VTB Bank

Interim Condensed Consolidated Financial Statements and Report on Review of Interim Condensed Consolidated Financial Statements

30 September 2015

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Report on review of interim condensed consolidated financial statements

To the Shareholders and Supervisory Council of VTB Bank

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of VTB Bank (the "Bank") and its subsidiaries (the "Group"), which comprise the interim consolidated statement of financial position as at 30 September 2015 and the related interim consolidated income statements, interim consolidated statements of comprehensive income for the three-month and the nine-month periods then ended, interim consolidated statement 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 Financial Reporting Standard IAS 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 review

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 condensed consolidated financial statements 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.

Ernst & Young LLC

17 November 2015

Moscow, Russia

VTB Bank
Interim Consolidated Statement of Financial Position as at 30 September 2015
(in billions of Russian roubles)

	Note	*30 September 2015 (unaudited)*	*31 December 2014 (restated)*
Assets			
Cash and short-term funds	6	592.4	695.2
Mandatory cash balances with central banks		86.9	85.5
Non-derivative financial assets at fair value through profit or loss	7	265.3	275.0
Derivative financial assets	8	313.4	407.0
Financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements	9	31.3	184.0
Due from other banks, including pledged under repurchase agreements	10	1,213.5	814.5
- Due from other banks		*1,176.6*	*740.3*
- Due from other banks, pledged under repurchase agreements		*36.9*	*74.2*
Loans and advances to customers, including pledged under repurchase agreements	11	8,842.2	8,537.3
- Loans and advances to customers		*8,577.4*	*8,074.7*
- Loans and advances to customers, pledged under repurchase agreements		*264.8*	*462.6*
Investment financial assets	12	309.4	132.2
Investments in associates and joint ventures	13	103.7	96.3
Assets of disposal groups held for sale	14	14.7	11.1
Land, premises and equipment		279.9	246.9
Investment property		233.7	192.3
Goodwill and other intangible assets		160.7	161.8
Deferred income tax asset		67.6	66.9
Other assets		276.8	284.8
Total assets		**12,791.5**	**12,190.8**
Liabilities			
Due to other banks	15	1,067.1	733.2
Customer deposits	16	7,144.1	5,669.4
Derivative financial liabilities	8	284.5	397.8
Other borrowed funds	17	1,524.9	2,729.2
Debt securities issued	18	676.2	921.4
Liabilities of disposal groups held for sale	14	10.3	4.7
Deferred income tax liability		26.1	26.6
Other liabilities		353.8	312.3
Total liabilities before subordinated debt		**11,087.0**	**10,794.6**
Subordinated debt		282.8	265.2
Total liabilities		**11,369.8**	**11,059.8**
Equity			
Share capital	19	659.5	352.1
Share premium		433.8	433.8
Perpetual loan participation notes		149.0	126.6
Treasury shares and bought back perpetual loan participation notes		(2.3)	(6.7)
Other reserves	20	48.6	42.8
Retained earnings		122.3	169.3
Equity attributable to shareholders of the parent		**1,410.9**	**1,117.9**
Non-controlling interests		**10.8**	**13.1**
Total equity		**1,421.7**	**1,131.0**
Total liabilities and equity		**12,791.5**	**12,190.8**

Approved for issue and signed on 17 November 2015.

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 2015	2014 (restated)	For the nine-month period ended 30 September 2015	2014 (restated)
Interest income	21	275.2	218.4	809.9	605.5
Interest expense	21	(186.8)	(126.2)	(607.4)	(337.3)
Net interest income		**88.4**	**92.2**	**202.5**	**268.2**
Provision charge for impairment of debt financial assets	10, 11	(55.3)	(65.0)	(128.9)	(157.8)
Net interest income after provision for impairment		**33.1**	**27.2**	**73.6**	**110.4**
Net fee and commission income	22	**21.4**	**14.8**	**54.0**	**44.8**
Gains net of losses arising from financial instruments at fair value through profit or loss	23	11.4	1.3	29.9	6.8
Gains less losses from investment financial assets available-for-sale		(0.6)	–	(0.2)	0.8
Gains net of losses / (losses net of gains) arising from foreign currencies	24	0.8	5.9	22.2	(5.5)
(Losses)/gains on initial recognition of financial instruments, restructuring and other gains on loans and advances to customers	25	(0.1)	(0.1)	(1.1)	1.6
Share in profit/(loss) of associates and joint ventures		1.9	(0.2)	4.0	0.1
Gain from disposal of subsidiaries and associates		0.8	3.1	0.7	12.4
Losses net of gains arising from extinguishment of liabilities		(1.0)	(0.3)	(1.0)	(1.1)
Provision charge for impairment of other assets, credit related commitments and legal claims	27, 32	(1.7)	(4.6)	(8.0)	(8.5)
Other operating income		5.2	5.0	14.4	11.4
Other operating expense		(1.2)	(0.9)	(3.6)	(2.6)
Non-interest gains		**15.5**	**9.2**	**57.3**	**15.4**
Net insurance premiums earned		11.7	11.6	71.2	34.5
Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs		(12.2)	(7.3)	(71.0)	(22.3)
Revenues less expenses from insurance activity		**(0.5)**	**4.3**	**0.2**	**12.2**
Revenue from other non-banking activities		6.1	7.7	18.6	16.7
Cost of sales and other expenses from other non-banking activities		(8.1)	(8.7)	(25.7)	(27.1)
Net (loss)/gain from change in fair value of investment property recognised on revaluation		2.8	6.4	(9.6)	10.7
Revenues less expenses from other non-banking activities		**0.8**	**5.4**	**(16.7)**	**0.3**
Impairment of goodwill		–	(0.2)	–	(0.7)
Staff costs and administrative expenses	26	(59.9)	(54.0)	(172.9)	(161.3)
Non-interest expenses		**(59.9)**	**(54.2)**	**(172.9)**	**(162.0)**
(Loss)/profit before tax		**10.4**	**6.7**	**(4.5)**	**21.1**
Income tax expense	28	(4.3)	(4.8)	(4.8)	(17.2)
Net (loss)/profit after tax		**6.1**	**1.9**	**(9.3)**	**3.9**
(Loss)/profit after tax from subsidiaries acquired exclusively with a view to resale		0.1	(1.5)	(1.6)	1.5
Net (loss)/profit		**6.2**	**0.4**	**(10.9)**	**5.4**
Net (loss)/profit attributable to:					
Shareholders of the parent		**7.6**	**1.8**	**(4.2)**	**6.1**
Non-controlling interests		**(1.4)**	**(1.4)**	**(6.7)**	**(0.7)**
Basic and diluted earnings per share (expressed in Russian roubles per share)	29	**0.00065**	**0.00010**	**(0.00108)**	**(0.00002)**
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)	29	**0.00064**	**0.00022**	**(0.00096)**	**(0.00014)**

(in billions of Russian roubles)

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2015	***2014***	***2015***	***2014***
Net (loss)/profit	**6.2**	**0.4**	**(10.9)**	**5.4**
Other comprehensive income/(loss)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods				
Net result on financial assets available-for-sale, net of tax	(0.6)	(5.7)	4.9	(7.7)
Cash flow hedges, net of tax	0.2	0.2	0.1	0.4
Share of other comprehensive income/(loss) of associates and joint ventures	3.6	(0.1)	3.0	(0.1)
Effect of translation, net of tax	12.0	9.9	(1.1)	13.6
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	*15.2*	*4.3*	*6.9*	*6.2*
Other comprehensive income/(loss) 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	–	–	0.2	(0.2)
Total other comprehensive income /(loss)not to be reclassified to profit or loss in subsequent periods	–	–	*0.2*	*(0.2)*
Other comprehensive income, net of tax	**15.2**	**4.3**	**7.1**	**6.0**
Total comprehensive (loss)/income	**21.4**	**4.7**	**(3.8)**	**11.4**
Total comprehensive income/(loss) attributable to:				
Shareholders of the parent	**22.4**	**4.9**	**2.6**	**10.8**
Non-controlling interests	**(1.0)**	**(0.2)**	**(6.4)**	**0.6**

(in billions of Russian roubles)

		For the nine-month period ended 30 September	
	Note	*2015*	*2014 (restated)*
Cash flows from operating activities			
Interest received		788.1	594.4
Interest paid		(567.5)	(291.7)
Gains from operations with financial assets at fair value through profit or loss		30.2	2.7
(Loss)/Gains received from extinguishment of liability		(0.4)	0.1
(Loss)/Gains incurred on dealing in foreign currency		(5.9)	34.5
Fees and commissions received		69.8	59.9
Fees and commissions paid		(16.1)	(12.9)
Other operating income received		14.7	7.3
Other operating expenses paid		(2.0)	(2.4)
Staff costs, administrative expenses paid		(162.4)	(146.2)
Income received from non-banking activities		28.2	33.4
Expenses paid in non-banking activities		(27.2)	(29.2)
Net insurance premiums received		76.9	35.3
Net insurance claims paid		(68.9)	(24.3)
Income tax paid		(13.0)	(17.1)
Cash flows from operating activities before changes in operating assets and liabilities		**144.5**	**243.8**
Net decrease/(increase) in operating assets			
Net increase in mandatory cash balances with central banks		(0.4)	(9.1)
Net (increase)/decrease in restricted cash		(0.4)	0.4
Net (increase)/decrease in correspondent accounts in precious metals		(4.3)	1.0
Net decrease in non-derivative financial assets at fair value through profit or loss		83.8	157.8
Net (increase)/decrease in due from other banks		(425.9)	167.7
Net increase in loans and advances to customers		(4.2)	(1,262.0)
Net decrease/(increase) in other assets		15.3	(19.0)
Net (decrease)/increase in operating liabilities			
Net increase/(decrease) in due to other banks		344.6	(149.9)
Net increase in customer deposits		1,346.0	945.2
Net decrease in debt securities issued other than bonds issued		(2.6)	(15.5)
Net (decrease)/increase in other liabilities		(1.2)	5.6
Net cash from operating activities		**1,495.2**	**66.0**
Cash flows used in investing activities			
Dividends and other distributions received		0.5	0.6
Proceeds from sales or maturities of investment financial assets available-for-sale		123.2	118.4
Purchase of investment financial assets available-for-sale		(111.5)	(229.8)
Purchase of subsidiaries, net of cash		–	2.5
Disposal of subsidiaries, net of cash		(0.9)	19.2
Purchase of and contributions to associates and joint ventures		–	(0.7)
Proceeds from sale of share in associates		–	4.0
Proceeds from distribution to shareholders of associates		–	1.6
Purchase of investment financial assets held-to-maturity		(34.8)	(1.5)
Proceeds from redemption of investment financial assets held-to-maturity		0.5	1.5
Purchase of land, premises and equipment		(34.5)	(32.8)
Proceeds from sale of land, premises and equipment		3.5	1.5
Purchase or construction of investment property		(15.5)	(17.0)
Proceeds from sale of investment property		3.5	2.3
Purchase of intangible assets		(3.8)	(4.3)
Proceeds from sale of intangible assets		0.5	0.3
Net cash used in investing activities		**(69.3)**	**(134.2)**

(in billions of Russian roubles)

	Note	For the nine-month period ended 30 September 2015	2014
Cash flows used in financing activities			
Dividends paid	31	(18.0)	(16.0)
Proceeds from issuance of local bonds		–	21.4
Repayment of local bonds		(72.2)	(16.6)
Buy-back of local bonds		(9.2)	(17.5)
Proceeds from sale of previously bought-back local bonds		19.2	11.1
Proceeds from issuance of Eurobonds		–	7.5
Repayment of Eurobonds		(243.1)	(40.3)
Buy-back of Eurobonds		(35.5)	(27.1)
Proceeds from sale of previously bought-back Eurobonds		21.3	14.7
Proceeds from syndicated loans		10.1	1.9
Repayment of syndicated loans		(16.5)	(107.7)
Proceeds from other borrowings and funds from local central banks		9,127.6	5,340.6
Repayment of other borrowings and funds from local central banks		(10,338.6)	(5,025.6)
Proceeds from subordinated debt		–	13.5
Repayment of subordinated debt		(26.2)	(218.8)
Buy-back of subordinated debt		(4.3)	(1.1)
Proceeds from sale of previously bought-back subordinated debt		8.5	1.1
Proceeds from share issue, less transaction costs		–	214.0
Cash received from sale of treasury shares		10.9	12.5
Cash paid for treasury shares		(3.7)	(15.6)
Cash paid for purchase of non-controlling interests in subsidiaries and non-parent interests in consolidated funds		–	(20.0)
Buy-back of perpetual loan participation notes		(0.4)	(2.1)
Proceeds from sale of previously bought-back perpetual loan participation notes		0.5	2.1
Amounts paid on perpetual loan participation notes	31	(5.9)	(3.7)
Net cash (used in) / from financing activities		**(1,575.5)**	**128.3**
Effect of exchange rate changes on cash and cash equivalents		42.2	36.7
Effect of hyperinflation		–	(0.8)
Net (decrease)/increase in cash and cash equivalents		**(107.4)**	**96.0**
At the beginning of period	6	**687.7**	**348.6**
At the end of period	6	**580.3**	**444.6**

(in billions of Russian roubles)

	Attributable to shareholders of the parent								
	Share capital	***Share premium***	***Perpetual loan participation notes***	***Treasury shares and bought back perpetual loan participation notes***	***Other reserves (Note 20)***	***Retained earnings***	***Total***	***Non-controlling interests***	***Total equity***
Balance at 1 January 2014	**138.1**	**433.8**	**73.6**	**(3.6)**	**35.6**	**262.0**	**939.5**	**7.6**	**947.1**
Net result from treasury shares transactions	–	–	–	(3.1)	–	(0.2)	**(3.3)**	–	**(3.3)**
Profit/(loss) for the period	–	–	–	–	–	6.1	**6.1**	(0.7)	**5.4**
Other comprehensive income	–	–	–	–	4.7	–	**4.7**	1.3	**6.0**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**4.7**	**6.1**	**10.8**	**0.6**	**11.4**
Preference share issue	214.0	–	–	–	–	(12.3)	**201.7**	–	**201.7**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.8)	0.8	**–**	–	**–**
Share-based payments	–	–	–	–	–	(0.1)	**(0.1)**	–	**(0.1)**
Increase in share capital of subsidiaries	–	–	–	–	–	–	**–**	0.1	**0.1**
Acquisition of subsidiaries	–	–	–	–	–	–	**–**	0.5	**0.5**
Disposal of subsidiaries	–	–	–	–	–	0.6	**0.6**	0.7	**1.3**
Acquisition of non-controlling interests	–	–	–	–	0.2	(22.2)	**(22.0)**	14.3	**(7.7)**
Amounts paid and due on perpetual loan participation notes (Note 31)	–	–	–	–	–	(8.0)	**(8.0)**	–	**(8.0)**
Foreign exchange translation of perpetual loan participation notes	–	–	15.0	–	–	(15.0)	**–**	–	**–**
Tax effect recognized on perpetual loan participation notes	–	–	–	–	–	4.6	**4.6**	–	**4.6**
Dividends declared (Note 31)	–	–	–	–	–	(15.0)	**(15.0)**	(1.3)	**(16.3)**
Balance at 30 September 2014	**352.1**	**433.8**	**88.6**	**(6.7)**	**39.7**	**201.3**	**1,108.8**	**22.5**	**1,131.3**
Balance at 1 January 2015	**352.1**	**433.8**	**126.6**	**(6.7)**	**42.8**	**169.3**	**1,117.9**	**13.1**	**1,131.0**
Net result from treasury shares transactions	–	–	–	4.3	–	2.3	**6.6**	–	**6.6**
Net result from treasury perpetual loan participation notes transactions	–	–	–	0.1	–	0.1	**0.2**	–	**0.2**
Loss for the period	–	–	–	–	–	(4.2)	**(4.2)**	(6.7)	**(10.9)**
Other comprehensive income	–	–	–	–	6.7	0.1	**6.8**	0.3	**7.1**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**6.7**	**(4.1)**	**2.6**	**(6.4)**	**(3.8)**
Preference share issue (Note 19)	307.4	–	–	–	–	–	**307.4**	–	**307.4**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.9)	0.9	**–**	–	**–**
Share-based payments	–	–	–	–	–	(0.5)	**(0.5)**	–	**(0.5)**
Acquisition of subsidiaries (Note 37)	–	–	–	–	–	–	**–**	3.8	**3.8**
Acquisition of non-controlling interests	–	–	–	–	–	(0.1)	**(0.1)**	0.3	**0.2**
Amounts paid and due on perpetual loan participation notes (Note 31)	–	–	–	–	–	(11.7)	**(11.7)**	–	**(11.7)**
Foreign exchange translation of perpetual loan participation notes	–	–	22.4	–	–	(22.4)	**–**	–	**–**
Tax effect recognized on perpetual loan participation notes	–	–	–	–	–	6.5	**6.5**	–	**6.5**
Dividends declared (Note 31)	–	–	–	–	–	(18.0)	**(18.0)**	–	**(18.0)**
Balance at 30 September 2015	**659.5**	**433.8**	**149.0**	**(2.3)**	**48.6**	**122.3**	**1,410.9**	**10.8**	**1,421.7**

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). In June 2015 "VTB Bank" (open joint-stock company) was renamed into VTB Bank (public joint-stock company) in accordance with the legislative requirements.

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. 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", PJSC, "Bank of Moscow", OJSC and "Leto Bank", PJSC 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 1.4 million with a 100% compensation of deposited amount from 29 December 2014.

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 42 full service branches, including 23 branches of VTB, 9 branches of "Bank VTB 24", PJSC, 10 branches of "Bank of Moscow", OJSC located in major Russian regions.

The Group operates outside Russia through 13 bank subsidiaries, located in Austria, Germany, France, Great Britain, Serbia, Armenia, Belarus, Kazakhstan, Azerbaijan, Ukraine (2 banks), Georgia and Angola; through 3 representative offices located in Italy, China and Kyrgyzskaya Republic; 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 ordinary shares at 30 September 2015 (31 December 2014: 60.9%).

The number of employees of the Group at 30 September 2015 was 95,583 (31 December 2014: 101,072).

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 majority of the Group's operations are conducted in the Russian Federation (Russia). The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2014 Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. During the nine-month period ended 30 September 2015, the following were the key changes in select macro-economic indicators:

- the CBR exchange rate increased from RUR 56.2584 to RUR 66.2367 per USD;
- the CBR key interest rate decreased from 17.0% p.a. to 11.0% p.a.;
- the RTS stock exchange index decreased from 790.7 to 789.7.

(in billions of Russian roubles)

2. Operating Environment of the Group (continued)

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

Also, factors including reduced households' real disposable income and corporate sector's declining profitability may affect the Group's borrowers' ability to repay the amounts due to the Group. In addition, adverse 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.

Ukraine. In 2014, the economic and political situation in Ukraine deteriorated significantly. As a result, Ukraine has experienced a fall in gross domestic product and a sharp reduction in foreign currency reserves. Furthermore, between 1 January 2015 and 30 September 2015, the Ukrainian Hryvnia devalued to major foreign currencies by approximately 27%, and the National Bank of Ukraine imposed certain restrictions on foreign currency operations. Restrictions have also been introduced for certain cross-border settlements, including payments of dividends. International rating agencies have downgraded sovereign debt ratings for Ukraine.

At 30 September 2015, the Group's investments in Ukrainian sovereign and municipal securities as well as loans to Ukrainian government fully or majority owned enterprises amounted to less than 0.1% of the Group's total assets. The Group continues to monitor the situation in Ukraine and take appropriate actions in order to minimize the effects of these risks. The risk assessment is reviewed constantly to reflect the current situation.

In March 2015, National Bank of Ukraine raised its key interest rate from 19.5% to 30.0%. In August 2015 the NBU key interest rate decreased from 30.0% p.a. to 27.0% p.a. In September 2015 the NBU key interest rate decreased from 27.0% p.a. to 22.0% p.a. The combination of the above events has resulted in a tighter credit conditions and deterioration of asset quality. Further significant negative developments in Ukraine could adversely impact the results and financial position of the Group and of the Group's Ukrainian subsidiaries in a manner not currently determinable.

Other jurisdictions. In addition to Russia, the Group conducts operations in Belarus, Kazakhstan, Azerbaijan, Armenia and Georgia, certain European countries (Austria, Germany, France, Great Britain and Serbia) and several other countries. Difficult economic and financial market situation in certain of these jurisdictions led to a decrease or negative growth of GDP, currency devaluation, reduced consumption, as well as a decline in investment activities.

In August 2015 the National Bank and the Government of the Republic of Kazakhstan decided to implement a new monetary policy based on inflation targeting and a free floating exchange rate of the national currency. As a consequence the Kazakhstan's Tenge devalued to major foreign currencies by approximately 33% as compared to 1 January 2015.

Aproximate devaluation of certain other national currencies to major foreign currencies for the nine-month period ended 30 September 2015 is presented in the table below:

Currency	*Devaluation (%)*
Azerbaijan's manat	25
Belarussian rouble	33
Georgian lari	22

During the nine-month period ended 30 September 2015 the Group operated under limited sectorial sanctions imposed by several countries on the Group. The Group considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Group's financial position and its financial performance.

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. Basis of Preparation

These interim condensed consolidated financial statements ("financial statements") have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. As a result, they do not include all of the information required by International Financial Reporting Standards (IFRS) for a complete set of financial statements. Operating results for the nine-month period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015. The Bank and its subsidiaries and associates maintain their accounting records in accordance with regulations applicable in their country of registration. These interim condensed consolidated financial statements are based on those accounting books and records, as adjusted and reclassified to comply with International Accounting Standard 34 *Interim Financial Reporting.*

These interim condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, revaluation of premises and investment property, available-for-sale financial assets, and financial instruments categorized as at fair value through profit or loss.

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 consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

During the nine-month period ended 30 September 2015, the Group modified certain aspects of the loan loss provision estimation process in respect of allowances for loans granted to legal entities and individuals which resulted in the cumulative positive effect on the provision for loan losses of RUR 2.6 billion in the consolidated income statement. The changes in methodology relate to the more detailed clients and product segmentation and to improvements in migration models.

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 presents. 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 liability are settled based on the income tax rates officially enacted by the end of the reporting period.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as of 31 December 2014.

Starting from January 2015 the Group classified the amounts due from a foreign subsidiary and a subordinated loan issued to it as part of the Group's net investment in that foreign operation as the settlement for them is neither planned nor likely to occur in the foreseeable future. The gains and losses arising from the foreign exchange differences of these assets were classified as a part of the Group's currency translation difference.

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 2015, the principal closing rate of exchange used for translating balances in USD to Russian roubles was USD 1 to RUR 66.2367 (at 31 December 2014: USD 1 to RUR 56.2584), and the principal closing rate of exchange used for translating balances in euro was EUR 1 to RUR 74.5825 (at 31 December 2014: EUR 1 to RUR 68.3427).

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 2014, except for the adoption of new standards and interpretations as of 1 January 2015 noted below:

Amendments to IAS 19 – Defined Benefit Plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment clarifies how contributions from employees that are linked to service should be attributed to periods of service. It also permits entities to recognize employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, if the amount of the contributions is independent of the number of years of service. The amended standard did not have a material impact on the Group.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards.

IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'. The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

(in billions of Russian roubles)

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

IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

These amendments did not have a material impact on the Group.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

These amendments had no impact on the Group's financial position.

5. Correction of Prior Period Balances and Reclassifications

Derivative reclassification

Starting from 31 March 2015, the Group presented derivative financial assets and liabilities as separate lines in the consolidated statement of financial position. The reclassification and its impact on comparative period information as at 31 December 2014 in the consolidated statement of financial position are as follows:

	As previously reported	*Reclassification*	*As reclassified*
Financial assets at fair value through profit or loss	681.7	(681.7)	–
Non-derivative financial assets at fair value through profit or loss	–	275.0	275.0
Derivative financial assets	–	407.0	407.0
Other assets	285.1	(0.3)	284.8
Derivative financial liabilities	–	397.8	397.8
Other liabilities	710.1	(397.8)	312.3

(in billions of Russian roubles)

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

Other operating expense

As at 30 September 2015, the Group decided to present certain expenses directly related to non-interest gains in the interim consolidated income statement consistently with the presentation of the other operating income having separated them from the staff and administrative expenses. Accordingly the presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the interim condensed consolidated income statement is as follows:

	As previously reported		*Reclassification*		*As reclassified*	
	For the three-months ended	*For the nine-months ended*	*For the three-months ended*	*For the nine-months ended*	*For the three-months ended*	*For the nine-months ended*
(unaudited)	*30 September 2014*		*30 September 2014*		*30 September 2014*	
Other operating expense	–	–	(0.9)	(2.6)	(0.9)	(2.6)
Revenue from other non-banking activities	14.1	27.4	(6.4)	(10.7)	7.7	16.7
Net (loss)/gain from change in fair value of investment property recognised on revaluation	–	–	6.4	10.7	6.4	10.7
Staff costs and administrative expenses	(54.9)	(163.9)	0.9	2.6	(54.0)	(161.3)

The effect of reclassification of the comparative information in the Interim Consolidated Statement of Cash Flows for the nine months ended 30 September 2014 was as follows:

(unaudited)	*As previously reported*	*Reclassification*	*As reclassified*
Cash flows from operating activities			
Other operating expenses paid	–	(2.4)	(2.4)
Staff costs, administrative expenses paid	(148.6)	2.4	(146.2)

The effect of reclassification of the comparative information in Staff Costs and Administrative Expenses note (Note 26) for the three months and nine months ended 30 September 2014 was as follows:

	As previously reported		*Reclassification*		*As reclassified*	
	For the three-months ended	*For the nine-months ended*	*For the three-months ended*	*For the nine-months ended*	*For the three-months ended*	*For the nine-months ended*
(unaudited)	*30 September 2014*		*30 September 2014*		*30 September 2014*	
Other	1.5	4.4	(0.9)	(2.6)	0.6	1.8

Deposits of the State Pension Fund of the Russian Federation

As at 31 December 2014, the Group determined that certain deposits placed with VTB by the State Corporation “Bank for Development and Foreign Affairs (Vnesheconombank)” (VEB), previously classified as Due to other banks, should have been classified as Customer deposits. VEB acts as an asset manager of the State Pension Fund of the Russian Federation and, in its asset manager capacity, placed the deposits of the State Pension Fund of the Russian Federation with VTB.

The effect of reclassification of the comparative information in the Interim Consolidated Statement of Cash Flows for the nine months ended 30 September 2014 was as follows:

(unaudited)	*As previously reported*	*Reclassification*	*As restated*
Cash flows from operating activities			
Net (decrease) increase in operating liabilities			
Net decrease in due to other banks	(85.6)	(64.3)	(149.9)
Net increase in customer deposits	880.9	64.3	945.2

(in billions of Russian roubles)

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

Deposits of the State Pension Fund of the Russian Federation (continued)

The effect of reclassification of the comparative information in Interest Income and Expenses note (Note 21) for the three months and nine months ended 30 September 2014 was as follows:

	As previously reported		*Reclassification*		*As restated*	
	For the three-months ended	*For the nine-months ended*	*For the three-months ended*	*For the nine-months ended*	*For the three-months ended*	*For the nine-months ended*
(unaudited)	*30 September 2014*		*30 September 2014*		*30 September 2014*	
Interest expense						
Customer deposits	(65.0)	(179.2)	(2.3)	(5.0)	(67.3)	(184.2)
Due to other banks and other borrowed funds	(42.9)	(104.1)	2.3	5.0	(40.6)	(99.1)

The effect of reclassification of interest expense on the related party transactions disclosure (Note 35) for nine months ended 30 September 2014 was as follows:

	As previously reported	*Reclassification*	*As restated*
Interest expense			
Due to other banks and other borrowed funds	(91.2)	5.0	(86.2)
Customer deposits	(68.5)	(5.0)	(73.5)

Financial assets held for trading reclassification

As at 31 December 2014, the Group determined that certain securities, previously included in financial assets held for trading category, should have been classified as financial assets available-for-sale category. These securities were purchased in 2013 for the subsequent pledge against funds on sale and repurchase agreements (substantially from local central banks) and represented by Russian Federal loan bonds (OFZ), Russian municipal bonds and by bonds of Russian companies and banks.

The effect of reclassification of the comparative information in the Interim Consolidated Statement of Cash Flows for the nine months ended 30 September 2014 was as follows:

(unaudited)	*As previously reported*	*Reclassification*	*As restated*
Cash flows from operating activities			
Net decrease in financial assets at fair value through profit or loss	152.2	5.6	157.8
Net cash from operating activities	**60.4**	**5.6**	**66.0**
Cash flows from investing activities			
Purchase of investments financial assets available-for-sale	(224.2)	(5.6)	(229.8)
Net cash used in investing activities	**(128.6)**	**(5.6)**	**(134.2)**

The effect of reclassification of the comparative information in Interest Income and Expenses note (Note 21) for the three months and nine months ended 30 September 2014 was as follows:

	As previously reported		*Reclassification*		*As restated*	
	For the three-months ended	*For the nine-months ended*	*For the three-months ended*	*For the nine-months ended*	*For the three-months ended*	*For the nine-months ended*
(unaudited)	*30 September 2014*		*30 September 2014*		*30 September 2014*	
Interest income						
Financial assets at fair value through profit or loss	6.8	23.7	(0.4)	(1.0)	6.4	22.7
Other financial assets, including securities	1.6	4.3	0.4	1.0	2.0	5.3

(in billions of Russian roubles)

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

Agents' fee received for insurance products distribution

Starting from 30 September 2015 the Group presented agents' fee received for insurance products distribution as a separate type of commission income. Till 30 June 2014, the Group presented agents' fee received for insurance products distribution in interest income from loans and advances to customers. As at 30 September 2015 the Group determined that these agents' fee received for insurance products distribution did not represent a part of the effective interest rate and reclassified the presented agents' fee received for insurance products distribution to fee and commission income. Accordingly the presentation of the comparative figures has been adjusted to be consistent with the new presentation. The effect of changes on the interim condensed consolidated income statement is as follows:

	As previously reported	*Reclassification*	*As restated*
	For the three-months ended	*For the three-months ended*	*For the three-months ended*
(unaudited)	*30 September 2014*	*30 September 2014*	*30 September 2014*
Interest income	217.2	1.2	218.4
Net interest income	91.0	1.2	92.2
Net interest income after provision for impairment	26.0	1.2	27.2
Net fee and commission income	16.0	(1.2)	14.8

The effect of reclassification of the comparative information in Interest Income and Expense (Note 21) and Fee and Commission Income and Expense (Note 22) for the three months ended 30 September 2014 was as follows:

	As previously reported	*Reclassification*	*As restated*
	For the three-months ended	*For the three-months ended*	*For the three-months ended*
(unaudited)	*30 September 2014*	*30 September 2014*	*30 September 2014*
Interest Income and Expense			
Loans and advances to customers	205.8	1.2	207.0
Fee and Commission Income and Expense			
Agents' fee received for insurance products distribution	–	1.1	1.1
Other	2.7	(2.3)	0.4

(in billions of Russian roubles)

6. Cash and Short-Term Funds

	30 September 2015 (unaudited)	*31 December 2014*
Cash on hand	127.6	254.8
Cash balances (other than mandatory) with central banks	306.8	189.2
Correspondent accounts with other banks:		
- Russia	79.9	75.6
- OECD	67.7	133.6
- Other countries	10.4	42.0
Total cash and short-term funds	592.4	695.2
Less: Correspondent accounts in precious metals	(9.6)	(5.4)
Less: Restricted cash	(2.5)	(2.1)
Total cash and cash equivalents	**580.3**	**687.7**

7. Non-derivative Financial Assets at Fair Value through Profit or Loss

	30 September 2015 (unaudited)	*31 December 2014*
Financial assets held for trading	227.0	235.9
Financial assets designated as at fair value through profit or loss	38.3	39.1
Total non-derivative financial assets at fair value through profit or loss	**265.3**	**275.0**

Financial assets held for trading

	30 September 2015 (unaudited)	*31 December 2014*
Debt securities		
- Bonds and Eurobonds of Russian companies and banks	105.0	111.9
- Bonds and Eurobonds of foreign companies and banks	38.9	43.9
- Bonds and Eurobonds of foreign governments	32.7	32.8
- Bonds and Eurobonds of the Russian Federation	19.3	2.3
- Russian municipal bonds	12.3	14.4
- Promissory notes of Russian companies and banks	–	1.3
Total debt securities	*208.2*	*206.6*
Trading credit products	*13.4*	*22.2*
Equity securities	*5.4*	*7.1*
Total financial assets held for trading	**227.0**	**235.9**

At 30 September 2015, bonds and eurobonds of Russian companies and banks are represented mostly by debt securities issued by banks, finance, oil and railway transportation companies; equity securities are represented mostly by securities issued by foreign insurance and oil companies.

(in billions of Russian roubles)

7. Non-derivative Financial Assets at Fair Value through Profit or Loss (continued)

Reclassifications

During nine-month period ended 30 September 2015, the Group reclassified certain financial assets that met the definition of loans and receivables out of financial assets at fair value through profit or loss category to loans and receivables. The Group considered holding these investments for the foreseeable future or till maturity, due to lower market liquidity and reduced price transparency as well as positive outlook for the issuers' credit risk. The effective interest rate on the reclassified financial assets as determined on the reclassification date ranged from 5.12% to 18.13%. As at the reclassification date the Group expected to recover the estimated cash flows of RUR 92.5 billion. In May 2015 the Group exercised an investor put option and sold back the bonds of a Russian company for the nominal value of RUR 17.0 billion. Estimated undiscounted cash flows at the date of reclassification, excluding the redeemed financial assets above, amounted to RUR 66.0 billion.

Information about financial assets reclassified during 2015 is presented in the table below:

	30 September 2015 (unaudited)	
	Loans and receivables	***Due from other banks***
Fair value as at the date of reclassification	9.2	35.1
Carrying amount as at 30 September	11.1	35.6
Fair value as at 30 September	11.1	36.1
Fair value gain/(loss) recognized up to the date of reclassification	–	(0.6)
Fair value gain that would have been recognized on the reclassified assets for the nine-months period ended 30 September 2015 if the reclassification had not been made	–	1.3
Gain/(loss) and income/(expense) recognized after reclassification in profit or loss for the nine-months period ended 30 September 2015	2.3	2.4

Financial assets designated as at fair value through profit or loss

	30 September 2015 (unaudited)	***31 December 2014***
Equity securities	*15.5*	*17.3*
Reverse sale and repurchase agreements to maturity	*22.5*	*19.2*
Debt securities		
- Bonds and Eurobonds of foreign companies and banks	0.3	2.6
Total debt securities	*0.3*	*2.6*
Total financial assets designated as at fair value through profit or loss	**38.3**	**39.1**

As at 30 September 2015 equity securities are represented mostly by securities issued by Russian retail, finance and mass-media companies.

Included in financial assets designated as at fair value through profit or loss is a 30% ownership interest in an entity which, in turn, holds a blocking share in a publicly traded media company operating primarily in Russia held by the Group at 30 September 2015 (31 December 2014: nil). The Group determined it does not have significant influence over this entity as defined in IAS 28 *Investments in Associates and Joint Ventures*, because the Group does not have currently and cannot unilaterally secure representation on the board of directors of the entity or in its investee company, and does not have significant influence over the earnings distribution and other key decisions of the investee company. Accordingly, the Group classified its ownership interest as a financial asset designated as at fair value through profit or loss similar to other financial assets managed and evaluated on a fair value basis.

(in billions of Russian roubles)

8. Derivative Financial Instruments

Foreign exchange and other financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions.

The table below includes derivative contracts outstanding at 30 September 2015 and 31 December 2014:

	30 September 2015 (unaudited)		*31 December 2014*	
	Positive fair value	***Negative fair value***	***Positive fair value***	***Negative fair value***
Derivative financial assets and liabilities at fair value through profit or loss held for trading				
Foreign exchange and precious metals contracts				
forwards	5.2	(4.7)	37.6	(14.9)
futures	1.2	(5.2)	3.3	(3.8)
swaps	17.4	(10.1)	35.8	(67.1)
options	13.7	(16.2)	46.7	(50.0)
Contracts with securities				
forward sale of equity securities	15.6	–	13.2	–
forward sale of debt securities	–	(0.1)	0.1	(1.7)
options	8.3	(8.3)	6.6	(5.6)
swaps	1.0	–	–	–
Interest Rate contracts				
single currency interest rate swaps	30.2	(26.0)	28.6	(26.3)
cross currency interest rate swaps	195.8	(198.7)	197.7	(209.8)
swaptions	–	–	–	(0.1)
cap/floor	–	(0.7)	0.4	(1.7)
forward rate agreement	–	–	0.1	–
interest rate futures	0.1	–	–	–
Contracts with other basic variables				
CDS protection sold	2.7	(2.4)	4.0	(2.2)
CDS protection purchased	0.3	(1.2)	1.6	(1.2)
futures on indexes	–	(0.5)	0.2	(0.4)
options on indexes	6.5	(4.6)	7.5	(5.2)
commodity swaps	–	(0.1)	–	(0.4)
commodity futures	1.2	(1.0)	2.6	(2.4)
commodity options	3.5	(0.9)	7.0	(1.4)
forward sale of commodities	–	–	0.3	–
Embedded derivatives on structured instruments				
embedded derivatives on foreign exchange instruments	10.3	(3.5)	12.4	(1.9)
embedded derivatives on credit risk	0.3	–	0.8	–
embedded derivatives on interest rate instruments	–	–	0.2	–
embedded derivatives on indexes	–	(0.1)	–	(0.5)
embedded derivatives on securities instruments	–	–	–	(0.3)
Total derivative financial assets and liabilities at fair value through profit or loss held for trading	**313.3**	**(284.3)**	**406.7**	**(396.9)**
Derivative financial assets and liabilities designated as hedging instruments				
Derivatives held as cash flow hedges				
interest rate swaps	0.1	(0.2)	–	(0.9)
foreign exchange swaps	–	–	0.3	–
Total derivative financial assets and liabilities designated as hedging instruments	**0.1**	**(0.2)**	**0.3**	**(0.9)**
Total derivative financial assets and liabilities	**313.4**	**(284.5)**	**407.0**	**(397.8)**

(in billions of Russian roubles)

9. Financial Assets, Other than Loans and Advances to Customers and Due from Other Banks, Pledged under Repurchase Agreements

	30 September 2015 (unaudited)	*31 December 2014*
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt securities		
- Bonds and Eurobonds of Russian companies and banks	11.8	81.2
- Bonds and Eurobonds of foreign companies and banks	0.5	0.8
- Bonds and Eurobonds of foreign governments	0.1	0.2
- Bonds and Eurobonds of the Russian Federation	0.1	5.7
- Russian municipal bonds	–	0.2
Total debt securities	*12.5*	*88.1*
Equity securities	*1.7*	*12.3*
Total financial assets at fair value through profit or loss	**14.2**	**100.4**
Investment financial assets available-for-sale		
Debt securities		
- Bonds and Eurobonds of Russian companies and banks	14.2	35.7
- Bonds and Eurobonds of foreign governments	2.6	17.5
- Bonds and Eurobonds of foreign companies and banks	0.3	0.2
- Bonds and Eurobonds of the Russian Federation	–	25.0
- Russian municipal bonds	–	1.9
Total debt securities	*17.1*	*80.3*
Total investments financial assets available-for-sale	**17.1**	**80.3**
Investment financial assets held-to-maturity		
- Bonds and Eurobonds of Russian companies and banks	–	3.3
Total investment financial assets held-to-maturity	**–**	**3.3**
Total financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements	**31.3**	**184.0**

As at 30 September 2015, bonds and eurobonds of Russian companies and banks included in financial assets pledged under repurchase agreements are mostly represented by debt securities issued by banks, manufacturing and oil companies.

(in billions of Russian roubles)

10. Due from Other Banks, Including Pledged under Repurchase Agreements

	30 September 2015 (unaudited)	*31 December 2014*
Due from other banks		
Russia	388.8	173.6
OECD	217.1	198.0
Other countries	574.9	372.9
Total gross due from other banks	**1,180.8**	**744.5**
Less: Allowance for impairment	(4.2)	(4.2)
Total net due from other banks	**1,176.6**	**740.3**
Due from other banks pledged under repurchase agreements		
Russia	36.9	71.7
OECD	–	2.5
Total gross due from other banks, pledged under repurchase agreements	**36.9**	**74.2**
Total due from other banks, including pledged under repurchase agreements	**1,213.5**	**814.5**

The movements in allowances for impairment of due from other banks, including pledged under repurchase agreements, by classes were as follows:

	Russia	*OECD*	*Other countries*	*Total*
Balance at 1 January 2014	**1.4**	**0.1**	**1.3**	**2.8**
Provision for impairment / (reversal of provision) during the period	0.2	(0.1)	0.4	**0.5**
Effect of translation	–	0.1	0.2	**0.3**
30 September 2014 (unaudited)	**1.6**	**0.1**	**1.9**	**3.6**
Balance at 1 January 2015	**1.5**	**0.1**	**2.6**	**4.2**
Reversal of provision for impairment during the period	–	–	(0.7)	**(0.7)**
Effect of translation	–	–	0.7	**0.7**
30 September 2015 (unaudited)	**1.5**	**0.1**	**2.6**	**4.2**

(in billions of Russian roubles)

11. Loans and Advances to Customers, Including Pledged under Repurchase Agreements

	30 September 2015 (unaudited)	*31 December 2014*
Loans to legal entities		
Current activity financing	4,930.5	4,449.0
Project finance and other	1,753.1	1,704.7
Reverse sale and repurchase agreements	347.2	284.5
Finance leases	298.5	304.0
Total gross loans to legal entities	**7,329.3**	**6,742.2**
Less: Allowance for loans to legal entities impairment	(472.2)	(456.5)
Net loans to legal entities	**6,857.1**	**6,285.7**
Loans to individuals		
Consumer loans and other	850.8	903.5
Mortgages	832.9	795.3
Credit cards	127.0	113.8
Car loans	106.6	129.7
Reverse sale and repurchase agreements	4.8	2.8
Total gross loans to individuals	**1,922.1**	**1,945.1**
Less: Allowance for loans to individuals impairment	(201.8)	(156.1)
Net loans to individuals	**1,720.3**	**1,789.0**
Loans and advances to customers pledged under repurchase agreements		
Current activity financing	265.1	439.3
Project finance and other	–	23.8
Total gross loans and advances to customers pledged under repurchase agreements	**265.1**	**463.1**
Less: Allowance for loans pledged under repurchase agreements impairment	(0.3)	(0.5)
Net loans and advances pledged under repurchase agreements	**264.8**	**462.6**
Total loans and advances to customers, including pledged under repurchase agreements	**8,842.2**	**8,537.3**

Finance leases represent loans to leasing companies and net investment in leases. As at 30 September 2015, included in gross loans are finance lease receivables of RUR 210.0 billion (31 December 2014: RUR 201.2 billion), equal to the net investment in lease before allowance for impairment.

(in billions of Russian roubles)

11. Loans and Advances to Customers, Including Pledged under Repurchase Agreements (continued)

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

	30 September 2015 (unaudited)		31 December 2014	
	Amount	%	Amount	%
Individuals	1,922.1	20.2	1,945.1	21.3
Building construction	1,147.0	12.1	1,041.6	11.4
Manufacturing	904.8	9.5	922.3	10.1
Oil and gas	854.0	9.0	781.4	8.5
Government bodies	818.9	8.6	620.1	6.8
Metals	807.0	8.5	782.1	8.5
Chemical	607.0	6.4	520.4	5.7
Trade and commerce	516.9	5.4	603.6	6.6
Finance	439.3	4.6	486.2	5.3
Transport	418.1	4.4	415.1	4.5
Energy	392.5	4.1	414.2	4.5
Telecommunications and media	211.5	2.2	157.0	1.7
Coal mining	182.1	1.9	149.2	1.6
Food and agriculture	151.6	1.6	141.8	1.5
Aircraft	16.5	0.2	24.8	0.3
Other	127.2	1.3	145.5	1.7
Total gross loans and advances to customers, including pledged under repurchase agreements	**9,516.5**	**100.0**	**9,150.4**	**100.0**

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 2015, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprises RUR 2,017.8 billion, or 21.2% of the gross loan portfolio, including loans pledged under repurchase agreements (31 December 2014: RUR 1,775.2 billion, or 19.4%).

As at 30 September 2015, the gross amount of non-performing loans which the Group defines as impaired loans with repayments overdue by over 90 days was RUR 644.1 billion, or 6.8% of the gross loan portfolio, including loans pledged under repurchase agreements (31 December 2014: RUR 533.9 billion or 5.8%).

The movements in allowances for impairment of loans and advances to legal entities, including pledged under repurchase agreements, by class were as follows:

	Finance leases	Current activity financing	Reverse sale and repurchase agreements with legal entities	Project finance and other	Loans and advances under repurchase agreements	Total
Balance at 1 January 2014	**14.6**	**163.5**	**0.1**	**100.0**	**–**	**278.2**
Provision / (reversal of provision) for impairment during the period	1.7	64.6	(0.1)	28.6	0.3	**95.1**
Write-offs	(0.1)	(20.0)	–	(5.6)	–	**(25.7)**
Recoveries of amounts written-off in previous period	–	–	–	0.1	–	**0.1**
Effect of translation	1.4	10.8	–	3.7	–	**15.9**
Reclassification from assets of disposal group held for sale (IFRS 5)	–	4.0	–	(0.9)	–	**3.1**
Disposal of subsidiaries	–	(0.4)	–	–	–	**(0.4)**
30 September 2014 (unaudited)	**17.6**	**222.5**	**–**	**125.9**	**0.3**	**366.3**
Balance at 1 January 2015	**21.3**	**286.6**	**–**	**148.6**	**0.5**	**457.0**
Provision / (reversal of provision) for impairment during the period	14.6	52.1	–	4.6	(0.2)	**71.1**
Write-offs	(1.2)	(59.7)	–	(23.4)	–	**(84.3)**
Recoveries of amounts written-off in previous period	0.5	1.0	–	0.3	–	**1.8**
Effect of translation	2.8	11.3	–	10.3	–	**24.4**
Reclassifications of provision for credit commitments (Note 32)	–	2.5	–	–	–	**2.5**
30 September 2015 (unaudited)	**38.0**	**293.8**	**–**	**140.4**	**0.3**	**472.5**

(in billions of Russian roubles)

11. Loans and Advances to Customers, Including Pledged under Repurchase Agreements (continued)

Allowance for finance leases represents allowances for loans to leasing companies and net investment in leases.

The movements in allowances for impairment of loans and advances to individuals by class were as follows:

	Mortgages	*Credit cards*	*Car loans*	*Consumer loans and other*	*Total*
Balance at 1 January 2014	**7.1**	**8.3**	**5.6**	**61.9**	**82.9**
Provision for impairment during the period	1.8	6.5	2.6	51.4	**62.3**
Write-offs	(0.8)	(0.3)	(0.2)	(5.2)	**(6.5)**
Recoveries of amounts written-off in previous period	–	0.2	–	0.2	**0.4**
Reclassification from assets of disposal groups held for sale (IFRS 5)	–	–	–	0.8	**0.8**
Effect of translation	0.8	–	0.2	(0.1)	**0.9**
30 September 2014 (unaudited)	**8.9**	**14.7**	**8.2**	**109.0**	**140.8**
Balance at 1 January 2015	**15.6**	**15.5**	**8.7**	**116.3**	**156.1**
Provision for impairment during the period	1.1	7.8	2.2	47.2	**58.3**
Write-offs	(2.1)	(1.4)	(0.6)	(11.4)	**(15.5)**
Recoveries of amounts written-off in previous period	0.1	0.1	–	0.8	**1.0**
Effect of translation	2.1	–	–	(0.2)	**1.9**
30 September 2015 (unaudited)	**16.8**	**22.0**	**10.3**	**152.7**	**201.8**

12. Investment Financial Assets

	30 September 2015 (unaudited)	*31 December 2014*
Investment financial assets available-for-sale		
Debt securities		
- Bonds and Eurobonds of foreign governments	85.7	61.4
- Bonds and Eurobonds of the Russian Federation	40.9	13.6
- Bonds and Eurobonds of Russian companies and banks	31.8	5.6
- Bonds and Eurobonds of foreign companies and banks	16.1	10.3
- Russian municipal bonds	2.4	0.5
- Promissory notes of Russian Companies and banks	0.2	1.1
Total debt securities	*177.1*	*92.5*
Equity securities	*29.2*	*38.5*
Total investment financial assets available-for-sale	**206.3**	**131.0**
Investment financial assets held-to-maturity		
- Bonds and Eurobonds of the Russian Federation	78.2	–
- Bonds and Eurobonds of Russian companies and banks	24.0	1.0
- Bonds and Eurobonds of foreign companies and banks	0.7	0.2
- Bonds and Eurobonds of foreign governments	0.4	–
Total gross investment financial assets held-to-maturity	**103.3**	**1.2**
Less: Allowance for impairment of investment financial assets held-to-maturity	(0.2)	–
Net investment financial assets held-to-maturity	**103.1**	**1.2**
Total investment financial assets	**309.4**	**132.2**

In connection with a business combination (Note 37), the Group remeasured its pre-existing ownership interest in the acquiree entity, held as an available-for-sale equity security, and recorded a gain of RUR 3.8 billion in gains less losses from investment financial assets available-for-sale.

(in billions of Russian roubles)

12. Investment Financial Assets (continued)

The Group recognized an impairment loss of RUR 1.7 billion on debt securities and RUR 0.9 billion on equity securities in gains less losses from investment financial assets available-for-sale for the nine months ended 30 September 2015 (for the nine months ended 30 September 2014 impairment loss for equity securities were RUR 0.1 billion).

As at 30 September 2015, bonds and Eurobonds of foreign governments are represented mostly by bonds issued by German and USA government and municipal bodies. As at 30 September 2015, bonds and eurobonds of Russian companies and banks are represented mostly by bonds issued by banks, oil and finance companies; equity securities are represented mostly by shares of Russian metal, finance and manufacturing companies.

13. Investments in Associates and Joint Ventures

	30 September 2015 (unaudited)	*31 December 2014*
Investments in associates and joint ventures designated as at fair value through profit or loss	62.4	60.7
Investments in associates and joint ventures accounted under equity method	41.3	35.6
Total investments in associates and joint ventures	**103.7**	**96.3**

14. 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, within one year from the initial classification as a disposal group.

		30 September 2015 (unaudited)	*31 December 2014*
Assets of disposal groups held for sale			
Mariisky NPZ, CJSC	99.3% owned subsidiary	12.3	10.0
Hotel complex Orehovo, JSC	100.0% owned subsidiary	1.7	–
Tower B of Skylight Business Centre	non-current asset held for sale	–	0.6
Other	100.0% owned subsidiary	0.7	0.5
Total assets of disposal groups held for sale		**14.7**	**11.1**
Liabilities of disposal groups held for sale			
Mariisky NPZ, CJSC	99.3% owned subsidiary	9.7	4.4
Hotel complex Orehovo, JSC	100.0% owned subsidiary	0.3	–
Other	100.0% owned subsidiary	0.3	0.3
Total liabilities of disposal groups held for sale		**10.3**	**4.7**

In February 2015, the Group disposed of non-current asset held for sale “Tower B of Skylight Business Centre” for RUR 0.9 billion and recognised RUR 0.2 billion gain on disposal in revenue from other non-banking activities.

(in billions of Russian roubles)

14. Disposal Groups Held for Sale (continued)

In April 2014, when acquiring "Hotel Company", OJSC the Group received controlling interest in Hotel complex Orehovo, JSC. In June 2015, the Management concluded that this subsidiary met the definition of the disposal group held for sale. As of 30 September 2015 the Group accounted for these investments as a disposal group held for sale under IFRS 5. In June 2015 the Group reassessed the fair value less costs to sell of this shareholding and recognised the respective loss in the amount of RUR 0.5 billion.

In August 2015, the Group sold VRB Moscow Bank, Ltd (reported in "Other" category) for RUR 0.5 billion.

As at 30 September 2015, the Group remains committed to the plans to sell Mariisky NPZ, CJSC and considers that sale is highly probable.

15. Due to Other Banks

	30 September 2015 (unaudited)	*31 December 2014*
Term loans and deposits	675.4	448.7
Correspondent accounts and overnight deposits of other banks	337.5	204.6
Sale and repurchase agreements with other banks	54.2	79.9
Total due to other banks	**1,067.1**	**733.2**

16. Customer Deposits

	30 September 2015 (unaudited)	*31 December 2014*
Government bodies		
Current/settlement deposits	118.0	157.1
Term deposits	968.9	565.2
Other legal entities		
Current/settlement deposits	1,010.9	712.0
Term deposits	2,452.6	2,085.6
Individuals		
Current/settlement deposits	392.7	390.4
Term deposits	2,200.8	1,758.7
Sale and repurchase agreements	0.2	0.4
Total customer deposits	**7,144.1**	**5,669.4**

As at 30 September 2015, the Group's 10 largest groups of interrelated customers had aggregated balances amounting to RUR 2,516.1 billion or 35.2% of total customer deposits (31 December 2014: RUR 1,748.5 billion or 30.8%).

As at 30 September 2015, deposits of RUR 9.3 billion (31 December 2014: RUR 23.5 billion) were held as collateral against irrevocable commitments under import letters of credit and guarantees.

17. Other Borrowed Funds

	30 September 2015 (unaudited)	*31 December 2014*
Funds from local central banks:	1,152.8	2,388.9
- sale and repurchase agreements	*341.1*	*771.9*
- term deposits from local central banks	*811.7*	*1,617.0*
Syndicated loans	148.7	131.5
Other borrowings	223.4	208.8
Total other borrowed funds	**1,524.9**	**2,729.2**

(in billions of Russian roubles)

17. Other Borrowed Funds (continued)

In September 2011, "Bank of Moscow", OJSC received a RUR 294.8 billion deposit from the related party DIA at 0.51% p.a. maturing in 10 years under the plan of support (the "Plan") of "Bank of Moscow", OJSC approved by the CBR and the DIA. During the fourth quarter 2014, the DIA agreed to the deposit extension due to adverse effects of the current political and macro-economic environment on "Bank of Moscow", OJSC and its clients, which in turn influenced the execution of the Plan. In December 2014, the CBR and the DIA approved the extension of the deposit until September 2026 at 0.51% p.a.

As at 30 September 2015, the carrying amount of deposit from DIA of RUR 71.8 billion was included in other borrowings (31 December 2014: RUR 67.7 billion). The deposit was secured by a pledge of loans to customers with carrying amount of RUR 120.2 billion (31 December 2014: RUR 134.0 billion).

As at 30 September 2015, sale and repurchase agreements with local central banks are secured by financial assets pledged under repurchase agreements, securities issued by Group members and securities received under reverse repurchase agreements. As at 30 September 2015, funds from local central banks contain the amount of RUR 795.0 billion (31 December 2014: RUR 701.4 billion) secured by pledged loans to customers in the amount of RUR 1,108.3 billion (31 December 2014: RUR 1,086.3 billion).

18. Debt Securities Issued

	30 September 2015 (unaudited)	*31 December 2014*
Bonds	537.6	780.7
Promissory notes	121.7	123.4
Deposit certificates	16.9	17.3
Total debt securities issued	**676.2**	**921.4**

Promissory notes represent notes primarily issued by VTB in the local market as an alternative to customer/bank deposits. As at 30 September 2015, promissory notes issued included both discount and interest bearing promissory notes denominated mainly in RUR with maturity ranging from demand to December 2044 (31 December 2014: from demand to December 2044).

The bonds represent Eurobonds issued mostly under EMTN programs, other Eurobonds and local bonds issued by VTB and other Group members with the carrying amounts at the end of the reporting periods as follows:

	Rates, p.a.	*Maturity*	*30 September 2015 (unaudited)*	*31 December 2014*
USD Eurobonds (EMTN)	6.00% to 6.88%	2017-2035	308.8	402.2
Local bonds	3.00% to 27.00%	2015-2046	102.6	164.5
Other Eurobonds	2.26% to 11.60%	2015-2017	59.9	134.8
CHF Eurobonds (EMTN)	2.90% to 5.00%	2015-2018	66.3	68.3
ECP	n/a	n/a	–	10.9
Total bonds			**537.6**	**780.7**

In January and March 2015, VTB redeemed local bonds in the total amount of RUR 20.0 billion upon maturity.

In February 2015, VTB Capital, Plc redeemed eurobonds in the total amount of TRY 0.3 billion (RUR 8.6 billion) upon maturity.

In March 2015, VTB redeemed bonds under EMTN program in the total amount of USD 1.25 billion (RUR 78.0 billion) upon maturity.

In March 2015, Bank of Moscow, OJSC redeemed Eurobonds in the total amount of USD 0.75 billion (RUR 45.5 billion) upon maturity.

In April 2015, VTB Capital, Plc redeemed a TRY denominated note in the total amount of TRY 0.3 billion (RUR 5.5 billion) upon maturity.

In April 2015, VTB bought back its Series BO-43 local bond in the total amount of RUR 6.4 billion under investor put option.

(in billions of Russian roubles)

18. Debt Securities Issued (continued)

In April 2015, VTB redeemed Euro-Commercial Paper (ECP) notes in the total amount of USD 0.2 billion (RUR 9.1 billion) upon maturity.

In June 2015, VTB redeemed bonds Series 6 (EMTN program) in the total amount of USD 0.7 billion (RUR 36.1 billion) under investor put option.

In July 2015, VTB partially bought back under a Dutch auction USD Eurobonds (EMTN) of a notional amount of USD 337.2 million (RUR 20.2 billion) maturing in April 2017 – May 2018 and at the fixed price USD Eurobonds (EMTN) of a notional amount of USD 6.5 million (RUR 0.4 billion) maturing in June 2035, CHF Eurobonds (EMTN) of a notional amount of CHF 215.0 million (RUR 13.3 billion) maturing in December 2016 and May 2018 and AUD Eurobonds of a notional amount of AUD 79.2 million (RUR 3.5 billion) maturing in December 2017.

In July 2015, VTB redeemed bonds under EMTN program in the total amount of SGD 0.4 billion (RUR 16.7 billion) upon maturity.

In September 2015, VTB redeemed local bonds in the total amount of RUR 38.0 billion upon maturity.

19. Share Capital

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

	30 September 2015 (unaudited)		*31 December 2014*	
	Number of shares	***Nominal amount***	***Number of shares***	***Nominal amount***
Ordinary shares	12,960,541,337,338	138.1	12,960,541,337,338	138.1
Preference shares	21,403,797,025,000	214.0	21,403,797,025,000	214.0
Type A preference shares	3,073,905,000,000	307.4	–	–

In July 2015, VTB completed a private placement of 3,073,905 million type A non-cumulative preference shares with nominal value of RUR 0.1 per share. The State Corporation "Deposit Insurance Agency" ("DIA") acquired all of these preference shares at their nominal value for RUR 307.4 billion. As a payment for the preference shares, the DIA provided VTB Bank with state bonds (OFZ) which were previously issued to the DIA by the Government of the Russian Federation based on the Federal Law of the Russian Federation No. 448-FZ approved on 26 December 2014 and related regulations. The newly issued preference shares are included in Tier I capital of VTB Bank. The terms of the preference shares do not include any fixed dividend. The Annual General Meeting of VTB shareholders will approve the size of the dividends on preference shares, if any. The preference shares are not included in determining a quorum at the Annual General Meeting of VTB shareholders and do not change the total number of votes attributable to VTB's common shareholders.

20. Other Reserves

Movements in other reserves were as follows:

	Unrealised gain/(loss) on financial assets available-for-sale and cash flow hedge	***Land and premises revaluation reserve***	***Currency translation difference***	***Total***
Balance at 1 January 2014	**3.0**	**20.1**	**12.5**	**35.6**
Total other comprehensive income/(loss) for the period	(7.4)	–	12.1	**4.7**
Transfer of premises revaluation reserve upon disposal or depreciation	–	(0.8)	–	**(0.8)**
Acquisition of non-controlling interests and other capital transactions	–	0.2	–	**0.2**
30 September 2014 (unaudited)	**(4.4)**	**19.5**	**24.6**	**39.7**
Balance at 1 January 2015	**(18.7)**	**17.2**	**44.3**	**42.8**
Total other comprehensive income for the period	4.8	–	1.9	**6.7**
Transfer of premises revaluation reserve upon disposal or depreciation	–	(0.9)	–	**(0.9)**
30 September 2015 (unaudited)	**(13.9)**	**16.3**	**46.2**	**48.6**

(in billions of Russian roubles)

21. Interest Income and Expense

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2015	***2014 (restated)***	***2015***	***2014 (restated)***
Interest income				
Financial assets at fair value through profit or loss	**3.8**	**6.4**	**15.3**	**22.7**
Loans and advances to customers	251.1	207.0	744.5	570.6
Due from other banks	14.4	3.0	39.3	6.9
Other financial assets, including securities	5.9	2.0	10.8	5.3
Financial assets not at fair value through profit or loss	**271.4**	**212.0**	**794.6**	**582.8**
Total interest income	**275.2**	**218.4**	**809.9**	**605.5**
Interest expense				
Customer deposits	(108.1)	(67.3)	(322.2)	(184.2)
Due to other banks and other borrowed funds	(61.2)	(40.6)	(227.8)	(99.1)
Debt securities issued	(11.4)	(12.6)	(39.1)	(37.1)
Subordinated debt	(6.1)	(5.7)	(18.3)	(16.9)
Total interest expense	**(186.8)**	**(126.2)**	**(607.4)**	**(337.3)**
Net interest income	**88.4**	**92.2**	**202.5**	**268.2**

22. Fee and Commission Income and Expense

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2015	***2014 (restated)***	***2015***	***2014 (restated)***
Commission on settlement transactions	14.3	12.5	39.1	36.6
Commission on guarantees issued and trade finance	4.1	3.3	11.6	9.2
Commission on operations with securities and capital markets	4.9	1.0	7.1	3.8
Agents' fee received for insurance products distribution	2.3	1.1	5.8	2.3
Commission on cash transactions	1.3	1.2	3.8	3.2
Other	1.1	0.4	2.8	2.8
Total fee and commission income	**28.0**	**19.5**	**70.2**	**57.9**
Commission on settlement transactions	(3.9)	(2.9)	(10.3)	(8.4)
Commission on cash transactions	(0.8)	(0.6)	(2.2)	(1.9)
Other	(1.9)	(1.2)	(3.7)	(2.8)
Total fee and commission expense	**(6.6)**	**(4.7)**	**(16.2)**	**(13.1)**
Net fee and commission income	**21.4**	**14.8**	**54.0**	**44.8**

(in billions of Russian roubles)

23. Gains Net of Losses Arising From Financial Instruments at Fair Value through Profit or Loss

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2015	*2014*	*2015*	*2014*
Gains net of losses / (losses net of gains) arising from trading financial instruments	10.4	1.1	28.6	(2.7)
(Losses net of gains) / gains net of losses arising from financial instruments designated as at fair value through profit or loss	0.7	(2.0)	(0.4)	(1.2)
Gains net of losses arising from associates and joint-ventures designated as at fair value through profit or loss	0.3	2.5	1.7	3.4
Gains/(losses) from puttable financial instruments arising from non-parent interests in consolidated funds	–	(0.3)	–	7.3
Total gains net of losses arising from financial instruments at fair value through profit or loss	**11.4**	**1.3**	**29.9**	**6.8**

24. Gains Net of Losses / (Losses Net of Gains) Arising from Foreign Currencies

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2015	*2014*	*2015*	*2014*
Gains net of losses arising from dealing in foreign currencies	37.6	15.7	24.7	18.4
Foreign exchange translation losses net of gains	(36.8)	(9.8)	(2.5)	(23.9)
Total gains net of losses / (losses net of gains) arising from foreign currencies	**0.8**	**5.9**	**22.2**	**(5.5)**

25. (Losses)/Gains on Initial Recognition of Financial Instruments, Restructuring and Other Gains on Loans and Advances to Customers

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2015	*2014*	*2015*	*2014*
Net (losses)/gains on initial recognition of financial instruments	(0.1)	(0.1)	(1.1)	0.1
Other gains on loans and advances to customers	–	–	–	1.5
Total (losses)/gains on initial recognition of financial instruments, restructuring and other gains on loans and advances to customers	**(0.1)**	**(0.1)**	**(1.1)**	**1.6**

(in billions of Russian roubles)

26. Staff Costs and Administrative Expenses

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2015	*2014 (reclassfied)*	*2015*	*2014 (reclassified)*
Staff costs	30.8	27.6	91.1	85.0
Defined contribution pension expense	2.7	2.7	9.9	9.2
Depreciation and other expenses related to premises and equipment	7.0	6.0	19.4	17.5
Leasing and rent expenses	3.1	3.1	9.3	8.5
Payments to deposit insurance system	2.5	1.8	6.5	5.2
Advertising expenses	2.0	1.7	5.4	5.3
Taxes other than on income	2.2	1.9	5.3	5.2
Impairment, amortization and other expenses related to intangibles, except for amortization of core deposit, customer loan and relationship with lessees intangible	1.9	1.5	5.2	4.1
Professional services	1.8	1.8	4.6	4.8
Amortization of core deposit, customer loan and relationship with lessees intangible	1.5	1.3	4.1	3.8
Post and telecommunication expenses	1.3	1.2	3.7	3.3
Security expenses	1.0	0.9	2.9	2.6
Charity	1.1	0.7	2.7	1.8
Transport expenses	0.3	1.1	0.8	2.8
Insurance costs	0.4	0.1	0.8	0.4
Other	0.3	0.6	1.2	1.8
Total staff costs and administrative expenses	**59.9**	**54.0**	**172.9**	**161.3**

27. Allowances for Impairment of Other Assets and Provisions for Legal Claims

The movements in allowances for impairment of other assets and provisions for legal claims were as follows:

	Other assets	*Legal claims*	*Total*
Balance at 1 January 2014	**3.3**	**2.8**	**6.1**
Provision / (reversal of provision) for impairment during the period	1.4	(1.8)	**(0.4)**
Write-offs	(1.2)	(0.3)	**(1.5)**
Recoveries of amounts written-off in previous periods	0.1	–	**0.1**
Effect of translation	0.2	(0.6)	**(0.4)**
Balance at 30 September 2014 (unaudited)	**3.8**	**0.1**	**3.9**
Balance at 1 January 2015	**3.6**	**–**	**3.6**
Provision for impairment during the period	1.7	–	**1.7**
Write-offs	(0.7)	–	**(0.7)**
Effect of translation	0.3	–	**0.3**
Balance at 30 September 2015 (unaudited)	**4.9**	**–**	**4.9**

(in billions of Russian roubles)

28. Income Tax

Income tax expense/(benefit) comprises as follows:

	For the three-month period ended 30 September (unaudited)		For the nine-month period ended 30 September (unaudited)	
	2015	2014	2015	2014
Current tax expense	2.9	4.2	10.0	18.0
Deferred tax expense/(benefit) due to the origination and reversal of temporary differences	1.4	0.6	(5.2)	(0.8)
Income tax expense for the period	**4.3**	**4.8**	**4.8**	**17.2**

The Group's effective income tax rate for the nine months ended 30 September 2015 was (106.7%) (the nine months ended 30 September 2014: 81.5%). The effective income tax rate for the first nine months of 2015 differs from the theoretical tax rate mainly due to unrecognised deferred tax assets of Ukrainian subsidiaries and 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 three and nine months ended 30 September 2015 and 2014:

	For the three-month period ended 30 September (unaudited)					
	2015			2014		
	Before tax	Tax expense	Net of tax	Before tax	Tax (expense)/ credit	Net of tax
Net result on financial assets available-for-sale	(1.0)	0.4	**(0.6)**	(7.0)	1.3	**(5.7)**
Cash flow hedges	0.2	–	**0.2**	0.4	(0.2)	**0.2**
Effect of translation	15.2	(3.2)	**12.0**	9.9	–	**9.9**
Share of other comprehensive income of associates and joint ventures	3.6	–	**3.6**	(0.1)	–	**(0.1)**
Other comprehensive income	**18.0**	**(2.8)**	**15.2**	**3.2**	**1.1**	**4.3**

	For the nine-month period ended 30 September (unaudited)					
	2015			2014		
	Before tax	Tax expense	Net of tax	Before tax	Tax (expense)/ credit	Net of tax
Net result on financial assets available-for-sale	5.6	(0.7)	**4.9**	(9.1)	1.4	**(7.7)**
Cash flow hedges	0.1	–	**0.1**	0.6	(0.2)	**0.4**
Effect of translation	2.1	(3.2)	**(1.1)**	13.6	–	**13.6**
Share in other comprehensive income of associates and joint ventures	3.0	–	**3.0**	(0.1)	–	**(0.1)**
Actuarial losses net of gains arising from difference between pension plan assets and obligations	0.2	–	**0.2**	(0.2)	–	**(0.2)**
Other comprehensive income	**11.0**	**(3.9)**	**7.1**	**4.8**	**1.2**	**6.0**

(in billions of Russian roubles)

29. 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)*	
	2015	***2014***	***2015***	***2014***
Weighted average number of ordinary shares in issue	12,922,098,245,157	12,911,988,047,663	12,866,179,836,185	12,909,437,841,217
Net (loss)/profit attributable to shareholders of the parent	7.6	1.8	(4.2)	6.1
Amounts due on perpetual loan participation notes, net of tax	0.8	(0.5)	(9.7)	(6.4)
Total net (loss)/profit attributable to shareholders of the parent	**8.4**	**1.3**	**(13.9)**	**(0.3)**
Basic and diluted earnings per share (expressed in Russian roubles per share)	**0.00065**	**0.00010**	**(0.00108)**	**(0.00002)**
(Loss)/profit after tax from subsidiaries acquired exclusively with a view to resale	0.1	(1.5)	(1.6)	1.5
Basic and diluted earnings per share based on (loss)/profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian roubles per share)	**0.00001**	**(0.00012)**	**(0.00012)**	**0.00012**
Total net (loss) attributable to shareholders of the parent less profit after tax from subsidiaries acquired exclusively with a view to resale	8.3	2.8	(12.3)	(1.8)
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)	**0.00064**	**0.00022**	**(0.00096)**	**(0.00014)**

30. Share-based Payments

Shares Plan. As at 30 September 2015, the total value of the awards granted under the Shares Plan was RUR 1.0 billion (31 December 2014: RUR 1.2 billion) represented by 18.4 billion shares of VTB (31 December 2014: 20.5 billion shares of VTB).

GDRs Plan. As at 30 September 2015, the total value of the awards granted under the GDRs Plan was RUR 1.7 billion (31 December 2014: RUR 1.8 billion) represented by 10.3 million of GDRs of VTB (31 December 2014: 9.0 million of GDRs). Each GDR contains 2,000 VTB shares.

For the three-month and nine-month periods ended 30 September 2015 the Group recognized in staff costs the amount of RUR 0.2 billion and RUR 0.6 billion, respectively, as expenses related to the above equity-settled share-based payment transactions (for the three-month and nine-month periods ended 30 September 2014: RUR 0.2 billion and RUR 0.7 billion, respectively).

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

In June 2015, Annual General Meeting of VTB shareholders declared dividends for ordinary shares in the total amount of RUR 15.2 billion for 2014 (RUR 0.00117 per ordinary share) and for preference shares in the total amount of RUR 2.8 billion (RUR 0.00013 per preference share). Dividends declared were paid in July-August 2015.

In June 2014, Annual General Meeting of VTB shareholders declared dividends of RUR 15.0 billion for 2013 (RUR 0.00116 per share) which were paid in July-August 2014.

In June 2015, VTB paid USD 106.9 million (RUR 5.9 billion) due under Perpetual Loan Participation Notes. The amounts due of USD 106.9 million (RUR 5.8 billion) 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 June 2014, VTB paid USD 106.9 million (RUR 3.7 billion) due under Perpetual Loan Participation Notes. The amounts due of USD 106.9 million (RUR 4.3 billion) 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 May 2014, the Annual General Meeting of VTB Africa S.A. shareholders approved dividends of RUR 0.1 billion (AOA 0.3 billion) for 2013 (RUR 26.9 or AOA 78.1 per share) including dividends payable to non-controlling shareholders in amount RUR 0.1 billion.

In May 2014, the Annual General Meeting of VTB Capital AD shareholders approved dividends of RUR 0.3 billion (BGN 44,180 per B-class share without voting right) including dividends payable to non-controlling shareholders in amount RUR 0.3 billion that were fully paid in June 2014.

In June 2014, the Annual General Meeting of “Bank of Moscow”, OJSC shareholders approved dividends of RUR 25.8 billion (RUR 95.68 per share) including dividends payable to non-controlling shareholders in amount RUR 0.9 billion that were fully paid in June-August 2014.

32. 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 is of the opinion that there would be no material outflow of resources and accordingly no material provision has been made as at 30 September 2015 and 31 December 2014.

On 30 September 2015 one of the Group’s subsidiaries was involved in a legal case related to its performance guarantee of RUR 5.7 billion issued to a third party. The Group considers that it has no liability under this performance guarantee and views the probability of a loss resulting from the legal case as possible and has created no provision.

In the second quarter of 2015 the Federal Service for State Registration, Cadastre and Cartography (“Rosreestr”), in compliance with the continued legal hearings, amended the “Unified State Register of Rights to Immovable Property and Transactions therewith”, which resulted in one of the Group’s subsidiaries losing its registration of the ownership rights for the two land plots of 177.8 hectares in the Moscow Region. The Management of the Group takes appropriate legal actions to restore the registration of the ownership rights. With an exception of 9.5 hectares area plot, in respect of which the Group recognised a RUR 0.3 billion loss, the Management has expected to restore the ownership rights for these land plots with a high degree of certainty. At 30 September 2015 these land plots of RUR 10.2 billion value were reclassified from investment property to other assets.

Tax contingencies. Major part of the Group’s business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management’s interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Trends within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged in the future. As such, significant additional taxes, penalties and late payment interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

(in billions of Russian roubles)

32. Contingencies and Commitments (continued)

The Russian transfer pricing legislation allows the Russian tax authorities to apply transfer pricing adjustments and impose additional profits tax and VAT liabilities in respect of all “controlled” transactions if the transaction price differs from the market level of prices unless the Group is able to demonstrate the use of market prices with respect to the “controlled” transactions supported by appropriate available transfer pricing documentation and proper reporting to the Russian tax authorities. During the nine months ended 30 September 2015, the Group determined its tax liabilities arising from “controlled” transactions using actual transaction prices. Management believes that the Group complies with the Russian transfer pricing legislation requirements in respect to “controlled” transactions, including a duly prepared notification submitted to the tax authorities and transfer pricing documentation confirming application of market prices by the Group with respect to its “controlled” transactions.

The Group also operates in various jurisdictions and includes companies incorporated outside of Russia that are taxed at different rates and under different legislation. Tax liabilities of the Group are determined on the basis that non-Russian companies of the Group do not have a permanent establishment in Russia and hence are not subject to Russian profits tax except for Russian tax withheld at source (i.e. dividend, interest, certain capital gains, etc.). Russian tax laws that were in effect before 1 January 2015 did not contain detailed rules on taxation of foreign companies. It is possible that with the evolution of these rules and changes in the approach of the Russian tax authorities and courts as to their interpretation and application, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged, in which case the foreign companies may be taxed according to the rules similar to the rules applicable to the Russian entities.

Effective 1 January 2015 Federal law No. 376-FZ, dated 24 November 2014, as amended by Federal law No. 150-FZ dated 8 June 2015 (widely known as “deoffshorization law” or “controlled foreign companies” law) introduced into the Russian tax legislation the concepts of “tax residency” for foreign legal entities, “beneficial ownership” and “controlled foreign companies” and rules for taxation of undistributed profit of controlled foreign companies in Russia. The adoption of this law generally leads to an increase in the administrative (including tax) burden for the Russian entities that have subsidiary structures incorporated outside Russia. There is significant uncertainty as to how the new rules introduced by Law No. 376-FZ will apply, their potential interpretation by the Russian tax authorities and the possible impact on the tax liabilities of the Group. Law No. 376-FZ had no material effect on the Group’s interim consolidated financial statements for the nine months ended 30 September 2015. The Group is in process of assessing the long-term impact of the Law No. 376-FZ and related regulations on its operations.

As at 30 September 2015, management believes that its interpretation of the relevant legislation is appropriate and that the Group’s tax, currency and customs positions will be sustained.

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 were as follows:

	30 September 2015 (unaudited)	***31 December 2014***
Guarantees issued	1,054.6	1,387.5
Letters of credit	118.9	60.2
Undrawn credit lines	24.2	22.5
Commitments to extend credit	4.4	4.2
Less: provision for credit related commitments	(24.7)	(21.3)
Total credit related commitments	**1,177.4**	**1,453.1**

The Bank has received export letters of credit with respect to its customers' trading activities. The total amount of received letters of credit as at 30 September 2015 is RUR 260.9 billion (31 December 2014: RUR 299.4 billion). Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 9.3 billion (31 December 2014: RUR 23.5 billion).

As at 30 September 2015, the 10 largest groups of interrelated customers accounted for RUR 370.5 billion or 35.1% of the guarantees issued (31 December 2014: RUR 476.2 billion or 34.3% of the guarantees issued).

(in billions of Russian roubles)

32. Contingencies and Commitments (continued)

The movements in provisions for credit related commitments were as follows:

	**Credit related commitments**
Balance at 1 January 2014	**0.8**
Provision for impairment during the period	8.9
Effect of translation	0.1
30 September 2014 (unaudited)	**9.8**
Balance at 1 January 2015	**21.3**
Provision for impairment during the period	6.3
Write-offs	(1.0)
Reclassification to loans and advances to customers (Note 11)	(2.5)
Effect of translation	0.6
30 September 2015 (unaudited)	**24.7**

Provisions for credit related commitments are recorded in other liabilities.

Purchase commitments. As at 30 September 2015, the Group had RUR 69.9 billion of outstanding commitments for the purchase of precious metals (31 December 2014: RUR 71.0 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.

33. Analysis by Segment

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

In accordance with IFRS 8, *Operating Segments*, the Group defined as the major operating segments the global business lines. 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; Mid-Corporate banking (MCB) – Investment banking, Loans and Deposits, Transaction banking subsegments; Retail business (RB) – Retail banking and Insurance subsegments; Treasury, Corporate Centre and Other business (OB) – Construction and development and Other subsegments.

During the second quarter of 2015, based on the Group Managing Committee's decision some clients have been reallocated between the global business lines.

Segment information for the nine months ended 30 September 2014 was restated following the correction of prior period balances and reclassifications (Note 5) to be presented on a comparable basis.

(in billions of Russian roubles)

33. Analysis by Segment (continued)

Segment information for the reportable segments of the Group at 30 September 2015 (unaudited) and results for the nine months ended 30 September 2015 (unaudited) is set out below:

	Corporate–Investment banking (CIB)					***Mid–Corporate banking (MCB)***					***Retail business (RB)***						***Other business (OB)***						
For the nine months ended 30 September 2015 (unaudited)	***Invest–ment banking***	***Loans and deposits***	***Transac–tion banking***	***Inter–CIB elimina–tions***	**Total CIB**	***Invest–ment banking***	***Loans and deposits***	***Transac–tion banking***	***Inter–MCB elimina–tions***	**Total MCB**	***Retail banking***	***Insurance***	***Inter–RB elimina–tions***	**Total RB**	**Treasury**	**Corporate centre**	***Construc–tion and develop–ment***	***Other***	***Inter–OB elimina–tions***	**Total OB**	**Total before inter–segment elimina–tions**	**Inter–segment elimina–tions**	**Total**
Revenues from:																							
External customers	*170.2*	*344.4*	*9.9*	*–*	524.5	*1.0*	*77.4*	*10.3*	–	88.7	*295.4*	*36.4*	*–*	331.8	58.1	0.2	*3.4*	*68.7*	*–*	72.1	**1,075.4**	–	**1,075.4**
Other segments	*105.1*	*40.4*	*27.3*	*(0.3)*	172.5	*0.1*	*30.3*	*10.6*	–	41.0	*58.2*	*3.6*	*(2.7)*	59.1	453.3	–	*2.5*	*7.0*	*(0.2)*	9.3	**735.2**	(735.2)	**–**
Total revenues	***275.3***	***384.8***	***37.2***	***(0.3)***	**697.0**	***1.1***	***107.7***	***20.9***	**–**	**129.7**	***353.6***	***40.0***	***(2.7)***	**390.9**	**511.4**	**0.2**	***5.9***	***75.7***	***(0.2)***	**81.4**	**1,810.6**	**(735.2)**	**1,075.4**
Segment income and expense																							
Interest income	*218.6*	*359.3*	*26.9*	*(0.2)*	604.6	*0.2*	*106.9*	*10.6*	–	117.7	*299.5*	*3.1*	*(1.0)*	301.6	504.4	–	*2.3*	*7.3*	*(0.2)*	9.4	**1,537.7**	(727.8)	**809.9**
Interest expense	*(180.4)*	*(300.5)*	*(8.2)*	*0.2*	(488.9)	*(0.2)*	*(90.0)*	*(1.1)*	–	(91.3)	*(186.9)*	*(0.1)*	*0.6*	(186.4)	(550.1)	–	*(11.4)*	*(5.7)*	*0.2*	(16.9)	**(1,333.6)**	726.2	**(607.4)**
Treasury result allocation	*(3.2)*	*(69.5)*	*–*	*–*	(72.7)	*–*	*(3.1)*	*(0.1)*	–	(3.2)	*3.2*	*–*	*–*	3.2	71.7	8.1	*–*	*(7.1)*	*–*	(7.1)	**–**	–	**–**
Net interest income	***35.0***	***(10.7)***	***18.7***	***–***	**43.0**	***–***	***13.8***	***9.4***	**–**	**23.2**	***115.8***	***3.0***	***(0.4)***	**118.4**	**26.0**	**8.1**	***(9.1)***	***(5.5)***	***–***	**(14.6)**	**204.1**	**(1.6)**	**202.5**
(Provision charge) / reversal of provision for impairment of debt financial assets	*(2.5)*	*(35.1)*	*–*	*–*	(37.6)	*–*	*(23.9)*	*–*	–	(23.9)	*(69.0)*	*–*	*(0.4)*	(69.4)	2.1	–	*–*	*(0.1)*	*–*	(0.1)	**(128.9)**	–	**(128.9)**
Net interest income after provision for impairment	***32.5***	***(45.8)***	***18.7***	***–***	**5.4**	***–***	***(10.1)***	***9.4***	**–**	**(0.7)**	***46.8***	***3.0***	***(0.8)***	**49.0**	**28.1**	**8.1**	***(9.1)***	***(5.6)***	***–***	**(14.7)**	**75.2**	**(1.6)**	**73.6**
Net fee and commission income/(expense)	*1.0*	*0.5*	*9.7*	*–*	11.2	*–*	*0.1*	*8.6*	–	8.7	*31.0*	*(0.2)*	*(1.0)*	29.8	3.6	–	*–*	*0.8*	*–*	0.8	**54.1**	(0.1)	**54.0**
Other gains less losses arising from financial instruments and foreign currencies	*45.8*	*12.6*	*–*	*–*	58.4	*0.8*	*0.1*	*–*	–	0.9	*5.2*	*1.4*	*–*	6.6	(28.2)	–	*0.8*	*10.4*	*–*	11.2	**48.9**	0.9	**49.8**
Share in income of associates and joint ventures	*2.8*	*0.6*	*–*	*–*	3.4	*–*	*–*	*–*	–	–	*–*	*–*	*–*	–	0.4	0.2	*–*	*–*	*–*	–	**4.0**	–	**4.0**
Profit from disposal of subsidiaries and associates	*–*	*–*	*–*	*–*	–	*–*	*–*	*–*	–	–	*–*	*–*	*–*	–	–	–	*–*	*0.7*	*–*	0.7	**0.7**	–	**0.7**
(Provision charge) / reversal of provision for impairment of other assets. contingencies and credit related commitments	*(1.2)*	*1.0*	*(5.6)*	*–*	(5.8)	*–*	*(0.3)*	*(0.9)*	–	(1.2)	*(0.3)*	*(0.5)*	*–*	(0.8)	(0.1)	–	*–*	*(0.1)*	*–*	(0.1)	**(8.0)**	–	**(8.0)**
Other operating income/(expense) items	*(0.1)*	*9.6*	*0.1*	*–*	9.6	*–*	*0.1*	*0.3*	–	0.4	*0.4*	*10.0*	*0.3*	10.7	(0.5)	–	*(13.6)*	*(7.0)*	*–*	(20.6)	**(0.4)**	(5.3)	**(5.7)**
Net operating income/ (expense)	***80.8***	***(21.5)***	***22.9***	***–***	**82.2**	***0.8***	***(10.1)***	***17.4***	**–**	**8.1**	***83.1***	***13.7***	***(1.5)***	**95.3**	**3.3**	**8.3**	***(21.9)***	***(0.8)***	***–***	**(22.7)**	**174.5**	**(6.1)**	**168.4**
Staff costs and administrative expenses	*(23.7)*	*(17.5)*	*(6.3)*	*–*	(47.5)	*(0.1)*	*(11.4)*	*(8.2)*	–	(19.7)	*(86.8)*	*(5.1)*	*0.1*	(91.8)	(3.3)	(12.3)	*(0.2)*	*(3.2)*	*–*	(3.4)	**(178.0)**	5.1	**(172.9)**
Segment results: (loss)/ profit before taxation	***57.1***	***(39.0)***	***16.6***	***–***	**34.7**	***0.7***	***(21.5)***	***9.2***	**–**	**(11.6)**	***(3.7)***	***8.6***	***(1.4)***	**3.5**	**–**	**(4.0)**	***(22.1)***	***(4.0)***	***–***	**(26.1)**	**(3.5)**	**(1.0)**	**(4.5)**
Income tax expense	*(12.0)*	*3.7*	*(3.3)*	*–*	(11.6)	*(0.1)*	*4.2*	*(1.9)*	–	2.2	*0.8*	*(1.7)*	*0.3*	(0.6)	–	0.6	*3.4*	*1.0*	*–*	4.4	**(5.0)**	0.2	**(4.8)**
Net (loss)/profit after tax	***45.1***	***(35.3)***	***13.3***	***–***	**23.1**	***0.6***	***(17.3)***	***7.3***	**–**	**(9.4)**	***(2.9)***	***6.9***	***(1.1)***	**2.9**	**–**	**(3.4)**	***(18.7)***	***(3.0)***	***–***	**(21.7)**	**(8.5)**	**(0.8)**	**(9.3)**
(Loss)/profit after tax from subsidiaries acquired exclusively with a view to resale	*–*	*–*	*–*	*–*	–	*–*	*–*	*–*	–	–	*–*	*–*	*–*	–	–	–	*–*	*(2.3)*	*–*	(2.3)	**(2.3)**	0.7	**(1.6)**
Net (loss)/profit	***45.1***	***(35.3)***	***13.3***	***–***	**23.1**	***0.6***	***(17.3)***	***7.3***	**–**	**(9.4)**	***(2.9)***	***6.9***	***(1.1)***	**2.9**	**–**	**(3.4)**	***(18.7)***	***(5.3)***	***–***	**(24.0)**	**(10.8)**	**(0.1)**	**(10.9)**

(in billions of Russian roubles)

33. Analysis by Segment (continued)

	Corporate-Investment banking (CIB)					*Mid-Corporate banking (MCB)*					*Retail business (RB)*						*Other business (OB)*				**Total before Inter-segment elimina-tions**	**Inter-segment elimina-tions**	
30 September 2015 (unaudited)	***Invest-ment banking***	***Loans and deposits***	***Transac-tion banking***	***Inter-CIB elimina-tions***	**Total CIB**	***Invest-ment banking***	***Loans and deposits***	***Transac-tion banking***	***Inter-MCB elimina-tions***	**Total MCB**	***Retail banking***	***Insurance***	***Inter-RB elimina-tions***	**Total RB**	**Treasury**	**Corporate centre**	***Construc-tion and develop-ment***	***Other***	***Inter-OB elimina-tions***	**Total OB**			**Total**
Cash and short-term funds	*45.5*	*0.4*	*–*	*–*	45.9	*–*	*–*	*0.3*	*–*	0.3	*164.7*	*0.3*	*–*	165.0	380.4	–	*0.3*	*0.5*	*–*	0.8	**592.4**	–	**592.4**
Mandatory cash balances with central banks	*–*	*–*	*–*	*–*	–	*–*	*–*	*–*	*–*	–	*15.9*	*–*	*–*	15.9	71.0	–	*–*	*–*	*–*	–	**86.9**	–	**86.9**
Due from other banks, including pledged under repurchase agreements	*197.2*	*141.4*	*–*	*–*	338.6	*–*	*–*	*–*	*–*	–	*93.5*	*11.7*	*–*	105.2	748.5	–	*–*	*21.2*	*–*	21.2	**1,213.5**	–	**1,213.5**
Loans and advances to customers, including pledged under repurchase agreements	*1,554.4*	*4,067.1*	*–*	*–*	5,621.5	*0.5*	*695.2*	*–*	*–*	695.7	*1,930.4*	*–*	*–*	1,930.4	585.9	–	*0.6*	*8.1*	*–*	8.7	**8,842.2**	–	**8,842.2**
Other financial instruments	*553.7*	*4.1*	*–*	*–*	557.8	*2.0*	*0.1*	*–*	*–*	2.1	*49.9*	*10.1*	*–*	60.0	209.3	–	*0.1*	*90.1*	*–*	90.2	**919.4**	–	**919.4**
Investments in associates and joint ventures	*69.0*	*6.0*	*–*	*–*	75.0	*–*	*0.3*	*–*	*–*	0.3	*–*	*–*	*–*	–	8.1	19.8	*–*	*0.5*	*–*	0.5	**103.7**	–	**103.7**
Other assets items	*98.7*	*264.8*	*23.0*	*–*	386.5	*–*	*59.0*	*25.6*	*–*	84.6	*110.3*	*21.8*	*–*	132.1	11.2	–	*311.7*	*107.3*	*–*	419.0	**1,033.4**	–	**1,033.4**
Net amount of intersegment settlements	*28.4*	*–*	*841.9*	*(870.3)*	–	*–*	*–*	*201.9*	*(201.9)*	–	*1,087.7*	*19.6*	*–*	1,107.3	1,746.3	–	*–*	*–*	*–*	–	**2,853.6**	(2,853.6)	**–**
Segment assets	***2,546.9***	***4,483.8***	***864.9***	***(870.3)***	**7,025.3**	***2.5***	***754.6***	***227.8***	***(201.9)***	**783.0**	***3,452.4***	***63.5***	***–***	**3,515.9**	**3,760.7**	**19.8**	***312.7***	***227.7***	***–***	**540.4**	**15,645.1**	**(2,853.6)**	**12,791.5**
Due to other banks	*75.9*	*10.3*	*17.8*	*–*	104.0	*–*	*0.5*	*–*	*–*	0.5	*3.6*	*–*	*–*	3.6	957.0	–	*1.7*	*0.3*	*–*	2.0	**1,067.1**	–	**1,067.1**
Customer deposits	*1,850.1*	*469.3*	*748.9*	*–*	3,068.3	*0.2*	*403.4*	*200.2*	*–*	603.8	*3,009.5*	*–*	*–*	3,009.5	456.1	–	*–*	*6.4*	*–*	6.4	**7,144.1**	–	**7,144.1**
Other borrowed funds	*6.8*	*117.5*	*–*	*–*	124.3	*–*	*–*	*–*	*–*	–	*70.9*	*2.9*	*–*	73.8	1,318.4	–	*2.9*	*5.5*	*–*	8.4	**1,524.9**	–	**1,524.9**
Debt securities issued	*21.0*	*5.5*	*–*	*–*	26.5	*–*	*32.5*	*–*	*–*	32.5	*51.8*	*–*	*–*	51.8	563.8	–	*–*	*1.6*	*–*	1.6	**676.2**	–	**676.2**
Subordinated debt	*–*	*–*	*–*	*–*	–	*–*	*–*	*–*	*–*	–	*2.2*	*–*	*–*	2.2	280.6	–	*–*	*–*	*–*	–	**282.8**	–	**282.8**
Other liabilities items	*355.1*	*15.6*	*20.2*	*–*	390.9	*–*	*2.0*	*5.2*	*–*	7.2	*24.7*	*46.3*	*–*	71.0	13.4	–	*63.7*	*128.5*	*–*	192.2	**674.7**	–	**674.7**
Net amount of intersegment settlements	*–*	*3,368.9*	*–*	*(870.3)*	2,498.6	*2.0*	*209.2*	*–*	*(201.9)*	9.3	*–*	*–*	*–*	–	–	–	*259.9*	*85.8*	*–*	345.7	**2,853.6**	(2,853.6)	**–**
Segment liabilities	***2,308.9***	***3,987.1***	***786.9***	***(870.3)***	**6,212.6**	***2.2***	***647.6***	***205.4***	***(201.9)***	**653.3**	***3,162.7***	***49.2***	***–***	**3,211.9**	**3,589.3**	**–**	***328.2***	***228.1***	***–***	**556.3**	**14,223.4**	**(2,853.6)**	**11,369.8**

(in billions of Russian roubles)

33. Analysis by Segment (continued)

Segment information for the reportable segments of the Group at 31 December 2014 and results for the nine months ended 30 September 2014 (unaudited) is set out below:

	Corporate-Investment banking (CIB)					*Mid-Corporate banking (MCB)*					*Retail business (RB)*						*Other business (OB)*						
For the nine months ended 30 September 2014	***Invest-ment banking***	***Loans and deposits***	***Transac-tion banking***	***Inter-CIB elimina-tions***	**Total CIB**	***Invest-ment banking***	***Loans and deposits***	***Transac-tion banking***	***Inter-MCB elimina-tions***	**Total MCB**	***Retail banking***	***Insurance***	***Inter-RB elimina-tions***	**Total RB**	**Treasury**	**Corporate centre**	***Construc-tion and develop-ment***	***Other***	***Inter-OB elimina-tions***	**Total OB**	**Total before inter-segment elimina-tions**	**Inter-segment elimina-tions**	**Total**
Revenues from:																							
External customers	*79.6*	*221.9*	*6.5*	*–*	308.0	*0.7*	*66.2*	*10.6*	*–*	77.5	*262.7*	*35.6*	*–*	298.3	36.5	–	*16.6*	*21.1*	*–*	37.7	**758.0**	–	**758.0**
Other segments	*53.9*	*24.2*	*9.5*	*(0.7)*	86.9	*–*	*14.1*	*7.7*	*–*	21.8	*36.5*	*2.3*	*(1.2)*	37.6	300.7	–	*0.9*	*4.1*	*(0.2)*	4.8	**451.8**	(451.8)	**–**
Total revenues	***133.5***	***246.1***	***16.0***	***(0.7)***	**394.9**	***0.7***	***80.3***	***18.3***	*–*	**99.3**	***299.2***	***37.9***	***(1.2)***	**335.9**	**337.2**	**–**	***17.5***	***25.2***	***(0.2)***	**42.5**	**1,209.8**	**(451.8)**	**758.0**
Segment income and expense																							
Interest income	*123.1*	*238.8*	*9.3*	*(0.1)*	371.1	*0.2*	*79.8*	*7.7*	*–*	87.7	*256.6*	*1.2*	*(0.6)*	257.2	333.8	–	*0.9*	*0.5*	*(0.2)*	1.2	**1,051.0**	(445.5)	**605.5**
Interest expense	*(95.6)*	*(190.0)*	*(1.4)*	*0.1*	(286.9)	*(0.2)*	*(65.6)*	*(1.0)*	*–*	(66.8)	*(116.1)*	*(0.2)*	*0.3*	(116.0)	(298.4)	–	*(9.0)*	*(5.5)*	*0.2*	(14.3)	**(782.4)**	445.1	**(337.3)**
Treasury result allocation	*1.0*	*2.7*	*–*	*–*	3.7	*–*	*6.9*	*–*	*–*	6.9	*3.1*	*–*	*–*	3.1	(21.6)	–	*–*	*7.9*	*–*	7.9	**–**	–	**–**
Net interest income	***28.5***	***51.5***	***7.9***	***–***	**87.9**	***–***	***21.1***	***6.7***	*–*	**27.8**	***143.6***	***1.0***	***(0.3)***	**144.3**	**13.8**	**–**	***(8.1)***	***2.9***	***–***	**(5.2)**	**268.6**	**(0.4)**	**268.2**
(Provision charge) / reversal of provision for impairment of debt financial assets	*(1.6)*	*(67.0)*	*–*	*–*	(68.6)	*–*	*(16.4)*	*–*	*–*	(16.4)	*(73.9)*	*–*	*(0.4)*	(74.3)	1.6	–	*(0.1)*	*–*	*–*	(0.1)	**(157.8)**	–	**(157.8)**
Net interest income after provision for impairment	***26.9***	***(15.5)***	***7.9***	***–***	**19.3**	***–***	***4.7***	***6.7***	*–*	**11.4**	***69.7***	***1.0***	***(0.7)***	**70.0**	**15.4**	**–**	***(8.2)***	***2.9***	***–***	**(5.3)**	**110.8**	**(0.4)**	**110.4**
Net fee and commission income/(expense)	*3.0*	*0.5*	*6.3*	*(0.1)*	9.7	*–*	*–*	*8.7*	*–*	8.7	*25.0*	*(0.1)*	*–*	24.9	0.7	–	*(0.1)*	*0.8*	*–*	0.7	**44.7**	0.1	**44.8**
Other gains less losses arising from financial instruments and foreign currencies	*5.3*	*(1.8)*	*–*	*–*	3.5	*0.5*	*(0.2)*	*–*	*–*	0.3	*4.1*	*0.2*	*–*	4.3	(10.7)	–	*(0.8)*	*5.9*	*–*	5.1	**2.5**	0.1	**2.6**
Share in income of associates and joint ventures	*(0.2)*	*0.1*	*–*	*–*	(0.1)	*–*	*0.1*	*–*	*–*	0.1	*–*	*–*	*–*	–	0.1	–	*–*	*–*	*–*	–	**0.1**	–	**0.1**
Profit from disposal of subsidiaries and associates	*7.9*	*1.2*	*–*	*–*	9.1	*–*	*–*	*–*	*–*	–	*–*	*–*	*–*	–	(0.1)	–	*2.5*	*0.9*	*–*	3.4	**12.4**	–	**12.4**
Provision charge for impairment of other assets, contingencies and credit related commitments	*–*	*1.7*	*(1.2)*	*–*	0.5	*–*	*0.1*	*(7.7)*	*–*	(7.6)	*(1.1)*	*(0.3)*	*–*	(1.4)	(0.1)	–	*–*	*0.1*	*–*	0.1	**(8.5)**	–	**(8.5)**
Other operating income/(expense) items	*0.3*	*5.7*	*–*	*–*	6.0	*–*	*(0.4)*	*–*	*–*	(0.4)	*1.6*	*12.4*	*0.8*	14.8	(1.1)	–	*7.1*	*(1.9)*	*–*	5.2	**24.5**	(3.9)	**20.6**
Net operating income	***43.2***	***(8.1)***	***13.0***	***(0.1)***	**48.0**	***0.5***	***4.3***	***7.7***	*–*	**12.5**	***99.3***	***13.2***	***0.1***	**112.6**	**4.2**	**–**	***0.5***	***8.7***	***–***	**9.2**	**186.5**	**(4.1)**	**182.4**
Staff costs and administrative expenses	*(18.0)*	*(16.1)*	*(5.5)*	*0.1*	(39.5)	*(0.1)*	*(11.9)*	*(9.3)*	*–*	(21.3)	*(78.8)*	*(5.2)*	*0.3*	(83.7)	(4.2)	(13.0)	*(0.3)*	*(3.6)*	*–*	(3.9)	**(165.6)**	4.3	**(161.3)**
Segment results: profit before taxation	***25.2***	***(24.2)***	***7.5***	***–***	**8.5**	***0.4***	***(7.6)***	***(1.6)***	*–*	**(8.8)**	***20.5***	***8.0***	***0.4***	**28.9**	**–**	**(13.0)**	***0.2***	***5.1***	***–***	**5.3**	**20.9**	**0.2**	**21.1**
Income tax expense	*(4.9)*	*(3.4)*	*(1.5)*	*–*	(9.8)	*(0.1)*	*(0.2)*	*0.2*	*–*	(0.1)	*(4.9)*	*(2.1)*	*–*	(7.0)	–	1.9	*(0.9)*	*(1.3)*	*–*	(2.2)	**(17.2)**	–	**(17.2)**
Net profit after tax	***20.3***	***(27.6)***	***6.0***	***–***	**(1.3)**	***0.3***	***(7.8)***	***(1.4)***	*–*	**(8.9)**	***15.6***	***5.9***	***0.4***	**21.9**	**–**	**(11.1)**	***(0.7)***	***3.8***	***–***	**3.1**	**3.7**	**0.2**	**3.9**
Profit after tax from subsidiaries acquired exclusively with a view to resale	*–*	*(0.1)*	*–*	*–*	(0.1)	*–*	*–*	*–*	*–*	–	*–*	*–*	*–*	–	–	–	*–*	*1.1*	*–*	1.1	**1.0**	0.5	**1.5**
Net profit	***20.3***	***(27.7)***	***6.0***	***–***	**(1.4)**	***0.3***	***(7.8)***	***(1.4)***	*–*	**(8.9)**	***15.6***	***5.9***	**0.4**	**21.9**	**–**	**(11.1)**	***(0.7)***	***4.9***	***–***	**4.2**	**4.7**	**0.7**	**5.4**

(in billions of Russian roubles)

33. Analysis by Segment (continued)

31 December 2014	Corporate-Investment banking (CIB)					Mid-Corporate banking (MCB)					Retail business (RB)						Other business (OB)				Total before Inter-segment eliminations	Inter-segment eliminations	Total
	Investment banking	Loans and deposits	Transaction banking	Inter-CIB eliminations	Total CIB	Investment banking	Loans and deposits	Transaction banking	Inter-MCB eliminations	Total MCB	Retail banking	Insurance	Inter-RB eliminations	Total RB	Treasury	Corporate centre	Construction and development	Other	Inter-OB eliminations	Total OB			
Cash and short-term funds	83.6	0.6	–	–	84.2	–	–	1.6	–	1.6	247.4	0.3	–	247.7	360.3	–	0.9	0.5	–	1.4	**695.2**	–	**695.2**
Mandatory cash balances with central banks	–	–	–	–	–	–	–	–	–	–	19.9	–	–	19.9	65.6	–	–	–	–	–	**85.5**	–	**85.5**
Due from other banks, including pledged under repurchase agreements	222.2	137.2	–	–	359.4	–	–	–	–	–	79.9	3.0	–	82.9	361.3	–	–	10.9	–	10.9	**814.5**	–	**814.5**
Loans and advances to customers, including pledged under repurchase agreements	1,330.4	3,856.2	–	–	5,186.6	0.4	936.2	–	–	936.6	2,027.9	–	–	2,027.9	384.8	–	0.6	0.8	–	1.4	**8,537.3**	–	**8,537.3**
Other financial instruments	685.5	1.2	–	–	686.7	3.0	4.1	–	–	7.1	38.1	7.0	–	45.1	182.2	–	8.2	68.9	–	77.1	**998.2**	–	**998.2**
Investments in associates and joint ventures	68.5	5.8	–	–	74.3	–	0.3	–	–	0.3	–	–	–	–	7.0	14.2	–	0.5	–	0.5	**96.3**	–	**96.3**
Other assets items	115.5	162.4	24.0	–	301.9	–	124.3	32.9	–	157.2	118.6	19.5	–	138.1	10.7	–	260.5	95.4	–	355.9	**963.8**	–	**963.8**
Net amount of intersegment settlements	–	–	492.5	(492.5)	–	–	–	273.8	(273.8)	–	737.2	20.9	–	758.1	2,822.8	–	–	–	–	–	**3,580.9**	(3,580.9)	**–**
Segment assets	**2,505.7**	**4,163.4**	**516.5**	**(492.5)**	**6,693.1**	**3.4**	**1,064.9**	**308.3**	**(273.8)**	**1,102.8**	**3,269.0**	**50.7**	**–**	**3,319.7**	**4,194.7**	**14.2**	**270.2**	**177.0**	**–**	**447.2**	**15,771.7**	**(3,580.9)**	**12,190.8**
Due to other banks	64.3	183.6	38.6	–	286.5	–	1.1	–	–	1.1	64.4	–	–	64.4	380.9	–	–	0.3	–	0.3	**733.2**	–	**733.2**
Customer deposits	1,595.9	134.1	422.3	–	2,152.3	0.4	331.6	245.3	–	577.3	2,604.3	–	–	2,604.3	330.3	–	–	5.2	–	5.2	**5,669.4**	–	**5,669.4**
Other borrowed funds	4.7	112.3	–	–	117.0	–	–	–	–	–	242.6	2.9	–	245.5	2,359.7	–	2.4	4.6	–	7.0	**2,729.2**	–	**2,729.2**
Debt securities issued	41.1	45.3	–	–	86.4	–	33.1	–	–	33.1	48.0	–	–	48.0	752.0	–	–	1.9	–	1.9	**921.4**	–	**921.4**
Subordinated debt	–	–	–	–	–	–	–	–	–	–	2.1	–	–	2.1	263.1	–	–	–	–	–	**265.2**	–	**265.2**
Other liabilities items	457.5	13.8	9.4	–	480.7	0.4	2.2	16.2	–	18.8	29.0	36.4	–	65.4	39.6	–	51.7	85.2	–	136.9	**741.4**	–	**741.4**
Net amount of intersegment settlements	165.6	3,373.4	–	(492.5)	3,046.5	2.2	498.8	–	(273.8)	227.2	–	–	–	–	–	–	223.7	83.5	–	307.2	**3,580.9**	(3,580.9)	**–**
Segment liabilities	**2,329.1**	**3,862.5**	**470.3**	**(492.5)**	**6,169.4**	**3.0**	**866.8**	**261.5**	**(273.8)**	**857.5**	**2,990.4**	**39.3**	**–**	**3,029.7**	**4,125.6**	**–**	**277.8**	**180.7**	**–**	**458.5**	**14,640.7**	**(3,580.9)**	**11,059.8**

34. Fair Values of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement of a financial instrument in its entirety.

(in billions of Russian roubles)

34. Fair Values of Financial Instruments (continued)

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 2015 (unaudited):

	Quoted prices in active markets Level 1	*Significant observable inputs Level 2*	*Significant unobservable inputs Level 3*	*Total*
Financial assets measured at fair value				
Non-derivative financial assets at fair value through profit or loss				
Financial assets held for trading				
Debt securities	90.6	95.4	22.2	**208.2**
Trading credit products	–	–	13.4	**13.4**
Equity securities	5.3	–	0.1	**5.4**
Financial assets designated as at fair value through profit or loss				
Debt securities	–	0.3	–	**0.3**
Reverse sale and repurchase agreements to maturity	–	22.5	–	**22.5**
Equity securities	9.9	–	5.6	**15.5**
Derivative financial assets				
Trading derivative financial instruments				
Interest rate contracts	–	190.9	35.2	**226.1**
Foreign exchange and precious metals contracts	–	30.1	7.4	**37.5**
Contracts with securities	–	9.3	15.6	**24.9**
Other basic assets contracts	–	14.0	0.2	**14.2**
Embedded derivatives on structured instruments	–	0.3	10.3	**10.6**
Hedging derivative financial instruments				
Derivatives held as cash flow hedges	–	0.1	–	**0.1**
Financial assets, other than loans and advances and due from other banks, pledged under repurchase agreements				
Financial assets held for trading				
Debt securities	3.1	7.4	2.0	**12.5**
Equity securities	1.7	–	–	**1.7**
Investment financial assets available-for-sale				
Debt securities	8.8	8.3	–	**17.1**
Investment financial assets available-for-sale				
Debt securities	100.6	71.5	5.0	**177.1**
Equity securities	2.5	–	26.7	**29.2**
Investments in associates and joint ventures designated as at fair value through profit or loss	–	–	62.4	**62.4**
Other financial assets				
Amounts in course of settlement related to regular way transactions with financial instruments	–	0.3	–	**0.3**
Financial liabilities measured at fair value				
Derivative financial liabilities				
Trading derivative financial instruments				
Interest rate contracts	–	225.4	–	**225.4**
Foreign exchange and precious metals contracts	–	36.2	–	**36.2**
Contracts with securities	–	8.4	–	**8.4**
Other basic assets contracts	–	10.7	–	**10.7**
Embedded derivatives on structured instruments	–	0.1	3.5	**3.6**
Hedging derivative financial instruments				
Derivatives held as cash flow hedges	–	0.2	–	**0.2**
Other financial liabilities				
Obligation to deliver securities	30.9	–	–	**30.9**
Non-controlling interests in consolidated mutual funds	–	–	3.1	**3.1**
Amounts in course of settlement related to regular way transactions with financial instruments	–	0.6	–	**0.6**

(in billions of Russian roubles)

34. Fair Values of Financial Instruments (continued)

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy as at 31 December 2014:

	Quoted prices in active markets Level 1	*Significant observable inputs Level 2*	*Significant unobservable inputs Level 3*	*Total*
Financial assets measured at fair value				
Non-derivative financial assets at fair value through profit or loss				
Financial assets held for trading				
Debt securities	54.7	122.6	29.3	**206.6**
Trading credit products	–	6.4	15.8	**22.2**
Equity securities	6.8	–	0.3	**7.1**
Financial assets designated as at fair value through profit or loss				
Debt securities	–	0.3	2.3	**2.6**
Reverse sale and repurchase agreements to maturity	–	19.2	–	**19.2**
Equity securities	13.4	–	3.9	**17.3**
Derivative financial assets at fair value through profit or loss				
Trading derivative financial instruments				
Interest rate contracts	–	204.8	22.0	**226.8**
Foreign exchange and precious metals contracts	–	115.6	7.8	**123.4**
Contracts with securities	–	8.8	11.1	**19.9**
Other basic assets contracts	–	23.2	–	**23.2**
Embedded derivatives on structured instruments	–	6.0	7.4	**13.4**
Hedging derivative financial instruments				
Derivatives held as cash flow hedges	–	0.3	–	**0.3**
Financial assets, other than loans and advances and due from other banks, pledged under repurchase agreements				
Financial assets held for trading				
Debt securities	15.2	61.8	11.1	**88.1**
Equity securities	12.3	–	–	**12.3**
Investment financial assets available-for-sale				
Debt securities	16.4	62.0	1.9	**80.3**
Investment financial assets available-for-sale				
Debt securities	51.8	34.7	6.0	**92.5**
Equity securities	0.1	–	38.4	**38.5**
Investments in associates and joint ventures designated as at fair value through profit or loss	–	–	60.7	**60.7**
Other financial assets				
Amounts in course of settlement related to regular way transactions with financial instruments	–	0.3	–	**0.3**
Financial liabilities measured at fair value				
Derivative financial liabilities				
Trading derivative financial instruments				
Interest rate contracts	–	237.9	–	**237.9**
Foreign exchange and precious metals contracts	–	135.8	–	**135.8**
Contracts with securities	–	5.9	1.4	**7.3**
Other basic assets contracts	–	13.2	–	**13.2**
Embedded derivatives on structured instruments	–	0.8	1.9	**2.7**
Hedging derivative financial instruments	–			
Derivatives held as cash flow hedges	–	0.9	–	**0.9**
Other financial liabilities				
Obligation to deliver securities	25.0	0.8	–	**25.8**
Non-controlling interests in consolidated mutual funds	–	–	2.6	**2.6**
Amounts in course of settlement related to regular way transactions with financial instruments	–	0.4	–	**0.4**

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.

(in billions of Russian roubles)

34. Fair Values of Financial Instruments (continued)

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, credit spreads, and foreign exchange rates. A significant portion of the available-for-sale financial assets in Level 3 is invested in shares of non-listed companies which are valued based on non-market observable information. Changes in assumptions can lead to adjustments in the fair value of these investments.

Movement in Level 3 financial assets and liabilities measured at fair value

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the nine months ended 30 September 2015 was as follows:

	Non-derivative financial assets at fair value through profit or loss					*Other financial liabilities*
	Financial assets held for trading including pledged under repurchase agreements	*Financial assets designated as at fair value through profit or loss including pledged under repurchase agreements*	*Investment financial assets available-for-sale including pledged under repurchase agreements*	*Investments in associates and joint ventures designated as at fair value through profit or loss*	*Trading derivative financial assets and liabilities (net)*	*Non-controlling interests in consolidated mutual funds*
Fair value at 1 January 2015	**56.5**	**6.2**	**46.3**	**60.7**	**45.0**	**(2.6)**
Gains or (losses) recognised in income statement during the period	4.2	(2.0)	5.7	1.7	27.7	(0.5)
- of which unrealised gains or (losses)	*2.8*	*(0.4)*	*–*	*1.7*	*23.8*	*(0.5)*
(Losses) recognised in other comprehensive income during the period	(0.3)	–	(8.1)	–	(0.7)	–
Purchase	5.7	5.8	7.3	–	(1.6)	–
Sale	(17.4)	(4.4)	(14.7)	–	–	–
Settlement	(2.8)	–	(2.7)	–	(5.2)	–
Transfers into Level 3	18.9	–	0.8	–	–	–
Transfers out of Level 3	(17.7)	–	(2.9)	–	–	–
Transfer out of Level 3 into categories not measured at fair value	(9.4)	–	–	–	–	–
Fair value at 30 September 2015 (unaudited)	**37.7**	**5.6**	**31.7**	**62.4**	**65.2**	**(3.1)**

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the nine months ended 30 September 2014 is as follows:

	Non-derivative financial assets at fair value through profit or loss						*Other financial liabilities*
	Financial assets held for trading including pledged under repurchase agreements	*Financial assets designated as at fair value through profit or loss including pledged under repurchase agreements*	*Investment financial assets available-for-sale including pledged under repurchase agreements*	*Investments in associates and joint ventures designated as at fair value through profit or loss*	*Trading derivative financial assets and liabilities (net)*	*Financial derivative assets and liabilities (net) designated as hedging instrument*	*Non-controlling interests in consolidated mutual funds*
Fair value at 1 January 2014	**4.1**	**20.8**	**24.8**	**55.2**	**0.3**	**7.8**	**(23.4)**
Gains or (losses) recognised in income statement during the period	0.4	0.4	(0.3)	3.5	10.6	0.6	8.4
- of which unrealised gains or (losses)	*0.8*	*6.8*	*(0.6)*	*3.5*	*5.3*	*–*	*1.1*
Gains or (losses) recognised in other comprehensive income during the period	–	–	6.7	–	(0.2)	1.2	–
Purchase	6.2	–	4.5	0.7	0.1	–	12.7
Sale	(0.7)	(10.4)	(2.1)	–	–	–	–
Settlement	(3.1)	–	(1.0)	–	0.1	–	–
Sale of subsidiaries	8.7	–	–	–	0.7	–	
Transfers into Level 3	27.5	–	4.7	–	–	–	–
Transfers out of Level 3	(2.4)	–	(1.8)	–	–	–	–
Transfers into categories not measured at fair value	(2.5)	–	–	–	–	–	–
Fair value at 30 September 2014 (unaudited)	**38.2**	**10.8**	**35.5**	**59.4**	**11.6**	**9.6**	**(2.3)**

(in billions of Russian roubles)

34. Fair Values of Financial Instruments (continued)

Transfers between levels

During the nine months ended 30 September 2015 (unaudited)	*Reason for transfer (valuation at the reporting date)*	*Financial assets held for trading including pledged under repurchase agreements*	*Investment financial assets available-for-sale including pledged under repurchase agreements*	*Total*
From Level 1:				
- to Level 2	valuation models with market observable inputs	36.5	12.6	**49.1**
- to Level 3	valuation models with non-market-observable inputs	0.6	0.3	**0.9**
From Level 2:				
- to Level 1	active market quotes	44.4	26.9	**71.3**
- to Level 3	valuation models with non-market-observable inputs	18.3	0.5	**18.8**
From Level 3:				
- to Level 1	active market quotes	12.7	1.6	**14.3**
- to Level 2	valuation models with market observable inputs	5.0	1.3	**6.3**
Total		**117.5**	**43.2**	**160.7**

During the nine months ended 30 September 2014 (unaudited)	*Reason for transfer (valuation at the reporting date)*	*Financial assets held for trading including pledged under repurchase agreements*	*Financial assets designated as at fair value through profit or loss*	*Investment financial assets available-for-sale including pledged under repurchase agreements*	*Total*
From Level 1:					
- to Level 2	valuation models with market observable inputs	162.5	0.3	56.1	**218.9**
- to Level 3	valuation models with non-market-observable inputs	4.7	–	2.0	**6.7**
From Level 2:					
- to Level 1	active market quotes	38.1	1.1	1.0	**40.2**
- to Level 3	valuation models with non-market-observable inputs	22.8	–	2.7	**25.5**
From Level 3:					
- to Level 1	active market quotes	0.4	–	–	**0.4**
- to Level 2	valuation models with market observable inputs	2.0	–	1.8	**3.8**
Total		**230.5**	**1.4**	**63.6**	**295.5**

(in billions of Russian roubles)

34. Fair Values of Financial Instruments (continued)

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 2015 (unaudited) about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

	Fair value	*Valuation techniques*	*Unobservable input description*	*Input*
Non-derivative financial assets at fair value through profit or loss				
Financial instruments held for trading, including pledged under repurchase agreements				
Equity securities				
Other economic sectors	0.1	Other	n/a	n/a
Debt securities				
Finance companies and banks	0.8	Discounted Cash flow	Credit spread adjustment	-1% - 1% (0%)
	2.0	Discounted Cash flow	Own credit spread	4.89% - 6.89% (5.89%)
			Counterparty credit spread	0.22% - 0.42% (0.32%)
	4.1	Discounted Cash flow	Uncertainty factor	-8.32% - 8.32% (0%)
	6.6	Other	n/a	n/a
Finance Companies Servicing Mortgage And Real Estate Debts	1.9	Discounted Cash flow	Credit spread	1% - 3% (2%)
	3.7	Other	n/a	n/a
Oil	0.6	Discounted Cash flow	Credit spread	14.02% - 16.02% (15.02%)
	0.8	Other	n/a	n/a
Government bodies	2.0	Other	n/a	n/a
Other economic sectors	1.7	Other	n/a	n/a
Trading credit products				
Finance companies and banks	6.7	Discounted Cash flow	Equity Jump Intensity	2.4% - 4.0% (2.76%)
			Equity Fractional Recovery	0% - 25% (20%)
Railway transportation	4.7	Discounted Cash flow	Uncertainty factor	-8.32% - 8.32% (0%)
Other economic sectors	2.0	Other	n/a	n/a
Financial assets designated as at fair value through profit or loss				
Equity securities				
Finance companies	2.9	Gordon and Comparables method	Cost of Equity	23.75% - 26.00% (24.75%)
			Terminal growth	2% - 6% (4%)
			Terminal ROE	15.5% - 17.5% (16.5%)
Communication, post and telecommunications	2.5	NAV	n/a	n/a
Other economic sectors	0.2	Other	n/a	n/a
Derivative financial instruments				
Equity derivatives	15.6	Discounted Cash flow	CDS Spread	4.5% - 6.5% (5.5%)
Index derivatives	0.2	Other	n/a	n/a
Embedded derivatives on structured instruments	10.3	Modified Black model	CDS spread	4.09% - 6.09% (5.09%)
	(3.5)	Black model	Implied volatility	11.0% - 87.0% (32.14%)
Foreign exchange	7.1	Interest rate parity	Overnight BYR yield	16.0% - 46.9% (31.45%)
	0.3	Other	n/a	n/a
Interest rate derivatives	33.8	Discounted Cash flow	CDS spread	3.51% - 5.51% (4.51%)
	1.4	Other	n/a	n/a
Investment financial assets available-for-sale, including pledged under repurchase agreements				
Debt securities				
Finance companies and banks	1.4	Discounted Cash flow	Uncertainty factor	-8.32% - 8.32% (0%)
	2.0	Discounted Cash flow	USD yields of RB banks bonds	3.5% - 7.5% (5.5%)
	0.2	Other	n/a	n/a
Other economic sectors	1.4	Other	n/a	n/a
Equity securities				
Finance companies, banks and leasing	2.1	Discounted Cash flow	Weighted average cost of capital	9.8% - 13.8% (11.8%)
			exit multiple	0.5-0.9 (0.7)
	4.8	Gordon and Comparables method	Cost of Equity	23.75% - 26.00% (24.75%)
			Terminal growth	2% - 6% (4%)
			Terminal ROE	15.5% - 17.5% (16.5%)
	0.6	Other	n/a	n/a
Railway vehicle construction	0.2	NAV	n/a	n/a
Manufacturing	4.1	Comparative method	EV/EBITDA (defence/security systems)	6.52-16.18 (11.2)
			EV/EBITDA (microelectronics)	3.16-23.14 (13.15)
Non-ferrous metals	10.5	Discounted Cash flow	Weighted average cost of capital	14% - 15.8% (14.9%)
			Terminal growth	4% - 4% (4%)
			Cost of Debt (USD, pre-tax)	7.7% - 7.7% (7.7%)
Air transport	2.0	Market comparable companies	EV/pax, comparable airports	72.1-88.1 (80.1)
			Discount to comparable airports	15% - 35% (25%)
Other economic sectors	2.4	Other	n/a	n/a
Investments in associates and joint ventures designated as at fair value through profit or loss				
Telecommunications	53.6	Discounted Cash flow	Weighted average cost of capital	15.4% - 17.4% (16.4%)
			Terminal growth	1% - 5% (3%)
Building construction and development	7.3	Discounted Dividend flow	Base equity cost of capital	7% - 8% (7.5%)
Other economic sectors	1.5	Discounted Cash flow	Change in Growth of Cards Sold (%)	-2% - 2% (0%)
		EV/EBITDA multiple	Change in PT Growth per Client (%)	-5% - 5% (0%)
Non-derivative financial liabilities measured at fair value				
Non-controlling interests in consolidated mutual funds	(3.1)	Net asset value	n/a	n/a

(in billions of Russian roubles)

34. Fair Values of Financial Instruments (continued)

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

The following table shows the quantitative information as at 31 December 2014 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

	Fair value	*Valuation techniques*	*Unobservable input description*	*Input*
Non-derivative financial assets at fair value through profit or loss				
Financial instruments held for trading, including pledged under repurchase agreements				
Equity securities				
Other mechanical engineering	0.3	Discounted Cash flow	Weighted average cost of capital	10% - 30% (20%)
			Exit multiple	4-8 (6)
Debt securities				
Finance companies and banks	1.9	Discounted Cash flow	Credit spread adjustment	-1% - 1% (0%)
			Future expected volatility	10% - 43% (26.5%)
	2.2	Discounted Cash flow	Uncertainty factor	-8.32% - 8.32% (0.00%)
	3.6	Discounted Cash flow	Credit spread	7.41% - 9.41% (8.41%)
	1.6	Discounted Cash flow	Own credit spread	2.35% - 4.35% (3.35%)
			Counterparty credit spread	0.18% - 0.38% (0.28%)
	3.3	Third party valuation	n/a	n/a
	3.9	Other	n/a	n/a
Finance Companies Servicing Mortgage And Real Estate Debts	2.9	Discounted Cash flow	Credit spread	1% - 3% (2%)
	1.0	Other	n/a	n/a
Oil	1.1	Discounted Cash flow	Credit spread	-2.58% - 0.43% (-1.50%)
	0.4	Other	n/a	n/a
Government bodies	4.5	Other	n/a	n/a
Ferrous metals	7.6	Discounted Cash flow	Credit spread	8.15% - 16.58% (11.92%)
Other economic sectors	6.4	Other	n/a	n/a
Trading credit products				
Finance companies and banks	5.6	Discounted Cash flow	Credit spread	3.0% - 5.0% (3.4%)
			Equity Fractional Recovery	0% - 25% (20%)
Food and agriculture	10.2	Discounted Cash flow	Credit spread	4.81% - 6.81% (5.81%)
Financial assets designated as at fair value through profit or loss				
Equity securities				
Trade and commerce	3.7	NAV	n/a	n/a
Other economic sectors	0.2	Other	n/a	n/a
Debt securities				
Finance companies and banks	2.3	NAV + option adjustment	Volatility	25% - 45% (35%)
Derivative financial instruments				
Equity Derivatives	10.9	Discounted Cash flow	CDS Spread	4.5% - 6.5% (5.5%)
			Underlying valuation	13.2-19.5 (13.2)
	(1.4)	Option model	Volatility	25% - 45% (31.4%)
	0.2	Other	n/a	n/a
Embedded derivatives on structured instruments	7.4	Modified Black model	CDS spread	6.96% - 8.69% (7.7%)
	(1.9)	Other	n/a	n/a
Foreign exchange	7.4	Interest rate parity	Overnight BYR yield	17% - 49.7% (22.7%)
	0.4	Other	n/a	n/a
Interest rate derivatives	22.0	Discounted Cash flow	CDS spread	6.6% - 6.9% (6.8%)
Investment financial assets available-for-sale, including pledged under repurchase agreements				
Debt securities				
Finance companies and banks	1.1	Discounted Cash flow	Uncertainty factor	-8.32% - 8.32% (0.00%)
	2.6	Other	n/a	n/a
Other economic sectors	4.2	Other	n/a	n/a
Equity securities				
Finance companies, banks and leasing	2.2	Discounted Cash flow	Weighted average cost of capital	11.3%-15.3% (13.3%)
			Exit multiple	0.6-1 (0.8)
	0.6	Other	n/a	n/a
Trade and commerce	4.5	NAV	n/a	n/a
Railway vehicle construction	0.3	Discounted Cash flow;	Change in Rental Rate	-40% - -20% (-30%)
		EV/EBITDA multiple	Change in Price of Railcars	-6% - +6% (0%)
Manufacturing	4.1	Comparative method	EV/EBITDA (defence/security systems)	6.22-10.22 (8.22)
			EV/EBITDA (microelectronics)	7.99-11.99 (9.99)
Non-ferrous metals	13.2	Discounted Cash flow	Weighted average cost of capital	13.3%-14.9% (12.8%)
			Terminal growth	4%-4% (4%)
			Cost of Debt (USD, pre-tax)	7.6%-7.6% (7.6%)
Air transport	2.3	Market comparable companies	EV/pax, comparable airports	69.1-84.4 (76.8)
			Discount to comparable airports	15% - 35% (25%)
Building construction	7.9	NAV	n/a	n/a
Other mechanical engineering	0.6	Discounted Cash flow	Weighted average cost of capital	10%- 30% (20%)
			exit multiple	4-8 (6)
Other economic sectors	2.7	Other	n/a	n/a
Investments in associates and joint ventures designated as at fair value through profit or loss				
Telecommunications	53.5	Discounted Cash flow	Average revenue per user forecast adjustment	-4% - 4% (0%)
			FX forecast adjustment	-4% - 4% (0%)
			Financing rate adjustment	-4% - 4% (0%)
Building construction and development	6.5	Discounted Dividend flow	Base equity cost of capital	7% - 8% (7.5%)
	0.7	Discounted Cash flow; EV/EBITDA multiple	Change in Growth of Cards Sold (%)	-2% - +2% (0%)
			Change in PT Growth per Client (%)	-5% - +5% (0%)
Non-derivative financial liabilities measured at fair value				
Non-controlling interests in consolidated mutual funds	(2.6)	Net asset value	n/a	n/a

(in billions of Russian roubles)

34. Fair Values of Financial Instruments (continued)

Impact on fair value of Level 3 financial instruments of changes to key assumptions (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 2015 (unaudited)		31 December 2014	
	Fair value	Sensitivity of fair value	Fair value	Sensitivity of fair value
Non-derivative financial assets held for trading, including pledged under repurchase agreements	37.7	36.7-38.5	56.5	55.5-58.2
Trading derivative financial instruments	65.2	61.6-66.0	45.0	43.7-45.5
Financial assets designated as at fair value through profit or loss	5.6	5.5-5.8	6.2	6.2-6.2
Investment financial assets – available-for-sale, including pledged under repurchase agreements	31.7	28.3-42.5	46.3	43.5-54.5
Investments in associates and joint ventures designated as at fair value through profit or loss	62.4	51.2-79.1	60.7	50.9-71.5
Non-controlling interests in consolidated mutual funds	(3.1)	(3.1)-(3.1)	(2.6)	(2.6)-(2.6)

The above tables disclose sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity. There were no changes in valuation technique for Level 3 recurring fair value measurements as at 30 September 2015.

The sensitivity of fair value measurement disclosed in the above table shows the direction that an increase or decrease in the respective input variables would have on the valuation result. For equity securities, increases in the EBITDA multiple would each lead to an increase in estimated value. However, an increase in the discount for lack of marketability would lead to a decrease in value. For debt securities, increases in discount rates and probability of default would both lead to a decrease in estimated value. No interrelationships between unobservable inputs used in the Group's valuation of its Level 3 equity investments have been identified. However, for Level 3 debt securities, a change in the assumption used for the probability of default is expected to be accompanied by a directionally similar change in the discount rate.

Valuation processes for level 3 fair value measurements

Level 3 valuations are reviewed on a regular basis by the Group Managing Committee who report to the management on a monthly basis. The committee considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the financial services industry. In selecting the most appropriate valuation model the committee performs back testing and considers which model's results have historically aligned most closely to actual market transactions.

In order to value Level 3 equity investments, the Group utilises comparable trading multiples. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortisation (EBITDA). The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

Internal valuation of the fair value of joint-ventures and associates designated as at fair value is performed at the time of commencing the project. Internal valuations of the fair value are performed on the quarterly basis, which are reviewed by business owners of the portfolio on at least a quarterly basis to make decisions on the best timing to exit the investment according to the investment strategy.

The Level 3 debt instruments are valued at the net present value of estimated future cash flows. The Group also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

(in billions of Russian roubles)

34. Fair Values of Financial Instruments (continued)

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 2015 (unaudited)		*31 December 2014*	
	Carrying amount	***Fair value***	***Carrying amount***	***Fair value***
Financial assets				
Cash and short-term funds	592.4	592.4	695.2	695.2
Mandatory cash balances with central banks	86.9	86.9	85.5	85.5
Financial assets, other than loans, pledged under repurchase agreements	–	–	3.3	3.3
Due from other banks, including pledged under repurchase agreements	1,213.5	1,199.8	814.5	791.5
Russia	*424.2*	*414.8*	*243.8*	*227.9*
OECD	*217.0*	*212.4*	*200.4*	*193.8*
Other countries	*572.3*	*572.6*	*370.3*	*369.8*
Loans and advances to customers, including pledged under repurchase agreements	8,842.2	8,768.6	8,537.3	8,353.1
Loans to legal entities	*7,121.9*	*7,033.1*	*6,748.3*	*6,603.8*
Loans to individuals	*1,720.3*	*1,735.5*	*1,789.0*	*1,749.3*
Investment securities held-to-maturity	103.1	105.1	1.2	1.2
Financial assets within assets of disposal groups held for sale	6.3	6.3	5.7	5.7
Other financial assets	58.2	58.2	82.5	82.5
Financial liabilities				
Due to other banks	1,067.1	1,065.7	733.2	724.2
Customer deposits	7,144.1	7,107.9	5,669.4	5,566.5
Deposits of legal entities	*4,550.6*	*4,533.0*	*3,520.3*	*3,482.0*
Deposits of individuals	*2,593.5*	*2,574.9*	*2,149.1*	*2,084.5*
Other borrowed funds	1,524.9	1,545.9	2,729.2	2,699.7
Debt securities issued	676.2	680.1	921.4	859.3
Subordinated debt	282.8	267.9	265.2	233.6
Financial liabilities within liabilities of disposal groups held for sale	9.7	9.7	4.4	4.4
Other financial liabilities	42.6	42.6	59.5	59.5

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.

35. 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 of the Group and are stated in the tables below:

(in billions of Russian roubles)

35. Related Party Transactions (continued)

Statements of financial position

	30 September 2015 (unaudited)		31 December 2014	
	Government-related entities	Associates	Government-related entities	Associates
Assets				
Cash and short-term funds	268.3	0.3	152.1	34.5
Mandatory reserve deposits with central banks	52.3	–	68.5	–
Non-derivative financial assets at fair value through profit or loss	80.0	–	57.9	–
Derivative financial assets	109.4	–	137.3	–
Financial assets, other than loans, pledged under repurchase agreements	19.7	–	137.5	–
Due from other banks, including pledged under repurchase agreements	372.9	516.9	209.1	293.5
Loans and advances to customers, including pledged under repurchase agreements	2,257.4	152.7	2,177.0	110.1
Allowance for loan impairment	(22.0)	(6.4)	(21.3)	(6.1)
Investment financial assets	154.9	–	20.7	–
Other assets	4.7	–	1.9	0.2
Liabilities				
Due to other banks	350.8	327.9	165.7	150.3
Customer deposits	2,698.8	53.7	1,684.5	43.2
Derivatives financial liabilities	31.7	–	31.4	–
Other borrowed funds	1,218.3	0.1	2,440.5	0.1
Subordinated debt	108.2	–	102.1	–
Other liabilities	6.1	0.5	4.5	0.7
Credit Related Commitments				
Guarantees issued	392.1	22.0	573.2	11.3
Import letters of credit	5.3	–	9.7	0.3
Undrawn credit lines	2.1	0.1	3.1	–

Income statements

	For the nine-month period ended 30 September (unaudited)	
	2015	2014 (restated)
Interest income		
Loans and advances to customers	161.0	110.0
Due from other banks	30.0	2.0
Securities	15.0	17.1
Interest expense		
Due to other banks and other borrowed funds	(190.1)	(86.2)
Customer deposits	(133.7)	(73.5)
Subordinated debt	(9.6)	(12.4)
(Provision charge) for impairment of debt financial assets	–	(2.1)

For the nine month-period ended 30 September 2015, the total remuneration of the directors and key management personnel of the Group including pension contributions amounted to RUR 4.0 billion (30 September 2014: RUR 5.3 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 2015 amounted to RUR 0.1 billion (31 December 2014: RUR 0.3 billion). Compensation to key management personnel primarily consists of short term employee benefits.

(in billions of Russian roubles)

36. 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 2015 and 31 December 2014 the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

In July 2015 CBR announced the measures on Basel III implementation and regulation of systemically important banks. VTB Bank was included in the list of systemically important banks which will be required to observe the liquidity coverage ratio and additional capital adequacy ratios according to Basel III. These requirements will be applied on a consolidated basis as VTB Bank is the parent of the banking group. The Management is analysing the requirements and preparing to start applying them in accordance with the CBR timeline and regulation.

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 2015 (unaudited)	*31 December 2014*
Tier 1 capital		
Share capital	659.5	352.1
Share premium	433.8	433.8
Treasury shares	(2.2)	(6.5)
Perpetual loan participation notes excluding bought back	148.9	126.4
Retained earnings	122.3	169.3
Unrealized gain on financial assets available-for-sale and cash flow hedge	(13.9)	(18.7)
Currency translation difference	46.2	44.3
Non-controlling interests	10.8	13.1
Deducted: Goodwill	(116.2)	(116.3)
Total Tier 1 capital	***1,289.2***	***997.5***
Tier 2 capital		
Land and premises revaluation reserve	16.3	17.2
Subordinated debt	241.7	223.1
Total Tier 2 capital	*258.0*	***240.3***
Total capital before deductions	***1,547.2***	***1,237.8***
Deducted: Investments in the capital of other banks and financial institutions	(27.9)	(21.2)
Total capital after deductions	***1,519.3***	***1,216.6***
Risk-weighted assets		
Credit risk	9,506.1	9,528.4
Market risks	502.7	647.8
Total risk-weighted assets	***10,008.8***	***10,176.2***
Tier 1 capital ratio to total risk-weighted assets	**12.9%**	**9.8%**
Total capital ratio to total risk-weighted assets	**15.2%**	**12.0%**

(in billions of Russian roubles)

37. Business Combinations

In March 2015, the Group obtained control over "City Land Group Company" LLC (CLG), a real estate development company, with the increase of its ownership interest in CLG from 27.9% to 71.1%. The Group did not pay any additional consideration and acquired control as a result of the purchase by CLG of its ordinary shares from its former shareholder. Concurrent with the acquisition of control, the Group committed to lend RUR 16.6 billion to CLG to finance working capital needs and to settle certain liabilities of CLG to its former shareholder. The Group used the acquisition-date estimated fair value of the net assets of CLG for purposes of business combination accounting. The Group expects to complete its identification and measurement of the various components of the business combination as of the acquisition date by 31 December 2015.

The provisional fair values of the acquired identified assets and liabilities as of the acquisition date were as follows:

Assets	
Investment property	36.5
Trade and other receivables	1.5
Other assets	0.5
Total assets	**38.5**
Liabilities	
Trade and other payables	17.0
Loans from banks	1.5
Deferred income tax liabilities	6.4
Total liabilities	**24.9**
Fair value of identifiable net assets of subsidiary	**13.6**
Pre-existing ownership interest (Note 12)	9.8
Non-controlling interest	3.8
Less: fair value of identifiable net assets of subsidiary	(13.6)
Goodwill	**–**

38. Subsequent Events

In November 2015, VTB partially bought back under a Dutch auction USD Eurobonds of a notional amount of USD 361.1 million (RUR 23.0 billion) maturing in April 2017 – June 2035 and Subordinated Loan Participation Notes of a notional amount of USD 58.4 million (RUR 3.7 billion) maturing in October 2022, CHF Eurobonds (EMTN) of a notional amount of CHF 179.5 million (RUR 11.6 billion) maturing in December 2016 and May 2018 and Subordinated Loan Participation Notes of a notional amount of CHF 67.0 million (RUR 4.3 billion) maturing in October 2024 and AUD Eurobonds of a notional amount of AUD 47.6 million (RUR 2.2 billion) maturing in December 2017.

In October 2015, VTB, PJSC redeemed bonds under EMTN program in the total amount of SNY 2.0 billion (RUR 20.2 billion) upon maturity.