

**Open Joint Stock Company
"Russian Agency for Export Credit and
Investment Insurance" (OJSC "EXIAR")**

Separate financial statements

*For the year ended 31 December 2014
Together with independent auditors' report*

Contents

Independent auditors' report

| | |
|--|---|
| Separate income statement | 1 |
| Separate statement of comprehensive income | 2 |
| Separate statement of financial position | 3 |
| Separate statement of changes in equity | 4 |
| Separate statement of cash flows | 5 |

Notes to the financial statements

| | |
|---|----|
| 1. Principal activities | 6 |
| 2. Basis of preparation | 6 |
| 3. Summary of significant accounting policies | 7 |
| 4. Significant accounting judgments and estimates | 20 |
| 5. Gross premium written | 21 |
| 6. Fee and commission income (expense) | 21 |
| 7. Other insurance income (expenses) | 21 |
| 8. Interest income | 21 |
| 9. Other operating and administrative expenses | 22 |
| 10. Net gains/(losses) from foreign currencies | 22 |
| 11. Taxation | 22 |
| 12. Intangible assets | 24 |
| 13. Property and equipment | 25 |
| 14. Investments in subsidiary | 26 |
| 15. Insurance receivables | 26 |
| 16. Loans, receivables and investments available for sale | 26 |
| 17. Financial assets at fair value through profit or loss | 26 |
| 18. Amounts due from credit institutions | 27 |
| 19. Cash and cash equivalents | 27 |
| 20. Other assets | 27 |
| 21. Insurance contract liabilities | 28 |
| 22. Payables | 28 |
| 23. Other liabilities | 29 |
| 24. Equity | 29 |
| 25. Commitments and contingencies | 30 |
| 26. Risk management | 31 |
| 27. Fair value measurement | 37 |
| 28. Related party disclosures | 39 |
| 29. Events after the reporting period | 41 |

Independent auditors' report

To the shareholders and Board of Directors of
Russian Agency for Export Credit and Investment Insurance OJSC

We have audited the accompanying separate financial statements of Russian Agency for Export Credit and Investment Insurance OJSC which comprise the separate statement of financial position as at 31 December 2014, the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year 2014, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the separate financial statements

Management of the audited entity is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards, and for the internal control system relevant to the preparation of separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the fairness of these separate 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 that the separate financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. Audit procedures selection depends on our judgment based on the assessment of the risks of material misstatements of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control system relevant to the preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the separate 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 separate financial statements present fairly, in all material respects, the financial position of Russian Agency for Export Credit and Investment Insurance OJSC as at 31 December 2014, its financial performance and cash flows for the year 2014 in accordance with International Financial Reporting Standards.

CJSC Ernst & Young Vneshaudit

16 March 2015

**Separate statement of comprehensive income
for the year ended 31 December 2014***(in thousands of Russian rubles)*

| | 2014 | 2013 |
|---|------------------|----------------|
| Net profit for the period | 1,235,561 | 792,509 |
| Other comprehensive income for the period, net of tax | – | – |
| Comprehensive income | 1,235,561 | 792,509 |

The accompanying notes 1-29 are an integral part of these financial statements.

Separate statement of financial position
At 31 December 2014

(in thousands of Russian rubles)

| | Notes | 2014 | 2013 |
|---|--------------|-------------------|-------------------|
| Assets | | | |
| Intangible assets | 12 | 1,723 | 1,947 |
| Property and equipment | 13 | 1,393,366 | 51,635 |
| Deferred tax assets | 11 | 39,202 | 198,788 |
| Investments in subsidiary | 14 | 2,155,072 | – |
| Income tax prepayment | | 54,177 | 20,517 |
| Reinsurance assets | | 7,093 | – |
| Insurance receivables | 15 | 860,061 | 90,786 |
| Loans and receivables | 16 | 12,734,938 | – |
| Investments available for sale | 16 | – | 7,549,079 |
| Financial assets at fair value through profit or loss | 17 | 305,418 | – |
| Amounts due from credit institutions | 18 | 21,633,937 | 16,027,945 |
| Cash and cash equivalents | 19 | 35,071 | 9,085,250 |
| Other assets | 20 | 68,531 | 42,640 |
| Total assets | | 39,288,589 | 33,068,587 |
| Liabilities | | | |
| Insurance contract liabilities | 21 | 2,253,289 | 902,262 |
| Payables | 22 | 2,182,422 | 27,124 |
| Insurance payables | | 5,438 | – |
| Other liabilities | 23 | 191,321 | 95,080 |
| Total liabilities | | 4,632,470 | 1,024,466 |
| Equity | | | |
| Share capital | 24 | 31,376,437 | 30,000,000 |
| Reserve capital | 24 | 102,278 | 65,766 |
| Retained earnings | | 3,177,404 | 1,978,355 |
| Total equity | | 34,656,119 | 32,044,121 |
| Total liabilities and equity | | 39,288,589 | 33,068,587 |

The accompanying notes 1-29 are an integral part of these financial statements.

**Separate statement of changes in equity
for the year ended 31 December 2014**

(in thousands of Russian rubles)

| | Notes | Share capital | Retained earnings | Other reserves | Reserve capital | Total equity |
|-------------------------------|-------|-------------------|----------------------|-------------------|--------------------|-------------------|
| At 31 December 2012 | | 30,000,000 | 1,247,497 | 4,115 | – | 31,251,612 |
| Profit for 2013 | | – | 792,509 | – | – | 792,509 |
| Reserve capital charge | 24 | – | (65,766) | – | 65,766 | – |
| Equalization provision charge | | – | 4,115 | (4,115) | – | – |
| At 31 December 2013 | | 30,000,000 | 1,978,355 | – | 65,766 | 32,044,121 |
| Profit for the year | | – | 1,235,561 | – | – | 1,235,561 |
| Issue of share capital | 24 | 1,376,437 | – | – | – | 1,376,437 |
| Reserve capital charge | 24 | – | (36,512) | – | 36,512 | – |
| At 31 December 2014 | | 31,376,437 | 3,177,404 | – | 102,278 | 34,656,119 |

The accompanying notes 1-29 are an integral part of these financial statements.

**Separate statement of cash flows
for the year ended 31 December 2014**

(in thousands of Russian rubles)

| | Notes | 2014 | 2013 |
|--|--------|---------------------|------------------|
| Cash flows from operating activities | | | |
| Profit for the period before tax | | 1,556,624 | 996,208 |
| <i>Adjustments for non-cash items included in profit before tax:</i> | | | |
| Depreciation and amortization | 13, 12 | 42,417 | 28,470 |
| Loss on disposal of property and equipment | | 2,687 | – |
| Accrued but not received interest income on amounts due from credit institutions | | (4,033) | (243) |
| Accrued but not received interest income on investment securities | | (185,138) | (48,046) |
| Accrued but not received interest income on loans and receivables | | (6,558) | – |
| Changes in insurance contract liabilities | 21 | 1,351,027 | 893,765 |
| Cash flows from operating activities before changes in operating assets and liabilities | | 2,757,025 | 1,870,154 |
| <i>Net (increase)/decrease in operating assets:</i> | | | |
| Insurance receivables | | (769,275) | (85,265) |
| Reinsurance assets | | (7,093) | – |
| Insurance payables | | 5,438 | – |
| Other assets | | (25,891) | (17,104) |
| <i>Net (increase)/decrease in operating liabilities:</i> | | | |
| Other liabilities | | 96,465 | 16,454 |
| Income tax paid | | (195,136) | (391,798) |
| Net change in cash from operating activities | | 1,861,533 | 1,392,441 |
| Cash flows from investment activities | | | |
| Deposits repaid | | 25,650,590 | 30,500,000 |
| Deposits placed | | (31,252,547) | (16,000,000) |
| Investment securities | | (5,000,720) | (7,501,033) |
| Purchase of financial instruments carried at fair value through profit and loss | | (298,860) | – |
| Purchase of property and equipment | 13 | (10,175) | (13,797) |
| Purchase of intangible assets | | – | (150) |
| Net change in cash from investment activities | | (10,911,712) | 6,985,020 |
| Cash flows from financing activities | | | |
| Contributions to share capital | | – | – |
| Net change in cash from financing activities | | – | – |
| Net change in cash and cash equivalents | | 9,050,179 | 8,377,461 |
| Cash and cash equivalents, beginning | 19 | 9,085,250 | 707,789 |
| Cash and cash equivalents, ending | 19 | 35,071 | 9,085,250 |
| Supplemental information: | | | |
| Interest income received | | 2,426,461 | 2,558,096 |
| Effect of changes in foreign exchange rates against the ruble on cash and cash equivalents | | 497,804 | 2,117 |

The accompanying notes 1-29 are an integral part of these financial statements.

(in thousands of Russian rubles)

1. Principal activities

Russian Agency for Export Credit and Investment Insurance (short name – OJSC "EXIAR") (the "Agency", or the "Company") is an open joint stock company incorporated pursuant to provisions of Federal Law of the Russian Federation No. 82-FZ, "On Bank for Development", dated 17 May 2007.

The primary objective of the Agency's activities is to provide insurance services in connection with exports of Russian goods (work, services) and Russian investments abroad.

The Agency operates in pursuance of the above Law without obtaining a special permit (license) and its activity is not subject to Federal Law of the Russian Federation "On organization of insurance in Russian Federation". The Agency is guided by the Rules approved by Resolution No. 964 of the Government of the Russian Federation dated 22 November 2011.

State corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" was the sole shareholder of the Agency at the reporting date and during the reporting period of these financial statements.

On 28 November 2014, the transfer of 100% minus 1 share in CJSC State Specialized Russian Export-Import Bank ("ROSEXIMBANK") by Vnesheconombank to the Agency for the purpose of establishing the Agency-based Center for Exports Credit and Insurance Support was finalized. More details about the transaction are provided in Note 14.

The Agency is located (registered) at: 1st Zachatievsky Pereulok, 3, bld. 1, 119034 Moscow, Russian Federation.

2. Basis of preparation

Basis of preparation of the separate financial statements

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Agency applied the exemption from preparing consolidated financial statements envisaged by IFRS 10.4(a) *Consolidated Financial Statements*. The Agency is a subsidiary of Vnesheconombank, which prepares consolidated financial statements. The IFRS consolidated financial statements prepared by Vnesheconombank and incorporating both the Agency and its subsidiary, ROSEXIMBANK, are available on its corporate website at www.veb.ru. Information about the investment in the subsidiary is disclosed in Note 14.

The Agency is required to maintain its accounting records and prepare its statutory financial statements in accordance with Russian accounting legislation and related instructions ("RAL"). These financial statements are based on RAL, as adjusted and reclassified in order to comply with IFRS.

When entering into non-standard or irregular operations or transactions, standards (interpretations) regulating accounting and assessment of similar/identical operations or transactions are to be applied and reasonable professional judgment of responsible persons is to be made.

These financial statements have been prepared on a historical cost convention unless disclosed otherwise in the accounting policies below. These financial statements are presented in thousands of Russian rubles ("RUB"), unless otherwise indicated. The ruble is used as the presentation currency since the majority of the Agency's transactions are denominated, measured or funded in Russian rubles (functional currency).

For the purposes of preparation of these financial statements and recognition of assets or liabilities and income or expenses in the statement of financial position or the income statement, items which do not meet the materiality criterion can be categorized as other assets, other liabilities, other income or other expenses.

(in thousands of Russian rubles)

2. Basis of preparation (continued)

Basis of preparation of the separate financial statements (continued)

A respective item may be designated as "other" if the share of the respective financial statements line (other assets, other liabilities, other income or other expenses) which includes such item does not exceed 5% of the balance sheet total at the reporting date.

3. Summary of significant accounting policies

A summary of significant accounting policies with regard to assets, liabilities and income and expenses recorded in the financial statements is presented below.

Changes in accounting policies

The accounting policies adopted are consistent with those of previous reporting years except that the Agency has adopted the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2014:

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Agency, since the Agency does not qualify to be an investment entity under IFRS 10.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments had no impact on the Agency.

IFRIC Interpretation 21 Levies

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This IFRIC had no impact on the Agency's financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. This amendment is not relevant to the Agency, since the Agency had no derivatives during the current period.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-financial Assets

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognized or reversed during the period. These amendments had no impact on the Agency's financial position or performance.

(in thousands of Russian rubles)

3. Summary of significant accounting policies (continued)

Insurance contracts

Insurance contracts are those contracts when the Agency (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

The Agency classifies all contracts made in the course of its principal activity as insurance contracts and recognizes them in accordance with IFRS 4.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Costs of day-to-day servicing and repair of property and equipment are not capitalized but expensed in the income statement as incurred in the respective reporting period.

Property and equipment are depreciated using the straight-line method based on the useful life of 2-10 years set for furniture and equipment and 15-60 years for buildings.

The depreciation of property and equipment is written off on a systematic basis over the useful life until the date it is derecognized within expenses in the income statement.

The depreciation method and useful life of property and equipment are reviewed annually (at the reporting date of the annual reporting period) in order to consider the following factors: change in the condition of assets, changes in the respective market, increase in the carrying amount of assets due to subsequent costs incurred to improve the quality of property and equipment and intangible assets.

At each reporting date the Agency assesses whether there is any indication of potential impairment of property and equipment, and where such indication exists, respective assets are tested for impairment in order to accrue/reverse the respective allowance.

An asset is derecognized on its sale or any other disposal, or when a decision is taken to cease using the asset and no future economic benefits are expected from its disposal.

Assets with the cost of less than RUB 40 thousand per unit are not recognized within property and equipment.

Financial assets

Initial recognition and measurement

For the purposes of the IFRS financial statements, the Agency analyzes financial assets broken down by the following categories:

- Cash and cash equivalents;
- Amounts due from credit institutions (bank deposits);
- Insurance receivables;
- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Investments available for sale;
- Investments held to maturity.

(in thousands of Russian rubles)

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Financial assets are classified by the Agency at initial recognition based on their substance and intended use.

Financial assets are initially recognized at fair value, i.e. at fair value of the compensation paid, taking into account transaction costs directly attributable to the origination of an asset or a liability, except for financial instruments designated as instruments carried at fair value through profit or loss. Such transaction costs are not included in the cost of initial recognition of an instrument, but immediately expensed within profit (loss) for the period.

The cost of a financial instrument is its fair value at the origination date, except where there is no effective rate for contractual provisions of the financial instrument or where the effective rate significantly (20% and more) differs from the market rate for this (comparable/similar) instrument at the date of its origination.

Subsequent accounting

Financial assets classified at initial recognition are subsequently recognized at fair value or amortized cost as follows:

| Category of asset/liability | Subsequent accounting | Profit (loss) recognized in determining fair value | Amortization | Impairment test (recognition) |
|---|------------------------------|---|---------------------|--------------------------------------|
| Cash and cash equivalents | Fair value | Income statement | Not applicable | Yes (Income statement) |
| Amounts due from credit institutions | Amortized cost | Not applicable | Income statement | Yes (Income statement) |
| Loans and receivables | Amortized cost | Not applicable | Income statement | Yes (Income statement) |
| Insurance receivables | Fair value | Income statement | Not applicable | Yes (Income statement) |
| Financial assets at fair value through profit or loss | Fair value | Income statement | Not applicable | No |
| Investments held to maturity | Amortized cost | Not applicable | Income statement | Yes (Income statement) |
| Investments available for sale | Fair value | Other comprehensive income | Not applicable | Yes (Income statement) |

If upon initial recognition a financial instrument is recognized based on actual costs and a new fair value for its initial recognition is not determined, such financial instrument is subsequently recognized based on actual costs.

Financial instruments are subsequently recognized based on reasonable professional judgment of responsible persons with regard to each category of financial assets and financial liabilities as described in accounting policies.

Fair value of financial instruments

The fair value of a financial asset is the amount for which it can be sold in an arm's length transaction between knowledgeable, willing and independent parties in the ordinary course of business.

The fair value of a financial asset is determined by using quoted prices in an active market. Where there is no active market for certain securities in accordance with reasonable judgment, the fair value can be determined in several ways, particularly at the offering price (for securities acquired at original issuance).

(in thousands of Russian rubles)

3. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on current accounts and short-term bank deposits that mature within 90 days from the date of origination.

Cash includes cash on hand, cash with banks in freely convertible currencies and the currency of the Russian Federation.

Cash equivalents are short-term (up to 90 days from the date of origination), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These, in particular, include deposits placed with banks for a period of up to 90 days from the date of origination and free from contractual encumbrances.

Cash and cash equivalents are recognized and measured at cost which does not significantly differ from their fair value or amortized cost. Impairment allowance is not made for this category of assets.

Amounts due from credit institutions (bank deposits)

Amounts due from credit institutions include deposits placed with banks not classified as cash and cash equivalents.

Bank deposits are initially recognized at fair value, which is the amount of actual costs, if the effective contractual rates applied to these deposits do not significantly differ from the market rates for these or similar/identical financial assets at the date of their origination.

Placed deposits are subsequently recognized at amortized cost, except for bank deposits maturing within a year from the opening date, in which case the effect of the time value of money is not material.

At each reporting date, bank deposits are tested for impairment and losses from accrual/gains from reversal of an impairment allowance are taken to profit or loss for the reporting period.

All accrued interest receivable at the reporting date is recognized as interest income on bank deposits which are not impaired at the reporting date.

Insurance receivables

Insurance receivables are recognized when insurance premium is accrued under the respective contract and measured on initial recognition and subsequent accounting at fair value of cash received or receivable. Where a policyholder is allowed to pay the insurance premium by installments, the effect of the time value of money on the evaluation of receivables is not material.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

- Trading financial assets;
- Derivative financial instruments.

This category may also include other financial assets at their initial recognition based on reasonable judgment. Such financial instruments pertain to this category until they are derecognized.

(in thousands of Russian rubles)

3. Summary of significant accounting policies (continued)

Financial assets at fair value through profit or loss (continued)

Trading financial assets include actively traded equity and debt securities which are principally acquired for the purpose of generating a profit from short-term fluctuations in price.

Trading financial assets are recognized initially at fair value. Debt liabilities included in this category are recognized in the statement of financial position considering accumulated coupon income. The change in the fair value of trading securities at the reporting date and balance of income and expenses from their sale (other disposal) are recognized in the income statement within gains less losses arising from financial instruments at fair value through profit or loss.

Trading portfolio securities are not tested for impairment. Interest income received and accumulated on trading securities at the reporting date is recognized within interest income in the income statement.

Investments available for sale

Investments available for sale include unclassified equity and debt securities purchased.

Investments available for sale are initially recognized at fair value. Debt liabilities included in this category are recognized in the statement of financial position considering accumulated coupon income accrued from the coupon period initiation date till the reporting date less coupon income received, if any such payments were made.

Unrealized gains and losses arising from changes in fair value of investments available for sale at the reporting date are recognized within comprehensive income.

Balance of income and expenses arising from sale (other disposal) of such investments is recognized within gains less losses from investments available for sale in the income statement. When financial assets of this category are sold, the amount of accumulated revaluation previously recognized within comprehensive income is recognized in the income statement in the period when these financial assets are sold. Interest income on investments available for sale at the reporting date is recognized within interest income in the income statement.

At each reporting date investments available for sale are tested for impairment. Where there is objective evidence of potential impairment of such assets, a respective allowance for impairment is accrued. Related expenses are recognized within gains less losses from accrual of allowances for impairment of other assets and other provisions in the income statement.

Loans and receivables

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

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

Loans and receivables are initially recognized at fair value, which is the amount of actual costs, if the effective contractual rates applied to these assets do not significantly differ from the market rates for these or similar/identical financial assets at the date of their origination. Loans and receivables are subsequently recognized at amortized cost.

(in thousands of Russian rubles)

3. Summary of significant accounting policies (continued)

Reclassification of financial assets

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category if the Agency has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Impairment of financial assets

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

Amounts due from credit institutions, loans and receivables

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

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

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

(in thousands of Russian rubles)

3. Summary of significant accounting policies (continued)

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities.

The tax rates and tax laws used for calculation of this amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Agency operates and generates taxable income. Current income tax assets and liabilities also include adjustments for taxes expected to be paid or recovered in respect of previous periods.

Deferred income tax

Deferred tax is calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, unused tax benefits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax benefits and unused tax losses can be utilized, except where a deferred tax asset relating to a deductible temporary difference arises from the initial recognition of an asset or liability which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reviewed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilized.

Recognition of insurance premium

Insurance premium is recognized in full amount stipulated in the insurance contract at the later of the contract liability inception date or the date on which the contract is signed.

Whole turnover insurance contracts stipulate that if, according to the declarations on actual sales turnover provided by the policyholder, calculated insurance premium exceeds contractual minimal deposit premium (MDP), the respective difference is to be additionally accrued at the date of presentation of the declaration according to which the actual sales turnover exceeded the minimal turnover (MDP basis).

Acquisition costs

Commission fee on acquired insurance contracts is recognized within expenses simultaneously with recognition of insurance premium on such contracts and is calculated by applying the respective commission fee rate to the amount of accrued insurance premium. Deferred acquisition costs are not recognized due to specifics of unearned premium reserve calculation.

Reinsurance

The Agency assumes risks to reinsurance in the normal course of business. Premiums and losses on reinsured risks assumed by the Agency are recognized within gains and losses in the same manner as if reinsurance had been considered direct insurance, taking into account the classification of insurance products for which reinsurance is performed. In the course of its business the Agency may also cede risks to reinsurance.

(in thousands of Russian rubles)

3. Summary of significant accounting policies (continued)

Leases

The Agency is a lessee. Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are recognized as expenses on a straight-line basis over the lease term and included in general and administrative expenses.

Foreign currency translation

The separate financial statements are presented in Russian rubles, which is the Agency's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of insurance contract liabilities and reinsurers' share in insurance contract liabilities denominated in foreign currencies are recognized in the corresponding lines of the income statement. Gains and losses resulting from the translation of insurance and reinsurance receivables and payables on premiums denominated in foreign currencies are recognized in the income statement as a component of other insurance income and expenses. Gains and losses resulting from the translation of foreign currency transactions (other than stated above) are recognized in the income statement as "Net gains/(losses) from foreign currencies".

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the Central Bank exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies.

The official CBR exchange rates at 31 December 2014 and 2013 were RUB 56.2584 and RUB 32.7292 to USD 1, respectively, and RUB 68.3427 and RUB 44.9699 to EUR 1, respectively.

Standards and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Agency's financial statements are disclosed below. The Agency intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Agency's financial assets, but no impact on the classification and measurement of the Agency's financial liabilities.

(in thousands of Russian rubles)

3. Summary of significant accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue arising from lease contracts within the scope of IAS 17 *Leases*, insurance contracts within the scope of IFRS 4 *Insurance Contracts* and financial instruments and other contractual rights and obligations within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* (or IFRS 9 *Financial Instruments*, if early adopted) is out of IFRS 15 scope and is dealt by respective standards.

Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Agency is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Agency is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Agency, since the Agency does not have defined benefit plans with contributions from employees or third parties.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Agency.

(in thousands of Russian rubles)

3. Summary of significant accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Agency given that the Agency has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact to the Agency as the Agency does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Agency currently considers whether to apply these amendments for preparation of its separate financial statements when they become effective.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary is recognized only to the extent of unrelated investors' interests in that former subsidiary. The amendments are applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

(in thousands of Russian rubles)

3. Summary of significant accounting policies (continued)

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and they did not have a material impact on the Agency. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar";
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IFRS 13 Short-term Receivables and Payables – Amendments to IFRS 13

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

(in thousands of Russian rubles)

3. Summary of significant accounting policies (continued)

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Agency. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

Meaning of effective IFRSs – Amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. Since the Agency is an existing IFRS preparer, this standard would not apply.

Annual improvements 2012-2014 Cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the Agency. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

(in thousands of Russian rubles)

3. Summary of significant accounting policies (continued)

Annual improvements 2012-2014 Cycle (continued)

IFRS 7 Financial Instruments: Disclosures – servicing contracts

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

IFRS 7 Financial Instruments: Disclosures – applicability of the offsetting disclosures to condensed interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that "[A]n entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods." The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report. The amendment removes the phrase "and interim periods within those annual periods", clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IAS 19 Employee Benefits – regional market issue regarding discount rate

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IAS 34 Interim Financial Reporting – disclosure of information "elsewhere in the interim financial report"

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

(in thousands of Russian rubles)

4. Significant accounting judgments and estimates

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

Insurance reserves

Unearned premium reserve is a part of insurance premium accrued under the insurance contract that relates to the contract term after the reporting date (hereinafter, "unearned premium") and is used for the purpose of performing obligations to guarantee insurance payments in case of insured events which may occur under the insurance contract after the reporting date. Unearned premium reserve is calculated separately for each insurance program designated under the insurance contract for the purpose of calculating insurance reserves. In order to calculate unearned premium reserve, accrued insurance premium is reduced by the amount of accrued commission fee.

In order to calculate unearned premium reserve, it is assumed that the underlying insurance risk expires as follows:

- In case of single risk insurance – on the expected end date of the loan period determined based on all available information about the covered transaction using expert judgment, where necessary.
- In case of whole turnover insurance – at the end of the loan period of each delivery whereas deliveries made during the period for which the Agency has not been provided with declarations on actual sales turnover are assumed to be of the same value and made daily in line with the expected sales turnover.
- In case of other insurance programs – on a straight-line basis throughout the insurance period.

The unearned premium reserve is released as the underlying insurance risk expires on a *pro rata* basis. At settlement dates following the expiry date of the insurance program, including early termination of the insurance contract, the unearned premium reserve is deemed to be nil.

Loss reserve is made in order to recognize the Agency's obligations to make insurance claim payment:

- on realized claims, for which the waiting period expired before the reporting date;
- on claims realized before the reporting date, for which the waiting period is not specified.

The amount of claim is subject to an expert assessment when the Agency receives information on the realized insurance risk before the reporting date and the amount of claim to be covered by the Agency in accordance with the insurance contract terms is not determined. The expert assessment of the amount of claim should take into account all information on the insured event available at the reporting date and statistical data on insured events accumulated by the Agency. The expert assessment of the amount of claim cannot exceed the amount of insurance coverage stipulated in the insurance contract.

Allowance for impairment of financial assets

The Agency regularly reviews its loans and receivables to assess impairment. The Agency uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Agency estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Agency uses its experienced judgment to adjust observable data for a group of financial assets that are collectively evaluated for impairment to reflect current circumstances.

(in thousands of Russian rubles)

5. Gross premium written

In 2014, premiums written on 175 insurance contracts, including inwards reinsurance, amounted to RUB 872,699 thousand. The aggregate sum insured/limit of liability under 205 exporter risk insurance contracts and bank credit risk insurance contracts effective as of the reporting date totaled RUB 85,880 million; the portfolio insurance terms vary from 5 to 148 months.

In 2013, premiums written on 58 insurance contracts amounted to RUB 249,138 thousand. The aggregate sum insured/limit of liability under exporter risk insurance contracts and bank credit risk insurance contracts concluded by the Agency in 2013 totaled RUB 29,126 million; the portfolio insurance terms varied from 5 to 120 months.

In 2014, the premium written on one outwards reinsurance contract amounted to RUB 12,459 thousand (2013: nil).

6. Net fee and commission income (expense)

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|------------------------|
| Reinsurance commission income | 1,870 | – |
| Reinsurance commission expenses | (603) | (27,034) |
| Total net fees and commission income (expense) | <u>1,267</u> | <u>(27,034)</u> |

7. Other insurance income (expenses)

| | <u>2014</u> | <u>2013</u> |
|---|-----------------------|-----------------|
| Revaluation of insurance receivables | 253,584 | – |
| Compensation envisaged by international legislation | 4,990 | – |
| Losses from writing off insurance receivables | (6,618) | – |
| Total other expenses | <u>251,956</u> | <u>–</u> |

8. Interest income

| | <u>2014</u> | <u>2013</u> |
|---|-------------------------|-------------------------|
| Interest income on amounts due from credit institutions | 1,515,282 | 2,506,993 |
| Interest (coupon) income on loans and receivables | 1,025,389 | – |
| Interest income on current accounts | 45,737 | 51,513 |
| Interest (coupon) income on investment securities | 2,436 | 48,046 |
| Total interest income | <u>2,588,844</u> | <u>2,606,552</u> |

At 31 December 2014, accrued but not received interest income on amounts due from credit institutions was RUB 4,276 thousand (31 December 2013: RUB 29,426 thousand), accrued but not received coupon income on loans and receivables and investment securities was RUB 239,743 thousand.

*(in thousands of Russian rubles)***9. Other operating and administrative expenses**

| | Notes | 2014 | 2013 |
|--|--------------|------------------|----------------|
| Salaries, wages and bonuses | | 448,927 | 398,179 |
| Employment taxes | | 46,694 | 46,613 |
| Provision for unused vacations | 23 | 5,772 | 9,505 |
| Social contributions | | 6,717 | 6,050 |
| Provision for annual bonuses | 23 | 185,549 | 85,575 |
| Total employee benefit expenses | | 693,659 | 545,922 |
| Professional services | | 166,865 | 109,268 |
| Rent | | 101,314 | 99,893 |
| Advertising | | 43,885 | 28,074 |
| Depreciation and amortization | 13, 14 | 42,417 | 28,470 |
| Maintenance expenses | | 41,480 | 41,802 |
| Travel expenses | | 37,496 | 20,469 |
| Communication, information systems and software | | 36,165 | 32,654 |
| Personnel hiring and training | | 25,853 | 12,367 |
| Inventories | | 10,576 | 10,101 |
| Taxes other than income tax | | 8,489 | 1,222 |
| Other administrative expenses | | 12,752 | 11,572 |
| Total other operating and administrative expenses | | 1,220,951 | 941,814 |

10. Net gains/(losses) from foreign currencies

| | 2014 | 2013 |
|---|----------------|--------------|
| Translation differences | 472,061 | 3,482 |
| Dealing | (56,661) | (351) |
| Total net gains/(losses) from foreign currencies | 415,400 | 3,131 |

11. Taxation

Income tax expense comprises:

| | 2014 | 2013 |
|--|----------------|----------------|
| Current tax charge | 161,477 | 382,927 |
| Deferred tax charge/(credit) – origination and reversal of temporary differences | 159,586 | (179,228) |
| Income tax expense | 321,063 | 203,699 |

Russian legal entities must file individual income tax declarations with the tax authorities. In 2014, the standard income tax rate for companies was 20%.

*(in thousands of Russian rubles)***11. Taxation (continued)**

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

| | <u>2014</u> | <u>2013</u> |
|---|------------------|----------------|
| Profit before tax | 1,556,624 | 996,208 |
| Statutory tax rate | 20% | 20% |
| Theoretical income tax expense at the statutory rate | 311,325 | 199,242 |
| Non-deductible expenditures | 9,738 | 4,457 |
| Income tax expense | 321,063 | 203,699 |

At 31 December 2014, deferred tax assets and their movements for the respective period comprise:

| | <u>Origination and reversal of temporary differences</u> | | | <u>2014</u> |
|---|--|------------------------------------|--|---------------|
| | <u>2013</u> | <u>In the income statement</u> | <u>In other comprehensive income</u> | |
| Tax effect of deductible temporary differences | | | | |
| Property and equipment | 861 | 737 | – | 1,598 |
| Insurance contract liabilities | 180,452 | (180,452) | – | – |
| Payables | 354 | 103 | – | 457 |
| Other liabilities | 17,115 | 19,995 | – | 37,110 |
| Investment securities available for sale | 6 | 32 | – | 38 |
| Deferred tax assets | 198,788 | 159,585 | – | 39,203 |
| Deferred tax liability | | | | |
| Property and equipment | – | 1 | – | 1 |
| Deferred tax asset, net | 198,788 | 159,586 | – | 39,202 |

At 31 December 2013, deferred tax assets and their movements for the respective period comprise:

| | <u>Origination and reversal of temporary differences</u> | | | <u>2013</u> |
|---|--|------------------------------------|--|----------------|
| | <u>2012</u> | <u>In the income statement</u> | <u>In other comprehensive income</u> | |
| Tax effect of deductible temporary differences | | | | |
| Property and equipment | 224 | 637 | – | 861 |
| Insurance contract liabilities | 1,699 | 178,753 | – | 180,452 |
| Payables | 522 | (168) | – | 354 |
| Other liabilities | 17,115 | – | – | 17,115 |
| Investment securities available for sale | – | 6 | – | 6 |
| Deferred tax assets | 19,560 | 179,228 | – | 198,788 |
| Deferred tax liability | | | | |
| | – | – | – | – |
| Deferred tax asset, net | 19,560 | 179,228 | – | 198,788 |

*(in thousands of Russian rubles)***12. Intangible assets**

The movements in intangible assets were as follows:

| | Licenses | Software | Total |
|--|-----------------|-----------------|--------------|
| Cost | | | |
| At 31 December 2013 | 473 | 1,717 | 2,190 |
| Additions | – | – | – |
| Disposals | – | – | – |
| At 31 December 2014 | 473 | 1,717 | 2,190 |
| Accumulated amortization and impairment | | | |
| At 31 December 2013 | 79 | 164 | 243 |
| Amortization charge | 51 | 173 | 224 |
| Disposals | – | – | – |
| Impairment | – | – | – |
| At 31 December 2014 | 130 | 337 | 467 |
| Carrying amount | | | |
| At 31 December 2013 | 394 | 1,553 | 1,947 |
| At 31 December 2014 | 343 | 1,380 | 1,723 |
| | | | |
| | Licenses | Software | Total |
| Cost | | | |
| At 31 December 2012 | 473 | 1,567 | 2,040 |
| Additions | – | 150 | 150 |
| Disposals | – | – | – |
| At 31 December 2013 | 473 | 1,717 | 2,190 |
| Accumulated amortization and impairment | | | |
| At 31 December 2012 | 29 | – | 29 |
| Amortization charge | 50 | 164 | 214 |
| Disposals | – | – | – |
| Impairment | – | – | – |
| At 31 December 2013 | 79 | 164 | 243 |
| Carrying amount | | | |
| At 31 December 2012 | 444 | 1,567 | 2,011 |
| At 31 December 2013 | 394 | 1,553 | 1,947 |

Licenses valued at RUB 343 thousand represent the Agency's registered trademark; software valued at RUB 1,380 thousand represents the Agency's information website in the Internet. As of 31 December 2014, these assets were tested for impairment, and no evidence of impairment was identified.

*(in thousands of Russian rubles)***13. Property and equipment**

The movements in property and equipment were as follows:

| | Building | Equipment | Leasehold improvements | Total |
|---------------------------------|------------------|-------------------------------|---|------------------|
| Cost | | | | |
| At 31 December 2013 | – | 75,808 | 16,829 | 92,637 |
| Additions | 1,376,452 | 10,160 | – | 1,386,612 |
| Disposals | – | (778) | (16,829) | (17,607) |
| At 31 December 2014 | 1,376,452 | 85,190 | – | 1,461,642 |
| Accumulated depreciation | | | | |
| At 31 December 2013 | – | 31,699 | 9,303 | 41,002 |
| Depreciation charge | 11,012 | 26,163 | 5,018 | 42,193 |
| Disposals | – | (598) | (14,321) | (14,919) |
| At 31 December 2014 | 11,012 | 57,264 | – | 68,276 |
| Carrying amount | | | | |
| At 31 December 2013 | – | 44,109 | 7,526 | 51,635 |
| At 31 December 2014 | 1,365,440 | 27,926 | – | 1,393,366 |
| | | | Construction in progress and property and equipment at the warehouse | |
| | Equipment | Leasehold improvements | | Total |
| Cost | | | | |
| At 31 December 2012 | 61,620 | 17,180 | 40 | 78,840 |
| Additions | 13,780 | 57 | – | 13,837 |
| Disposals | – | – | (40) | (40) |
| Reclassification | 408 | (408) | – | – |
| At 31 December 2013 | 75,808 | 16,829 | – | 92,637 |
| Accumulated depreciation | | | | |
| At 31 December 2012 | 9,461 | 3,286 | – | 12,747 |
| Depreciation charge | 22,238 | 6,017 | – | 28,255 |
| Disposals | – | – | – | – |
| At 31 December 2013 | 31,699 | 9,303 | – | 41,002 |
| Carrying amount | | | | |
| At 31 December 2012 | 52,159 | 13,894 | 40 | 66,093 |
| At 31 December 2013 | 44,109 | 7,526 | – | 51,635 |

At 22 October 2014, the Agency acquired property rights to the building located at the address: Moscow, 1st Zachatievsky Pereulok, 3, bld. 1. Vnesheconombank, the sole shareholder of OJSC "EXIAR", transferred the building in pursuance of the decision to increase the share capital of OJSC "EXIAR" through placement of an additional issue of shares with total par value of RUB 1,376,437 thousand subject to non-monetary settlement. More details about the additional issue are provided in Note 24.

As of 31 December 2014, gross carrying value of the real estate property totaled RUB 1,376,452 (net cost, including direct costs, of RUB 15 thousand), accumulated depreciation – RUB 11,012 thousand.

Equipment includes computers, furniture and office equipment. As of 31 December 2014, these assets were tested for impairment, and no evidence of impairment was identified.

*(in thousands of Russian rubles)***14. Investments in subsidiary**

At 28 October 2014, pursuant to the establishment of the Support Center for Lending and Insurance housed by the Agency according to the RF President Instruction of 24 June 2014, 100%-minus-one-share stake of CJSC "State Specialized Russian Export-Import Bank" (CJSC ROSEXIMBANK) was transferred from Vnesheconombank to OJSC "EXIAR". In accordance with the Agency's accounting policy, investments in subsidiaries are recognized at the cost of acquisition, which totaled RUB 2,155,072 thousand, in separate financial statements.

15. Insurance receivables

| | <u>2014</u> | <u>2013</u> |
|------------------------------------|-----------------------|----------------------|
| Due from policyholders | 857,179 | 41,692 |
| Due from re-insurers | 2,882 | 49,094 |
| Total insurance receivables | <u>860,061</u> | <u>90,786</u> |

16. Loans, receivables and investments available for sale

At 3 December 2013, the Agency purchased 7.5 million Series 31 Bonds of Vnesheconombank (state registration number 4-36-00004-T) with face value of RUB 1 thousand each through their initial public offering. Coupon income for these bonds is paid quarterly at 8.35% p.a., the bonds mature in 7 years. The Agency purchased all bonds placed through the initial public offering.

The bonds had been purchased as part of the long-term financial investment portfolio with the earnings used to meet the Agency's expenses on supporting activities. At initial recognition, these bonds had been classified as investments available for sale, but at 28 January 2014 they were reclassified to loans and receivables. Upon reclassification, their fair value totaled RUB 7,549,079 thousand.

At 28 January 2014, the Agency purchased 5 million Б-01 Series Bonds (state registration number 4B02-01-43801-H) of OJSC VEB-Leasing with face value of RUB 1 thousand each through their initial public offering. Coupon income for these bonds is paid semiannually at 8.65% p.a., the bonds mature in 10 years. The next option is scheduled for 16 January 2019. The Agency purchased all bonds placed through the initial public offering.

Loans and receivables comprise:

| | <u>2014</u> | <u>2013</u> |
|------------------------------------|--------------------------|-----------------|
| Amortized cost | | |
| Vnesheconombank bonds | 7,550,672 | – |
| OJSC VEB-Leasing bonds | 5,184,266 | – |
| Total loans and receivables | <u>12,734,938</u> | <u>–</u> |

17. Financial assets at fair value through profit or loss

| | <u>2014</u> | <u>2013</u> |
|--|-----------------------|-----------------|
| Fair value | | |
| SVIAZ-BANK bonds | 305,418 | – |
| Total financial assets at fair value through profit or loss | <u>305,418</u> | <u>–</u> |

*(in thousands of Russian rubles)***18. Amounts due from credit institutions**

As of 31 December 2014, amounts due from the Agency's credit institutions comprised the following deposits:

| | <u>2014</u> | <u>2013</u> |
|---|--------------------------|-------------------------|
| Term RUB-denominated deposits for more than 90 days | 19,214,777 | 16,027,945 |
| Term USD-denominated deposits for more than 90 days | 1,268,064 | – |
| Term EUR-denominated deposits for more than 90 days | 1,151,096 | – |
| Total cash and cash equivalents | <u>21,633,937</u> | <u>9,085,250</u> |

As of 31 December 2014, amounts due from credit institutions were placed with the banks of Vnesheconombank Group and comprised three RUB-denominated deposits of RUB 8,214,777 thousand maturing in 4Q 2015 with interest rates varying from 11.3% to 12.85%; two RUB-denominated deposits of RUB 11,000,000 thousand maturing in 1Q 2016 with interest rates varying from 17.35% to 17.5%; one USD-denominated deposit and one EUR-denominated deposit maturing in 4Q 2015 with interest rates varying from 2.65% to 3.0108%.

As of 31 December 2013, amounts due from credit institutions comprised a deposit of RUB 527,945 (including accrued interest) with Vnesheconombank maturing in 1Q 2014 with interest rate of 7.5%, and two deposits of RUB 15,500 million with Vnesheconombank maturing in 2H 2014 with interest rates 7.4% and 7.5%.

As of 31 December 2014 and 2013, carrying values of the amounts due from credit institutions approximated their fair values.

19. Cash and cash equivalents

Cash comprises:

| | <u>2014</u> | <u>2013</u> |
|---|----------------------|-------------------------|
| Cash on RUB-denominated current accounts with Vnesheconombank Group | 28,159 | 9,005,659 |
| Cash on USD-denominated current accounts with Vnesheconombank Group | 5,407 | 10,698 |
| Cash on EUR-denominated current accounts with Vnesheconombank Group | 1,505 | 68,893 |
| Total cash and cash equivalents | <u>35,071</u> | <u>9,085,250</u> |

As of 31 December 2014 and 2013, carrying values of cash and cash equivalents approximated their fair values.

20. Other assets

Other assets comprise:

| | <u>2014</u> | <u>2013</u> |
|---------------------------|----------------------|----------------------|
| Advances to suppliers | 33,829 | 27,191 |
| Prepaid expenses | 28,258 | 13,191 |
| Inventories | 2,324 | 2014 |
| Other receivables | 4,120 | 244 |
| Total other assets | <u>68,531</u> | <u>42,640</u> |

Inventories were not pledged as collateral for liabilities. During the reporting period, inventories amounting to RUB 19,958 thousand were expensed (2013: RUB 17,922 thousand). Inventories were expensed at cost.

Deferred expenses as of 31 December 2014 comprise license fees and royalty payments for software which cannot be categorized as intangible assets due to lack of control over the resource.

*(in thousands of Russian rubles)***21. Insurance contract liabilities**

| | Notes | 2014 | 2013 |
|--|--------------|------------------|----------------|
| Unearned premium reserve | (a) | 1,339,736 | 210,474 |
| Loss reserves | (b) | 913,553 | 691,788 |
| Reinsurance assets | | (7,093) | – |
| Total insurance contracts liabilities | | 2,253,289 | 902,262 |

(a) Unearned premium reserve

| | Notes | 2014 | 2013 |
|--|--------------|------------------|----------------|
| Unearned premium reserve at 1 January | | 210,474 | 8,497 |
| Gross written premium under insurance contracts for the year | 5 | 872,699 | 249,138 |
| Commission under assumed reinsurance contracts | 6 | (603) | – |
| Change in reserve | | 257,166 | (47,161) |
| Total change in reserve | | 1,129,262 | 201,977 |
| Unearned premium reserve at 31 December | | 1,339,736 | 210,474 |

(b) Loss reserves

| | 2014 | 2013 |
|---|----------------|----------------|
| Claims reserve at 1 January | 691,788 | – |
| Charge | 753,554 | 691,788 |
| Claims incurred in the previous year | 739,056 | 691,788 |
| Claims incurred in the current year | 14,498 | |
| Reversal of reserve | (923,006) | – |
| Claims incurred in the previous year | (923,006) | – |
| Claims incurred in the current year | – | – |
| Revaluation of reverse for currency denominated contracts | 391,217 | – |
| Total change in loss reserves | 221,765 | 691,788 |
| Loss reserves at 31 December | 913,553 | 691,788 |

22. Payables

| | 2014 | 2013 |
|----------------------------|------------------|---------------|
| Payables to shareholder | 2,153,476 | – |
| Trade payables | 12,455 | 26,848 |
| Settlements with employees | 8,272 | – |
| Taxes and levies payable | 8,219 | 242 |
| Other payables | – | 34 |
| Total payables | 2,182,422 | 27,124 |

As of 31 December 2014, payables to shareholder represent the amount due to Vnesheconombank for shares of subsidiary CJSC ROSEXIMBANK. In accordance with the Purchase Agreement, the payment should be made within 12 months and should be settled by the payment for additional issue of shares of OJSC EXIAR.

The carrying amount disclosed above equals the fair value as at the reporting date. All amounts are payable within one year.

(in thousands of Russian rubles)

23. Other liabilities

Other liabilities comprise:

| | At 31 December 2014 | At 31 December 2013 |
|--------------------------------|--------------------------------|--------------------------------|
| Provision for annual bonuses | 185,549 | 85,575 |
| Provision for unused vacations | 5,772 | 9,505 |
| Other liabilities | 191,321 | 95,080 |

As of 31 December 2014, provision for annual bonuses is accrued against expenses to pay year-end bonuses for 2014 based on the estimates of corporate performance indicators fulfillment and actual number of employees entitled to such bonus.

The movements in provisions were as follows:

| | Balance as of 1 January 2014 | Recognized in 2014 | Repaid in 2014 | Written off as excessive amount | Balance at 31 December 2014 |
|--------------------------------|---|-------------------------------|---------------------------|--|--|
| Provision for annual bonuses | 85,575 | 185,549 | (85,575) | – | 185,549 |
| Provision for unused vacations | 9,505 | 37,104 | (40,837) | – | 5,772 |
| Other liabilities | 95,080 | 222,653 | (126,412) | – | 191,321 |

| | Balance as of 1 January 2013 | Recognized in 2013 | Repaid in 2013 | Written off as excessive amount | Balance at 31 December 2013 |
|--------------------------------|---|-------------------------------|---------------------------|--|--|
| Provision for annual bonuses | 85,575 | 85,575 | (85,575) | – | 85,575 |
| Provision for unused vacations | 9,950 | 38,058 | (38,503) | – | 9,505 |
| Other liabilities | 95,525 | 123,633 | (124,078) | – | 95,080 |

24. Equity

Movements in shares outstanding, issued and fully paid were as follows:

| | Number of shares | | Nominal value | | Effect of inflation | Total |
|-----------------------------|-------------------------|-------------------|----------------------|-------------------|--------------------------------|-------------------|
| | Privileged | Ordinary | Privileged | Ordinary | | |
| At 31 December 2012 | – | 30,000,000 | – | 30,000,000 | – | 30,000,000 |
| Increase in share capital | – | – | – | – | – | – |
| Purchase of treasury shares | – | – | – | – | – | – |
| Sale of treasury shares | – | – | – | – | – | – |
| At 31 December 2013 | – | 30,000,000 | – | 30,000,000 | – | 30,000,000 |
| Increase in share capital | – | 1,376,437 | – | 1,376,437 | – | 1,376,437 |
| Purchase of treasury shares | – | – | – | – | – | – |
| Sale of treasury shares | – | – | – | – | – | – |
| At 31 December 2014 | – | 31,376,437 | – | 31,376,437 | – | 31,376,437 |

The total number of authorized ordinary shares is 31,376,437 (2013: 30,000,000) with face value of RUB 1 thousand each. All authorized shares have been issued and fully paid.

The share capital of the Agency was contributed by the shareholders in Russian rubles and they are entitled to dividends and any capital distribution in Russian rubles.

(in thousands of Russian rubles)

24. Equity (continued)

In November 2013, the sole shareholder Vnesheconombank approved the decision to have an additional issue of 1,376,437 ordinary shares. The assets received as a result of such issue comprised non-monetary assets (a building located at 1st Zachatievsky Pereulok, 3, bld. 1, Moscow) with fair value of RUB 1,376,437 (Note 14). The issue was registered by the Central Bank of the Federation on 18 December 2014.

The Agency did not declare dividends for the reporting year ended 31 December 2013 and for the reporting year ended 31 December 2012.

Reserve capital

Reserve capital is formed in accordance with the Russian legislation to cover losses of the Agency, to redeem its bonds and buy back its shares when other funds are not available. In accordance with the Agency's Charter, reserve capital is formed as an annual allocation of net profit in the amount of 5% until the reserve reaches 5% of the share capital.

As of the end of 2013, the allocation to reserve capital totaled RUB 36,512 thousand (from 13 October 2011 to 31 December 2012: RUB 65,766 thousand).

25. Commitments and contingencies

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory infrastructure as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2014, the Russian economy was negatively impacted by a significant drop in crude oil prices, a significant devaluation of the Russian ruble, as well as sanctions imposed on Russia by several countries. This resulted in a reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding further economic growth, which could negatively affect the Agency's future financial position, results of operations and business prospects. Management believe they are taking appropriate measures to support the sustainability of the Agency's business in the current circumstances.

In 2H 2014, certain western states imposed industry sanctions with respect to a limited number of Russian economy sectors, including banking sector. A number of state companies, including Vnesheconombank and its subsidiaries, became subjects to such sanctions. Management of the Group believe that the sanctions will not have significant impact on its activities and that it is taking appropriate measures to support the sustainability of the Agency's business in the current circumstances.

Legal

In the ordinary course of business, the Agency may be subject to legal actions and complaints. Management believe that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or the results of future operations of the Agency. As of 31 December 2014, the Agency is not involved in any litigation.

(in thousands of Russian rubles)

25. Commitments and contingencies (continued)

Taxation

According to Federal Law of the Russian Federation No. 131-FZ "On the Introduction of Amendments to Chapters 21 and 25 of the Tax Code of the Russian Federation" dated 7 June 2013, provisions 293, 294 of the Tax Code of the Russian Federation concerning special requirements for determining income and expenses in performing insurance activities came into force for OJSC "EXIAR" effective from 1 January 2014, whereby the Agency gained the right to include contributions to insurance reserves created in accordance with the procedure established by the Government of the Russian Federation and amounts of the reduction (return) of the insurance contract liabilities formed in the previous reporting periods into corporate income tax expenses and gains. Gains and losses from insurance reserves formed before 1 January 2014 are not included into taxable income.

As of 31 December 2014, the Agency's management believe that their interpretation of the relevant legislation is appropriate and that the Agency's positions in respect of tax, currency and customs legislation will be sustained.

26. Risk management

The Board of Directors approved the key documents defining the role, purpose and tasks of risk management in the Agency.

The main purposes of risk management in the Agency are as follows:

- to ensure compliance of the Agency's risk profiles to the risk appetite approved by the Board of Directors in order to provide security and effective use of actual capital;
- to introduce risk management policies into the Agency's strategy and into the decision-making processes at all levels.

Risk management tasks include:

- timely identification, assessment, management, monitoring and communication of information concerning risks which may have an impact on the Agency's activities;
- provision of relevant, reliable and consistent information concerning risks to be used in decision-making processes;
- implementation and development of risk awareness and risk acceptance discipline.

Internal control system

The Agency's system of internal control has a three-level organizational structure:

- 1st level: General Shareholders' meeting, Board of Directors, Audit Commission, Audit and Control Committee and other committees established under the Board of Directors;
- 2nd level: The Agency's executive bodies – the Management Board and CEO;
- 3rd level: collegiate bodies of the Agency, risk officer, officer carrying out internal audit and control functions, Chief accountant, special officer responsible for the implementation of internal control rules on anti-money laundering and countering the financing of terrorism, unit managers and other employees of the Agency.

(in thousands of Russian rubles)

26. Risk management (continued)

Capital management

The Board of Directors approved the Procedure for calculating the regulatory solvency capital of OJSC "EXIAR", which establishes regulatory requirements to the Agency's equity amount. The results of calculation of the Agency's regulatory solvency capital and deviation of the actual solvency margin from the statutory solvency margin (% of the statutory solvency margin) are included in the Agency's performance report prepared in accordance with the requirements of Section 5 of Decree No. 964 of the Government of the Russian Federation dated 22 November 2011.

As of 31 December 2014, the Agency's regulatory solvency capital amounts to RUB 6.3 billion, the actual capital is RUB 34.7 billion, therefore actual solvency margin exceeds the regulatory solvency margin by RUB 28.4 billion.

Key risk categories within the Agency's activity

Insurance risk

Insurance risk is the risk that the actual claims and benefit payments or the timing thereof under insurance contracts differ from expectation and assumptions used in pricing, insurance contract liabilities estimation and business planning.

In accordance with the Russian legislation, the risk exposure of the Agency may not at any time exceed the higher of the following:

- the amount which is ten times the Agency's equity;
- RUB 300 billion.

As of 31 December 2014, the aggregate nominal amount of the Agency's risk exposure (provided insurance capacity) is RUB 85,880 million (as of 31 December 2013: RUB 30,412 million).

Below are concentrations of insurance risks broken by insurance product:

| 2014 | Notes | Insurance of individual export transactions | Complex insurance of export loans | Total |
|--|-------|---|-----------------------------------|-------------------|
| Total premium on insurance contracts | 5 | 795,192 | 77,507 | 872,699 |
| Insured amount under contracts concluded in the reporting period | | 23,167,837 | 11,346,502 | 34,514,339 |
| 2013 | Notes | Insurance of individual export transactions | Complex insurance of export loans | Total |
| Total premium on insurance contracts | 5 | 176,606 | 72,532 | 249,138 |
| Insured amount under contracts concluded in the reporting period | | 22,942,746 | 6,183,090 | 29,125,836 |

The amount of insurance liabilities is sensitive to assumptions based on expert estimates with respect to the following:

- expected deadlines of loan payment period;
- extent of loss.

*(in thousands of Russian rubles)***26. Risk management (continued)*****Key risk categories within the Agency's activity (continued)******Market risk***

Market risk is the risk of incurring losses as a result of adverse changes on financial markets and low liquidity of financial assets.

As of 31 December 2014, the Agency believes the impact of market risks on its activities is limited due to:

- the investment of assets by the Agency to cover insurance reserve into financial instruments considering currency structure of reserves;
- conservative investment policy in 2014;
- high level of liquidity of the Agency's asset portfolio as of 31 December 2014 and as of 31 December 2013, specifically:
 - current liquidity is secured by deposits with Vnesheconombank and SVIAZ-BANK, the terms of which imply monthly payments of interest income;
 - all deposit agreements concluded between the Agency have an early termination option upon agreement with the bank.

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

| | At 31 December 2014 | | | | Total |
|--------------------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|-------------------|
| | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years | |
| Assets | | | | | |
| Amounts due from credit institutions | 10,633,936 | 11,000,000 | – | – | 21,633,936 |
| Deferred tax assets | – | – | – | 39,203 | 39,203 |
| Loans and receivables | – | – | – | 12,734,938 | 12,734,938 |
| Insurance receivables | 217,896 | 215,061 | 213,552 | 213,552 | 860,061 |
| Income tax prepayment | 54,177 | – | – | – | 54,177 |
| Cash and cash equivalents | 35,071 | – | – | – | 35,071 |
| Other assets | 33,829 | – | – | – | 33,829 |
| Total | 10,974,909 | 11,215,061 | 213,552 | 12,987,693 | 35,391,215 |
| Liabilities | | | | | |
| Insurance contract liabilities | 1,098,513 | 186,612 | 173,062 | 795,102 | 2,253,289 |
| Current tax liabilities | – | – | – | – | – |
| Payables | 2,182,422 | – | – | – | 2,182,422 |
| Total | 3,280,935 | 186,612 | 173,062 | 795,102 | 4,435,711 |

(in thousands of Russian rubles)

26. Risk management (continued)*Key risk categories within the Agency's activity (continued)*

| | At 31 December 2013 | | | | Total |
|--------------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| | Less than 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years | |
| Assets | | | | | |
| Investment securities | 48,046 | 7,501,033 | – | – | 7,549,079 |
| Amounts due from credit institutions | 16,027,945 | – | – | – | 16,027,945 |
| Deferred tax assets | 197,927 | 861 | – | – | 198,788 |
| Insurance receivables | 87,626 | 2,897 | 263 | – | 90,786 |
| Income tax prepayment | 20,517 | – | – | – | 20,517 |
| Cash and cash equivalents | 9,085,250 | – | – | – | 9,085,250 |
| Other assets (advances to suppliers) | 27,191 | – | – | – | 27,191 |
| Total | 25,494,502 | 7,504,791 | 263 | – | 32,999,556 |
| Liabilities | | | | | |
| Insurance contract liabilities | 751,834 | 18,424 | 49,137 | 82,867 | 902,262 |
| Payables | 27,124 | – | – | – | 27,124 |
| Total | 778,958 | 18,424 | 49,137 | 82,867 | 929,386 |

Currency risk

Currency risk is the risk of losses due to adverse changes in foreign exchange rates. The Agency's exposure to currency risk relates primarily to the Agency's insurance activities: being engaged in export credit and investment insurance operations, the Agency enters into insurance agreements in the currency of the export contract, mainly in euro and US dollars.

The table below shows financial assets and liabilities broken down by expected maturity:

| | At 31 December 2014 | | | | Total |
|---|---------------------|------------------|------------------|------------------|-------------------|
| | RUB | USD | EUR | Other currencies | |
| Assets | | | | | |
| Amounts due from credit institutions | 19,214,777 | 1,268,064 | 1,151,096 | – | 21,633,937 |
| Loans and receivables | 12,734,938 | – | – | – | 12,734,938 |
| Financial assets at fair value through profit or loss | 305,418 | – | – | – | 305,418 |
| Insurance receivables | 50,915 | 45,211 | 763,935 | – | 860,061 |
| Reinsurance assets | 7,093 | – | – | – | 7,093 |
| Cash and cash equivalents | 28,159 | 5,407 | 1,505 | – | 35,071 |
| Income tax prepayment | 54,177 | – | – | – | 54,177 |
| Other assets | 54,052 | 12,057 | 2,422 | – | 68,531 |
| Total assets | 32,449,529 | 1,330,739 | 1,918,958 | – | 35,699,226 |
| Liabilities | | | | | |
| Insurance contract liabilities | 104,108 | 1,166,874 | 980,100 | 2,207 | 2,253,289 |
| Payables | 2,177,826 | 4,596 | – | – | 2,182,422 |
| Insurance payables | 5,294 | 144 | – | – | 5,438 |
| Total liabilities | 2,287,228 | 1,171,614 | 980,100 | 2,207 | 4,441,149 |
| Net position | 30,162,30 | 159,125 | 938,858 | (2,207) | |

(in thousands of Russian rubles)

26. Risk management (continued)**Key risk categories within the Agency's activity (continued)**

| | At 31 December 2013 | | | | |
|--------------------------------------|---------------------|------------------|-----------------|---------------------|-------------------|
| | RUB | USD | EUR | Other currencies | Total |
| Assets | | | | | |
| Investments available for sale | 7,549,079 | – | – | – | 7,549,079 |
| Amounts due from credit institutions | 16,027,945 | – | – | – | 16,027,945 |
| Insurance receivables | 6,578 | 84,208 | – | – | 90,786 |
| Income tax prepayment | 20,517 | – | – | – | 20,517 |
| Cash and cash equivalents | 9,005,658 | 10,699 | 68,893 | – | 9,085,250 |
| Other assets | 42,011 | 70 | 440 | 119 | 42,640 |
| Total assets | 32,651,788 | 94,977 | 69,333 | 119 | 32,816,217 |
| Liabilities | | | | | |
| Insurance contract liabilities | 27,955 | 785,374 | 88,933 | – | 902,262 |
| Payables | 17,191 | 6,989 | 2,944 | – | 27,124 |
| Total liabilities | 45,146 | 792,363 | 91,877 | – | 1,024,466 |
| Net position | 32,606,642 | (697,386) | (22,544) | 119 | |

As of 31 December 2014, all foreign-currency denominated liabilities of the Agency were secured by assets denominated in the same currency. The overall excess of foreign-currency denominated assets over foreign-currency denominated liabilities was RUB 1.1 billion (USD 2.8 million and EUR 13.7 million). The table below shows the effect of a possible movement of exchange rates against the Russian ruble on the income statement (due to non-trading monetary assets and liabilities whose fair value is sensitive to exchange rate changes).

| Currency | At 31 December 2014 | | |
|----------|----------------------------|--------------------------------|---------------------|
| | Change in currency rate | Effect on profit before tax | Effect on equity |
| USD | +28.54% | 45,419 | 36,335 |
| EUR | +29.58% | 277,669 | 222,135 |
| USD | -28.54% | (45,419) | (36,335) |
| EUR | -29.58% | (277,669) | (222,135) |
| Currency | At 31 December 2014 | | |
| | Change in currency rate | Effect on profit before tax | Effect on equity |
| USD | +20.00% | (139,477) | (111,582) |
| EUR | +20.00% | (4,509) | (3,607) |
| USD | -10.21% | 71,192 | 56,953 |
| EUR | -8.63% | 1,946 | 1,557 |

(in thousands of Russian rubles)

26. Risk management (continued)*Key risk categories within the Agency's activity (continued)**Interest rate risk*

Interest rate risk is the risk of losses due to adverse changes in interest rates. The Agency's exposure to interest rate risk relates to investments made in debt securities.

The table below shows the effect of a possible movement of interest rates on the income statement and equity (due to non-trading monetary assets and liabilities whose fair value is sensitive to exchange rate changes).

| Type of assets | At 31 December 2014 | | |
|---|-------------------------|--------------------------------------|------------------|
| | Change in currency rate | Effect on other comprehensive income | Effect on equity |
| Financial assets at fair value through profit or loss | +9.32% | (21,767) | (17,414) |
| | -9.32% | 21,767 | 17,414 |

| Type of assets | At 31 December 2013 | | |
|--------------------------------|-------------------------|--------------------------------------|------------------|
| | Change in currency rate | Effect on other comprehensive income | Effect on equity |
| Investments available for sale | 1.82% | (665,891) | (532,713) |
| | -1.82% | 665,891 | 532,713 |

Credit risk

Credit risk is the risk that counterparties may default on their obligations to the Agency.

| | Notes | Neither overdue nor impaired | | | | Total |
|---|-------|------------------------------|------------------|------------------|----------------|-------------------|
| | | BBB ¹ | BB ¹ | BB ⁻¹ | Unrated | |
| At 31 December 2014 | | | | | | |
| Insurance receivables | 15 | 684,317 | – | – | 178,744 | 860,061 |
| Loans and receivables | 16 | 12,734,938 | – | – | – | 12,734,938 |
| Amounts due from credit institutions | 18 | 17,500,000 | 3,630,240 | 503,697 | – | 21,633,937 |
| Financial assets at fair value through profit or loss | 17 | – | 305,418 | – | – | 305,418 |
| Cash and cash equivalents | 19 | 1,397 | 33,674 | – | – | 35,071 |
| Other assets | | – | – | – | 37,949 | 37,949 |
| Total at 31 December 2014 | | 30,236,335 | 3,969,332 | 503,697 | 898,010 | 35,607,374 |
| At 31 December 2013 | | | | | | |
| Insurance receivables | 15 | – | – | – | 90,786 | 90,786 |
| Amounts due from credit institutions | 18 | 16,027,945 | – | – | – | 16,027,945 |
| Investment securities available for sale | 16 | 7,549,079 | – | – | – | 7,549,079 |
| Cash and cash equivalents | 19 | 61,678 | 9,023,572 | – | – | 9,085,250 |
| Other assets | | 61,678 | 9,023,572 | – | 27,435 | 27,435 |
| Total at 31 December 2013 | | 23,638,702 | 9,023,572 | – | 118,221 | 32,780,495 |

¹ Long-term credit ratings in the national currency assigned by Standard & Poor's as of 31 December 2014. As of the reporting date, the Russia's sovereign rating assigned by Standard & Poor's was BBB.

*(in thousands of Russian rubles)***26. Risk management (continued)*****Key risk categories within the Agency's activity (continued)***

The current credit risk is limited due to the following:

- One-off nature of ceded reinsurance activity: in 2014 only one ceded reinsurance contract was signed and remains in force. The counterparty under the contract is a foreign reinsurer that has an A- rating assigned by Fitch and a limit of the reinsurer's liability of RUB 866 million.
- The insignificant amount of current receivables unrelated to the planned payments of the insurance premium or the receipt of interest and coupon income (RUB 92 million).
- Conservative management of the equity invested only into the deposits and debt liabilities of Vnesheconombank and banks of the Vnesheconombank Group for a total amount of RUB 34,674 million.

Operational, strategic and reputational risks

Operational risk is the risk of incurring losses as a result of weaknesses or errors in the Agency's operating processes or control procedures.

27. Fair value measurement**Fair value hierarchy**

The Agency uses the following hierarchy for determining and disclosing fair values of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs having a significant effect on the reported fair value are observable in active markets, either directly or indirectly; and
- Level 3: techniques which use inputs having a significant effect on the reported fair value not observable in active markets.

The following table shows an analysis of financial instruments recorded at fair value measurement at the end of reporting period by level of the fair value hierarchy as of 31 December 2014:

| At 31 December 2014 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|-------------------|
| Assets measured at fair value | | | | |
| Financial assets at fair value through profit or loss | 305,418 | – | – | 305,418 |
| Assets for which fair values are disclosed | | | | |
| Cash and cash equivalents | – | – | 35,071 | 35,071 |
| Amounts due from credit institutions | – | 21,633,937 | – | 21,633,937 |
| Loans and receivables | – | 12,734,938 | – | 12,734,938 |
| Insurance receivables | – | – | 860,061 | 860,061 |
| Financial liabilities for which fair values are disclosed | | | | |
| Insurance contract liabilities | – | – | 2,253,289 | 2,253,289 |

*(in thousands of Russian rubles)***27. Fair value measurement (continued)****Fair value hierarchy (continued)**

| At 31 December 2013 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|-------------------|
| Assets measured at fair value | | | | |
| Financial assets at fair value through profit or loss | – | – | – | – |
| Investments available for sale | – | 7,549,945 | – | 7,549,945 |
| Assets for which fair values are disclosed | | | | |
| Cash and cash equivalents | – | – | 9,085,250 | 9,085,250 |
| Amounts due from credit institutions | – | – | 16,027,945 | 16,027,945 |
| Insurance receivables | – | – | 90,786 | 90,786 |
| Financial liabilities for which fair values are disclosed | | | | |
| Insurance contract liabilities | – | – | 902,262 | 902,262 |

Set out below is a comparison by class of the carrying amounts and fair values of the Agency's financial instruments. The table does not include fair values of non-financial assets and liabilities.

| | Carrying value 2014 | Fair value 2014 | Unrecognized gain/(loss) 2014 | Carrying value 2013 | Fair value 2013 | Unrecognized gain/(loss) 2013 |
|---|------------------------------------|--------------------------------|--|------------------------------------|--------------------------------|--|
| Financial assets | | | | | | |
| Cash and cash equivalents | 35,071 | 35,071 | – | 9,085,250 | 9,085,250 | – |
| Insurance receivables | 860,061 | 860,061 | – | 90,786 | 90,786 | – |
| Loans and receivables | 12,734,938 | 10,112,480 | (2,622,458) | – | – | – |
| Investments available for sale | – | – | – | 7,549,945 | 7,549,945 | – |
| Amounts due from credit institutions | 21,633,937 | 22,147,550 | 513,613 | 16,027,945 | 16,027,945 | – |
| Insurance contract liabilities | 2,253,289 | 2,253,289 | – | 902,262 | 902,262 | – |
| Total unrecognized change in unrealized fair value | | | <u>(2,108,845)</u> | | | <u>–</u> |

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to insurance receivables, insurance contract liabilities, amounts due from credit institutions, cash and cash equivalents.

Financial assets available for sale

Investment securities available-for-sale valued using a valuation technique or pricing models primarily consist of unquoted debt securities. These securities are valued using models which incorporate both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the issuer and its risk profile.

(in thousands of Russian rubles)

27. Fair value measurement (continued)

Valuation techniques and assumptions (continued)

Financial assets and financial liabilities carried at amortized cost

The fair value of quoted bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans and receivables (other than insurance receivables) is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

28. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to its substance, not merely the legal form.

Related parties include Vnesheconombank, its subsidiaries and key management personnel of the Agency.

Since Vnesheconombank is controlled by the Russian Federation through the Government of the Russian Federation, the Group is also controlled by the Russian Federation.

In the course of its business, the Agency carries out transactions with entities controlled or significantly influenced by the state. The Agency enters export credit and investment insurance contracts with entities controlled by the state, whereas transactions with entities controlled by the state account for a minor portion of all transactions performed by the Agency, except for a significant insurance contract signed with a state-controlled bank. As a result of this transaction, the Agency recognized in its separate income statement for 2014 income in the form of an insurance premium in the amount of RUB 454,261 thousand; receivables under this insurance contract amounted to RUB 618,236 thousand (including the translation difference) as of 31 December 2014.

The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows (in thousands of Russian rubles):

| | 2014 | | | |
|---|--|--------------------------------|--------------------------|---|
| | Vnesheconombank, its subsidiaries and associates | Key management personnel | Total related parties | Total amounts per statement of financial position |
| At 31 December 2014 | | | | |
| Investments in subsidiary | 2,155,072 | – | 2,155,072 | 2,155,072 |
| Loans and receivables | 12,734,938 | – | 12,734,938 | 12,734,938 |
| Amounts due from credit institutions | 21,633,937 | – | 21,633,937 | 21,633,937 |
| Financial assets at fair value through profit or loss | 305,418 | – | 305,418 | 305,418 |
| Insurance receivables | 66,081 | – | 66,081 | 860,061 |
| Cash and cash equivalents | 35,071 | – | 35,071 | 35,071 |
| Payables | 2,153,481 | – | 2,153,481 | 2,182,422 |

(in thousands of Russian rubles)

28. Related party disclosures (continued)

| | 2013 | | | Total amounts per statement of financial position |
|--------------------------------------|---|---|----------------------------------|--|
| | Vnesheconombank, its subsidiaries and associates | Key management personnel | Total related parties | |
| At 31 December 2013 | | | | |
| Investment securities | 7,549,079 | – | 7,549,079 | 7,549,079 |
| Amounts due from credit institutions | 16,027,945 | – | 16,027,945 | 16,027,945 |
| Cash and cash equivalents | 9,085,250 | – | 9,085,250 | 9,085,250 |
| Insurance receivables | 1,631 | – | 1,631 | 90,786 |
| Payables | 3,853 | – | 3,853 | 27,124 |

| | 2014 | | | Total amounts per income statement |
|---|---|---|----------------------------------|---|
| | Vnesheconombank, its subsidiaries and associates | Key management personnel | Total related parties | |
| Gross premium written | 132,171 | – | 132,171 | 872,699 |
| Interest income | 2,588,844 | – | 2,588,844 | 2,588,844 |
| Other operating and administrative expenses | (67,784) | (276,052) | (343,836) | (1,220,951) |

| | 2013 | | | Total amounts per income statement |
|---|---|--|----------------------------------|---|
| | Vnesheconombank, its subsidiaries and associates | Key management personnel (restated) | Total related parties | |
| Gross premium written | 1,631 | – | 1,631 | 249,138 |
| Interest income | 2,606,552 | – | 2,606,552 | 2,606,552 |
| Other operating and administrative expenses | (73,096) | (146,012) | (219,108) | (941,814) |

In 2014, the key management personnel of the Agency comprise members of the Management Board, Managing Directors, Functional Directors (2013: members of the Management Board, Functional Directors and an advisor). Compensation to key management personnel comprises the following (in thousands of Russian rubles):

| | 2014 | 2013 |
|---|----------------|----------------|
| Salaries, wages and bonuses | 157,232 | 90,303 |
| Contributions to non-budget funds | 21,510 | 14,172 |
| Social contributions | 1,157 | 724 |
| Provision for unused vacations | 1,460 | 1,442 |
| Provision for annual bonuses | 94,693 | 39,371 |
| Total compensation to key management personnel | 276,052 | 146,012 |

During 2014 and 2013 no compensation to the members of Board of Directors were accrued and paid. In 2014, no compensation was paid for expenses incurred in connection with the participation in the work of the Boards of Directors (2013: one member of the Board of Directors was paid compensation in the amount of RUB 201.8 thousand).

(in thousands of Russian rubles)

29. Events after the reporting period

On 13 January 2015, an Agency's regional representative office in the Far Eastern Federal District was registered in Vladivostok.

On 22 January 2015, the Agency placed with ROSEXIMBANK a subordinated loan in the amount of RUB 500 million maturing on 23 January 2022 and bearing a rate of 6.2% p.a. Interest on the loan is paid annually on the last working day of the year.

On 4 February 2015, according to Article 3.7 of Federal Law No. 99-FZ "On the Introduction of Amendments to Chapter 4 of Part One of the Civil Code of the Russian Federation and On the Annulment of Certain Provisions of Legislative Acts of the Russian Federation" dated 5 May 2014, the Agency registered its new legal form and name:

- Full corporate name: Joint Stock Company "Russian Agency for Export Credit and Investment Insurance";
- Short corporate name: JSC "EXIAR".

On 4 February 2015, amendments were registered to the Charter of the Agency that were related to the increase in its share capital up to RUB 31,376,437 thousand through an additional issue of the Agency's shares with total par value of one billion three hundred seventy-six million four hundred thirty-seven thousand rubles (RUB 1,376,437,000) providing for non-monetary compensation, namely, payment by the building located at: 1st Zachatievsky Pereulok, 3, bld. 1, Moscow, Russian Federation.

On 6 February 2015, Vnesheconombank made a decision to increase the share capital of the Agency through an additional issue of twelve million one hundred fifty-three thousand four hundred seventy-six (12,153,476) of its ordinary registered shares with face value of one thousand rubles (RUB 1,000) each to be placed via private subscription with the sole acquirer, Vnesheconombank. The Agency will use the proceeds of RUB 10 billion from this issue to pay for additional shares of ROSEXIMBANK. Vnesheconombank will receive RUB 10 billion for the increase of the share capital of ROSEXIMBANK in 2015 in line with Federal Law No. 384-FZ "On the Federal Budget for 2015 and the 2016-2017 Planning Period" of 1 December 2014. On 26 February 2015, the Board of Directors of EXIAR approved a decision on an additional issue of securities. According to the Agency's management, the issue registration will be finalized by the end of 2015.