

AO Raiffeisenbank

**International Financial Reporting Standards
Consolidated Condensed Interim
Financial Information and
Report on Review of Consolidated Condensed
Interim Financial Information**

30 September 2015

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CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

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Report on Review of Consolidated Condensed Interim Financial Information

To the Shareholders and Supervisory Board of AO Raiffeisenbank:

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of AO Raiffeisenbank and its subsidiaries (the "Group") as of 30 September 2015 and the related consolidated condensed interim statements of profit or loss and other comprehensive income for the three and nine months then ended, consolidated condensed interim changes in equity and consolidated condensed interim cash flows for the nine month period then ended and related explanatory notes. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

13 November 2015

Moscow, Russian Federation



N.V. Kossova, Director (licence no. 01-000396), AO PricewaterhouseCoopers Audit

Audited entity: AO Raiffeisenbank

State registration certificate № 3292 issued by the Central Bank of Russian Federation on 10 June 1996

17/1 Troitskaya Str., 129090 Moscow, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992


Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683 in the register of auditors and audit organization.

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Financial Position

| | Note | 30 September 2015 (unaudited) | 31 December 2014 |
|--|------|-------------------------------------|---------------------|
| <i>In thousands of Russian Roubles</i> | | | |
| ASSETS | | | |
| Cash and cash equivalents | 6 | 190 927 911 | 185 376 922 |
| Mandatory cash balances with the Central Bank of the Russian Federation | | 6 356 547 | 5 898 114 |
| Trading securities | 7 | 12 479 748 | 9 639 559 |
| Other securities at fair value through consolidated profit or loss | 8 | 3 300 196 | 16 576 708 |
| Repurchase receivables related to other securities at fair value through consolidated profit or loss | 8 | 288 713 | 2 279 673 |
| Due from other banks | 9 | 30 068 475 | 15 394 711 |
| Loans and advances to customers | 10 | 532 914 219 | 574 089 442 |
| Investment securities available for sale | 11 | 1 477 270 | 1 517 323 |
| Premises and equipment | | 12 485 067 | 14 403 185 |
| Intangible assets | | 4 222 599 | 3 060 151 |
| Deferred income tax asset | | 664 798 | 3 554 805 |
| Investment securities held to maturity | 12 | 9 211 982 | 509 782 |
| Derivatives and other financial assets | 13 | 52 819 674 | 56 776 692 |
| Investment in associates | | 2 327 153 | 2 160 097 |
| Assets from Disposal group held for sale | 14 | 30 224 714 | - |
| Other assets | | 1 376 766 | 2 042 601 |
| TOTAL ASSETS | | 891 145 832 | 893 279 765 |
| LIABILITIES | | | |
| Due to other banks | 15 | 13 385 630 | 77 521 587 |
| Customer accounts | 16 | 581 867 764 | 531 900 500 |
| Term borrowings from the Parent Bank | 17 | 66 783 038 | 61 993 150 |
| Term borrowings from other financial institutions | 18 | - | 9 821 410 |
| Debt securities in issue | | 23 248 073 | 22 228 342 |
| Current income tax liability | | 2 021 383 | 2 623 123 |
| Derivatives and other financial liabilities | 19 | 62 237 810 | 66 885 434 |
| Insurance contracts | | - | 14 635 855 |
| Liabilities from Disposal group held for sale | 14 | 34 243 023 | - |
| Other liabilities | | 4 283 709 | 5 011 973 |
| TOTAL LIABILITIES | | 788 070 430 | 792 621 374 |
| EQUITY | | | |
| Share capital | | 43 268 888 | 43 268 888 |
| Share premium | | 591 083 | 591 083 |
| Additional paid-in capital | | 1 520 016 | 1 520 016 |
| Retained earnings and other reserves | | 57 695 415 | 55 278 404 |
| TOTAL EQUITY | | 103 075 402 | 100 658 391 |
| TOTAL LIABILITIES AND EQUITY | | 891 145 832 | 893 279 765 |

Approved for issue and signed on 13 November 2015.


Sergei Monin
Chairman of the Board




Gert Hebenstreit
Chief Financial Officer

The notes set out on pages 5 to 63 form an integral part of this consolidated condensed interim financial information.

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

| | Note | Nine-Month Period Ended 30 September 2015 (Unaudited) | Three-Month Period Ended 30 September 2015 (Unaudited) | Nine-Month Period Ended 30 September 2014 (Unaudited) | Three-Month Period Ended 30 September 2014 (Unaudited) |
|--|------|---|--|---|--|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Interest income | 20 | 78 586 615 | 25 424 496 | 57 468 106 | 21 144 316 |
| Interest expense | 20 | (45 994 988) | (14 694 955) | (26 005 702) | (10 100 702) |
| Net interest income | | 32 591 627 | 10 729 541 | 31 462 404 | 11 043 614 |
| Charge of provision for loan impairment | 10 | (9 809 525) | (2 292 918) | (5 331 980) | (2 198 285) |
| Net interest income after provision for loan impairment | | 22 782 102 | 8 436 623 | 26 130 424 | 8 845 329 |
| Fee and commission income | 21 | 13 780 270 | 5 048 694 | 12 031 411 | 4 318 313 |
| Fee and commission expense | 21 | (5 072 686) | (1 878 698) | (4 060 510) | (1 513 635) |
| Gains less losses/(losses net of gains) from trading securities | | 231 536 | (76 615) | (673 880) | (119 523) |
| Gains less losses/(losses net of gains) from other securities at fair value through profit or loss | | 1 018 616 | 156 624 | (671 152) | (77 940) |
| Gains less losses from trading in foreign currencies | | 4 659 099 | 2 262 678 | 2 567 910 | 1 093 249 |
| Unrealized gains less losses/(losses, net of gains) from derivative financial instruments | 22 | 10 312 244 | (12 104 338) | (4 932 425) | (5 438 623) |
| Realized (losses net of gains)/gains less losses from derivative financial instruments | 23 | (159 565) | (690 777) | 720 804 | 35 638 |
| Foreign exchange translation (losses, net of gains)/gains less losses | | (8 531 444) | 11 884 246 | 3 793 841 | 4 060 261 |
| Ineffectiveness from the hedge accounting and other derivative instruments | | (109 283) | 222 099 | (20 386) | (20 386) |
| Release of provision for credit related commitments | | 31 941 | 6 488 | 128 427 | (32 561) |
| Allocation of provision for investment securities held to maturity | | (27) | (27) | (54) | (55) |
| Gains from the sale of loans | 10 | 25 439 | 7 883 | 38 459 | 17 629 |
| Other operating income/loss | | 250 906 | 112 181 | 203 433 | 60 848 |
| Share of profit of associate | | 417 055 | 137 274 | 385 237 | 108 522 |
| Operating income | | 39 636 203 | 13 524 335 | 35 641 539 | 11 337 066 |
| Administrative and other operating expenses | 24 | (18 063 559) | (6 410 014) | (18 120 213) | (6 352 772) |
| Profit before tax | | 21 572 644 | 7 114 321 | 17 521 326 | 4 984 294 |
| Income tax expense | | (4 122 633) | (1 429 796) | (3 532 038) | (1 228 330) |
| Profit for the period | | 17 450 011 | 5 684 525 | 13 989 288 | 3 755 964 |
| Revaluation of investment securities available for sale | 11 | (41 250) | (41 250) | - | - |
| Income tax recorded directly in other comprehensive income | | 8 250 | 8 250 | - | - |
| Other comprehensive expense for the period, net of tax | | (33 000) | (33 000) | - | - |
| Total comprehensive income for the period, net of tax | | 17 417 011 | 5 651 525 | 13 989 288 | 3 755 964 |

The notes set out on pages 5 to 63 form an integral part of this consolidated condensed interim financial information.

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Changes in Equity

| <i>In thousands of Russian Roubles</i> | Share capital | Share premium | Additional paid-in capital | Retained earnings | Other reserves | Total |
|--|--------------------------|--------------------------|---|------------------------------|---------------------------|--------------------|
| Balance at 1 January 2014 | 43 268 888 | 591 083 | 1 520 016 | 70 165 080 | 239 196 | 115 784 263 |
| Profit for the period | - | - | - | 13 989 288 | - | 13 989 288 |
| Other comprehensive income recognized for the period | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | 13 989 288 | - | 13 989 288 |
| Dividends paid | - | - | - | (22 796 813) | - | (22 796 813) |
| Balance at 30 September 2014 | 43 268 888 | 591 083 | 1 520 016 | 61 357 555 | 239 196 | 106 976 738 |
| Balance at 1 January 2015 | 43 268 888 | 591 083 | 1 520 016 | 55 039 208 | 239 196 | 100 658 391 |
| Profit for the period | - | - | - | 17 450 011 | - | 17 450 011 |
| Other comprehensive loss recognized for the period | - | - | - | - | (33 000) | (33 000) |
| Total comprehensive income for the period | - | - | - | 17 450 011 | (33 000) | 17 417 011 |
| Dividends paid | - | - | - | (15 000 000) | - | (15 000 000) |
| Balance at 30 September 2015 | 43 268 888 | 591 083 | 1 520 016 | 57 489 219 | 206 196 | 103 075 402 |

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Cash Flows

| | Note | Nine-Month Period Ended 30 September 2015 (Unaudited) | Nine-Month Period Ended 30 September 2014 (Unaudited) |
|---|------|---|---|
| <i>In thousands of Russian Roubles</i> | | | |
| Cash flows from operating activities | | | |
| Interest received | | 74 997 525 | 56 883 716 |
| Interest paid | | (40 132 182) | (24 851 404) |
| Fees and commissions received | | 13 834 377 | 12 041 855 |
| Fees and commissions paid | | (5 072 686) | (4 060 510) |
| Realized losses, net of gains from trading in trading securities | | (682 234) | (513 597) |
| Realized gains less losses/(losses net of gains) arising from other securities at fair value through profit or loss | | 2 109 917 | (312 337) |
| Realized (losses net of gains)/ gains less losses from financial derivative instruments | | (159 565) | 720 804 |
| Realized gains less losses arising from trading in foreign currencies | | 4 659 099 | 2 567 910 |
| Realized losses, net of gains from foreign exchange swaps | | (23 834 248) | (4 633 782) |
| Cash proceeds from sale of loans | 10 | 3 822 276 | 1 388 263 |
| Other operating income received | | 307 935 | 302 440 |
| Staff costs paid | | (9 018 509) | (9 414 842) |
| Administrative and other operating expenses paid | | (8 300 945) | (6 990 343) |
| Income tax paid | | (1 836 020) | (1 886 967) |
| Cash flows from operating activities before changes in operating assets and liabilities | | 10 694 740 | 21 241 206 |
| Net (increase) in mandatory cash balances with the Central Bank of the Russian Federation | | (458 433) | (8 925) |
| Net (increase)/decrease in trading securities | | (1 984 307) | 6 933 535 |
| Net decrease in other securities at fair value through consolidated profit and loss | | 8 424 758 | 12 444 323 |
| Net (increase) in due from other banks | | (18 197 413) | (5 985 262) |
| Net decrease/(increase) in loans and advances to customers | | 68 276 730 | (48 464 229) |
| Net decrease in derivatives and other financial assets | | 545 660 | 727 768 |
| Net decrease in other assets | | 1 639 849 | 411 723 |
| Net (decrease) in due to other banks | | (60 211 081) | (17 916 119) |
| Net increase/(decrease) in customer accounts | | 16 661 756 | (24 306 945) |
| Insurance premiums received | | 13 849 332 | 8 169 |
| Insurance claims paid | | (1 093 361) | (45 691) |
| Net increase in derivatives and other financial liabilities | | 7 332 061 | 1 195 276 |
| Net (decrease) in other liabilities | | (561 592) | (949 073) |
| Net cash from/(used in) operating activities | | 44 918 699 | (54 714 244) |
| Cash flows from investing activities | | | |
| Acquisition of premises and equipment | | (661 974) | (1 033 594) |
| Proceeds from sale of premises and equipment | | 93 030 | 93 000 |
| Acquisition of intangible assets | | (1 616 692) | (1 335 900) |
| Dividends received | | 250 000 | 57 171 |
| Acquisition of securities portfolio held-to-maturity | | (8 247 542) | - |
| Amount of cash and cash equivalents in the subsidiaries classified as Assets Held for Sale | 14 | (15 405 019) | - |
| Net cash used in investing activities | | (25 588 197) | (2 219 323) |
| Cash flows from financing activities | | | |
| Proceeds from term borrowings from the Parent Bank and other financial institutions | | 475 271 | 14 085 101 |
| Proceeds from subordinated debt | | 12 326 800 | - |
| Repayment of term borrowings from the Parent Bank and other financial institutions | | (29 828 584) | (5 543 573) |
| Interest paid on term borrowings from the Parent Bank and other financial institutions | | (2 606 088) | (861 356) |
| Interest paid on debt securities | | (1 608 454) | (381 500) |
| Proceeds from issuance of debt securities | | 6 158 509 | 10 695 883 |
| Repayment of debt securities in issue | | (4 916 452) | (133 012) |
| Dividends paid | | (15 000 000) | (22 796 813) |
| Net cash used in financing activities | | (34 998 998) | (4 935 270) |
| Change in accrued interest on cash and cash equivalents | | 242 876 | (9 036) |
| Effect of exchange rate changes on cash and cash equivalents | | 20 976 609 | 10 937 283 |
| Net increase in cash and cash equivalents | | 5 550 989 | (50 940 590) |
| Cash and cash equivalents at the beginning of the period | | 185 376 922 | 154 508 091 |
| Cash and cash equivalents at the end of the period | 6 | 190 927 911 | 103 567 501 |

The notes set out on pages 5 to 63 form an integral part of this consolidated condensed interim financial information.

1 Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the nine months period ended 30 September 2015 for AO Raiffeisenbank (hereinafter – the “Bank”) and its subsidiaries (together referred to as the “Group”).

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with the Russian regulations. The Bank is owned by Raiffeisen CIS Region Holding GmbH and Raiffeisen-Invest-Gesellschaft m.b.H, subsidiaries of Raiffeisen Zentralbank Österreich AG (the “Parent Bank”), which is the ultimate controlling parent of the Group.

Principal activity. The Bank has operated under a full banking license issued by the Central Bank the Russian Federation (“CBRF”) since 1996. The Bank operates in all banking sectors of the Russian financial markets, including money market, investments, corporate and retail banking, and provides a complete range of banking services to its clients. In addition, the Group, through operations of its subsidiaries and associates, is also involved in asset management, pension and leasing businesses. On 2 February 2005 the Bank was accepted to the State deposit insurance scheme, introduced by the Federal law No. 177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

As at 30 September 2015 the Group had 6 branches within the Russian Federation and 189 outlets (31 December 2014: 6 branches and 204 outlets).

The number of the Group’s employees as at 30 September 2015 was 7 698 (31 December 2014: 8 110).

Registered address and place of business. The Bank’s registered address is: 17/1 Troitskaya Str., 129090, Moscow, Russian Federation. The Bank’s main place of business is: 28 Smolenskaya-Sennaya, 119002, Moscow, Russian Federation.

Presentation currency. This consolidated condensed interim financial information is presented in Russian Roubles (“RR”), unless otherwise stated.

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During the nine months period ended 30 September 2015:

- Russia’s credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor’s cut it to BB+ and Moody’s Investors Service cut it to Ba1 in February 2015, putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible;
- the CBRF exchange rate fluctuated between RR 49.1777 and RR 70.7465 per USD;
- the CBRF key rate decreased from 17.0% p.a. to 11.0% p.a. in July 2015;
- the RTS stock exchange index ranged between 708 and 1093;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior periods.

2 Operating Environment of the Group (Continued)

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Refer to Note 4.

3 Summary of Significant Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with IAS 34. This consolidated condensed interim financial information should be read in conjunction with the annual IFRS consolidated financial statements of the Group for the year ended 31 December 2014.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

At 30 September 2015 principal rate of exchange used for translating foreign currency balances was USD 1 = RR 66.2367 (31 December 2014: USD 1 = RR 56.2584) and EUR 1 = 74.5825 (31 December 2014: EUR 1 = 68.3427).

Except as described below, the accounting policies and methods of computation applied in the preparation of this consolidated condensed interim financial information are consistent with the accounting policies and methods applied in the annual consolidated financial statements of the Group for the year ended 31 December 2014. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2014, became effective for the Group from 1 January 2015. They have not significantly affected this consolidated condensed interim financial information of the Group.

Disposal group classified as held for sale. Disposal group is classified in the consolidated condensed interim statement of financial position as 'disposal group held for sale' if its carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Disposal group classified as held for sale in the current period's consolidated condensed interim statement of financial position is not reclassified or re-presented in the comparative consolidated condensed interim statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets to be disposed of by sale and liabilities directly associated with those assets that will be transferred in the transaction. Held for sale disposal group as a whole is measured at the lower of its carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised.

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

3 Summary of Significant Accounting Policies (Continued)

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

Interim period measurement. Interim period income tax expense is accrued using the effective tax rate that would be applied to expected total annual earnings, i.e. the estimated weighted average annual effective income tax rate is applied to the pre-tax income of the interim period.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Impairment losses on loans and advances to customers. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the period, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 2 184 745 thousand (2014: RR 2 513 750 thousand), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RR 1 616 278 thousand (2014: RR 2 016 465 thousand), respectively.

4 Critical Accounting Estimates, and Judgments in Applying Accounting Policies (Continued)

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Valuation of financial derivatives is applied to single currency interest rate swap transactions, cross currency interest swap transactions and foreign exchange forward contracts. The fair value of these transactions is determined as the difference between the present value of fixed receivable and the present value of floating obligation or vice versa. The present value of floating obligation is determined using discount factors derived from the zero coupon curve. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Any over or under estimation of these future cash flows could require a material adjustment to the carrying value of these derivatives.

Disposal group classified as held for sale. As of reporting date the Group continues to keep control over the Disposal group. Nevertheless, requirements of IFRS 5 are met, and external assets and liabilities of the disposal group are separated for the purposes of these consolidated condensed interim financial information as assets and liabilities from Disposal group held for sale. The Group does not classify this disposal group as a discontinued operation as the subsidiary is not a major line of business.

5 New Accounting Pronouncements

Since the Group published its last annual consolidated financial statements, no new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2016 apart from those disclosed in annual consolidated financial statements of the Group.

6 Cash and Cash Equivalents

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Cash on hand | 28 541 845 | 70 997 518 |
| Cash balances with the CBRF (other than mandatory reserve deposits) | 37 480 249 | 27 726 222 |
| Correspondent accounts and overnight placements with other banks | | |
| - Russian Federation | 10 366 979 | 25 123 211 |
| - Other countries | 52 998 288 | 58 742 211 |
| Placements with other banks with original maturities of less than three months | 37 100 964 | 394 588 |
| Reverse securities sale and repurchase agreements with other banks and other financial institutions with original maturities of less than three months | 24 439 586 | 2 393 172 |
| Total cash and cash equivalents | 190 927 911 | 185 376 922 |

At 30 September 2015 cash equivalents in the amount of RR 24 439 586 thousand (31 December 2014: RR 2 393 172 thousand) are effectively collateralised by securities purchased under reverse securities sale and repurchase agreements with a fair value of RR 28 209 650 thousand (31 December 2014: RR 2 760 279 thousand) which the Group has a right to sell or repledge.

Correspondent accounts, overnight placements and placements with other banks with original maturities of less than three months and deals with securities purchased under "reverse-repo agreements" with original maturities of less than three months represent balances with large and well-known foreign banks and top-rated Russian banks and financial institutions.

Currency, geographical and liquidity analysis of cash and cash equivalents are disclosed in Note 26. The information on related party balances is disclosed in Note 30.

7 Trading Securities

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Corporate bonds | 6 777 348 | 3 557 170 |
| Federal loan bonds (OFZ) | 4 764 905 | 1 817 714 |
| Corporate Eurobonds | 749 807 | 1 348 768 |
| Municipal bonds | 187 688 | 249 909 |
| Russian Federation Eurobonds | - | 2 665 998 |
| Total trading securities and repurchase receivables related to trading securities | 12 479 748 | 9 639 559 |

Estimation of fair value of trading securities is based on their market quotations.

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at fair value based on observable market data, the Group does not analyse or monitor impairment indicators separately on these securities.

The Bank is licensed by the Federal Commission on Securities Markets for trading in securities.

At 30 September 2015 and 31 December 2014 there were no renegotiated balances that would otherwise be past due. Trading debt securities are not collateralised.

As at 30 September 2015 and 31 December 2014 no debt trading securities are past due or impaired.

Currency, geographical and liquidity analysis of trading securities and repurchase receivables related to trading securities are disclosed in Note 26.

8 Other Securities at Fair Value Through Consolidated Profit or Loss and Repurchase Receivables Related to Other Securities at Fair Value Through Consolidated Profit or Loss

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Federal loan bonds (OFZ) | 1 362 112 | 4 094 602 |
| Corporate bonds | 997 133 | 10 020 972 |
| Corporate Eurobonds | 863 634 | 702 755 |
| Municipal bonds | 366 030 | 1 242 205 |
| Eurobonds of the European Bank for Reconstruction and Development | - | 2 786 267 |
| Total other debt securities at fair value through consolidated profit and loss | 3 588 909 | 18 846 801 |
| Corporate shares | - | 9 580 |
| Total other securities at fair value through consolidated profit or loss and repurchase receivables related to other securities at fair value through consolidated profit or loss | 3 588 909 | 18 856 381 |

8 Other Securities at Fair Value Through Consolidated Profit or Loss and Repurchase Receivables Related to Other Securities at Fair Value Through Consolidated Profit or Loss (Continued)

The Group irrevocably designated the above securities, which are not part of its trading book, as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because Asset and Liability Committee of the Group ("ALCO") assesses performance of the investments based on their fair values in accordance with a strategy documented in the business plan.

Securities designated at fair value through profit or loss are carried at fair value which also reflects any credit risk related write-downs. As the securities are carried at their fair value based on observable market data, the Group does not analyse or monitor impairment indicators.

Repurchase Receivables related to other securities at fair value through consolidated profit or loss represents securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or re-pledge. The repurchase agreements were short-term in nature and matured in October 2015. At 30 September 2015 trading securities included Federal loan bonds (OFZ) with fair value of RR 288 713 thousand pledged under sale and repurchase agreements (31 December 2014: RR 2 279 673 thousand). Refer to Notes 15 and 28.

Currency, geographical and liquidity analysis of other securities at fair value through consolidated profit or loss and Repurchase Receivables related to Other securities at Fair Value Through Consolidated Profit or Loss are disclosed in Note 26.

9 Due from Other Banks

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Short-term placements with other banks with original maturities of more than three months and less than one year | 22 935 768 | 3 149 101 |
| Long-term placements with other banks with original maturities of more than one year | 7 132 707 | 12 245 610 |
| Total due from other banks | 30 068 475 | 15 394 711 |

As at 30 September 2015 and 31 December 2014 due from other banks are neither past due nor impaired.

Disclosure of the fair value of due from other banks is presented in Note 29.

Currency, geographical and liquidity analysis of due from other banks are disclosed in Note 26. The information on related party balances is disclosed in Note 30.

10 Loans and Advances to Customers

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Loans to corporate customers (Corporate loans) | 340 004 513 | 347 282 547 |
| Loans to individuals (Retail loans) | 191 245 198 | 210 110 051 |
| Loans to medium entities (Middle business) | 20 133 284 | 20 773 839 |
| Loans to small and micro entities (SME loans) | 15 559 971 | 21 172 885 |
| Loans to state and municipal organisations (Public sector) | 1 791 | 4 262 |
| Total gross loans and advances to customers | 566 944 757 | 599 343 584 |
| Less: Provision for loan impairment | (34 030 538) | (25 254 142) |
| Total loans and advances to customers | 532 914 219 | 574 089 442 |

Movements in the provision for loan impairment during nine-month period ended 30 September 2015 are as follows:

| | Loans to corporate customers | Loans to medium entities | Retail loans | Loans to small and micro entities | Total |
|---|---|---|-------------------------|--|-------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Provision for loan impairment at 1 January 2015 | 11 852 959 | 901 549 | 11 240 462 | 1 259 172 | 25 254 142 |
| Charge of provision for impairment during the period | 2 435 602 | 186 660 | 6 122 876 | 1 211 734 | 9 956 872 |
| Disposal of provisions as a result of disposal of loans | (235 147) | (3 489) | (377 787) | (448 289) | (1 064 712) |
| Amounts written off during the period as uncollectible | (1 244 260) | (55 743) | (185 741) | (21 881) | (1 507 625) |
| Exchange differences on provision for loan impairment | 1 166 176 | (23 908) | 249 627 | (34) | 1 391 861 |
| Provision for loan impairment at 30 September 2015 (Unaudited) | 13 975 330 | 1 005 069 | 17 049 437 | 2 000 702 | 34 030 538 |

Movements in the provision for loan impairment during three-month period ended 30 September 2015 are as follows:

| | Loans to corporate customers | Loans to medium entities | Retail loans | Loans to small and micro entities | Total |
|---|---|---|-------------------------|--|-------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Provision for loan impairment at 1 July 2015 | 11 917 121 | 1 073 466 | 15 628 415 | 1 845 275 | 30 464 277 |
| Charge of provision for impairment during the period | 1 048 826 | (84 553) | 1 300 508 | 175 484 | 2 440 265 |
| Disposal of provisions as a result of disposal of loans | (149 869) | (2 991) | (4 729) | (9 166) | (166 755) |
| Amounts written off during the period as uncollectible | (15 684) | (17 810) | (164 260) | (10 906) | (208 660) |
| Exchange differences on provision for loan impairment | 1 174 936 | 36 957 | 289 503 | 15 | 1 501 411 |
| Provision for loan impairment at 30 September 2015 (Unaudited) | 13 975 330 | 1 005 069 | 17 049 437 | 2 000 702 | 34 030 538 |

10 Loans and Advances to Customers (Continued)

The provision for loan impairment during 9 months 2015 differs from the amount presented in Consolidated Condensed Interim Statement of Profit or Loss for the period due to RR 147 347 thousand recovery of amounts previously written-off as uncollectible (nine-month period ended 30 September 2014: RR 0 thousand). This amount relates to Loans to corporate customers and was credited directly to the provisions line in Consolidated Condensed Interim Statement of Profit or Loss for the period.

Movements in the Retail provision by product for loan impairment during nine-month period ended 30 September 2015 are as follows:

| <i>In thousands of Russian Roubles</i> | Unsecured customer loans | Mortgage loans | Car loans | Credit cards and overdrafts | Total |
|---|---|---------------------------|----------------------|--|-------------------|
| Provision for loan impairment at 1 January 2015 | 6 633 389 | 838 226 | 1 579 864 | 2 188 983 | 11 240 462 |
| Charge of provision for impairment during the period | 3 595 514 | 827 337 | 693 006 | 1 007 019 | 6 122 876 |
| Disposal of provisions as a result of disposal of loans | (260 464) | (111 508) | (5 408) | (407) | (377 787) |
| Amounts written off during the period as uncollectible | (85 223) | (66 332) | (29 571) | (4 615) | (185 741) |
| Exchange differences on provision for loan impairment | 13 786 | 174 664 | 34 150 | 27 027 | 249 627 |
| Provision for loan impairment at 30 September 2015 | 9 897 002 | 1 662 387 | 2 272 041 | 3 218 007 | 17 049 437 |

Movements in the Retail provision by product for loan impairment during three-month period ended 30 September 2015 are as follows:

| <i>In thousands of Russian Roubles</i> | Unsecured customer loans | Mortgage loans | Car loans | Credit cards and overdrafts | Total |
|---|---|---------------------------|----------------------|--|-------------------|
| Provision for loan impairment at 1 July 2015 | 9 236 865 | 1 247 291 | 2 151 527 | 2 992 732 | 15 628 415 |
| Charge of provision for impairment during the period | 720 650 | 277 018 | 109 415 | 193 425 | 1 300 508 |
| Disposal of provisions as a result of disposal of loans | (116) | (3 146) | (1 349) | (118) | (4 729) |
| Amounts written off during the period as uncollectible | (77 417) | (58 947) | (25 084) | (2 812) | (164 260) |
| Exchange differences on provision for loan impairment | 17 020 | 200 171 | 37 532 | 34 780 | 289 503 |
| Provision for loan impairment at 30 September 2015 | 9 897 002 | 1 662 387 | 2 272 041 | 3 218 007 | 17 049 437 |

10 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during nine-month period ended 30 September 2014 are as follows:

| | Loans to corporate customers | Loans to medium entities | Retail loans | Loans to small and micro entities | Total |
|---|---|---|-------------------------|--|-------------------|
| Provision for loan impairment at 1 January 2014 | 9 600 286 | 540 973 | 6 460 459 | 683 099 | 17 284 817 |
| Charge of provision for impairment during the period | 1 362 811 | 364 691 | 3 157 069 | 447 409 | 5 331 980 |
| Disposal of provisions as a result of disposal of loans | (249 789) | - | (9 603) | (25 360) | (284 752) |
| Amounts written off during the period as uncollectible | (414 130) | (57 249) | (117 171) | (44 449) | (632 999) |
| Exchange differences on provision for loan impairment | 376 467 | 980 | 115 242 | 233 | 492 922 |
| Provision for loan impairment at 30 September 2014 (Unaudited) | 10 675 645 | 849 395 | 9 605 996 | 1 060 932 | 22 191 968 |

Movements in the provision for loan impairment during three-month period ended 30 September 2014 are as follows:

| | Loans to corporate customers | Loans to medium entities | Retail loans | Loans to small and micro entities | Total |
|---|---|---|-------------------------|--|-------------------|
| Provision for loan impairment at 1 July 2014 | 9 304 280 | 653 488 | 8 768 225 | 983 193 | 19 709 186 |
| Charge of provision for impairment during the period | 1 063 475 | 188 343 | 841 836 | 104 631 | 2 198 285 |
| Disposal of provisions as a result of disposal of loans | (23 428) | - | (4 344) | (22 549) | (50 321) |
| Amounts written off during the period as uncollectible | (390) | - | (91 242) | (4 216) | (95 848) |
| Exchange differences on provision for loan impairment | 331 708 | 7 564 | 91 521 | (127) | 430 666 |
| Provision for loan impairment at 30 September 2014 (Unaudited) | 10 675 645 | 849 395 | 9 605 996 | 1 060 932 | 22 191 968 |

10 Loans and Advances to Customers (Continued)

Movements in the Retail provision by product for loan impairment during nine-month period ended 30 September 2014 are as follows:

| <i>In thousands of Russian Roubles</i> | Unsecured customer loans | Mortgage loans | Car loans | Credit cards and overdrafts | Total |
|--|---|---------------------------|----------------------|--|------------------|
| Provision for loan impairment at 1 January 2014 | 3 679 256 | 540 030 | 930 904 | 1 310 269 | 6 460 459 |
| Charge/(release) of provision for impairment during the period | 2 185 365 | (88 186) | 499 872 | 560 018 | 3 157 069 |
| Disposal of provisions as a result of disposal of loans | (3 687) | (1 513) | (4 026) | (377) | (9 603) |
| Amounts written off during the period as uncollectible | (15 143) | (361) | (98 110) | (3 557) | (117 171) |
| Exchange differences on provision for loan impairment | 11 761 | 49 804 | 31 533 | 22 144 | 115 242 |
| Provision for loan impairment at 30 September 2014 | 5 857 552 | 499 774 | 1 360 173 | 1 888 497 | 9 605 996 |

Movements in the Retail provision by product for loan impairment during three-month period ended 30 September 2014 are as follows:

| <i>In thousands of Russian Roubles</i> | Unsecured customer loans | Mortgage loans | Car loans | Credit cards and overdrafts | Total |
|--|---|---------------------------|----------------------|--|------------------|
| Provision for loan impairment at 1 July 2014 | 5 318 203 | 509 661 | 1 298 263 | 1 642 098 | 8 768 225 |
| Charge/(release) of provision for impairment during the period | 534 128 | (49 336) | 124 559 | 232 485 | 841 836 |
| Disposal of provisions as a result of disposal of loans | (432) | (1 513) | (2 227) | (172) | (4 344) |
| Amounts written off during the period as uncollectible | (3 882) | - | (85 793) | (1 567) | (91 242) |
| Exchange differences on provision for loan impairment | 9 535 | 40 962 | 25 371 | 15 653 | 91 521 |
| Provision for loan impairment at 30 September 2014 | 5 857 552 | 499 774 | 1 360 173 | 1 888 497 | 9 605 996 |

During the nine-month period ended 30 September 2015 the Bank disposed loans to customers under cession and other agreements with the total gross value of RR 5 020 754 thousand (nine-month period ended 30 September 2014: RR 1 767 110 thousand) for cash proceeds of RR 3 822 276 thousand (nine-month period ended 30 September 2014: RR 1 388 263) and other assets with carrying value of RR 159 205 thousand (nine-month period ended 30 September 2014: RR 132 554 thousand). As of the date of disposal during the nine-month period ended 30 September 2015 these loans were provided for impairment in the total amount of RR 1 064 712 thousand (nine-month period ended 30 September 2014: RR 284 752 thousand). The net financial result of a loan disposal during the nine-month period ended 30 September 2015 recognized in the consolidated condensed interim statement of profit or loss and other comprehensive income was a gain of RR 25 439 thousand (nine-month period ended 30 September 2014: RR 38 459 thousand).

10 Loans and Advances to Customers (Continued)

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

| <i>In thousands of Russian Roubles</i> | 30 September 2015 (Unaudited) | | 31 December 2014 | |
|---|--|-------------|-------------------------|----------------|
| | Amount | % | Amount | % |
| Individuals | 191 245 198 | 33.74% | 210 110 051 | 35.07% |
| Manufacturing | 130 448 342 | 23.01% | 124 938 531 | 20.84% |
| Real estate | 106 717 719 | 18.82% | 109 382 358 | 18.24% |
| Trade | 45 932 964 | 8.10% | 46 187 989 | 7.71% |
| Mining | 35 635 243 | 6.29% | 46 077 150 | 7.69% |
| Transport, storage and communication | 29 821 236 | 5.26% | 43 231 968 | 7.21% |
| Financial services | 12 130 446 | 2.14% | 7 169 964 | 1.20% |
| Health and social work | 3 932 707 | 0.69% | 1 571 398 | 0.26% |
| Electricity, gas and water supply | 3 640 038 | 0.64% | 4 654 625 | 0.78% |
| Agriculture, hunting and forestry | 3 290 166 | 0.58% | 1 994 618 | 0.33% |
| Hotels and restaurants | 2 074 036 | 0.37% | 2 202 719 | 0.37% |
| Other | 2 076 662 | 0.36% | 1 822 213 | 0.30% |
| Total loans and advances to customers (before provision for loan impairment) | 566 944 757 | 100% | 599 343 584 | 100.00% |

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans granted to legal entities outstanding at 30 September 2015 is as follows:

| | Loans to corporate customers | Loans to medium entities | Loans to small and micro entities | Public sector | Total |
|---|------------------------------------|--------------------------------|--|------------------|--------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| <i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i> | | | | | |
| Minimal risk | 12 383 741 | - | - | 118 | 12 383 859 |
| Excellent credit standing | 50 172 932 | - | - | - | 50 172 932 |
| Very good credit standing | 48 432 458 | - | 433 | 110 | 48 433 001 |
| Good credit standing | 108 268 886 | 654 395 | 976 253 | - | 109 899 534 |
| Sound credit standing | 42 342 035 | 4 381 378 | 2 145 897 | - | 48 869 310 |
| Acceptable credit standing | 34 179 153 | 9 503 732 | 2 562 387 | - | 46 245 272 |
| Marginal credit standing | 4 373 752 | 3 579 825 | 5 976 599 | 1 563 | 13 931 739 |
| Weak credit standing | 10 686 552 | 300 589 | 888 291 | - | 11 875 432 |
| Very weak credit standing | - | 254 816 | 166 570 | - | 421 386 |
| Total neither past due nor impaired loans, assessed for impairment on collective basis (gross) | 310 839 509 | 18 674 735 | 12 716 430 | 1 791 | 342 232 465 |
| <i>Past due but not impaired loans, assessed for impairment on a collective basis</i> | | | | | |
| - less than 30 days overdue | 1 535 426 | 106 947 | 465 578 | - | 2 107 951 |
| - 31 – 60 days overdue | - | - | 179 231 | - | 179 231 |
| - 61 – 90 days overdue | - | 28 | 99 691 | - | 99 719 |
| - 91 – 180 days overdue | - | - | - | - | - |
| Total past due but not impaired loans, assessed for impairment on collective basis (gross) | 1 535 426 | 106 975 | 744 500 | - | 2 386 901 |
| <i>Loans individually determined to be impaired</i> | | | | | |
| - not overdue | 6 739 770 | 64 028 | 62 086 | - | 6 865 884 |
| - less than 30 days overdue | 39 421 | - | 19 245 | - | 58 666 |
| - 31 – 60 days overdue | - | - | 4 035 | - | 4 035 |
| - 61 – 90 days overdue | - | 57 903 | 16 689 | - | 74 592 |
| - 91 – 180 days overdue | - | 353 097 | 380 293 | - | 733 390 |
| - 181 – 364 days overdue | 5 430 788 | 131 427 | 672 422 | - | 6 234 637 |
| - over 365 days overdue | 15 419 599 | 745 119 | 944 271 | - | 17 108 989 |
| Total loans individually determined to be impaired (gross) | 27 629 578 | 1 351 574 | 2 099 041 | - | 31 080 193 |
| Total gross loans and advances to customers | 340 004 513 | 20 133 284 | 15 559 971 | 1 791 | 375 699 559 |
| Less: Provision for loan impairment | (13 975 329) | (1 005 069) | (2 000 703) | - | (16 981 101) |
| Total loans and advances to customers | 326 029 184 | 19 128 215 | 13 559 268 | 1 791 | 358 718 458 |

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans granted to legal entities outstanding at 31 December 2014 is as follows:

| | Loans to corporate customers | Loans to medium entities | Loans to small and micro entities | Public sector | Total |
|---|------------------------------------|--------------------------------|--|------------------|--------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| <i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i> | | | | | |
| Minimal risk | 3 011 734 | - | 1 557 | 42 | 3 013 333 |
| Excellent credit standing | 53 706 539 | - | 12 285 | - | 53 718 824 |
| Very good credit standing | 58 272 175 | - | 36 752 | 13 | 58 308 940 |
| Good credit standing | 136 259 943 | 377 378 | 685 619 | - | 137 322 940 |
| Sound credit standing | 43 297 982 | 3 618 563 | 2 039 848 | - | 48 956 393 |
| Acceptable credit standing | 11 770 777 | 9 005 023 | 5 386 908 | 2 043 | 26 164 751 |
| Marginal credit standing | 7 582 775 | 6 345 929 | 8 517 162 | 2 164 | 22 448 030 |
| Weak credit standing | 11 101 533 | 232 085 | 2 450 356 | - | 13 783 974 |
| Very weak credit standing | - | 49 596 | 211 686 | - | 261 282 |
| Total neither past due nor impaired loans, assessed for impairment on collective basis (gross) | 325 003 458 | 19 628 574 | 19 342 173 | 4 262 | 363 978 467 |
| <i>Past due but not impaired loans, assessed for impairment on a collective basis</i> | | | | | |
| - less than 30 days overdue | 731 047 | - | 341 094 | - | 1 072 141 |
| - 31 – 60 days overdue | 97 050 | 55 519 | 88 213 | - | 240 782 |
| - 61 – 90 days overdue | - | - | 91 503 | - | 91 503 |
| - 91 – 180 days overdue | - | - | 1 025 | - | 1 025 |
| Total past due but not impaired loans, assessed for impairment on collective basis (gross) | 828 097 | 55 519 | 521 835 | - | 1 405 451 |
| <i>Loans individually determined to be impaired</i> | | | | | |
| - not overdue | 5 131 459 | 3 268 | 11 044 | - | 5 145 771 |
| - less than 30 days overdue | 10 045 | - | 54 725 | - | 64 770 |
| - 31 – 60 days overdue | - | 21 125 | 5 971 | - | 27 096 |
| - 61 – 90 days overdue | - | - | 75 784 | - | 75 784 |
| - 91 – 180 days overdue | 1 907 016 | 695 798 | 247 278 | - | 2 850 092 |
| - 181 – 364 days overdue | 6 480 787 | 147 528 | 405 509 | - | 7 033 824 |
| - over 365 days overdue | 7 921 685 | 222 027 | 508 566 | - | 8 652 278 |
| Total loans individually determined to be impaired (gross) | 21 450 992 | 1 089 746 | 1 308 877 | - | 23 849 615 |
| Total gross loans and advances to customers | 347 282 547 | 20 773 839 | 21 172 885 | 4 262 | 389 233 533 |
| Less: Provision for loan impairment | (11 852 959) | (901 549) | (1 259 172) | - | (14 013 680) |
| Total loans and advances to customers | 335 429 588 | 19 872 290 | 19 913 713 | 4 262 | 375 219 853 |

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of retail loans outstanding at 30 September 2015 is as follows:

| <i>In thousands of Russian Roubles</i> | Unsecured consumer loans | Mortgage loans | Car loans | Credit cards and overdrafts | Total Retail Loans |
|---|---|---------------------------|----------------------|--|-------------------------------|
| <i>Current and not impaired loans, assessed for impairment on a collective basis</i> | | | | | |
| Very good credit standing | - | 46 046 783 | 24 312 041 | - | 70 358 824 |
| Good credit standing | 80 544 489 | - | - | 14 148 628 | 94 693 117 |
| Total current and not impaired loans, assessed for impairment on a collective basis | 80 544 489 | 46 046 783 | 24 312 041 | 14 148 628 | 165 051 941 |
| <i>Past due but not impaired loans, assessed for impairment on a collective basis</i> | | | | | |
| - less than 30 days overdue | 2 495 531 | 1 447 583 | 881 185 | 1 735 216 | 6 559 515 |
| - 31 – 60 days overdue | 640 571 | 622 527 | 238 827 | 236 395 | 1 738 320 |
| - 61 – 90 days overdue | 495 038 | 375 902 | 146 065 | 151 902 | 1 168 907 |
| Total past due but not impaired loans, assessed for impairment on a collective basis | 3 631 140 | 2 446 012 | 1 266 077 | 2 123 513 | 9 466 742 |
| <i>Loans individually determined to be impaired</i> | | | | | |
| - not overdue | 134 610 | 156 718 | 19 349 | 39 403 | 350 080 |
| - less than 30 days overdue | 33 831 | 32 245 | 13 843 | 12 805 | 92 724 |
| - 31 – 60 days overdue | 21 207 | 22 269 | 5 744 | 4 654 | 53 874 |
| - 61 – 90 days overdue | 19 801 | 21 157 | 8 969 | 7 726 | 57 653 |
| - 91 – 180 days overdue | 1 328 175 | 399 726 | 366 740 | 435 730 | 2 530 371 |
| - 181 – 364 days overdue | 2 281 501 | 880 205 | 520 104 | 1 145 650 | 4 827 460 |
| - over 365 days overdue | 5 162 816 | 1 032 255 | 1 249 960 | 1 369 322 | 8 814 353 |
| Total individually impaired loans (gross) | 8 981 941 | 2 544 575 | 2 184 709 | 3 015 290 | 16 726 515 |
| Total gross loans and advances to customers | 93 157 570 | 51 037 370 | 27 762 827 | 19 287 431 | 191 245 198 |
| Less: Provision for loan impaired | (9 897 002) | (1 662 387) | (2 272 041) | (3 218 007) | (17 049 437) |
| Total loans and advances to customers | 83 260 568 | 49 374 983 | 25 490 786 | 16 069 424 | 174 195 761 |

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of retail loans outstanding at 31 December 2014 is as follows:

| <i>In thousands of Russian Roubles</i> | Unsecured consumer loans | Mortgage loans | Car loans | Credit cards and overdrafts | Total Retail Loans |
|---|---|---------------------------|----------------------|--|-------------------------------|
| <i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i> | | | | | |
| Very good credit standing | - | 48 684 028 | 38 590 936 | - | 87 274 964 |
| Good credit standing | 91 045 699 | - | - | 13 554 547 | 104 600 246 |
| Total neither past due nor impaired loans, assessed for impairment on collective basis (gross) | 91 045 699 | 48 684 028 | 38 590 936 | 13 554 547 | 191 875 210 |
| <i>Past due but not impaired loans, assessed for impairment on a collective basis</i> | | | | | |
| - less than 30 days overdue | 1 887 997 | 992 350 | 762 162 | 1 385 880 | 5 028 389 |
| - 31 – 60 days overdue | 583 975 | 468 721 | 217 658 | 207 117 | 1 477 471 |
| - 61 – 90 days overdue | 394 696 | 215 824 | 117 409 | 128 291 | 856 220 |
| Total past due but not impaired loans, assessed for impairment on a collective basis | 2 866 668 | 1 676 895 | 1 097 229 | 1 721 288 | 7 362 080 |
| <i>Loans individually determined to be impaired</i> | | | | | |
| - not overdue | 59 021 | 154 681 | 21 065 | 35 705 | 270 472 |
| - less than 30 days overdue | 19 983 | 39 245 | 10 856 | 12 643 | 82 727 |
| - 31 – 60 days overdue | 15 556 | 75 204 | 8 215 | 7 452 | 106 427 |
| - 61 – 90 days overdue | 15 046 | 30 677 | 11 997 | 8 079 | 65 799 |
| - 91 – 180 days overdue | 1 001 720 | 360 606 | 284 994 | 329 678 | 1 976 998 |
| - 181 – 364 days overdue | 1 588 662 | 173 522 | 404 883 | 832 186 | 2 999 253 |
| - over 365 days overdue | 3 200 329 | 651 291 | 754 212 | 765 253 | 5 371 085 |
| Total individually impaired loans (gross) | 5 900 317 | 1 485 226 | 1 496 222 | 1 990 996 | 10 872 761 |
| Total gross loans and advances to customers | 99 812 684 | 51 846 149 | 41 184 387 | 17 266 831 | 210 110 051 |
| Less: Provision for loan impairment | (6 633 389) | (838 226) | (1 579 864) | (2 188 983) | (11 240 462) |
| Total loans and advances to customers | 93 179 295 | 51 007 923 | 39 604 523 | 15 077 848 | 198 869 589 |

Disclosure of the fair value of the Group's loans and advances to customers at 30 September 2015 and 31 December 2014 is presented in Note 29. Currency, geographical and liquidity analysis of loans and advances to customers are disclosed in Note 26. The information on related party balances is disclosed in Note 30.

11 Investment Securities Available for Sale

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|---|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Eurobonds of the European Bank for Reconstruction and Development | 1 477 270 | 1 517 323 |
| Total investment securities available for sale | 1 477 270 | 1 517 323 |

As of 30 September 2015 eurobonds were neither past due nor impaired and had minimal risk rating.

This bond is denominated in the Russian Roubles and matures in 2016 and has coupon rates of 11.53%.

For the disclosure of credit risk management refer to Note 26.

Currency, geographical and liquidity analysis of investment securities available for sale are disclosed in Note 26.

12 Investment Securities Held to Maturity

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|---|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Eurobonds of the European Bank for Reconstruction and Development | 5 687 937 | - |
| Corporate eurobonds | 3 000 160 | - |
| Corporate bonds | 524 890 | 510 760 |
| Total gross investment securities held to maturity | 9 212 987 | 510 760 |
| Less: Provision for impairment | (1 005) | (978) |
| Total investment securities held to maturity | 9 211 982 | 509 782 |

Refer to Note 29 for the disclosure of the fair value of each class of investment securities held to maturity. Currency, geographical and liquidity analysis of investment securities held to maturity are disclosed in Note 26.

13 Derivatives and Other Financial Assets

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|---|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Fair value of currency rate based financial derivatives | 46 768 525 | 48 554 933 |
| Fair value of interest rate based financial derivatives | 4 517 234 | 6 142 184 |
| Plastic card receivables | 1 501 604 | 2 026 975 |
| Trade receivables | 32 311 | 52 600 |
| Total derivatives and other financial assets | 52 819 674 | 56 776 692 |

Currency, geographical and liquidity analysis of derivatives and other financial assets are disclosed in Note 26. The information on related party balances is disclosed in Note 30.

14 Non-Current Assets Classified as Disposal Groups

Major classes of non-current assets classified as disposal groups are as follows:

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|-------------------------------------|---------------------|
| <i>In thousands of Russian Roubles</i> | | |
| <i>Assets of a disposal group held for sale:</i> | | |
| Cash and cash equivalents | 15 405 019 | - |
| Other securities at fair value through consolidated profit or loss | 8 488 459 | - |
| Due from other banks | 6 292 085 | - |
| Loans and advances to customers | 26 088 | - |
| Premises and equipment | 5 512 | - |
| Intangible assets | 3 746 | - |
| Other assets | 3 805 | - |
| Total assets of disposal group held for sale | 30 224 714 | - |

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

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|-------------------------------------|---------------------|
| <i>In thousands of Russian Roubles</i> | | |
| <i>Liabilities of a disposal group held for sale:</i> | | |
| Customer accounts | 4 659 857 | - |
| Insurance contracts | 29 290 109 | - |
| Other liabilities | 293 057 | - |
| Total liabilities directly associated with disposal group held for sale | 34 243 023 | - |

15 Due to Other Banks

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|---|-------------------------------------|---------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Short-term placements of other banks | 4 427 818 | 7 967 318 |
| Correspondent accounts and overnight placements of other banks | 4 246 200 | 20 670 570 |
| Long-term placements of other banks | 3 783 829 | 5 943 601 |
| Direct sale and repurchase agreements with securities with the CBRF and other banks and other financial institutions | 927 783 | 1 983 277 |
| Secured funding facility with Central Bank | - | 40 956 821 |
| Total due to other banks | 13 385 630 | 77 521 587 |

At 30 September 2015 included in due to banks are deposits of RR 68 980 thousand (31 December 2014: RR 96 145 thousand) held as collateral for irrevocable commitments under guarantees.

At 30 September 2015 included in amounts due to other banks are liabilities of RR 927 783 thousand (31 December 2014: RR 1 983 277) from sale and repurchase agreements. Refer to Notes 7, 8 and 28. As at 30 September 2015 the fair value of securities purchased under reverse securities sale and repurchase agreements and sold under direct sale and repurchase agreements with other banks amounted to RR 738 347 thousand (31 December 2014: nil thousand).

15 Due to Other Banks (Continued)

The Bank had access to a CBRF secured funding facility amounting to nil thousand (31 December 2014: 40 956 821 thousand), pledged with corporate loans in the amount of nil thousand (31 December 2014: 59 594 077 thousand). At 31 December 2014 the CBRF secured funding facility had the interest rates from 17.25% to 18.75% in RUR and maturity from 6 to 18 months.

Currency, geographical and liquidity analysis of due to other banks are disclosed in Note 26. The information on related party balances is disclosed in Note 30.

16 Customer Accounts

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | |
| State and public organisations | | |
| - Current/settlement accounts | 1 201 784 | 1 555 536 |
| - Term deposits | 39 029 694 | 13 127 |
| Legal entities | | |
| - Current/settlement accounts | 151 619 332 | 132 306 314 |
| - Term deposits | 56 106 010 | 87 039 761 |
| Individuals | | |
| - Current/demand accounts | 136 022 321 | 137 328 703 |
| - Term deposits | 197 888 623 | 173 657 059 |
| Total customer accounts | 581 867 764 | 531 900 500 |

At 30 September 2015 the Group had one customer (31 December 2014: no customers) with a balance above 10% of consolidated equity of the Group as at this date. The balance of this customer was RR 39 015 879 thousand (31 December 2014: no) or 6.71% of total customer accounts.

At 30 September 2015 included in customer accounts are deposits of RR 96 298 thousand (31 December 2014: RR 36 196 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 28.

At 30 September 2015 included in customer accounts are deposits of RR 1 617 694 thousand (31 December 2014: RR 4 446 495 thousand) held as collateral for irrevocable commitments under guarantees. Refer to Note 28.

Disclosure of the fair value of the Group's customer accounts at 30 September 2015 is presented in Note 29, Currency, geographical and liquidity analysis of customer accounts are disclosed in Note 26. The information on related party balances is disclosed in Note 30.

16 Customer Accounts (Continued)

Analysis of customer accounts by segments is set out below:

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|---|-------------------------------------|---------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Customer accounts of individuals (Retail) | 333 910 944 | 310 985 762 |
| Customer accounts of corporates (Corporate) | 158 997 290 | 178 204 581 |
| Customer accounts of small and micro entities (SME) | 26 274 826 | 18 911 156 |
| Customer accounts of medium entities (Middle business) | 22 453 226 | 22 230 338 |
| Customer accounts of state and municipal organisations (Public sector) | 40 231 478 | 1 568 663 |
| Total customer accounts | 581 867 764 | 531 900 500 |

17 Term Borrowings from the Parent Bank

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|-------------------------------------|---------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Loans from the Parent Bank maturing in 2015 – 2018 | 31 724 941 | 45 335 058 |
| Subordinated Loans from the Parent Bank | 35 058 097 | 16 658 092 |
| Total term borrowings from the Parent Bank | 66 783 038 | 61 993 150 |

In August 2014 the Group raised two Subordinated loans from the Parent Bank. Loan in the amount of USD 130 193 thousand is made available for an indefinite period of time. Borrower may repay the loan at its option but only with the consent of the lender and a written consent of CBRF, on the 5th anniversary of the date of inclusion the loan into own funds and each subsequent anniversary of the date. Loan in the amount USD 165 091 thousand has a maturity date on 16 August, 2021. For both loans the Group shall pay interest on the outstanding principal amounts based on the Libor dependent floating interest rates.

In April 2015 the Group raised a Subordinated loan from the Parent Bank in amount of USD 228 160 thousand. The loan has maturity date on 30 April, 2020. The Group shall pay interest on the outstanding principal amount based on the Libor dependent floating interest rates.

Carrying value of each class of term borrowings from the Parent Bank approximates fair value at 30 September 2015 and 31 December 2014 as all these liabilities bear a floating interest rate. Refer to Note 29.

Currency, geographical and liquidity analysis of term borrowings from the Parent Bank are disclosed in Note 26. The information on related party balances is disclosed in Note 30.

18 Term Borrowing from Other Financial Institutions

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|-------------------------------------|---------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Loans secured by diversified payment rights | - | 9 355 939 |
| Loans from development banks maturing in 2015 | - | 465 471 |
| Total term borrowings from other financial institutions | - | 9 821 410 |

18 Term Borrowing from Other Financial Institutions (Continued)

In June 2012 the Group issued floating rate loan participation notes in the total amount of USD 175 million secured by the Bank's diversified payment rights, i.e. the rights to funds being transferred to the Bank's USD and EUR correspondent accounts. The Notes were repaid on 30 June 2015. Outstanding amount of secured obligations at 30 September 2015 is nil (31 December 2014: USD 166 303 thousand).

The Group is subject to certain covenants related to its term borrowings from other financial institutions. Refer to Note 28.

Carrying value of each class of term borrowings from other financial institutions approximates fair value at 30 September 2015 and 31 December 2014 as all these liabilities bear floating interest rate. Refer to Note 29.

Currency, geographical and liquidity analysis of term borrowings from other financial institutions are disclosed in Note 26. The information on related party balances is disclosed in Note 30.

19 Derivatives and Other Financial Liabilities

Derivatives and other financial liabilities comprise the following:

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Fair value of currency rate based financial derivatives | 45 021 486 | 57 662 938 |
| Prepayment for non-current assets held for sale | 6 947 638 | - |
| Fair value of interest rate based financial derivatives | 5 443 772 | 3 260 581 |
| Shortselling of trading assets | 3 144 378 | 2 764 825 |
| Other accrued expenses | 1 163 851 | 2 663 823 |
| Plastic cards payables | 294 659 | 281 141 |
| Provision for credit related commitments | 108 704 | 130 156 |
| Settlements on conversion operations | 74 210 | 16 309 |
| Trade payables | 37 889 | 105 177 |
| Other | 1 223 | 484 |
| Total derivatives and other financial liabilities | 62 237 810 | 66 885 434 |

Movement in the provisions for credit related commitments during nine-months period ended 30 September 2015 includes provision release of RR 31 941 thousand (during nine-months period ended 30 September 2014: release of RR 128 427 thousand). Fx effect in amount RR (10 489) (during nine-months period ended 30 September 2014: RR (14 561) thousand) was removed from Release of provisions for credit related commitments to Foreign exchange translation gains less losses.

Shortselling of trading assets are selling deals of bond securities that the Group has obtained as collaterals in reverse repo agreements or currently doesn't keep in its own securities' portfolio.

Currency, geographical and liquidity analysis of derivatives and other financial liabilities are disclosed in Note 26. Information on related party transactions is presented in Note 30.

20 Interest Income and Expense

| | Nine-Month Period Ended 30 September 2015 (Unaudited) | Three-Month Period Ended 30 September 2015 (Unaudited) | Nine-Month Period Ended 30 September 2014 (Unaudited) | Three-Month Period Ended 30 September 2014 (Unaudited) |
|---|--|---|--|---|
| <i>In thousands of Russian Roubles</i> | | | | |
| Interest income | | | | |
| Loans and advances to retail customers | 22 633 856 | 7 407 967 | 21 267 087 | 7 425 205 |
| Loans and advances to legal entities | 22 587 185 | 7 331 200 | 16 066 033 | 5 553 320 |
| Foreign exchange swap contracts | 12 937 000 | 3 255 177 | 6 351 282 | 2 623 225 |
| Interest rate swap contracts | 10 905 481 | 3 425 060 | 4 037 761 | 1 747 953 |
| Cross-currency interest rate swap contracts | 4 398 908 | 1 949 867 | 4 407 599 | 1 323 320 |
| Due from other banks | 1 831 940 | 790 563 | 1 089 015 | 657 138 |
| Other securities at fair value through profit and loss | 937 712 | 293 155 | 1 675 146 | 758 100 |
| Trading securities | 890 617 | 365 991 | 1 364 379 | 468 109 |
| Interest income from repo transactions | 821 091 | 416 083 | 1 006 695 | 540 073 |
| Debt securities held to maturity | 373 110 | 127 529 | 42 176 | 12 327 |
| Interest income on impaired financial assets | 120 591 | 15 685 | 71 707 | 390 |
| Investment securities available for sale | 149 124 | 46 219 | 89 226 | 35 156 |
| Total interest income | 78 586 615 | 25 424 496 | 57 468 106 | 21 144 316 |
| Interest expense | | | | |
| Interest rate swap contracts | 9 091 032 | 3 188 059 | 4 225 367 | 1 750 457 |
| Term deposits of individuals | 7 435 515 | 2 780 479 | 4 623 066 | 1 484 569 |
| Term deposits of legal entities | 6 411 694 | 1 582 970 | 3 935 455 | 1 487 725 |
| Current/settlement accounts | 5 153 126 | 1 167 138 | 2 548 083 | 1 021 294 |
| Cross-currency interest rate swap contracts | 3 457 319 | 1 119 916 | 3 615 750 | 1 371 132 |
| Foreign exchange swap contracts | 3 371 751 | 805 536 | 1 906 335 | 1 037 205 |
| Placements of the Central Bank | 2 539 147 | 822 688 | 448 917 | 330 022 |
| Term borrowings from the Parent Bank | 2 436 546 | 991 371 | 663 043 | 237 641 |
| Interest expense on Insurance liabilities | 2 018 075 | 820 337 | 620 870 | 214 289 |
| Term placements of other banks | 1 749 408 | 676 341 | 1 073 433 | 295 576 |
| Debt securities in issue | 1 616 718 | 644 976 | 610 296 | 224 755 |
| Term borrowings from other financial institutions | 421 879 | 50 923 | 180 624 | 64 003 |
| Interest expense from repo transactions | 234 888 | 31 165 | 1 500 690 | 549 904 |
| Correspondent accounts of other banks | 57 890 | 13 056 | 53 773 | 32 130 |
| Total interest expense | 45 994 988 | 14 694 955 | 26 005 702 | 10 100 702 |
| Net interest income | 32 591 627 | 10 729 541 | 31 462 404 | 11 043 614 |

21 Fee and Commission Income and Expense

| | Nine-Month Period Ended 30 September 2015 (Unaudited) | Three-Month Period Ended 30 September 2015 (Unaudited) | Nine-Month Period Ended 30 September 2014 (Unaudited) | Three-Month Period Ended 30 September 201 (Unaudited) |
|--|--|---|--|--|
| <i>In thousands of Russian Roubles</i> | | | | |
| Fee and commission income | | | | |
| Commissions on operations with plastic cards | 7 008 939 | 2 662 376 | 5 924 657 | 2 103 642 |
| Commissions on settlement transactions | 1 292 981 | 498 542 | 1 063 625 | 398 762 |
| Commissions on documentary business and guarantees | 1 155 449 | 406 656 | 804 407 | 352 985 |
| Agent insurance fee | 987 806 | 331 668 | 1 234 347 | 512 455 |
| Commissions on cash operations | 625 329 | 209 782 | 669 669 | 235 251 |
| Fiduciary activities | 612 102 | 209 750 | 444 157 | 153 325 |
| Early and late repayment fees | 605 073 | 246 074 | 544 335 | 160 249 |
| Commissions on export operations | 387 650 | 143 823 | 333 601 | 127 304 |
| Consulting service income | 280 767 | 61 126 | 136 565 | 67 154 |
| Credit facility fee | 283 959 | 73 650 | 431 552 | 103 309 |
| Commissions on transactions with securities | 184 847 | 43 118 | 115 619 | 18 766 |
| Commissions from investment banking | 99 949 | 76 919 | 89 799 | 12 416 |
| Other | 255 419 | 85 210 | 239 078 | 72 695 |
| Total fee and commission income | 13 780 270 | 5 048 694 | 12 031 411 | 4 318 313 |
| Fee and commission expense | | | | |
| Commissions on operations with plastic cards | 4 079 585 | 1 533 922 | 2 790 882 | 1 114 013 |
| Commissions on settlement transactions | 323 531 | 105 760 | 632 541 | 182 054 |
| Commissions on cash operations | 285 949 | 98 827 | 241 255 | 82 923 |
| Commissions on transactions with securities | 158 180 | 55 730 | 102 083 | 36 196 |
| Credit facility fee | 4 705 | 108 | 112 767 | 23 773 |
| Other | 220 736 | 84 351 | 180 982 | 74 676 |
| Total fee and commission expense | 5 072 686 | 1 878 698 | 4 060 510 | 1 513 635 |
| Net fee and commission income | 8 707 584 | 3 169 996 | 7 970 901 | 2 804 678 |

22 Unrealized Gains less Losses/(Losses less Gains) from Derivative Financial Instruments

| | Nine-Month Period Ended 30 September 2015 (Unaudited) | Three-Month Period Ended 30 September 2015 (Unaudited) | Nine-Month Period Ended 30 September 2014 (Unaudited) | Three-Month Period Ended 30 September 2014 (Unaudited) |
|---|--|---|--|---|
| <i>In thousands of Russian Roubles</i> | | | | |
| Foreign exchange swaps | 8 460 188 | (11 451 193) | (5 129 662) | (5 901 742) |
| Cross currency interest rate swaps | 1 416 998 | (2 045 074) | (1 720 594) | (104 186) |
| Interest rate swaps | 299 077 | (9 486) | 913 013 | 169 606 |
| Foreign exchange options | 172 475 | 40 298 | (2 235) | (5 333) |
| Forwards with securities | (3 293) | 1 028 | 441 | (3 475) |
| Foreign exchange forwards | (33 201) | 1 360 089 | 1 006 612 | 406 507 |
| Total unrealized gains less losses/(losses less gains) from derivative financial instruments | 10 312 244 | (12 104 338) | (4 932 425) | (5 438 623) |

23 Realized Gains less Losses from Derivative Financial Instruments

| | Nine-Month Period Ended 30 September 2015 (Unaudited) | Three-Month Period Ended 30 September 2015 (Unaudited) | Nine-Month Period Ended 30 September 2014 (Unaudited) | Three-Month Period Ended 30 September 2014 (Unaudited) |
|---|---|--|---|--|
| <i>In thousands of Russian Roubles</i> | | | | |
| Foreign exchange options | 69 027 | 50 905 | 15 917 | (4 162) |
| Foreign exchange futures | (38 234) | (19 199) | (26 532) | (5 269) |
| Foreign exchange forwards | (190 358) | (722 483) | 731 419 | 45 069 |
| Total realized gains less losses from derivative financial instruments | (159 565) | (690 777) | 720 804 | 35 638 |

24 Administrative and Other Operating Expenses

| | Nine-Month Period Ended 30 September 2015 (Unaudited) | Three-Month Period Ended 30 September 2015 (Unaudited) | Nine-Month Period Ended 30 September 2014 (Unaudited) | Three-Month Period Ended 30 September 2014 (Unaudited) |
|--|---|--|---|--|
| <i>In thousands of Russian Roubles</i> | | | | |
| Staff costs | 9 081 114 | 3 366 924 | 9 517 306 | 2 958 655 |
| Rent expenses | 1 332 246 | 435 816 | 1 642 023 | 536 696 |
| Amortisation of intangible assets | 1 144 910 | 387 755 | 723 967 | 268 096 |
| Depreciation of premises and equipment | 1 036 562 | 354 234 | 1 052 010 | 407 789 |
| IT services | 1 011 610 | 291 999 | 976 309 | 533 741 |
| Deposit insurance fee | 924 673 | 324 580 | 785 536 | 261 457 |
| Professional services | 814 346 | 397 572 | 625 458 | 219 761 |
| Premises and equipment maintenance expenses | 746 755 | 262 029 | 814 402 | 328 766 |
| Advertising and marketing | 331 311 | 99 916 | 484 231 | 150 546 |
| Communication expenses | 329 595 | 125 843 | 397 150 | 229 975 |
| Taxes other than on income | 165 347 | 55 424 | 165 389 | 20 684 |
| Security expenses | 106 013 | 39 085 | 151 246 | 59 306 |
| Other | 1 039 077 | 268 837 | 785 186 | 377 300 |
| Total administrative and other operating expenses | 18 063 559 | 6 410 014 | 18 120 213 | 6 352 772 |

25 Segment Analysis

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

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

The Group is organized on a basis of three primary business divisions:

- Corporate banking – comprises corporate lending, loans to corporate entities and state and municipal organizations, corporate deposit services, trade finance operations, structured corporate lending, corporate finance advisory services and leasing services.
- Retail banking – comprises retail demand and term deposit services, credit and debit card services, retail lending, including consumer loans and personal instalment loans and loans to small and micro entities, auto loans and mortgages, money transfers and private banking services.

25 Segment Analysis (Continued)

- Proprietary business – comprises securities trading, debt and equity capital markets services, foreign currency and derivative products, structured financing, lending, including loans and advances to banks and other financial institutions and other transactions.

In addition to the primary business divisions, the performance of the Group is being assessed on a basis of seven geographical regions (“Hubs”) located across the Russian Federation. These geographical hubs are: Moscow, Centre, North-West, Siberia, South, Ural and Volga.

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

The Group’s business divisions are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

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

The accounting policies of the operating segments are materially the same as those described in the summary of significant accounting policies except for: (i) the fair value changes in available for sale securities that are reported within the segments’ profits or losses rather than in other comprehensive income; (ii) use of a transfer pricing system, (iii) different classification of certain lines of income and expenses and (iv) some balances and operations are excluded from segment analysis since they are monitored separately and on a less regular basis. In accordance with the transfer pricing system used by the Group funds are generally reallocated at internal interest rates, which are determined by reference to market interest rate benchmarks.

Segment assets and liabilities are reported to the CODM net of inter-segment assets and liabilities.

(d) Information about reportable segment profit or loss, assets and liabilities by business divisions

Assets and liabilities of business segments of the Group are set out below:

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Corporate business | 337 986 170 | 352 939 835 |
| Retail business | 193 405 215 | 227 808 611 |
| Proprietary business | 325 208 561 | 299 101 390 |
| Total business division assets | 856 599 946 | 879 849 836 |
| Corporate business | 162 642 806 | 181 790 824 |
| Retail business | 361 545 579 | 333 290 471 |
| Proprietary business | 231 314 197 | 265 588 215 |
| Total business division liabilities | 755 502 582 | 780 669 510 |

25 Segment Analysis (Continued)

Business divisions of the Group for the nine-month period ended 30 September 2015 are as follows:

| <i>In thousands of Russian Roubles</i> | Corporate business (Unaudited) | Retail business (Unaudited) | Proprietary business (Unaudited) | Total (Unaudited) |
|--|---|--|---|------------------------------|
| Net interest result | 10 483 673 | 18 789 056 | 4 000 597 | 33 273 326 |
| Net fee and commission result | 3 309 727 | 8 994 735 | 206 502 | 12 510 964 |
| Provision for loan impairment | (2 594 157) | (7 331 145) | (5 758) | (9 931 060) |
| Trading result | 79 381 | - | 2 136 276 | 2 215 657 |
| Valuation result from hedge accounting and other derivative instruments | - | - | (168 953) | (168 953) |
| Net income from investments | (94 765) | - | 625 951 | 531 186 |
| General administrative expenses | (2 984 369) | (12 960 366) | (1 060 010) | (17 004 745) |
| Other operating loss | - | - | (481 380) | (481 380) |
| Total business division result before tax | 8 199 490 | 7 492 280 | 5 253 225 | 20 944 995 |
| Income taxes | - | - | - | (4 041 404) |
| Total business division result after tax | 8 199 490 | 7 492 280 | 5 253 225 | 16 903 591 |

Business divisions of the Group for the three-month period ended 30 September 2015 are as follows:

| <i>In thousands of Russian Roubles</i> | Corporate business (Unaudited) | Retail business (Unaudited) | Proprietary business (Unaudited) | Total (Unaudited) |
|--|---|--|---|------------------------------|
| Net interest result | 3 288 687 | 6 260 487 | 1 093 000 | 10 642 174 |
| Net fee and commission result | 1 128 325 | 3 296 330 | 52 267 | 4 476 922 |
| Provision for loan impairment | (948 170) | (1 540 432) | (5 043) | (2 493 645) |
| Trading result | (56 225) | - | 505 269 | 449 044 |
| Valuation result from hedge accounting and other derivative instruments | - | - | 184 445 | 184 445 |
| Net income from investments | - | - | (27 730) | (27 730) |
| General administrative expenses | (1 165 785) | (4 549 856) | (464 152) | (6 179 793) |
| Other operating loss | - | - | (12 281) | (12 281) |
| Total business division result before tax | 2 246 832 | 3 466 529 | 1 325 775 | 7 039 136 |
| Income taxes | - | - | - | (1 397 138) |
| Total business division result after tax | 2 246 832 | 3 466 529 | 1 325 775 | 5 641 998 |

25 Segment Analysis (Continued)

Business divisions of the Group for the nine-month period ended 30 September 2014 are as follows:

| <i>In thousands of Russian Roubles</i> | Corporate business (Unaudited) | Retail business (Unaudited) | Proprietary business (Unaudited) | Total (Unaudited) |
|--|---|--|---|------------------------------|
| Net interest result | 6 623 889 | 16 782 372 | 5 928 735 | 29 334 996 |
| Net fee and commission result | 2 901 630 | 7 506 252 | (86 824) | 10 321 058 |
| Provision for loan impairment | (1 661 818) | (3 579 989) | (7 352) | (5 249 159) |
| Trading result | 61 124 | 6 309 | (207 703) | (140 270) |
| Valuation result from hedge accounting and other derivative instruments | 3 119 | - | 802 928 | 806 047 |
| Net income from investments | 2 859 | - | (431 616) | (428 757) |
| General administrative expenses | (3 313 753) | (13 054 297) | (947 472) | (17 315 522) |
| Other operating loss | - | - | (272 743) | (272 743) |
| Total business division result before tax | 4 617 050 | 7 660 647 | 4 777 953 | 17 055 650 |
| Income taxes | - | - | - | (3 558 690) |
| Total business division result after tax | 4 617 050 | 7 660 647 | 4 777 953 | 13 496 960 |

Business divisions of the Group for the three-month period ended 30 September 2014 are as follows:

| <i>In thousands of Russian Roubles</i> | Corporate business (Unaudited) | Retail business (Unaudited) | Proprietary business (Unaudited) | Total (Unaudited) |
|--|---|--|---|------------------------------|
| Net interest result | 2 397 561 | 5 831 208 | 2 638 177 | 10 866 946 |
| Net fee and commission result | 1 004 960 | 2 602 395 | (17 513) | 3 589 842 |
| Provision for loan impairment | (1 387 397) | (935 889) | - | (2 323 286) |
| Trading result | 106 330 | 1 354 | (1 532 588) | (1 424 904) |
| Valuation result from hedge accounting and other derivative instruments | (4 643) | - | 290 891 | 286 248 |
| Net income from investments | - | - | 3 814 | 3 814 |
| General administrative expenses | (1 121 040) | (4 567 346) | (345 847) | (6 034 233) |
| Other operating loss | - | - | (152 234) | (152 234) |
| Total business division result before tax | 995 771 | 2 931 722 | 884 700 | 4 812 193 |
| Income taxes | - | - | - | (1 045 837) |
| Total business division result after tax | 995 771 | 2 931 722 | 884 700 | 3 766 356 |

25 Segment Analysis (Continued)

Major customers

The Group does not have any single customer, from which it earns revenue representing 10% of more of the total revenues. Based on domicile of the customers substantially all of the revenues are from Russian customers.

Major ratio calculations for the reportable segment of the Group annualized for the nine-months period ended 30 September 2015 and actual the year ended 31 December 2014 are set out below:

| <i>In thousands of Russian Roubles</i> | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| Capital expenditure | 2 278 666 | 4 582 209 |
| Cost/income ratio | 36.56% | 45.54% |
| Average equity | 101 866 897 | 108 221 327 |
| Return on equity before tax | 28.24% | 20.26% |
| Return on equity after tax | 22.84% | 16.18% |

Capital expenditure represents additions to non-current assets other than financial instruments.

(e) Information about reportable segment profit or loss, assets and liabilities by geographical location

Hubs of the Group as at 30 September 2015 and 31 December 2014 are as follows:

| <i>In thousands of Russian Roubles</i> | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| Head Office | 316 469 799 | 295 230 593 |
| Moscow | 312 203 647 | 289 377 662 |
| Centre | 19 534 066 | 27 038 051 |
| North-West | 78 436 549 | 86 856 039 |
| Siberia | 29 699 203 | 47 231 836 |
| South | 31 931 145 | 37 316 863 |
| Ural | 38 069 367 | 42 999 990 |
| Volga | 30 256 170 | 53 798 802 |
| Total hub assets | 856 599 946 | 879 849 836 |
| Head Office | 168 644 193 | 245 654 347 |
| Moscow | 445 959 343 | 382 710 595 |
| Centre | 7 935 193 | 13 078 433 |
| North-West | 79 943 592 | 72 763 374 |
| Siberia | 9 416 265 | 17 892 785 |
| South | 12 194 348 | 11 484 377 |
| Ural | 10 788 174 | 14 546 221 |
| Volga | 20 621 474 | 22 539 378 |
| Total hub liabilities | 755 502 582 | 780 669 510 |

25 Segment Analysis (Continued)

Hubs of the Group for the nine-month period ended 30 September 2015 are as follows:

| <i>In thousands of Russian Roubles</i> | Head Office (Unaudited) | Moscow (Unaudited) | Centre (Unaudited) | North-West (Unaudited) | Siberia (Unaudited) | South (Unaudited) | Ural (Unaudited) | Volga (Unaudited) | Total (Unaudited) |
|---|------------------------------------|-------------------------------|-------------------------------|-----------------------------------|--------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|
| Net interest result | 3 377 946 | 16 948 290 | 1 221 781 | 4 457 211 | 1 946 037 | 1 712 961 | 1 655 335 | 1 953 765 | 33 273 326 |
| Net fee and commission result | (27 531) | 7 571 461 | 469 397 | 1 995 172 | 721 707 | 542 132 | 509 679 | 728 947 | 12 510 964 |
| Provision for loan impairment | 4 020 | (4 161 020) | (642 143) | (710 283) | (1 817 461) | (978 935) | (736 421) | (888 817) | (9 931 060) |
| Trading result | 2 139 208 | (62 711) | 642 | 89 980 | - | 655 | 25 169 | 22 714 | 2 215 657 |
| Valuation result from hedge accounting and other derivative instruments | (168 953) | - | - | - | - | - | - | - | (168 953) |
| Net income from investments | 531 186 | - | - | - | - | - | - | - | 531 186 |
| General administrative expenses | (851 943) | (8 158 239) | (839 817) | (2 302 370) | (1 459 663) | (1 077 012) | (996 594) | (1 319 107) | (17 004 745) |
| Other operating loss | (481 380) | - | - | - | - | - | - | - | (481 380) |
| Total hub result before tax | 4 522 553 | 12 137 781 | 209 860 | 3 529 710 | (609 380) | 199 801 | 457 168 | 497 502 | 20 944 995 |
| Income taxes | (4 041 404) | - | - | - | - | - | - | - | (4 041 404) |
| Total hub result after tax | 481 149 | 12 137 781 | 209 860 | 3 529 710 | (609 380) | 199 801 | 457 168 | 497 502 | 16 903 591 |

25 Segment Analysis (Continued)

Hubs of the Group for the three-month period ended 30 September 2015 are as follows:

| <i>In thousands of Russian Roubles</i> | Head Office (Unaudited) | Moscow (Unaudited) | Centre (Unaudited) | North-West (Unaudited) | Siberia (Unaudited) | South (Unaudited) | Ural (Unaudited) | Volga (Unaudited) | Total (Unaudited) |
|---|------------------------------------|-------------------------------|-------------------------------|-----------------------------------|--------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|
| Net interest result | 923 790 | 5 595 984 | 411 055 | 1 480 431 | 478 666 | 560 193 | 576 344 | 615 711 | 10 642 174 |
| Net fee and commission result | (19 177) | 2 781 047 | 170 398 | 720 827 | 197 969 | 183 888 | 175 866 | 266 104 | 4 476 922 |
| Provision for loan impairment | 4 | (1 450 590) | (144 810) | (198 469) | (231 523) | (197 991) | (107 442) | (162 824) | (2 493 645) |
| Trading result | 505 407 | (172 341) | 45 | 81 254 | - | (2) | 11 967 | 22 714 | 449 044 |
| Valuation result from hedge accounting and other derivative instruments | 184 445 | - | - | - | - | - | - | - | 184 445 |
| Net income from investments | (27 730) | - | - | - | - | - | - | - | (27 730) |
| General administrative expenses | (367 755) | (3 013 738) | (300 313) | (816 303) | (489 832) | (376 920) | (353 725) | (461 207) | (6 179 793) |
| Other operating loss | (12 281) | - | - | - | - | - | - | - | (12 281) |
| Total hub result before tax | 1 186 703 | 3 740 362 | 136 375 | 1 267 740 | (44 720) | 169 168 | 303 010 | 280 498 | 7 039 136 |
| Income taxes | (1 397 138) | - | - | - | - | - | - | - | (1 397 138) |
| Total hub result after tax | (210 435) | 3 740 362 | 136 375 | 1 267 740 | (44 720) | 169 168 | 303 010 | 280 498 | 5 641 998 |

25 Segment Analysis (Continued)

Hubs of the Group for the nine-month period ended 30 September 2014 are as follows:

| <i>In thousands of Russian Roubles</i> | Head Office (Unaudited) | Moscow (Unaudited) | Centre (Unaudited) | North-West (Unaudited) | Siberia (Unaudited) | South (Unaudited) | Ural (Unaudited) | Volga (Unaudited) | Total (Unaudited) |
|---|------------------------------------|-------------------------------|-------------------------------|-----------------------------------|--------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|
| Net interest result | 5 504 387 | 12 347 633 | 1 234 746 | 3 277 691 | 2 120 739 | 1 493 359 | 1 483 114 | 1 873 327 | 29 334 996 |
| Net fee and commission result | (301 457) | 6 428 527 | 430 718 | 1 594 217 | 621 815 | 466 943 | 472 176 | 608 119 | 10 321 058 |
| Provision for loan impairment | 2 | (705 637) | (409 721) | (342 314) | (2 164 739) | (506 781) | (593 144) | (526 825) | (5 249 159) |
| Trading result | (207 341) | 74 188 | 1 097 | 8 950 | (6 094) | 4 855 | 1 176 | (17 101) | (140 270) |
| Valuation result from hedge accounting and other derivative instruments | 806 047 | | | | | | | | 806 047 |
| Net income from investments | (428 757) | | | | | | | | (428 757) |
| General administrative expenses | (710 995) | (9 076 906) | (762 718) | (2 065 022) | (1 518 497) | (996 657) | (950 134) | (1 234 593) | (17 315 522) |
| Other operating loss | (272 743) | | | - | - | - | - | - | (272 743) |
| Total hub result before tax | 4 389 143 | 9 067 805 | 494 122 | 2 473 522 | (946 776) | 461 719 | 413 188 | 702 927 | 17 055 650 |
| Income taxes | (3 558 690) | - | - | - | - | - | - | - | (3 558 690) |
| Total hub result after tax | 830 453 | 9 067 805 | 494 122 | 2 473 522 | (946 776) | 461 719 | 413 188 | 702 927 | 13 496 960 |

25 Segment Analysis (Continued)

Hubs of the Group for the three-month period ended 30 September 2014 are as follows:

| <i>In thousands of Russian Roubles</i> | Head Office (Unaudited) | Moscow (Unaudited) | Centre (Unaudited) | North-West (Unaudited) | Siberia (Unaudited) | South (Unaudited) | Ural (Unaudited) | Volga (Unaudited) | Total (Unaudited) |
|---|------------------------------------|-------------------------------|-------------------------------|-----------------------------------|--------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|
| Net interest result | 2 466 347 | 4 361 046 | 432 190 | 1 204 517 | 690 275 | 521 874 | 539 724 | 650 973 | 10 866 946 |
| Net fee and commission result | (90 812) | 2 192 467 | 152 142 | 569 969 | 215 940 | 165 099 | 169 548 | 215 489 | 3 589 842 |
| Provision for loan impairment | 2 | (32 684) | (113 694) | (72 772) | (1 670 317) | (118 398) | (113 516) | (201 907) | (2 323 286) |
| Trading result | (1 532 581) | 106 821 | 23 | 4 440 | - | - | 63 | (3 670) | (1 424 904) |
| Valuation result from hedge accounting and other derivative instruments | 286 248 | - | - | - | - | - | - | - | 286 248 |
| Net income from investments | 3 814 | - | - | - | - | - | - | - | 3 814 |
| General administrative expenses | (252 423) | (3 254 108) | (253 916) | (688 903) | (508 676) | (345 769) | (319 031) | (411 407) | (6 034 233) |
| Other operating loss | (152 234) | - | - | - | - | - | - | - | (152 234) |
| Total hub result before tax | 728 361 | 3 373 542 | 216 745 | 1 017 251 | (1 272 778) | 222 806 | 276 788 | 249 478 | 4 812 193 |
| Income taxes | (1 045 837) | - | - | - | - | - | - | - | (1 045 837) |
| Total hub result after tax | (317 476) | 3 373 542 | 216 745 | 1 017 251 | (1 272 778) | 222 806 | 276 788 | 249 478 | 3 766 356 |

25 Segment Analysis (Continued)

(f) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Reconciliation of segment revenues, segment result and other material items is presented below.

| <i>In thousands of Russian Roubles</i> | Nine-Month Period Ended 30 September 2015 (Unaudited) | Three-Month Period Ended 30 September 2015 (Unaudited) | Nine-Month Period Ended 30 September 2014 (Unaudited) | Three-Month Period Ended 30 September 2014 (Unaudited) |
|---|--|---|--|---|
| Total interest and fee and commission result for segment | 45 784 290 | 15 119 096 | 39 656 056 | 14 456 788 |
| Reclassification of interest result to trading result and net income from investments | (419 125) | 307 650 | 1 714 868 | 492 |
| Reclassification of commission result to trading result | (4 005 990) | (1 394 041) | (2 530 101) | (851 886) |
| Reclassification of provision for loan impairment to interest result and unwinding effect | - | - | - | 856 |
| Effect of the consolidation of the subsidiaries and other adjustments | (59 964) | (133 168) | 592 484 | 242 044 |
| Total net interest and fee and commission result | 41 299 211 | 13 899 537 | 39 433 307 | 13 848 294 |

Total revenue comprises interest and similar income and fee and commission income.

Reconciliation of reportable segment result is presented below.

| <i>In thousands of Russian Roubles</i> | Nine-Month Period Ended 30 September 2015 (Unaudited) | Three-Month Period Ended 30 September 2015 (Unaudited) | Nine-Month Period Ended 30 September 2014 (Unaudited) | Three-Month Period Ended 30 September 2014 (Unaudited) |
|--|--|---|--|---|
| Total segment result | 16 903 591 | 5 641 998 | 13 496 960 | 3 766 356 |
| Consolidation of subsidiaries and associate | 543 564 | 34 183 | 436 411 | 168 612 |
| Intercompany adjustments and other | 2 856 | 8 344 | 55 917 | (179 004) |
| Profit after tax | 17 450 011 | 5 684 525 | 13 989 288 | 3 755 964 |

25 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the nine-month period ended 30 September 2015 is as follows:

| | Total amount for reportable segment | Reclassifi- cations | Consolidation of the subsi- diaries and associate and other | As reported under IFRS |
|---|--|--------------------------------|--|-----------------------------------|
| <i>In thousands of Russian Roubles</i> | | | | |
| Main income or expenses for the Nine- month period ended 30 September 2015 | | | | |
| Net interest result | 33 273 326 | (419 125) | (262 574) | 32 591 627 |
| Net fee and commission result | 12 510 964 | (4 005 990) | 202 610 | 8 707 584 |
| Provision for loan impairment | (9 931 060) | - | 178 915 | (9 752 145) |
| Trading result | 2 215 657 | 4 425 115 | 27 560 | 6 668 332 |
| Valuation result from hedge accounting and other derivative instruments | (168 953) | - | (96 792) | (265 745) |
| Net income from investments | 531 186 | - | 487 403 | 1 018 589 |
| Depreciation and amortization | (2 175 399) | - | (6 073) | (2 181 472) |
| Other administrative expenses | (14 829 346) | - | (13 665) | (14 843 011) |
| Share of profit of associates | - | - | 417 055 | 417 055 |
| Other operating loss | (481 380) | - | (306 790) | (788 170) |
| Income taxes | (4 041 404) | - | (81 229) | (4 122 633) |

Reconciliation of other material items of income or expenses for the three-month period ended 30 September 2015 is as follows:

| | Total amount for reportable segment | Reclassifi- cations | Consolidation of the subsi- diaries and associate and other | As reported under IFRS |
|--|--|--------------------------------|--|-----------------------------------|
| <i>In thousands of Russian Roubles</i> | | | | |
| Main income or expenses for the Three- Month period ended 30 September 2015 | | | | |
| Net interest result | 10 642 174 | 307 650 | (220 283) | 10 729 541 |
| Net fee and commission result | 4 476 922 | (1 394 041) | 87 115 | 3 169 996 |
| Provision for loan impairment | (2 493 645) | - | 215 098 | (2 278 547) |
| Trading result | 449 044 | 1 086 391 | (125 795) | 1 409 640 |
| Valuation result from hedge accounting and other derivative instruments | 184 445 | - | (96 792) | 87 653 |
| Net income from investments | (27 730) | - | 184 327 | 156 597 |
| Depreciation and amortization | (740 104) | - | (1 885) | (741 989) |
| Other administrative expenses | (5 439 689) | - | 40 501 | (5 399 188) |
| Share of profit of associates | - | - | 137 274 | 137 274 |
| Other operating (loss)/profit | (12 281) | - | (144 375) | (156 656) |
| Income taxes | (1 397 138) | - | (32 658) | (1 429 796) |

25 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the nine-month period ended 30 September 2014 is as follows:

| | Total amount for reportable segment | Reclassifi- cations | Consolidation of the subsi- diaries and associate and other | As reported under IFRS |
|---|--|--------------------------------|--|-----------------------------------|
| <i>In thousands of Russian Roubles</i> | | | | |
| Main income or expenses for the Nine- Month period ended 30 September 2014 | | | | |
| Net interest result | 29 334 996 | 1 714 868 | 412 540 | 31 462 404 |
| Net fee and commission result | 10 321 058 | (2 530 101) | 179 944 | 7 970 901 |
| Provision for loan impairment | (5 249 159) | - | 84 065 | (5 165 094) |
| Trading result | (140 270) | 815 233 | (25 144) | 649 819 |
| Valuation result from hedge accounting and other derivative instruments | 806 047 | - | - | 806 047 |
| Net income from investments | (428 757) | - | (242 451) | (671 208) |
| Depreciation and amortization | (1 771 555) | - | (4 422) | (1 775 977) |
| Other administrative expenses | (15 543 967) | - | (15 080) | (15 559 047) |
| Share of profit of associates | - | - | 385 237 | 385 237 |
| Other operating loss | (272 743) | - | (309 013) | (581 756) |
| Income taxes | (3 558 690) | - | 26 652 | (3 532 038) |

Reconciliation of other material items of income or expenses for the three-month period ended 30 September 2014 is as follows:

| | Total amount for reportable segment | Reclassifi- cations | Consolidation of the subsi- diaries and associate and other | As reported under IFRS |
|--|--|--------------------------------|--|-----------------------------------|
| <i>In thousands of Russian Roubles</i> | | | | |
| Main income or expenses for the Three- Month period ended 30 September 2014 | | | | |
| Net interest result | 10 866 946 | 1 348 | 175 320 | 11 043 614 |
| Net fee and commission result | 3 589 842 | (851 886) | 66 722 | 2 804 678 |
| Provision for loan impairment | (2 323 286) | (856) | 110 925 | (2 213 217) |
| Trading result | (1 424 904) | 851 394 | (102 120) | (675 630) |
| Valuation result from hedge accounting and other derivative instruments | 286 248 | - | - | 286 248 |
| Net income from investments | 3 814 | - | (81 811) | (77 997) |
| Depreciation and amortization | (674 442) | - | (1 443) | (675 885) |
| Other administrative expenses | (5 359 791) | - | 60 207 | (5 299 584) |
| Share of profit of associates | - | - | 108 522 | 108 522 |
| Other operating loss | (152 234) | - | (164 221) | (316 455) |
| Income taxes | (1 045 837) | - | (182 493) | (1 228 330) |

Provision for loan impairment comprises of provision for impairment of loans and advances to customers, provision for credit related commitments and gains from the sale of loans.

Trading result, Net income from investments and valuation result from hedge accounting and other derivative instruments comprises gains less losses from trading securities, gains less losses from trading in foreign currencies, unrealised and realized gains less losses from derivative financial instruments and foreign exchange translation losses, less gains, ineffectiveness from hedge accounting, gain from redemption of investment securities available for sale, gains less losses from other securities at fair value through profit or loss and provision for investment securities held to maturity.

26 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate) operational risks and credit risk concentrations. The primary objectives of the financial risk management function are to identify and assess risks establish risk limits assume risk mitigation measures ensure that all material risks are measured and limited and that business in general is evaluated under a risk/return perspective. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks. Policies and processes for managing financial risks remain unchanged from those disclosed in last annual consolidated financial statements for the year ended 31 December 2014.

Market risk. Market risk is the risk of loss due to adverse changes in interest rates exchange rates equity prices commodity prices and credit spreads which may affect the Group's equity, profit or the market value of its assets and liabilities. Market risk derives from on and off balance sheet positions in the Bank's treasury investment banking and lending operations.

The Group's market risk management approach encompasses the recognition measurement monitoring and management of market risk that results from the Group's banking business on a group basis. The Group encounters market risk in both trading and non-trading activities (including interest rate positions balance sheet structures and hedging positions).

The Group's market risk management unit is in charge of identifying and assessing market risks and establishing procedures to control market risks including monitoring position limits and exposures.

The Group's market risk management unit also assesses market risk for new businesses and products including structured products. The Assets and Liabilities Management Department and Markets and Investment Banking Directorate, which trade within the trading limits set by the market risk management unit and approved by the ALCO/Parent Bank' MACO/CC, performs trading and market positioning for the Bank. The Bank is subject to the policies and limits set by the Parent Bank and approved by the Parent Bank's market risk committee.

The Group's market risk management unit is in charge of daily limit monitoring and weekly reporting to the Parent Bank and is responsible for reporting any limited breach to the Parent Bank. In the case of a limit breach the Parent Bank board member responsible for global treasury has the right to intervene in the Group's risk management activities and practices.

The Group uses an interest rate sensitivity analysis to assess interest rate risk for its banking portfolio which consists of loans, deposits, interbank, money market transactions, fixed-income, held-to-maturity securities and interest rate derivatives and for its trading portfolio which consists of fixed income trading securities. The Group creates an interest rate repricing gap for each portfolio by comparing the present market value of all future cash flows calculated taking the current market interest rate that the Group uses for internal pricing against the value of all future cash flows in the current market increased by one basis point.

The Group uses set of position limits to prevent the concentration of certain financial instruments including trading securities and open foreign exchange positions as well as in the Group's overall portfolio in order to maintain the market value of the overall portfolio. The position limits are set for individual positions and for the overall portfolio and account for certain market conditions including liquidity.

Currency risk. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign currency exchange risk on open positions (mainly USD/RR and EUR/RR exchange rate fluctuations).

Foreign exchange risk management is done centrally by the Treasury Directorate for the Group's Head Office and all regional and Moscow branches.

26 Financial Risk Management (Continued)

The Group's Treasury Directorate undertakes daily aggregation of the currency position of the Group and takes measures for maintaining of the Bank's currency position on a minimum level. The Group uses swaps forwards and USD futures contracts tradable on MICEX and RTS as the main instruments for hedging risk.

The table below summarises the Group's exposure to foreign currency exchange rate risk at 30 September 2015:

| <i>In thousands of Russian Roubles</i> | RR | USD | EUR | Other | Total |
|---|--------------------|----------------------|-------------------|------------------|--------------------|
| Cash and cash equivalents | 69 948 665 | 91 996 095 | 27 870 048 | 1 113 103 | 190 927 911 |
| Mandatory cash balances with the Central bank of the Russian Federation | 6 356 547 | - | - | - | 6 356 547 |
| Trading securities and repurchase receivables related to trading securities | 11 729 941 | 749 807 | - | - | 12 479 748 |
| Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss | 2 800 853 | 788 056 | - | - | 3 588 909 |
| Due from other banks | 2 222 073 | 16 635 398 | 11 209 108 | 1 896 | 30 068 475 |
| Loans and advances to customers | 273 448 018 | 233 037 921 | 25 692 460 | 735 820 | 532 914 219 |
| Investment securities available for sale | 1 477 270 | - | - | - | 1 477 270 |
| Investment securities held-to-maturity | 6 211 822 | - | 3 000 160 | - | 9 211 982 |
| Derivatives and other financial assets | 44 958 982 | 7 397 902 | 431 034 | 31 756 | 52 819 674 |
| Total monetary financial assets | 419 154 171 | 350 605 179 | 68 202 810 | 1 882 575 | 839 844 735 |
| Due to other banks | 8 010 218 | 3 978 753 | 1 383 230 | 13 429 | 13 385 630 |
| Customer accounts | 312 726 604 | 173 863 338 | 88 124 626 | 7 153 196 | 581 867 764 |
| Term borrowings from the Parent Bank | - | 64 573 475 | 2 209 563 | - | 66 783 038 |
| Term borrowings from other financial institutions | - | - | - | - | - |
| Debt securities in issue | 22 522 025 | 307 442 | 418 606 | - | 23 248 073 |
| Derivatives and other financial liabilities | 18 903 858 | 42 896 368 | 422 111 | 15 473 | 62 237 810 |
| Total monetary financial liabilities | 362 162 705 | 285 619 376 | 92 558 136 | 7 182 098 | 747 522 315 |
| Less fair value of currency derivatives | 36 607 075 | (34 767 349) | (109 584) | 16 898 | 1 747 040 |
| Currency derivatives | 72 467 968 | (103 110 094) | 25 352 632 | 7 036 534 | 1 747 040 |
| Net position including currency derivatives | 92 852 359 | (3 356 942) | 1 106 890 | 1 720 113 | 92 322 420 |

26 Financial Risk Management (Continued)

The Group's exposure to foreign currency exchange rate risk at 31 December 2014 is presented below:

| <i>In thousands of Russian Roubles</i> | RR | USD | EUR | Other | Total |
|---|--------------------|---------------------|--------------------|------------------|--------------------|
| Cash and cash equivalents | 64 673 312 | 59 079 720 | 60 331 955 | 1 291 935 | 185 376 922 |
| Mandatory cash balances with the Central bank of the Russian Federation | 5 898 114 | - | - | - | 5 898 114 |
| Trading securities and repurchase receivables related to trading securities | 8 328 550 | 1 311 009 | - | - | 9 639 559 |
| Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss | 15 888 566 | 2 958 235 | - | - | 18 846 801 |
| Due from other banks | 9 401 135 | 5 991 838 | - | 1 738 | 15 394 711 |
| Loans and advances to customers | 301 034 122 | 246 032 648 | 25 558 997 | 1 463 675 | 574 089 442 |
| Investment securities available for sale | 1 517 323 | - | - | - | 1 517 323 |
| Investment securities held-to-maturity | 509 782 | - | - | - | 509 782 |
| Derivatives and other financial assets | 37 926 305 | 18 518 793 | 326 515 | 5 079 | 56 776 692 |
| Total monetary financial assets | 445 177 209 | 333 892 243 | 86 217 467 | 2 762 427 | 868 049 346 |
| Due to other banks | 67 458 447 | 6 045 849 | 3 928 695 | 88 596 | 77 521 587 |
| Customer accounts | 271 656 150 | 161 931 264 | 94 071 600 | 4 241 486 | 531 900 500 |
| Term borrowings from the Parent Bank | - | 57 881 851 | 4 111 299 | - | 61 993 150 |
| Term borrowings from other financial institutions | - | 9 821 410 | - | - | 9 821 410 |
| Debt securities in issue | 19 985 021 | 1 022 849 | 1 220 472 | - | 22 228 342 |
| Insurance contracts | 14 635 855 | - | - | - | 14 635 855 |
| Derivatives and other financial liabilities | 10 161 437 | 55 332 810 | 1 341 098 | 50 089 | 66 885 434 |
| Total monetary financial liabilities | 383 896 910 | 292 036 033 | 104 673 164 | 4 380 171 | 784 986 278 |
| Less fair value of currency derivatives | 27 722 240 | (35 652 725) | (1 136 906) | (40 614) | (9 108 005) |
| Currency derivatives | 49 567 089 | (79 587 024) | 17 998 734 | 2 913 196 | (9 108 005) |
| Net position including currency derivatives | 83 125 148 | (2 078 089) | 679 943 | 1 336 066 | 83 063 068 |

The above analysis includes only monetary financial assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

26 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 30 September 2015 is set out below:

| <i>In thousands of Russian Roubles</i> | Russia | Austria | Other European Union | Other countries | Total |
|---|--------------------|---------------------|-------------------------------------|----------------------------|--------------------|
| Assets | | | | | |
| Cash and cash equivalents | 100 829 951 | 36 825 560 | 25 721 449 | 27 550 951 | 190 927 911 |
| Mandatory cash balances with the Central bank of the Russian Federation | 6 356 547 | - | - | - | 6 356 547 |
| Trading securities and repurchase receivables related to trading securities | 11 729 941 | - | 749 807 | - | 12 479 748 |
| Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss | 2 725 275 | - | 863 634 | - | 3 588 909 |
| Due from other banks | 3 884 672 | 13 264 814 | 12 918 989 | - | 30 068 475 |
| Loans and advances to customers | 491 535 938 | 15 783 | 30 906 660 | 10 455 838 | 532 914 219 |
| Investment securities available for sale | - | - | 1 477 270 | - | 1 477 270 |
| Investment securities held-to- maturity | 523 885 | 3 000 160 | 5 687 937 | - | 9 211 982 |
| Derivatives and other financial assets | 22 979 442 | 24 303 406 | 1 592 612 | 3 944 214 | 52 819 674 |
| Total financial assets | 640 565 651 | 77 409 723 | 79 918 358 | 41 951 003 | 839 844 735 |
| Liabilities | | | | | |
| Due to other banks | 4 648 698 | 4 282 781 | 3 670 134 | 784 017 | 13 385 630 |
| Customer accounts | 563 690 003 | 2 014 034 | 13 375 791 | 2 787 936 | 581 867 764 |
| Term borrowings from the Parent Bank | - | 66 783 038 | - | - | 66 783 038 |
| Term borrowings from other financial institutions | - | - | - | - | - |
| Debt securities in issue | 22 966 088 | - | 281 985 | - | 23 248 073 |
| Derivatives and other financial liabilities | 14 325 887 | 44 509 928 | 3 354 590 | 47 405 | 62 237 810 |
| Total financial liabilities | 605 630 676 | 117 589 781 | 20 682 500 | 3 619 358 | 747 522 315 |
| Net balance sheet position | 34 934 975 | (40 180 058) | 59 235 858 | 38 331 645 | 92 322 420 |
| Credit related commitments (Note 28) | 206 164 769 | 614 943 | 14 079 975 | 2 110 627 | 222 970 314 |

Assets liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand have been allocated based on the country in which they are physically held.

26 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2014 is set out below:

| | Russia | Austria | Other European Union | Other countries | Total |
|---|--------------------|---------------------|----------------------------|--------------------|--------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | 126 636 239 | 50 321 527 | 4 511 521 | 3 907 635 | 185 376 922 |
| Mandatory cash balances with the Central bank of the Russian Federation | 5 898 114 | - | - | - | 5 898 114 |
| Trading securities and repurchase receivables related to trading securities | 8 290 791 | - | 1 348 768 | - | 9 639 559 |
| Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss | 15 367 359 | - | 3 489 022 | - | 18 856 381 |
| Due from other banks | 9 431 004 | 5 646 987 | - | 316 720 | 15 394 711 |
| Loans and advances to customers | 528 880 889 | 515 | 41 742 333 | 3 465 705 | 574 089 442 |
| Investment securities available for sale | - | - | 1 517 323 | - | 1 517 323 |
| Investment securities held-to-maturity | 509 782 | - | - | - | 509 782 |
| Derivatives and other financial assets | 34 464 773 | 18 978 278 | 3 196 235 | 137 406 | 56 776 692 |
| Total financial assets | 729 478 951 | 74 947 307 | 55 805 202 | 7 827 466 | 868 058 926 |
| Liabilities | | | | | |
| Due to other banks | 67 156 943 | 4 107 410 | 5 519 854 | 737 380 | 77 521 587 |
| Customer accounts | 517 289 651 | 978 230 | 10 434 348 | 3 198 271 | 531 900 500 |
| Term borrowings from the Parent Bank | - | 61 993 150 | - | - | 61 993 150 |
| Term borrowings from other financial institutions | - | - | 9 355 939 | 465 471 | 9 821 410 |
| Debt securities in issue | 21 205 493 | - | 1 022 849 | - | 22 228 342 |
| Insurance contracts | 14 635 855 | - | - | - | 14 635 855 |
| Derivatives and other financial liabilities | 9 335 272 | 53 459 467 | 4 044 748 | 45 947 | 66 885 434 |
| Total financial liabilities | 629 623 214 | 120 538 257 | 30 377 738 | 4 447 069 | 784 986 278 |
| Net balance sheet position | 99 855 737 | (45 590 950) | 25 427 464 | 3 380 397 | 83 072 648 |
| Credit related commitments (Note 28) | 296 469 507 | 1 218 832 | 15 948 287 | 4 171 580 | 317 808 206 |

Credit risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group had 2 borrowers with significant risk concentration at 30 September 2015 (31 December 2014: 1 borrower).

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset and Liability Committee of the Group.

26 Financial Risk Management (Continued)

The Group seeks to maintain a stable funding base comprising primarily amounts due to other banks corporate and retail customer deposits and invest the funds in diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Group calculates liquidity ratios on a daily basis in accordance with the requirement of the CB RF.

The Bank monitors expected maturities which may be summarised as follows at 30 September 2015 and 31 December 2014:

| <i>In thousands of Russian Roubles, 30 September 2015</i> | Demand and less than 3 months | From 3 to 12 months | From 1 to 5 years | Over 5 years | Total |
|--|--|--------------------------------|------------------------------|-------------------------|--------------------|
| Cash and cash equivalents | 190 927 911 | - | - | - | 190 927 911 |
| Mandatory cash balances with the Central bank of the Russian Federation | 6 356 547 | - | - | - | 6 356 547 |
| Trading securities and repurchase receivables related to trading securities | 12 479 748 | - | - | - | 12 479 748 |
| Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss | 3 588 909 | - | - | - | 3 588 909 |
| Due from other banks | 22 435 946 | 2 121 761 | 5 510 768 | - | 30 068 475 |
| Loans and advances to customers | 103 833 156 | 114 608 472 | 241 772 873 | 72 699 718 | 532 914 219 |
| Investment securities available for sale | 1 477 270 | - | - | - | 1 477 270 |
| Investment securities held-to- maturity | - | 5 928 403 | 3 283 579 | - | 9 211 982 |
| Derivatives and other financial assets | 4 208 302 | 12 272 522 | 35 809 620 | 529 230 | 52 819 674 |
| Total financial assets | 345 307 789 | 134 931 158 | 286 376 840 | 73 228 948 | 839 844 735 |
| Due to other banks | 9 603 974 | 3 315 795 | 465 861 | - | 13 385 630 |
| Customer accounts | 397 865 836 | 139 663 744 | 41 690 568 | 2 647 616 | 581 867 764 |
| Term borrowings from the Parent bank | 2 642 844 | 12 655 707 | 40 516 814 | 10 967 673 | 66 783 038 |
| Term borrowings from other financial institutions | - | - | - | - | - |
| Debt securities in issue | 120 828 | 296 955 | 22 830 290 | - | 23 248 073 |
| Derivatives and other financial liabilities | 21 962 456 | 11 321 076 | 28 532 266 | 422 012 | 62 237 810 |
| Total financial liabilities | 432 195 938 | 167 253 277 | 134 035 799 | 14 037 301 | 747 522 315 |
| Net liquidity gap at 30 September 2015 | (86 888 149) | (32 322 119) | 152 341 041 | 59 191 647 | 92 322 420 |
| Cumulative gap at 30 September 2015 | (86 888 149) | (119 210 268) | 33 130 773 | 92 322 420 | - |

26 Financial Risk Management (Continued)

| <i>In thousands of Russian Roubles, 31 December 2014</i> | Demand and less than 3 months | From 3 to 12 months | From 1 to 5 years | Over 5 years | Total |
|--|--|--------------------------------|------------------------------|-------------------------|--------------------|
| Cash and cash equivalents | 185 376 922 | - | - | - | 185 376 922 |
| Mandatory cash balances with the Central bank of the Russian Federation | 5 898 114 | - | - | - | 5 898 114 |
| Trading securities and repurchase receivables related to trading securities | 9 639 559 | - | - | - | 9 639 559 |
| Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss | 18 856 381 | - | - | - | 18 856 381 |
| Investment securities available for sale | 1 517 323 | - | - | - | 1 517 323 |
| Due from other banks | 2 267 616 | 9 513 932 | 3 613 163 | - | 15 394 711 |
| Loans and advances to customers | 86 469 080 | 113 483 709 | 293 498 583 | 80 638 070 | 574 089 442 |
| Investment securities held- to-maturity portfolio | - | - | 509 782 | - | 509 782 |
| Derivatives and other financial assets | 11 397 416 | 7 003 454 | 37 673 316 | 702 506 | 56 776 692 |
| Total financial assets | 321 422 411 | 130 001 095 | 335 294 844 | 81 340 576 | 868 058 926 |
| Due to other banks | 30 591 390 | 34 395 692 | 12 534 505 | - | 77 521 587 |
| Customer accounts | 381 178 436 | 104 529 597 | 40 219 507 | 5 972 960 | 531 900 500 |
| Term borrowings from the Parent bank | 1 002 360 | 23 348 094 | 28 333 523 | 9 309 173 | 61 993 150 |
| Term borrowings from other financial institutions | 270 042 | 2 035 780 | 7 515 588 | - | 9 821 410 |
| Debt securities in issue | 98 435 | 1 027 465 | 21 102 442 | - | 22 228 342 |
| Insurance contracts | 14 435 | 955 819 | 55 313 | 13 610 288 | 14 635 855 |
| Derivatives and other financial liabilities | 30 425 014 | 16 250 574 | 19 723 578 | 486 268 | 66 885 434 |
| Total financial liabilities | 443 580 112 | 182 543 021 | 129 484 456 | 29 378 689 | 784 986 278 |
| Net liquidity gap at 31 December 2014 | (122 157 701) | (52 541 926) | 205 810 388 | 51 961 887 | 83 072 648 |
| Cumulative gap at 31 December 2014 | (122 157 701) | (174 699 627) | 31 110 761 | 83 072 648 | - |

The above given analyses are based on expected maturities except for the entire portfolio of trading securities is classified within demand and less than one month based on Management's assessment of the portfolio's realisability.

27 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the CBRF (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on principles of the Basel Accord.

Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. According to requirements set by the CBRF statutory capital ratio has to be maintained above minimum level of 10%. Compliance with capital adequacy ratios set by the CBRF is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Management believes the Bank meets all the requirements in relation to the minimum amount of regulatory capital set by the CBRF.

Regulatory capital is based on the Bank's reports prepared under Russian accounting standards and comprises:

| <i>In thousands of Russian Roubles</i> | 30 September 2015 | 31 December 2014 |
|--|------------------------------|-----------------------------|
| Tier 1 capital | | |
| Net assets under Russian GAAP | 85 331 481 | 84 006 264 |
| Less: intangible assets, The negative value of the additional capital and shares of subsidiaries | (1 032 965) | (1 267 041) |
| Subordinated debt | 8 623 581 | 7 324 472 |
| Total Tier 1 Capital | 92 922 097 | 90 063 695 |
| Tier 2 capital | | |
| Subordinated debt | 25 291 994 | 9 287 733 |
| Current year profit and Increase in the value of the property of a credit institution due to revaluation | 9 453 130 | 13 965 672 |
| Total Tier 2 capital | 34 745 124 | 23 253 405 |
| Total regulatory capital | 127 667 221 | 113 317 100 |

The Group is also subject to minimum capital requirements established by covenants stated in loan agreements including capital adequacy levels calculated in accordance with the requirements of the Basel Accord as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998), Amendment to the Capital Accord to incorporate market risks (updated November 2005) and Group of Governors and Heads of Supervision higher global minimum capital standards (updated September 2010) commonly known as Basel III.

27 Management of Capital (Continued)

The composition of the Group's capital calculated in accordance with the Austrian Banking Act which assumes major principles and requirements of Basel Accord is as follows:

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | |
| <i>Tier 1 capital</i> | | |
| Share capital | 43 268 888 | 43 268 888 |
| Share premium | 591 083 | 591 083 |
| Additional paid-in capital | 1 520 016 | 1 520 016 |
| Retained earnings and other reserves | 57 695 415 | 55 278 404 |
| Less: deferred income tax asset | (664 798) | (3 554 805) |
| Total tier 1 capital before deductions | 102 410 604 | 97 103 586 |
| Less: intangible assets | (4 222 599) | (3 060 151) |
| Total tier 1 capital | 98 188 005 | 94 043 435 |
| <i>Tier 2 capital</i> | | |
| Revaluation reserve for equity instruments | (20 250) | (1 688) |
| Subordinated debt | 31 648 690 | 16 612 205 |
| Less: insurance holding companies | (173 709) | (173 709) |
| Items from additional own funds plus LLP surplus | (259 075) | 300 840 |
| Total tier 2 capital | 31 195 656 | 16 737 648 |
| Total capital | 129 383 661 | 110 781 083 |

27 Management of Capital (Continued)

The composition of the Group's capital calculated in accordance with Basel Accord is as follows:

| <i>In thousands of Russian Roubles</i> | 30 September 2015 | 31 December 2014 |
|---|------------------------------|-----------------------------|
| Common Equity Tier 1 capital | | |
| Share capital | 43 268 888 | 43 268 888 |
| Share premium | 591 083 | 591 083 |
| Additional paid-in capital | 1 520 016 | 1 520 016 |
| Retained earnings | 57 489 219 | 55 039 208 |
| Other reserves | 206 196 | 239 196 |
| Total Common Equity Tier 1 capital before deductions | 103 075 402 | 100 658 391 |
| Less: DTA | (664 798) | (3 554 805) |
| Total Common Equity Tier 1 capital | 102 410 604 | 97 103 586 |
| Tier 2 capital | | |
| Subordinated debt | 31 648 690 | 16 612 205 |
| Items from additional own funds plus LLP surplus | (259 075) | 300 840 |
| Total tier 2 capital | 31 389 615 | 16 913 045 |
| Total capital | 133 800 219 | 114 016 631 |

The Group and the Bank have complied with all externally imposed capital requirements throughout 2015 and 2014.

Risk weighted assets

| <i>In thousands of Russian Roubles</i> | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| Total Risk weighted assets | 636 736 107 | 622 449 708 |
| Capital Adequacy Ratio by Austrian Banking Act | 20,32% | 17,80% |
| Capital Adequacy Ratio by Basel III | 21,01% | 18,32% |

The Bank manages capital ratios using different capital amounts calculated in accordance with the above mentioned Capital Adequacy regulations.

28 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business claims against the Group may be received. On the basis of its own estimates and internal professional advice Management is of the opinion that certain losses could be incurred in respect of claims and accordingly has made provisions for the legal cases in this consolidated condensed interim financial information.

28 Contingencies and Commitments (Continued)

Tax legislation. Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation enacted during the current period is effective prospectively to new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2012 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties as determined under the Russian Tax Code all cross-border transactions (irrespective of whether performed between related or unrelated parties) transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time and barter transactions. Significant difficulties exist in interpreting and applying the transfer pricing legislation in practice. Any prior existing court decisions may provide guidance but are not legally binding for decisions by other or higher level courts in the future.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however it may be significant to the financial position and/or the overall operations of the entity.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. In 2014, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income will be subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised deferred taxes for temporary differences that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation will apply to.

As Russian tax legislation does not provide definitive guidance in certain areas the Group adopts from time to time interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however it may be significant to the financial position and/or the overall operations of the Group.

28 Contingencies and Commitments (Continued)

Operating lease commitments. Where the Group is the lessee the future minimum lease payments under non-cancellable operating leases are as follows:

| <i>In thousands of Russian Roubles</i> | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|--|-----------------------------|
| Not later than 1 year | 688 112 | 766 184 |
| Later than 1 year and not later than 5 years | 2 907 | 3 322 |
| Total operating lease commitments | 691 019 | 769 506 |

Compliance with covenants. The Group is subject to certain covenants related primarily to its other borrowed funds. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group's Management believes that the Group is in compliance with covenants as at 30 September 2015.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans guarantees or letters of credit. With respect to credit risk on commitments to extend credit the Group is potentially exposed to loss in an amount equal to the total unused commitments. However the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Outstanding credit related commitments by products are as follows:

| <i>In thousands of Russian Roubles</i> | 30 September 2015 (Unaudited) | 31 December 2014 |
|---|--|-----------------------------|
| Undrawn credit lines and Overdraft facilities (revocable) | 83 942 111 | 111 245 331 |
| Guarantees issued (irrevocable) | 854 507 | 1 818 670 |
| Undrawn commitments to issue documentary instruments (revocable) | 31 795 678 | 61 097 071 |
| Undrawn commitments to issue documentary instruments (irrevocable) | 29 197 586 | 36 630 715 |
| Undrawn credit lines and Overdraft facilities (irrevocable) | 2 068 490 | 15 218 959 |
| Import letters of credit (irrevocable) | 13 362 924 | 20 726 893 |
| Export letters of credit (irrevocable) | 1 519 429 | 1 607 102 |
| Credit related commitments before provision | 162 740 725 | 248 344 741 |
| Performance guarantees issued (irrevocable) | 60 229 589 | 69 463 465 |
| Credit related commitments and performance guarantees before provision | 222 970 314 | 317 808 206 |
| Less: Provision for credit related commitments and performance guarantees | (108 704) | (130 156) |
| Total credit related commitments and performance guarantees | 222 861 610 | 317 678 050 |

28 Contingencies and Commitments (Continued)

In addition to credit related commitments the Group issues performance guarantees. Performance guarantees are guarantees that provide compensation if another party fails to perform a contractual obligation. Such guarantees do not transfer credit risk. The risk under performance guarantee is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such guarantees relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the guarantee matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests.

The total outstanding contractual amount of undrawn credit lines letters of credit and guarantees does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded. Fair value of guarantee contracts was RR 84 009 thousand at 30 September 2015 (31 December 2014: RR 70 776 thousand).

Outstanding credit related commitments by segments as of 30 September 2015 are as follows:

| | Credit lines, Overdraft facilities and Commitments to issue documentary instruments | Financial guarantees and Letters of credit | Performance guarantees | Total contingencies and commitments |
|---|--|---|-----------------------------------|--|
| <i>In thousands of Russian Roubles</i> | | | | |
| Credit related commitments to corporate customers (Corporate business) | 104 059 532 | 14 724 845 | 54 031 720 | 172 816 097 |
| Credit related commitments to individuals (Retail business) | 28 979 708 | 165 713 | - | 29 145 421 |
| Credit related commitments to medium entities (Middle business) | 11 462 419 | 839 831 | 5 821 295 | 18 123 545 |
| Credit related commitments to small and micro entities (SME business) | 2 501 684 | 6 471 | 376 574 | 2 884 729 |
| Credit related commitments to state and municipal organisations (Public sector) | 522 | - | - | 522 |
| Credit related commitments and performance guarantees before provision | 147 003 865 | 15 736 860 | 60 229 589 | 222 970 314 |
| Less: Provision for credit related commitments and performance guarantees | (6 627) | (40 397) | (61 680) | (108 704) |
| Total contingencies and commitments | 146 997 238 | 15 696 463 | 60 167 909 | 222 861 610 |

28 Contingencies and Commitments (Continued)

Outstanding credit related commitments by segments as of 31 December 2014 are as follows:

| | Credit lines, Overdraft facilities and Commitments to issue documentary instruments | Financial guarantees and Letters of credit | Performance guarantees | Total contingencies and commitments |
|---|---|---|---------------------------|--|
| <i>In thousands of Russian Roubles</i> | | | | |
| Credit related commitments to corporate customers (Corporate business) | 173 661 796 | 22 042 374 | 63 171 253 | 258 875 423 |
| Credit related commitments to individuals (Retail business) | 32 353 734 | 89 699 | - | 32 443 433 |
| Credit related commitments to medium entities (Middle business) | 14 298 434 | 1 997 015 | 5 838 813 | 22 134 262 |
| Credit related commitments to small and micro entities (SME business) | 3 877 417 | 23 577 | 453 399 | 4 354 393 |
| Credit related commitments to state and municipal organisations (Public sector) | 695 | - | - | 695 |
| Credit related commitments and performance guarantees before provision | 224 192 076 | 24 152 665 | 69 463 465 | 317 808 206 |
| Less: Provision for credit related commitments and performance guarantees | (14 187) | (39 899) | (76 070) | (130 156) |
| Total contingencies and commitments | 224 177 889 | 24 112 766 | 69 387 395 | 317 678 050 |

Outstanding credit related commitments by currency are as follows:

| | 30 September 2015 (Unaudited) | 31 December 2014 |
|--|-------------------------------------|---------------------|
| <i>In thousands of Russian Roubles</i> | | |
| Russian Roubles | 162 582 670 | 218 901 979 |
| US Dollars | 42 251 080 | 64 982 391 |
| Euro | 17 738 371 | 32 796 649 |
| Other | 398 193 | 1 127 187 |
| Total credit related commitments before provision | 222 970 314 | 317 808 206 |

Assets pledged and restricted. The Group had assets pledged as collateral with the following carrying value:

| | Note | 30 September 2015 (Unaudited) | | 31 December 2014 | |
|---|-------|----------------------------------|----------------------|------------------|----------------------|
| | | Asset pledged | Related liability | Asset pledged | Related liability |
| <i>In thousands of Russian Roubles</i> | | | | | |
| Repurchase Receivables related to other securities at Fair Value Through Profit or Loss | 8, 15 | 288 713 | 265 379 | 2 279 673 | 1 983 277 |
| Total | | 288 713 | 265 379 | 2 279 673 | 1 983 277 |

28 Contingencies and Commitments (Continued)

As at 30 September 2015 the estimated fair value of securities purchased under reverse sale and repurchase agreements (Note 6) which the Group has the right to sell or repledge in the absence of default of the counterparty was RR 28 209 650 thousand (31 December 2014: RR 2 393 172 thousand). As at 30 September 2015 the fair value of such securities repledged under direct sale and repurchase agreements with other banks amounted to RR 738 347 thousand (31 December 2014: RR nil thousand). Refer to Note 15.

Mandatory cash balances with the Bank of Russia in the amount of RR 6 356 547 thousand (31 December 2014: RR 5 898 114 thousand) represent mandatory reserve deposits which are not available to finance the Group's day-to-day operations.

As at 30 September 2015 restricted cash represents monetary funds in the amount of RR 96 298 thousand which collateralise settlements on irrevocable letters of credit (31 December 2014: RR 36 196 thousand).

As at 30 September 2015 restricted cash represents monetary funds in the amount of RR 1 617 694 thousand which collateralise settlements on irrevocable commitments under guarantees (31 December 2014: RR 4 446 495 thousand).

29 Fair Value of Financial Instruments

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

29 Fair Value of Financial Instruments (Continued)

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated condensed interim statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorized are as follows:

| | 30 September 2015 | | | 31 December 2014 | | |
|---|--|---|-------------------|--|---|-------------------|
| | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) | Total | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) | Total |
| <i>In thousands of Russian Roubles</i> | | | | | | |
| Assets at fair value | | | | | | |
| Financial assets | | | | | | |
| Trading securities | | | | | | |
| - Corporate bonds | 6 488 677 | 288 671 | 6 777 348 | 3 542 894 | 14 276 | 3 557 170 |
| - Federal loan bonds (OFZ) | 4 764 905 | - | 4 764 905 | 1 817 714 | - | 1 817 714 |
| - Corporate eurobonds | 749 807 | - | 749 807 | 1 348 768 | - | 1 348 768 |
| - Russian Federation Eurobonds | - | - | - | 2 665 998 | - | 2 665 998 |
| - Municipal bonds | 187 688 | - | 187 688 | 249 909 | - | 249 909 |
| Other securities at fair value through profit and loss | | | | | | |
| - Corporate bonds | 956 752 | 40 381 | 997 133 | 10 013 739 | 7 233 | 10 020 972 |
| - Federal loan bonds (OFZ) | 1 362 112 | - | 1 362 112 | 4 094 602 | - | 4 094 602 |
| - Corporate Eurobonds | 863 634 | - | 863 634 | 702 755 | - | 702 755 |
| - Eurobonds of EBRD | - | - | - | - | 2 786 267 | 2 786 267 |
| - Municipal bonds | 366 030 | - | 366 030 | 1 242 205 | - | 1 242 205 |
| - Corporate shares | - | - | - | 9 580 | - | 9 580 |
| Investment securities available for sale | 1 477 270 | - | 1 477 270 | 1 517 323 | - | 1 517 323 |
| Derivatives and other financial assets carried at fair value | | | | | | |
| - Fair value of currency rate based financial derivatives | - | 46 768 525 | 46 768 525 | - | 48 554 933 | 48 554 933 |
| - Fair value of interest rate based financial derivatives | - | 4 517 234 | 4 517 234 | - | 6 142 184 | 6 142 184 |
| Assets of a disposal Group | 8 488 459 | - | 8 488 459 | - | - | - |
| Total assets recurring fair value measurements | 25 705 334 | 51 614 811 | 77 320 145 | 27 205 487 | 57 504 893 | 84 710 380 |

29 Fair Value of Financial Instruments (Continued)

| | 30 September 2015 | | | 31 December 2014 | | |
|--|--|--|-------------------|--|--|-------------------|
| | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) | Total | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) | Total |
| <i>In thousands of Russian Roubles</i> | | | | | | |
| Liabilities carried at fair value | | | | | | |
| Financial liabilities | | | | | | |
| Derivatives and other financial liabilities | | | | | | |
| - Fair value of currency rate based financial derivatives | - | 45 021 486 | 45 021 486 | - | 57 662 938 | 57 662 938 |
| - Fair value of interest rate based financial derivatives | - | 5 443 772 | 5 443 772 | - | 3 260 581 | 3 260 581 |
| - Shortselling of trading assets | 3 144 378 | - | 3 144 378 | 2 764 825 | - | 2 764 825 |
| Total liabilities recurring fair value measurements | 3 144 378 | 50 465 258 | 53 609 636 | 2 764 825 | 60 923 519 | 63 688 344 |

The valuation technique based on discounted cash flows is used in the fair value measurement for level 2 measurements at 30 September 2015. The following main inputs are relevant:

- **Spot and Forward currency exchange rates.** Cash Rate, Interest Rate Futures quotes and IRS quotes are used for foreign currencies, implied RUB rates are derived from foreign exchange forward contracts.
- **Cross currency interest rate swaps (CCIRS) curves.** CCIRS are used for discounting and projection of cash flows and are derived from Cash Rate quotes, Futures quotes and Interest Rate Swap quotes available from Chicago Merchandile (for futures) and contributors which quote these instruments on Over the counter market.
- **Adjustment for credit risk.** The Bank has the Credit Value Adjustment (also known as Credit Risk Adjustment or Default Risk Adjustment) which reflects the probability of default of the counterparty and Debit Value Adjustment which reflects the possibility of our default. Credit Value Adjustment (CVA) is an adjustment to the price of derivatives reflecting expected losses arising from the possible default of the counterparty both by counterparty and by instrument.

CVA is calculated with a Monte-Carlo methodology simulating both expected exposure coming from derivative positions with counterparty (estimated with Group market risk calculation approach) and the default event coming from counterparty Default Probability and Recovery Rate. CVA itself is calculated for each counterparty by calculating Bank's expected losses on the event of having positive derivative position revaluation with defaulted counterparty adjusted by the recovery rate. The adjustment is calculated based on observable market inputs.
- **Shortselling of trading assets** are selling deals of bond securities that the Group has obtained as collaterals in reverse repo agreements or currently doesn't keep in its own securities' portfolio.

The fair value of shares is determined by multiplying the number of shares by the market price as the share of the shareholding is immaterial.

29 Fair Value of Financial Instruments (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

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

| | 30 September 2015 | | | | 31 December 2014 | | | |
|---|--|--|---|--------------------|--|--|---|--------------------|
| | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) | Valuation technique not based on observable market data technique (Level 3) | Carrying value | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) | Valuation technique not based on observable market data technique (Level 3) | Carrying value |
| In thousands of Russian Roubles | | | | | | | | |
| FINANCIAL ASSETS CARRIED AT AMORTIZED COST | | | | | | | | |
| <i>Due from other banks</i> | | | | | | | | |
| - Short-term placements with other banks with original maturities of more than three months | - | 22 935 768 | - | 22 935 768 | - | 3 149 101 | - | 3 149 101 |
| - Long-term placements with other banks with original maturities of more than one year | - | 7 132 707 | - | 7 132 707 | - | 12 245 610 | - | 12 245 610 |
| <i>Loans and advances to customers</i> | | | | | | | | |
| - Corporate loans | - | - | 325 715 063 | 326 029 184 | - | - | 329 767 022 | 335 429 588 |
| - Retail loans | - | - | 157 952 008 | 174 195 761 | - | - | 188 241 477 | 198 869 589 |
| - Small and micro entities loans | - | - | 12 877 342 | 13 559 268 | - | - | 17 451 014 | 19 913 713 |
| - Loans to middle business | - | - | 19 070 561 | 19 128 215 | - | - | 18 871 352 | 19 872 290 |
| - Public sector loans | - | - | 1 791 | 1 791 | - | - | 3 966 | 4 262 |
| <i>Investment securities held to maturity</i> | | | | | | | | |
| - Corporate bonds | 517 516 | - | - | 523 885 | 500 942 | - | - | 509 782 |
| - Eurobonds of EBRD | - | 5 634 106 | - | 5 687 937 | - | - | - | - |
| - Corporate eurobonds | - | 2 976 237 | - | 3 000 160 | - | - | - | - |
| <i>Assets of Disposal group</i> | - | 21 630 223 | 26 088 | 21 723 189 | - | - | - | - |
| Total | 517 516 | 60 309 041 | 515 642 853 | 593 917 865 | 500 942 | 15 394 711 | 554 334 831 | 589 993 935 |

AO Raiffeisenbank
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29 Fair Value of Financial Instruments (Continued)

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

| | 30 September 2015 | | | | 31 December 2014 | | | |
|--|---|--|---|--------------------|---|--|---|--------------------|
| | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) | Valuation technique not based on observable market data technique (Level 3) | Carrying value | Quoted price in an active market (Level 1) | Valuation technique with inputs observable in markets (Level 2) | Valuation technique not based on observable market data technique (Level 3) | Carrying value |
| <i>In thousands of Russian Roubles</i> | | | | | | | | |
| FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST | | | | | | | | |
| Due to other banks | | | | | | | | |
| - Correspondent accounts and overnight placements of other banks | - | 4 246 200 | - | 4 246 200 | - | 20 670 570 | - | 20 670 570 |
| - Short-term placements of other banks | - | 4 427 818 | - | 4 427 818 | - | 7 967 318 | - | 7 967 318 |
| - Long-term placements of other banks | - | 3 865 152 | - | 3 783 829 | - | 6 238 955 | - | 5 943 601 |
| - Sale and repurchase agreements with securities with CBRF | - | 927 783 | - | 927 783 | - | 1 983 277 | - | 1 983 277 |
| - Placements of Central Bank | - | - | - | - | - | 40 956 821 | - | 40 956 821 |
| Customer accounts | | | | | | | | |
| - Current/settlement accounts of legal entities | - | 151 619 332 | - | 151 619 332 | - | 132 306 314 | - | 132 306 314 |
| - Term deposits of legal entities | - | 57 313 707 | - | 56 106 010 | - | 87 898 649 | - | 87 039 761 |
| - Current/demand accounts of individuals | - | 136 022 321 | - | 136 022 321 | - | 137 328 703 | - | 137 328 703 |
| - Term deposits of individuals | - | 199 716 627 | - | 197 888 623 | - | 174 910 032 | - | 173 657 059 |
| - Current/settlement accounts of state and public organisations | - | 1 201 784 | - | 1 201 784 | - | 1 555 536 | - | 1 555 536 |
| - Term deposits of state and public organisations | - | 39 029 694 | - | 39 029 694 | - | 13 127 | - | 13 127 |
| Insurance contracts | - | - | - | - | - | 14 635 855 | - | 14 635 855 |
| Debt securities in issue | | | | | | | | |
| - Bonds issued on domestic market | 20 026 756 | - | - | 22 516 585 | 18 735 862 | - | - | 19 790 404 |
| - Promissory notes | - | 449 503 | - | 449 503 | - | 1 415 089 | - | 1 415 089 |
| - Bonds issued on external market | - | 254 081 | - | 281 985 | - | 1 022 849 | - | 1 022 849 |
| Term borrowings from the Parent Bank | - | 66 783 038 | - | 66 783 038 | - | 61 993 150 | - | 61 993 150 |
| Term borrowings from other financial institutions | | | | | | | | |
| - Term borrowings from other financial institutions | - | - | - | - | - | 465 471 | - | 465 471 |
| - Loans secured by diversified payment rights | - | - | - | - | - | 9 355 939 | - | 9 355 939 |
| Other financial liabilities | | | | | | | | |
| - Provision for other credit related commitments | - | - | 108 704 | 108 704 | - | - | 130 156 | 130 156 |
| - Shareholders dividends | - | 6 947 638 | - | 6 947 638 | - | - | - | - |
| Liabilities of Disposal group | - | 34 079 257 | - | 33 949 966 | - | - | - | - |
| Total | 20 026 756 | 706 883 935 | 108 704 | 726 290 813 | 18 735 862 | 700 717 655 | 130 156 | 718 231 000 |

29 Fair Value of Financial Instruments (Continued)

The fair values in level 2 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assessment of fair value of loans and advances to customer categorized at Level 3, the Bank uses Discounted cash flows model.

The Bank calculates FV for loans with fixed interest rate with remaining maturity of more than one year. The Bank uses the following assumptions:

- the fair values of loans with floating rate are considered to be equal to the carrying value because the interest payments are based on LIBOR or MIBOR depending on the terms of agreement;
- the fair value of loans with remaining maturity less than one year are considered to be equal to the carrying value due to the fact that effect of fair value recalculation based on current market rates is not material.

For corporate loans with maturity more than one year the Bank discounts monthly payments at weighted average rate by product type and currency type calculated based on contractual rates for loans issued by the Bank during the last quarter before the reporting date.

For loans to private individuals with maturity more than one year the Bank discounts monthly payments at weighted average rate by product type and currency type calculated based on the loans issued at the end of the last quarter before the reporting date.

30 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship attention is directed to the substance of the relationship not merely the legal form.

30 Related Party Transactions (Continued)

At 30 September 2015 the outstanding balances with related parties were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associates | Members of the Managing Board | Other related parties |
|--|----------------|---------------------------------------|------------|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Corresponding accounts and overnight placements with other banks (contractual interest rate: 0.00% p.a.) | 20 257 975 | 86 142 | - | - | - |
| Placements with other banks with original maturities of less than three months (contractual interest rate: 0.10% – 0.33% p.a.) | 16 567 585 | 20 533 379 | - | - | - |
| Due from other banks (contractual interest rate: 0.50% – 1.78% p.a.) | 9 948 017 | 12 865 670 | - | - | - |
| Gross amount of loans and advances to customers (contractual interest rate: 1.40% – 16.69% p.a.) | - | 3 730 740 | 2 894 077 | 187 389 | - |
| Purchased intangible assets less accumulated depreciation | 326 406 | - | - | - | - |
| Derivatives and other financial assets | 24 516 050 | 8 774 | 184 | - | - |
| Investments in associate | - | - | 2 327 153 | - | - |
| Due to other banks (contractual interest rate: 1.65% – 11.00% p.a.) | 3 972 019 | 443 576 | - | - | 7 788 |
| Customer accounts (contractual interest rate: 0.66% – 14.65% p.a.) | - | - | 2 378 184 | - | - |
| Term borrowings from the Parent Bank (contractual interest rate: 1.39% – 3.23% p.a.) | 66 783 038 | - | - | - | - |
| Debt securities in issue (contractual interest rate: 5.46% p.a.) | - | 329 048 | - | - | - |
| Derivatives and other financial liabilities | 43 919 839 | 8 687 | - | - | - |
| Other liabilities | - | - | - | 351 153 | 65 959 |

The income and expense items with related parties for the nine-month period ended 30 September 2015 were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associates | Members of the Managing Board | Other related parties |
|---|----------------|---------------------------------------|------------|--|-----------------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Interest income | 21 679 982 | 364 638 | 393 341 | 14 701 | 21 |
| Interest expense | (11 072 509) | (81 433) | (215 728) | - | - |
| Fee and commission income | 11 170 | 6 920 | 1 485 | - | 28 |
| Fee and commission expense | (84 314) | (20) | - | - | (3) |
| Gains less losses/(losses less gains) from trading in foreign currencies | (5 594) | (216 008) | 9 268 | - | - |
| Unrealized (losses net of gains)/gains less losses from financial derivatives | 11 885 402 | (8 330) | - | - | - |
| Administrative and other operating expenses | (786 625) | - | - | (157 677) | (100 900) |
| Other operating income | 10 | - | 2 571 | - | - |
| Share of profit of associate | - | - | 417 055 | - | - |

30 Related Party Transactions (Continued)

The income and expense items with related parties for the three-month period ended 30 September 2015 were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associates | Members of the Managing Board | Other related parties |
|---|--------------|---------------------------------|------------|-------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Interest income | 8 498 794 | 124 796 | 289 139 | 5 591 | - |
| Interest expense | (5 037 241) | (9 291) | (69 664) | - | - |
| Fee and commission income | 3 839 | 2 236 | 1 106 | - | 11 |
| Fee and commission expense | (26 286) | (11) | - | - | - |
| Gains less losses/(losses less gains) from trading in foreign currencies | 64 520 | (204 836) | 4 072 | - | - |
| Unrealized (losses net of gains)/gains less losses from financial derivatives | (19 377 533) | (2 781) | - | - | - |
| Administrative and other operating expenses | (409 750) | - | - | (110 248) | (66 695) |
| Other operating income | 2 | - | - | - | - |
| Share of profit of associate | - | - | 137 274 | - | - |

At 30 September 2015 other rights and obligations with related parties were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associates | Other related parties |
|--|--------------|---------------------------------|------------|-----------------------|
| <i>In thousands of Russian Roubles</i> | | | | |
| Guarantees issued by the Group at the period end | 611 007 | 685 248 | - | - |
| Guarantees received by the Group at the period end | 624 556 | 906 902 | - | 84 800 |
| Letters of credit issued by the Group at the period end | - | 579 520 | 11 038 | - |
| Undrawn credit lines and overdraft facilities | 1 800 | - | 982 | - |
| Interest rate swap agreements – notional amount as at the period end | 372 586 063 | - | - | - |
| Interest rate swap agreements – fair values as at the period end | 306 416 | - | - | - |
| Cross currency interest rate swap agreements – notional amount receivable as at the period end | 139 610 081 | - | - | - |
| Cross currency interest rate swap agreements – notional amount payable as at the period end | 148 613 028 | - | - | - |
| Cross currency interest rate swap agreements – fair values at the period end | (8 540 744) | - | - | - |
| Foreign currency derivative financial instruments – principal amount purchased | 145 712 851 | 5 065 621 | - | - |
| Foreign currency derivative financial instruments – principal amount sold | 154 068 213 | 5 069 034 | - | - |
| Foreign currency derivative financial instruments – fair value | (10 746 639) | 592 | - | - |
| Currency Options purchased - notional amount | 6 648 | - | - | - |
| Currency Options purchased - fair value | 509 | - | - | - |

30 Related Party Transactions (Continued)

At 31 December 2014 the outstanding balances with related parties were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associates | Members of the Managing Board | Other related parties |
|--|-------------|---------------------------------|------------|-------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Corresponding accounts and overnight placements with other banks (contractual interest rate: 0.00% – 0.00% p.a.) | 37 926 173 | 13 341 | - | - | - |
| Placements with other banks with original maturities of less than three months (contractual interest rate: 0.10% – 0.10% p.a.) | 12 376 848 | 18 500 | - | - | - |
| Due from other banks (contractual interest rate: 0.60% – 0.60% p.a.) | 5 642 811 | - | - | - | - |
| Gross amount of loans and advances to customers (contractual interest rate: 1.89% – 16.69% p.a.) | - | - | 4 021 830 | 235 442 | - |
| Purchased intangible assets less accumulated depreciation | 279 711 | - | - | - | - |
| Derivatives and other financial assets | 18 980 654 | 14 698 | - | - | - |
| Investments in associates | - | - | 2 160 097 | - | - |
| Due to other banks (contractual interest rate: 1.65% – 15.00% p.a.) | 1 829 831 | 4 371 295 | - | - | 36 664 |
| Customer accounts (contractual interest rate: 0.28% – 21.85% p.a.) | - | - | 2 326 426 | - | - |
| Term borrowings from the Parent Bank (contractual interest rate: 1.48% – 3.16% p.a.) | 61 993 150 | - | - | - | - |
| Debt securities in issue (contractual interest rate: 3.64% – 5.46% p.a.) | - | 1 022 849 | - | - | - |
| Other liabilities | - | - | - | 420 264 | 70 755 |
| Derivatives and other financial liabilities | 50 858 242 | 5 777 | 1 089 | - | - |

The income and expense items with related parties for the nine-month period ended 30 September 2014 were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associates | Members of the Managing Board | Other related parties |
|---|--------------|---------------------------------|------------|-------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Interest income | 6 211 229 | 90 366 | 176 275 | 16 736 | - |
| Interest expense | (4 069 571) | (163 540) | (46 668) | - | (6 208) |
| Fee and commission income | 19 474 | 6 150 | 1 867 | - | - |
| Fee and commission expense | (153 966) | (6) | - | - | - |
| Gains less losses/(losses less gains) from trading in foreign currencies | (8 868) | (107 407) | 4 289 | - | - |
| Unrealized (losses net of gains)/gains less losses from financial derivatives | (11 043 424) | 2 231 | - | - | - |
| Administrative and other operating expenses | (557 484) | (11 022) | - | (456 969) | - |
| Other operating income | - | - | - | - | - |
| Share of profit of associate | - | - | 385 237 | - | - |

30 Related Party Transactions (Continued)

The income and expense items with related parties for the three-month period ended 30 September 2014 were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associates | Members of the Managing Board | Other related parties |
|---|--------------|---------------------------------|------------|-------------------------------|-----------------------|
| <i>In thousands of Russian Roubles</i> | | | | | |
| Interest income | 2 444 126 | 45 765 | 63 442 | 3 441 | - |
| Interest expense | (1 143 226) | (59 611) | (21 727) | - | - |
| Fee and commission income | 8 709 | 1 882 | 475 | - | - |
| Fee and commission expense | (41 179) | (3) | - | - | - |
| Gains less losses/(losses less gains) from trading in foreign currencies | (1 714 119) | (28 981) | 1 703 | - | - |
| Unrealized (losses net of gains)/gains less losses from financial derivatives | (10 545 677) | 3 019 | - | - | - |
| Administrative and other operating expenses | (198 531) | (1 227) | - | (103 950) | - |
| Share of profit of associate | - | - | 108 522 | - | - |

At 31 December 2014 other rights and obligations with related parties were as follows:

| | Parent bank | Subsidiaries of the Parent Bank | Associates | Other related parties |
|--|--------------|---------------------------------|------------|-----------------------|
| <i>In thousands of Russian Roubles</i> | | | | |
| Guarantees issued by the Group at the year end | 1 216 386 | 385 686 | - | - |
| Guarantees received by the Group at the year end | 1 402 109 | 846 339 | - | 98 000 |
| Letters of credit issued by the Group at the year end | - | 1 018 109 | - | - |
| Undrawn credit lines | - | - | 8 144 966 | - |
| Interest rate swap agreements – notional amount as at the year end | 300 366 730 | - | - | - |
| Interest rate swap agreements – fair values as at the year end | 2 549 390 | - | - | - |
| Cross currency interest rate swap agreements – notional amount receivable as at the year end | 83 066 539 | - | - | - |
| Cross currency interest rate swap agreements – notional amount payable as at the year end | 89 857 466 | - | - | - |
| Cross currency interest rate swap agreements – fair values as at the year end | (7 844 990) | - | - | - |
| Foreign currency derivative financial instruments – principal amount purchased | 177 259 648 | 1 624 889 | - | - |
| Foreign currency derivative financial instruments – principal amount sold | 199 664 137 | 1 611 245 | - | - |
| Foreign currency derivative financial instruments – fair value | (26 586 344) | 8 922 | - | - |

The Bank's immediate parent is Raiffeisen CIS Region Holding GmbH (2014: Raiffeisen CIS Region Holding GmbH). The Bank is ultimately controlled by Raiffeisen Zentralbank Österreich AG (2014: Raiffeisen Zentralbank Österreich AG).

30 Related Party Transactions (Continued)

Key management compensation is presented below:

| | 30 September 2015 Expense | 30 September 2015 Accrued liability | 30 September 2014 Expense | 31 December 2014 Accrued liability |
|---|---------------------------------|--|---------------------------------|---|
| <i>In thousands of Russian Roubles</i> | | | | |
| Short-term benefits: | | | | |
| - Salaries | 144 576 | - | 132 478 | - |
| - Short-term bonuses | 12 002 | 334 978 | 230 277 | 405 188 |
| - SB payment | 100 900 | 65 959 | 94 214 | 70 755 |
| Share-based compensation: | | | | |
| - Cash-settled share-based compensation | 1 100 | 16 175 | - | 15 076 |
| Total | 258 578 | 417 112 | 456 969 | 491 019 |

Short-term bonuses fall due within twelve months after the end of the period in which Management rendered the related services.

31 Subsequent Events

The Group paid dividends to RBI in the amount RR 7 895 010 thousand in October 2015.

On 19 October 2015 BIN Group has closed the deal to acquire ZAO NPF Raiffeisen from AO Raiffeisenbank. Prior to closing, all the required regulatory approvals were obtained from the Federal Antimonopoly Service and the Central Bank of the Russian Federation. The change of shareholder will not affect performance of the fund's obligations to insured persons, contributors and participants. Customer agreements will stay in effect; the terms of investment income calculation and distribution, payout of pensions and surrender amounts will also remain unchanged. AO Raiffeisenbank will continue servicing the fund's customers at its branches and will act as an acquisition agent for mandatory pension insurance agreements in the future.

As of 30 September 2015 major classes of ZAO NPF Raiffeisen assets classified as disposal group and liabilities directly associated with disposal group are disclosed in the Note 14.

Director
AO «PricewaterhouseCoopers Audit»
N. V. Kossova

13 November 2015

67 (sixty seven) pages are numbered, bound and sealed.

