

# ***BANK VOZROZHDENIE***

**International Financial Reporting Standards  
Interim Condensed Consolidated Financial  
Statements**

**(unaudited)**

**September 30, 2014**

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### Interim Condensed Consolidated Financial Statements

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**Bank Vozrozhdenie**  
**Interim Consolidated Statement of Financial Position as at September 30, 2014**

| <i>In millions of Russian Roubles</i>                            | Note | September 30,<br>2014 (unaudited) | December 31,<br>2013 |
|--|------|-----------------------------------|----------------------|
| <b>ASSETS</b>  |      |                                   |                      |
| Cash and cash equivalents  | 3    | 31 404                            | 29 331               |
| Mandatory cash balances with the Bank of Russia                  |      | 1 812                             | 1 780                |
| Trading securities   | 4    | 11 295                            | 4 647                |
| Due from other banks   | 5    | 850                               | 644                  |
| Loans and advances to customers                                  | 6    | 150 351                           | 155 828              |
| Investment securities available for sale                         | 7    | 8 013                             | 7 510                |
| Premises and equipment   |      | 3 160                             | 3 124                |
| Other financial assets   |      | 820                               | 1 010                |
| Non-current assets classified as held for sale                   | 8    | 233                               | 325                  |
| Deferred tax asset   |      | 1 166                             | 1 217                |
| Other assets   | 8    | 5 510                             | 5 590                |
| <b>TOTAL ASSETS</b>  |      | <b>214 614</b>                    | <b>211 006</b>       |
| <b>LIABILITIES</b>   |      |                                   |                      |
| Due to other banks   | 9    | 9 687                             | 8 996                |
| Customer accounts  | 10   | 168 261                           | 161 540              |
| Debt securities in issue   | 11   | 8 729                             | 10 154               |
| Other borrowed funds   |      | -                                 | 3 004                |
| Other financial liabilities                                      |      | 249                               | 335                  |
| Other liabilities  |      | 697                               | 587                  |
| Subordinated loans   | 12   | 3 394                             | 4 024                |
| <b>TOTAL LIABILITIES</b>   |      | <b>191 017</b>                    | <b>188 640</b>       |
| <b>EQUITY</b>  |      |                                   |                      |
| Share capital  |      | 250                               | 250                  |
| Share premium  |      | 7 306                             | 7 306                |
| Retained earnings  |      | 15 818                            | 14 602               |
| Revaluation reserve for investment securities available for sale |      | 223                               | 208                  |
| <b>TOTAL EQUITY</b>  |      | <b>23 597</b>                     | <b>22 366</b>        |
| <b>TOTAL LIABILITIES AND EQUITY</b>                              |      | <b>214 614</b>                    | <b>211 006</b>       |

Approved for issue and signed on November 24, 2014.

\_\_\_\_\_  
Mr. Alexander Dolgoplov  
Chairman of the Management Board

\_\_\_\_\_  
Ms. Elena Volik  
Chief Accountant

**Bank Vozrozhdenie**  
**Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**as at September 30, 2014**

| <i>In millions of Russian Roubles</i>  | Note | 9M ended<br>September 30<br>(unaudited) |              | 3M ended<br>September 30<br>(unaudited) |              |
|--|------|---|--------------|---|--------------|
|  |      | 2014                                    | 2013         | 2014                                    | 2013         |
| Interest income  | 13   | 15 073                                  | 14 013       | 5 061                                   | 4 916        |
| Interest expense   | 13   | (7 754)                                 | (7 173)      | (2 728)                                 | (2 493)      |
| <b>Net interest income</b>   |      | <b>7 319</b>                            | <b>6 840</b> | <b>2 333</b>                            | <b>2 423</b> |
| Provision for loan impairment  | 6    | (2 683)                                 | (3 595)      | (817)                                   | (1 320)      |
| <b>Net interest income after provision for loan impairment</b>   |      | <b>4 636</b>                            | <b>3 245</b> | <b>1 516</b>                            | <b>1 103</b> |
| Fee and commission income  | 14   | 3 428                                   | 4 024        | 1 178                                   | 1 437        |
| Fee and commission expense   | 14   | (538)                                   | (455)        | (181)                                   | (190)        |
| Gains less losses from trading securities  |      | (24)                                    | 19           | (47)                                    | 25           |
| Gains less losses from trading in foreign currencies   |      | (24)                                    | 21           | (212)                                   | 176          |
| Foreign exchange translation gains less losses   |      | 344                                     | 336          | 357                                     | (129)        |
| Gains less losses from investments securities available for sale   |      | 3                                       | -            | 1                                       | -            |
| Other operating income   |      | 225                                     | 180          | 47                                      | 66           |
| Administrative and other operating expenses  | 15   | (6 544)                                 | (6 360)      | (2 179)                                 | (2 134)      |
| Provision for impairment of other assets   | 8    | 19                                      | (26)         | (18)                                    | (28)         |
| <b>Profit before tax</b>   |      | <b>1 555</b>                            | <b>984</b>   | <b>462</b>                              | <b>326</b>   |
| Income tax expense   |      | (325)                                   | (216)        | (91)                                    | (79)         |
| <b>PROFIT FOR THE REPORTING PERIOD</b>   |      | <b>1 230</b>                            | <b>768</b>   | <b>371</b>                              | <b>247</b>   |
| <b>Other comprehensive income:</b>   |      |   |              |   |              |
| <b>Items that may be reclassified subsequently to profit or loss</b>   |      |   |              |   |              |
| Available-for-sale investments:  |      |   |              |   |              |
| - Change in revaluation reserve  |      | 27                                      | 69           | 41                                      | 17           |
| - Income tax recorded directly in other comprehensive income   |      | (12)                                    | (16)         | (11)                                    | (1)          |
| <b>Other comprehensive income for the reporting period</b>   |      | <b>15</b>                               | <b>53</b>    | <b>30</b>                               | <b>16</b>    |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD</b>   |      | <b>1 245</b>                            | <b>821</b>   | <b>401</b>                              | <b>263</b>   |
| <b>Earnings per share for profit attributable to the equity holders of the Bank, basic and diluted (expressed in RR per share)</b> |      |   |              |   |              |
| Ordinary shares  |      | 49                                      | 31           | 15                                      | 10           |

**Bank Vozrozhdenie**  
**Interim Summarized Consolidated Statement of Changes in Equity as at September 30, 2014**

|   | Share capital | Share premium | Revaluation reserve for available-for-sale securities | Retained earnings | Total         |
|---|---------------|---------------|---|-------------------|---------------|
| <i>In millions of Russian Roubles</i>                                   |               |               |   |                   |               |
| <b>Balance at December 31, 2013</b>                                     | <b>250</b>    | <b>7 306</b>  | <b>208</b>  | <b>14 602</b>     | <b>22 366</b> |
| Profit for the nine months ended September 30, 2014                     | -             | -             | -   | 1 230             | 1 230         |
| Other comprehensive income for the nine months ended September 30, 2014 | -             | -             | 15  | -                 | 15            |
| <b>Total comprehensive income for 2014</b>                              | <b>-</b>      | <b>-</b>      | <b>15</b>   | <b>1 230</b>      | <b>1 245</b>  |
| Dividends declared  | -             | -             | -   | (14)              | (14)          |
| <b>Balance at September 30, 2014</b>                                    | <b>250</b>    | <b>7 306</b>  | <b>223</b>  | <b>15 818</b>     | <b>23 597</b> |

|   | Share capital | Share premium | Revaluation reserve for available-for-sale securities | Retained earnings | Total         |
|---|---------------|---------------|---|-------------------|---------------|
| <i>In millions of Russian Roubles</i>                                   |               |               |   |                   |               |
| <b>Balance at December 31, 2012</b>                                     | <b>250</b>    | <b>7 306</b>  | <b>127</b>  | <b>13 124</b>     | <b>20 807</b> |
| Profit for the nine months ended September 30, 2013                     | -             | -             | -   | 768               | 768           |
| Other comprehensive income for the nine months ended September 30, 2013 | -             | -             | 53  | -                 | 53            |
| <b>Total comprehensive income for 2013</b>                              | <b>-</b>      | <b>-</b>      | <b>53</b>   | <b>768</b>        | <b>821</b>    |
| Dividends declared  | -             | -             | -   | (14)              | (14)          |
| <b>Balance at September 30, 2013</b>                                    | <b>250</b>    | <b>7 306</b>  | <b>180</b>  | <b>13 878</b>     | <b>21 614</b> |

**Bank Vozrozhdenie****Interim Summarized Consolidated Statement of Cash Flows as at September 30, 2014**

| <i>In millions of Russian Roubles</i>  | 9M ended<br>September 30,<br>2014 (unaudited) | 9M ended<br>September 30,<br>2013 (unaudited) |
|--|---|---|
| <b>Cash flows from operating activities</b>  |   |   |
| Interest received  | 15 007  | 14 017  |
| Interest paid  | (7 525)                                       | (6 539)                                       |
| Fees and commissions received  | 3 382   | 4 034   |
| Fees and commissions paid  | (576)   | (455)   |
| Net income received from trading in trading securities   | 5   | (1)   |
| Net (losses paid)/ income received from trading in foreign currencies                          | (24)  | 21  |
| Other operating income received  | 193   | 165   |
| Administrative and other operating expenses paid   | (6 111)                                       | (5 678)                                       |
| Income tax paid  | (148)   | (365)   |
| <b>Cash flows from operating activities before changes in operating assets and liabilities</b> | <b>4 273</b>                                  | <b>5 201</b>                                  |
| <b>Changes in operating assets and liabilities</b>   |   |   |
| Net increase in mandatory cash balances with the Bank of Russia                                | (32)  | (378)   |
| Net increase in trading securities   | (5 251)                                       | (263)   |
| Net (increase)/decrease in due from other banks  | (79)  | 4 576   |
| Net decrease/(increase) in loans and advances to customers                                     | 4 800   | (16 752)                                      |
| Net decrease in other financial assets   | 257   | 25  |
| Net increase in other assets   | (68)  | (44)  |
| Net increase in due to other banks   | 593   | 1 017   |
| Net increase in customer accounts  | 1 548   | 4 049   |
| Net (decrease)/increase in debt securities in issue  | (1 539)                                       | 2 162   |
| Net decrease in other financial liabilities  | (93)  | (66)  |
| Net decrease in other liabilities  | (25)  | (19)  |
| Net decrease in other borrowed funds   | (3 000)                                       | (2 803)                                       |
| <b>Net cash from/(used in) operating activities</b>  | <b>1 384</b>                                  | <b>(3 295)</b>                                |
| <b>Cash flows from investing activities</b>  |   |   |
| Acquisition of investment securities available for sale  | (6 900)                                       | (6 191)                                       |
| Proceeds from disposal of investment securities available for sale                             | 6 407   | 1 674   |
| Acquisition of premises and equipment  | (324)   | (229)   |
| Proceeds from disposal of premises and equipment   | 62  | 7   |
| Proceeds from disposal of non-current assets held for sale                                     | 236   | 94  |
| Proceeds from disposal of investment properties  | 12  | 9   |
| Dividend income received   | 1   | 2   |
| <b>Net cash used in investing activities</b>   | <b>(504)</b>                                  | <b>(4 634)</b>                                |
| <b>Cash flows from financing activities</b>  |   |   |
| Receipt of subordinated loans  | 243   | 1 000   |
| Subordinated loans repayment   | (958)   | (1 957)                                       |
| Repayment of funds from international financial institution                                    | (263)   | (167)   |
| Dividends paid   | (14)  | (14)  |
| <b>Net cash used in financing activities</b>   | <b>(992)</b>                                  | <b>(1 138)</b>                                |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                            | <b>2 185</b>                                  | <b>1 436</b>                                  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                                    | <b>2 073</b>                                  | <b>(7 631)</b>                                |
| Cash and cash equivalents at the beginning of the year   | 29 331  | 40 885  |
| <b>Cash and cash equivalents at the end of the reporting period</b>                            | <b>31 404</b>                                 | <b>33 254</b>                                 |

**1 Introduction**

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards - IAS 34 - for the nine months ended September 30, 2014 for Bank Vozrozhdenie (the "Bank") and its securitisation structured entities, closed joint stock company "Mortgage Agent Vozrozhdeniye 1", closed joint stock company "Mortgage Agent Vozrozhdeniye 2", and closed joint stock company "Mortgage Agent Vozrozhdeniye 3" (together referred to as the "Group").

**Presentation currency.** These interim summarised consolidated financial statements are presented in millions of Russian Roubles ("RR millions").

The Bank of Russia principal rates of exchange used for translating foreign currency balances were USD 1 = RR 39.3866 as at September 30, 2014, USD 1 = RR 32.7292 as at December 31, 2013, USD 1 = RR 32.3451 as at September 30, 2013 and EUR 1 = RR 49.9540, 44.9699 and 43.6497 respectively.

**2 Critical Accounting Estimates and Judgements in Applying Accounting Policies**

These interim summarized consolidated financial statements are to be considered along with the Group's annual financial statements for the year ended December 31, 2013.

These interim summarized consolidated financial statements do not contain all notes which are obligatory to disclosure in a full version of financial statements.

Principles and methods of accounting policy applied in these interim summarized consolidated financial statements comply with the principles and methods applied and described in the Group's annual Financial Statements for the year ended December 31, 2013.

Judgments made by the Group's management while applying accounting policy comply with the judgments described in the Bank's annual Financial Statements for 2013. The Group's Management did not apply any new estimates and judgments. As a result of applying estimates and judgments described in the Group's financial statements for the year ended December 31, 2013, the Group's assets, revenues and income for the nine months ended September 30, 2014 did not change materially.

**3 Cash and Cash Equivalents**

| <i>In millions of Russian Roubles</i>                                      | <b>September 30,<br/>2014 (unaudited)</b> | <b>December 31,<br/>2013</b> |
|--|---|------------------------------|
| Cash on hand   | 6 199                                     | 11 954                       |
| Correspondent accounts and overnight placements with banks of              |   |                              |
| - the Russian Federation   | 5 471                                     | 601                          |
| - Other countries  | 11 061                                    | 10 047                       |
| Cash balances with the Bank of Russia (other than mandatory cash balances) | 8 673                                     | 6 729                        |
| <b>Total cash and cash equivalents</b>                                     | <b>31 404</b>                             | <b>29 331</b>                |

Cash and cash equivalents are not impaired and are not collateralized.

Interest rate analyses are disclosed in Note 17.

#### 4 Trading Securities

| <i>In millions of Russian Roubles</i> | September 30, 2014<br>(unaudited) | December 31,<br>2013 |
|---------------------------------------|-----------------------------------|----------------------|
| Corporate Eurobonds                   | 8 809                             | 4 529                |
| The Russian Federation Eurobonds      | 1 287                             | -                    |
| Corporate bonds                       | 842                               | 118                  |
| Municipal bonds                       | 355                               | -                    |
| <b>Total debt securities</b>          | <b>11 293</b>                     | <b>4 647</b>         |
| Corporate shares                      | 2                                 | -                    |
| <b>Total trading securities</b>       | <b>11 295</b>                     | <b>4 647</b>         |

All the securities included into trading securities portfolio have market quotations.

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at their fair values based on observable market data, the Group does not analyse or monitor impairment indicators. Trading securities are used by the Group basically for managing liquidity risk.

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

Interest rate analyses are disclosed in Note 17.

#### 5 Due from Other Banks

| <i>In millions of Russian Roubles</i>      | September 30, 2014<br>(unaudited) | December 31,<br>2013 |
|--|-----------------------------------|----------------------|
| Insurance deposits with non-resident banks | 648                               | 520                  |
| Short-term placements with other banks     | 202                               | 124                  |
| <b>Total due from other banks</b>          | <b>850</b>                        | <b>644</b>           |

Currency and maturity analyses are disclosed in Note 17.

#### 6 Loans and Advances to Customers

| <i>In millions of Russian Roubles</i>   | September 30, 2014<br>(unaudited) | December 31,<br>2013 |
|---|-----------------------------------|----------------------|
| Corporate loans - large   | 50 196                            | 51 352               |
| Corporate loans - medium  | 43 990                            | 47 834               |
| Corporate loans - small   | 25 894                            | 26 373               |
| Mortgage loans  | 30 925                            | 29 540               |
| Other loans to individuals  | 14 071                            | 13 102               |
| <b>Total gross loans and advances to customers before provision for loan impairment</b> | <b>165 076</b>                    | <b>168 201</b>       |
| Less: Provision for loan impairment   | (14 725)                          | (12 373)             |
| <b>Total loans and advances to customers before provision for loan impairment</b>       | <b>150 351</b>                    | <b>155 828</b>       |

Corporate loans are divided on the basis of total amount owed by the customer to the Bank into the following categories: large – in excess of RR 750 million, medium – in excess of RR 100 million, small – RR 100 million and less.

Retail loans are divided into categories by product: mortgage loans and other loans to individuals including consumer loans, car loans, and bank card loans.

**6 Loans and Advances to Customers (Continued)**

As at September 30, 2014, mortgage loans include mortgage portfolio of RR 7,622 million securitized in 2011-2013 (less provision for impairment), as at December 31, 2013 – RR 9,042 million (less provision for impairment). Management of the Bank defined that the Group has not transferred main risks related to transferred assets and, therefore, the mentioned transfer was not a basis for their derecognition.

Movements in the provision for loan impairment during the nine months of 2014 are as follows:

| <i>In millions of Russian Roubles</i>   | <b>Corporate loans - large</b> | <b>Corporate loans - medium</b> | <b>Corporate loans - small</b> | <b>Mortgage loans</b> | <b>Other loans to individuals</b> | <b>Total</b>  |
|---|--------------------------------|---------------------------------|--------------------------------|-----------------------|-----------------------------------|---------------|
| <b>Provision for loan impairment at January 1, 2014</b>                         | <b>7 602</b>                   | <b>2 582</b>                    | <b>1 381</b>                   | <b>261</b>            | <b>547</b>                        | <b>12 373</b> |
| Provision for impairment during the year  | 1 304                          | 371                             | 731                            | 91                    | 186                               | 2 683         |
| Amounts written off during the reporting period as uncollectible                | -                              | -                               | (182)                          | -                     | (1)                               | (183)         |
| Result from disposal of loans under cession agreements                          | -                              | -                               | (12)                           | -                     | (172)                             | (184)         |
| Recovery of provision on loans and advances to customers previously written off | -                              | -                               | 36                             | -                     | -                                 | 36            |
| <b>Provision for loan impairment at September 30, 2014</b>                      | <b>8 906</b>                   | <b>2 953</b>                    | <b>1 954</b>                   | <b>352</b>            | <b>560</b>                        | <b>14 725</b> |

Movements in the provision for loan impairment during 2013 were as follows:

| <i>In millions of Russian Roubles</i>                     | <b>Corporate loans - large</b> | <b>Corporate loans - medium</b> | <b>Corporate loans - small</b> | <b>Mortgage loans</b> | <b>Other loans to individuals</b> | <b>Total</b>  |
|---|--------------------------------|---------------------------------|--------------------------------|-----------------------|-----------------------------------|---------------|
| <b>Provision for loan impairment at January 1, 2013</b>   | <b>5 291</b>                   | <b>5 426</b>                    | <b>2 831</b>                   | <b>611</b>            | <b>544</b>                        | <b>14 703</b> |
| Provision for impairment during the year                  | 3 080                          | 311                             | 734                            | (348)                 | 62                                | 3 839         |
| Amounts written off during the year as uncollectible      | (769)                          | (3 155)                         | (2 159)                        | (2)                   | (2)                               | (6 087)       |
| Result from disposal of loans under cession agreements    | -                              | -                               | (25)                           | -                     | (57)                              | (82)          |
| <b>Provision for loan impairment at December 31, 2013</b> | <b>7 602</b>                   | <b>2 582</b>                    | <b>1 381</b>                   | <b>261</b>            | <b>547</b>                        | <b>12 373</b> |

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

| <i>In millions of Russian Roubles</i>              | <b>September 30, 2014 (Unaudited)</b> |            |                  |            | <b>December 31, 2013</b> |            |                  |            |
|--|---------------------------------------|------------|------------------|------------|--------------------------|------------|------------------|------------|
|  | <b>Loans</b>                          | <b>%</b>   | <b>Provision</b> | <b>%</b>   | <b>Loans</b>             | <b>%</b>   | <b>Provision</b> | <b>%</b>   |
| Manufacturing                                      | 45 374                                | 27         | 5 299            | 36         | 46 732                   | 28         | 3 941            | 32         |
| Individuals  | 44 996                                | 27         | 912              | 6          | 42 642                   | 25         | 808              | 7          |
| Trade  | 28 275                                | 17         | 2 047            | 14         | 30 867                   | 19         | 1 607            | 13         |
| Construction                                       | 12 873                                | 8          | 1 488            | 10         | 13 367                   | 8          | 1 132            | 9          |
| Real estate  | 10 025                                | 6          | 2 194            | 15         | 10 449                   | 6          | 2 130            | 17         |
| Agriculture  | 6 443                                 | 4          | 173              | 1          | 7 294                    | 4          | 155              | 1          |
| Transport and communication                        | 4 197                                 | 3          | 48               | -          | 3 402                    | 2          | 71               | 1          |
| Finance  | 1 494                                 | 1          | 275              | 2          | 1 875                    | 1          | 266              | 2          |
| State and public organisations                     | 241                                   | -          | 2                | -          | 929                      | 1          | 9                | -          |
| Other  | 11 158                                | 7          | 2 287            | 16         | 10 644                   | 6          | 2 254            | 18         |
| <b>Total gross loans and advances to customers</b> | <b>165 076</b>                        | <b>100</b> | <b>14 725</b>    | <b>100</b> | <b>168 201</b>           | <b>100</b> | <b>12 373</b>    | <b>100</b> |

**6 Loans and Advances to Customers (Continued)**

State and public organisations exclude government owned profit orientated businesses.

As at September 30, 2014, the Group had 33 borrowers with aggregated loan amounts above RR 750 million. The total aggregate amount of these loans was RR 49,568 million or 30% of the gross loans and advances to customers.

As at December 31, 2013, the Group had 35 borrowers with aggregated loan amounts above RR 750 million. The total aggregate amount of these loans was RR 51,352 million or 31% of the gross loan portfolio.

Analysis by credit quality of loans outstanding as at September 30, 2014 is as follows:

|  | Corporate<br>loans<br>- large | Corporate<br>loans<br>- medium | Corporate<br>loans<br>- small | Mortgage<br>loans | Other<br>loans to<br>individuals | Total          |
|--|-------------------------------|--------------------------------|-------------------------------|-------------------|----------------------------------|----------------|
| <i>In millions of Russian Roubles</i>                                      |                               |                                |                               |                   |                                  |                |
| <i>Neither past due nor impaired</i>                                       |                               |                                |                               |                   |                                  |                |
| Borrowers with credit history over two years                               | 38 487                        | -                              | -                             | -                 | -                                | 38 487         |
| New large borrowers  | 3 564                         | -                              | -                             | -                 | -                                | 3 564          |
| Corporate loans assessed on a portfolio basis issued in 2014               | -                             | 22 638                         | 15 234                        | -                 | -                                | 37 872         |
| Corporate loans assessed on a portfolio basis issued before 2014           | -                             | 18 635                         | 8 248                         | -                 | -                                | 26 883         |
| Loans to individuals:  |                               |                                |                               |                   |                                  |                |
| - mortgage loans issued in 2014  | -                             | -                              | -                             | 6 306             | -                                | 6 306          |
| - mortgage loans issued before 2014  | -                             | -                              | -                             | 23 698            | -                                | 23 698         |
| - consumer loans   | -                             | -                              | -                             | -                 | 11 089                           | 11 089         |
| - credit card loans  | -                             | -                              | -                             | -                 | 1 840                            | 1 840          |
| - car loans  | -                             | -                              | -                             | -                 | 229                              | 229            |
| <b>Total gross neither past due nor impaired</b>                           | <b>42 051</b>                 | <b>41 273</b>                  | <b>23 482</b>                 | <b>30 004</b>     | <b>13 158</b>                    | <b>149 968</b> |
| <i>Past due but not impaired</i>   |                               |                                |                               |                   |                                  |                |
| - less than 30 days overdue  | -                             | -                              | 16                            | 670               | 352                              | 1 038          |
| - 31 to 90 days overdue  | 628                           | -                              | -                             | 25                | 6                                | 659            |
| - 91 to 180 days overdue   | -                             | -                              | -                             | 32                | 4                                | 36             |
| - 181 to 360 days overdue  | -                             | -                              | -                             | 41                | 4                                | 45             |
| <b>Total gross past due but not impaired</b>                               | <b>628</b>                    | <b>-</b>                       | <b>16</b>                     | <b>768</b>        | <b>366</b>                       | <b>1 778</b>   |
| <i>Loans collectively determined to be impaired</i>                        |                               |                                |                               |                   |                                  |                |
| - less than 30 days overdue  | -                             | 100                            | -                             | -                 | -                                | 100            |
| - 31 to 90 days overdue  | -                             | 136                            | 361                           | 4                 | 72                               | 573            |
| - 91 to 180 days overdue   | -                             | -                              | 830                           | 10                | 69                               | 909            |
| - 181 to 360 days overdue  | -                             | 444                            | 299                           | 14                | 108                              | 865            |
| - over 360 days overdue  | -                             | 973                            | 906                           | 125               | 298                              | 2 302          |
| <b>Total gross collectively impaired loans</b>                             | <b>-</b>                      | <b>1 653</b>                   | <b>2 396</b>                  | <b>153</b>        | <b>547</b>                       | <b>4 749</b>   |
| <i>Loans individually determined to be impaired</i>                        |                               |                                |                               |                   |                                  |                |
| - over 360 days overdue  | 7 517                         | 1 064                          | -                             | -                 | -                                | 8 581          |
| <b>Total gross individually impaired loans</b>                             | <b>7 517</b>                  | <b>1 064</b>                   | <b>-</b>                      | <b>-</b>          | <b>-</b>                         | <b>8 581</b>   |
| Less: Provision for impairment   | (8 906)                       | (2 953)                        | (1 954)                       | (352)             | (560)                            | (14 725)       |
| <b>Total loans and advances to customers less provision for impairment</b> | <b>41 290</b>                 | <b>41 037</b>                  | <b>23 940</b>                 | <b>30 573</b>     | <b>13 511</b>                    | <b>150 351</b> |

## 6 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at December 31, 2013 is as follows:

|  | Corporate<br>loans<br>- large | Corporate<br>loans<br>- medium | Corporate<br>loans<br>- small | Mortgage<br>loans | Other<br>loans to<br>individuals | Total          |
|--|-------------------------------|--------------------------------|-------------------------------|-------------------|----------------------------------|----------------|
| <i>In millions of Russian Roubles</i>                                      |                               |                                |                               |                   |                                  |                |
| <i>Neither past due nor impaired</i>                                       |                               |                                |                               |                   |                                  |                |
| Borrowers with credit history over two years                               | 41 689                        | -                              | -                             | -                 | -                                | 41 689         |
| New borrowers  | 2 146                         | -                              | -                             | -                 | -                                | 2 146          |
| Corporate loans assessed on a portfolio basis issued in 2013               | -                             | 31 829                         | 21 531                        | -                 | -                                | 53 360         |
| Corporate loans assessed on a portfolio basis issued before 2013           | -                             | 13 738                         | 3 591                         | -                 | -                                | 17 329         |
| Loans to individuals:  |                               |                                |                               |                   |                                  |                |
| - mortgage loans issued in 2013  | -                             | -                              | -                             | 12 096            | -                                | 12 096         |
| - mortgage loans issued before 2013  | -                             | -                              | -                             | 16 769            | -                                | 16 769         |
| - consumer loans   | -                             | -                              | -                             | -                 | 10 228                           | 10 228         |
| - credit card loans  | -                             | -                              | -                             | -                 | 1 889                            | 1 889          |
| - car loans  | -                             | -                              | -                             | -                 | 310                              | 310            |
| <b>Total gross neither past due nor impaired</b>                           | <b>43 835</b>                 | <b>45 567</b>                  | <b>25 122</b>                 | <b>28 865</b>     | <b>12 427</b>                    | <b>155 816</b> |
| <i>Past due but not impaired</i>   |                               |                                |                               |                   |                                  |                |
| - less than 30 days overdue  | -                             | 13                             | 22                            | 457               | 147                              | 639            |
| - 31 to 90 days overdue  | -                             | -                              | -                             | 7                 | 5                                | 12             |
| - 91 to 180 days overdue   | -                             | 127                            | -                             | 31                | 1                                | 159            |
| - 181 to 360 days overdue  | -                             | -                              | -                             | 20                | 17                               | 37             |
| <b>Total gross past due but not impaired</b>                               | <b>-</b>                      | <b>140</b>                     | <b>22</b>                     | <b>515</b>        | <b>170</b>                       | <b>847</b>     |
| <i>Loans collectively determined to be impaired</i>                        |                               |                                |                               |                   |                                  |                |
| - 31 to 90 days overdue  | -                             | 131                            | 49                            | 1                 | 54                               | 235            |
| - 91 to 180 days overdue   | -                             | 104                            | 188                           | 13                | 51                               | 356            |
| - 181 to 360 days overdue  | -                             | 50                             | 235                           | 10                | 68                               | 363            |
| - over 360 days overdue  | -                             | 905                            | 757                           | 136               | 332                              | 2 130          |
| <b>Total gross collectively impaired loans</b>                             | <b>-</b>                      | <b>1 190</b>                   | <b>1 229</b>                  | <b>160</b>        | <b>505</b>                       | <b>3 084</b>   |
| <i>Loans individually determined to be impaired</i>                        |                               |                                |                               |                   |                                  |                |
| - 91 to 180 days overdue   | -                             | 460                            | -                             | -                 | -                                | 460            |
| - 181 to 360 days overdue  | 2 670                         | -                              | -                             | -                 | -                                | 2 670          |
| - over 360 days overdue  | 4 847                         | 477                            | -                             | -                 | -                                | 5 324          |
| <b>Total gross individually impaired loans</b>                             | <b>7 517</b>                  | <b>937</b>                     | <b>-</b>                      | <b>-</b>          | <b>-</b>                         | <b>8 454</b>   |
| Less: Provision for impairment   | (7 602)                       | (2 582)                        | (1 381)                       | (261)             | (547)                            | (12 373)       |
| <b>Total loans and advances to customers less provision for impairment</b> | <b>43 750</b>                 | <b>45 252</b>                  | <b>24 992</b>                 | <b>29 279</b>     | <b>12 555</b>                    | <b>155 828</b> |

The Group believes that the borrowers with long credit history have a less degree of credit risk. The primary factors that the Group considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any.

The Group applied the portfolio provisioning methodology prescribed by IAS 39 Financial Instruments: Recognition and Measurement, and set up portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the reporting date.

**6 Loans and Advances to Customers (Continued)**

The Group's policy is to classify each loan as "neither past due nor impaired" until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology. Loans collectively determined to be impaired are represented by corporate small and medium loans, and loans to individuals, which have an overdue status as an impairment trigger event.

Past due but not impaired loans represent collateralised loans where the fair value of collateral together with consideration of discounting covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

The Group usually grants loans when there is liquid and sufficient collateral that is registered in accordance with the legislation (except for certain loan products used in lending to individuals, overdraft loans without collateral, loans to constituent entities of the Russian Federation and municipalities, funding provided in factoring transactions, and loan products where individual decisions not to require collateral have been made). The following may be used as collateral under loans to legal entities:

- real estate;
- equipment;
- vehicles;
- goods for sale;
- a security deposit;
- bank guarantee;
- state (municipal) guarantee;
- own promissory notes;
- disposable securities;
- refined precious metals in bullion form (gold, silver, platinum and palladium);
- property rights (claims) arising out of contractual liabilities.

Loans secured by third party pledge may only be granted if such third parties act as sureties under such loans. In such cases:

- the financial standing of any surety that is a legal entity shall be at least average as per the internal methods of the financial standing evaluation that are applicable at the Group;
- the financial standing of any surety that is an individual shall be good as per the internal methods of the financial standing evaluation that are applicable at the Group.

The pledged real properties (except for land plots), equipment, vehicles and inventories shall be insured. The insurance amount of the collateral shall be equal to its pledge value or higher, and the insurance agreement shall be valid for at least one month after the expiry date of the loan agreement.

The following items may be accepted as collateral under loans to individuals:

- real estate purchased under mortgage loan agreements;
- real estate owned by an individual;
- vehicles;
- third party surety, primarily the employers of individual borrowers;
- pledge of receivables under an individual's deposit;
- other property owned by the borrower.

In addition, the Group uses collateral insurance, life, and risk of disability or accident insurance for individual borrowers to mitigate credit risk.

Various types of security against borrowers' liabilities may be combined. The provided security shall be sufficient to cover the principal, interest and possible costs of the Group that may be incurred for enforcing the borrower's liabilities. The security's liquidity shall be estimated based on the time that its sale may take.

Information about collateral, as at September 30, 2014, is as follows:

## 6 Loans and Advances to Customers (Continued)

| <i>In millions of Russian Roubles</i>   | Corporate loans - large | Corporate loans - medium | Corporate loans - small | Mortgage loans | Other loans to individuals | Total          |
|---|-------------------------|--------------------------|-------------------------|----------------|----------------------------|----------------|
| Unsecured loans   | 2 660                   | 3 053                    | 2 804                   | 1 402          | 11 140                     | 21 059         |
| Loans collateralised by:  |                         |                          |                         |                |                            |                |
| - residential real estate   | -                       | -                        | -                       | 21 503         | 2                          | 21 505         |
| - other real estate   | 22 977                  | 20 233                   | 10 266                  | 22             | 1 164                      | 54 662         |
| - rights of claim under investment contracts  | -                       | -                        | -                       | 7 942          | -                          | 7 942          |
| - equipment, inventories, motor vehicles  | 9 150                   | 9 383                    | 7 214                   | -              | 283                        | 26 030         |
| - securities (promissory notes, shares)   | 1 871                   | 309                      | 36                      | 12             | 8                          | 2 236          |
| - cash deposits   | -                       | -                        | -                       | 17             | 14                         | 31             |
| - state guarantees and guarantees of the RF constituents                                | 815                     | 854                      | 570                     | -              | -                          | 2 239          |
| - other guarantees and third parties' guarantees  | 11 344                  | 8788                     | 4 882                   | 27             | 1 449                      | 26 490         |
| - other assets (other types of property)  | 1379                    | 1 370                    | 122                     | -              | 11                         | 2 882          |
| <b>Total gross loans and advances to customers before provision for loan impairment</b> | <b>50 196</b>           | <b>43 990</b>            | <b>25 894</b>           | <b>30 925</b>  | <b>14 071</b>              | <b>165 076</b> |

Unsecured loans to legal entities mainly include loans to constituent entities of the Russian Federation and municipalities and overdraft loans. Unsecured individual loans are mainly consumer loans and bank card loans.

The collateral value of the property is determined when loans are disbursed and further revised according to the regulations that are applicable at the Group.

In addition to the above, the Group is entitled to debit borrowers' current and settlement accounts, opened with the Group, in the event of their default under the contract.

The collateral value of collateral under retail loan products is the market value of the property. The market value of the property must be certified by a market value valuation report, to be made by a valuation company.

Bank card loans under are secured with an individual surety and insurance of the borrowers' life and working capacity. If necessary, depending on the credit limit amount, occupation, and borrower's employment, the Group may require extra collateral, namely, a pledge.

Information about collateral at December 31, 2013 is as follows:

| <i>In millions of Russian Roubles</i>   | Corporate loans - large | Corporate loans - medium | Corporate loans - small | Mortgage loans | Other loans to individuals | Total          |
|---|-------------------------|--------------------------|-------------------------|----------------|----------------------------|----------------|
| Unsecured loans   | 2 612                   | 2 902                    | 2 499                   | 1 639          | 9 668                      | 19 320         |
| Loans collateralised by:  |                         |                          |                         |                |                            |                |
| - residential real estate   | -                       | -                        | -                       | 20 626         | 5                          | 20 631         |
| - other real estate   | 22 268                  | 23 562                   | 10 271                  | 38             | 993                        | 57 132         |
| - rights of claim under investment contracts                                      | -                       | -                        | -                       | 7 177          | -                          | 7 177          |
| - equipment, inventories, motor vehicles  | 10 534                  | 9 689                    | 7 197                   | -              | 397                        | 27 817         |
| - securities (promissory notes, shares)   | 1 875                   | 165                      | 58                      | 12             | 9                          | 2 119          |
| - cash deposits   | -                       | -                        | 1                       | 14             | 26                         | 41             |
| - state guarantees and guarantees of the RF constituents                          | 814                     | 1 402                    | 505                     | -              | -                          | 2 721          |
| - other guarantees and third parties' guarantees                                  | 11 169                  | 8 685                    | 5 486                   | 34             | 1 954                      | 27 328         |
| - other assets (other types of property, rights)                                  | 2 080                   | 1 429                    | 356                     | -              | 50                         | 3 915          |
| <b>Total loans and advances to customers before provision for loan impairment</b> | <b>51 352</b>           | <b>47 834</b>            | <b>26 373</b>           | <b>29 540</b>  | <b>13 102</b>              | <b>168 201</b> |

Currency and maturity analyses are disclosed in Note 17.

**7 Investment Securities Available for Sale**

| <i>In millions of Russian Roubles</i>                      | <b>September 30, 2014<br/>(unaudited)</b> | <b>December 31,<br/>2013</b> |
|--|---|------------------------------|
| Corporate bonds  | 7 290                                     | 6 194                        |
| Municipal bonds  | 107                                       | 752                          |
| <b>Total debt investment securities available for sale</b> | <b>7 397</b>                              | <b>6 946</b>                 |
| Corporate shares   | 616                                       | 564                          |
| <b>Total investment securities available for sale</b>      | <b>8 013</b>                              | <b>7 510</b>                 |

Currency and maturity analyses are disclosed in Note 17.

**8 Other Assets**

| <i>In millions of Russian Roubles</i>                                       | <b>September 30, 2014<br/>(unaudited)</b> | <b>December 31,<br/>2013</b> |
|---|---|------------------------------|
| Inventory   | 4 356                                     | 4 401                        |
| Investment property   | 1 272                                     | 1 281                        |
| Prepayments   | 247                                       | 245                          |
| Non-current assets held for sale  | 244                                       | 350                          |
| Precious metals   | 63  | 91                           |
| Prepayment of current income tax  | 113                                       | 163                          |
| Other   | 305                                       | 266                          |
| <b>Total other assets (before provision for impairment of other assets)</b> | <b>6 600</b>                              | <b>6 797</b>                 |
| Less: Provision for impairment of other assets                              | (857)                                     | (882)                        |
| <b>Total other assets</b>   | <b>5 743</b>                              | <b>5 915</b>                 |

**9 Due to Other Banks**

| <i>In millions of Russian Roubles</i> | <b>September 30, 2014<br/>(unaudited)</b> | <b>December 31,<br/>2013</b> |
|---------------------------------------|---|------------------------------|
| Placements of other banks             | 8 765                                     | 8 966                        |
| Placements of the Bank of Russia      | 650                                       | -                            |
| Correspondent accounts of other banks | 272                                       | 30                           |
| <b>Total due to other banks</b>       | <b>9 687</b>                              | <b>8 996</b>                 |

Currency and maturity analyses are disclosed in Note 17.

**10 Customer Accounts**

| <i>In millions of Russian Roubles</i> | <b>September 30,<br/>2014 (unaudited)</b> | <b>December 31,<br/>2013</b> |
|---------------------------------------|---|------------------------------|
| <b>State and public organisations</b> |   |                              |
| - Current/settlement accounts         | 361                                       | 99                           |
| - Term deposits                       | -   | 1 821                        |
| <b>Other legal entities</b>           |   |                              |
| - Current/settlement accounts         | 28 325                                    | 31 053                       |
| - Term deposits                       | 23 318                                    | 22 491                       |
| <b>Individuals</b>                    |   |                              |
| - Current/demand accounts             | 16 123                                    | 18 837                       |
| - Term deposits                       | 100 134                                   | 87 239                       |
| <b>Total customer accounts</b>        | <b>168 261</b>                            | <b>161 540</b>               |

State and public organisations exclude government owned profit orientated businesses.

**10 Customer Accounts (Continued)**

Economic sector concentrations within customer accounts are as follows:

| <i>In millions of Russian Roubles</i> | <b>September 30, 2014 (unaudited)</b> |            | <b>December 31, 2013</b> |            |
|---------------------------------------|---------------------------------------|------------|--------------------------|------------|
|                                       | <b>Amount</b>                         | <b>%</b>   | <b>Amount</b>            | <b>%</b>   |
| Individuals                           | 116 257                               | 69         | 106 076                  | 66         |
| Trade                                 | 18 865                                | 11         | 21 696                   | 13         |
| Finance                               | 15 204                                | 9          | 11 010                   | 7          |
| Manufacturing                         | 7 571                                 | 5          | 8 465                    | 5          |
| Construction                          | 4 302                                 | 3          | 6 910                    | 4          |
| Transport and communication           | 2 236                                 | 1          | 2 511                    | 2          |
| Agriculture                           | 1 371                                 | 1          | 1 533                    | 1          |
| State and public organisations        | 639                                   | -          | 1 972                    | 1          |
| Other                                 | 1 816                                 | 1          | 1 367                    | 1          |
| <b>Total customer accounts</b>        | <b>168 261</b>                        | <b>100</b> | <b>161 540</b>           | <b>100</b> |

Currency and maturity analyses are disclosed in Note 17.

**11 Debt Securities in Issue**

| <i>In millions of Russian Roubles</i> | <b>September 30, 2014<br/>(unaudited)</b> | <b>December 31,<br/>2013</b> |
|---------------------------------------|---|------------------------------|
| Mortgage backed bonds in issue        | 5 267                                     | 3 729                        |
| Promissory notes                      | 3 313                                     | 6 280                        |
| Deposit certificates                  | 149                                       | 145                          |
| <b>Total debt securities in issue</b> | <b>8 729</b>                              | <b>10 154</b>                |

In March, in the course of the third deal of mortgage loans securitisation, the Group issued bonds for the amount of RR 3,450 million of face value. These bonds were issued by the SPV company CJSC "MAV 3". Class "A" bonds for the total amount of RR 3,000 million were placed via CJSC SE MICEX Stock Exchange by public offering, class "B" bonds for the total amount of RR 450 million were placed by private offering to Bank and, therefore, were not reflected in these Consolidated Financial Statements. International rating agency Moody's Investors Service assigned class "A" bonds with credit rating 'Baa2'. Class "A" bonds have a coupon rate of 9.00%. Maturity date of class "A" bonds with book value of RR 3,000 million is October 26, 2046.

Currency and maturity analyses are disclosed in Note 17.

## 12 Subordinated Loans

Subordinated loans represent long-term deposits of the Group's customers. The subordinated debt ranks after all other creditors in case of the Group's liquidation. The details of subordinated loans attracted by the Group are disclosed in the table below:

|                                 | Start date    | Maturity     | Currency | September 30, 2014<br>(unaudited) |                   | December 31, 2013            |                   |
|---------------------------------|---------------|--------------|----------|-----------------------------------|-------------------|------------------------------|-------------------|
|                                 |               |              |          | Contractual interest rate, %      | Value, RR million | Contractual interest rate, % | Value, RR million |
| № 1                             | March 2006    | March 2014   | USD      | -                                 | -                 | 6,50                         | 164               |
| № 2                             | May 2006      | May 2014     | USD      | -                                 | -                 | 6,50                         | 98                |
| № 3                             | June 2006     | June 2014    | USD      | -                                 | -                 | 6,50                         | 164               |
| № 4                             | April 2007    | April 2014   | RR       | -                                 | -                 | 8,25                         | 500               |
| № 5                             | August 2010   | August 2018  | USD      | 8,00                              | 118               | 8,00                         | 98                |
| № 6                             | July 2012     | July 2020    | RR       | 9,25                              | 1 000             | 9,25                         | 1 000             |
| № 7                             | December 2012 | July 2020    | RR       | 9,25                              | 1 000             | 9,25                         | 1 000             |
| № 8                             | February 2013 | July 2020    | RR       | 9,25                              | 1 000             | 9,25                         | 1 000             |
| № 9                             | January 2014  | January 2022 | USD      | 8,50                              | 276               | -                            | -                 |
| <b>Total subordinated loans</b> |               |              |          |                                   | <b>3 394</b>      |                              | <b>4 024</b>      |

Subordinated loans No. 5, 9 were received by the Group from a related party.

Currency and maturity analyses are disclosed in Note 17.

## 13 Interest Income and Expense

| <i>In millions of Russian Roubles</i>            | 9M ended<br>September 30, 2014<br>(unaudited) | 9M ended<br>September 30, 2013<br>(unaudited) |
|--|---|---|
| <b>Interest income</b>                           |   |   |
| Loans and advances to customers - legal entities | 9 325   | 9 357   |
| Loans and advances to customers - individuals    | 5 066   | 3 869   |
| Investment securities available for sale         | 372   | 179   |
| Trading securities                               | 162   | 253   |
| Correspondent accounts and due from other banks  | 148   | 355   |
| <b>Total interest income</b>                     | <b>15 073</b>                                 | <b>14 013</b>                                 |
| <b>Interest expense</b>                          |   |   |
| Term deposits of individuals                     | 4 863   | 4 246   |
| Term deposits of legal entities                  | 1 316   | 1 469   |
| Debt securities in issue                         | 749   | 508   |
| Due to other banks                               | 485   | 305   |
| Subordinated loans                               | 251   | 460   |
| Other borrowed funds                             | 63  | 61  |
| Current/settlement accounts of legal entities    | 27  | 124   |
| <b>Total interest expense</b>                    | <b>7 754</b>                                  | <b>7 173</b>                                  |
| <b>Net interest income</b>                       | <b>7 319</b>                                  | <b>6 840</b>                                  |

**14 Fee and Commission Income and Expense**

| <i>In millions of Russian Roubles</i>         | 9M ended<br>September 30, 2014<br>(unaudited) | 9M ended<br>September 30, 2013<br>(unaudited) |
|---|---|---|
| <b>Fee and commission income</b>              |   |   |
| Credit/debit cards and cheques settlements    | 1 042   | 1 049   |
| Settlement operations                         | 801   | 1 171   |
| Cash transactions                             | 693   | 787   |
| Guarantees issued                             | 257   | 222   |
| Payroll projects                              | 234   | 296   |
| Cash collection                               | 161   | 173   |
| Other   | 240   | 326   |
| <b>Total fee and commission income</b>        | <b>3 428</b>                                  | <b>4 024</b>                                  |
| <b>Fee and commission expense</b>             |   |   |
| Credit/debit cards and cheques settlements    | 413   | 340   |
| Settlement operations                         | 58  | 60  |
| Settlements with currency and stock exchanges | 23  | 13  |
| Cash transactions                             | 17  | 14  |
| Other   | 27  | 28  |
| <b>Total fee and commission expense</b>       | <b>538</b>                                    | <b>455</b>                                    |
| <b>Net fee and commission income</b>          | <b>2 890</b>                                  | <b>3 569</b>                                  |

**15 Administrative and Other Operating Expenses**

| <i>In millions of Russian Roubles</i>                    | 9M ended<br>September 30, 2014<br>(unaudited) | 9M ended<br>September 30, 2013<br>(unaudited) |
|--|---|---|
| Staff costs  | 3 897   | 3 899   |
| Administrative expenses                                  | 530   | 512   |
| Other expenses related to premises and equipment         | 381   | 360   |
| Contributions to the State Deposit Insurance Agency      | 329   | 312   |
| Depreciation of premises and equipment                   | 258   | 274   |
| Rent expenses  | 259   | 245   |
| Taxes other than on income                               | 232   | 206   |
| Advertising and marketing services                       | 95  | 84  |
| Repairs of premises and equipment                        | 74  | 74  |
| Other  | 489   | 394   |
| <b>Total administrative and other operating expenses</b> | <b>6 544</b>                                  | <b>6 360</b>                                  |

Included in staff costs are statutory contributions to non-budget funds of RR 794 million (2013: RR 781 million).

**16 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 chief operating decision maker (CODM) are performed by the Management Board of the Group.

Transactions between the operating segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between operating segments, resulting in funding cost transfers disclosed in interest income and expense. Interest rates for these funds are differentiated depending on the attraction terms and are based on market indicators.

## 16 Segment Analysis (Continued)

Segment assets and liabilities include operating assets and liabilities representing a major part of the Bank's assets and liabilities, as well as funds reallocated between operating segments, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each operating segment. Segment performance is based on profitability and cost-effectiveness of operating assets.

The CODM analyses financial information prepared in accordance with the requirements of the Russian Accounting Standards and evaluates performance of each segment based on profit before tax.

The table below represents the segment information of interest-bearing assets and interest-bearing liabilities per reportable segments for the nine months ended September 30, 2014 and December 31, 2013.

The Bank does not disclose geographical information in its segment analysis as the majority of transactions and revenues of the reportable segments are concentrated basically in Russia. The analysis of the reportable segments is based on the banking products and services but not on the geographical factors.

| <i>(in millions of<br/>Russian Roubles)</i>         | <b>Corporate<br/>business</b> | <b>Retail<br/>business</b> | <b>Bank cards<br/>transactions</b> | <b>Financial<br/>business</b> | <b>Liquidity</b> | <b>Other</b>  | <b>Total</b>   |
|---|-------------------------------|----------------------------|------------------------------------|-------------------------------|------------------|---------------|----------------|
| <b>September 30, 2014</b>                           |                               |                            |                                    |                               |                  |               |                |
| <b>Total assets of<br/>reporting segments</b>       | <b>110 656</b>                | <b>37 302</b>              | <b>4 565</b>                       | <b>43 411</b>                 | <b>-</b>         | <b>13 571</b> | <b>209 505</b> |
| <b>Total liabilities of<br/>reportable segments</b> | <b>63 525</b>                 | <b>101 370</b>             | <b>16 135</b>                      | <b>4 071</b>                  | <b>-</b>         | <b>405</b>    | <b>185 506</b> |
| <b>December 31, 2013</b>                            |                               |                            |                                    |                               |                  |               |                |
| <b>Total assets of<br/>reporting segments</b>       | <b>119 510</b>                | <b>33 174</b>              | <b>7 027</b>                       | <b>28 466</b>                 | <b>-</b>         | <b>15 079</b> | <b>203 256</b> |
| <b>Total liabilities of<br/>reporting segments</b>  | <b>71 584</b>                 | <b>86 629</b>              | <b>19 601</b>                      | <b>3 578</b>                  | <b>-</b>         | <b>219</b>    | <b>181 611</b> |

**16 Segment Analysis (Continued)**

The table below represents the information on income and expense per reportable segments for the nine months ended September 30, 2014. The Group's management considers operating income before provision for loan impairment as a key measurement of reportable segments results.

| <i>(in millions of Russian Roubles)</i>                      | <b>Corporate business</b> | <b>Retail business</b> | <b>Bank cards transactions</b> | <b>Financial business</b> | <b>Liquidity</b> | <b>Other</b> | <b>Total</b>    |
|--|---------------------------|------------------------|--------------------------------|---------------------------|------------------|--------------|-----------------|
| <b>September 30, 2014</b>                                    |                           |                        |                                |                           |                  |              |                 |
| Interest income  | 9 014                     | 4 015                  | 281                            | 646                       | -                | -            | 13 956          |
| Non-interest income  | 2 262                     | 787                    | 1 340                          | 137                       | -                | 21           | 4 547           |
| Transfer income  | 3 069                     | 5 980                  | 432                            | 326                       | 1 757            | -            | 11 564          |
| <b>Total income</b>  | <b>14 345</b>             | <b>10 782</b>          | <b>2 053</b>                   | <b>1 109</b>              | <b>1 757</b>     | <b>21</b>    | <b>30 067</b>   |
| Interest expense   | (2 236)                   | (4 800)                | (109)                          | (208)                     | -                | -            | (7 353)         |
| Non-interest expense   | (94)                      | (57)                   | (401)                          | (26)                      | -                | (64)         | (642)           |
| Transfer expense   | (8 113)                   | (2 921)                | (182)                          | (334)                     | -                | (14)         | (11 564)        |
| <b>Total expenses</b>  | <b>(10 443)</b>           | <b>(7 778)</b>         | <b>(692)</b>                   | <b>(568)</b>              | <b>-</b>         | <b>(78)</b>  | <b>(19 559)</b> |
| <b>Operating income before provision for loan impairment</b> | <b>3 902</b>              | <b>3 004</b>           | <b>1 361</b>                   | <b>541</b>                | <b>1 757</b>     | <b>(57)</b>  | <b>10 508</b>   |
| Provision for loan impairment                                | (3 102)                   | (128)                  | 1                              | (1)                       | -                | (26)         | (3 256)         |
| <b>Operating income</b>                                      | <b>800</b>                | <b>2 876</b>           | <b>1 362</b>                   | <b>540</b>                | <b>1 757</b>     | <b>(83)</b>  | <b>7 252</b>    |
| Administrative and other operating expenses                  | (2 624)                   | (1 824)                | (1 250)                        | (86)                      | -                | (73)         | (5 857)         |
| Depreciation of premises and equipment                       | (111)                     | (79)                   | (55)                           | (4)                       | -                | (1)          | (250)           |
| Financial result from cession                                | 45                        | (126)                  | (41)                           | -                         | -                | -            | (122)           |
| <b>Profit/(loss) before tax (Segment result)</b>             | <b>(1 890)</b>            | <b>847</b>             | <b>16</b>                      | <b>450</b>                | <b>1 757</b>     | <b>(157)</b> | <b>1 023</b>    |

## 16 Segment Analysis (Continued)

The table below represents segment information on the major reportable business lines of the Group for the nine months ended September 30, 2013:

| <i>(in millions of Russian Roubles)</i>                      | <b>Corporate business</b> | <b>Retail business</b> | <b>Bank cards transactions</b> | <b>Financial business</b> | <b>Liquidity</b> | <b>Other</b> | <b>Total</b>    |
|--|---------------------------|------------------------|--------------------------------|---------------------------|------------------|--------------|-----------------|
| <b>September 30, 2013</b>                                    |                           |                        |                                |                           |                  |              |                 |
| Interest income  | 9 016                     | 3 173                  | 296                            | 797                       | -                | -            | 13 282          |
| Non-interest income  | 2 532                     | 732                    | 1 377                          | 296                       | -                | 8            | 4 945           |
| Transfer income  | 3 513                     | 5 557                  | 452                            | 223                       | 1 403            | -            | 11 148          |
| <b>Total income</b>  | <b>15 061</b>             | <b>9 462</b>           | <b>2 125</b>                   | <b>1 316</b>              | <b>1 403</b>     | <b>8</b>     | <b>29 375</b>   |
| Interest expense   | (2 404)                   | (4 136)                | (110)                          | (203)                     | -                | -            | (6 853)         |
| Non-interest expense   | (86)                      | (19)                   | (344)                          | (17)                      | -                | (5)          | (471)           |
| Transfer expense   | (8 221)                   | (2 303)                | (118)                          | (446)                     | -                | (60)         | (11 148)        |
| <b>Total expenses</b>  | <b>(10 711)</b>           | <b>(6 458)</b>         | <b>(572)</b>                   | <b>(666)</b>              | <b>-</b>         | <b>(65)</b>  | <b>(18 472)</b> |
| <b>Operating income before provision for loan impairment</b> | <b>4 350</b>              | <b>3 004</b>           | <b>1 553</b>                   | <b>650</b>                | <b>1 403</b>     | <b>(57)</b>  | <b>10 903</b>   |
| Provision for loan impairment                                | (3 720)                   | (231)                  | (20)                           | -                         | -                | (6)          | (3 977)         |
| <b>Operating income</b>                                      | <b>630</b>                | <b>2 773</b>           | <b>1 533</b>                   | <b>650</b>                | <b>1 403</b>     | <b>(63)</b>  | <b>6 926</b>    |
| Administrative and other operating expenses                  | (2 506)                   | (1 937)                | (1 015)                        | (65)                      | -                | (44)         | (5 567)         |
| Depreciation of premises and equipment                       | (129)                     | (88)                   | (52)                           | (4)                       | -                | (1)          | (274)           |
| Financial result from cession                                | (65)                      | (66)                   | -                              | -                         | -                | -            | (131)           |
| <b>Profit/(loss) before tax (Segment result)</b>             | <b>(2 070)</b>            | <b>682</b>             | <b>466</b>                     | <b>581</b>                | <b>1 403</b>     | <b>(108)</b> | <b>954</b>      |

**16 Segment Analysis (Continued)**

The table below represents the reconciliation of assets, liabilities, income and expenses of the Group's reportable segments for the nine months ended September 30, 2014.

**Reconciliation of reportable segment assets as at September 30, 2014 is as follows:**

| <i>In millions of Russian Roubles</i>   | <b>September 30, 2014<br/>(unaudited)</b> | <b>December 31, 2013</b> |
|---|---|--------------------------|
| <b>Total reportable segment assets</b>  | <b>209 505</b>                            | <b>203 256</b>           |
| Adjustment of provision for loan impairment                                       | 675                                       | 393                      |
| Adjustment of provision for impairment of other assets                            | 335                                       | (133)                    |
| Recognition of financial instruments using the effective interest method          | (291)                                     | (257)                    |
| Adjustment of depreciation and cost or revalued amounts of premises and equipment | (564)                                     | (292)                    |
| Deferred tax asset recognition (according to IFRS)                                | 1 166                                     | 1 217                    |
| Recovery of deferred tax assets (according to RAS)                                | (1 525)                                   | -                        |
| Consolidation   | 5 194                                     | 6 523                    |
| Difference in estimation of fair values of securities                             | -   | 259                      |
| Other   | 119                                       | 40                       |
| <b>Total assets under IFRS</b>  | <b>214 614</b>                            | <b>211 006</b>           |

**Reconciliation of reportable segment liabilities as at September 30, 2014 is as follows:**

| <i>In millions of Russian Roubles</i>                    | <b>September 30, 2014<br/>(unaudited)</b> | <b>December 31, 2013</b> |
|--|---|--------------------------|
| <b>Total reportable segment liabilities</b>              | <b>185 506</b>                            | <b>181 611</b>           |
| Accrued expenses   | 516                                       | 367                      |
| Recognition of fee and commission income temporary based | 131                                       | 177                      |
| Recovery of deferred tax liabilities (according to RAS)  | (232)                                     | -                        |
| Consolidation  | 5 096                                     | 6 485                    |
| <b>Total liabilities under IFRS</b>                      | <b>191 017</b>                            | <b>188 640</b>           |

## 16 Segment Analysis (Continued)

**Reconciliation of income or expense before tax of the reportable segments**

Reconciliation of profit before tax and other material income or expenses (interest income and expense, non-interest income or expense, provision for loan impairment, administrative and other operating expenses) for the reportable segments with the consolidated statement of profit or loss and other comprehensive income under IFRS for the nine months ended September 30, 2014 is as follows:

| <i>(in millions of Russian Roubles)</i>   | <b>Profit before tax</b> | <b>Interest income</b> | <b>Non-interest income</b> | <b>Interest expense</b> | <b>Non-interest expense</b> | <b>Provision for loan impairment</b> | <b>Administrative and other operating expenses</b> |
|---|--------------------------|------------------------|----------------------------|-------------------------|-----------------------------|--------------------------------------|--|
| <b>Total reportable segment result</b>  | <b>1 023</b>             | <b>13 956</b>          | <b>4 547</b>               | <b>(7 353)</b>          | <b>(642)</b>                | <b>(3 378)</b>                       | <b>(6 107)</b>                                     |
| Recognition of interest income from lending using the effective interest method                 | (25)                     | (25)                   | -                          | -                       | -                           | -                                    | -  |
| Recognition of fee and commission income by reference to completion of the specific transaction | 46                       | -                      | 46                         | -                       | -                           | -                                    | -  |
| Accrued expenses  | (306)                    | -                      | -                          | -                       | -                           | -                                    | (306)  |
| Adjustment of provisions for loan impairment based on the incurred loss model                   | (46)                     | -                      | -                          | -                       | (40)                        | (6)                                  | -  |
| Provision for impairment of non-core assets   | 787                      | -                      | -                          | -                       | -                           | 787                                  | -  |
| Reclassification of management accounts items   | -                        | 647                    | (610)                      | (1)                     | 107                         | (67)                                 | (76)   |
| Consolidation   | 58                       | 495                    | (1)                        | (400)                   | -                           | -                                    | (36)   |
| Other   | 18                       | -                      | -                          | -                       | 37                          | -                                    | (19)   |
| <b>Total under IFRS</b>   | <b>1 555</b>             | <b>15 073</b>          | <b>3 982</b>               | <b>(7 754)</b>          | <b>(538)</b>                | <b>(2 664)</b>                       | <b>(6 544)</b>                                     |

## 16 Segment Analysis (Continued)

Reconciliation of profit before tax and other material income or expenses (interest income and expense, non-interest income or expense, provision for loan impairment, administrative and other operating expenses) for the reportable segments with the consolidated statement of profit or loss and other comprehensive income under IFRS for the nine months ended September 30, 2013 is as follows:

| <i>(in millions of Russian<br/>Roubles)</i>  | <b>Profit<br/>before<br/>tax</b> | <b>Interest<br/>income</b> | <b>Non-<br/>interest<br/>income</b> | <b>Interest<br/>expense</b> | <b>Non-<br/>interest<br/>expense</b> | <b>Provision<br/>for loan<br/>impairment</b> | <b>Administ<br/>rative and<br/>other<br/>operating<br/>expenses</b> |
|--|----------------------------------|----------------------------|-------------------------------------|-----------------------------|--------------------------------------|--|---|
| <b>Total reportable segment<br/>result</b>   | <b>954</b>                       | <b>13 282</b>              | <b>4 945</b>                        | <b>(6 853)</b>              | <b>(471)</b>                         | <b>(4 108)</b>                               | <b>(5 841)</b>  |
| Recognition of interest<br>income from lending using<br>the effective interest<br>method         | 45                               | 45                         | -                                   | -                           | -                                    | -  | -   |
| Recognition of commission<br>income by reference to<br>completion of the specific<br>transaction | (37)                             | -                          | (37)                                | -                           | -                                    | -  | -   |
| Adjustment of provisions for<br>loan impairment based on<br>the incurred loss model              | 446                              | 3                          | (25)                                | -                           | -                                    | 468  | -   |
| Accrued expenses   | (468)                            | -                          | -                                   | -                           | -                                    | -  | (468)   |
| Reclassification of<br>management accounts<br>items  | -                                | 315                        | (349)                               | -                           | 56                                   | (11)   | (11)  |
| Provision for impairment of<br>non-core assets   | (26)                             | -                          | -                                   | -                           | -                                    | (26)   | -   |
| Consolidation  | 32                               | 370                        | (2)                                 | (308)                       | -                                    | -  | (28)  |
| Other  | 38                               | (2)                        | 8                                   | (12)                        | -                                    | 56   | (12)  |
| <b>Total under IFRS</b>  | <b>984</b>                       | <b>14 013</b>              | <b>4 540</b>                        | <b>(7 173)</b>              | <b>(415)</b>                         | <b>(3 621)</b>                               | <b>(6 360)</b>  |

## 17 Financial Risk Management

The organization of an effective risk management system is of supreme importance for the Group. The quality of risk management is one of the Group's competitive advantages, increasing its capitalization.

The business of the Group's members is exposed to a wide range of risks, the most significant of which, due to the nature of the Group's business, are credit risk, market risk, liquidity risk, and operational risk.

In addition to the abovementioned risks, the business of the Group is exposed to the following risks, the effect of which is generally not significant and poses no serious threat for companies and customers of the Group, namely, country risk, legal risk, business reputation risk, and strategic risk.

Risk management is performed by way of the distribution of authority and responsibility, a system of management reporting on the results of controlling significant risks and procedures for their management, and feedback (corrective action) following such control.

Policies and methods of financial risk management are equal to policies and methods, used and described in annual consolidated financial statement of the Group as of December 31, 2013.

The tables below summarize the Group's exposure to currency risk and Bank's liquidity position taking into account expected contractual time left before redemption of assets and liabilities.

**Currency risk.** The Group is exposed to currency risk due to the fact that its assets and liabilities are denominated in different currencies as well as due to existence of open currency positions resulting from foreign currency transactions. The Group manages currency risk by ensuring maximum possible consistency between the currency of its assets and the currency of its liabilities by currency within established limits. The Assets and Liabilities Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Group's exposure to foreign currency exchange rate risk at September 30, 2014:

|   | RR             | USD           | Euro          | Other     | Total          |
|---|----------------|---------------|---------------|-----------|----------------|
| <i>In millions of Russian Roubles</i>           |                |               |               |           |                |
| <b>Monetary financial assets</b>                |                |               |               |           |                |
| Cash and cash equivalents                       | 18 580         | 7 067         | 5 730         | 27        | 31 404         |
| Mandatory cash balances with the Bank of Russia | 1 357          | 317           | 138           | 1         | 1 812          |
| Trading securities                              | 1 196          | 5 908         | 4 189         | -         | 11 293         |
| Due from other banks                            | 99             | 751           | -             | -         | 850            |
| Loans and advances to customers                 | 136 933        | 10 491        | 2 927         | -         | 150 351        |
| Investment securities available for sale        | 7 397          | -             | -             | -         | 7 397          |
| Other financial assets                          | 475            | 332           | 12            | 1         | 820            |
| <b>Total monetary financial assets</b>          | <b>166 037</b> | <b>24 866</b> | <b>12 996</b> | <b>28</b> | <b>203 927</b> |
| <b>Monetary financial liabilities</b>           |                |               |               |           |                |
| Due to other banks                              | 6 509          | 593           | 2 585         | -         | 9 687          |
| Customer accounts                               | 134 074        | 23 790        | 10 372        | 25        | 168 261        |
| Debt securities in issue                        | 8 729          | -             | -             | -         | 8 729          |
| Other financial liabilities                     | 199            | 32            | 18            | -         | 249            |
| Subordinated loans                              | 3 000          | 394           | -             | -         | 3 394          |
| <b>Total monetary financial liabilities</b>     | <b>152 511</b> | <b>24 809</b> | <b>12 975</b> | <b>25</b> | <b>190 320</b> |
| <b>Net balance sheet position</b>               | <b>13 526</b>  | <b>57</b>     | <b>21</b>     | <b>3</b>  | <b>13 607</b>  |
| <b>Credit related commitments (Note 18)</b>     | <b>13 523</b>  | <b>655</b>    | <b>595</b>    | <b>-</b>  | <b>14 773</b>  |

## 17 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at December 31, 2013:

|   | RR             | USD           | Euro          | Other     | Total          |
|---|----------------|---------------|---------------|-----------|----------------|
| <i>In millions of Russian Roubles</i>           |                |               |               |           |                |
| <b>Monetary financial assets</b>                |                |               |               |           |                |
| Cash and cash equivalents                       | 18 135         | 7 842         | 3 324         | 30        | 29 331         |
| Mandatory cash balances with the Bank of Russia | 1 342          | 316           | 122           | -         | 1 780          |
| Trading securities                              | 118            | 2 416         | 2 113         | -         | 4 647          |
| Due from other banks                            | 124            | 520           | -             | -         | 644            |
| Loans and advances to customers                 | 139 953        | 10 795        | 5 080         | -         | 155 828        |
| Investment securities available for sale        | 6 946          | -             | -             | -         | 6 946          |
| Other financial assets                          | 587            | 328           | 95            | -         | 1 010          |
| <b>Total monetary financial assets</b>          | <b>167 205</b> | <b>22 217</b> | <b>10 734</b> | <b>30</b> | <b>200 186</b> |
| <b>Monetary financial liabilities</b>           |                |               |               |           |                |
| Due to other banks                              | 5 421          | 735           | 2 840         | -         | 8 996          |
| Customer accounts                               | 132 351        | 21 070        | 8 099         | 20        | 161 540        |
| Debt securities in issue                        | 10 154         | -             | -             | -         | 10 154         |
| Other borrowed funds                            | 3 004          | -             | -             | -         | 3 004          |
| Other financial liabilities                     | 302            | 21            | 12            | -         | 335            |
| Subordinated loans                              | 3 500          | 524           | -             | -         | 4 024          |
| <b>Total monetary financial liabilities</b>     | <b>154 732</b> | <b>22 350</b> | <b>10 951</b> | <b>20</b> | <b>188 053</b> |
| <b>Net balance sheet position</b>               | <b>12 473</b>  | <b>(133)</b>  | <b>(217)</b>  | <b>10</b> | <b>12 133</b>  |
| <b>Credit related commitments (Note 18)</b>     | <b>17 600</b>  | <b>551</b>    | <b>444</b>    | <b>-</b>  | <b>18 595</b>  |

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

**Liquidity risk.** Liquidity risk is defined as the risk that the Group 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 draw-downs, 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.

## 17 Financial Risk Management (Continued)

For managing liquidity risk, the Group monitors expected maturities, which may be summarised as follows at September 30, 2014:

|   | Demand<br>and less<br>than<br>1 month | From 1 to<br>6 months | From 6 to<br>12 months | Over 12<br>months | Total          |
|---|---------------------------------------|-----------------------|------------------------|-------------------|----------------|
| <i>In millions of Russian Roubles</i>                     |                                       |                       |                        |                   |                |
| <b>Financial assets</b>                                   |                                       |                       |                        |                   |                |
| Cash and cash equivalents                                 | 31 404                                | -                     | -                      | -                 | 31 404         |
| Mandatory cash balances with the Bank<br>of Russia        | 574                                   | 390                   | 263                    | 585               | 1 812          |
| Trading securities  | 11 295                                | -                     | -                      | -                 | 11 295         |
| Due from other banks                                      | 103                                   | 99                    | -                      | 648               | 850            |
| Loans and advances to customers                           | 8 013                                 | 38 535                | 36 079                 | 67 724            | 150 351        |
| Investment securities available for sale                  | 1 240                                 | 2 458                 | 3 314                  | 1 001             | 8 013          |
| Other financial assets                                    | 820                                   | -                     | -                      | -                 | 820            |
| <b>Total financial assets</b>                             | <b>53 449</b>                         | <b>41 482</b>         | <b>39 656</b>          | <b>69 958</b>     | <b>204 545</b> |
| <b>Non-financial assets</b>                               | <b>-</b>                              | <b>63</b>             | <b>233</b>             | <b>9 773</b>      | <b>10 069</b>  |
| <b>Total assets</b>                                       | <b>53 449</b>                         | <b>41 545</b>         | <b>39 889</b>          | <b>79 731</b>     | <b>214 614</b> |
| <b>Financial liabilities</b>                              |                                       |                       |                        |                   |                |
| Due to other banks  | 617                                   | 1 100                 | 2 272                  | 5 698             | 9 687          |
| Customer accounts   | 54 025                                | 34 195                | 24 685                 | 55 356            | 168 261        |
| Debt securities in issue                                  | 420                                   | 2 723                 | 264                    | 5 322             | 8 729          |
| Other financial liabilities                               | 249                                   | -                     | -                      | -                 | 249            |
| Subordinated loans  | -                                     | -                     | -                      | 3 394             | 3 394          |
| <b>Total financial liabilities</b>                        | <b>55 311</b>                         | <b>38 018</b>         | <b>27 221</b>          | <b>69 770</b>     | <b>190 320</b> |
| <b>Non-financial liabilities</b>                          | <b>-</b>                              | <b>-</b>              | <b>-</b>               | <b>697</b>        | <b>697</b>     |
| <b>Total liabilities</b>                                  | <b>55 311</b>                         | <b>38 018</b>         | <b>27 221</b>          | <b>70 467</b>     | <b>191 017</b> |
| <b>Net liquidity gap based on expected<br/>maturities</b> | <b>(1 862)</b>                        | <b>3 464</b>          | <b>12 435</b>          | <b>188</b>        | <b>14 225</b>  |
| <b>Cumulative liquidity gap</b>                           | <b>(1 862)</b>                        | <b>1 602</b>          | <b>14 037</b>          | <b>14 225</b>     |                |
| <b>Credit related commitments (Note 18)</b>               | <b>14 773</b>                         | <b>-</b>              | <b>-</b>               | <b>-</b>          | <b>14 773</b>  |

## 17 Financial Risk Management (Continued)

The analyses of Group's liquidity risk as at December 31, 2013 is as follows:

| <i>In millions of Russian Roubles</i>                                      | <b>Demand<br/>and less<br/>than<br/>1 month</b> | <b>From 1 to<br/>6 months</b> | <b>From 6 to<br/>12 months</b> | <b>Over 12<br/>months</b> | <b>Total</b>   |
|--|---|-------------------------------|--------------------------------|---------------------------|----------------|
| <b>Financial assets</b>  |   |                               |                                |                           |                |
| Cash and cash equivalents  | 29 331  | -                             | -                              | -                         | 29 331         |
| Mandatory cash balances with the Bank<br>of Russia                         | 675   | 320                           | 358                            | 427                       | 1 780          |
| Trading securities   | 4 647   | -                             | -                              | -                         | 4 647          |
| Due from other banks   | 124   | -                             | -                              | 520                       | 644            |
| Loans and advances to customers  | 6 129   | 45 492                        | 33 307                         | 70 900                    | 155 828        |
| Investment securities available for sale                                   | -   | 4 614                         | 2 318                          | 578                       | 7 510          |
| Other financial assets   | 1 010   | -                             | -                              | -                         | 1 010          |
| <b>Total financial assets</b>  | <b>41 916</b>                                   | <b>50 426</b>                 | <b>35 983</b>                  | <b>72 425</b>             | <b>200 750</b> |
| <b>Non-financial assets</b>  | <b>-</b>  | <b>91</b>                     | <b>325</b>                     | <b>9 840</b>              | <b>10 256</b>  |
| <b>Total assets</b>  | <b>41 916</b>                                   | <b>50 517</b>                 | <b>36 308</b>                  | <b>82 265</b>             | <b>211 006</b> |
| <b>Financial liabilities</b>   |   |                               |                                |                           |                |
| Due to other banks   | 207   | 502                           | 646                            | 7 641                     | 8 996          |
| Customer accounts  | 61 332  | 28 857                        | 31 136                         | 40 215                    | 161 540        |
| Debt securities in issue   | 2 432   | 1 346                         | 2 603                          | 3 773                     | 10 154         |
| Other borrowed funds   | -   | -                             | -                              | 3 004                     | 3 004          |
| Other financial liabilities  | 335   | -                             | -                              | -                         | 335            |
| Subordinated loans   | -   | 926                           | -                              | 3 098                     | 4 024          |
| <b>Total financial liabilities</b>   | <b>64 306</b>                                   | <b>31 631</b>                 | <b>34 385</b>                  | <b>57 731</b>             | <b>188 053</b> |
| <b>Non-financial liabilities</b>   | <b>-</b>  | <b>-</b>                      | <b>-</b>                       | <b>587</b>                | <b>587</b>     |
| <b>Total liabilities</b>   | <b>64 306</b>                                   | <b>31 631</b>                 | <b>34 385</b>                  | <b>58 318</b>             | <b>188 640</b> |
| <b>Net liquidity gap of financial assets<br/>and financial liabilities</b> | <b>(22 390)</b>                                 | <b>18 795</b>                 | <b>1 598</b>                   | <b>14 694</b>             | <b>12 697</b>  |
| <b>Cumulative liquidity gap</b>  | <b>(22 390)</b>                                 | <b>(3 595)</b>                | <b>(1 997)</b>                 | <b>12 697</b>             |                |
| <b>Credit related commitments (Note 18)</b>                                | <b>18 595</b>                                   | <b>-</b>                      | <b>-</b>                       | <b>-</b>                  | <b>18 595</b>  |

In the opinion of the Group's management, coincidence or/and controlled non-coincidence of the terms of placement and maturity and interest rates by assets and liabilities is a basic factor for the Group's successful management. Full coincidence of such positions is usually not the case at banks, as operations often have uncertain maturities and a different nature. The non-coincidence of such positions potentially raises the business profitability, but the risk of losses is raised at the same time. The repayment terms for assets and liabilities and the possibility of the replacement of interest liabilities at an acceptable cost as their maturities come close are important factors for assessing the Bank's liquidity and risks, should there be a change in interest rates and foreign exchange rates.

The Group's management believes that despite a material share of customers' funds with 'on demand' status, the diversification of such funds by amounts and types of depositors, and experience gained by the Group in previous periods indicate that such funds establish a long-term and stable source of funding for the Group's operations.

## 18 Contingencies and Commitments

**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 by the Group's management 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. The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

**Performance guarantees.** Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs.

Outstanding credit related commitments are as follows:

| <i>In millions of Russian Roubles</i>                              | <b>September 30, 2014<br/>(unaudited)</b> | <b>December 31,<br/>2013</b> |
|--|---|------------------------------|
| Unused limits on overdraft loans                                   | 13 458                                    | 16 530                       |
| Undrawn credit lines   | 1 052                                     | 1 429                        |
| Import letters of credit   | 68  | 414                          |
| Financial guarantees issued  | 195                                       | 222                          |
| <b>Total credit related commitments</b>                            | <b>14 773</b>                             | <b>18 595</b>                |
| Performance guarantees   | 10 696                                    | 12 635                       |
| <b>Total credit related commitments and performance guarantees</b> | <b>25 469</b>                             | <b>31 230</b>                |

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.