

# ***VOZROZHDENIE BANK***

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

**(unaudited)**

**September 30, 2015**

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**Vozrozhdenie Bank**  
**Interim Consolidated Statement of Financial Position as at September 30, 2015**

<i>In millions of Russian Roubles</i>	Note	September 30, 2015 (unaudited)	December 31, 2014
<b>ASSETS</b>			
Cash and cash equivalents	3	29 304	35 627
Mandatory cash balances with the Bank of Russia		1 166	1 865
Trading securities	4	6 617	13 203
Due from other banks	5	1 200	1 167
Loans and advances to customers	6	144 346	155 719
Investment securities available for sale	7	8 793	8 871
Other financial assets		1 636	1 417
Deferred tax asset		1 260	1 036
Other assets	8	6 200	5 434
Premises and equipment		3 133	3 210
Non-current assets classified as held for sale	8	244	373
<b>TOTAL ASSETS</b>		<b>203 899</b>	<b>227 922</b>
<b>LIABILITIES</b>			
Due to other banks	9	10 364	19 116
Customer accounts	10	159 511	174 218
Debt securities in issue	11	7 817	6 073
Other financial liabilities		371	647
Other liabilities		731	501
Subordinated loans	12	3 663	3 563
<b>TOTAL LIABILITIES</b>		<b>182 457</b>	<b>204 118</b>
<b>EQUITY</b>			
Share capital		250	250
Share premium		7 306	7 306
Retained earnings		13 244	15 792
Revaluation reserve for investment securities available for sale		642	456
<b>TOTAL EQUITY</b>		<b>21 442</b>	<b>23 804</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>203 899</b>	<b>227 922</b>

Approved for issue and signed on November 23, 2015.

Mr. Konstantin Basmanov  
 Chairman of the Management Board



Ms. Elena Volik  
 Chief Accountant

**Vozrozhdenie Bank**  
**Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**as at September 30, 2015**

	Note	9M ended September 30 (unaudited)		3M ended September 30 (unaudited)	
<i>In millions of Russian Roubles</i>		2015	2014	2015	2014
Interest income	13	17 958	15 073	5 960	5 061
Interest expense	13	(10 233)	(7 754)	(3 386)	(2 728)
<b>Net interest income</b>		<b>7 725</b>	<b>7 319</b>	<b>2 574</b>	<b>2 333</b>
Provision for loan impairment	6	(7 319)	(2 683)	(3 387)	(817)
<b>Net interest income after provision for loan impairment</b>		<b>406</b>	<b>4 636</b>	<b>(813)</b>	<b>1 516</b>
Fee and commission income	14	3 368	3 428	1 170	1 178
Fee and commission expense	14	(551)	(538)	(200)	(181)
Gains less losses from trading securities		223	(24)	(3)	(47)
Gains less losses from trading in foreign currencies		235	(24)	(146)	(212)
Foreign exchange translation gains less losses		200	344	263	357
Gains less losses from investments securities available for sale		142	3	18	1
Other operating income		225	255	77	47
Administrative and other operating expenses	15	(6 985)	(6 544)	(2 295)	(2 179)
Provision for credit-related and non-related commitments		78	-	(14)	-
Provision for impairment of other assets		(119)	19	(84)	(18)
<b>(Loss) / Profit before tax</b>		<b>(2 778)</b>	<b>1 555</b>	<b>(2 027)</b>	<b>462</b>
Income tax		244	(325)	62	(91)
<b>(LOSS) / PROFIT FOR THE REPORTING PERIOD</b>		<b>(2 534)</b>	<b>1 230</b>	<b>(1 965)</b>	<b>371</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		257	27	121	41
- Income tax recorded directly in other comprehensive income		(71)	(12)	(41)	(11)
<b>Other comprehensive income for the reporting period</b>		<b>186</b>	<b>15</b>	<b>80</b>	<b>30</b>
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE REPORTING PERIOD</b>		<b>(2 348)</b>	<b>1 245</b>	<b>(1 885)</b>	<b>401</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	-	15

**Vozrozhdenie Bank**  
**Interim Summarised Consolidated Statement of Changes in Equity as at September 30, 2015**

	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, 2014</b>	<b>250</b>	<b>7 306</b>	<b>456</b>	<b>15 792</b>	<b>23 804</b>
Loss for the nine months ended September 30, 2015	-	-	-	(2 534)	(2 534)
Other comprehensive income for the nine months ended September 30, 2015	-	-	186	-	186
<b>Total comprehensive income for the nine months</b>	<b>-</b>	<b>-</b>	<b>186</b>	<b>(2 534)</b>	<b>(2 348)</b>
Dividends declared	-	-	-	(14)	(14)
<b>Balance at September 30, 2015</b>	<b>250</b>	<b>7 306</b>	<b>642</b>	<b>13 244</b>	<b>21 442</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, 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 the nine months</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>

<i>In millions of Russian Roubles</i>	9M ended September 30, 2015 (unaudited)	9M ended September 30, 2014 (unaudited)
<b>Cash flows from operating activities</b>		
Interest received	17 581	15 077
Interest paid	(10 357)	(7 525)
Fees and commissions received	3 357	3 382
Fees and commissions paid	(578)	(576)
Net income received from trading in trading securities	27	5
Net income received from trading in foreign currencies	235	(24)
Other operating income received	227	193
Administrative and other operating expenses paid	(6 550)	(6 111)
Income tax paid	(265)	(148)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>3 677</b>	<b>4 273</b>
<b>Changes in operating assets and liabilities</b>		
Net decrease/(increase) in mandatory cash balances with the Bank of Russia	699	(32)
Net decrease/(increase) in trading securities	7 625	(5 251)
Net increase in due from other banks	(29)	(79)
Net decrease in loans and advances to customers	4 113	4 800
Net (increase)/decrease in other financial assets	(103)	257
Net decrease/(increase) in other assets	164	(68)
Net (decrease)/increase in due to other banks	(8 567)	593
Net (decrease)/increase in customer accounts	(18 734)	1 548
Net decrease in other borrowed funds	-	(3 000)
Net increase/(decrease) in debt securities in issue	1 784	(1 539)
Net decrease in other financial liabilities	(186)	(93)
Net decrease in other liabilities	(19)	(25)
<b>Net cash from/(used in) operating activities</b>	<b>(9 576)</b>	<b>1 384</b>
<b>Cash flows from investing activities</b>		
Acquisition of investment securities available for sale	(8 147)	(6 900)
Proceeds from disposal of investment securities available for sale	8 826	6 407
Acquisition of premises and equipment	(192)	(324)
Proceeds from disposal of premises and equipment	19	64
Proceeds from disposal of non-current assets held for sale	383	236
Proceeds from disposal of investment properties	-	12
Dividend income received	15	1
<b>Net cash from (used in) investing activities</b>	<b>904</b>	<b>(504)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(14)	(14)
Repayment of funds from international financial institution	(379)	(263)
Receipt of subordinated loans	-	243
Subordinated loans repayment	-	(958)
<b>Net cash used in financing activities</b>	<b>(393)</b>	<b>(992)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>2 742</b>	<b>2 185</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6 323)</b>	<b>2 073</b>
Cash and cash equivalents at the beginning of the year	35 627	29 331
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>29 304</b>	<b>31 404</b>

**1 Introduction**

These interim summarised consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards - IAS 34 - for the nine months ended September 30, 2015 for Bank Vozrozhdenie (the "Bank"), its subsidiaries and its securitisation structured entities, closed joint stock company "Mortgage Agent Vozrozhdeniye 1", closed joint stock company "Mortgage Agent Vozrozhdeniye 2", closed joint stock company "Mortgage Agent Vozrozhdeniye 3" and closed joint stock company "Mortgage Agent Vozrozhdeniye 4" (together referred to as the "Group").

The Bank is incorporated and performs its activity on the territory of the Russian Federation.

As at the reporting date, the shareholding structure of the Bank is as follows:

	Share in voting shares, %	Type of the possession right
ESTEVNO DEVELOPMENT LTD	10.53	indirect
JSC Pervobank	10.40	direct
DAMUS LIMITED	10.23	indirect
JPM International Consumer Holding Inc.	9.88	indirect
Promsvyazbank PJSC	9.79	direct
CREDIT BANK OF MOSCOW (open joint-stock company)	9.68	direct
NORDAN LIMITED	9.38	indirect
WIPASENA HOLDING LTD	7.50	indirect
Nikolay Orlov	6.98	direct

2014: the main shareholders of the Bank Dmitry Orlov died on December 5, 2014.

The Head Office of the Bank is located at the address: 7/4, Luchnikov Lane, Building 1, Moscow, 10100, the Russian Federation.

**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 66.2367 as at September 30, 2015, USD 1 = RR 56.2584 as at December 31, 2014, USD 1 = RR 39.3866 as at September 30, 2014 and EUR 1 = RR 74.5825, 68.3427 and 49.9540 respectively.

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

These interim summarised consolidated financial statements are to be considered along with the Group's annual financial statements for the year ended December 31, 2014.

These interim summarised 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 summarised 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, 2014.

Judgments made by the Group's management while applying accounting policy comply with the judgments described in the Bank's annual Financial Statements for 2014. 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, 2014, the Group's assets, revenues and income for the nine months ended September 30, 2015 did not change materially.

**3 Cash and Cash Equivalents**

<i>In millions of Russian Roubles</i>	<b>September 30, 2015 (unaudited)</b>	<b>December 31, 2014</b>
Cash on hand	6 801	14 878
Correspondent accounts and overnight placements with banks of - the Russian Federation	2 733	1 739
- Other countries	15 715	10 885
Cash balances with the Bank of Russia (other than mandatory cash balances)	4 055	8 125
<b>Total cash and cash equivalents</b>	<b>29 304</b>	<b>35 627</b>

Interest rate analyses are disclosed in Note 17.

**4 Trading Securities**

<i>In millions of Russian Roubles</i>	<b>September 30, 2015 (unaudited)</b>	<b>December 31, 2014</b>
Corporate Eurobonds	6 179	8 109
Corporate bonds	433	466
The Russian Federation Eurobonds	-	4 252
Municipal bonds	-	376
<b>Total debt securities</b>	<b>6 612</b>	<b>13 203</b>
Corporate shares	5	-
<b>Total trading securities</b>	<b>6 617</b>	<b>13 203</b>

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.

Trading securities are principally used by the Group for the purposes of liquidity risk management.

Interest rate analyses are disclosed in Note 17.

**5 Due from Other Banks**

<i>In millions of Russian Roubles</i>	<b>September 30, 2015 (unaudited)</b>	<b>December 31, 2014</b>
Insurance deposits with non-resident banks	1 089	925
Short-term placements with other banks	111	242
<b>Total due from other banks</b>	<b>1 200</b>	<b>1 167</b>

Currency and maturity analyses are disclosed in Note 17.

6 Loans and Advances to Customers

<i>In millions of Russian Roubles</i>	<b>September 30, 2015 (unaudited)</b>	<b>December 31, 2014</b>
Corporate loans - large	40 140	54 519
Corporate loans - medium	46 006	44 242
Corporate loans - small	22 136	25 181
Mortgage loans	33 903	31 870
Other loans to individuals	16 352	14 339
<b>Total gross loans and advances to customers before provision for loan impairment</b>	<b>158 537</b>	<b>170 151</b>
Less: Provision for loan impairment	(14 191)	(14 432)
<b>Total loans and advances to customers before provision for loan impairment</b>	<b>144 346</b>	<b>155 719</b>

Corporate loans are divided on the basis of total amount owned 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.

As at September 30, 2015, mortgage loans include mortgage portfolio of RR 9,311 million securitised in 2011-2015 (less provision for impairment), as at December 31, 2014 – RR 7,135 million (less provision for impairment).

Movements in the provision for loan impairment during the nine months of 2015 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, 2015</b>	<b>8 964</b>	<b>2 392</b>	<b>2 137</b>	<b>330</b>	<b>609</b>	<b>14 432</b>
Provision for impairment during the reporting period	3 306	2 765	1 055	84	451	7 661
Loans and advances to customers written off during the reporting period as uncollectible	(2 719)	(871)	(277)	(1)	-	(3 868)
Result from disposal of loans under cession agreements	(3 850)	-	-	-	(184)	(4 034)
<b>Provision for loan impairment at September 30, 2015</b>	<b>5 701</b>	<b>4 286</b>	<b>2 915</b>	<b>413</b>	<b>876</b>	<b>14 191</b>

The provision for loan impairment during the nine months of 2015 differs from the amount presented in profit or loss for the reporting period due to RR 342 million of recovery of provision for loans previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the reporting period.

## 6 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment during the nine months of 2014 were 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
<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 reporting period	1 304	371	767	91	186	2 719
Loans and advances to customers written off during the year as uncollectible	-	-	(182)	-	(1)	(183)
Result from disposal of loans under cession agreements	-	-	(12)	-	(172)	(184)
<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>

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

<i>In millions of Russian Roubles</i>	September 30, 2015 (Unaudited)				December 31, 2014			
	Loans	%	Provision	%	Loans	%	Provision	%
Individuals	50 255	32	1 289	9	46 209	27	939	6
Manufacturing	39 185	25	6 131	43	47 977	28	5 012	35
Trade	28 179	18	2 880	20	27 874	16	1 986	14
Construction	10 468	6	2 630	19	12 525	7	1 632	11
Real estate	8 702	5	439	3	10 398	6	2 088	14
State and public organisations	7 843	5	62	-	1 129	1	9	-
Agriculture	4 779	3	70	1	6 284	4	82	1
Transport and communication	3 610	2	480	3	5 321	3	2 178	15
Finance	1 308	1	72	1	1 636	1	287	2
Other	4 208	3	138	1	10 798	7	219	2
<b>Total gross loans and advances to customers</b>	<b>158 537</b>	<b>100</b>	<b>14 191</b>	<b>100</b>	<b>170 151</b>	<b>100</b>	<b>14 432</b>	<b>100</b>

State and public organisations exclude government owned profit orientated businesses.

As at September 30, 2015, the Group had 30 borrowers with aggregated loan amounts above RR 750 million. The total aggregate amount of these loans was RR 40,140 million, or 25% of the gross loans and advances to customers.

As at December 31, 2014, the Group had 35 borrowers with aggregated loan amounts above RR 750 million. The total aggregate amount of these loans was RR 54,519 million, or 32% of the gross loan portfolio.

## 6 Loans and Advances to Customers (Continued)

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

	Corporate loans - large	Corporate loans - medium	Corporate loans - small	Mortgage loans	Other loans to individuals	Total
<i>In millions of Russian Roubles</i>						
<i>Neither past due nor impaired</i>						
Borrowers with credit history over two years	33 732	-	-	-	-	33 732
New large borrowers	1 060	-	-	-	-	1 060
Corporate loans assessed on a portfolio basis issued in 2015	-	25 652	11 430	-	-	37 082
Corporate loans assessed on a portfolio basis issued before 2015	-	16 117	7 295	-	-	23 412
Loans to individuals:						
- mortgage loans issued in 2015	-	-	-	5 998	-	5 998
- mortgage loans issued before 2015	-	-	-	26 133	-	26 133
- consumer loans	-	-	-	-	13 115	13 115
- credit card loans	-	-	-	-	1 871	1 871
- car loans	-	-	-	-	133	133
<b>Total gross neither past due nor impaired</b>	<b>34 792</b>	<b>41 769</b>	<b>18 725</b>	<b>32 131</b>	<b>15 119</b>	<b>142 536</b>
<i>Past due but not impaired</i>						
- less than 30 days overdue	-	141	70	1 377	422	2 010
<b>Total gross past due but not impaired</b>	<b>-</b>	<b>141</b>	<b>70</b>	<b>1 377</b>	<b>422</b>	<b>2 010</b>
<i>Loans collectively determined to be impaired</i>						
- less than 30 days overdue	-	65	26	-	-	91
- 30 to 90 days overdue	-	558	98	42	145	843
- 91 to 180 days overdue	-	187	570	106	134	997
- 181 to 360 days overdue	-	390	670	70	200	1 330
- over 360 days overdue	-	661	1 932	177	332	3 102
<b>Total gross collectively impaired loans</b>	<b>-</b>	<b>1 861</b>	<b>3 296</b>	<b>395</b>	<b>811</b>	<b>6 363</b>
<i>Loans individually determined to be impaired</i>						
- less than 30 days overdue	986	194	-	-	-	1 180
- 30 to 90 days overdue	-	605	45	-	-	650
- 181 to 360 days overdue	1 692	1 436	-	-	-	3 128
- over 360 days overdue	2 670	-	-	-	-	2 670
<b>Total gross individually impaired loans</b>	<b>5 348</b>	<b>2 235</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>7 628</b>
Less: Provision for impairment	(5 701)	(4 286)	(2 915)	(413)	(876)	(14 191)
<b>Total loans and advances to customers less provision for impairment</b>	<b>34 439</b>	<b>41 720</b>	<b>19 221</b>	<b>33 490</b>	<b>15 476</b>	<b>144 346</b>

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

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

	Corporate loans - large	Corporate loans - medium	Corporate loans - small	Mortgage loans	Other loans to individuals	Total
<i>In millions of Russian Roubles</i>						
<i>Neither past due nor impaired</i>						
Borrowers with credit history over two years	41 713	-	-	-	-	41 713
New large borrowers	2 969	-	-	-	-	2 969
Corporate loans assessed on a portfolio basis issued in 2014	-	26 250	18 190	-	-	44 440
Corporate loans assessed on a portfolio basis issued before 2014	-	15 159	4 286	-	-	19 445
Loans to individuals:						
- mortgage loans issued in 2014	-	-	-	8 406	-	8 406
- mortgage loans issued before 2014	-	-	-	22 629	-	22 629
- consumer loans	-	-	-	-	11 519	11 519
- credit card loans	-	-	-	-	1 756	1 756
- car loans	-	-	-	-	213	213
<b>Total gross neither past due nor impaired</b>	<b>44 682</b>	<b>41 409</b>	<b>22 476</b>	<b>31 035</b>	<b>13 488</b>	<b>153 090</b>
<i>Past due but not impaired</i>						
- less than 30 days overdue	-	-	56	570	222	848
- 91 to 180 days overdue	628	-	-	-	-	628
<b>Total gross past due but not impaired</b>	<b>628</b>	<b>-</b>	<b>56</b>	<b>570</b>	<b>222</b>	<b>1 476</b>
<i>Loans collectively determined to be impaired</i>						
- less than 30 days overdue	-	5	8	-	-	13
- 30 to 90 days overdue	-	167	295	20	76	558
- 91 to 180 days overdue	-	114	523	40	78	755
- 181 to 360 days overdue	-	150	1 030	51	116	1 347
- over 360 days overdue	-	954	793	154	359	2 260
<b>Total gross collectively impaired loans</b>	<b>-</b>	<b>1 390</b>	<b>2 649</b>	<b>265</b>	<b>629</b>	<b>4 933</b>
<i>Loans individually determined to be impaired</i>						
- not past due	1 232	416	-	-	-	1 648
- less than 30 days overdue	460	-	-	-	-	460
- 30 to 90 days overdue	-	1 027	-	-	-	1 027
- over 360 days overdue	7 517	-	-	-	-	7 517
<b>Total gross individually impaired loans</b>	<b>9 209</b>	<b>1 443</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 652</b>
Less: Provision for impairment	(8 964)	(2 392)	(2 137)	(330)	(609)	(14 432)
<b>Total loans and advances to customers less provision for impairment</b>	<b>45 555</b>	<b>41 850</b>	<b>23 044</b>	<b>31 540</b>	<b>13 730</b>	<b>155 719</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 the sale and purchase agreement with use of credit sources, provided by the Group, and burdened with a mortgage by law;
- pledge of rights under the contract on acquisition of residential real estate at a construction stage;
- pledge of a share – for the residential real estate purchased under the contract on participation in ZhSK;
- real estate owned by individuals or legal entities, burdened with a mortgage;
- motor vehicles;
- guarantees of third parties, in particular employers of the individual borrower;
- pledge of right of claim on the individual's deposit; and
- 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.

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

Information about collateral, as at September 30, 2015, is 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>
Unsecured loans	4 091	7 128	2 559	829	13 976	28 583
Loans collateralised by:						
- residential real estate	-	-	-	24 673	2	24 675
- other real estate	12 763	19 244	9 989	12	953	42 961
- rights of claim under investment contracts	-	-	-	8 330	-	8 330
- equipment, inventories, motor vehicles	9 284	8 583	5 210	-	200	23 277
- securities (promissory notes, shares)	1 766	41	114	12	94	2 027
- cash deposits	-	-	1	28	6	35
- state guarantees and guarantees of the RF constituents	811	463	236	-	-	1 510
- other guarantees and third parties' guarantees	10 643	10 537	4 027	19	1 121	26 347
- other assets (other types of property)	782	10	-	-	-	792
<b>Total gross loans and advances to customers before provision for loan impairment</b>	<b>40 140</b>	<b>46 006</b>	<b>22 136</b>	<b>33 903</b>	<b>16 352</b>	<b>158 537</b>

Information about collateral at December 31, 2014 is 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>
Unsecured loans	2 557	3 021	2 391	1 255	11 374	20 598
Loans collateralised by:						
- residential real estate	-	-	-	21 191	2	21 193
- other real estate	21 788	19 464	11 342	15	1 338	53 947
- rights of claim under investment contracts	-	-	-	8 476	-	8 476
- equipment, inventories, motor vehicles	10 885	10 116	6 834	-	267	28 102
- securities (promissory notes, shares)	1 762	194	34	-	7	1 997
- cash deposits	-	-	-	24	14	38
- state guarantees and guarantees of the RF constituents	814	1 351	354	-	-	2 519
- other guarantees and third parties' guarantees	14 496	8 940	4 149	26	1 327	28 938
- other assets (other types of property, rights)	2 217	1 156	77	883	10	4 343
<b>Total loans and advances to customers before provision for loan impairment</b>	<b>54 519</b>	<b>44 242</b>	<b>25 181</b>	<b>31 870</b>	<b>14 339</b>	<b>170 151</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.

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

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.

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, 2015 (unaudited)</b>	<b>December 31, 2014</b>
Corporate bonds	6 033	7 670
Corporate Eurobonds	1 465	217
Municipal bonds	262	74
<b>Total debt investment securities available for sale</b>	<b>7 760</b>	<b>7 961</b>
Corporate shares	1 033	910
<b>Total investment securities available for sale</b>	<b>8 793</b>	<b>8 871</b>

Currency and maturity analyses are disclosed in Note 17.

**8 Other Assets**

<i>In millions of Russian Roubles</i>	<b>September 30, 2015 (unaudited)</b>	<b>December 31, 2014</b>
Inventory	5 204	4 353
Investment property	906	961
Prepayment of current income tax	486	272
Prepayments	370	404
Non-current assets held for sale	293	483
Other	336	444
<b>Total other assets (before provision for impairment of other assets)</b>	<b>7 595</b>	<b>6 917</b>
Less: Provision for impairment of other assets	(1 151)	(1 110)
<b>Total other assets</b>	<b>6 444</b>	<b>5 807</b>

**9 Due to Other Banks**

<i>In millions of Russian Roubles</i>	<b>September 30, 2015 (unaudited)</b>	<b>December 31, 2014</b>
Placements of other banks	8 208	9 331
Placements of the Bank of Russia	2 006	1 486
Correspondent accounts of other banks	150	299
Cash received under sale and repurchase agreements with the Bank of Russia	-	8 000
<b>Total due to other banks</b>	<b>10 364</b>	<b>19 116</b>

In April 2015 the Group has redeemed funds raised from the European Bank of Reconstruction and Development within the frame of small and medium enterprises lending programme.

As of 31 December 2014 funds raised from the European Bank of Reconstruction and Development in the amount of RR 415 million at rates from 5.5% to 7.0% were included into the deposits of other banks.

Currency and maturity analyses are disclosed in Note 17.

**10 Customer Accounts**

<i>In millions of Russian Roubles</i>	<b>September 30, 2015 (unaudited)</b>	<b>December 31, 2014</b>
<b>State and public organisations</b>		
- Current/settlement accounts	287	275
- Term deposits	2 113	-
<b>Other legal entities</b>		
- Current/settlement accounts	27 384	28 563
- Term deposits	14 192	22 536
<b>Individuals</b>		
- Current/demand accounts	14 635	18 161
- Term deposits	100 900	104 683
<b>Total customer accounts</b>	<b>159 511</b>	<b>174 218</b>

State and public organisations exclude government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Russian Roubles</i>	<b>September 30, 2015 (unaudited)</b>		<b>December 31, 2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Individuals	115 535	72	122 844	71
Trade	19 469	12	18 645	11
Manufacturing	8 433	5	7 560	4
Finance	4 759	3	12 737	7
Construction	3 666	2	6 944	4
State and public organisations	2 400	2	275	-
Transport and communication	2 368	2	2 576	1
Agriculture	1 640	1	1 465	1
Other	1 241	1	1 172	1
<b>Total customer accounts</b>	<b>159 511</b>	<b>100</b>	<b>174 218</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, 2015 (unaudited)</b>	<b>December 31, 2014</b>
Mortgage backed bonds in issue, including issued:	6 405	4 809
in June, 2015	2 753	-
in March, 2014	2 032	2 438
in April, 2013	1 193	1 598
in December, 2011	427	773
Promissory notes	1 412	1 102
Deposit certificates	-	162
<b>Total debt securities in issue</b>	<b>7 817</b>	<b>6 073</b>

**11 Debt Securities in Issue (Continued)**

Terms of mortgage-backed bonds issued in the frame of the securitisation deals:

<b>Issuance date</b>	<b>Maturity date</b>	<b>Issuance amount, RR mln</b>	<b>Class A bonds, RR mln</b>	<b>Class B bonds, RR mln</b>	<b>Coupon rate, %</b>	<b>Moody's rating</b>
June, 2015	January 27, 2048	3 450	3 000	450	9.00%	Baa3
March, 2014	October 26, 2046	3 450	3 000	450	9.00%	Baa2
April, 2013	August 25, 2045	4 000	2 960	1 040	8.50%	Baa3
December, 2011	August 10, 2044	4 071	2 931	1 140	8.95%	Baa2

Class "A" bonds were placed via CJSC SE MICEX Stock Exchange by public offering, class "B" bonds were placed by private offering to the Bank and, therefore, were not reflected in these Consolidated Financial Statements. Under the terms of issue of bonds, any funds received from early repayment of mortgage loans are to be used to repay the balance of face value of Class A bonds.

Terms of issue of mortgage bonds stipulate that Class B bonds shall be repaid only after repayment of Class A bonds.

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:

	<b>Start date</b>	<b>Maturity</b>	<b>Currency</b>	<b>September 30, 2015</b>				<b>December 31, 2014</b>	
				<b>(unaudited)</b>				<b>Contractual interest rate, %</b>	<b>Value, RR million</b>
№ 1	August 2010	August 2018	USD	8.00	199	8.00	169		
№ 2	July 2012	July 2020	RR	9.25	1 000	9.25	1 000		
№ 3	December 2012	July 2020	RR	9.25	1 000	9.25	1 000		
№ 4	February 2013	July 2020	RR	9.25	1 000	9.25	1 000		
№ 5	January 2014	January 2022	USD	8.50	464	8.50	394		
<b>Total subordinated loans</b>					<b>3 663</b>		<b>3 563</b>		

Currency and maturity analyses are disclosed in Note 17.

**13 Interest Income and Expense**

<i>In millions of Russian Roubles</i>	<b>9M ended September 30, 2015 (unaudited)</b>	<b>9M ended September 30, 2014 (unaudited)</b>
<b>Interest income</b>		
Loans and advances to customers - legal entities	11 247	9 325
Loans and advances to customers - individuals	5 510	5 066
Investment securities available for sale	609	372
Correspondent accounts and due from other banks	303	148
Trading securities	289	162
<b>Total interest income</b>	<b>17 958</b>	<b>15 073</b>
<b>Interest expense</b>		
Term deposits of individuals	7 150	4 863
Term deposits of legal entities	1 592	1 316
Due to other banks	582	485
Debt securities in issue	580	749
Subordinated loans	252	251
Current/settlement accounts of legal entities	77	27
Other borrowed funds	-	63
<b>Total interest expense</b>	<b>10 233</b>	<b>7 754</b>
<b>Net interest income</b>	<b>7 725</b>	<b>7 319</b>

**14 Fee and Commission Income and Expense**

<i>In millions of Russian Roubles</i>	<b>9M ended September 30, 2015 (unaudited)</b>	<b>9M ended September 30, 2014 (unaudited)</b>
<b>Fee and commission income</b>		
Credit/debit cards and cheques settlements	1 036	1 042
Settlement operations	867	801
Cash transactions	615	693
Guarantees issued	254	257
Payroll projects	174	234
Cash collection	157	161
Other	265	240
<b>Total fee and commission income</b>	<b>3 368</b>	<b>3 428</b>
<b>Fee and commission expense</b>		
Credit/debit cards and cheques settlements	444	413
Settlement operations	57	58
Settlements with currency and stock exchanges	25	23
Cash transactions	12	17
Other	13	27
<b>Total fee and commission expense</b>	<b>551</b>	<b>538</b>
<b>Net fee and commission income</b>	<b>2 817</b>	<b>2 890</b>

**15 Administrative and Other Operating Expenses***In millions of Russian Roubles*

	<b>9M ended September 30, 2015 (unaudited)</b>	<b>9M ended September 30, 2014 (unaudited)</b>
Staff costs	4 194	3 897
Administrative expenses	525	530
Other expenses related to premises and equipment	410	381
Contributions to the State Deposit Insurance Agency	371	329
Depreciation of premises and equipment	267	258
Rent expenses	264	259
Taxes other than on income	229	232
Advertising and marketing services	73	95
Repairs of premises and equipment	62	74
Other	590	489
<b>Total administrative and other operating expenses</b>	<b>6 985</b>	<b>6 544</b>

Included in staff costs are statutory contributions to non-budget funds of RR 867 million (2014: RR 794 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.

The Group's segments are strategic business directions that focus on different categories of customers. In these consolidated financial statements each operating segment is presented as a reportable segment. The "other" category includes unallocated items.

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.

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 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.

**16 Segment Analysis (Continued)**

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, 2015 and December 31, 2014.

<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>Other</b>	<b>Total</b>
<b>September 30, 2015</b>						
<b>Total assets of reporting segments</b>	<b>100 638</b>	<b>41 203</b>	<b>5 070</b>	<b>36 257</b>	<b>14 649</b>	<b>197 817</b>
<b>Total liabilities of reportable segments</b>	<b>53 999</b>	<b>100 956</b>	<b>14 700</b>	<b>5 628</b>	<b>513</b>	<b>175 796</b>
<b>December 31, 2014</b>						
<b>Total assets of reporting segments</b>	<b>114 913</b>	<b>38 991</b>	<b>7 315</b>	<b>41 459</b>	<b>20 723</b>	<b>223 401</b>
<b>Total liabilities of reporting segments</b>	<b>60 485</b>	<b>106 051</b>	<b>18 370</b>	<b>13 556</b>	<b>573</b>	<b>199 035</b>

The table below represents the information on income and expense per reportable segments for the nine months ended September 30, 2015. 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, 2015</b>							
Interest income	10 941	4 468	271	1 547	-	-	17 227
Non-interest income	2 265	862	1 257	318	-	(5)	4 697
Transfer income	3 364	9 086	597	281	283	-	13 611
<b>Total income</b>	<b>16 570</b>	<b>14 416</b>	<b>2 125</b>	<b>2 146</b>	<b>283</b>	<b>(5)</b>	<b>35 535</b>
Interest expense	(2 506)	(7 059)	(122)	(306)	-	-	(9 993)
Non-interest expense	(83)	(37)	(440)	(39)	-	(40)	(639)
Transfer expense	(9 421)	(3 414)	(149)	(622)	-	(5)	(13 611)
<b>Total expenses</b>	<b>(12 010)</b>	<b>(10 510)</b>	<b>(711)</b>	<b>(967)</b>	<b>-</b>	<b>(45)</b>	<b>(24 243)</b>
<b>Operating income before provision for loan impairment</b>	<b>4 560</b>	<b>3 906</b>	<b>1 414</b>	<b>1 179</b>	<b>283</b>	<b>(50)</b>	<b>11 292</b>
Provision for loan impairment	(1 747)	46	7	(1)	-	(29)	(1 724)
<b>Operating income</b>	<b>2 813</b>	<b>3 952</b>	<b>1 421</b>	<b>1 178</b>	<b>283</b>	<b>(79)</b>	<b>9 568</b>
Administrative and other operating expenses	(2 745)	(1 942)	(1 254)	(101)	-	(110)	(6 152)
Depreciation of premises and equipment	(116)	(77)	(64)	(5)	-	(1)	(263)
Financial result from cession	(5 800)	(121)	(81)	-	-	71	(5 931)
<b>Profit/(loss) before tax (Segment result)</b>	<b>(5 848)</b>	<b>1 812</b>	<b>22</b>	<b>1 072</b>	<b>283</b>	<b>(119)</b>	<b>(2 778)</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, 2014:

<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 the reconciliation of assets, liabilities, income and expenses of the Group's reportable segments.

**Reconciliation of reportable segment assets :**

<i>In millions of Russian Roubles</i>	<b>September 30, 2015 (unaudited)</b>	<b>December 31, 2014</b>
<b>Total reportable segment assets</b>	<b>197 817</b>	<b>223 401</b>
Adjustment of provision for loan impairment	765	823
Adjustment of provision for impairment of other assets	553	232
Recognition of financial instruments using the effective interest method	(400)	(342)
Adjustment of depreciation and cost or revalued amounts of premises and equipment	(572)	(569)
Difference in deferred tax asset	(637)	(291)
Consolidation	6 299	4 698
Other	74	(30)
<b>Total assets under IFRS</b>	<b>203 899</b>	<b>227 922</b>

**Reconciliation of reportable segment liabilities:**

<i>In millions of Russian Roubles</i>	<b>September 30, 2015 (unaudited)</b>	<b>December 31, 2014</b>
<b>Total reportable segment liabilities</b>	<b>175 796</b>	<b>199 035</b>
Accrued expenses	620	435
Recognition of fee and commission income temporary based	153	164
Provision for credit-related commitments	-	92
Recovery of deferred tax liabilities	(308)	(240)
Consolidation	6 196	4 632
<b>Total liabilities under IFRS</b>	<b>182 457</b>	<b>204 118</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, 2015 is as follows:

<i>In millions of Russian Roubles</i>	<b>Loss 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>Administ rative and other operating expenses</b>
<b>Total reportable segment result</b>	<b>(2 778)</b>	<b>17 227</b>	<b>4 697</b>	<b>(9 993)</b>	<b>(639)</b>	<b>(7 655)</b>	<b>(6 415)</b>
Recognition of interest income from lending using the effective interest method	(7)	(7)	-	-	-	-	-
Recognition of fee and commission income by reference to completion of the specific transaction	11	-	11	-	-	-	-
Adjustment of provisions for loan impairment and credit-related commitments	(436)	-	-	-	(88)	(348)	-
Accrued expenses	(372)	-	-	-	-	-	(372)
Differences in depreciation charges on premises and equipment	(5)	-	-	-	-	-	(5)
Provision for impairment of non-core assets	742	-	-	-	-	742	-
Reclassification of management accounts items	-	272	(316)	136	149	(99)	(142)
Consolidation	39	466	-	(376)	-	-	(51)
Other	28	-	1	-	27	-	-
<b>Total under IFRS</b>	<b>(2 778)</b>	<b>17 958</b>	<b>4 393</b>	<b>(10 233)</b>	<b>(551)</b>	<b>(7 360)</b>	<b>(6 985)</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, 2014 is as follows:

<i>In millions of Russian Roubles</i>	Profit before tax	Interest income	Non- interest income	Interest expense	Non- interest expense	Provision for loan impairment	Administ rative and other operating expenses
<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 commission income by reference to completion of the specific transaction	46	-	46	-	-	-	-
Accrued expenses	(306)	-	-	-	-	-	(306)
Differences in depreciation charges on premises and equipment	(9)	-	-	-	-	-	(9)
Adjustment of provisions for loan impairment	(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	27	-	-	-	37	-	(10)
<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>

**17 Financial Risk Management**

The Bank is head credit institution of the banking group (Group) which also includes the following participants:

<b>Participant</b>	<b>Location</b>
CJSC "MAV 1"	Moscow
CJSC "MAV 2"	Moscow
CJSC "MAV 3"	Moscow
"MAV 4" LLC	Moscow
Vozrozhdenie Finance LLC	Moscow
V-REGISTER CJSC	Moscow
YUNOST OJSC	Moscow region
Baltiisky Kurort LLC	Kaliningrad region

The share of equity of all participants of the Group in the capital of the Group is 5.4%. There are no large participants with the share exceeding 5% of equity or financial result of the Group.

The organisation 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.

Key planned measures of risk mitigation policy are established within the scope of the Group's strategy, which complies with the Group members' strategic goals and is aimed at further improvement of risk management system in accordance with the business objectives, the number and the size of accepted risks and the optimal balance between profitability and risk level.

The Group's risk management system ensures timely risk identification, analysis, measurement and assessment of risk positions and also application of risk management methods (prevention, mitigation, distribution and absorption). Risk assessment and management procedures are integrated into current operations.

The decisions on the development of new lines of business (new products) are taken with account for preliminary analysis of potential risks, to which particular line of business (product) can be exposed.

Key components of the risk management system of the Group, including specialised structural units in charge of risk control, are concentrated in the Group's head credit unit.

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, 2014.

The tables below summarise 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.

## 17 Financial Risk Management (Continued)

**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, 2015:

	RR	USD	Euro	Other	Total
<i>In millions of Russian Roubles</i>					
<b>Monetary financial assets</b>					
Cash and cash equivalents	11 270	11 746	6 107	181	29 304
Mandatory cash balances with the Bank of Russia	846	220	98	2	1 166
Trading securities	432	4 770	1 410	-	6 612
Due from other banks	1 164	36	-	-	1 200
Loans and advances to customers	137 273	4 194	2 879	-	144 346
Investment securities available for sale	6 295	-	1 465	-	7 760
Other financial assets	960	672	3	1	1 636
<b>Total monetary financial assets</b>	<b>158 240</b>	<b>21 638</b>	<b>11 962</b>	<b>184</b>	<b>192 024</b>
<b>Monetary financial liabilities</b>					
Due to other banks	7 874	4	2 486	-	10 364
Customer accounts	127 314	22 144	9 846	207	159 511
Debt securities in issue	7 730	41	46	-	7 817
Other financial liabilities	366	12	7	-	385
Subordinated loans	3 000	663	-	-	3 663
<b>Total monetary financial liabilities</b>	<b>146 284</b>	<b>22 864</b>	<b>12 385</b>	<b>207</b>	<b>181 740</b>
<b>Net balance sheet position</b>	<b>11 956</b>	<b>(1 226)</b>	<b>(423)</b>	<b>(23)</b>	<b>10 284</b>

**17 Financial Risk Management (Continued)**

The table below summarises the Group's exposure to foreign currency exchange rate risk at December 31, 2014:

	RR	USD	Euro	Other	Total
<i>In millions of Russian Roubles</i>					
<b>Monetary financial assets</b>					
Cash and cash equivalents	20 372	7 789	7 422	44	35 627
Mandatory cash balances with the Bank of Russia	1 311	382	172	-	1 865
Trading securities	842	6 825	5 536	-	13 203
Due from other banks	69	1 098	-	-	1 167
Loans and advances to customers	137 403	14 495	3 821	-	155 719
Investment securities available for sale	7 744	217	-	-	7 961
Other financial assets	412	915	89	1	1 417
<b>Total monetary financial assets</b>	<b>168 153</b>	<b>31 721</b>	<b>17 040</b>	<b>45</b>	<b>216 959</b>
<b>Monetary financial liabilities</b>					
Due to other banks	15 283	435	3 398	-	19 116
Customer accounts	129 721	30 701	13 774	22	174 218
Debt securities in issue	6 070	3	-	-	6 073
Other financial liabilities	634	3	10	-	647
Subordinated loans	3 000	563	-	-	3 563
<b>Total monetary financial liabilities</b>	<b>154 708</b>	<b>31 705</b>	<b>17 182</b>	<b>22</b>	<b>203 617</b>
<b>Net balance sheet position</b>	<b>13 445</b>	<b>16</b>	<b>(142)</b>	<b>23</b>	<b>13 342</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.

If as of September 30, 2015, the US Dollar exchange rate were 20.0% higher (or 20.0% lower) while all other variables would remain unchanged, the pre-tax loss would be RR 245 million more (RR 245 million less).

If as of December 31, 2014, the US Dollar exchange rate were 20.0% higher (or 20.0% lower) while all other variables would remain unchanged, the pre-tax profit for the year would be RR 3 million more (RR 3 million less).

If as of September 30, 2015, the Euro exchange rate were 20.0% higher (or 20.0% lower) while all other variables would remain unchanged, the pre-tax loss would be RR 85 million more (RR 85 million less).

If as of December 31, 2014, the Euro exchange rate were 20.0% higher (or 20.0% lower) while all other variables would remain unchanged, the pre-tax profit for the year would be RR 28 million less (RR 28 million more).

**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, 2015:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
<i>In millions of Russian Roubles</i>					
<b>Financial assets</b>					
Cash and cash equivalents	29 304	-	-	-	29 304
Mandatory cash balances with the Bank of Russia	398	346	299	123	1 166
Trading securities	6 617	-	-	-	6 617
Due from other banks	111	-	-	1 089	1 200
Loans and advances to customers	9 208	33 373	35 893	65 872	144 346
Investment securities available for sale	1 771	2 886	732	3 404	8 793
Other financial assets	1 636	-	-	-	1 636
<b>Total financial assets</b>	<b>49 045</b>	<b>36 605</b>	<b>36 924</b>	<b>70 488</b>	<b>193 062</b>
<b>Non-financial assets</b>	<b>-</b>	<b>-</b>	<b>244</b>	<b>10 593</b>	<b>10 837</b>
<b>Total assets</b>	<b>49 045</b>	<b>36 605</b>	<b>37 168</b>	<b>81 081</b>	<b>203 899</b>
<b>Financial liabilities</b>					
Due to other banks	711	4 685	797	4 171	10 364
Customer accounts	54 470	47 044	41 113	16 884	159 511
Debt securities in issue	565	1 513	1 067	4 672	7 817
Other financial liabilities	371	-	-	-	371
Subordinated loans	-	-	-	3 663	3 663
<b>Total financial liabilities</b>	<b>56 117</b>	<b>53 242</b>	<b>42 977</b>	<b>29 390</b>	<b>181 726</b>
<b>Non-financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>731</b>	<b>731</b>
<b>Total liabilities</b>	<b>56 117</b>	<b>53 242</b>	<b>42 977</b>	<b>30 121</b>	<b>182 457</b>
<b>Net liquidity gap based on expected maturities</b>	<b>(7 072)</b>	<b>(16 637)</b>	<b>(6 053)</b>	<b>41 098</b>	<b>11 336</b>
<b>Cumulative liquidity gap</b>	<b>(7 072)</b>	<b>(23 709)</b>	<b>(29 762)</b>	<b>11 336</b>	
<b>Credit related commitments (Note 18)</b>	<b>13 228</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 228</b>

## 17 Financial Risk Management (Continued)

The analyses of Group's liquidity risk as at December 31, 2014 is as follows:

<i>In millions of Russian Roubles</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>Financial assets</b>					
Cash and cash equivalents	35 627	-	-	-	35 627
Mandatory cash balances with the Bank of Russia	644	346	263	612	1 865
Trading securities	13 203	-	-	-	13 203
Due from other banks	242	-	-	925	1 167
Loans and advances to customers	6 193	41 187	35 406	72 933	155 719
Investment securities available for sale	-	4 445	3 299	1 127	8 871
Other financial assets	1 417	-	-	-	1 417
<b>Total financial assets</b>	<b>57 326</b>	<b>45 978</b>	<b>38 968</b>	<b>75 597</b>	<b>217 869</b>
<b>Non-financial assets</b>	<b>-</b>	<b>-</b>	<b>373</b>	<b>9 680</b>	<b>10 053</b>
<b>Total assets</b>	<b>57 326</b>	<b>45 978</b>	<b>39 341</b>	<b>85 277</b>	<b>227 922</b>
<b>Financial liabilities</b>					
Due to other banks	9 279	1 597	3 667	4 573	19 116
Customer accounts	60 035	32 035	24 674	57 474	174 218
Debt securities in issue	681	1 134	757	3 501	6 073
Other financial liabilities	647	-	-	-	647
Subordinated loans	-	-	-	3 563	3 563
<b>Total financial liabilities</b>	<b>70 642</b>	<b>34 766</b>	<b>29 098</b>	<b>69 111</b>	<b>203 617</b>
<b>Non-financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>501</b>	<b>501</b>
<b>Total liabilities</b>	<b>70 642</b>	<b>34 766</b>	<b>29 098</b>	<b>69 612</b>	<b>204 118</b>
<b>Net liquidity gap of financial assets and financial liabilities</b>	<b>(13 316)</b>	<b>11 212</b>	<b>9 870</b>	<b>6 486</b>	<b>14 252</b>
<b>Cumulative liquidity gap</b>	<b>(13 316)</b>	<b>(2 104)</b>	<b>7 766</b>	<b>14 252</b>	
<b>Credit related commitments (Note 18)</b>	<b>13 649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 649</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

**Legal proceedings.** From time to time and in the normal course of business, claims against the Group are received. As of 30 September 2015 the Group has recognised RR 14 million of estimated liability. At 31 December 2014, the Group was engaged in litigation proceedings in relation to its commitments under the issued guarantee in the amount of RR 251 million. As of 30 September 2015 the Group has fulfilled the commitment.

**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, 2015 (unaudited)</b>	<b>December 31, 2014</b>
Unused limits on overdraft loans	11 907	12 585
Undrawn credit lines	1 321	926
Financial guarantees issued	-	109
Import letters of credit	-	29
<b>Total credit related commitments</b>	<b>13 228</b>	<b>13 649</b>
Performance guarantees	9 850	11 461
<b>Total credit related commitments and performance guarantees</b>	<b>23 078</b>	<b>25 110</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.

**19 Events After the Reporting Date**

In October, 2015 Vozrozhdenie Bank got five issues of sovereign bonds (OFZ) with aggregate face value of RUB 6.6 billion maturing from 2025 to 2034 under the subordinated loan agreement with the Deposit Insurance Agency. The interest rates on the instrument are equal to the relevant OFZ coupon rates plus 1%.

The bank has also concluded an agreement with the Agency on monitoring activity of the bank; its particular terms have been preliminarily approved by the extraordinary General Meeting of Shareholders of the bank.

The state support obtained via the recapitalisation programme proves the enduring financial position of the bank and its importance for the Russian economy as well as offers additional opportunities for the future business development.

An extraordinary General Meeting of Shareholders of the Bank is scheduled for November 27, 2015. A new Board of Directors is to be elected during the Meeting.