VTB Bank

Interim Condensed Consolidated Financial Statements with Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements

30 September 2013

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Independent auditors' report on review of interim condensed consolidated financial statements

To the Supervisory Council and Shareholders of VTB Bank:

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of VTB Bank ("the Bank") and its subsidiaries (together "the Group") as at 30 September 2013, comprising of the interim consolidated statement of financial position as at 30 September 2013 and the related interim consolidated income statement and interim consolidated statement of comprehensive income for the three-month and nine-month periods then ended, interim consolidated statements of cash flows and changes in shareholders' equity for the nine-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of work

We conducted our review in accordance with the 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

CJSC Ernst & Young Vneshaudit

5 December 2013

(in billions of Russian Roubles)

	Note	30 September 2013 (unaudited)	31 December 2012 (restated)
Assets			
Cash and short-term funds	7	339.7	569.0
Mandatory cash balances with central banks		76.9	63.8
Financial assets at fair value through profit or loss	8	371.7	528.8
Financial assets pledged under repurchase agreements and loaned financial assets	9	499.4	302.9
Due from other banks	10	454.8	358.6
Loans and advances to customers	11	5,630.7	4,761.5
Assets of disposal groups held for sale	15	158.8	15.3
Financial assets available-for-sale	12	170.7	97.4
Investments in associates and joint ventures	13	33.8	32.8
Investment securities held-to-maturity	14	0.7	0.9
Land, premises and equipment		166.5	142.5
Investment property		159.6	148.0
Intangible assets and goodwill		152.9	152.8
Deferred tax asset		44.3	42.9
Other assets		226.0	198.5
Total assets		**8,486.5**	**7,415.7**
Liabilities			
Due to other banks	16	770.6	759.9
Customer deposits	17	4,323.5	3,813.4
Liabilities of disposal groups held for sale	15	56.9	6.1
Other borrowed funds	18	1,129.4	806.2
Debt securities issued	19	742.5	753.9
Deferred tax liability		13.4	12.3
Other liabilities		263.4	212.0
Total liabilities before subordinated debt		**7,299.7**	**6,363.8**
Subordinated debt	20	291.8	285.8
Total liabilities		**7,591.5**	**6,649.6**
Equity			
Share capital	21	138.1	113.1
Share premium		433.8	358.5
Perpetual loan participation notes		72.7	68.3
Treasury shares		(4.2)	(13.7)
Other reserves	22	38.1	33.9
Retained earnings		206.5	193.7
Equity attributable to shareholders of the parent		**885.0**	**753.8**
Non-controlling interests		**10.0**	**12.3**
Total equity		**895.0**	**766.1**
Total liabilities and equity		**8,486.5**	**7,415.7**

Approved for issue and signed on 5 December 2013.

A.L. Kostin
President – Chairman of the Management Board

Herbert Moos
Chief Financial Officer – Deputy Chairman of the Management Board

(in billions of Russian Roubles)

	Note	*For the three-month period ended 30 September* 2013	2012	*For the nine-month period ended 30 September* 2013	2012
Interest income	23	176.1	141.5	500.7	400.5
Interest expense	23	(93.2)	(79.6)	(267.5)	(226.2)
Net interest income		**82.9**	**61.9**	**233.2**	**174.3**
Provision charge for impairment of debt financial assets	29	(22.1)	(12.7)	(72.8)	(45.0)
Net interest income after provision for impairment		**60.8**	**49.2**	**160.4**	**129.3**
Net fee and commission income	24	13.3	12.4	38.9	34.2
(Losses net of gains) / gains less losses arising from financial instruments at fair value through profit or loss		4.2	0.6	(3.6)	(3.4)
Gains less losses from available-for-sale financial assets		0.2	1.2	–	4.0
(Losses net of gains) / gains less losses arising from foreign currencies	25	(8.9)	7.8	(9.2)	14.9
Gains on initial recognition of financial instruments, restructuring and other gains on loans and advances to customers		–	0.3	2.9	9.7
Share in profit of associates and joint ventures		–	0.8	0.9	1.3
Gain from disposal of subsidiaries and associates	38	1.1	–	1.9	1.0
Net operating income from insurance activities	26	3.8	2.0	9.6	5.6
Net income /(loss) from non-banking activities	27	(1.6)	7.1	1.7	7.3
Losses net of gains arising from extinguishment of liability		(0.4)	(1.0)	(2.6)	(1.9)
(Provision charge) / reversal of provision for impairment of other assets, credit related commitments and legal claims	29	0.1	(0.9)	(1.9)	(1.0)
Excess of fair value of acquired net asset over cost	38	–	–	1.5	–
Other operating income		2.7	1.5	6.1	6.4
Net non-interest income		**14.5**	**31.8**	**46.2**	**78.1**
Operating income		**75.3**	**81.0**	**206.6**	**207.4**
Staff costs and administrative expenses	28	(51.9)	(45.6)	(149.2)	(128.2)
Profit before taxation		**23.4**	**35.4**	**57.4**	**79.2**
Income tax expense		(6.5)	(8.8)	(15.9)	(19.0)
Net profit after tax		**16.9**	**26.6**	**41.5**	**60.2**
Profit after tax from subsidiaries acquired exclusively with a view to resale		1.5	–	4.5	–
Net profit		**18.4**	**26.6**	**46.0**	**60.2**
Net profit attributable to:					
Shareholders of the parent		**17.9**	**23.4**	**45.8**	**56.2**
Non-controlling interests		**0.5**	**3.2**	**0.2**	**4.0**
Basic and diluted earnings per share (expressed in Russian Roubles per share)	**31**	**0.0014**	**0.0022**	**0.0035**	**0.0053**

(in billions of Russian Roubles)

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2013	***2012***	***2013***	***2012***
Net profit for the period	**18.4**	**26.6**	**46.0**	**60.2**
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net result on financial assets available-for-sale, net of tax	1.5	(0.8)	2.2	(5.5)
Cash flow hedges, net of tax	0.7	(0.1)	0.6	(0.1)
Share of other comprehensive income of associates	(0.1)	(0.2)	–	(0.6)
Effect of translation, net of tax	1.4	(2.6)	2.3	(2.2)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Actuarial losses net of gains arising from difference between pension plan assets and obligations	–	(0.3)	–	(0.3)
Effect of changes in tax rates recognised in premises revaluation reserve	–	–	–	0.1
Other comprehensive income for the period, net of tax	**3.5**	**(4.0)**	**5.1**	**(8.6)**
Total comprehensive income for the period	**21.9**	**22.6**	**51.1**	**51.6**
Total comprehensive income attributable to:				
Shareholders of the parent	**21.4**	**19.7**	**50.6**	**47.8**
Non-controlling interests	**0.5**	**2.9**	**0.5**	**3.8**

(in billions of Russian Roubles)

	Note	*For the nine-month period ended 30 September* 2013	2012
Cash flows from / (used in) operating activities			
Interest received		491.6	393.9
Interest paid		(227.7)	(194.8)
Income received / (loss incurred) on operations with financial instruments at fair value through profit or loss		7.1	(30.0)
Income received on dealing in foreign currency		5.7	20.8
Fees and commissions received		50.0	41.7
Fees and commissions paid		(11.0)	(8.8)
Other operating income received		3.6	2.8
Staff costs and administrative expenses paid		(138.5)	(108.4)
Income received from non-banking activities		21.6	15.9
Expenses paid in non-banking activities		(26.6)	(16.8)
Net insurance premium received		21.9	17.6
Net insurance claims paid		(7.4)	(4.7)
Income tax paid		(14.2)	(15.7)
Cash flows from operating activities before changes in operating assets and liabilities		**176.1**	**113.5**
Net decrease/(increase) in operating assets			
Net (increase)/decrease in mandatory cash balances with central banks		(12.6)	10.1
Net decrease / (increase) in restricted cash		0.2	(0.3)
Net decrease in correspondent accounts in precious metals		1.9	3.5
Net decrease in financial assets at fair value through profit or loss		12.1	24.2
Net (increase) / decrease in due from other banks		(57.5)	124.7
Net (increase) in loans and advances to customers		(884.1)	(318.5)
Net decrease/(increase) in other assets		6.8	(39.0)
Net (decrease)/increase in operating liabilities			
Net (decrease) / increase in due to other banks		(49.1)	7.0
Net increase in customer deposits		394.0	1.8
Net increase in debt securities issued other than bonds issued		1.0	58.7
Net increase / (decrease) in other liabilities		14.4	(15.3)
Net cash used in operating activities		**(396.8)**	**(29.6)**
Cash flows used in investing activities			
Dividends and other distributions received		1.0	2.4
Proceeds from sale or maturity of financial assets available-for-sale		81.1	43.5
Purchase of financial assets available-for-sale		(161.0)	(55.7)
Purchase of subsidiaries, net of cash	15, 38	(78.3)	(2.7)
Disposal of subsidiaries, net of cash		0.3	1.2
Purchase of and contributions to associates and joint ventures		(1.7)	(15.2)
Proceeds from sale and distribution of share in associates		1.6	–
Purchase of investment securities held-to-maturity		–	(1.2)
Proceeds from redemption of investment securities held-to-maturity		0.2	2.4
Purchase of premises and equipment		(21.7)	(17.0)
Proceeds from sale of premises and equipment		2.5	7.2
Purchase of intangible assets		(3.4)	(2.9)
Proceeds from sale of intangible assets		0.1	0.4
Purchase or construction of investment property		(11.7)	(2.5)
Proceeds from sale of investment property		3.7	2.0
Net cash used in investing activities		**(187.3)**	**(38.1)**

(in billions of Russian Roubles)

	Note	*For the nine-month period ended 30 September* 2013	2012
Cash flows from financing activities			
Dividends paid		(15.5)	(10.7)
Proceeds from issuance of local bonds		48.4	67.6
Repayment of local bonds		(62.0)	(11.8)
Buy-back of local bonds		(31.0)	(8.6)
Proceeds from sale of previously bought-back local bonds		20.8	8.7
Proceeds from issuance of Eurobonds		31.9	104.7
Repayment of Eurobonds		(56.2)	(13.5)
Buy-back of Eurobonds		(6.4)	(57.7)
Proceeds from sale of previously bought-back Eurobonds		15.0	63.9
Proceeds from syndicated loans		62.1	4.9
Repayment of syndicated loans		(0.1)	(2.9)
Proceeds from sale of previously bought-back syndicated loans		–	5.9
Proceeds from other borrowings and funds from local central banks		2 211.7	886.3
Repayment of other borrowings and funds from local central banks		(1 980.0)	(799.9)
Buy-back of subordinated debt		(0.6)	(1.1)
Proceeds from sale of previously bought-back subordinated debt		0.2	0.8
Repayment of subordinated debt		(2.2)	–
Purchase of non-controlling interest		(0.6)	(13.9)
Proceeds from share issue, less transaction costs		100.3	–
Purchase of treasury shares		(24.9)	(13.7)
Proceeds from sale of treasury shares		27.8	0.3
Issue of perpetual loan participation notes less transaction costs		–	32.2
Purchase of perpetual loan participation notes		(3.8)	–
Proceeds from sale of perpetual loan participation notes		3.7	–
Amounts paid on perpetual loan participation notes	30	(3.4)	–
Net cash from financing activities		**335.2**	**241.5**
Effect of exchange rate changes on cash and cash equivalents		**22.2**	**(8.8)**
Effect of hyperinflation		**(0.5)**	**(0.5)**
Net increase/(decrease) in cash and cash equivalents		**(227.2)**	**164.5**
Cash and cash equivalents at the beginning of the period		**560.9**	**397.5**
Cash and cash equivalents at the end of the period	7	**333.7**	**562.0**

(in billions of Russian Roubles)

	Attributable to shareholders of the parent								
	Share capital	***Share premium***	***Perpetual loan participation notes***	***Treasury shares***	***Other reserves (Note 22)***	***Retained earnings***	***Total***	***Non-controlling interests***	***Total equity***
Balance at 1 January 2012	**113.1**	**358.5**	**–**	**(0.6)**	**30.3**	**102.2**	**603.5**	**21.6**	**625.1**
Net result from treasury shares transactions	–	–	–	(13.4)	–	–	**(13.4)**	–	**(13.4)**
Total comprehensive income for the period	–	–	–	–	(8.1)	55.9	**47.8**	3.8	**51.6**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.4)	0.4	**–**	–	**–**
Share-based payments	–	–	–	–	–	1.3	**1.3**	–	**1.3**
Acquisition of subsidiaries	–	–	–	–	–	–	**–**	1.1	**1.1**
Disposal of subsidiaries	–	–	–	–	–	–	**–**	(0.1)	**(0.1)**
Increase in share capital of subsidiaries	–	–	–	–	–	(0.2)	**(0.2)**	0.8	**0.6**
Acquisition of non-controlling interests and other capital transactions	–	–	–	–	(0.1)	11.3	**11.2**	(13.5)	**(2.3)**
Issuance of perpetual loan participation notes	–	–	32.5	–	–	–	**32.5**	–	**32.5**
Foreign exchange translation of perpetual loan participation notes	–	–	(1.6)	–	–	1.6	**–**	–	**–**
Transaction costs on perpetual loan participation notes issuance	–	–	–	–	–	(0.3)	**(0.3)**	–	**(0.3)**
Amounts due on perpetual loan participation notes	–	–	–	–	–	(1.0)	**(1.0)**	–	**(1.0)**
Tax effect recognised on perpetual loan participation notes	–	–	–	–	–	(0.1)	**(0.1)**	–	**(0.1)**
Dividends declared	–	–	–	–	–	(9.1)	**(9.1)**	(1.7)	**(10.8)**
Balance at 30 September 2012	**113.1**	**358.5**	**30.9**	**(14.0)**	**21.7**	**162.0**	**672.2**	**12.0**	**684.2**
Balance at 1 January 2013	**113.1**	**358.5**	**68.3**	**(13.7)**	**33.9**	**193.7**	**753.8**	**12.3**	**766.1**
Share issue (Note 21)	25.0	75.3	–	–	–	–	**100.3**	–	**100.3**
Net result from treasury shares and perpetual loan participation notes transactions	–	–	–	9.5	–	(6.7)	**2.8**	–	**2.8**
Total comprehensive income for the period	–	–	–	–	4.7	45.9	**50.6**	0.5	**51.1**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.5)	0.5	**–**	–	**–**
Share-based payments	–	–	–	–	–	0.6	**0.6**	–	**0.6**
Increase in share capital of subsidiaries	–	–	–	–	–	(0.1)	**(0.1)**	0.1	**–**
Acquisition of subsidiaries	–	–	–	–	–	–	**–**	(1.2)	**(1.2)**
Disposal of subsidiaries	–	–	–	–	–	0.3	**0.3**	(1.6)	**(1.3)**
Acquisition of non-controlling interests and other capital transactions	–	–	–	–	–	(3.7)	**(3.7)**	0.5	**(3.2)**
Amounts paid and due on perpetual loan participation notes	–	–	–	–	–	(6.9)	**(6.9)**	–	**(6.9)**
Foreign exchange translation of perpetual loan participation notes	–	–	4.4	–	–	(4.4)	**–**	–	**–**
Tax effect recognized on perpetual loan participation notes	–	–	–	–	–	2.3	**2.3**	–	**2.3**
Dividends declared	–	–	–	–	–	(15.0)	**(15.0)**	(0.6)	**(15.6)**
Balance at 30 September 2013	**138.1**	**433.8**	**72.7**	**(4.2)**	**38.1**	**206.5**	**885.0**	**10.0**	**895.0**

1. Principal Activities

VTB Bank and its subsidiaries (the "Group") comprise Russian and foreign commercial banks, insurance, leasing and other companies and entities controlled by the Group.

VTB Bank, formerly known as Vneshtorgbank (the "Bank", or "VTB"), was formed as Russia's foreign trade bank under the laws of the Russian Federation on 17 October 1990. In 1998, following several reorganizations, VTB was reorganized into an open joint stock company. In October 2006 the Group started re-branding to change its name from Vneshtorgbank to VTB. In March 2007, the Bank for Foreign Trade was renamed into "VTB Bank" (Open Joint-Stock Company).

On 2 January 1991, VTB received a general banking license (number 1000) from the Central Bank of the Russian Federation (CBR). In addition, VTB holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer and a custodian, and providing asset management and special depositary services. VTB and other Russian Group banks are regulated and supervised by the CBR and the Federal Financial Markets Service. Foreign Group banks operate under the bank regulatory regimes of their respective countries.

On 29 December 2004, the Bank became a member of the obligatory deposit insurance system provided by the State Corporation "Deposit Insurance Agency" (DIA). The Group subsidiary banks in Russia: "Bank VTB 24", CJSC, "TransCreditBank", JSC, "Bank of Moscow", OJSC and "Leto Bank", OJSC are also members of the obligatory deposit insurance system provided by DIA. The State deposit insurance scheme implies that DIA guarantees repayment of individual deposits up to the maximum total amount of guaranteed payment of RUR 700 thousand with a 100% compensation of deposited amount from 1 October 2008.

On 5 October 2005, VTB re-registered its legal address to 29 Bolshaya Morskaya Street, Saint-Petersburg 190000, Russian Federation. VTB's Head Office is located in Moscow.

The Group operates in the corporate and investment banking, retail, real estate and other sectors. Corporate and investment banking include deposit taking and commercial lending in freely convertible currencies and in Russian Roubles, support of clients' export/import transactions, foreign exchange, securities trading and trading in derivative financial instruments. The Group's operations are conducted in both Russian and international markets. The Group conducts its banking business in Russia through VTB as a parent and several subsidiary banks with its network of 96 full service branches, including 23 branches of VTB, 8 branches of "Bank VTB 24", CJSC, 41 branches of "TransCreditBank", JSC, 25 branches of "Bank of Moscow", OJSC located in major Russian regions.

The Group operates outside Russia through 15 bank subsidiaries, located in the Commonwealth of Independent States ("CIS") (Armenia, Ukraine (2 banks), Belarus (2 banks), Kazakhstan and Azerbaijan), Europe (Austria, Cyprus, Germany, France, Great Britain and Serbia), Georgia, Africa (Angola); through 2 representative offices located in Italy and China; through 2 VTB branches in China and India and 2 branches of "VTB Capital", Plc in Singapore and Dubai. The Group investment banking division also performs broker/dealer operations in the United States of America, securities dealing and financial advisory in Hong Kong and investment banking operations in Bulgaria.

VTB's majority shareholder is the Russian Federation state, acting through the Federal Property Agency, which holds 60.9% of VTB's issued and outstanding shares at 30 September 2013 (31 December 2012: 75.5%).

The number of employees of the Group at 30 September 2013 was 99,636 (31 December 2012: 80,860).

Unless otherwise noted herein, all amounts are expressed in billions of Russian Roubles rounded off to one decimal.

2. Operating Environment of the Group

The Russian Federation. The most part of the Group operations are conducted in the Russian Federation. Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. Its economy is particularly sensitive to oil and gas prices.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2013 the Russian Government and the CBR continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. There continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects.

Also, factors including increased unemployment in Russia reduced corporate liquidity and profitability and increased corporate and personal insolvencies may affect the Group's borrowers' ability to repay the amounts due to the Group. In addition, changes in economic conditions may result in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

Other jurisdictions. In addition to Russia the Group conducts operations in CIS (Ukraine, Belarus, Kazakhstan, Azerbaijan and Armenia) and Georgia, European countries (Austria, Germany, France, Great Britain, Cyprus and Serbia) and some other countries. Tough economic and liquidity situation in many jurisdictions led to decrease or insignificant growth of GDP followed by shrinking in consumption as well as in investment activities. The primary targets of the local regulators were support of monetary stability, management of GDP deficit and inflation level regulation. In 2013 economy of the Republic Belarus remained hyperinflatory.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

3. Summary of Significant Accounting Policies

Basis of preparation. The interim condensed consolidated financial statements for the nine months ended 30 September 2013 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Actual results can differ significantly from such estimates. Judgments and significant estimates in these financial statements are generally consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2012. During the nine-month period ended 30 September 2013, the Group modified certain aspects of the loan loss provision estimation process, primarily in respect of project development loans, assessment of seasonal factors for non-restructured consumer loans and the recovery assessment on non-performing consumer loans which resulted in the cumulative positive effect of RUR 8.2 billion on the provision for loan losses in the statement of income.

Income tax expense in respect of the current tax assets and liabilities is recognized based on the income tax rates enacted by the end of the reporting period in relevant tax jurisdictions where the Group is present. Income tax expense in respect of the deferred tax assets and liabilities is measured at the income tax rates that are expected to apply to the period when deferred assets are realized or liabilities are settled based on the income tax rates officially enacted by the end of the reporting period.

These interim condensed consolidated financial statements are presented in Russian Roubles (RUR), the national currency of the Russian Federation, where the Bank is domiciled. As at 30 September 2013, the principal closing rate of exchange used for translating balances in USD to Russian Roubles was USD 1 to RUR 32.3451 (at 31 December 2012: USD 1 to RUR 30.3727), and the principal closing rate of exchange used for translating balances in Euro was EUR 1 to RUR 43.6497 (at 31 December 2012: EUR 1 to RUR 40.2286).

4. Adoption of New or Revised Standards and Interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations as of 1 January 2013 noted below:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Ventures*. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. IFRS 11 had no impact on the interim condensed consolidated financial statements of the Group.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 replaces the disclosure requirements currently found in IAS 27 *Consolidated and Separate Financial Statements,* IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. IFRS 12 requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarized financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. IFRS 12 had no impact on the interim condensed consolidated financial statements of the Group.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements. The Group provides these disclosures in Note 35.

IAS 28 Investments in Associates and Joint Ventures
IAS 28 was revised in May 2011 to incorporate the equity method accounting for joint ventures in addition to associates. The revised IAS 28 had no impact on the interim condensed consolidated financial statements of the Group.

Amendments to IAS 19 Employee Benefits
The IASB has published amendments to IAS 19 *Employee Benefits*, effective for annual periods beginning on or after 1 January 2013, which involve major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. These amendments had no impact on the Group's financial position.

Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income
The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, revaluation of buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance.

4. Adoption of New or Revised Standards and Interpretations (continued)

Amendments to IAS 1 Clarification of the requirement for comparative information
The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

Amendments to IFRS 7 Disclosures – Offsetting Financial assets and Financial Liabilities
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with IAS 32. These amendments had no impact on the Group's' financial position or performance.

***Amendment to IAS 32 Financial Instruments, Presentation*:** This amendment clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

***Amendment to IAS 34 Interim Financial Reporting*:** The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets and liabilities were reported to the chief operating decision maker.

5. New Accounting Pronouncements

Since the Group published its last annual financial statements, certain new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2014 or later and which the Group has not early adopted:

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment and its impact on the Group.

"Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities" (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Group does not expect the amendment to have any impact on its financial statements.

Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment.

5. New Accounting Pronouncements (continued)

IFRS 9 "Financial Instruments Part 1: Classification and Measurement". IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) to add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- 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.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

IFRIC 21 – Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. These IFRIC had no impact on the Group's financial position.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014).The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Group is currently assessing the impact of the amendments on the disclosures in its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

(in billions of Russian Roubles)

6. Correction of Prior Period Balances and Reclassifications

Goodwill related to Bank of Moscow acquisition

In the course of preparing the financial statements for nine month ended 30 September 2013, the Group has identified that the carrying amount of goodwill related to Bank of Moscow acquisition was understated and the carrying amount of investment in associates ("Metropolitan Insurance Group", OJSC) was overstated for the amount of RUR 15.5 billion.

Amounts in the financial statements for 2011 and 2012 were restated. The effect of the restatement on those financial statements is presented below as at 31 December 2012 and as at 31 December 2011:

2012

(unaudited)	*As previously reported*	*Correction of prior period balances*	*As reclassified*
Investments in associates and joint ventures	48.3	(15.5)	32.8
Intangible assets and goodwill	137.3	15.5	152.8

2011

(unaudited)	*As previously reported*	*Correction of prior period balances*	*As reclassified*
Investments in associates and joint ventures	32.5	(15.5)	17.0
Intangible assets and goodwill	141.2	15.5	156.7

There was no effect of this restatement on consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity.

Debt securities issued reclassification

As at 30 September 2013, the Group determined that certain of its promissory notes issued, previously included in debt securities issued, represent in-substance deposit relationships. These promissory notes are acquired through the Central Treasury by the Group's customers, large corporations, as a substitute to customer deposits and are expected by the Group to be held to maturity by these customers. Accordingly, the Group concluded these promissory notes should be reclassified as customer deposits. The reclassification and its impact on comparative period information as at 31 December 2012 in the interim consolidated statement of financial position and corresponding notes are as follows:

(unaudited)	*As previously reported*	*Reclassification*	*As reclassified*
Customer deposits	3,672.8	140.6	3,813.4
Debt securities issued	894.5	(140.6)	753.9
Other legal entities / Term deposits (Note 17)	1,013.6	140.6	1,154.2
Promissory notes (Note 19)	301.9	(140.6)	161.3

The effect of reclassification of the comparative information in the interest income and expense note (Note 23) was as follows:

	As previously reported		*Reclassification*		*As reclassified*	
(unaudited)	*For the three-month period ended 30 September 2012*	*For the nine-month period ended 30 September 2012*	*For the three-month period ended 30 September 2012*	*For the nine-month period ended 30 September 2012*	*For the three-month period ended 30 September 2012*	*For the nine-month period ended 30 September 2012*
Interest expense						
Customer deposits	(42.0)	(123.9)	(2.2)	(5.2)	(44.2)	(129.1)
Debt securities issued	(14.2)	(39.3)	2.2	5.2	(12.0)	(34.1)

(in billions of Russian Roubles)

6. Correction of Prior Period Balances and Reclassifications (continued)

The effect of corresponding reclassifications on disclosure of the interim consolidated statement of cash flows for the nine months ended 30 September 2012 is as follows:

(unaudited)	*As previously reported*	*Reclassification*	*As reclassified*
Net (decrease)/increase in customer deposits	(68.2)	70.0	1.8
Net increase in debt securities issued other than bonds issued	128.7	(70.0)	58.7

The effect of reclassification in the related party transactions note (Note 36) to the consolidated financial statements at 31 December 2012 was as follows:

(unaudited)	*As previously reported*	*Reclassification*	*As reclassified*
Government-related entities			
Customer deposits	1,093.0	140.6	1,233.6

The effect of reclassification of interest expense in the related party transactions note (Note 36) for the nine-month period ended 30 September 2012 was as follows:

(unaudited)	*As previously reported*	*Reclassification*	*As reclassified*
Interest expense			
Customer deposits	(44.8)	(2.4)	(47.2)

Insurance business and non-banking activities reclassification

Following the improved disclosure of revenues and expenses arising from insurance and non-banking activities, the presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the interim consolidated income statement is as follows:

	As previously reported		*Reclassification*		*As reclassified*	
(unaudited)	*For the three-month period ended 30 September 2012*	*For the nine-month period ended 30 September 2012*	*For the three-month period ended 30 September 2012*	*For the nine-month period ended 30 September 2012*	*For the three-month period ended 30 September 2012*	*For the nine-month period ended 30 September 2012*
Income arising from non-banking activities	19.5	39.9	(19.5)	(39.9)	–	–
Expenses arising from non-banking activities	(7.8)	(19.5)	7.8	19.5	–	–
Net income from non-banking activities	–	–	7.1	7.3	7.1	7.3
Net operating income from insurance activities	–	–	2.0	5.6	2.0	5.6
Other operating income	1.1	5.6	0.4	0.8	1.5	6.4
Staff costs and administrative expenses	(47.8)	(134.9)	2.2	6.7	(45.6)	(128.2)

(in billions of Russian Roubles)

7. Cash and Short-Term Funds

	30 September 2013 (unaudited)	*31 December 2012*
Cash on hand	93.2	102.0
Cash balances with central banks (other than mandatory cash balances)	123.4	227.4
Correspondent accounts with other banks		
- Russia	49.3	34.3
- OECD	70.6	201.2
- Other countries	3.2	4.1
Total cash and short-term funds	**339.7**	**569.0**
Less: correspondent accounts in precious metals	(4.4)	(6.3)
Less: restricted cash	(1.6)	(1.8)
Total cash and cash equivalents	**333.7**	**560.9**

8. Financial Assets at Fair Value through Profit or Loss

	30 September 2013 (unaudited)	*31 December 2012*
Financial assets held for trading	359.6	485.4
Financial assets designated as at fair value through profit or loss	12.1	43.4
Total financial assets at fair value through profit or loss	**371.7**	**528.8**

Financial assets designated as at fair value through profit or loss are managed on a fair value basis, in accordance with the risk management or investment strategies adopted by each Group member and the information provided to key management personnel.

Financial assets held for trading

	30 September 2013 (unaudited)	*31 December 2012*
Debt securities denominated in USD		
Eurobonds of Russian companies and banks	38.7	16.4
Bonds and eurobonds of foreign companies and banks	14.8	6.1
Bonds and eurobonds of foreign governments	11.6	15.5
Eurobonds of the Russian Federation	1.6	0.5
Debt securities denominated in RUR		
Bonds and eurobonds of Russian companies and banks	95.1	232.3
Russian Federal loan bonds (OFZ)	9.4	21.3
Russian municipal bonds	2.4	5.2
Promissory notes of Russian companies and banks	1.2	1.7
Bonds and eurobonds of foreign companies and banks	0.4	0.6
Eurobonds of the Russian Federation	–	0.3
Debt securities denominated in other currencies		
Bonds and eurobonds of foreign companies and banks	26.4	3.1
Bonds and eurobonds of foreign governments	5.3	2.2
Eurobonds of the Russian Federation	1.4	–
Eurobonds of Russian companies and banks	0.8	0.3
Russian municipal eurobonds	–	0.1
Trading credit products	38.2	31.6
Equity securities	25.3	55.1
Balances arising from derivative financial instruments	87.0	93.1
Total financial assets held for trading	**359.6**	**485.4**

(in billions of Russian Roubles)

8. Financial Assets at Fair Value through Profit or Loss (continued)

At 30 September 2013, bonds and eurobonds of Russian companies and banks are mostly represented by debt securities issued by Russian oil and gas, metal, energy, finance companies and banks.

At 30 September 2013, equity securities are represented by securities issued by Russian banks, oil and gas, and metal companies.

Financial assets designated as at fair value through profit or loss

	30 September 2013 (unaudited)	*31 December 2012*
Equity securities	7.4	6.7
Bonds and eurobonds of foreign companies and banks	4.5	27.2
Bonds and eurobonds of Russian companies and banks	0.2	7.1
Bonds and eurobonds of foreign governments	–	2.4
Total financial assets designated as at fair value through profit or loss	**12.1**	**43.4**

9. Financial Assets Pledged under Repurchase Agreements and Loaned Financial Assets

	30 September 2013 (unaudited)	*31 December 2012*
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Bonds and eurobonds of Russian companies and banks	184.5	45.9
Equity securities	12.0	1.0
Russian Federal loan bonds (OFZ)	1.3	0.2
Bonds and eurobonds of foreign companies and banks	0.7	0.8
Bonds and eurobonds of foreign governments	0.5	0.7
Eurobonds of the Russian Federation	0.4	–
Total financial assets held for trading	*199.4*	*48.6*
Financial assets designated as at fair value through profit or loss		
Eurobonds of Russian companies and banks	–	0.1
Total financial assets designated as at fair value through profit or loss	–	0.1
Total financial assets at fair value through profit or loss	199.4	48.7
Financial assets available-for-sale		
Russian Federal loan bonds (OFZ)	25.7	5.6
Bonds and eurobonds of Russian companies and banks	12.7	–
Bonds of foreign governments	1.0	0.2
Bonds of foreign companies and banks	0.1	0.1
Total financial assets available-for-sale	***39.5***	***5.9***
Financial assets classified as loans and advances to customers	**257.7**	**245.5**
Financial assets classified as due from other banks	**2.8**	**2.8**
Total financial assets pledged under repurchase agreements and loaned financial assets	**499.4**	**302.9**

As at 30 September 2013, bonds and eurobonds of Russian companies and banks included in financial assets pledged under repurchase agreements are mostly represented by debt securities issued by Russian oil and gas, banks and manufacturing companies.

As at 30 September 2013, financial assets classified as loans and advances to customers pledged under repurchase agreements are mostly represented by federal loan bonds with debt amortization (OFZ-AD) with the carrying amount of RUR 257.7 billion which were purchased by "Bank of Moscow", OJSC in September 2011 from proceeds of loan from DIA (31 December 2012: RUR 244.8 billion).

(in billions of Russian Roubles)

10. Due from Other Banks

	30 September 2013 (unaudited)	*31 December 2012*
OECD	336.7	251.5
Russia	87.3	99.1
Other countries	33.1	10.2
Total gross due from other banks	**457.1**	**360.8**
Less: Allowance for impairment (Note 29)	(2.3)	(2.2)
Total due from other banks	**454.8**	**358.6**

11. Loans and Advances to Customers

The table below shows loans and advances to customers by class.

	30 September 2013 (unaudited)	*31 December 2012*
Loans to legal entities		
Current activity financing	2,987.0	2,575.1
Project finance and other	1,143.4	1,068.7
Finance leases	270.2	205.6
Reverse sale and repurchase agreements	202.0	115.2
Total gross loans to legal entities	**4,602.6**	**3,964.6**
Loans to individuals		
Consumer loans and other	804.6	624.3
Mortgages	482.8	390.7
Car loans	126.9	102.0
Reverse sale and repurchase agreements	2.4	3.2
Total gross loans to individuals	**1,416.7**	**1,120.2**
Less: Allowance for impairment (Note 29)	(388.6)	(323.3)
Total loans and advances to customers	**5,630.7**	**4,761.5**

Finance leases represent loans to leasing companies and net investment in leases. As at 30 September 2013, included in gross loans are finance lease receivables of RUR 195.3 billion (31 December 2012: RUR 176.2 billion), equal to the net investment in lease before allowance for impairment.

(in billions of Russian Roubles)

11. Loans and Advances to Customers (continued)

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

	30 September 2013 (unaudited)		***31 December 2012***	
	Amount	***%***	***Amount***	***%***
Individuals	1,416.7	23	1,120.2	22
Construction	735.3	12	596.7	12
Finance	589.9	10	568.4	11
Metals	580.2	10	372.6	7
Trade and commerce	543.9	9	492.9	10
Manufacturing	536.5	9	517.2	11
Transport	313.6	5	362.6	7
Energy	297.1	5	257.3	5
Oil and gas	275.2	5	208.1	4
Chemical	195.5	3	137.4	3
Government bodies	163.0	3	153.3	3
Food and agriculture	103.0	2	103.4	2
Coal mining	83.4	1	42.6	1
Telecommunications and media	66.3	1	69.2	1
Aircraft	12.1	-	15.8	-
Other	107.6	2	67.1	1
Total gross loans and advances to customers	**6,019.3**	**100**	**5,084.8**	**100**

Finance industry includes loans issued to holding companies of industrial groups, mergers and acquisitions financing, and loans to leasing, insurance and other non-bank financial companies.

As at 30 September 2013, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprises RUR 1,073.0 billion, or 17.1% of the gross loan portfolio (31 December 2012: RUR 1,030.7 billion, or 19.3%).

As at 30 September 2013, the gross amount of non-performing loans which the Group defines as impaired loans with repayments overdue by over 90 days was RUR 337.3 billion or 5.4% of the aggregate of the gross loan portfolio and loans pledged under repurchase agreements (31 December 2012: RUR 287.7 billion, or 5.4%).

As at 30 September 2013, loans and advances to customers represented by federal loan bonds with debt amortization (OFZ-AD) purchased in September 2011 by "Bank of Moscow", OJSC with the carrying amount of RUR 2.5 billion are included in loans to government bodies for the purpose of economic sector risk concentrations disclosure (31 December 2012: RUR 34.7 billion).

12. Financial Assets Available-for-Sale

	30 September 2013 (unaudited)	***31 December 2012***
Bonds and eurobonds of Russian companies and banks	67.8	19.6
Equity securities	39.8	41.2
Bonds and eurobonds of foreign governments	29.0	12.0
Russian Federal loan bonds (OFZ)	20.9	19.8
Bonds and eurobonds of foreign companies and banks	6.9	3.1
Eurobonds of the Russian Federation	4.9	–
Promissory notes of Russian companies and banks	1.4	1.7
Total financial assets available-for-sale	**170.7**	**97.4**

As at 30 September 2013, bonds and eurobonds of Russian companies and banks are represented mostly by bonds of retail, transport, metal, telecommunication, oil and gas companies.

As at 30 September 2013, equity securities are represented mostly by shares of Russian metal and finance companies.

(in billions of Russian Roubles)

13. Investments in Associates and Joint Ventures

	30 September 2013 (unaudited)	***31 December 2012 (unaudited)***
Investments in associates and joint ventures accounted under equity method	32.2	31.5
Investments in associates at fair value through profit or loss	1.6	1.3
Total investments in associates and joint ventures	**33.8**	**32.8**

In the first half of 2013, the Group acquired a share of 49.0% in Irrico Ltd. for USD 24 million (RUR 0.7 billion).

In the third quarter of 2013, “Metropolitan Insurance Group”, OJSC acquired 50.0% as treasury shares from a non-related party, which enabled the Group to receive control over “Metropolitan Insurance Group”, OJSC previously accounted for using equity method (Note 38).

14. Investment Securities Held-to-Maturity

	30 September 2013 (unaudited)	***31 December 2012***
Bonds of Russian banks and companies	2.2	2.3
Bonds of foreign governments	0.3	0.2
Russian municipal bonds	0.2	0.3
Bonds of foreign companies and banks	–	0.1
Total gross investment securities held-to-maturity	**2.7**	**2.9**
Less: Allowance for impairment (Note 29)	(2.0)	(2.0)
Total investment securities held-to-maturity	**0.7**	**0.9**

(in billions of Russian Roubles)

15. Disposal Groups Held for Sale

The Group has investments in the disposal groups held for sale, including subsidiaries acquired exclusively with a view to resale, accounted for in accordance with IFRS 5. The Management of the Group is committed to dispose of these investments in the near future, generally within one year from the initial classification as a disposal group.

		30 September 2013 (unaudited)	***31 December 2012***
Assets of disposal groups held for sale			
- Tele2 Russia	100% owned subsidiary	124.3	–
- Segezha Pulp and Paper Mill, OJSC	100% owned subsidiary	17.6	–
- Energocomplex	33.7% indirectly owned investee	8.5	8.5
- BM Bank, Ltd., Ukraine	100% owned subsidiary	6.6	6.7
- Other		1.8	0.1
Total assets of disposal groups held for sale		**158.8**	**15.3**
Liabilities of disposal groups held for sale			
- Tele2 Russia	100% owned subsidiary	37.9	–
- Segezha Pulp and Paper Mill, OJSC	100% owned subsidiary	12.5	–
- BM Bank, Ltd., Ukraine	100% owned subsidiary	6.2	6.1
- Other		0.3	–
Total liabilities of disposal groups held for sale		**56.9**	**6.1**

In April 2013, the Group acquired 100% of Tele2 Russia, one of the largest telecommunication operators in Russia, for USD 2.4 billion (RUR 76.0 billion). This investment is disclosed within investment banking sub-segment.

In May 2013, the Group acquired 50% plus one controlling share in “Segezha Pulp and Paper Mill”, OJSC as part of additional share issue of the acquiree for total consideration of RUR 6.3 billion including cash consideration of RUR 0.5 billion. In August 2013 the Group increased its share in "Segezha Pulp and Paper Mill", OJSC up to 100% by purchasing 50% minus one share from the other shareholder for RUR 0.5 billion under mandatory offer. As a result of this transaction the non-controlling interest increased by RUR 3.2 billion, and retained earnings decreased by RUR 3.8 billion. This investment is disclosed within segment “Other”.

The Group's control over these equity investments are intended to be temporary because the investments were made and are held exclusively with a view to resale in the near future and accordingly, the Group accounted for these investments as a subsidiaries held for sale in accordance with IFRS 5.

16. Due to Other Banks

	30 September 2013 (unaudited)	***31 December 2012***
Term loans and deposits	422.5	444.9
Correspondent accounts and overnight deposits of other banks	230.6	271.3
Sale and repurchase agreements with other banks	117.5	43.7
Total due to other banks	**770.6**	**759.9**

(in billions of Russian Roubles)

17. Customer Deposits

	30 September 2013 (unaudited)	*31 December 2012 (unaudited)*
Government bodies		
Current/settlement deposits	123.9	139.5
Term deposits	654.7	298.4
Other legal entities		
Current/settlement deposits	603.5	780.8
Term deposits	1,271.6	1,154.2
Individuals		
Current/settlement deposits	286.7	306.9
Term deposits	1,379.2	1,127.2
Sale and repurchase agreements	3.9	6.4
Total customer deposits	**4,323.5**	**3,813.4**

At 30 September 2013 term deposits of other legal entities include RUR 98.5 billion (31 December 2012: RUR 140.6 billion) of promissory notes issued, which represent in-substance deposit relationships.

As at 31 September 2013, the Group's 10 largest groups of interrelated customers had aggregated balances amounting to RUR 1,326.4 billion or 30.7% of total customer deposits (31 December 2012: RUR 1,214.0 billion or 31.8%).

18. Other Borrowed Funds

	30 September 2013 (unaudited)	*31 December 2012*
Funds from local central banks	674.2	483.3
Syndicated loans	171.1	100.0
Other borrowings	284.1	222.9
Total other borrowed funds	**1,129.4**	**806.2**

In September 2011 "Bank of Moscow", OJSC received a RUR 294.8 billion loan from the related party DIA at 0.51% p.a. maturing in 10 years under the plan of support of "Bank of Moscow", OJSC earlier signed by CBR and DIA. The Group recognized the loan initially at fair value. As at 30 September 2013 the carrying amount of the loan of RUR 155.7 billion was included in Other borrowings (31 December 2012: RUR 153.4 billion).

In March 2013, the Group received a syndicated loan of USD 2.0 billion maturing in March 2016 with a floating rate of LIBOR plus 1.5% p.a. As at 30 September 2013 the carrying amount of the syndicated loan was RUR 64.5 billion.

19. Debt Securities Issued

	30 September 2013 (unaudited)	*31 December 2012 (unaudited)*
Bonds	575.1	592.3
Promissory notes	155.0	161.3
Deposit certificates	12.4	0.3
Total debt securities issued	**742.5**	**753.9**

Promissory notes represent notes primarily issued by VTB in the local market, which primarily act as an alternative to customer/bank deposits.

(in billions of Russian Roubles)

19. Debt securities issued (continued)

	Issue Date	Maturity Date	Current Coupon Rate p.a.	Coupon Payment Period	30 September 2013 (unaudited)		31 December 2012	
					Face Value	Carrying Value	Face Value	Carrying Value
VTB								
Eurobonds								
Series 6 (EMTN)	Jun-05	Jun-35	6.25%	Semi-annually	USD 693 mln	22.8	USD 693 mln	21.0
Series 12 (EMTN 2)	Feb-11	Feb-18	6.32%	Semi-annually	USD 750 mln	24.2	USD 750 mln	23.3
Series 4 (EMTN 2)	May-08	May-18	6.88%	Semi-annually	USD 1,701 mln	56.3	USD 1,706 mln	52.1
Series 7 (EMTN 2)	Mar-10	Mar-15	6.47%	Semi-annually	USD 1,250 mln	40.6	USD 1,250 mln	38.6
Series 10 (EMTN 2)	Oct-10	Oct-20	6.55%	Semi-annually	USD 1,000 mln	33.2	USD 1,000 mln	30.5
Series 14 (EMTN 2)	Nov-11	Nov-15	5.00%	Annually	CHF 300 mln	11.1	CHF 300 mln	9.9
Series 15 (EMTN 2)	Apr-12	Apr-17	6.00%	Semi-annually	USD 2,000 mln	66.4	USD 2,000 mln	61.7
Series 17 (EMTN 2)	Jul-12	Jul-15	4.00%	Semi-annually	SGD 400 mln	10.3	SGD 400 mln	10.1
Series 19 (EMTN 2)	Sep-12	Dec-16	3.15%	Annually	CHF 600 mln	21.8	CHF 600 mln	19.8
Series 22 (EMTN 2)	Oct-12	Oct-15	4.50%	Semi-annually	CNY 2,000 mln	10.7	CNY 1,000 mln	4.9
Series 23 (EMTN 2)	Dec-12	Dec-17	7.50%	Annually	AUD 500 mln	16.0	AUD 500 mln	15.8
Other Eurobonds						26.6		36.6
ECP						30.0		12.8
Local bonds								
Series BO-05	Mar-10	Mar-13	n/a	n/a	n/a	n/a	RUR 10.0 bln	10.0
Series 6	Jul-06	Jul-16	8.55%	Quarterly	RUR 15.0 bln	15.2	RUR 15.0 bln	15.2
Series BO-06	Dec-11	Dec-14	8.50%	Quarterly	RUR 10.0 bln	9.9	RUR 9.7 bln	9.5
Series BO-07	Jan-12	Jan-15	7.95%	Quarterly	RUR 10.0 bln	10.1	RUR 10.0 bln	10.1
Series BO-19	Oct-12	Oct-15	8.41%	Quarterly	RUR 15.0 bln	15.3	RUR 15.0 bln	15.0
Series BO-20	Oct-12	Oct-15	8.41%	Quarterly	RUR 15.0 bln	15.3	RUR 15.0 bln	15.0
Series BO-21	Jan-13	Jan-16	8.15%	Quarterly	RUR 15.0 bln	15.2	n/a	n/a
Series BO-22	Feb-13	Feb-16	7.90%	Quarterly	RUR 15.0 bln	13.4	n/a	n/a
Other local bonds						17.3		33.2
"Bank of Moscow", OJSC								
Eurobonds								
Series 4	May-06	May-13	n/a	n/a	n/a	n/a	USD 500 mln	14.7
Series 7	Mar-10	Mar-15	6.70%	Semi-annually	USD 750 mln	23.6	USD 750 mln	23.3
Series 8	Sep-10	Sep-13	n/a	n/a	n/a	n/a	CHF 350 mln	11.8
Other Eurobonds						n/a		3.8
Local bonds						0.0		4.9
Other Group's debt securities issued								
Other Eurobonds								
"VTB Capital", Plc						18.3		14.8
"VTB Bank (Austria)", AG						n/a		0.8
Other local bonds								
"Bank VTB 24", CJSC						21.0		36.6
"TransCreditBank", JSC						8.9		11.6
"VTB Capital Finance", LLC						8.7		8.2
"VTB Leasing Finance", Ltd						8.5		10.5
"Bank VTB (Kazakhstan)", JSC						3.4		2.9
"Bank Moscow-Minsk", OJSC						0.6		0.2
"VTB Bank", PJSC (Ukraine)						0.4		0.1
"FinanceBusinessGroup", LLC						n/a		3.0
Total						**575.1**		**592.3**

(in billions of Russian Roubles)

20. Subordinated Debt

	30 September 2013 (unaudited)	*31 December 2012*
VTB	243.7	238.3
"Bank of Moscow", OJSC	36.0	34.0
"TransCreditBank", JSC	12.1	13.5
Total subordinated debt	**291.8**	**285.8**

21. Share Capital

Authorized, issued and fully paid share capital of the Bank comprises:

	30 September 2013 (unaudited)		*31 December 2012*	
	Number of shares	*Nominal amount*	*Number of shares*	*Nominal amount*
Ordinary shares	12,960,541,337,338	138.1	10,460,541,337,338	113.1
Total share capital	**12,960,541,337,338**	**138.1**	**10,460,541,337,338**	**113.1**

In April 2013, VTB's Supervisory Board authorized an issuance of 2,500,000,000,000 additional shares with a nominal value of RUB 0.01 per share (the "New Shares") at a price of RUB 0.041 per New Share. On 22 May 2013 VTB completed the issuance of the New Shares to new and existing shareholders for the gross proceeds of RUB 102.5 billion. The Bank incurred specific related items and costs for the amount of RUB 2.2 billion, net of tax, which were posted directly to equity as a reduction of share premium. As a result, net proceeds amounted to RUB 100.3 billion.

22. Other Reserves

Movements in other reserves were as follows:

	Unrealized gain on financial assets available-for-sale and cash flow hedge	*Land and premises revaluation reserve*	*Currency translation difference*	*Total*
Balance at 1 January 2012	**7.9**	**11.4**	**11.0**	**30.3**
Total comprehensive income for the period	(5.9)	0.1	(2.3)	**(8.1)**
Transfer of premises revaluation reserve upon disposal or depreciation	–	(0.4)	–	**(0.4)**
Acquisition of non-controlling interests and other capital transactions	(0.1)	–	–	**(0.1)**
Balance at 30 September 2012	**1.9**	**11.1**	**8.7**	**21.7**
Balance at 1 January 2013	**4.3**	**20.8**	**8.8**	**33.9**
Total comprehensive income for the period	2.4	–	2.3	4.7
Transfer of premises revaluation reserve upon disposal or depreciation	–	(0.5)	–	(0.5)
Balance at 30 September 2013	**6.7**	**20.3**	**11.1**	**38.1**

(in billions of Russian Roubles)

23. Interest Income and Expense

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2013	*2012*	*2013*	*2012*
Interest income				
Loans and advances to customers	163.1	130.2	461.6	367.4
Securities	10.8	9.4	31.0	26.0
Due from other banks	2.2	1.9	8.1	7.1
Total interest income	**176.1**	**141.5**	**500.7**	**400.5**
Interest expense				
Customer deposits	(54.0)	(44.2)	(154.3)	(129.1)
Due to banks and other borrowed funds	(21.1)	(18.7)	(58.1)	(48.8)
Debt securities issued	(12.4)	(12.0)	(38.1)	(34.1)
Subordinated debt	(5.7)	(4.7)	(17.0)	(14.2)
Total interest expense	**(93.2)**	**(79.6)**	**(267.5)**	**(226.2)**
Net interest income	**82.9**	**61.9**	**233.2**	**174.3**

24. Fee and Commission Income and Expense

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2013	*2012*	*2013*	*2012*
Commission on settlement transactions	10.9	9.9	30.8	26.1
Commission on guarantees issued and trade finance	2.6	2.4	7.5	6.7
Commission on operations with securities and on capital markets	1.7	1.5	5.1	4.0
Commission on cash transactions	1.2	1.7	3.6	4.4
Other	0.7	0.5	2.8	2.0
Total fee and commission income	**17.1**	**16.0**	**49.8**	**43.2**
Commission on settlement transactions	(2.6)	(1.8)	(7.3)	(5.1)
Commission on cash transactions	(0.6)	(0.9)	(1.7)	(2.1)
Other	(0.6)	(0.9)	(1.9)	(1.8)
Total fee and commission expense	**(3.8)**	**(3.6)**	**(10.9)**	**(9.0)**
Net fee and commission income	**13.3**	**12.4**	**38.9**	**34.2**

25. (Losses Net Of Gains) / Gains Less Losses Arising From Foreign Currencies

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2013	*2012*	*2013*	*2012*
Gains less losses / (losses net of gains) arising from dealing in foreign currencies	(9.9)	6.4	16.4	31.4
Foreign exchange translation (losses net of gains) / gains less losses	1.0	1.4	(25.6)	(16.5)
(Losses net of gains) / gains less losses arising from foreign currencies	**(8.9)**	**7.8**	**(9.2)**	**14.9**

(in billions of Russian Roubles)

26. Net Operating Income From Insurance Activities

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2013	*2012*	*2013*	*2012*
Gross premiums	4.7	3.4	22.8	17.6
Premiums inward	0.3	–	0.7	–
Premiums ceded	(0.4)	(0.2)	(1.7)	(1.2)
Change in provision for unearned premiums, gross	1.8	1.3	(4.9)	(4.3)
Change in reinsurer share of provision for unearned premiums	(0.1)	(0.2)	0.5	0.2
Total net insurance premium earned	**6.3**	**4.3**	**17.4**	**12.3**
Gross claims paid	(2.8)	(1.8)	(6.9)	(3.6)
Claims ceded	0.3	–	0.3	0.4
Change in loss provisions, gross	0.3	(0.5)	(0.5)	(2.9)
Change in reinsurer share of loss provisions	(0.1)	(0.1)	(0.1)	(0.3)
Total net insurance claims incurred and movement in liabilities to policyholders	**(2.3)**	**(2.4)**	**(7.2)**	**(6.4)**
Acquisition costs net of related commission income from reinsurance ceded	(0.2)	0.1	(0.6)	(0.3)
Total net operating income from insurance activities	**3.8**	**2.0**	**9.6**	**5.6**

27. Net Income / (Loss) From Non-Banking Activities

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2013	*2012*	*2013*	*2012*
Construction, development and other real estate operations				
Revenue	5.3	12.8	16.0	18.8
Cost of sales and other expenses	(3.5)	(4.0)	(9.9)	(9.4)
Net income from construction, development and other real estate operations	**1.8**	**8.8**	**6.1**	**9.4**
Other non-banking business				
Revenue	2.9	2.0	10.3	8.0
Cost of sales and other expenses	(6.3)	(3.7)	(14.7)	(10.1)
Net income from other non-banking business	**(3.4)**	**(1.7)**	**(4.4)**	**(2.1)**
Total net income from non-banking activities	**(1.6)**	**7.1**	**1.7**	**7.3**

(in billions of Russian Roubles)

28. Staff Costs and Administrative Expenses

	For the three-month period ended 30 September (unaudited)		***For the nine-month period ended 30 September (unaudited)***	
	2013	***2012***	***2013***	***2012***
Staff costs	25.6	23.0	76.5	63.7
Defined contribution pension expense	2.4	2.0	8.3	6.9
Depreciation and other expenses related to premises and equipment	5.1	4.1	14.3	13.0
Leasing and rent expenses	2.6	2.2	7.5	6.6
Taxes other than on income	2.3	2.6	6.4	6.4
Professional services	2.4	1.5	6.4	4.6
Advertising expenses	2.2	1.3	4.9	3.8
Payments to deposit insurance system	1.7	1.2	4.5	3.5
Amortization of core deposit and customer loan intangible	1.3	1.3	3.8	3.7
Charity	1.1	0.7	2.8	1.8
Post and telecommunication expenses	1.1	0.8	2.6	2.3
Security expenses	0.9	0.7	2.3	1.9
Transport expenses	0.7	0.9	1.9	2.1
Impairment, amortization and other expenses related to intangibles, except for amortization of core deposit and customer loan intangible	0.5	1.0	1.4	2.5
Insurance of own operations and assets	0.1	0.3	0.7	0.5
Other	1.9	2.0	4.9	4.9
Total staff costs and administrative expenses	**51.9**	**45.6**	**149.2**	**128.2**

(in billions of Russian Roubles)

29. Allowances for Impairment and Provisions

The movements in allowances for impairment of due from other banks, loans and advances to customers, investment securities held-to-maturity, credit related commitments, other assets and legal claims were as follows (unaudited):

	Due from other banks	*Loans and advances to customers*	*Investment securities held-to-maturity*	*Credit related commit-ments*	*Other assets*	*Legal claims*	*Total*
Balance at 1 January 2012 (audited)	**2.6**	**288.5**	**2.0**	**1.1**	**2.7**	**0.9**	**297.8**
Provision / (reversal of provision) for impairment during the period	–	44.9	0.1	(0.2)	1.2	–	**46.0**
Write-offs	(0.2)	(12.0)	–	–	(0.5)	–	**(12.7)**
Currency translation difference	(0.1)	(4.9)	–	–	–	–	**(5.0)**
Balance at 30 September 2012	**2.3**	**316.5**	**2.1**	**0.9**	**3.4**	**0.9**	**326.1**
Balance at 1 January 2013 (audited)	**2.2**	**323.3**	**2.0**	**0.9**	**3.2**	**1.9**	**333.5**
Provision for impairment during the period	–	72.8	–	–	1.5	0.4	**74.7**
Write-offs	–	(15.5)	–	–	(0.4)	–	**(15.9)**
Recoveries of amounts written-off in previous periods	–	0.3	–	–	0.1	–	**0.4**
Currency translation difference	0.1	8.1	–	–	–	–	**8.2**
Reclassification to assets of disposal group held for sale (IFRS 5)	–	(0.4)	–	–	–	–	**(0.4)**
Balance at 30 September 2013	**2.3**	**388.6**	**2.0**	**0.9**	**4.4**	**2.3**	**400.5**

Allowances for impairment of assets are deducted from the carrying amounts of the related assets. Provisions for claims, guarantees and credit-related commitments are recorded in liabilities. In accordance with Russian legislation, loans may only be written off with the approval of the authorized management body and, in certain cases, with the respective decision of the Court.

30. Dividends and Amounts Paid and Due under Perpetual Loan Participation Notes

In June 2013, Annual General Meeting of VTB shareholders declared dividends of RUR 15.0 billion for 2012 (RUR 0.00143 per share) which were paid in July-August 2013 including RUR 0.1 billion to several Group's subsidiaries.

In June 2012, Annual General Meeting of JSC VTB Bank shareholders declared dividends of RUR 9.2 billion for 2011 (RUR 0.00088 per share), which were paid in July-August 2012 including RUR 0.1 billion to several Group's subsidiaries.

In June 2013, VTB paid USD 106.9 million (RUR 3.4 billion) due under Perpetual Loan Participation Notes. The amounts due of USD 106.9 million (RUR 3.5) under Perpetual Loan Participation Notes payable in the next six months period became mandatory after declaration of dividends by Annual General Meeting of VTB shareholders.

(in billions of Russian Roubles)

31. Basic and Diluted Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share are equal to basic earnings per share.

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2013	***2012***	***2013***	***2012***
Weighted average number of ordinary shares in issue	12,898,658,443,397	10,337,828,757,449	11,574,501,195,332	10,385,546,370,240
Net profit attributable to shareholders of the parent	17.9	23.4	45.8	56.2
Amounts due on perpetual loan participation notes, net of tax	–	(0.8)	(5.5)	(0.8)
Total net profit attributable to shareholders of the parent	17.9	22.6	40.3	55.4
Basic and diluted earnings per share (expressed in Russian Roubles per share)	**0.0014**	**0.0022**	**0.0035**	**0.0053**
Profit after tax from subsidiaries acquired exclusively with a view to resale	1.5	–	4.5	–
Basic and diluted earnings per share (expressed in Russian Roubles per share)	**0.0001**	**–**	**0.0004**	**–**
Total net profit attributable to shareholders of the parent net of profit after tax from subsidiaries acquired exclusively with a view to resale	16.4	22.6	35.8	55.4
Basic and diluted earnings per share before profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian Roubles per share)	**0.0013**	**0.0022**	**0.0031**	**0.0053**

(in billions of Russian Roubles)

32. Income Tax

The Group's effective income tax rate for the first nine months of 2013 was 27.7% (the first nine months of 2012: 24%) which is close to the theoretical tax rate. The effective income tax rate for the first nine months of 2013 differs from the theoretical tax rate due to difference associated with non-deductible expenses and income taxed at different rates.

The following tables provide disclosure of income tax effects relating to each component of other comprehensive income for the nine months and the three months ended 30 September 2013 and 2012:

	For the three-month period ended 30 September (unaudited)					
	2013			*2012*		
	Before tax	*Tax (expense)/ credit*	*Net of tax*	*Before tax*	*Tax (expense)/ credit*	*Net of tax*
Unrealised gain/(loss) on financial assets available-for-sale	1.9	(0.4)	1.5	(1.0)	0.2	(0.8)
Cash flow hedges	0.9	(0.2)	0.7	(0.1)	–	(0.1)
Effect of translation	1.4	–	1.4	(2.6)	–	(2.6)
Actuarial losses net of gains arising from difference between pension plan assets and obligations	–	–	–	(0.3)	–	(0.3)
Share of other comprehensive income of associates	(0.1)	–	(0.1)	(0.2)	–	(0.2)
Other comprehensive income	**4.1**	**(0.6)**	**3.5**	**(4.2)**	**0.2**	**(4.0)**

	For the nine-month period ended 30 September (unaudited)					
	2013			*2012*		
	Before tax	*Tax (expense)/ credit*	*Net of tax*	*Before tax*	*Tax (expense)/ credit*	*Net of tax*
Unrealised gain/(loss) on financial assets available-for-sale	2.7	(0.5)	2.2	(6.9)	1.4	(5.5)
Cash flow hedges	0.8	(0.2)	0.6	(0.1)	–	(0.1)
Effect of translation	2.3	–	2.3	(2.2)	–	(2.2)
Actuarial losses net of gains arising from difference between pension plan assets and obligations	–	–	–	(0.3)	–	(0.3)
Share of other comprehensive income of associates	–	–	–	(0.6)	–	(0.6)
Effect of changes in tax rates recognised in premises revaluation reserve	–	–	–	0.1	–	0.1
Other comprehensive income	**5.8**	**(0.7)**	**5.1**	**(10.0)**	**1.4**	**(8.6)**

33. Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. As at the reporting date the Group had several unresolved legal claims. Management assessed probable outflow of resources and respective provision in the amount of RUR 2.3 billion has been made in these Interim condensed consolidated financial statements.

Credit related commitments. The total outstanding contractual amount of irrevocable undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. Outstanding credit related commitments are as follows:

	30 September 2013 (unaudited)	*31 December 2012*
Guarantees issued	755.5	621.8
Letters of credit	44.0	38.8
Undrawn credit lines	38.1	47.1
Commitments to extend credit	2.1	1.0
Less: provision for impairment on credit related commitments (Note 29)	(0.9)	(0.9)
Total credit related commitments	**838.8**	**707.8**

33. Contingencies and Commitments (continued)

The Bank received export letters of credit for further advising to its customers. The total amount of received letters of credit as at 30 September 2013 was RUR 116.2 billion (31 December 2012: RUR 128.1 billion). Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 14.7 billion (31 December 2012: RUR 11.2 billion).

As at 30 September 2013, included in guarantees issued are guarantees issued for a Russian company of RUR 52.9 billion or 7% of guarantees issued. As at 31 December 2012, included in guarantees issued are guarantees issued for a Russian company of RUR 50.9 billion or 8% of the guarantees issued.

Purchase commitments. As at 30 September 2013, the Group had RUR 26.3 billion of outstanding commitments for the purchase of precious metals (31 December 2012: RUR 35.6 billion). As the price of these contracts is linked to the fair value of precious metals at the date of delivery, no gain or loss is recognized on these contracts.

34. Analysis by Segment

In accordance with IFRS 8, *Operating Segments*, the Group defined as the major operating segments the global business lines. Majority of the Group's entities' activities and resources are allocated and managed and their performance is assessed based on the respective global business line segment information. These operating segments represented by the global business lines are accompanied by entity based segments of those Group's entities that have not yet been integrated into the global business lines as of the reporting date. On this basis, the Group aggregated these operating segments in accordance with IFRS 8 into the following reportable segments: Corporate-Investment banking (CIB) (Investment banking, Loans and Deposits, Transaction banking subsegments), Retail banking, Treasury, Insurance and Other.

This segment disclosure is presented on the basis of IFRS compliant data of the global business lines and entities adjusted, where necessary, for intersegment reallocation. Qualitative and quantitative information about operating segments is reported to the appropriate operating decision makers for the purposes of making operating decisions on allocation of resources to the segment and assessment of its performance.

The change in reportable segment composition is mainly caused by the change in the system of the Group management and the integration of activities of certain entities into the global business lines.

As at 31 December 2012 the Group introduced a new reportable segment Treasury as a result of further development of the global treasury function, which lends and borrows funds on money market, undertakes the Group's funding through issue of debt securities and attraction of syndicated facilities. In addition, the segment manages the liquidity position through transactions with marketable securities. This segment is also responsible for accumulation and further redistribution of all funds attracted by other segments. As at 30 September 2013 the Group introduced a new reportable segment Insurance following the expansion of insurance business.

Revenues disclosed in the note include the following: interest income, fee and commission income, other operating income, revenue from non-banking activities, net insurance premium earned, gains less losses from financial assets available-for-sale, gains less losses arising from financial assets at fair value through profit or loss, gains less losses from dealing in foreign currencies together with foreign exchange translation gains less losses, gains less losses arising from extinguishment of liability, recovery of losses on initial recognition of financial instruments and loans restructuring and other gains/(losses) on loans and advances to customers and share in income of associates. Each element is included in calculation of revenues in case it is positive. The totals are calculated as sum of the line components.

Intersegment transactions were executed predominantly in the normal course of business.

(in billions of Russian Roubles)

34. Analysis by Segment (continued)

Segment information for the reportable segments of the Group at 30 September 2013 (unaudited) and results for the nine months ended 30 September 2013 (unaudited) is set out below:

For the nine months ended 30 September 2013	***Corporate-Investment banking (CIB)*** Investment banking	Loans and deposits	Transaction banking	Inter-CIB elimi-nations	Total CIB	***Retail banking***	***Treasury***	***Insurance***	***Other***	***Total before inter-segment elimi-nations***	***Inter-segment elimi-nations***	***Total***
Revenues from:												
External customers	*55.7*	*253.6*	*15.0*	–	324.3	202.5	46.5	17.8	29.9	**621.0**	–	**621.0**
Other segments	*45.8*	*33.5*	*18.3*	*(1.1)*	96.5	39.1	250.8	1.7	3.8	**391.9**	(391.9)	**–**
Total revenues	***101.5***	***287.1***	***33.3***	***(1.1)***	**420.8**	**241.6**	**297.3**	**19.5**	**33.7**	**1,012.9**	**(391.9)**	**621.0**
Segment income and expense												
Interest income	*82.4*	*278.8*	*18.1*	*(0.4)*	378.9	210.9	293.2	0.7	0.7	**884.4**	(383.7)	**500.7**
Interest expense	*(70.8)*	*(221.2)*	*(3.2)*	*0.1*	(295.1)	(100.0)	(243.2)	–	(12.0)	**(650.3)**	382.8	**(267.5)**
Treasury result allocation	*0.4*	*8.9*	–	–	9.3	10.2	(19.5)	–	–	–	–	**–**
Net interest income	***12.0***	***66.5***	***14.9***	***(0.3)***	**93.1**	**121.1**	**30.5**	**0.7**	**(11.3)**	**234.1**	**(0.9)**	**233.2**
Provision charge for impairment of debt financial assets	*(0.5)*	*(28.6)*	–	–	(29.1)	(38.2)	(5.3)	–	–	**(72.6)**	(0.2)	**(72.8)**
Net interest income after provision for impairment	***11.5***	***37.9***	***14.9***	***(0.3)***	**64.0**	**82.9**	**25.2**	**0.7**	**(11.3)**	**161.5**	**(1.1)**	**160.4**
Net fee and commission income/(expense)	*4.3*	*0.9*	*12.7*	–	17.9	19.8	0.9	–	0.6	**39.2**	(0.3)	**38.9**
Other gains less losses arising from financial instruments and foreign currencies	*12.1*	*0.6*	–	–	12.7	1.9	(20.2)	0.3	(7.6)	**(12.9)**	0.4	**(12.5)**
Share in income of associates and joint ventures	*0.2*	*0.5*	–	–	0.7	–	0.2	–	–	**0.9**	–	**0.9**
Profit from disposal of subsidiaries and associates	*0.1*	–	–	–	0.1	–	–	–	1.8	**1.9**	–	**1.9**
Other operating income/(expense) items	*0.3*	*3.3*	*0.3*	–	3.9	1.1	0.1	9.1	7.6	**21.8**	(4.8)	**17.0**
Operating income	***28.5***	***43.2***	***27.9***	***(0.3)***	**99.3**	**105.7**	**6.2**	**10.1**	**(8.9)**	**212.4**	**(5.8)**	**206.6**
Staff costs and administrative expenses	*(17.2)*	*(30.9)*	*(18.3)*	-	(66.4)	(74.1)	(6.2)	(2.7)	(4.9)	**(154.3)**	5.1	**(149.2)**
Segment results: profit before taxation	***11.3***	***12.3***	***9.6***	***(0.3)***	**32.9**	**31.6**	–	**7.4**	**(13.8)**	**58.1**	**(0.7)**	**57.4**
Income tax expense	*(4.2)*	*(1.2)*	*(2.8)*	-	(8.2)	(6.6)	–	(1.6)	0.4	**(16.0)**	0.1	**(15.9)**
Net profit after tax	***7.1***	***11.1***	***6.8***	***(0.3)***	**24.7**	**25.0**	**–**	**5.8**	**(13.4)**	**42.1**	**(0.6)**	**41.5**
Profit after tax from subsidiaries acquired exclusively with a view to resale	*4.2*	–	–	*0.3*	4.5	–	–	–	–	**4.5**	–	**4.5**
Net profit	***11.3***	***11.1***	***6.8***	**–**	**29.2**	**25.0**	**–**	**5.8**	**(13.4)**	**46.6**	**(0.6)**	**46.0**

(in billions of Russian Roubles)

34. Analysis by Segment (continued)

As at 30 September 2013	*Corporate-Investment banking (CIB)* Investment banking	Loans and deposits	Transaction banking	Inter-CIB elimi-nations	Total CIB	Retail banking	Treasury	Insurance	Other	Total before Inter-segment elimi-nations	Inter-segment elimi-nations	Total
Cash and short-term funds	*32.1*	*0.4*	*1.2*	–	33.7	109.9	193.8	0.4	1.9	**339.7**	–	**339.7**
Mandatory cash balances with central banks	–	–	–	–	–	20.4	56.5	–	–	**76.9**	–	**76.9**
Due from other banks	*82.7*	*21.2*	*0.2*	–	104.1	3.1	344.6	2.9	0.1	**454.8**	–	**454.8**
Loans and advances to customers	*355.5*	*3,731.7*	–	–	4,087.2	1,510.2	31.9	–	1.4	**5,630.7**	–	**5,630.7**
Other financial instruments	*549.9*	*9.0*	–	–	558.9	32.5	408.7	7.6	34.8	**1,042.5**	–	**1,042.5**
Investments in associates and joint ventures	*21.1*	*6.8*	–	–	27.9	–	5.9	–	–	**33.8**	–	**33.8**
Other assets items	*209.2*	*225.6*	*37.2*	–	472.0	80.8	15.0	20.5	319.8	**908.1**	–	**908.1**
Net amount of intersegment settlements	*191.1*	–	*562.5*	*(753.6)*	–	497.1	1,968.0	18.7	–	**2,483.8**	(2,483.8)	**–**
Segment assets	***1,441.6***	***3,994.7***	***601.1***	***(753.6)***	**5,283.8**	**2,254.0**	**3,024.4**	**50.1**	**358.0**	**10,970.3**	**(2,483.8)**	**8,486.5**
Due to other banks	*120.7*	*9.3*	*0.8*	–	130.8	19.2	620.2	–	0.4	**770.6**	–	**770.6**
Customer deposits	*941.3*	*409.4*	*550.5*	–	1,901.2	1,939.3	477.7	–	5.3	**4,323.5**	–	**4,323.5**
Other borrowed funds	*63.0*	*78.1*	–	–	141.1	49.6	933.2	1.2	4.3	**1,129.4**	–	**1,129.4**
Debt securities issued	*39.6*	*57.9*	–	–	97.5	37.7	605.4	–	1.9	**742.5**	–	**742.5**
Subordinated debt	–	–	–	–	–	–	291.8	–	–	**291.8**	–	**291.8**
Other liabilities items	*181.6*	*19.8*	*5.2*	–	206.6	15.7	11.0	39.8	60.6	**333.7**	–	**333.7**
Net amount of intersegment settlements	–	*2,968.7*	–	*(753.6)*	2,215.1	–	–	–	268.7	**2,483.8**	(2,483.8)	**–**
Segment liabilities	***1,346.2***	***3,543.2***	***556.5***	***(753.6)***	**4,692.3**	**2,061.5**	**2,939.3**	**41.0**	**341.2**	**10,075.3**	**(2,483.8)**	**7,591.5**

(in billions of Russian Roubles)

34. Analysis by Segment (continued)

Segment information for the reportable segments of the Group at 31 December 2012 and results for the nine months ended 30 September 2012 (unaudited) is set out below:

	Corporate-Investment banking (CIB)											
For the nine months ended 30 September 2012	*Investment banking*	*Loans and deposits*	*Transaction banking*	*Inter-CIB elimi-nations*	*Total CIB*	*Retail banking*	*Treasury*	*Insurance*	*Other*	*Total before Inter-segment elimi-nations*	*Inter-segment elimi-nations*	*Total*
Revenues from:												
External customers	51.1	215.0	15.2	–	281.3	148.0	56.2	12.6	30.6	**528.7**	–	**528.7**
Other segments	38.7	37.3	21.2	(0.8)	96.4	32.9	210.6	1.3	5.9	**347.1**	(347.1)	**–**
Total revenues	89.8	252.3	36.4	(0.8)	**377.7**	180.9	266.8	13.9	36.5	**875.8**	(347.1)	**528.7**
Segment income and expense												
Interest income	71.1	247.3	21.2	(0.5)	339.1	153.2	246.3	0.4	2.7	**741.7**	(341.2)	**400.5**
Interest expense	(60.7)	(195.6)	(3.9)	0.5	(259.7)	(70.4)	(223.3)	–	(13.7)	**(567.1)**	340.9	**(226.2)**
Treasury result allocation	1.3	15.2	–	–	16.5	9.9	(26.4)	–	–	**–**	–	**–**
Net interest income	**11.7**	**66.9**	**17.3**	**–**	**95.9**	**92.7**	**(3.4)**	**0.4**	**(11.0)**	**174.6**	**(0.3)**	**174.3**
(Provision charge) / reversal of provision for impairment of debt financial assets	0.1	(19.1)	–	–	(19.0)	(17.6)	(8.3)	–	–	**(44.9)**	(0.1)	**(45.0)**
Net interest income after provision for impairment	**11.8**	**47.8**	**17.3**	**–**	**76.9**	**75.1**	**(11.7)**	**0.4**	**(11.0)**	**129.7**	**(0.4)**	**129.3**
Net fee and commission income/(expense)	2.6	0.7	13.3	–	16.6	17.3	(0.1)	–	0.5	**34.3**	(0.1)	**34.2**
Other gains less losses arising from financial instruments and foreign currencies	8.2	(0.1)	0.1	–	8.2	2.2	16.7	0.1	(3.9)	**23.3**	–	**23.3**
Gain/(loss)from disposal of subsidiaries and associates	1.4	–	–	–	1.4	–	–	–	(0.4)	**1.0**	–	**1.0**
Share in income of associates and joint ventures	1.7	–	–	–	1.7	–	(0.3)	–	(0.1)	**1.3**	–	**1.3**
Other operating income/(expense) items	0.2	2.7	–	–	2.9	1.3	0.2	5.3	12.9	**22.6**	(4.3)	**18.3**
Operating income	**25.9**	**51.1**	**30.7**	**–**	**107.7**	**95.9**	**4.8**	**5.8**	**(2.0)**	**212.2**	**(4.8)**	**207.4**
Staff costs and administrative expenses	(18.4)	(33.0)	(16.6)	–	(68.0)	(54.2)	(4.8)	(1.7)	(3.6)	**(132.3)**	4.1	**(128.2)**
Segment results: profit before taxation	**7.5**	**18.1**	**14.1**	**–**	**39.7**	**41.7**	**–**	**4.1**	**(5.6)**	**79.9**	**(0.7)**	**79.2**
Income tax expense	(1.5)	(4.5)	(3.0)	–	(9.0)	(9.2)	–	(0.8)	(0.2)	**(19.2)**	0.2	**(19.0)**
Net profit	**6.0**	**13.6**	**11.1**	**–**	**30.7**	**32.5**	**–**	**3.3**	**(5.8)**	**60.7**	**(0.5)**	**60.2**

(in billions of Russian Roubles)

34. Analysis by Segment (continued)

As at 31 December 2012	Corporate-Investment banking (CIB) Investment banking	Loans and deposits	Transaction banking	Inter-CIB elimi-nations	Total CIB	Retail banking	Treasury	Insurance	Other	Total before Inter-segment elimi-nations	Inter-segment elimi-nations	Total
Cash and short-term funds	9.7	0.5	–	–	10.2	102.8	453.6	–	2.4	**569.0**	–	**569.0**
Mandatory cash balances with central banks	–	–	–	–	–	15.4	48.4	–	–	**63.8**	–	**63.8**
Due from other banks	82.5	19.6	–	–	102.1	5.9	249.2	0.6	0.8	**358.6**	–	**358.6**
Loans and advances to customers	207.2	3,276.5	–	–	3,483.7	1,200.9	76.3	–	0.6	**4,761.5**	–	**4,761.5**
Other financial instruments	422.0	10.0	–	–	432.0	27.3	426.3	3.5	40.9	**930.0**	–	**930.0**
Investments in associates and joint ventures	20.8	0.1	–	–	20.9	–	11.9	–	–	**32.8**	–	**32.8**
Other assets items	77.3	233.9	32.4	–	343.6	65.8	25.1	4.9	260.6	**700.0**	–	**700.0**
Net amount of intersegment settlements	169.4	–	748.2	(918.4)	(0.8)	559.2	1,321.2	10.2	–	**1,889.8**	(1,889.8)	**–**
Segment assets	**988.9**	**3,540.6**	**780.6**	**(918.4)**	**4,391.7**	**1,977.3**	**2,612.0**	**19.2**	**305.3**	**9,305.5**	**(1,889.8)**	**7,415.7**
Due to other banks	63.8	18.0	0.3	–	82.1	21.6	655.3	–	0.9	**759.9**	–	**759.9**
Customer deposits	647.8	499.1	729.3	–	1,876.2	1,672.0	260.6	–	4.6	**3,813.4**	–	**3,813.4**
Other borrowed funds	51.9	19.4	–	–	71.3	36.3	694.2	–	4.4	**806.2**	–	**806.2**
Debt securities issued	25.0	16.8	–	–	41.8	36.9	672.8	–	2.4	**753.9**	–	**753.9**
Subordinated debt	–	–	–	–	–	–	285.8	–	–	**285.8**	–	**285.8**
Other liabilities items	130.5	18.5	4.1	–	153.1	14.5	14.2	12.5	36.1	**230.4**	–	**230.4**
Net amount of intersegment settlements	–	2,574.5	–	(918.4)	1,656.1	–	–	–	233.7	**1,889.8**	(1,889.8)	**–**
Segment liabilities	**919.0**	**3,146.3**	**733.7**	**(918.4)**	**3,880.6**	**1,781.3**	**2,582.9**	**12.5**	**282.1**	**8,539.4**	**(1,889.8)**	**6,649.6**

(in billions of Russian Roubles)

35. Fair Values of Financial Instruments

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

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

The following table shows an analysis of financial instruments recorded at recurring fair value by level of the fair value hierarchy as at 30 September 2013 (unaudited):

	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Non-derivative financial assets at fair value through profit or loss				
Financial assets held for trading	204.0	66.8	1.8	**272.6**
Financial assets designated as at fair value through profit or loss	2.1	–	10.0	**12.1**
Trading Derivative financial instruments	0.3	81.7	5.0	**87.0**
Hedging Derivative financial instruments	–	1.3	–	**1.3**
Financial assets pledged under repurchase agreements and loaned financial assets				
Financial assets held for trading	134.4	65.0	–	**199.4**
Financial assets available-for-sale	13.5	26.0	–	**39.5**
Investments in associates at fair value through profit or loss	–	–	1.6	**1.6**
Financial assets available-for-sale	102.6	40.0	28.1	**170.7**
Financial liabilities				
Trading Derivative financial instruments	–	(72.1)	(0.7)	**(72.8)**
Hedging Derivative financial instruments	–	(1.5)	–	**(1.5)**

The following table shows an analysis of financial instruments recorded at recurring fair value by level of the fair value hierarchy as at 31 December 2012:

	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Non-derivative financial assets at fair value through profit or loss				
Financial assets held for trading	319.2	71.2	1.9	**392.3**
Financial assets designated as at fair value through profit or loss	31.7	2.2	9.5	**43.4**
Trading Derivative financial instruments	–	86.0	7.1	**93.1**
Hedging Derivative financial instruments	–	0.6	–	**0.6**
Financial assets pledged under repurchase agreements and loaned financial assets				
Financial assets held for trading	45.0	3.6	–	**48.6**
Financial assets designated as at fair value through profit or loss	–	0.1	–	**0.1**
Financial assets available-for-sale	5.9	–	–	**5.9**
Investments in associates at fair value through profit or loss	–	–	1.3	**1.3**
Financial assets available-for-sale	53.0	4.4	40.0	**97.4**
Financial liabilities				
Trading Derivative financial instruments	–	(82.5)	(0.1)	**(82.6)**
Hedging Derivative financial instruments	–	(0.5)	–	**(0.5)**

(in billions of Russian Roubles)

35. Fair Values of Financial Instruments (continued)

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets at fair value through profit or loss are mainly dependent on the change of input variables used to determine fair value, such as interest rates and foreign exchange rates. A significant portion of the available-for-sale financial assets in Level 3 is invested in shares of a non-listed companies which are valued based on non-market observable information. Changes in assumptions can lead to adjustments in the fair value of the investment.

Movement in Level 3 financial instruments measured at fair value

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the period ended 30 September 2013 (unaudited) is as follows:

	Financial assets at fair value through profit or loss				
	Financial assets held for trading	*Financial assets designated as at fair value through profit or loss*	*Financial assets available-for-sale*	*Investments in associates at fair value through profit or loss*	*Financial derivative assets and liabilities (net)*
Fair value at 1 January 2013	**1.9**	**9.5**	**40.0**	**1.3**	**7.0**
Gains less losses arising from financial instruments at fair value through profit or loss	(0.1)	0.5	(1.7)	0.2	0.4
Gains less losses recognized in net result on financial assets available-for-sale in other comprehensive income	–	–	2.7	–	–
Initial recognition – purchase	2.1	–	2.2	0.1	(0.5)
Derecognition – sale	–	–	(7.4)	–	–
Derecognition – settlement	–	–	–	–	(2.6)
Transfers into Level 3	–	–	0.1	–	–
Transfers out of Level 3	(2.1)	–	(7.8)	–	–
Fair value at 30 September 2013	**1.8**	**10.0**	**28.1**	**1.6**	**4.3**
Unrealized gains less losses recognized in net result on financial assets available-for-sale in other comprehensive income	**–**	**–**	**0.3**	**–**	**–**
Unrealized gains less losses recognized in gains less losses arising from financial instruments at fair value through profit or loss	**(0.1)**	**0.5**	**(1.8)**	**0.2**	**0.4**

Transfers between levels

During the period ended 30 September 2013, the financial assets held for trading in the amount of RUR 49.2 billion and financial assets available-for-sale in the amount of RUR 31.5 billion were transferred from Level 1 to Level 2 as they became estimated on the market internal model basis. Previously their fair values were determined using market quotes.

During the period ended 30 September 2013, the financial assets held for trading were transferred from Level 2 to Level 1 in the amount of RUR 2.1 billion as their fair values became determined using market quotes. Previously their fair values were estimated on the market internal model basis.

During the period ended 30 September 2013, the Group transferred financial assets available-for-sale from Level 3 to Level 1 of the fair value hierarchy in the carrying amount of RUR 7.6 billion. The reason for the transfer from Level 3 to Level 1 is the change in the basis of valuation of the fair value due to the appearance of the active market for these instruments.

During the period ended 30 September 2013, the Group transferred financial assets available-for-sale from Level 3 to Level 2 of the fair value hierarchy in the carrying amount of RUR 0.2 billion due to the change in the basis of valuation of the fair value from the valuation models with significant non market-observable inputs as at 31 December 2012 to the recent market transaction as at 30 September 2013.

(in billions of Russian Roubles)

35. Fair Values of Financial Instruments (continued)

During the period ended 30 September 2013, the Group transferred financial assets held for trading from Level 3 to Level 2 of the fair value hierarchy in the carrying amount of RUR 2.1 billion due to the change in the basis of valuation of the fair value from the valuation models with significant non market-observable inputs to the market internal model basis.

There have been no significant transfers from Level 1 to Level 3 during the period ended 30 September 2013.

Impact on fair value of Level 3 financial instruments of changes to key assumptions

The following table shows the quantitative information as at 30 September 2013 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

30 September 2013 (unaudited)	_Carrying amount_	_Valuation techniques_	_Unobservable input_	_Range (weighted average)_
Financial Assets Available-for-Sale				
Equity securities				
Finance companies, banks and leasing companies	1.1	Discounted Cash flow	Weighted average cost of capital	12.3%-16.3% (14.3%)
			exit multiple	0.6%-1% (0.8%)
	3.8	Net asset value	n/a	n/a
Telecommunications	3.2	Comparative method	EV/EBITDA	6.37-8.93 (7.65)
		Discounted Cash flow	Weighted average cost of capital	14.5%-17.2% (15.6%)
Railway vehicle construction	1.2	Discounted Cash flow	Weighted average cost of capital	8%-12% (9.97%)
			Utilisation Rate	97%-100% (98.50%)
			Change in Price of Railcars	-6%-6% (0%)
			Change in Rental Rate	-5%-5% (0%)
Non-ferrous metals	11.7	Discounted Cash flow	Weighted average cost of capital	9%-13% (11.8%)
			Terminal growth	2%-5% (3%)
			Cost of Debt	6%-10% (8%)
Real estate	0.6	Cost approach	Real estate prices	-10% – 10% (0%)
Air transport	1.7	Market comparable companies	EV/pax, comparable airports	100.0-132.9 (117.2)
Building construction	3.2	Cost	n/a	n/a
Other mechanical engineering	0.5	Discounted Cash flow	Weighted average cost of capital	10%-20% (15.25%)
			Terminal growth	2%-7% (5%)
			Cost of Debt	6%-10% (8.3%)
Other economic sectors	1.1	Net asset value	n/a	n/a
Financial assets designated as at fair value through profit or loss				
Equity securities				
Finance companies and banks	1.6	Net asset value	n/a	n/a
Mass Media	3.9	Net asset value	n/a	n/a
Other economic sectors	0.2	Net asset value	n/a	n/a
Debt securities				
Finance companies and banks	4.3	Probable yield	Volatility	10%-30% (20%)
Financial assets at fair value through profit or loss				
Equity securities				
Railway vehicle construction	1.8	Discounted Cash flow	Weighted average cost of capital	15.2%-22.19% (18.7%)
			Terminal growth	1.3%-3% (2.3%)
Derivatives				
Equity options	(0.5)	Option model	Volatility	10% - 30% (20%)
Foreign exchange	4.9	Discounted Cash flow	BYR interest rate curve	20%-30% (25%)
Credit products	(0.1)	Discounted Cash flow	Discount Rate	10.00%
Investments in associates and joint ventures at fair value through profit or loss				
Development	1.6	Discounted Dividend flow	Risk-free rate	7.4%-8.4% (7.9%)
			Base equity risk premium	6%-9% (7.5%)

(in billions of Russian Roubles)

35. Fair Values of Financial Instruments (continued)

The following table shows the quantitative information about sensitivity of the fair value measurement categorized within Level 3 of the fair value hierarchy to changes in significant unobservable inputs:

	30 September 2013 (unaudited)	
	Carrying amount	Effect of reasonably possible alternative assumptions
Investment securities – available-for-sale	28.1	24.8 – 36.6
Financial assets designated as at fair value through profit or loss	10.0	9.8 – 10.2
Financial instruments at fair value through profit or loss excluding derivatives	1.8	1.6 – 2.1
Financial instruments at fair value through profit or loss - derivatives	4.3	4.3 – 4.3
Investments in associates and joint ventures at fair value through profit or loss	1.6	1.1 – 2.0

Methods and assumptions for Level 2 financial instruments.

The fair value of financial assets at fair value through profit or loss, available for sale and derivative financial instruments valued according to Level 2 models was estimated based on DCF (projected cash flows) method using the assumption of future coupon payment and recent transactions prices. The fair value of structured financial assets was estimated based on stochastic modelling (Level 2 model). Probability models were calibrated using market indicators (currency forward, ITRAX Index). Value at Risk was calculated based on full historical recalculation and Monte-Carlo simulation.

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 September 2013 (unaudited)		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and short-term funds	339.7	339.7	569.0	569.0
Due from other banks	454.8	454.5	358.6	360.8
Russia	*85.6*	*85.5*	*97.4*	*99.5*
OECD	*336.6*	*336.6*	*251.5*	*250.8*
Other	*32.6*	*32.4*	*9.7*	*10.5*
Loans and advances to customers	5,630.7	5,690.0	4,761.5	4,863.4
Loans to legal entities	*4,304.1*	*4,322.4*	*3,703.4*	*3,788.4*
Loans to individuals	*1,326.6*	*1,367.6*	*1,058.1*	*1,075.0*
Investment securities held-to-maturity	0.7	0.7	0.9	0.9
Other financial assets	37.5	37.5	39.1	39.1
Financial liabilities				
Due to other banks	770.6	775.7	759.9	789.5
Customer deposits	4,323.5	4,306.8	3,813.4	3,758.3
Deposits of legal entities	*2,657.6*	*2,663.0*	*2,379.3*	*2,357.3*
Deposits of individuals	*1,665.9*	*1,643.8*	*1,434.1*	*1,401.0*
Other borrowed funds	1,129.4	1,135.3	806.2	815.1
Debt securities issued	742.5	751.7	753.9	777.9
Subordinated debt	291.8	288.3	285.8	276.4
Other financial liabilities	30.2	30.2	135.9	135.9

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

Assets for which fair value approximates carrying value. For financial assets and financial liabilities that are liquid or having a short term maturity it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to customer current/settlement deposits without a specific maturity.

Fixed and variable rate financial instruments. For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

(in billions of Russian Roubles)

36. Related Party Transactions

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

Transactions and balances with related parties comprise transactions and balances with Russian government-related entities (both directly and indirectly) and associates and joint ventures and are stated in the tables below:

Statements of financial position

	30 September 2013 (unaudited)		*31 December 2012*	
	Government-related entities	*Associates and joint ventures and other*	*Government-related entities*	*Associates and joint ventures and other*
Assets				
Cash and short-term funds	145.6	–	149.9	1.8
Mandatory cash balances with central banks	45.9	–	39.4	–
Financial assets at fair value through profit or loss	113.0	1.9	324.2	1.7
Financial assets pledged under repurchase agreements and loaned financial assets	462.7	0.2	284.5	–
Due from other banks	12.8	0.2	40.7	12.3
Loans and advances to customers	1,028.3	115.8	823.2	100.5
Allowance for loan impairment	(24.2)	(6.9)	(23.1)	(3.7)
Financial assets available-for-sale	65.7	5.7	36.2	–
Investment securities held-to-maturity	0.5	–	0.6	–
Liabilities				
Due to other banks	360.5	0.8	240.4	20.2
Customer deposits	1,423.7	38.8	1,233.6	41.8
Other borrowed funds	833.0	–	602.3	–
Subordinated debt	205.5	–	205.5	–
Other liabilities	17.6	0.4	33.2	–
Credit Related Commitments				
Guarantees issued	258.9	5.7	233.0	1.3
Undrawn credit lines	13.9	10.4	18.8	7.0
Import letters of credit	11.0	–	7.6	–
Commitments to extend credit	0.2	–	–	–

Income statements

	For the nine-month period ended 30 September (unaudited)	
	2013	*2012*
Interest income		
Loans and advances to customers	81.2	59.3
Securities	17.1	14.1
Due from other banks	1.5	0.9
Interest expense		
Customer deposits	(53.0)	(47.2)
Due to other banks and other borrowed funds	(42.8)	(33.6)
Subordinated debt	(12.7)	(12.8)
Provision charge for impairment of debt financial assets	**(5.7)**	**(6.0)**

For the nine month-period ended 30 September 2013, the total remuneration of the directors and key management personnel of the Group including pension contributions amounted to RUR 7.9 billion (30 September 2012: RUR 5.0 billion). Key management personnel include VTB Supervisory Council, VTB Management Board, VTB Statutory Audit Committee and key management of subsidiaries. Loans to the key management personnel as at 30 September 2013 amounted to RUR 0.8 billion (31 December 2012: RUR 1.0 billion). Compensation to key management personnel primarily consists of short term employee benefits.

(in billions of Russian Roubles)

37. Capital Management and Capital Adequacy

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

The CBR requires banks to maintain a minimum capital adequacy ratio of 10.0% of risk-weighted assets, computed based on Russian accounting legislation. As at 30 September 2013 and 31 December 2012 the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

The Group's international risk based capital adequacy ratio is computed in accordance with the Basel Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks. These ratios exceeded the minimum ratio of 8.0% recommended by the Basel Accord as disclosed below:

	30 September 2013 (unaudited)	***31 December 2012 (unaudited, restated)***
Tier 1 capital		
Share capital	138.1	113.1
Share premium	433.8	358.5
Treasury shares	(4.2)	(13.7)
Perpetual loan participation notes	72.7	68.3
Retained earnings	206.5	193.7
Unrealized gain on financial assets available-for-sale and cash flow hedge	6.7	4.3
Currency translation difference	11.1	8.8
Non-controlling interests	10.0	12.3
Deducted: Goodwill	(120.4)	(120.4)
Total Tier 1 capital	***754.3***	***624.9***
Tier 2 capital		
Land and premises revaluation reserve	20.3	20.8
Subordinated debt	273.7	272.6
Total Tier 2 capital	***294.0***	***293.4***
Total capital before deductions	**1,048.3**	**918.3**
Deducted: Investments in the capital of other banks and financial institutions	(16.5)	(23.0)
Total capital after deductions	**1,031.8**	**895.3**
Risk-weighted assets		
Credit risk	6,613.2	5,531.7
Market risks	681.8	672.1
Total risk-weighted assets	***7,295.0***	***6,203.8***
Tier 1 capital ratio to total risk-weighted assets	**10.3%**	**10.1%**
Total capital ratio to total risk-weighted assets	**14.1%**	**14.4%**

38. Business Combinations and Disposal of Subsidiaries

In the second quarter of 2013 the Group obtained control of the following companies as a result of debt settlement:

In April 2013, the Group received the authority of the sole executive body of "Print House "Pushkinskay ploshad", OJSC, thus receiving control without increasing its 3.85% share. In September 2013 the Group lost the authority and deconsolidated the subsidiary.

In May 2013, the Group acquired 100% of the shares of the closed mutual fund "Globus" for RUR 1.3 billion, thus obtaining control over "Golovino Plaza", LLC, "NPO Informatika", LLC, "Trast-Reserve", CJSC, "IPO Poligran", CJSC.

(in billions of Russian Roubles)

In May 2013, the Group obtained 79.0% controlling share in the closed mutual fund "Hotels and Resorts" by purchasing additional 59.1% for RUR 0.5 billion, which resulted in control over "Hotel Sokolniky", CJSC and "Management company "Hotel Management", CJSC.

38. Business Combinations and Disposal of Subsidiaries (continued)

In September 2013, the "Metropolitan Insurance Group", OJSC, a former associate of the Group, acquired 50.0% as treasury shares from a non-related party, which enabled the Group to receive control over "Metropolitan Insurance Group", OJSC previously accounted for using equity method. Refer to Note 13.

The gross contractual amounts receivable from insurance activity of "Metropolitan Insurance Group", OJSC at the acquisition date amounted to RUR 7.6 billion. The estimate of the contractual cash flows which are not expected to be collected amounted to RUR 2.0 billion.

The fair values of identifiable assets and liabilities of these companies at the acquisition date were as follows:

	Closed mutual fund "Globus"	***Closed mutual fund "Hotels and Resorts"***	**"Metropolitan Insurance Group", OJSC**
Assets			
Cash and short-term funds	–	0.1	0.7
Financial assets at fair value through profit or loss	–	–	2.8
Due from other banks	–	–	8.1
Financial assets available-for-sale	–	–	2.5
Premises and equipment	7.8	3.2	2.4
Investment property	–	–	2.2
Intangible assets and goodwill	–	–	1.0
Other assets	1.2	0.7	7.1
Total assets	**9.0**	**4.0**	**26.8**
Liabilities			
Due to other banks and other borrowed funds	–	–	3.4
Customer deposits	0.7	–	–
Deferred tax liability	0.7	0.3	0.1
Other liabilities	0.2	0.2	23.3
Total liabilities	**1.6**	**0.5**	**26.8**
Fair value of identifiable net assets of subsidiary	**7.4**	**3.5**	–
Excess of fair value of acquired net asset over cost:			
Consideration paid	1.3	0.5	–
Derecognition of previously granted loans/ held trade receivables to the acquiree	4.9	2.0	–
Fair value of the acquirer's previously held interest in the acquiree	–	0.5	–
Non-controlling interests (proportionate share of the acquiree's identifiable net assets)	0.1	0.3	–
Less: fair value of identifiable net assets of subsidiary	(7.4)	(3.5)	–
Excess of fair value of acquired net asset over cost	**(1.1)**	**(0.2)**	–

If the acquisition of closed mutual funds "Globus" and "Hotels and Resorts" had taken place at the beginning of the year, the net profit and operating income of the Group would not have been materially different.

During nine months of 2013 the Group disposed of "BM Project - Lakokraska" with a gain of RUR 0.9 billion and several other subsidiaries and associates with a total gain of RUR 1.0 billion.
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39. Subsequent Events

In October 2013 the Group increased its stake in "VTB Bank (Belarus)", CJSC to 97.37% from 71.42% by purchasing 72,974 ordinary shares for USD 19.1 million (RUR 0.6 billion) under the purchase agreement with the State Property Committee of Belarus.

In October 2013 the Group sold its 50% share in Tele 2 Russia to a third party for RUR 40.4 billion.

In October 2013, VTB redeemed Series 05 local bonds in the total amount of RUB 15 billion upon maturity.

In October-November 2013, VTB redeemed Euro-Commercial Paper (ECP) notes in the total amount of RUB 3.2 billion equivalent upon maturity.

In October 2013, VTB issued Series BO-43 local stock exchange bonds in the amount of RUB 20 billion maturing in September 2023 with a coupon rate of 7.6% p.a. to investor put option in April 2015.

In October 2013, VTB issued USD 32.5 million (RUB 1.0 billion) Series 1 Eurobonds under EMTN Programme 3 maturing in April 2015 with a floating coupon rate payable quarterly.

In October 2013, VTB issued CZK 600 million (RUB 1.0 billion) Series 2 Eurobonds under EMTN Programme 3 maturing in October 2016 with a floating coupon rate payable quarterly.

In October 2013, Bank of Moscow issued local bonds Series BO-04 with a notional amount of RUR 10.0 billion and a coupon rate of 7.7% p.a. maturing in October 2016.

In October 2013, "TransCreditBank", OJSC repaid subordinated loan in the nominal amount of RUR 1.0 billion upon maturity.

In October 2013 "VTB Capital Finance", LLC issued RUR 1.0 billion local bonds Series BO-15 maturing in May 2015 with a floating rate linked to the value of the ordinary shares of Norilsk Nickel payable semi-annually.

In November 2013, "TransCreditBank", OJSC ceased its operations as a subsidiary of VTB following the legal merger of "Bank VTB 24", CJSC and "TransCreditBank", OJSC.

In November 2013, "Bank VTB 24", CJSC as a successor after legal merger redeemed local bonds of former "TransCreditBank", OJSC in the nominal amount of RUR 5.0 billion upon maturity.

In November 2013, VTB issued USD 10 million (RUB 0.3 billion) Series 42 under Euro-Commercial Paper (ECP) Programme with a tenor of 1 year.

In November 2013, VTB issued CHF 300 million (RUB 10.6 billion) Series 3 Eurobonds under EMTN Programme 3 maturing in May 2018 with a coupon rate of 2.9% p.a. payable annually.