PROMSVYAZBANK

Interim Consolidated Condensed Financial Information
for the nine-month period ended
30 September 2014

(unaudited)

Contents

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Report on Review of Interim Consolidated Condensed Financial Information

To the Board of Directors and Shareholders of OAO "Promsvyazbank":

Introduction

We have reviewed the accompanying interim consolidated condensed statement of financial position of OAO "Promsvyazbank" and its subsidiaries (the "Group") as of 30 September 2014 and the related interim consolidated condensed statements of profit or loss and other comprehensive income for the three and nine months then ended, interim consolidated condensed changes in equity and interim consolidated condensed cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this interim consolidated condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim consolidated condensed financial information based on our review.

Scope of review

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

Conclusion

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

ZAO PricewaterhouseCoopers Audit

19 December 2014
Moscow, Russian Federation

N.A. Mileshkina, Director (licence no. 01-000197), ZAO PricewaterhouseCoopers Audit

Audited entity: OAO "Promsvyazbank"

State registration certificate № 3251, issued by the Central Bank of the Russian Federation on 12 May 1995

10/22 Smirnovskaya Str., 109052 Moscow, Russian Federation

Independent auditor: ZAO PricewaterhouseCoopers Audit

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

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

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

(expressed in million of Russian Roubles – refer to Note 2)

	Notes	30 September 2014 (unaudited)	31 December 2013
ASSETS			
Cash and cash equivalents	4	70 363	69 762
Obligatory reserves with central banks		6 659	7 493
Placements with banks and other financial institutions		15 267	20 681
Financial assets at fair value through profit or loss	5	29 288	57 714
- Unpledged		*27 995*	*48 307*
- Pledged under sale and repurchase agreements		*1 293*	*9 407*
Amounts receivable under reverse repurchase agreements		26 416	2 658
Loans to customers	6	698 910	545 469
Investments available for sale		309	328
Investments in associates	7	2 225	-
Other assets		7 346	7 521
Current income tax prepayments		2 247	280
Deferred tax asset		1 539	1 655
Investment property		2 454	1 849
Property and equipment		23 862	23 687
TOTAL ASSETS		**886 885**	**739 097**
LIABILITIES			
Financial liabilities at fair value through profit or loss		7 473	2 925
Deposits and balances due to banks and other financial institutions	8	107 459	58 024
Amounts payable under repurchase agreements		15 924	9 503
Current accounts and deposits from customers	9	570 197	488 119
Debt securities in issue	10	31 669	52 671
Other borrowed funds	11	16 652	15 009
Other liabilities		3 692	3 501
Current income tax payable		4	3
Deferred tax liability		23	30
Subordinated borrowings	12	66 415	43 150
TOTAL LIABILITIES		**819 508**	**672 935**
EQUITY			
Share capital		12 202	12 202
Share premium		20 612	20 612
Additional paid-in-capital		82	82
Revaluation reserve for property		2 067	2 070
Revaluation reserve for investments available for sale		230	212
Retained earnings		32 243	31 005
Total equity attributable to owners of the parent		**67 436**	**66 183**
Non-controlling interest		**(59)**	**(21)**
TOTAL EQUITY		**67 377**	**66 162**
TOTAL LIABILITIES AND EQUITY		**886 885**	**739 097**

Approved for issue and signed on behalf of the Management Board on 19 December 2014.

Konstandian A.G.
Chairman of the Management Board

Krokhinov V.N.
Deputy Chairman of the Management Board

The notes set out on pages 5 to 51 form an integral part of this interim consolidated condensed financial information.

(expressed in million of Russian Roubles – refer to Note 2)

	Notes	Nine-month period ended 30 September 2014 (unaudited)	Nine-month period ended 30 September 2013 (unaudited)	Three-month period ended 30 September 2014 (unaudited)	Three-month period ended 30 September 2013 (unaudited)
Interest income		57 803	48 315	20 378	17 100
Interest expense		(32 869)	(26 790)	(11 824)	(9 308)
Net interest income	13	**24 934**	**21 525**	**8 554**	**7 792**
Fee and commission income	14	12 884	9 273	4 476	3 484
Fee and commission expense	15	(3 198)	(2 182)	(1 072)	(881)
Net fee and commission income		**9 686**	**7 091**	**3 404**	**2 603**
Net (loss)/gain on financial instruments at fair value through profit or loss and on early redemption of senior loan participation notes	16	(3 399)	590	(793)	485
Net foreign exchange (loss)/gain		(915)	470	(2 686)	64
Gain from investments in associates		2 225	-	2 225	-
Other income		15	457	-	101
Other expenses		(805)	(556)	(368)	(171)
Operating income		**31 741**	**29 577**	**10 336**	**10 874**
Loan impairment charge	6	(13 786)	(7 062)	(4 405)	(4 444)
Other impairment (charge)/reversal		(26)	(63)	22	(49)
General and administrative expenses	17	(16 176)	(15 580)	(4 895)	(4 984)
		(29 988)	**(22 705)**	**(9 278)**	**(9 477)**
Profit before tax		**1 753**	**6 872**	**1 058**	**1 397**
Income tax expense		(338)	(1 269)	(204)	(259)
Profit after tax		**1 415**	**5 603**	**854**	**1 138**
Other comprehensive income/ (loss)					
Items that may be reclassified subsequently to profit or loss:					
Revaluation of investments available for sale		22	35	44	6
Income tax related to revaluation of investments available for sale		(4)	(7)	(8)	(1)
Change in cash flow hedge reserve		(273)	-	(273)	-
Income tax related to change in cash flow hedge reserve		55	-	55	-
Other comprehensive (loss)/income, net of tax		**(200)**	**28**	**(182)**	**5**
Total comprehensive income		**1 215**	**5 631**	**672**	**1 143**
Profit attributable to:					
Owners of the parent		**1 453**	**5 605**	**814**	**1 135**
Non-controlling interest		**(38)**	**(2)**	**40**	**3**
Total comprehensive income attributable to:					
Owners of the parent		**1 253**	**5 633**	**632**	**1 140**
Non-controlling interest		**(38)**	**(2)**	**40**	**3**
Basic and diluted earnings per ordinary share (expressed in RUB per share)	18	**0.001**	**0.005**	**0.001**	**0.001**

The notes set out on pages 5 to 51 form an integral part of this interim consolidated condensed financial information.

(expressed in million of Russian Roubles – refer to Note 2)

	Notes	Nine-month period ended 30 September 2014 (unaudited)	Nine-month period ended 30 September 2013 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		50 881	45 337
Fee and commission received		12 864	9 133
Interest paid		(31 275)	(24 555)
Fee and commission paid		(3 226)	(1 946)
Net (payments)/receipts from financial instruments at fair value through profit or loss		(5 835)	642
Net receipts from foreign exchange transactions		10 186	2 521
Other income received		139	154
Other expense		(805)	(490)
General and administrative expenses paid		(14 960)	(14 227)
		17 969	**16 569**
Decrease/(increase) in operating assets			
Obligatory reserves with central banks		834	(936)
Placements with banks and other financial institutions with original maturity of over one month		7 190	(3 945)
Financial assets at fair value through profit or loss		37 557	(11 154)
Amounts receivable under reverse repurchase agreements		(23 736)	4 206
Loans to customers		(129 199)	(41 342)
Other assets		2 353	13
(Decrease)/increase in operating liabilities			
Financial liabilities at fair value through profit or loss		742	609
Deposits and balances from banks and other financial institutions		44 221	10 722
Amounts payable under repurchase agreements		6 407	16 338
Current accounts and deposits from customers		49 156	4 865
Promissory notes and certificates of deposit		2 488	(1 162)
Other liabilities		(1 133)	(188)
Net cash flows from/(used in) operating activities before taxes paid		**14 849**	**(5 405)**
Income tax paid		(2 144)	(1 528)
Cash flows from/(used in) operations		**12 705**	**(6 933)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of subsidiaries		-	17
Disposal of investments available for sale		42	-
Purchases of investment property		(453)	(22)
Disposal of investment property		286	72
Redemption of investments held to maturity		-	463
Purchases of property and equipment		(1 160)	(1 038)
Disposals of property and equipment		183	142
Cash flows used in investing activities		**(1 102)**	**(366)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of loan participation notes and domestic bonds		3 422	7 806
Repayment and repurchase of senior loan participation notes and domestic bonds		(33 097)	(18 368)
Repayment of other borrowed funds		(2 642)	(2 913)
Proceeds from other borrowed funds		2 343	1 172
Repayment of subordinated debt		(8 333)	(6 515)
Proceeds from subordinated debt		22 202	9 847
Cash flows used in financing activities		**(16 105)**	**(8 971)**
Net decrease in cash and cash equivalents		**(4 502)**	**(16 270)**
Effect of changes in exchange rates on cash and cash equivalents		5 103	1 612
Cash and cash equivalents at the beginning of the period		69 762	122 591
Cash and cash equivalents at the end of the period	4	**70 363**	**107 933**

The notes set out on pages 5 to 51 form an integral part of this interim consolidated condensed financial information.

(expressed in million of Russian Roubles – refer to Note 2)

	Share capital	Share premium	Additional paid-in-capital	Revaluation reserve for property	Revaluation reserve for investments available for sale	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2013	**12 202**	**20 612**	**82**	**3 039**	**(99)**	**26 961**	**62 797**	**(51)**	**62 746**
Profit/(loss) after tax	-	-	-	-	-	5 605	5 605	(2)	5 603
Other comprehensive income, net of tax	-	-	-	-	28	-	28	-	28
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**28**	**5 605**	**5 633**	**(2)**	**5 631**
Disposal of buildings – effect on retained earnings	-	-	-	(29)	-	29	-	-	-
Sale of NCI of subsidiary	-	-	-	-	-	29	29	31	60
Balance at 30 September 2013	**12 202**	**20 612**	**82**	**3 010**	**(71)**	**32 624**	**68 459**	**(22)**	**68 437**
(Loss)/profit after tax	-	-	-	-	-	(1 648)	(1 648)	1	(1 647)
Other comprehensive (loss)/income, net of tax	-	-	-	(911)	283	-	(628)	-	(628)
Total comprehensive (loss)/income	**-**	**-**	**-**	**(911)**	**283**	**(1 648)**	**(2 276)**	**1**	**(2 275)**
Disposal of buildings – effect on retained earnings	-	-	-	(29)	-	29	-	-	-
Balance at 1 January 2014	**12 202**	**20 612**	**82**	**2 070**	**212**	**31 005**	**66 183**	**(21)**	**66 162**
Profit/(loss) after tax	-	-	-	-	-	1 453	1 453	(38)	1 415
Other comprehensive (loss)/income, net of tax	-	-	-	-	18	(218)	(200)	-	(200)
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**18**	**1 235**	**1 253**	**(38)**	**1 215**
Disposal of buildings – effect on retained earnings	-	-	-	(3)	-	3	-	-	-
Balance at 30 September 2014	**12 202**	**20 612**	**82**	**2 067**	**230**	**32 243**	**67 436**	**(59)**	**67 377**

The notes set out on pages 5 to 51 form an integral part of this interim consolidated condensed financial information.

(expressed in million of Russian Roubles – refer to Note 2)

1 Background

Principal activities

Promsvyazbank Group (the "Group" or "Promsvyazbank") consists of various legal entities formed under the laws of the Russian Federation (the "RF") and other countries (refer to Note 2 for the list of subsidiaries). OAO Promsvyazbank (the "Bank"), which is the parent company of the Group, was initially established in the Russian Federation as a limited liability company converting subsequently to a closed joint-stock company in July 2001 and finally to an open joint-stock company in September 2007. The Bank was granted a banking license for operations in roubles on 12 May 1995. The Bank's operations were expanded to include transactions with all types of foreign currencies and transactions in foreign currencies with legal entities and individuals on 30 December 1996 and 31 December 1997, respectively.

The activities of the Bank are regulated by the Central Bank of the Russian Federation (the "CBR"). The Bank holds a full (general) banking license from the CBR and is also authorised by the CBR to trade in precious metals. In October 2004, the CBR accepted the Bank into the State deposit insurance system. In addition, the Group holds licenses from the Federal Service for Financial Markets (the "FSFM") to act as a broker, dealer, custodian and a securities manager in the Russian securities market. The Group also holds a license from the FSFM as a commodities exchange broker to trade futures and options.

The Group's principal activities are in commercial banking. These activities consist of corporate, small and medium size entities ("SME") and retail banking. Corporate banking includes deposit taking and lending to corporate borrowers, factoring, settlements, cash operations, documentary transactions. Corporate banking services also include trade and project finance. SME banking includes deposit taking and lending to small and medium entities, settlements and cash operations. Retail banking includes deposit taking and retail lending, money transfer and banking card services, foreign exchange and cash operations with individuals and asset management.

The Group also offers investment banking services, including corporate finance, debt and equity capital markets, brokerage, repo transactions and securities trading, foreign exchange, precious metals and banknote operations.

The table below summarises the information about the branch network.

	30 September 2014	31 December 2013
Branches	9	9
Full-service sub-branches	14	15
Retail and SME sub-branches	276	293
Representative offices	5	5
Total number of offices	**304**	**322**

As at 30 September 2014 and 31 December 2013 the Bank operated 8 branches located within the Russian Federation and a branch located in Limassol (Cyprus). As at 30 September 2014 representative offices are located in the Russian Federation, China, India, Ukraine and Kazakhstan. The Group is currently in the process of a reorganization of the branch network.

The Bank's head office is registered at the following address: 109052, Smirnovskaya 10, Moscow, Russian Federation.

(expressed in million of Russian Roubles – refer to Note 2)

1 Background (continued)

Shareholders as at 30 September 2014 and 31 December 2013

	30 September 2014	31 December 2013
Promsvyaz Capital B. V.*	88.25%	88.25%
European Bank for Reconstruction and Development	11.75%	11.75%
	100%	**100%**

***** - Antracite Investment Limited (United Kingdom) and Urgula Platinum Limited (United Kingdom) are the owners of Promsvyaz Capital BV (Netherlands), each share of the company is 50%. Owner of the Antracite Investment Limited (United Kingdom) is Mr. Ananiev A.N. Owner of the Urgula Platinum Limited (United Kingdom) is Mr. Ananiev D.N.

This interim consolidated condensed financial information were authorised for issue on 19 December 2014 by the Management Board. The entity's management have the power to amend the interim consolidated condensed financial information after issue.

Russian business environment

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

The recent political and economic turmoil witnessed in the region, in particular the developments in Ukraine, have had and may continue to have a negative impact on the Russian economy, including weakening of the Russian Rouble, higher interest rates, reduced liquidity and making it harder to raise international funding. These events, including current and future international sanctions against Russian companies and individuals and the related uncertainty and volatility of the financial markets, may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation may differ from management's expectations.

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 6.

2 Basis of preparation

Statement of compliance

This interim consolidated condensed financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of measurement

This interim consolidated condensed financial information are prepared on the historical cost basis except that the financial instruments at fair value through profit or loss and available for sale investments for which fair value can be reliably measured are stated at fair value, and buildings are revalued periodically.

(expressed in million of Russian Roubles – refer to Note 2)

2 Basis of preparation (continued)

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”). The functional currency for all group companies is the Russian Rouble. Functional currency is determined as the currency of the primary economic environment in which the company operates. Management determined the RUB as the functional currency for the Bank, group companies domiciled in the Russian Federation and those group companies domiciled outside of the Russian Federation, because it reflects the economic substance of the underlying events and circumstances. The RUB is also the presentation currency for the purpose of this interim consolidated condensed financial information.

Financial information presented in RUB is rounded to the nearest million.

Consolidated companies

The interim consolidated condensed financial information includes the following principal subsidiaries of the Bank:

Name	Country of Incorporation	Main Activity	Consolidated as at 30 September 2014, %	Consolidated as at 31 December 2013, %
PSB Finance S.A.	Luxembourg	Financial Activity	100%	100%
OOO “UK Promsvyaz”	Russian Federation	Asset management	100%	100%
OOO “Open Leasing Company”	Russian Federation	Leasing	100%	100%
OOO “Promsvyazfactoring”	Russian Federation	Factoring	100%	100%
OOO “Saint-Petersburg International Banking Conference”	Russian Federation	Services	100%	100%
CJSC “Mortgage Agent PSB 2013”	Russian Federation	Financial Activity	100%	100%
PSB ECP Limited	Ireland	Financial Activity	100%	100%
TOO “PromSvyazFactor “	Republic of Kazahstan	Factoring	100%	100%
OOO “Venture Fund SME”	Russian Federation	Financial Activity	100%	100%
OOO “Business alliance”	Russian Federation	Financial Services	100%	-

PSB Finance S.A. is structured entity established to facilitate the issues of debt securities. The entity is not owned by the Group and control arises through the predetermination of the entities’ activities.

OOO “UK Promsvyaz”. The principal activity of OOO “UK Promsvyaz” is asset management. The Group directly controls 100% of this entity.

OOO “Open Leasing Company” was established by the Group in July 2007. The Group controls 100% of OOO “Open Leasing Company”.

OOO “Promsvyazfactoring”. In December 2009 the Group acquired control of OOO “Promsvyazfactoring” (OOO “PSF”) through an option agreement dated 31 December 2009, with its owner who is a related party to the Group’s shareholders. Under the terms of this agreement the Group has the unconditional right to buy 100% of the share capital in OOO “PSF” for cash of RUB 5,500 thousand.

OOO “Saint-Petersburg International Banking Conference” was established by the Group in December 2010. The Group controls 100% of OOO “Saint-Petersburg International Banking Conference”.

CJSC “Mortgage Agent PSB 2013” is structured entity established to facilitate the issues of mortgage-backed securities. The entity is not owned by the Group and control arises through the predetermination of the entities’ activities.

2 Basis of preparation (continued)

PSB ECP Limited is structured entity established to facilitate the issues of debt securities. The company was established by the Group in June 2013. The Group controls 100% of PSB ECP Limited.

TOO “PromSvyazFactor“ was established by the Group in September 2013. The Group controls 100% of TOO “PromSvyazFactor“.

OOO “Venture Fund SME” was established by the Group in September 2013. The Group controls 100% of OOO “Venture Fund SME”.

OOO “Business alliance” was established by the Group in February 2014. The Group controls 100% of OOO “Business alliance”.

Use of estimates and judgments

The preparation of interim consolidated condensed financial information in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors, that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and judgments applied by the Group in this interim consolidated condensed financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013.

Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments that have the most significant effect on the amounts recognised in this interim consolidated condensed financial information include:

- Loan impairment estimates – Note 6;
- Building and investment property revaluation estimates;
- Deferred tax assets.

The construction in progress is subject to regular assessment whether there is any indication that it may be impaired. As at 30 September 2014 no indications of impairment has been identified. The Group monitors construction progress regularly. Upon completion, the Group intends to use the office building as its new head office. The Group has no capital commitments in respect of this construction.

3 Significant accounting policies

The accounting policies adopted and methods of computation are consistent with those of the previous financial year.

The group has adopted IFRIC 21 “Levies”. IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 “Provisions”. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The group is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the consolidated financial statements for earlier periods and on the interim consolidated condensed financial information for the period ended 30 September 2014.

3 Significant accounting policies (continued)

Investments in Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Hedge accounting

The Group designates certain derivatives as either:

(a) Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges);

(b) Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedges).

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss and other comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The net result is included as ineffectiveness in the 'Hedge ineffectiveness'. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity and recorded as net interest income. The adjustment to the carrying amount of a hedged equity security is included in the statement of profit or loss and other comprehensive income when the equity security is disposed of as part of the gain or loss on the sale.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the statement of profit or loss and other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income – 'Hedge ineffectiveness'. Amounts accumulated in equity are recycled to the statement of profit or loss and other comprehensive income in the periods when the hedged item affects profit or loss. They are recorded in the revenue or expense lines in which associated with the related hedged item is reported. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss and other comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss and other comprehensive income – 'Hedge ineffectiveness'.

3 Significant accounting policies (continued)

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

IFRS 13 has impacted inclusion of additional disclosures, as set out in Note 22.

New accounting pronouncements

Since the Group published its last annual consolidated financial statements, certain new standards and interpretations have been issued which are effective for the annual accounting periods starting on or after 1 January 2015 and which the Group has not early adopted:

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

3 Significant accounting policies (continued)

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the existing version of IFRS 9 on its consolidated financial statements.

Other new standards and interpretations neither affected the interim consolidated condensed financial information of the Group nor are expected to be relevant in future.

Refer to the annual consolidated financial statements of the Group for the year ended 31 December 2013 for the detailed description of all new accounting pronouncements relevant to the Group.

Comparative figures

Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts.

The effect of adjustments was as follows for the six months ended 30 September 2013:

In millions of Russian Roubles	**As originally presented**	**Change**	**As corrected at 30 September 2013**
Net fee and commission income	6 616	475*	7 091
Net foreign exchange gain	945	(475)*	470
Other income	912	(455)**	457
Loan impairment charge	(7 517)	455**	(7 062)

* In 2014 the Group introduced changes to classification of financial result from corporate client’s foreign exchange operations to fee and commission income to more precisely reflect economic substance of these operations.

** In 2014 management of the Group decided to recognize financial result from sale of loans as non-operating income and to reclassify it from other income.

(expressed in million of Russian Roubles – refer to Note 2)

4 Cash and cash equivalents

	30 September 2014 (unaudited)	31 December 2013
Cash	19 629	24 168
Placements with banks and other financial institutions with an original maturity less than one month	35 731	27 600
Due from the Central Bank of the RF – nostro accounts	15 003	15 994
Deposits with the Central Bank of the RF	-	2 000
Total cash and cash equivalents	**70 363**	**69 762**

Maturity and currency analysis of cash and cash equivalents are disclosed in Note 20.

5 Financial assets at fair value through profit or loss

	30 September 2014 (unaudited)	31 December 2013
Unpledged		
Financial assets held for trading		
Debt and other fixed-income instruments		
Corporate bonds	15 080	26 884
Russian municipal and regional bonds	2 557	2 829
Corporate Eurobonds	920	4 339
Russian Government Federal bonds (OFZ)	915	5 503
Promissory notes	778	6 383
Certificates of deposits	103	302
Russian Federation Eurobonds	81	716
Foreign Governments bonds and Eurobonds	12	-
Equity investments		
Corporate shares	-	8
Spot and derivative financial instruments		
Foreign currency and precious metals contracts	7 441	1 186
Designated at fair value through profit or loss		
Corporate shares	108	157
Total unpledged financial assets at fair value through profit or loss	**27 995**	**48 307**
Pledged under sale and repurchase agreements		
Financial assets held for trading		
Corporate eurobonds	521	1 776
Russian Federation Eurobonds	395	342
Corporate bonds	344	472
Russian Government Federal bonds (OFZ)	29	6 817
Russian municipal and regional bonds	4	-
Total financial assets at fair value through profit or loss pledged under sale and repurchase agreements	**1 293**	**9 407**
Total financial assets at fair value through profit or loss	**29 288**	**57 714**

(expressed in million of Russian Roubles – refer to Note 2)

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

Corporate bonds are securities issued by medium and large Russian companies and banks denominated in Russian Roubles.

Russian municipal and regional bonds are interest-bearing securities issued by Russian municipal and regional authorities denominated in Russian Roubles.

Corporate Eurobonds are interest-bearing securities denominated in U.S. Dollars and Euros and issued primarily by large Russian companies.

Russian Government Federal bonds (OFZ) are Russian Rouble denominated government securities issued by the Ministry of Finance of the Russian Federation.

Promissory notes and certificates of deposit represent debt securities denominated in Russian Roubles, U.S. Dollars and Euros and issued by Russian banks.

Russian Federation Eurobonds are interest-bearing securities denominated in U.S. Dollars issued by the Ministry of Finance of the Russian Federation.

Financial instruments designated for hedging

In 2014 the Group designated some cross-currency swaps as hedging instruments to hedge variability in cash flows resulting from exchange rates mismatch of the banking book position, the risk being hedged is the exposure to the changes in the forward rate. The hedged cash flows are expected to occur and to affect to profit or loss in 2019. As at 30 September 2014 the effective portion of changes in fair value of derivative financial instruments designated as hedging instruments recognized as part of other comprehensive income was RUB 273 million, net of tax RUB 55 million, the ineffective portion recognized in the profit or loss that arises from cash flow hedges amounts to a gain of RUB 21 million.

The table below shows the fair values of financial instruments designates for hedging, recorded as assets or liabilities, together with their notional amounts.

	30 September 2014		
	Contract/ notional amount	Fair value	
		Assets	Liabilities
Cash flow hedge			
Cross-currency swaps	9 847	-	(293)

Maturity and currency analysis of financial assets at fair value through profit or loss are disclosed in Note 20.

(expressed in million of Russian Roubles – refer to Note 2)

6 Loans to customers

	30 September 2014 (unaudited)	31 December 2013
Loans to corporate clients		
Loans to corporate clients not involved in international business	462 022	326 544
Loans to corporate clients involved in international business	57 191	49 512
Factoring loans to corporate customers	39 687	40 162
Total loans to corporate customers	**558 900**	**416 218**
Loans to small and medium enterprises (excluding factoring)	70 981	74 045
Factoring loans to small and medium enterprises	14 669	13 163
Loans to small and medium enterprises	**85 650**	**87 208**
Loans to individuals		
Consumer loans	61 449	52 169
Mortgage loans	15 081	9 637
Credit cards	4 619	3 033
Other loans	571	3 036
Total loans to individuals	**81 720**	**67 875**
Gross loans to customers	**726 270**	**571 301**
Impairment allowance	(27 360)	(25 832)
Net loans to customers	**698 910**	**545 469**

Mortgage loans include mortgage loans of RUB 2 265 million (RUB 2 663 million as at 31 December 2013) securitized in June 2013. The Group's management determined that the Group had not transferred majority of risks and rewards with respect to the transferred assets, and, consequently, such transfer was not the ground for their derecognition.

Movements in the loan impairment allowance for the nine-month period ended 30 September 2014 and 2013 were as follows:

	Nine-month period ended 30 September 2014 (unaudited)	Nine-month period ended 30 September 2013 (unaudited)
Balance at the beginning of the period	25 832	23 140
Net charge for the period	13 786	7 062
Translation differences	1 772	612
Disposal of subsidiaries	-	(65)
Sale of loans	(2 480)	(2 662)
Write-offs	(11 550)	(7 496)
Balance at the end of the period	**27 360**	**20 591**

(expressed in million of Russian Roubles – refer to Note 2)

6 Loans to customers (continued)

As at 30 September 2014 and 31 December 2013 non-performing loans comprise loans with principal or/and interest overdue by more than 90 days.

The analysis of non-performing loans as at 30 September 2014 and 31 December 2013 by loan groups is presented below:

	30 September 2014 (unaudited)	31 December 2013
Loans to corporate clients	12 170	13 695
Loans to small and medium enterprises	4 776	3 050
Loans to individuals	3 852	3 904
Total non-performing loans	**20 798**	**20 649**

Credit quality of loans to corporate customers and loans to small and medium enterprises

The following table provides information on the credit quality of loans to corporate customers and loans to small and medium enterprises as at 30 September 2014:

Unaudited	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to corporate customers not involved in international business				
Total loans for which no impairment has been identified individually	**413 481**	**(5 263)**	**408 218**	**1.27%**
Impaired loans:				
- Impaired, but not overdue	32 578	(5 314)	27 264	16.31%
- Overdue less than 30 days	3 279	(746)	2 533	22.75%
- Overdue 30 – 89 days	2 700	(379)	2 321	14.04%
- Overdue 90 – 179 days	2 365	(495)	1 870	20.93%
- Overdue 180 – 360 days	3 144	(895)	2 249	28.47%
- Overdue more than 360 days	4 475	(1 550)	2 925	34.64%
Total impaired loans	**48 541**	**(9 379)**	**39 162**	**19.32%**
Total loans to corporate customers not involved in international business	**462 022**	**(14 642)**	**447 380**	**3.17%**

(expressed in million of Russian Roubles – refer to Note 2)

6 Loans to customers (continued)

Unaudited	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to corporate customers involved in international business				
Total loans for which no impairment has been identified individually	**48 380**	**(633)**	**47 747**	**1.31%**
Impaired loans:				
- Impaired, but not overdue	6 743	(1 114)	5 629	16.52%
- Overdue less than 30 days	96	(3)	93	3.13%
- Overdue 90 – 179 days	157	(2)	155	1.27%
- Overdue 180 – 360 days	18	(1)	17	5.56%
- Overdue more than 360 days	1 797	(745)	1 052	41.46%
Total impaired loans	**8 811**	**(1 865)**	**6 946**	**21.17%**
Total loans to corporate customers involved in international business	**57 191**	**(2 498)**	**54 693**	**4.37%**
Factoring loans to corporate customers				
Total loans for which no impairment has been identified individually	**34 554**	**(406)**	**34 148**	**1.17%**
Impaired loans:				
- Impaired, but not overdue	3 958	(921)	3 037	23.27%
- Overdue less than 30 days	843	(13)	830	1.54%
- Overdue 30 – 89 days	118	(1)	117	0.85%
- Overdue 90 – 179 days	22	(7)	15	31.82%
- Overdue 180 – 360 days	50	(5)	45	10.00%
- Overdue more than 360 days	142	(48)	94	33.80%
Total impaired loans	**5 133**	**(995)**	**4 138**	**19.38%**
Total factoring loans to corporate customers	**39 687**	**(1 401)**	**38 286**	**3.53%**
Total loans to corporate customers	**558 900**	**(18 541)**	**540 359**	**3.32%**
Loans to small and medium enterprises				
Total loans for which no impairment has been identified individually	**64 516**	**(517)**	**63 999**	**0.80%**
Impaired loans:				
- Impaired, but not overdue	535	(97)	438	18.13%
- Overdue less than 30 days	458	(157)	301	34.28%
- Overdue 30 – 89 days	779	(321)	458	41.21%
- Overdue 90 – 179 days	1 124	(733)	391	65.21%
- Overdue 180 – 360 days	1 342	(964)	378	71.83%
- Overdue more than 360 days	2 227	(1 833)	394	82.31%
Total impaired loans	**6 465**	**(4 105)**	**2 360**	**63.50%**
Total loans to small and medium enterprises (excluding factoring)	**70 981**	**(4 622)**	**66 359**	**6.51%**
Factoring loans to small and medium enterprises				
Total loans for which no impairment has been identified individually	**14 404**	**(157)**	**14 247**	**1.09%**
Impaired loans:				
- Impaired, but not overdue	1	-	1	0.00%
- Overdue less than 30 days	1	-	1	0.00%
- Overdue less than 30 – 89 days	180	(46)	134	25.56%
- Overdue 90 – 179 days	40	(14)	26	35.00%
- Overdue more than 360 days	43	-	43	0.00%
Total impaired loans	**265**	**(60)**	**205**	**22.64%**
Total factoring loans to small and medium enterprises	**14 669**	**(217)**	**14 452**	**1.48%**
Total loans (including factoring) to small and medium enterprises	**85 650**	**(4 839)**	**80 811**	**5.65%**
Total commercial loans	**644 550**	**(23 380)**	**621 170**	**3.63%**

(expressed in million of Russian Roubles – refer to Note 2)

6 Loans to customers (continued)

The following table provides information on the credit quality of loans to corporate customers and loans to small and medium enterprises as at 31 December 2013:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Loans to corporate customers not involved in international business				
Total loans for which no impairment has been identified individually	**290 867**	**(4 649)**	**286 218**	**1.60%**
Impaired loans:				
- Impaired, but not overdue	21 494	(4 240)	17 254	19.73%
- Overdue less than 30 days	172	(14)	158	8.14%
- Overdue 30 – 89 days	2 913	(87)	2 826	2.99%
- Overdue 90 – 179 days	1 716	(829)	887	48.31%
- Overdue 180 – 360 days	1 561	(626)	935	40.10%
- Overdue more than 360 days	7 821	(4 672)	3 149	59.74%
Total impaired loans	**35 677**	**(10 468)**	**25 209**	**29.34%**
Total loans to corporate customers not involved in international business	**326 544**	**(15 117)**	**311 427**	**4.63%**
Loans to corporate customers involved in international business				
Total loans for which no impairment has been identified individually	**42 652**	**(400)**	**42 252**	**0.94%**
Impaired loans:				
- Impaired, but not overdue	4 793	(646)	4 147	13.48%
- Overdue 30 – 89 days	18	(1)	17	5.56%
- Overdue 180 – 360 days	14	(7)	7	50.00%
- Overdue more than 360 days	2 035	(872)	1 163	42.85%
Total impaired loans	**6 860**	**(1 526)**	**5 334**	**22.24%**
Total loans to corporate customers involved in international business	**49 512**	**(1 926)**	**47 586**	**3.89%**
Factoring loans to corporate customers				
Total loans for which no impairment has been identified individually	**36 576**	**(252)**	**36 324**	**0.69%**
Impaired loans:				
- Impaired, but not overdue	3 000	(1 185)	1 815	39.50%
- Overdue less than 30 days	11	(1)	10	9.09%
- Overdue 30 – 89 days	27	(8)	19	29.63%
- Overdue 180 – 360 days	69	(35)	34	50.72%
- Overdue more than 360 days	479	(259)	220	54.07%
Total impaired loans	**3 586**	**(1 488)**	**2 098**	**41.49%**
Total factoring loans to corporate customers	**40 162**	**(1 740)**	**38 422**	**4.33%**
Total loans to corporate customers	**416 218**	**(18 783)**	**397 435**	**4.51%**
Loans to small and medium enterprises				
Total loans for which no impairment has been identified individually	**69 723**	**(288)**	**69 435**	**0.41%**
Impaired loans:				
- Impaired, but not overdue	1	-	1	0.00%
- Overdue less than 30 days	696	(83)	613	11.93%
- Overdue 30 – 89 days	597	(231)	366	38.69%
- Overdue 90 – 179 days	639	(414)	225	64.79%
- Overdue 180 – 360 days	1 170	(661)	509	56.50%
- Overdue more than 360 days	1 219	(1 052)	167	86.30%
Total impaired loans	**4 322**	**(2 441)**	**1 881**	**56.48%**
Total loans to small and medium enterprises (excluding factoring)	**74 045**	**(2 729)**	**71 316**	**3.69%**

(expressed in million of Russian Roubles – refer to Note 2)

6 Loans to customers (continued)

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
Factoring loans to small and medium enterprises				
Total loans for which no impairment has been identified individually	**12 912**	**(95)**	**12 817**	**0.74%**
Impaired loans:				
- Impaired, but not overdue	57	(5)	52	8.77%
- Overdue less than 30 days	2	-	2	0.00%
- Overdue 30 – 89 days	170	(93)	77	54.71%
- Overdue more than 360 days	22	(20)	2	90.91%
Total impaired loans	**251**	**(118)**	**133**	**47.01%**
Total factoring loans to small and medium enterprises	**13 163**	**(213)**	**12 950**	**1.62%**
Total loans (including factoring) to small and medium enterprises	**87 208**	**(2 942)**	**84 266**	**3.37%**
Total commercial loans	**503 426**	**(21 725)**	**481 701**	**4.32%**

The credit quality of loans for which no impairment has been identified is not homogeneous due to the variety of industry risks and financial conditions associated with the borrowers.

The Group estimates loan impairment for the corporate loan portfolio for which no individual impairment triggers have been identified based on the past loss experience the current economic conditions.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows the Group would receive on loans granted differs by plus/minus one percent, the loan impairment on loans to corporate customers as of 30 September 2014 would be RUB 5 404 million lower/higher (31 December 2013: RUB 3 974 million lower/higher).

The Group estimates loan impairment for loans to small and medium enterprises (excluding loans to medium size enterprises) based on its historic loss migration pattern for the past 12 months and historic actual recovery rate of loans overdue more than 90 days.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the loss migration pattern parameter differs by plus/minus 6 months, the loan impairment on loans to small and medium enterprises as of 30 September 2014 would be RUB 13 million lower, RUB 1 million higher, respectively (31 December 2013 would be RUB 15 million lower, RUB 1 million higher, respectively).

The Group estimates loan impairment for loans to medium size enterprises for which no individual impairment triggers have been identified based on the past loss experience and the current economic conditions.

(expressed in million of Russian Roubles – refer to Note 2)

6 Loans to customers (continued)

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows the Group would receive on loans granted differs by plus/minus one percent, the loan impairment on loans to medium size enterprises as of 30 September 2014 would be RUB 403 million lower/higher (31 December 2013: RUB 367 million).

Impairment allowance for loans for which no impairment has been identified individually, has been collectively assessed based on statistics data.

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals portfolios as at 30 September 2014:

	Gross loans	Provision for impairment	Net loans	Impairment to gross loans
Consumer loans				
- Not past due	55 116	(120)	54 996	0.22%
- Overdue less than 30 days	1 994	(208)	1 786	10.43%
- Overdue 30 – 89 days	1 211	(519)	692	42.86%
- Overdue 90 – 179 days	1 575	(1 146)	429	72.76%
- Overdue 180 – 360 days	1 544	(1 397)	147	90.48%
- Overdue more than 360 days	9	(9)	-	100.00%
Total consumer loans	**61 449**	**(3 399)**	**58 050**	**5.53%**
Mortgage loans				
- Not past due	14 764	-	14 764	0.00%
- Overdue less than 30 days	113	-	113	0.00%
- Overdue 30 – 89 days	46	-	46	0.00%
- Overdue 90 – 179 days	38	-	38	0.00%
- Overdue 180 – 360 days	8	-	8	0.00%
- Overdue more than 360 days	112	(20)	92	17.86%
Total mortgage loans	**15 081**	**(20)**	**15 061**	**0.13%**
Credit cards				
- Not past due	4 029	(13)	4 016	0.32%
- Overdue less than 30 days	250	(16)	234	6.40%
- Overdue 30 – 89 days	87	(33)	54	37.93%
- Overdue 90 – 179 days	133	(93)	40	69.92%
- Overdue 180 – 360 days	105	(91)	14	86.67%
- Overdue more than 360 days	15	(15)	0	100.00%
Total credit cards	**4 619**	**(261)**	**4 358**	**5.65%**
Other loans				
- Not past due	192	-	192	0.00%
- Overdue less than 30 days	29	(3)	26	10.34%
- Overdue 30 – 89 days	37	(17)	20	45.95%
- Overdue 90 – 179 days	82	(61)	21	74.39%
- Overdue 180 – 360 days	114	(102)	12	89.47%
- Overdue more than 360 days	117	(117)	-	100.00%
Total other loans	**571**	**(300)**	**271**	**52.54%**
Total loans to individuals	**81 720**	**(3 980)**	**77 740**	**4.87%**

(expressed in million of Russian Roubles – refer to Note 2)

6 Loans to customers (continued)

The following table provides information on the credit quality of loans to individuals portfolios as at 31 December 2013:

	Gross loans	Provision for impairment	Net loans	Impairment to gross loans
Consumer loans				
- Not past due	46 902	(116)	46 786	0.25%
- Overdue less than 30 days	1 213	(150)	1 063	12.36%
- Overdue 30 – 89 days	866	(448)	418	51.73%
- Overdue 90 – 179 days	939	(733)	206	78.06%
- Overdue 180 – 360 days	1 568	(1 415)	153	90.24%
- Overdue more than 360 days	681	(652)	29	95.74%
Total consumer loans	**52 169**	**(3 514)**	**48 655**	**6.74%**
Mortgage loans				
- Not past due	9 370	-	9 370	0.00%
- Overdue less than 30 days	93	-	93	0.00%
- Overdue 30 – 89 days	5	-	5	0.00%
- Overdue 90 – 179 days	13	-	13	0.00%
- Overdue 180 – 360 days	19	(1)	18	5.26%
- Overdue more than 360 days	137	(22)	115	16.06%
Total mortgage loans	**9 637**	**(23)**	**9 614**	**0.24%**
Credit cards				
- Not past due	2 624	(10)	2 614	0.38%
- Overdue less than 30 days	122	(7)	115	5.74%
- Overdue 30 – 89 days	55	(23)	32	41.82%
- Overdue 90 – 179 days	60	(43)	17	71.67%
- Overdue 180 – 360 days	98	(86)	12	87.76%
- Overdue more than 360 days	74	(71)	3	95.95%
Total credit cards	**3 033**	**(240)**	**2 793**	**7.91%**
Other loans				
- Not past due	2 334	(6)	2 328	0.26%
- Overdue less than 30 days	329	(11)	318	3.34%
- Overdue 30 – 89 days	58	(29)	29	50.00%
- Overdue 90 – 179 days	53	(41)	12	77.36%
- Overdue 180 – 360 days	91	(79)	12	86.81%
- Overdue more than 360 days	171	(164)	7	95.91%
Total other loans	**3 036**	**(330)**	**2 706**	**10.87%**
Total loans to individuals	**67 875**	**(4 107)**	**63 768**	**6.05%**

The Group estimates loan impairment based on its historic loss experience on these types of loans. Management estimates losses based on the historic loss migration pattern for the past 12 months and using historic actual recovery rate of loans.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the loss migration pattern parameter differs by plus/minus 6 months, the loan impairment on loans to individuals as of 30 September 2014 would be RUB 203 million lower, RUB 130 million higher, respectively (31 December 2013: RUB 169 million lower, RUB 108 million higher, respectively).

(expressed in million of Russian Roubles – refer to Note 2)

6 Loans to customers (continued)

Industry analysis of the loan portfolio

Loans to customers as at 30 September 2014 and 31 December 2013 are issued to customers operating in the following industries:

	30 September 2014		31 December 2013	
Loans to individuals	81 720	11.3%	67 875	11.9%
Commercial loans				
Trade	157 017	21.6%	156 837	27.4%
Real estate	109 336	15.1%	79 717	14.0%
Oil and gas	40 271	5.5%	10 266	1.8%
Finance	32 768	4.5%	38 218	6.7%
Timber processing	31 904	4.4%	29 998	5.3%
Food production	29 936	4.1%	28 073	4.9%
Machinery	25 009	3.4%	14 630	2.6%
Chemistry	22 111	3.0%	18 367	3.2%
Metallurgy	20 169	2.8%	16 221	2.8%
Infrastructure construction	18 837	2.6%	18 644	3.3%
Energy	17 324	2.4%	3 813	0.7%
Telecommunication and media	13 228	1.8%	7 616	1.3%
Transport	12 886	1.8%	9 088	1.6%
Agriculture	12 860	1.8%	12 519	2.2%
Construction materials	12 155	1.7%	11 589	2.0%
Pharmaceutics	8 970	1.2%	6 247	1.1%
Tourism	8 641	1.2%	8 950	1.6%
Mining	7 114	1.0%	5 739	1.0%
Jewelry	4 420	0.6%	4 849	0.8%
Light industry	2 889	0.4%	2 152	0.4%
Other	56 705	7.8%	19 893	3.4%
	726 270	**100.0%**	**571 301**	**100.0%**
Provision for impairment	**(27 360)**		**(25 832)**	
Total loans to customers	**698 910**		**545 469**	

Significant credit exposures

As at 30 September 2014 aggregate loans to the 20 largest borrowers (or groups of related borrowers) amounted to RUB 184 977 million (31 December 2013: RUB 121 396 million) or 25% (31 December 2013: 21%) of the gross loans to customers.

Maturity and currency analysis of loans to customers are disclosed in Note 20. The information on related party balances is disclosed in Note 24.

7 Investments in associates

In July 2014 the Group entered into an option agreement which gives the Bank the right to purchase 30% in a real-estate developer company operating in Moscow. The Group received the option as a result of the delays in construction of investment property of the Group and recognized gain on initial recognition for the full amount of the option. The gain from the investment in associate represents gain from incidental operations during the construction of the office building. As the operation was not necessary to bring the office building to the condition necessary for it to be capable of operating in the manner intended by management, the gain was recorded in the profit and loss.

(expressed in million of Russian Roubles – refer to Note 2)

7 Investments in associates (continued)

Option period is ten years. The fair value of 30% share in a real-estate developer company was calculated based on future cash flows from rent/sale of property of the entity. As at 30 September 2014 the fair value of investments is RUB 2 225 million.

The asset was recognized as investments in associates in this interim consolidated condensed financial information. Under the term of this agreement the Group has the unconditional right to exercise option agreement for nominal amount at any time.

Initial accounting for a business combination was incomplete by the date of issue of the interim consolidated condensed financial information. During the measurement period which will not exceed one year from the acquisition date the Group will retrospectively adjust the provisional amounts recognized at the acquisition date.

8 Deposits and balances due to banks and other financial institutions

	30 September 2014 (unaudited)	31 December 2013
Term deposits from the Central Bank of the RF	42 582	-
Trade finance of foreign banks	27 085	27 031
Term deposits from local banks	20 438	10 341
Vostro accounts	7 860	9 698
Term deposits from foreign banks	4 954	4 364
Long-term finance	4 540	6 590
Total deposits and balances from banks and other financial institutions	**107 459**	**58 024**

Trade finance and long-term finance represents funds to be used in documentary credit transactions. Trade finance is used for financing working capital of customers through documentary letters of credit. Long-term finance is used to finance targeted assets of customers through documentary letters of credit.

Maturity and currency analyses of deposits and balances from banks and other financial institutions are disclosed in Note 20.

9 Current accounts and deposits from customers

	30 September 2014 (unaudited)	31 December 2013
Current accounts and demand deposits		
- Corporate	133 146	110 679
- Retail and private banking	35 331	33 628
Total current accounts and demand deposits	**168 477**	**144 307**
Term deposits		
- Corporate	225 180	175 008
- Retail and private banking	176 540	168 804
Total term deposits	**401 720**	**343 812**
Total current accounts and deposits from customers	**570 197**	**488 119**

9 Current accounts and deposits from customers (continued)

Maturity and currency analysis of current accounts and deposits from customers are disclosed in Note 20. Information on related party balances is disclosed in Note 24.

Blocked accounts

As at 30 September 2014 the Group maintained corporate customer deposit balances of RUB 22 604 million (31 December 2013: RUB 11 577 million) which were blocked by the Group as collateral for loans and off-balance sheet credit instruments granted by the Group.

Concentrations of current accounts and deposits from customers

As at 30 September 2014 the 20 largest aggregate balances of current account and deposits from customers amounted to RUB 179 875 million or 32% of total current accounts and deposits from customers (31 December 2013: RUB 119 088 million or 24% of total current accounts and deposits from customers).

10 Debt securities in issue

	30 September 2014 (unaudited)	**31 December 2013**
Senior loan participation notes	14 807	29 356
Promissory notes	7 722	4 745
Domestic bonds	7 332	16 293
Mortgage backed bonds in issue	1 808	2 277
Total debt securities in issue	**31 669**	**52 671**

Senior loan participation notes comprise notes issued through PSB Finance S.A. (refer to Note 2).

In April 2014 the Group redeemed an issue of senior loan participation notes at nominal value of USD 500 million (RUB 17 831 million by redemption date exchange rate).

During the nine-month period ended 30 September 2014, the Group purchased from the market senior loan participation notes amounting to USD 116 million (RUB 5 865 million). The gain on the repurchase of these senior loan participation notes was RUB 18 million (refer to Note 15).

During the nine-month period ended 30 September 2014 the Group sold senior loan participation notes amounting to USD 76 million (RUB 2 987 million).

In February 2014 the Group redeemed domestic bonds with a nominal value of RUB 5 000 million.

In September 2014, the Group redeemed at nominal value RUB 3 938 million of the RUB 5 000 million issue from holders under a mandatory call offer. Subsequent to this the Group re-issued RUB 22 million of these bonds.

During the nine-month period ended 30 September 2014, the Group re-issued RUB 413 million of domestic bonds purchased under mandatory call offers in 2013.

(expressed in million of Russian Roubles – refer to Note 2)

10 Debt securities in issue (continued)

In June 2013, the Group issued bonds with an aggregate nominal value of RUB 3 092 million as part of a securitisation transaction. The bonds were issued by Closed Joint Stock Company Mortgage Agent PSB 2013, a consolidated structured entity. Class A notes in the amount of RUB 2 505 million were placed through open subscription on the MOEX and class B notes in the amount of RUB 587 million were bought out by the Group and, therefore, were eliminated upon consolidation in this interim consolidated condensed financial information. The international rating agency Moody's assigned the Baa3 credit rating to class A notes. Class A notes have a fixed coupon rate of 8.5% p.a. and should be fully repaid on 9 February 2040. As of 30 September 2014 the carrying value of Class A notes was RUB 1 808 million.

During the nine-month period ended 30 September 2014, the Group redeemed RUB 463 million of these bonds.

Maturity and currency analysis of own securities issued are disclosed in Note 20. The information on related party balances is disclosed in Note 24.

11 Other borrowed funds

	30 September 2014 (unaudited)	**31 December 2013**
Syndicated loans	11 841	10 068
Other borrowed funds	4 811	4 941
Total other borrowed funds	**16 652**	**15 009**

In April 2014 the Group redeemed the borrowing from KFW in the amount of USD 3.75 million (RUB 134 million by redemption date exchange rate).

In July 2014 the Group borrowed USD 40 million (RUB 1 414 million by date of origination exchange rate) from the Black Sea Trade and Development Bank. The loan bears an interest rate of 3.63% per annum payable on a half-year basis.

During the nine-month period ended 30 September 2014, the Group borrowed RUB 929 million from OAO SME Bank. The loans mature from December 2014 to September 2019 and bear interest rates from 4.10% to 9.25% per annum.

During the nine-month period ended 30 September 2014, the Group redeemed RUB 2 508 million borrowed from SME Bank.

Maturity and currency analyses of other borrowed funds are disclosed in Note 20.

(expressed in million of Russian Roubles – refer to Note 2)

12 Subordinated borrowings

	30 September 2014 (unaudited)	31 December 2013
Subordinated loan participation notes	61 599	38 839
Subordinated borrowings	4 816	4 311
Total subordinated borrowings	**66 415**	**43 150**

In March 2014, the Group issued subordinated loan participation notes with a nominal value of USD 100 million (RUB 3 684 million by issuance date exchange rate). The loan matures in 2021, the effective interest rate is 10.97% per annum.

In July 2014 the Group completed the exchange of the Series 3 loan participation notes due 2015 and Series 4 loan participation notes due 2016 for the new issue of loan participation notes. Total amount of loan participation notes accepted for exchange is USD 30.4 million (based on the conversion price is USD 33.4 million): notes maturing in 2015 in amount USD 19.5 million, notes maturing in 2016 in amount 10.9. The coupon rate on the new issue is 10.5%. Financial result of conversion was recognized in the interim consolidated condensed statement of profit and loss and other comprehensive income in the amount of USD 2.9 million. In July 2014 the Group issued subordinated loan participation notes with a nominal value of USD 300 million, coupon rate is 10.5% and maturing in 2021.Total amount of the deals in the exchange and the new issue of Eurobonds is USD 333.4 million (RUB 11 879 million by issuance date exchange rate).

In September 2014 the Group issued subordinated loan participation notes with a nominal value of USD 100 million (RUB 3 866 million by issuance date exchange rate). The loan matures in 2020 the effective interest rate is 12.91% per annum.

During the nine-month period ended 30 September 2014, the Group purchased from the market subordinated loan participation notes amounting to USD 211 million (RUB 8 333 million). The gain on the repurchase of these senior loan participation notes was RUB 84 million (refer to Note 15).

During the nine-month period ended 30 September 2014 the Group sold subordinated loan participation notes amounting to USD 70 million (RUB 2 773 million).

Maturity and currency analyses of subordinated borrowings are disclosed in Note 20.

(expressed in million of Russian Roubles – refer to Note 2)

13 Net interest income

	Nine-month period ended 30 September 2014 (unaudited)	Nine-month period ended 30 September 2013 (unaudited)	Three-month period ended 30 September 2014 (unaudited)	Three -month period ended 30 September 2013 (unaudited)
Interest income				
Loans to customers	53 489	44 100	19 114	15 446
Financial assets at fair value through profit or loss	2 810	2 836	681	1 119
Placements with banks and other financial institutions and cash and cash equivalents	950	899	258	310
Reverse repurchase agreements	554	460	325	225
Investments held to maturity	-	20	-	-
Total interest income	**57 803**	**48 315**	**20 378**	**17 100**
Interest expense				
Current accounts and deposits from customers	18 266	16 200	6 533	5 753
Deposits and balances from banks and other financial institutions	6 086	2 460	2 282	1 071
Subordinated borrowings	4 101	3 497	1 572	1 147
Own securities issued	2 809	3 449	1 009	844
Repurchase agreements	1 096	452	265	253
Other borrowed funds	511	732	163	240
Total interest expense	**32 869**	**26 790**	**11 824**	**9 308**
Net interest income	**24 934**	**21 525**	**8 554**	**7 792**

14 Fee and commission income

	Nine-month period ended 30 September 2014 (unaudited)	Nine-month period ended 30 September 2013 (unaudited)	Three-month period ended 30 September 2014 (unaudited)	Three-month period ended 30 September 2013 (unaudited)
Commission for servicing plastic cards	3 467	2 514	1 221	827
Money transfer fees	2 433	1 893	836	663
Commission on foreign currency operations	2 385	998	717	562
Commission on documentary operations	1 869	1 638	685	575
Insurance agency fees	1 379	856	546	361
Commission for operations with cash	682	655	242	238
Securities trading fees	204	142	72	55
Commission on banknote operations	194	102	43	50
Commission on undrawn loan commitments	86	289	26	96
Cash collection fees	47	60	16	23
Other	138	126	72	34
Total fee and commission income	**12 884**	**9 273**	**4 476**	**3 484**

(expressed in million of Russian Roubles – refer to Note 2)

15 Fee and commission expense

	Nine-month period ended 30 September 2014 (unaudited)	Nine-month period ended 30 September 2013 (unaudited)	Three-month period ended 30 September 2014 (unaudited)	Three-month period ended 30 September 2013 (unaudited)
Commission for servicing plastic cards	2 011	1 132	726	464
Money transfer fees	269	239	95	95
Cash collection fees	207	206	71	83
Commission on documentary operations	186	207	36	94
Agent fees	178	144	38	41
Commission on banknote operations	142	75	32	34
Commission on foreign currency operations	74	28	31	10
Insurance agency fees	52	148	19	58
Securities trading fees	4	3	2	2
Other	75	-	22	-
Total fee and commission expense	**3 198**	**2 182**	**1 072**	**881**

16 Net (loss)/gain on financial instruments at fair value through profit or loss and gain on early redemption of senior loan participation note

	Nine-month period ended 30 September 2014 (unaudited)	Nine-month period ended 30 September 2013 (unaudited)	Three-month period ended 30 September 2014 (unaudited)	Three-month period ended 30 September 2013 (unaudited)
Net (loss)/gain on debt securities – trading securities	(2 109)	242	(609)	124
Net (loss)/gain on derivative financial instruments	(1 343)	403	(308)	305
Net (loss)/gain on equity securities – trading securities	(43)	-	(112)	-
Net gain/(loss) on early redemption of senior loan participation notes	102	(31)	217	13
Net (loss)/gain on equity instruments – securities designated upon initial recognition as at fair value through profit or loss	(6)	(24)	19	43
Net (loss)/gain on financial instruments at fair value through profit or loss and gain on early redemption of senior loan participation note	**(3 399)**	**590**	**(793)**	**485**

17 General and administrative expenses

	Nine-month period ended 30 September 2014 (unaudited)	Nine-month period ended 30 September 2013 (unaudited)	Three-month period ended 30 September 2014 (unaudited)	Three-month period ended 30 September 2013 (unaudited)
Employee compensation	10 976	10 537	3 292	3 289
Occupancy	1 013	833	328	291
Communications and information services	814	790	287	280
Depreciation	803	782	216	259
Office repairs, maintenance and supply	759	645	266	250
Advertising and marketing	566	608	149	148
Security	314	269	111	82
Transportation	240	223	79	77
Charity and sponsorship	212	194	58	46
Taxes other than income tax	190	222	55	75
Insurance	104	245	12	82
Other	185	232	42	105
Total general and administrative expenses	**16 176**	**15 580**	**4 895**	**4 984**

Charity and sponsorship expenses include grants to the Russian Society of Invalids, hospices, hospitals, culture institutions and to the Russian Orthodox Church.

18 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the period.

The Group has no dilutive potential ordinary shares, therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

	Nine-month period ended 30 September 2014 (unaudited)	Nine-month period ended 30 September 2013 (unaudited)	Three-month period ended 30 September 2014 (unaudited)	Three-month period ended 30 September 2013 (unaudited)
Profit attributable to the owners of the Parent	**1 453**	**5 605**	**814**	**1 135**
Weighted average number of ordinary shares in issue (in million)	1 113 385	1 113 385	1 113 385	1 113 385
Basic and diluted earnings per ordinary share (expressed in RUB per share)	**0.001**	**0.005**	**0.001**	**0.001**

19 Analysis by segment

The Group is organized into five main reportable operating segments. The segments are identified on the basis of organizational structure and types of clients. Each operating segment involves areas of business that are under control and responsibility of one of the Management Board members. Internal management reports are reviewed by the Management Board on a periodical basis and by the Board of Directors on a quarterly basis.

The following summary describes the operations in each of the reportable segments:

- Corporate banking – this operating segment includes the following services provided to legal entities (excluding small and medium size enterprises): settlements and money transfer; deposit taking; issuance of promissory notes and certificates of deposit; trade and long-term finance; commercial lending; overdraft lending; factoring; leasing; letters of credit; guarantees; foreign exchange services; cash collection; currency conversion; all transactions with precious metals.

- Small and medium size enterprises – this operating segment includes the following services provided to small and medium size enterprises (entities with annual revenues of less than RUR 1 500 million): commercial lending; deposit taking; issuance of promissory notes; money transfer; guarantees; brokerage in securities; foreign exchange services.

- Retail and private banking – this operating segment includes the following services provided to retail customers: settlements and money transfer; deposit taking and lending to individuals (including VIP clients); foreign exchange services; banking card products; settlement and cash services.

- Capital markets – this operating segment includes the following services provided to banks and other financial institutions: deposit taking; borrowings from banks and other financial institutions; issuance of domestic bonds, loan participation notes and promissory notes on the market; repo transactions; interbank lending; syndicated and subordinated borrowings; trading and brokerage in securities; foreign exchange (except currency conversion for clients); trading in derivatives; banknote operations; depositary services; settlements and money transfer.

- Assets and liabilities management – this segment manages the liquidity position through transactions with marketable financial instruments. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments and interest risk management. This segment is supervised by the Asset and Liability Committee (ALCO).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Information on segment income tax expense in the tables below is presented for information purposes.

The intersegment revenue from other segments related to exchange of the resources between segments are calculated on the basis of a transfer pricing system, in accordance with which the prices of the internal placement/funding depend on the currency and term of placement/funding.

The Group does not allocate equity, net book value of property and equipment, and current and deferred tax assets and liabilities between the segments to determine segment assets/liabilities. These captions are included in “Reconciling items” category in the reconciliation of the total segment assets/liabilities to total assets/liabilities of the Group. Other assets and liabilities (including perpetual subordinated loan participation notes) and gains or losses attributable to these assets and liabilities (including loss on compensation of transfer pricing for low margin products) are included in “Reconciling items” category when they cannot reasonably be distributed among the segments.

General and administrative expenses are allocated between the segments on the basis of an activity-based costing model that identifies activities and assigns the cost of each activity’s resources to all products and services according to their actual consumption. “Reconciling items” category also include loss on transfer rate compensation for business segments. The loss occurs when market rates are different than internal transfer rates at which business attract or provide funding from/to Assets and liabilities management segment.

(expressed in million of Russian Roubles – refer to Note 2)

19 Analysis by segment (continued)

In the second quarter 2014 the Group introduced several changes to allocation of general and administrative expenses between segments. Particularly activity-based costing model was improved to allow the Group to allocate some types of general and administrative expenses between business segments which were previously disclosed in the “reconciling items” category. The effect of the reclassifications on the segment income statement for previous periods cannot be measured reliably.

The Group allocates income tax benefit/expense using the financial result of each segment and the overall effective tax rate of each subsidiary.

Segment breakdown of assets and liabilities as at 30 September 2014 is set out below:

	Corporate banking	Small and medium size enterprises	Retail and private banking	Capital markets	Assets and liabilities manage-ment	Recon-ciling items	Total
Cash and cash equivalents	2 626	2 332	15 234	12 984	37 185	2	70 363
Obligatory reserves with central banks	-	-	-	-	6 659	-	6 659
Placements with banks and other financial institutions	66	-	42	14 660	496	3	15 267
Financial assets at fair value through profit or loss	-	-	-	23 607	5 681	-	29 288
Amounts receivable under reverse repurchase agreements	-	-	-	24 775	1 641	-	26 416
Loans to customers	540 359	80 811	77 740	-	-	-	698 910
Investments available for sale	-	-	294	15	-	-	309
Investments in associates	-	-	-	-	2 225	-	2 225
Other assets	276	35	339	564	-	6 132	7 346
Current income tax prepayments	-	-	-	-	-	2 247	2 247
Deferred tax asset	-	-	-	-	-	1 539	1 539
Investment property	-	-	-	-	-	2 454	2 454
Property and equipment	-	-	-	-	-	23 862	23 862
Total assets	**543 327**	**83 178**	**93 649**	**76 605**	**53 887**	**36 239**	**886 885**
Financial liabilities at fair value through profit or loss	-	-	-	4 650	2 823	-	7 473
Deposits and balances due to banks and other financial institutions	32 853	-	138	24 104	50 364	-	107 459
Amounts payable under repurchase agreements	-	-	-	15 813	111	-	15 924
Current accounts and deposits from customers	289 921	66 638	211 871	1 767	-	-	570 197
Debt securities in issue	-	-	-	31 669	-	-	31 669
Other borrowed funds	-	-	-	16 652	-	-	16 652
Other liabilities	764	318	267	137	-	2 206	3 692
Current income tax payable	-	-	-	-	-	4	4
Deferred tax liability	-	-	-	-	-	23	23
Subordinated borrowings	-	-	-	61 600	-	4 815	66 415
Total liabilities	**323 538**	**66 956**	**212 276**	**156 392**	**53 298**	**7 048**	**819 508**

(expressed in million of Russian Roubles – refer to Note 2)

19 Analysis by segment (continued)

Segment breakdown of assets and liabilities as at 31 December 2013 is set out below:

	Corporate banking	Small and medium size enterprises	Retail and private banking	Capital markets	Assets and liabilities manage-ment	Recon-ciling items	Total
Cash and cash equivalents	2 654	2 778	19 851	4 812	39 259	408	69 762
Obligatory reserves with central banks	-	-	-	-	7 493	-	7 493
Placements with banks and other financial institutions	63	-	3 883	16 586	149	-	20 681
Financial assets at fair value through profit or loss	-	-	-	50 225	7 489	-	57 714
Amounts receivable under reverse repurchase agreements	-	-	-	2 658	-	-	2 658
Loans to customers	397 435	84 266	63 768	-	-	-	545 469
Investments available for sale	-	-	273	55	-	-	328
Other assets	171	15	221	3 891	-	3 223	7 521
Current income tax prepayments	-	-	-	-	-	280	280
Deferred tax asset	-	-	-	-	-	1 655	1 655
Investment property	-	-	-	-	-	1 849	1 849
Property and equipment	-	-	-	-	-	23 687	23 687
Total assets	**400 323**	**87 059**	**87 996**	**78 227**	**54 390**	**31 102**	**739 097**
Financial liabilities at fair value through profit or loss	-	-	-	2 925	-	-	2 925
Deposits and balances due to banks and other financial institutions	6 675	-	2 863	42 241	6 245	-	58 024
Amounts payable under repurchase agreements	-	-	-	2 817	6 686	-	9 503
Current accounts and deposits from customers	218 233	66 594	202 432	78	-	782	488 119
Debt securities in issue	-	-	-	52 671	-	-	52 671
Other borrowed funds	-	-	-	15 009	-	-	15 009
Other liabilities	742	191	339	100	-	2 129	3 501
Current income tax payable	-	-	-	-	-	3	3
Deferred tax liability	-	-	-	-	-	30	30
Subordinated borrowings	-	-	-	38 839	-	4 311	43 150
Total liabilities	**225 650**	**66 785**	**205 634**	**154 680**	**12 931**	**7 255**	**672 935**

(expressed in million of Russian Roubles – refer to Note 2)

19 Analysis by segment (continued)

Segment information for the reportable business segments of the Group for the nine-month period ended 30 September 2014 is set out below:

Unaudited	Corporate banking	Small and medium size enterprises	Retail and private banking	Capital markets	Assets and liabilities management	Reconciling items	Total
Interest income	34 338	8 890	10 441	3 794	340	-	57 803
Interest expense	(9 070)	(928)	(8 644)	(8 810)	(5 120)	(297)	(32 869)
Net interest income/(expense)	**25 268**	**7 962**	**1 797**	**(5 016)**	**(4 780)**	**(297)**	**24 934**
Net revenue from other segments	**(12 881)**	**(2 280)**	**5 488**	**5 713**	**7 882**	**(3 922)**	**-**
Income	14 824	4 118	12 588	9 203	48 553	676	89 962
Expense	(27 705)	(6 398)	(7 100)	(3 490)	(40 671)	(4 598)	(89 962)
Fee and commission income	3 539	2 722	6 117	501	5	-	12 884
Fee and commission expense	(462)	(170)	(2 264)	(233)	(69)	-	(3 198)
Net fee and commission income/(expense)	**3 077**	**2 552**	**3 853**	**268**	**(64)**	**-**	**9 686**
Net (loss)/gain on financial instruments at fair value through profit or loss and on early redemption of senior loan participation notes	-	-	-	(3 425)	26	-	(3 399)
Net foreign exchange (loss)/gain	66	-	-	1 904	(2 885)	-	(915)
Gain from investments in associates	-	-	-	-	2 225	-	2 225
Other income	4	-	-	1	-	10	15
Other expense	-	(1)	(649)	-	-	(155)	(805)
Operating income/(loss) of the segment	**15 534**	**8 233**	**10 489**	**(555)**	**2 404**	**(4 364)**	**31 741**
Loan impairment charge	(8 072)	(2 577)	(3 137)	-	-	-	(13 786)
Other impairment charge	(22)	-	-	(4)	-	-	(26)
General and administrative expenses	(3 101)	(4 516)	(7 232)	(790)	(20)	(517)	(16 176)
Operating expenses	**(11 195)**	**(7 093)**	**(10 369)**	**(794)**	**(20)**	**(517)**	**(29 988)**
Profit/(loss) before tax	**4 339**	**1 140**	**120**	**(1 349)**	**2 384**	**(4 881)**	**1 753**
Income tax (expense)/benefit	(836)	(219)	(23)	260	(459)	939	(338)
Profit/(loss) for the period after tax	**3 503**	**921**	**97**	**(1 089)**	**1 925**	**(3 942)**	**1 415**
Revenue of the segment	**52 771**	**15 730**	**29 146**	**15 403**	**51 149**	**686**	**164 885**

(expressed in million of Russian Roubles – refer to Note 2)

19 Analysis by segment (continued)

Segment information for the reportable business segments of the Group for the nine-month period ended 30 September 2013 is set out below:

Unaudited	**Corporate banking**	**Small and medium size enter-prises**	**Retail and private banking**	**Capital markets**	**Assets and liabilities manage-ment**	**Recon-ciling items**	**Total**
Interest income	27 108	7 954	9 045	3 734	474	-	48 315
Interest expense	(6 565)	(685)	(8 977)	(9 068)	(1 432)	(63)	(26 790)
Net interest income/(expense)	**20 543**	**7 269**	**68**	**(5 334)**	**(958)**	**(63)**	**21 525**
Net revenue from other segments	(12 038)	(2 290)	6 550	6 618	2 656	(1 496)	-
Income	10 801	3 145	12 094	9 730	42 040	3 893	81 703
Expense	(22 839)	(5 435)	(5 544)	(3 112)	(39 384)	(5 389)	(81 703)
Fee and commission income	2 813	2 062	4 115	279	4	-	9 273
Fee and commission expense	(455)	(154)	(1 414)	(105)	(54)	-	(2 182)
Net fee and commission income/(expense)	**2 358**	**1 908**	**2 701**	**174**	**(50)**	**-**	**7 091**
Net (loss)/gain on financial instruments at fair value through profit or loss	-	-	(11)	523	78	-	590
Net foreign exchange gain/(loss)	95	-	(7)	205	177	-	470
Other income	137	62	30	318	-	(90)	457
Other expense	-	-	(490)	-	-	(66)	(556)
Operating income/(loss) of the segment	**11 095**	**6 949**	**8 841**	**2 504**	**1 903**	**(1 715)**	**29 577**
Loan impairment charge	(3 530)	(1 064)	(2 468)	-	-	-	(7 062)
Other impairment charge	(28)	-	-	(35)	-	-	(63)
General and administrative expenses	(3 034)	(4 147)	(6 332)	(952)	(2)	(1 113)	(15 580)
Operating expenses	**(6 592)**	**(5 211)**	**(8 800)**	**(987)**	**(2)**	**(1 113)**	**(22 705)**
Profit/(loss) before tax	**4 503**	**1 738**	**41**	**1 517**	**1 901**	**(2 828)**	**6 872**
Income tax (expense)/benefit	(832)	(321)	(8)	(281)	(351)	524	(1 269)
Profit/(loss) for the period after tax	**3 671**	**1 417**	**33**	**1 236**	**1 550**	**(2 304)**	**5 603**
Revenue of the segment	**40 954**	**13 223**	**25 266**	**14 789**	**42 773**	**3 803**	**140 808**

(expressed in million of Russian Roubles – refer to Note 2)

20 Currency and maturity analysis

Currency analysis

The following table shows the currency structure of financial assets and liabilities as monitored by management as at 30 September 2014:

	RUB	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	31 445	22 833	13 265	2 820	70 363
Obligatory reserves with central banks	5 762	-	897	-	6 659
Placements with banks and other financial institutions	1 944	7 196	6 127	-	15 267
Financial assets at fair value through profit or loss	21 883	7 195	113	97	29 288
Amounts receivable under reverse repurchase agreements	17 569	8 847	-	-	26 416
Loans to customers	484 015	192 490	21 306	1 099	698 910
Investments available for sale	14	287	8	-	309
Investments in associates	2 225	-	-	-	2 225
Other assets	6 955	294	81	16	7 346
Current income tax prepayments	2 247	-	-	-	2 247
Deferred tax asset	1 539	-	-	-	1 539
Investment property	2 454	-	-	-	2 454
Property and equipment	13 023	10 839	-	-	23 862
Total assets	**591 075**	**249 981**	**41 797**	**4 032**	**886 885**
Financial liabilities					
Financial liabilities at fair value through profit or loss	2 171	4 860	96	346	7 473
Deposits and balances due to banks and other financial institutions	67 126	25 022	10 959	4 352	107 459
Amounts payable under repurchase agreements	13 817	2 107	-	-	15 924
Current accounts and deposits from customers	358 956	169 231	37 854	4 156	570 197
Debt securities in issue	16 781	14 888	-	-	31 669
Other borrowed funds	3 240	8 122	5 290	-	16 652
Other liabilities	3 166	485	39	2	3 692
Current income tax payable	4				4
Deferred tax liability	23				23
Subordinated borrowings	5 084	57 512	2 525	1 294	66 415
Total liabilities	**470 368**	**282 227**	**56 763**	**10 150**	**819 508**
Net on balance sheet position	**120 707**	**(32 246)**	**(14 966)**	**(6 118)**	**67 377**
Net off balance sheet position	**(52 854)**	**32 740**	**14 425**	**5 689**	**-**
Net on and off balance sheet positions	**67 853**	**494**	**(541)**	**(429)**	**67 377**
Guarantees issued as at 30 September 2014	(95 676)	(19 661)	(2 796)	(400)	**(118 533)**
Other credit related commitments as at 30 September 2014	(123 860)	(48 666)	(8 572)	(136)	**(181 234)**

(expressed in million of Russian Roubles – refer to Note 2)

20 Currency and maturity analysis (continued)

The following table shows the currency structure of financial assets and liabilities as monitored by management as at 31 December 2013:

	RUB	USD	EUR	Other	Total
Financial assets					
Cash and cash equivalents	37 668	18 943	10 806	2 345	69 762
Obligatory reserves with central banks	7 146	-	347	-	7 493
Placements with banks and other financial institutions	4 901	12 001	3 779	-	20 681
Financial assets at fair value through profit or loss	50 005	7 400	240	69	57 714
Amounts receivable under reverse repurchase agreements	1 179	1 479	-	-	2 658
Loans to customers	387 240	131 142	26 385	702	545 469
Investments available for sale	55	265	8	-	328
Other assets	7 025	422	58	16	7 521
Current income tax prepayments	280	-	-	-	280
Deferred tax asset	1 655	-	-	-	1 655
Investment property	1 849	-	-	-	1 849
Property and equipment	12 857	10 830			23 687
Total assets	**511 860**	**182 482**	**41 623**	**3 132**	**739 097**
Financial liabilities					
Financial liabilities at fair value through profit or loss	976	1 716	179	54	2 925
Deposits and balances due to banks and other financial institutions	16 841	25 610	14 654	919	58 024
Amounts payable under repurchase agreements	9 503	-	-	-	9 503
Current accounts and deposits from customers	332 903	121 122	31 649	2 445	488 119
Debt securities in issue	21 808	30 661	202	-	52 671
Other borrowed funds	4 818	5 491	4 700	-	15 009
Other liabilities	2 942	474	84	1	3 501
Current income tax payable	3	-	-	-	3
Deferred tax liability	30	-	-	-	30
Subordinated borrowings	5 238	34 452	2 338	1 122	43 150
Total liabilities	**395 062**	**219 526**	**53 806**	**4 541**	**672 935**
Net on balance sheet position	**116 798**	**(37 044)**	**(12 183)**	**(1 409)**	**66 162**
Net off balance sheet position	**(62 259)**	**46 763**	**14 090**	**1 406**	**-**
Net on and off balance sheet positions	**54 539**	**9 719**	**1 907**	**(3)**	**66 162**
Guarantees issued as at 31 December 2013	(62 560)	(13 533)	(1 938)	(249)	**(78 280)**
Other credit related commitments as at 31 December 2013	(87 337)	(31 272)	(8 940)	(119)	**(127 668)**

20 Currency and maturity analysis (continued)

Maturity analysis

The maturity table below is presented as monitored by management. It shows assets and liabilities by their remaining contractual maturity as at 30 September 2014 and 31 December 2013, with the exception of securities included into financial assets at fair value through profit or loss, current accounts of legal entities and individuals. Securities approved by the CBR as collateral for its loans are shown in the category "Demand and less than 1 month", other securities are shown in accordance with their remaining contractual maturity as at 30 September 2014 and 31 December 2013.

Domestic bonds issued are presented in the table below in accordance with their earliest put dates.

In accordance with Russian legislation, term deposits of individuals may be withdrawn before maturity. However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customers accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Group indicates that these customer accounts provide a long-term and stable source of funding.

As at 30 September 2014 the Group included part of current accounts from customers amounting to RUB 131 405 million (31 December 2013: RUB 95 235 million) in the category "From 1 to 5 years" based on historical experience of stable customer current accounts.

Overdue assets net of impairment allowance are classified within the "Demand and less than 1 month" column. As at 30 September 2014 overdue assets classified within this category amount to RUB 16 409 million (31 December 2013: RUB 14 057 million).

The Group has undrawn lines of credit with the CBR and other financial institutions, as at 30 September 2014 amounting RUB 22 934 million (31 December 2013: RUB 16 957 million). Accordingly, the Group in its liquidity forecasts estimates that the liquidity gaps in the table below will be sufficiently covered by the continued retention of current accounts and deposits from customers, as well as the undrawn credit line facilities from the CBR and other financial institutions.

(expressed in million of Russian Roubles – refer to Note 2)

20 Currency and maturity analysis (continued)

The following table shows the maturity analysis as of 30 September 2014 as monitored by management of the Group:

	Demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	No maturity	Total
Financial assets							
Cash and cash equivalents	70 363	-	-	-	-	-	70 363
Obligatory reserves with central banks	1 185	1 888	1 308	2 229	47	2	6 659
Placements with banks and other financial institutions	2 231	8 021	4 907	108	-	-	15 267
Financial assets at fair value through profit or loss	20 569	3 798	1 557	2 433	823	108	29 288
Amounts receivable under reverse repurchase agreements	24 512	1 904	-	-	-	-	26 416
Loans to customers	69 041	214 002	117 891	240 690	57 286	-	698 910
Investments available for sale	-	-	-	-	-	309	309
Other financial assets	4 874	-	-	-	-	-	4 874
Total financial assets	**192 775**	**229 613**	**125 663**	**245 460**	**58 156**	**419**	**852 086**
Financial liabilities							
Financial liabilities at fair value through profit or loss	4 336	2 253	446	438	-	-	7 473
Deposits and balances due to banks and other financial institutions	40 814	50 789	10 366	5 490	-	-	107 459
Amounts payable under repurchase agreements	15 924	-	-	-	-	-	15 924
Current accounts and deposits from customers	93 973	162 269	119 071	190 649	4 023	212	570 197
Debt securities in issue	2 636	11 221	1 599	14 336	1 877	-	31 669
Other borrowed funds	12 512	17	120	3 522	481	-	16 652
Other financial liabilities	784	187	159	235	64	-	1 429
Subordinated borrowings	667	1 390	6 734	11 663	45 961	-	66 415
Total financial liabilities	**171 646**	**228 126**	**138 495**	**226 333**	**52 406**	**212**	**817 218**
Net liquidity position	**21 129**	**1 487**	**(12 832)**	**19 127**	**5 750**	**207**	**34 868**
Cumulative liquidity position	**21 129**	**22 616**	**9 784**	**28 911**	**34 661**	**34 868**	

(expressed in million of Russian Roubles – refer to Note 2)

20 Currency and maturity analysis (continued)

The following table shows the maturity analysis as of 31 December 2013 as monitored by management of the Group:

	Demand and less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	No maturity	Total
Financial assets							
Cash and cash equivalents	69 762	-	-	-	-	-	69 762
Obligatory reserves with central banks	1 542	2 151	1 443	2 342	15	-	7 493
Placements with banks and other financial institutions	1 643	7 854	10 856	328	-	-	20 681
Financial assets at fair value through profit or loss	41 282	4 026	3 057	7 336	1 855	158	57 714
Amounts receivable under reverse repurchase agreements	2 658	-	-	-	-	-	2 658
Loans to customers	46 867	192 085	101 569	177 065	27 883	-	545 469
Investments available for sale	-	-	-	-	-	328	328
Other financial assets	3 958	-	-	-	-	-	3 958
Total financial assets	**167 712**	**206 116**	**116 925**	**187 071**	**29 753**	**486**	**708 063**
Financial liabilities							
Financial liabilities at fair value through profit or loss	2 293	529	95	8	-	-	2 925
Deposits and balances due to banks and other financial institutions	27 372	21 654	3 105	5 792	101	-	58 024
Amounts payable under repurchase agreements	9 503	-	-	-	-	-	9 503
Current accounts and deposits from customers	109 788	133 878	87 413	156 027	990	23	488 119
Debt securities in issue	1 302	23 482	6 789	18 763	2 335	-	52 671
Other borrowed funds	-	159	12 032	2 818	-	-	15 009
Other financial liabilities	1 129	139	210	276	10	-	1 764
Subordinated borrowings	526	912	-	18 043	23 669	-	43 150
Total financial liabilities	**151 913**	**180 753**	**109 644**	**201 727**	**27 105**	**23**	**671 165**
Net liquidity position	**15 799**	**25 363**	**7 281**	**(14 656)**	**2 648**	**463**	**36 898**
Cumulative liquidity position	**15 799**	**41 162**	**48 443**	**33 787**	**36 435**	**36 898**	

(expressed in million of Russian Roubles – refer to Note 2)

21 Capital management

The Group monitors its capital adequacy levels calculated in accordance with the requirements of the CBR. Previously the Group also monitored its capital adequacy levels in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I. The approach of the Group to capital management has changed and the presented analysis provides more relevant information as to the way management makes its decisions.

CBR capital adequacy ratio

The Group also monitors capital requirements set by the Central Bank of Russia for credit institutions. Under the current capital requirements banks have to maintain a ratios of capital to risk weighted assets (“statutory capital ratios”) above the prescribed minimum levels. The CBR sets the following mandatory capital ratios requirements for common equity, Tier 1 and total capital: 5%, 5.5% (with an increase to 6% from 1 January 2015) and 10% respectively. The Bank’s capital adequacy ratio on this basis as at 30 September 2014 and 31 December 2013 is as follows:

	30 September 2014 (unaudited)	**31 December 2013 (unaudited)**
Common equity	57 117	54 837
Tier 1 capital	64 710	58 406
Tier 2 capital	42 952	34 755
Total regulatory capital	**107 662**	**93 161**
Risk-weighted assets	976 776	817 202
Common equity adequacy ratio	5.85%	6.71%
Tier 1 capital adequacy ratio	6.62%	7.15%
Total capital adequacy ratio	11.02%	11.40%

As at 30 September 2014 and during the nine-month period ended 30 September 2014 the Group was in compliance with capital adequacy ratios requirements.

22 Credit related and capital commitments

Credit related commitments

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments and contingent liabilities as at 30 September 2014 and 31 December 2013 are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

(expressed in million of Russian Roubles – refer to Note 2)

22 Credit related and capital commitments (continued)

	30 September 2014 (unaudited)	31 December 2013
Contracted amount		
Guarantees	118 533	78 280
Undrawn overdraft facilities	128 523	88 590
Import letters of credit	16 309	14 751
Undrawn loan facilities	36 402	24 327
Total	**299 767**	**205 948**

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

At 30 September 2014 the Group has no capital expenditure commitments.

Compliance with covenants

The Group has to comply with certain covenants, primarily related to loans from other banks and other borrowed funds. These covenants include:

- *General business covenants*, such as business conduct and reasonable prudence, conformity with legal requirements of the country in which the company is located, maintenance of accurate accounting records, implementation of controls, performance of independent audits, etc.;
- *Restrictive covenants*, including *constraints* (without lender's consent) in respect of dividend payments and other distributions, and changes in the shareholding structure, restrictions on individual types of activities, use of assets and certain types of transactions;
- *Financial covenants*, such as meeting certain liquidity and capital adequacy requirements, the amount of certain type of liabilities, risk per customer, profit before taxes to total assets ratio, amount of related party transactions; and
- *Reporting covenants*, obliging the Group to provide its audited consolidated financial statements to the lender, as well as certain additional financial information and any other documents upon request.

Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. As at 30 September 2014 and 31 December 2013, the Group's management believes that the Group fully meets all covenants of its agreements.

23 Fair value of financial instruments

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

(expressed in million of Russian Roubles – refer to Note 2)

23 Fair value of financial instruments (continued)

The Group's liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period.

As of 30 September 2014 the level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows.

	Quoted market prices (in active markets)	**Valuation techniques based on observable inputs**	**Valuation techniques involving the use of non-market observable inputs**	**Total**
Financial assets				
Financial assets at fair value through profit or loss				
Corporate bonds	15 424	-	-	15 424
Russian Government Federal bonds (OFZ)	944	-	-	944
Russian municipal and regional bonds	2 561	-	-	2 561
Promissory notes	96	-	682	778
Russian Federation Eurobonds	476	-	-	476
Corporate Eurobonds	1 441	-	-	1 441
Foreign Government Eurobonds	12	-	-	12
Certificates of deposit	-	-	103	103
Derivative financial instruments	-	7 441	-	7 441
Corporate shares designated at fair value through profit or loss	108	-	-	108
Total financial assets at fair value through profit or loss	**21 062**	**7 441**	**785**	**29 288**
Investments available for sale				
Corporate shares	301	-	8	309
Total investments available for sale	**301**	**-**	**8**	**309**
Financial liabilities				
Derivative financial instruments	-	(5 285)	-	(5 285)
Trading liabilities	(2 188)	-	-	(2 188)

(expressed in million of Russian Roubles – refer to Note 2)

23 Fair value of financial instruments (continued)

As of 31 December 2013 the level in the fair value hierarchy into which the recurring fair value measurements are categorized are as follows.

	Quoted market prices (in active markets)	Valuation techniques based on observable inputs	Valuation techniques involving the use of non-market observable inputs	Total
Financial assets				
Financial assets at fair value through profit or loss				
Corporate bonds	27 356	-	-	27 356
Russian Government Federal bonds (OFZ)	12 320	-	-	12 320
Corporate Eurobonds	6 115	-	-	6 115
Promissory notes	5 075	-	1 308	6 383
Russian municipal and regional bonds	2 829	-	-	2 829
Russian Federation Eurobonds	1 058	-	-	1 058
Certificates of deposit	-	-	302	302
Corporate shares	8	-	-	8
Derivative financial instruments	-	1 186	-	1 186
Corporate shares designated at fair value through profit or loss	157	-	-	157
Total financial assets at fair value through profit or loss	**54 918**	**1 186**	**1 610**	**57 714**
Investments available for sale				
Corporate shares	320	-	8	328
Total investments available for sale	**320**	**-**	**8**	**328**
Financial liabilities				
Derivative financial instruments	-	(1 480)	-	(1 480)
Trading liabilities	(1 445)	-	-	(1 445)

The valuation technique based on discounted cash flows is used in the fair value measurement for level 2 measurements at 30 September 2014. The following main inputs are relevant:

- ***Spot and Forward currency exchange rates.*** Cash Rate, Interest Rate Futures quotes and IRS quotes are used for foreign currencies, implied RUB rates are derived from foreign exchange forward contracts.

- ***Cross currency interest rate swaps (CCIRS) curves.*** CCIRS are used for discounting and projection of cash flows and are derived from Cash Rate quotes, Futures quotes and Interest Rate Swap quotes available from Chicago Merchandile (for futures) and contributors which quote these instruments on Over the counter market.

- ***Adjustment for credit risk.*** The Group has the Credit Value Adjustment (also known as Credit Risk Adjustment or Default Risk Adjustment) which reflects the probability of default of the counterparty and Debit Value Adjustment which reflects the possibility of our default. Credit Value Adjustment (CVA) is an adjustment to the price of derivatives reflecting expected losses arising from the possible default of the counterparty both by counterparty and by instrument.

CVA is calculated with a Monte-Carlo methodology simulating both expected exposure coming from derivative positions with counterparty (estimated with Group market risk calculation approach) and the default event coming from counterparty Default Probability and Recovery Rate. CVA itself is calculated for each counterparty by calculating Group's expected losses on the event of having positive derivative position revaluation with defaulted counterparty adjusted by the recovery rate. The adjustment is calculated based on observable market inputs.

23 Fair value of financial instruments (continued)

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

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

Fair values analyzed by level in the fair value hierarchy and carrying value of financial assets and liabilities not measured at fair value as at 30 September 2014 are as follows.

In millions of Russian Roubles	**Carrying amount**	**Quoted price in an active market**	**Valuation technique with inputs observable in markets**	**Valuation technique not based on observable market data technique**
Financial Assets carried at amortised cost				
Cash and cash equivalents				
- Cash	19 629	19 629	-	-
- Due from Central Bank of the RF – nostro accounts	15 003	-	15 003	-
- Placements with banks and other financial institutions with an original maturity less than one month	35 731	-	35 731	-
Obligatory reserves with central banks				
- Minimum reserve deposit with the Central Bank of the RF	5 762	-	-	5 762
- Minimum reserve deposit with the Central Bank of Cyprus	897	-	-	897
Placements with banks and other financial institutions				
- Placements with other banks with original maturities of more than one month	15 267	-	15 288	-
Amounts receivable under reverse repurchase agreements				
- Amounts receivable from banks and other financial institutions	15 545	-	-	15 545
- Amounts receivable from corporate customers	10 871	-	-	10 871
Loans and advances to customers				
- Commercial loans	621 170	-	-	619 633
- Loans to individuals	77 740	-	-	76 916
Other financial assets				
- Accrued commission income	366	-	-	366
- Plastic card receivables	329	-	-	329
- Debtors under securities deals	4 113	-	-	4 113
- Other	66	-	-	66
Total financial assets carried at amortised cost	**822 489**	**19 629**	**66 022**	**734 498**

23 Fair value of financial instruments (continued)

In millions of Russian Roubles	**Carrying amount**	**Quoted price in an active market**	**Valuation technique with inputs observable in markets**	**Valuation technique not based on observable market data technique**
Financial Liabilities carried at amortised cost				
Deposits and balances due to banks and other financial institutions				
- Term deposits from the Central Bank of the RF	42 582		42 510	
- Trade finance of foreign banks	27 085	-	27 137	-
- Term deposits of local banks	20 438	-	20 435	-
- Vostro accounts	7 860	-	7 860	-
- Term deposits of foreign banks	4 954	-	4 953	-
- Long-term finance	4 540	-	4 540	-
Amounts payable under repurchase agreements				
- Amounts payable to customers	15 813	-	-	15 813
- Amounts payable to banks and other financial institutions	111	-	-	111
Current account and deposits from customers		-	-	
- Current accounts of legal entities	133 146	-	133 146	-
- Term deposits of legal entities	225 180	-	226 464	-
- Current accounts of individuals	35 331	-	35 331	-
- Term deposits of individuals	176 540	-	178 085	-
Debt securities in issue				
- Promissory notes	7 722	-	7 706	-
- Senior loan participation notes	14 807	15 060	-	-
- Domestic bonds	9 140	9 109	-	-
Other borrowed funds				
- Syndicated loans	11 841	-	11 851	-
- Other borrowed funds	4 811	-	4 816	-
Other financial liabilities		-	-	-
- Financial guarantees	710	-	-	710
- Plastic card payables	276	-	-	276
- Other accrued liabilities	209	-	-	209
- Payables on factoring deals	234	-	-	234
Subordinated debt				
- Subordinated borrowings	66 415	64 622	-	-
Total financial liabilities carried at amortised cost	**809 745**	**88 791**	**704 834**	**17 353**

23 Fair value of financial instruments (continued)

Fair values analyzed by level in the fair value hierarchy and carrying value of financial assets and liabilities not measured at fair value as at 31 December 2013 are as follows.

In millions of Russian Roubles	**Carrying amount**	**Quoted price in an active market**	**Valuation technique with inputs observable in markets**	**Valuation technique not based on observable market data technique**
Financial Assets carried at amortised cost				
Cash and cash equivalents				
- Cash	24 168	24 168	-	-
- Due from Central Bank of the RF – nostro accounts	15 994	-	15 994	-
- Deposits with the Central Bank of the RF	2 000	-	2 000	-
- Placements with banks and other financial institutions with an original maturity less than one month	27 600	-	27 600	-
Obligatory reserves with central banks				
- Minimum reserve deposit with the Central Bank of the RF	7 146	-	-	7 146
- Minimum reserve deposit with the Central Bank of Cyprus	347	-	-	347
Placements with banks and other financial institutions				
- Placements with other banks with original maturities of more than one month	20 681	-	20 996	-
Amounts receivable under reverse repurchase agreements				
- Amounts receivable from banks and other financial institutions	2 461	-	-	2 461
- Amounts receivable from corporate customers	197	-	-	197
Loans and advances to customers				
- Commercial loans	481 701	-	-	484 276
- Loans to individuals	63 768	-	-	63 175
Other financial assets				
- Accrued commission income	247	-	-	247
- Plastic card receivables	254	-	-	254
- Debtors under securities deals	3 409	-	-	3 409
- Other	48	-	-	48
Total financial assets carried at amortised cost	**650 021**	**24 168**	**66 590**	**561 560**

23 Fair value of financial instruments (continued)

In millions of Russian Roubles	**Carrying amount**	**Quoted price in an active market**	**Valuation technique with inputs observable in markets**	**Valuation technique not based on observable market data technique**
Financial Liabilities carried at amortised cost				
Deposits and balances due to banks and other financial institutions				
- Term deposits of local banks	10 341	-	10 340	-
- Trade finance of foreign banks	27 031	-	27 062	-
- Long-term finance	6 590	-	6 590	-
- Term deposits of foreign banks	4 364	-	4 366	-
- Vostro accounts	9 698	-	9 698	-
Amounts payable under repurchase agreements				-
- Amounts payable to customers	9 423	-	-	9 423
- Amounts payable to banks and other financial institutions	80	-	-	80
Current account and deposits from customers				
- Current accounts of legal entities	110 679	-	110 679	-
- Term deposits of legal entities	175 008	-	176 781	-
- Current accounts of individuals	33 628	-	33 628	-
- Term deposits of individuals	168 804	-	166 796	-
Debt securities in issue				
- Promissory notes	4 745	-	4 749	-
- Senior loan participation notes	29 356	29 948	-	-
- Domestic bonds	18 570	18 624	-	-
Other borrowed funds				-
- Syndicated loans	10 068	-	10 160	-
- Other borrowed funds	4 941	-	5 055	-
Other financial liabilities				-
- Financial guarantees	726	-	-	726
- Plastic card payables	584	-	-	584
- Other accrued liabilities	380	-	-	380
- Payables on factoring deals	74	-	-	74
Subordinated debt				-
- Subordinated borrowings	43 150	45 733	-	-
Total financial liabilities carried at amortised cost	**668 240**	**94 305**	**565 904**	**11 267**

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

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

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

- the fair values of loans with floating rate are considered to be equal to the carrying value because the interest payments are based on LIBOR or MIBOR depending on the terms of agreement;

(expressed in million of Russian Roubles – refer to Note 2)

23 Fair value of financial instruments (continued)

- the fair value of loans with remaining maturity less than one year are considered to be equal to the carrying value due to the fact that effect of fair value recalculation based on current market rates is not material.

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

Financial instruments recognised at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the observability of inputs as follows:

- Quoted market price (in active market) – Valuations based on quoted prices in active markets that the Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant amount of judgment.

- Valuation techniques based on observable inputs – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly, and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.

- Valuation techniques involving the use of non-market observable inputs incorporating information other than observable market data – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Valuation techniques involving the use of non-market observable inputs were based on the analysis of discounted cash flows due from issuers. As at 30 September 2014, a discount rate of 10% (31 December 2013: 14%) is used for discounting future cash flows from corporate securities in this category.

Sensitivity of valuation of level 3 instruments to discount rates used in the discounted cash flows valuation technique based on a scenario of a 200 bp, rise or fall in all yield curves, is as follows:

	30 September 2014 (Unaudited)		**31 December 2013**	
	200 bp parallel increase	**200 bp parallel decrease**	**200 bp parallel increase**	**200 bp parallel decrease**
Financial assets at fair value through profit or loss	13	(13)	26	(26)

(expressed in million of Russian Roubles – refer to Note 2)

24 Related party transactions

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

The outstanding balances and the related average interest rates as at 30 September 2014 with related parties are as follows:

	Parent		Directors and Board of Management		Entities controlled by ultimate shareholders		Total
	Carrying amount	Average interest rate	Carrying amount	Average interest rate	Carrying amount	Average interest rate	Carrying amount
Interim Consolidated Condensed Statement of Financial Position							
Assets							
Loans to customers (gross amount)	99	9.1%	23	11.8%	18 993	8.4%	19 115
Other assets	-	-	-	-	144	-	144
Liabilities							
Current accounts and deposits from customers and other borrowed funds	486	5.2%	224	6.6%	2 429	3.6%	3 139
Other liabilities	-	-	-	-	72	-	72
Off balance sheet items							
Personal guarantees received	-	-	-	-	16 242	-	16 242
Guarantees issued	-	-	-	-	3 066	1.8%	3 066
Undrawn overdraft facilities	2 701	-	-	-	3 836	-	6 537

Entities under common control comprise mainly entities controlled by the ultimate shareholders of the Group.

As stated in Note 1 minority shareholder of the Group is the European Bank for Reconstruction and Development. The Group's management does not consider the minority shareholder as related party as it does not exercise significant influence over Group's financial or operational decisions.

As at 30 September 2014 outstanding balances with EBRD comprised RUB 2 336 million in Deposits and balances due to banks and other financial institutions.

(expressed in million of Russian Roubles – refer to Note 2)

24 Related party transactions (continued)

The outstanding balances and the related average interest rates as at 31 December 2013 with related parties are as follows:

	Parent		Directors and Board of Management		Entities controlled by ultimate shareholders		Total
	Carrying amount	**Average interest rate**	**Carrying amount**	**Average interest rate**	**Carrying amount**	**Average interest rate**	**Carrying amount**
Interim Consolidated Condensed Statement of Financial Position							
Assets							
Loans to customers (gross amount)	447	15.0%	59	11.7%	9 693	8.5%	10 199
less provision for impairment	-	-	-	-	(64)	-	(64)
Other assets	-	-	-	-	86	-	86
Liabilities							
Financial liabilities at fair value through profit or loss	146	-	-	-	-	-	146
Current accounts and deposits from customers and other borrowed funds	819	5.3%	384	6.5%	3 252	2.7%	4 455
Other liabilities	-	-	-	-	32	-	32
Off balance sheet items							
Personal guarantees received	-	-	-	-	4 681	-	4 681
Guarantees issued	46	2.0%	-	-	1 804	2.5%	1 850
Undrawn overdraft facilities	2 352	-	-	-	4 859	-	7 211

As at 31 December 2013, outstanding balances with EBRD comprised RUB 5 270 million in deposits and balances from banks and other financial institutions.

(expressed in million of Russian Roubles – refer to Note 2)

24 Related party transactions (continued)

Profit or loss amounts in respect of transactions with related parties for the nine-month period ended 30 September 2014 are as follows:

	Parent	**Directors and Management Board**	**Entities controlled by ultimate shareholders**	**Total**
Interest income	20	4	817	841
Interest expense	(19)	(14)	(85)	(118)
Fee and commission income	-	-	60	60
Net gain on financial instruments at fair value through profit or loss	(2)	-	127	125
Administrative expenses	-	(259)	(7)	(266)
Loan impairment charge	-	-	64	64

Profit or loss amounts in respect of transactions with related parties for the nine-month period ended 30 September 2013 are as follows:

	Parent	**Directors and Management Board**	**Entities controlled by ultimate shareholders**	**Total**
Interest income	46	3	589	638
Interest expense	(7)	(14)	(118)	(139)
Fee and commission income	2	-	65	67
Fee and commission expense	-	-	(5)	(5)
Net gain/(loss) on financial instruments at fair value through profit or loss	(129)	-	-	(129)
Administrative expenses	-	(435)	(5)	(440)
Loan impairment charge	-	(1)	(15)	(16)

During the nine-month period ended 30 September 2014, compensation of the Directors and members of the Management Board amounted to RUB 259 million (nine-month period ended 30 September 2013: RUB 435 million) and comprised short-term employee benefits.

25 Subsequent events

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

In November-December 2014 Russian currency market suffered from high volatility which resulted in a substantial devaluation of Russian Rouble. The exchange rate for the Russian currency significantly dropped to US dollar and EURO:

	19 December 2014	30 September 2014
RUB / 1 USD	59.6029	30.3727
RUB / 1 EUR	73.3414	40.2286

In order to protect Russian currency on 16 December 2014 the CBR raised basic rate up from 10.5% to 17%.

During 2014 the Group undertook multiple measures to protect itself against risks associated with the increased volatility on currency market and increasing interest rates:

- Debt securities portfolio at fair value through profit or loss was reduced from RUB 57 714 million (7.8% of total assets) as of 31 December 2013 down to RUB 29 288 million (3.3% of total assets) as of 30 September 2014 and continues to decrease as of the date of the financial information which helps the Group to eliminate substantial losses on mark-to-market revaluation on the current market.
- The Group has a moderate dependence on the CBR funding which reprised significantly. The amount of funds attracted from the CBR represents 7.0% of total liabilities as of the date of issue of the interim consolidated condensed financial information.
- The Group is still subject to interest rate risk resulting from liabilities repricing which will have affect on interest margin of the Group.
- The Group is sufficiently protected against foreign currency risk as net on and off balance sheet positions of the Group in foreign currencies are not significant.

The Bank is in compliance with the statutory requirements related to the capital ratio as at the date of the issue of the financial information.

Effective 19 December 2014, the Bank changed its name from Open Joint-Stock Company Promsvyazbank to Public Joint-Stock Company Promsvyazbank following the recent amendments of the Civil Code of the Russian Federation prescribe abolishment of the open joint-stock company as organizational legal form starting from 01 September 2014.

N.A.Mileshkina, Director,
ZAO PricewaterhouseCoopers Audit

19 December 2014

55 (fifty five) pages are numbered, bound and sealed