
Commission on other operations	894	900
	<u>393,215</u>	<u>317,216</u>
Commission expense		
Settlements and foreign currency exchange transactions	(16,323)	(17,270)
Commission from transaction with plastic cards	(9,808)	(8,353)
Commission on collection	(6,520)	(5,093)
Insurance premium for creditor life insurance	(2,596)	-
Commission on mortgages sale	(371)	(624)
Cash operations	(366)	(447)
Other commissions	(409)	(505)
	<u>(36,393)</u>	<u>(32,292)</u>
	<u>356,822</u>	<u>284,924</u>

24. Staff, Administrative and Other Operating Costs

	<u>2013</u>	<u>2012</u>
Salaries	172,376	142,534
Bonuses	102,579	69,836
Social security costs	72,541	57,629
	<u>347,496</u>	<u>269,999</u>
Deposit insurance system payment	29,980	25,282
Advertising and marketing	23,162	17,350
Rent	21,811	18,519
Software expenses	18,745	11,662
Taxes other than income tax	18,305	16,108
Repair of fixed assets	17,937	13,512
Stationery	13,991	10,403
Maintenance of building	11,618	9,077
Security	9,741	8,561
Postage	6,640	5,442
Printing expenses, document processing	4,708	3,632
Related to computers, vehicles and information service	4,651	4,785
Personnel training, travel and representative expenses	4,014	3,104
Audit expense	1,881	2,038
Assignment of rating	367	177
Insurance of fixed assets	348	370
Statutory duty	304	228
Personnel insurance	8	25
Other	12,994	8,284
	<u>201,205</u>	<u>158,559</u>



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

25. Financial Risk Management

Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The risk management function within the Bank is carried out in respect of financial risks (credit, market, price, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk

The Bank is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is the most important risk for the Bank's business and, therefore, management manages carefully its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a continuous basis and subject to quarterly or more frequent reviews.

a) Credit Risk Measurement

(i) Loans and advances

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Bank reflects three components:

- The "probability of default" by the client or the counterparty on its contractual obligations;
- The current exposures to the counterparty and its likely future development, from which the Bank derive the "exposure at default"; and
- The likely recovery ratio on the defaulted obligations (the "loss given default")

These credit risk measurements, which reflect expected losses (the "expected loss model"), are applied following the normative and instructions issued by the CBRF and are embedded in the Bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the reporting date (the "incurred loss model") rather than expected losses.

(ii) Debt securities

For debt securities and other equity instruments, external ratings or equivalents are used by the Bank for managing of the credit risk exposures. The investments in those securities and equity instruments are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

b) Risk limit control and mitigation policies

The bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties, groups and industries.

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, groups of borrowers and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(i) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Assets such as premises, equipment and inventory;
- Financial instruments such as debt securities and shares.

Finance and lending to corporate entities are generally secured; individual consumer credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities and other eligible bills are generally unsecured.

(ii) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

c) Impairment policies

Impairment provisions are recognised for financial reporting purposes under IFRS only for losses that have been incurred at the reporting date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in these financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and statutory and tax regulation purposes.

The impairment allowance shown in the Statement of Financial Position under IFRS at year-end is derived from each of the five statutory risk categories.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

The table below shows the percentage of the Bank's on-and off-balance sheet items relating to loans and advances and the associated impairment allowance for each of the Bank's CBRF rating categories:

Risk category	2013			2012		
	Loans and advances (%)	Allowance for impairment (%)	Overall allowance rate (%)	Loans and advances (%)	Allowance for impairment (%)	Overall allowance rate (%)
I	0.19	0.00	0.00	6.31	0.00	0.00
II	86.47	21.08	2.52	78.52	15.54	2.03
III	5.79	13.58	24.27	6.37	15.35	24.78
IV	1.33	5.39	41.90	1.80	0.97	5.53
V	6.22	59.95	99.65	7.00	68.14	100.00
	100.00	100.00	10.34	100.00	100.00	10.28

The internal rating tool assists management to determine whether objective evidence of impairment exists as defined under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Deterioration in the value of collateral, and
- Downgrading below II category

The Bank's policy requires the review of individual financial assets that are above the materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed items are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment usually encompasses collateral held (including review of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques

The Bank's maximum exposure to credit risk is generally recorded in the carrying amounts of financial assets in the Statement of Financial Position. The impact of possible netting off assets and liabilities to reduce potential credit exposure is not significant. For guarantees and liabilities on granting loans maximum exposure to credit risk is equal to the sum of liabilities.

The Bank uses the same credit policies in respect of contingent liabilities as it does in respect to financial instruments in the Statement of Financial Position. These policies are based on minimising risks procedures of approval of deals, using limits and monitoring.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

Loans and advances to customers include the following portfolios:

	<u>2013</u>	<u>2012</u>
Individuals (retail customers)		
Overdrafts	76,952	1,847
Term loans	1,541,006	1,049,283
Mortgage loans	568,694	407,027
Other	6,000	-
	<u>2,192,652</u>	<u>1,458,157</u>
Legal entities		
Large corporate customers	1,723,544	2,005,635
SMEs	6,528,195	5,447,197
Federal and governmental organizations; local authorities	90,605	706,430
Factoring	43,265	23,935
Other	122,863	102,872
	<u>8,508,472</u>	<u>8,286,069</u>
	<u>10,701,124</u>	<u>9,744,226</u>
Less allowance for impairment	<u>(900,536)</u>	<u>(798,016)</u>
	<u>9,800,588</u>	<u>8,946,210</u>

The loan portfolio of the Bank is summarised as follows:

	<u>2013</u>		<u>2012</u>	
	Loans and advances to customers	Due from banks	Loans and advances to customers	Due from banks
Neither past due nor impaired	9,940,798	170,898	9,077,290	140,804
Past due but not impaired	558,784	-	505,411	-
Impaired	201,542	-	161,525	-
	<u>10,701,124</u>	<u>170,898</u>	<u>9,744,226</u>	<u>140,804</u>
Less allowance for impairment	<u>(900,536)</u>	-	<u>(798,016)</u>	-
	<u>9,800,588</u>	<u>170,898</u>	<u>8,946,210</u>	<u>140,804</u>



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

a) *Loans and advances neither past due nor impaired*

As at 31 December 2013 loans and advances neither past due nor impaired to individuals were composed of:

Risk category	Overdrafts	Term loans	Mortgage loans	Other	Total
I	-	-	-	-	-
II	61,103	1,312,246	517,524	-	1,890,873
III	5,186	65,026	23,024	6,000	99,236
IV	595	7,206	4,084	-	11,885
V	1,859	7,878	5,096	-	14,833
	68,743	1,392,356	549,728	6,000	2,016,827

As at 31 December 2013 loans and advances neither past due nor impaired to legal entities were composed of:

Risk category	Large corporate clients	SMEs	Factoring	Municipal, federal and governmental organisations	Other	Total
I	-	20,784	-	-	-	20,784
II	1,583,254	5,557,420	42,230	90,605	7,650	7,281,159
III	12,873	471,217	-	-	-	484,090
IV	110,000	3,763	902	-	-	114,665
V	6,980	14,751	-	-	1,542	23,273
	1,713,107	6,067,935	43,132	90,605	9,192	7,923,971

In summary:

Risk category	Individuals	Legal entities	Total
I	-	20,784	20,784
II	1,890,873	7,281,159	9,172,032
III	99,236	484,090	583,326
IV	11,885	114,665	126,550
V	14,833	23,273	38,106
	2,016,827	7,923,971	9,940,798



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

As at 31 December 2012 loans and advances neither past due nor impaired to individuals were composed of:

Risk category	Overdrafts	Term loans	Mortgage loans	Total
I	-	-	-	-
II	1,450	884,412	376,418	1,262,280
III	212	44,522	23,114	67,848
IV	-	1,171	1,621	2,792
V	66	3,942	-	4,008
	1,728	934,047	401,153	1,336,928

As at 31 December 2012 loans and advances neither past due nor impaired to legal entities were composed of:

Risk category	Large corporate clients	SMEs	Factoring	Municipal, federal and governmental organisations	Other	Total
I	-	8,464	-	600,000	-	608,464
II	1,782,522	4,449,180	13,129	106,430	-	6,351,261
III	56,676	476,122	-	-	11,250	544,048
IV	156,000	5,206	-	-	-	161,206
V	-	33,448	7,124	-	34,811	75,383
	1,995,198	4,972,420	20,253	706,430	46,061	7,740,362

In summary:

Risk category	Individuals	Legal entities	Total
I	-	608,464	608,464
II	1,262,280	6,351,261	7,613,541
III	67,848	544,048	611,896
IV	2,792	161,206	163,998
V	4,008	75,383	79,391
	1,336,928	7,740,362	9,077,290



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

b) Loans and Advances Past due but Not Impaired:

As at 31 December 2013 past due but not impaired loans to individuals and legal entities were composed of:

	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due over 90 days	Total	Fair value of collateral
Individuals (retail customers)						
Overdrafts	4,068	1,135	1,003	1,917	8,123	-
Term loans	34,219	6,091	8,426	87,519	136,255	10,600
Mortgage loans	12,795	-	-	6,171	18,966	14,200
Legal entities						
Large corporate clients	-	-	-	-	-	-
SMEs	17,460	17,018	-	326,562	361,040	200,410
Factoring	-	-	-	-	-	-
Other	-	-	-	34,400	34,400	-
	68,542	24,244	9,429	456,569	558,784	225,210

As at 31 December 2012 past due but not impaired loans to individuals and legal entities were composed of:

	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due over 90 days	Total	Fair value of collateral
Individuals (retail customers)						
Overdrafts	6	27	38	48	119	-
Term loans	15,120	1,327	2,137	46,650	65,234	16,130
Mortgage loans	-	1,217	-	4,657	5,874	7,000
Legal entities						
Large corporate clients	-	-	-	9,928	9,928	10,000
SMEs	6,931	72,529	481	307,683	387,624	321,479
Factoring	2,099	-	-	133	2,232	-
Other	34,400	-	-	-	34,400	-
	58,556	75,100	2,656	369,099	505,411	354,609

c) Loans and Advances Individually Impaired

The breakdown of gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	2013		2012	
	Balance (gross)	Fair value of collateral	Balance (gross)	Fair value of collateral
Individuals (retail customers)				
Overdrafts	86	-	-	-
Term loans	12,395	-	50,002	2,190
Legal entities				
Large corporate clients	10,437	-	509	-
SMEs	99,220	11,200	87,153	10,000
Factoring	133	-	1,450	-
Other	79,271	-	22,411	-
	201,542	11,200	161,525	12,190



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

In 2013 the movement of the allowance for impairment of loans and advances to individuals was as follows:

	Overdrafts	Term loans	Mortgage loans	Other	Total
As at 1 January 2013	115	114,192	8,199	-	122,506
Charge / (Release) for the period	4,596	15,605	(612)	1,500	21,089
Loans written off	-	(1,532)	-	-	(1,532)
Amounts recovered	-	-	-	-	-
As at 31 December 2013	4,711	128,265	7,587	1,500	142,063

In 2013, the movement of the allowance for impairment of loans and advances to legal entities was as follows:

	Large corporate clients	SMEs	Municipal, federal and governmental organizations	Factoring	Other	Total
As at 1 January 2013	89,041	504,193	5,321	2,874	74,081	675,510
Charge / (Release) for the period	3,420	73,177	(791)	139	38,014	113,959
Loans written off	-	(28,731)	-	(1,450)	(815)	(30,996)
Amounts recovered	-	-	-	-	-	-
As at 31 December 2013	92,461	548,639	4,530	1,563	111,280	758,473

In summary:

	Individuals	Legal entities	Total
As at 1 January 2013	122,506	675,510	798,016
Charge / (Release) for the period	21,089	113,959	135,048
Loans written off	(1,532)	(30,996)	(32,528)
Amounts recovered	-	-	-
As at 31 December 2013	142,063	758,473	900,536

In 2012 the movement of the allowance for impairment of loans and advances to individuals was as follows:

	Overdrafts	Term loans	Mortgage loans	Total
As at 1 January 2012	7	94,117	5,297	99,421
Charge / (Release) for the period	108	22,158	2,902	25,168
Loans written off	-	(2,083)	-	(2,083)
Amounts recovered	-	-	-	-
As at 31 December 2012	115	114,192	8,199	122,506



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

In 2012 the movement of the allowance for impairment of loans and advances to legal entities was as follows:

	Large corporate clients	SMEs	Municipal, federal and governmental organizations	Factoring	Other	Total
As at 1 January 2012	97,378	446,731	-	1,735	30,006	575,850
Charge / (Release) for the period	(8,337)	83,379	5,321	1,139	44,340	125,842
Loans written off	-	(25,917)	-	-	(265)	(26,182)
Amounts recovered	-	-	-	-	-	-
As at 31 December 2012	89,041	504,193	5,321	2,874	74,081	675,510

In summary:

	Individuals	Legal entities	Total
As at 1 January 2012	99,421	575,850	675,271
Charge / (Release) for the period	25,168	125,842	151,010
Loans written off	(2,083)	(26,182)	(28,265)
Amounts recovered	-	-	-
As at 31 December 2012	122,506	675,510	798,016

Fair value of collateral

Collateral taken depends on the type of exposure; for legal entities usually is represented by a charge over buildings or other assets or inventories, for mortgage loans by a charge over the property purchased and for other types of credit operations different types of collateral including cash and guarantees from third parties.

The table discloses the estimated fair value of collateral received by the Bank for its loan portfolio by type of collateral and its estimated fair value:

	2013	2012
Real estate	7,580,219	6,201,382
Goods in turnover	3,082,905	2,588,001
Vehicles	2,356,444	2,105,206
Fixed assets and equipment	890,876	819,982
Securities	781,122	446,432
Total amount of collateral	14,691,566	12,161,003

Geographical risk

Geographical risk is the risk that the Bank may suffer losses as the result of exposure of the political or economic environment of a country in which it operates or holds assets. The Bank operates in Russia predominantly for Russian customers, and therefore, as analysed in the table below it has a significant concentration of Russia exposure. Further comments on the operating environment of the Bank are set out in Note 2. The Bank has no specific policy, objectives or processes for managing country risk, although in general it seeks to keep exposure to countries other than Russia as low as possible.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

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

	<u>Russia</u>	<u>OECD</u>	<u>Non – OECD</u>	<u>Total</u>
Assets				
Cash and cash equivalents	1,788,508	449,804	-	2,238,312
Mandatory balances with the CBRF	109,607	-	-	109,607
Due from banks	170,898	-	-	170,898
Securities at fair value through profit or loss	1,864,953	-	-	1,864,953
Securities held-to-maturity	79,252	-	-	79,252
Loans and advances to customers	-	-	-	-
Investments in subsidiaries	9,800,588	-	-	9,800,588
Other assets	109,965	-	-	109,965
Fixed assets	363,460	-	-	363,460
Investment property	3,059	-	-	3,059
	<u>14,290,290</u>	<u>449,804</u>	<u>-</u>	<u>14,740,094</u>
Liabilities				
Due to banks	558,831	-	-	558,831
Customer accounts	11,956,775	1,618	2,694	11,961,087
Debt securities issued	10,000	-	-	10,000
Deferred tax liability	51,976	-	-	51,976
Other liabilities	80,685	-	-	80,685
	<u>12,658,267</u>	<u>1,618</u>	<u>2,694</u>	<u>12,662,579</u>
Net balance sheet position	<u>1,632,023</u>	<u>448,186</u>	<u>(2,694)</u>	<u>2,077,515</u>

As at 31 December 2012, the Bank had the following positions in geographical concentration:

	<u>Russia</u>	<u>OECD</u>	<u>Non - OECD</u>	<u>Total</u>
Net balance sheet position	<u>1,403,331</u>	<u>341,874</u>	<u>(4,365)</u>	<u>1,740,840</u>

Market Risk

The Bank takes on exposure to market risk. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when there is a long or short position in a financial instrument.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

An analysis of sensitivity of the Bank's net profit before tax and equity to changes in prices for quoted debt securities and gold based on positions existing as at 31 December 2013 and 31 December 2012 and a simplified scenario of a 10% change in prices of quoted securities is as follows:

	31 December 2013		31 December 2012	
	Profit before tax	Equity	Profit before tax	Equity
10% increase in quoted securities prices	149,196	149,196	156,254	125,004
10% decrease in quoted securities prices	(149,196)	(149,196)	(156,254)	(125,004)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. There is also a risk that borrowers with a revenue stream in foreign currency will also be adversely affected and this could impact their ability to pay. Currency classification of monetary assets and liabilities is based on the currency they are denominated in.

The Bank's policy on foreign currency exposure is primarily to comply with the rules of the CBRF which sets a limit of 10% of the Bank's equity. However, its real target is more conservative, and that is to reach only 1%, or 2% for overnight exposure. Compliance is assessed and monitored via the daily foreign currency exposure report which is produced and reviewed by Head of Treasury. Any issues noted are escalated to senior management immediately. A review of the currency exposure is also conducted by the Asset and Liability Committee which meets regularly.

This committee has representatives from senior management, treasury, finance and other key departments. The Bank takes practical steps to keep exposure low, for example to keep open currency positions at or below an approved level the bank places forex transactions on the interbank market which currently comprises related parties.

The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank's Financial Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. These limits also comply with the requirements of the Central Bank of Russia.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

As at 31 December 2013, the Bank had the following positions in currencies:

	<u>RUB</u>	<u>USD</u>	<u>EUR</u>	<u>Total</u>
Assets				
Cash and cash equivalents	1,384,931	345,439	507,942	2,238,312
Mandatory balances with the CBRF	109,607	-	-	109,607
Due from banks	170,040	858	-	170,898
Securities at fair value through profit or loss	1,864,953	-	-	1,864,953
Securities held-to-maturity	79,252	-	-	79,252
Loans and advances to customers	-	-	-	-
Investments in subsidiaries	9,800,588	-	-	9,800,588
Other assets	109,965	-	-	109,965
Fixed assets	363,460	-	-	363,460
Investment property	3,059	-	-	3,059
	<u>13,885,855</u>	<u>346,297</u>	<u>507,942</u>	<u>14,740,094</u>
Liabilities				
Due to banks	558,831	-	-	558,831
Customer accounts	11,691,148	165,914	104,025	11,961,087
Debt securities issued	10,000	-	-	10,000
Taxation	51,976	-	-	51,976
Other liabilities	80,075	538	72	80,685
	<u>12,392,030</u>	<u>166,452</u>	<u>104,097</u>	<u>12,662,579</u>
Net on-balance sheet position	<u>1,493,825</u>	<u>179,845</u>	<u>403,845</u>	<u>2,077,515</u>

As at 31 December 2012, the Bank had the following positions in currencies:

	<u>RUB</u>	<u>USD</u>	<u>EUR</u>	<u>Total</u>
Net on-balance sheet position	<u>1,265,594</u>	<u>152,615</u>	<u>322,631</u>	<u>1,740,840</u>

The table below analyses the risk of foreign currency rate as to Russian Federation Rouble:

	<u>As at 31 December 2013</u>		<u>As at 31 December 2012</u>	
	<u>Effect on profit or loss</u>	<u>Effect on equity</u>	<u>Effect on profit or loss</u>	<u>Effect on equity</u>
Strengthening of USD for 10%	14,388	14,388	12,209	12,209
Weakening of USD for 10%	(14,388)	(14,388)	(12,209)	(12,209)
Strengthening of Euro for 10%	32,308	32,308	25,810	25,810
Weakening of Euro for 10%	(32,308)	(32,308)	(25,810)	(25,810)



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is defined as the risk that arises from the fact that the maturity of assets and liabilities does not match. Management of the Bank actively monitors liquidity risk.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to Management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates. Part of the portfolio of securities is classified as on demand and less than one month as the securities in question are of dealing nature and management believes this is a fairer portrayal of their liquidity position. The remaining securities represent strategic investments of the Bank or securities retained for short term capital appreciation and thus do not have a stated maturity date.

Management believes that in spite of a substantial portion of customer accounts being on demand and less than one month, diversification of these deposits by number and type of clients and the past experience of the Bank would indicate that deposits provide a relatively long-term and stable source of funding for the Bank.

The Bank calculates mandatory liquidity ratios on a daily basis in accordance with the requirements of the CBRF. These ratios include:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to capital and liabilities maturing after one year



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

The Bank was in compliance with the above ratios during the year ended 31 December 2013 and year ended 31 December 2012.

The following table represents the mandatory liquidity ratios for the Bank calculated at 31 December 2013 and 31 December 2012:

	Requirement	31 December 2013	31 December 2012
Instant liquidity ratio (N2)	Minimum 15%	56.8%	40,9%
Current liquidity ratio (N3)	Minimum 50%	85.9%	82,7%
Long-term liquidity ratio (N4)	Maximum 120%	83.1%	57,6%

The Bank's liquidity position is calculated on a daily basis for the three requirements above by Treasury, and any issues are highlighted and referred to senior management immediately. The Bank performs daily operations with its financial assets in order to ensure limits are complied with. Liquidity management is controlled by the Asset and Liability Committee.

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity at 31 December 2013. Amounts shown are contractual undiscounted cash flows, including future interest, as required by IFRS 7 revised, although in practice the Bank manages liquidity on a different basis, as described above. Some of the assets may be of a longer term nature than presented in the table. For example, loans are frequently renewed and accordingly short term loans can have longer term durations.

	On demand or less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Overdue/ no stated maturity	Total
Liabilities						
Due to banks	249,614	8,723	10,467	290,027	-	558,831
Customer accounts	4,590,149	2,709,211	3,180,148	1,992,385	-	12,471,893
Debt securities issued	10,000	-	-	-	-	10,000
Other liabilities	52,699	14,889	7,549	5,548	-	80,685
Taxation	-	-	-	-	51,976	51,976
Total liabilities	4,902,462	2,732,823	3,198,164	2,287,960	51,976	13,173,385
Assets held for managing liquidity risk	4,533,525	2,849,083	3,485,522	4,652,797	1,046,172	16,567,099
Credit Related Commitments	281,544	625,202	782,242	563,965	-	2,252,953



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity at 31 December 2012.

	On demand or less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Overdue/ no stated maturity	Total
Liabilities						
Due to banks	301,067	-	-	219,754	-	520,821
Customer accounts	3,538,943	2,223,436	2,749,502	2,502,572	-	11,014,453
Debt securities issued	19,567	9,647	-	-	-	29,214
Other liabilities	31,821	14,772	5,596	3,873	-	56,062
Taxation	-	-	-	-	41,586	41,586
Total liabilities	3,891,398	2,247,855	2,755,098	2,726,199	41,586	11,662,136
Assets held for managing liquidity risk	3,502,833	3,898,784	2,970,915	3,247,649	980,917	14,601,098
Credit Related Commitments	66,753	232,906	531,041	730,096	-	1,560,796

The data in the tables above does not reconcile to the discounted cash flows which form the basis of the statement of financial position at 31 December 2013 and at 31 December 2012, and IFRS 7 revised does not require such reconciliation. The Bank considers that loans should be included in assets held for managing liquidity risk.

The maturity gap analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the table above. These balances are included in amounts due less than 1 month in the table above.

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

Interest Rate Risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Bank's Assets and Liabilities Management Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly. The majority of the Bank's assets and liabilities are priced on a fixed rate basis.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

In the table below given is the analysis of the interest rate fluctuation risk to which the Bank is exposed as at 31 December 2013. In the table shown are the amounts of interest assets and liabilities in their balance cost existing for the reporting date referred to different categories from the earliest of the following dates set in the agreement of interest rate fluctuation or maturity.

	<u>On demand or less than 1 month</u>	<u>1 to 6 months</u>	<u>6 months to 1 year</u>	<u>Over 1 year</u>	<u>Overdue/ no stated maturity</u>	<u>Total</u>
Assets						
Due from banks	170,000	-	-	-	-	170,000
Securities at a fair value through profit or loss	1,802,650	58,790	-	-	-	1,861,440
Securities held-to-maturity	-	-	-	79,252	-	79,252
Loans and advances to customers	207,412	1,944,523	2,656,089	4,900,050	76,432	9,784,506
Total assets	2,180,062	2,003,313	2,656,089	4,979,302	76,432	11,895,198
Liabilities						
Due to banks	245,395	8,723	10,467	290,027	-	554,612
Customer accounts	3,644,921	2,464,644	2,959,947	1,931,700	-	11,001,212
Debt securities issued	-	-	-	-	-	-
Total liabilities	3,890,316	2,473,367	2,970,414	2,221,727	-	11,555,824
Net liquidity	(1,710,254)	(470,054)	(314,325)	2,757,575	76,432	339,374
Accumulated gap as at 31 December 2013	(1,710,254)	(2,180,308)	(2,494,633)	262,942	339,374	
Accumulated gap as at 31 December 2012	(917,213)	8,056	39,343	610,770	676,231	

The table given below shows the average interest rates by currencies on major interest monetary financial instruments. The following analysis is prepared on the basis of average weighted interest rates in accordance with agreements in the effect on the end of the reporting year:

	<u>2013</u>			<u>2012</u>		
	<u>RUR</u>	<u>USD</u>	<u>Euro</u>	<u>RUR</u>	<u>USD</u>	<u>Euro</u>
Interest bearing assets						
Due from banks	5.00	-	-	5.91	-	-
Securities at a fair value through profit or loss	8.97	-	-	8.45	8.75	-
Securities held to maturity	8.93	-	-	8.90	-	-
Loans and advances to customers	13.24	-	-	12.25	-	-
Interest bearing liabilities						
Due to banks	7.35	-	-	6.78	-	-
Customer accounts	6.51	3.50	3.02	6.58	3.81	3.38
Debt securities issued	-	-	-	8.00	-	-



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

Operational risk – defined by CBRF as the risk of loss resulting from incompliance with the type and scale of the Bank's activity and /(or) with requirements of current legislation of internal policies and from violations by the Bank's employees and /(or) other individuals (due to incompetence, unintentional or deliberate acts), lack of functional capabilities of the Bank's information, technological and other types of systems and /(or) their failures, and also from the influence of external events. When the control system stops functioning, operational risks can damage Bank's reputation, have legal consequences or lead to financial loss.

The Bank manages operational risk in order to maintain appropriate compliance with internal policies and procedures for minimising operational risk.

The main methods the Bank uses to minimise operational risk are the following:

- development of organizational structure, internal rules and procedures of banking operations and other transactions in such a way as to eliminate or minimise the possibility of operational risk. Observance of the principles of segregation of duties, authorisation procedure (approval) and reporting on Bank's transactions;
- modernisation of banking systems automation and information protection. Minimisation of manual document processing;
- effective realisation of the Bank's human resources practice in a sphere of personnel rationalisation, training, hiring, motivation and increasing of corporate culture of all Bank's employees;
- organisation of work on developing employees' awareness of operational risk, that might arise from their working performance;
- usage of traditional types of property and life insurance by the Bank;
- system of measures development to provide going concern of Bank's operations, including plans of action in case of unexpected circumstances.

The operational risk on the basis of the Bank's reports prepared under Russian legislation as at 31 December 2013 is presented in the following table:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net interest income	576,683	454,444	344,570
Net non-interest income	356,311	286,153	291,719
Income	932,994	740,597	636,289

Operational risk as at 31 December 2013 is 115,494.

The operational risk on the basis of the Bank's reports prepared under Russian legislation as at 31 December 2012 is presented in the following table:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net interest income	454,444	344,570	396,392
Net non-interest income	247,749	291,719	228,772
Income	702,193	636,289	625,164

Operational risk as at 31 December 2012 is 98,182.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Financial Risk Management (continued)

Legal risk

Legal risk may arise from both external and internal factors. External factors include, inter alia, imperfection of the legal system and violations by the Bank's clients and counterparties of the law and contractual terms and conditions. Internal factors include failure by the Bank to comply with the legislation of the Russian Federation, non-compliance of the Bank's internal documents with the RF legislation, and inadequate consideration by the Bank of legal aspects when developing and implementing new technologies and terms of conducting banking operations and other transactions.

26. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument can be exchanged in the course of business between two willing 'arms' length' parties apart from forced liquidation. The best assurance of fair value is the market price of the financial instrument. The Bank, in accordance with available market information and different methods of valuation, estimated the fair value of the financial instruments it holds. However to interpret market information with the purpose of determining fair value it is necessary to exercise professional judgment. Although, for estimating the fair value of financial instruments, management uses the most up to date market information, it may not always represent the value that can be realised in current conditions.

Financial instruments held at fair value

Cash and cash equivalents and financial assets and liabilities measured at fair value through profit or loss are recorded in the statement of financial position at fair value. For some securities external market quotes are not available. The fair value of such assets was measured according to the results of recent sale of shares to third parties, analysis of other information such as discounted cash flows and the financial information of companies as well as other methods of estimation.

Due from financial institutions

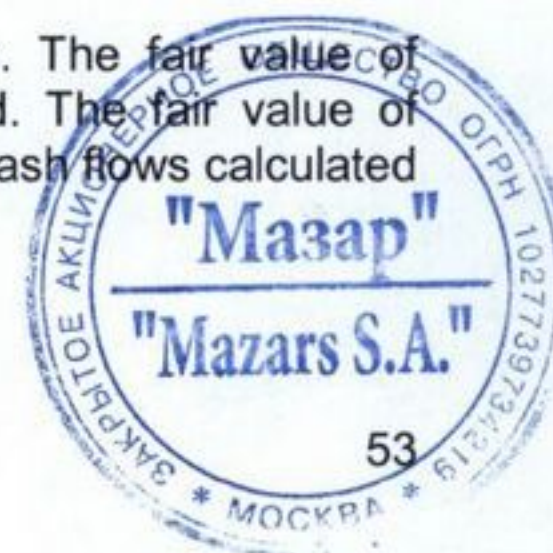
The fair value of funds deposited under a floating rate is equal to their carrying value. Fair value of funds deposited under a fixed rate is estimated based on the discounted cash flows using the market interest rates of the stock exchange of cash instruments for the instruments with similar level of credit risk and maturity. Management considers that the fair value of due from financial institutions does not differ from their book value as at 31 December 2013 and 31 December 2012. This is explained by an existing practice of revising the interest rates to reflect current market conditions, because of which, interest on the majority of balances are accrued under market interest rates.

Loans and advances to customers

Loans and advances to customers are recorded net of allowance for impairment. The estimated fair value of loans and advances to customers represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. Management considers that the fair value of loans and advances to customers did not differ significantly from their book value as at 31 December 2013 and 31 December 2012. This is explained by an existing practice of revising the interest rates to reflect current market conditions, therefore interest on the majority of balances are accrued under market interest rates.

Liabilities at amortised cost

The fair value of instruments with market value is based on market quotes. The fair value of instruments with uncertain maturity date is the amount repayable on demand. The fair value of instruments with fixed interest rate without market value is based on discounted cash flows calculated using interest rates of new instruments with similar credit risk and maturity date.



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

27. Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

During the reporting period the Bank entered into a number of banking transactions in the normal course of business with various related parties.

The total outstanding balances at 31 December 2013 and the related income and expense transactions during 2013 with related parties were as follows:

	Shareholders	Under common control by virtue of having the same shareholders	Other including management	Total Related party balance/result	Total per category in the financial statement
Statement of Financial Position					
Loans and advances to customers					
At beginning of year	-	648,088	5,865	653,953	9,744,226
Granted during year	-	271,961	6,521	278,482	-
Repaid during the year	-	(662,582)	(5,948)	(668,530)	-
At the end of the year	-	257,467	6,438	263,905	10,701,124
Allowance for losses	-	(10,712)	(102)	(10,814)	(900,536)
Current accounts					
At beginning of year	4,822	4,241	3,887	12,950	3,258,348
Opened during year	427,626	2,456,177	46,120	2,929,923	-
Repaid during the year	(429,322)	(2,452,059)	(46,467)	(2,927,848)	-
At the end of the year	3,126	8,359	3,540	15,025	3,762,439
Term deposits					
At beginning of year	-	-	1,886	1,886	7,158,201
Received during year	-	-	8,846	8,846	-
Repaid during the year	-	-	(4,787)	(4,787)	-
At the end of the year	-	-	5,945	5,945	8,198,648
Guarantees issued	-	482	-	482	1,070,254
Statement of Profit and Loss and other Comprehensive Income					
Interest Income on loans					
	-	62,610	748	63,358	1,252,981
Income from bank guarantees issuance					
	-	85	-	85	15,857
Interest expenses					
On term deposits	-	-	278	278	674,142
On current accounts	1	8	57	66	7,366
Commission income					
From settlement operations	222	1,096	27	1,345	-
Salary and bonuses	-	-	36,346	36,346	-



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

Related Party Transactions (continued)

The total outstanding balances at 31 December 2012 and the related income and expense transactions during 2012 with related parties were as follows:

	Shareholders	Under common control by virtue of having the same shareholders	Other including management	Total Related party balance/result	Total per category in the financial statement
Statement of Financial Position					
Loans and advances to customers					
At beginning of year	-	185,509	1,893	187,403	7,077,027
Granted during year	-	539,086	8,309	547,395	-
Repaid during the year	-	(113,361)	(4,346)	(117,707)	-
At the end of the year	-	648,088	5,865	653,953	9,744,226
Allowance for losses	-	(22,728)	(360)	(23,088)	(798,016)
Current accounts					
At beginning of year	535	11,598	2,047	14,180	2,966,671
Opened during year	745,333	3,082,817	46,851	3,875,002	-
Repaid during the year	(741,046)	(3,090,265)	(44,972)	(3,876,283)	-
At the end of the year	4,822	4,241	3,887	12,950	3,258,348
Term deposits					
At beginning of year	-	-	2,651	2,651	5,745,890
Received during year	-	-	3,829	3,829	-
Repaid during the year	-	-	(1,520)	(1,520)	-
At the end of the year	-	-	1,886	1,886	7,158,201
Statement of Profit and Loss and other Comprehensive Income					
Interest Income on loans					
	-	36,337	340	36,677	970,568
Interest expenses					
On term deposits	-	-	122	122	497,917
On current accounts	-	3	37	41	9,396
Commission income					
From settlement operations	541	246	9	795	138,560
Salary and bonuses	-	-	27,423	27,423	269,999

In 2013 salaries and other short term payment to the members of Board of Directors and members of the Executive Board amounted to 33,247 (2012: 24,815), including 9,245 (2012: 7,730) salaries, other short term payments 24,002 (2012: 17,086). Other short term payments to the members of the Executive Board and Board of Directors, who are not employed with the Bank, amounted to 3,099 (2012: 2,608).



OJSC CB "Hlynov"
Notes to the Non-Consolidated Financial Statements
as at 31 December 2013
(in thousands of Russian Roubles)

28. Capital Management

The Bank's policy is aimed to maintain the level of capital sufficient to keep trust of investors, creditors and the market in general, as well as for the future development of the Bank's operations.

The CBRF sets capital requirements to the Bank and monitors compliance with these requirements. Currently, under requirements of the CBRF, the Bank has to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a certain minimum level. As at 31 December 2013, this minimum level was 10% (2012: 10%).

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

	As at 31 December 2013	As at 31 December 2012
Capital		
Share capital	590,227	590,227
Funds	90,750	90,750
Previous year's profit	749,019	506,564
Current year profit	312,856	208,218
Additional capital		
Additional capital formed by capitalisation of property revaluation	14,773	14,773
Property surplus due to revaluation	73,442	66,020
Investments in subsidiary	(100)	(110)
Intangible assets	(16)	(14)
Total regulatory capital	1,830,951	1,476,428
Capital adequacy ratio	12.00%	12.18%

The main reason explaining the difference between the amount of capital calculated under CBRF requirements and equity presented in these financial statements is an additional allowance performed for the purposes of IFRS for loans and other assets and amortisation for property, plant and equipment.

During 2013 and 2012 the Bank's capital adequacy ratio was line with regulations.

The Bank can apply some measures in case of insufficiency of capital, such as: an additional share issue, asset sales and reduction in lending. Allocation of capital between individual operations and activities is mostly motivated by the desire to increase the level of profitability (profit margin) for the capital allocation. Despite the fact that the decisive factor in allocating capital to individual transactions or activities is to maximize the return on capital given the risk, this is not the only factor when deciding on the allocation of capital. Appropriate activities of the Bank's long-term management plans and prospects are taking into calculation. The Bank's capital management and its distribution is regularly analysed by the Directors of the Bank during the review and approval of annual budget.



Всего прошито и
пронумеровано

60 лист(ов)

