

AO UniCredit Bank

**Consolidated Interim Condensed
Financial Statements**
for the Nine-Month Period Ended 30 September 2015
(unaudited)

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015	1
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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS.....	2-3
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Consolidated interim condensed statement of financial position	4
Consolidated interim condensed statement of comprehensive income	5
Consolidated interim condensed statement of changes in equity	6
Consolidated interim condensed statement of cash flows	7

Selected notes to the consolidated interim condensed financial statements

1. Principal activities	8
2. Basis of preparation.....	8
3. Significant accounting policies	9
4. Operating segments	11
5. Cash and cash balances	16
6. Trading securities	16
7. Amounts due from credit institutions	17
8. Derivative financial instruments.....	17
9. Loans to customers	19
10. Available-for-sale securities	22
11. Taxation	23
12. Amounts due to credit institutions	24
13. Amounts due to customers.....	24
14. Debt securities issued	25
15. Credit related commitments and contingencies	26
16. Gains on financial assets and liabilities held for trading.....	27
17. Fair values of financial instruments	27
18. Related party disclosures	29

AO UniCredit Bank

Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Interim Condensed Financial Statements for the nine-month period ended 30 September 2015

Management of AO UniCredit Bank is responsible for the preparation of the consolidated interim condensed financial statements that present fairly the financial position of AO UniCredit Bank and its subsidiary (collectively – the “Group”) as at 30 September 2015, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three and nine-month periods then ended and a summary of significant accounting policies and selected notes to the consolidated interim condensed financial statements (the “consolidated interim condensed financial statements”) in compliance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

In preparing the consolidated interim condensed financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the consolidated interim condensed financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.


The consolidated interim condensed financial statements as at 30 September 2015 were authorized for issue by the Board of Management of AO UniCredit Bank on 3 November 2015.

Signed on behalf of the Board of Management


K. Zhukov-Emelyanov
Acting Chairman of the Board of Management

9 November 2015




G. Chernysheva
Chief Accountant

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholder and Supervisory Board of AO UniCredit Bank:

Introduction

We have reviewed the consolidated interim condensed statement of financial position of AO UniCredit Bank and its subsidiary (collectively – the “Group”) as at 30 September 2015, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three and nine-month periods then ended and a summary of significant accounting policies and selected explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with Federal Law “On Audit Activity”, Federal Rule (Standard) of Auditing No. 33, Review of Financial Statements, and International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Federal Auditing Standards of the Russian Federation and 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 consolidated interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

Deloitte & Touche

9 November 2015
Moscow, Russian Federation


Ponomarenko E.V., General Director
(certificate no. 01-000190 of 28 November 2011)



ZAO Deloitte & Touche CIS

Audited entity: AO UniCredit Bank.

Licensed by the Central Bank of the Russian Federation on 23 March 2012, License No.1.

Entered in the Unified State Register of Legal Entities on 19 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027739082106, Certificate series 77 No. 005721432

9, Prechistenskaya emb., Moscow, Russia 119034.

Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Certificate of registration in the Unified State Register № 1027700425444 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.


Certificate of membership in "NP "Audit Chamber of Russia" (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407

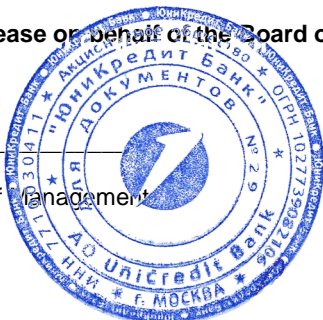
AO UniCredit Bank


Consolidated Interim Condensed Statement of Financial Position as at 30 September 2015 (expressed in thousands of Russian Roubles)

	Notes	30 September 2015 unaudited	31 December 2014
Assets			
Cash and cash balances	5	27 723 000	42 873 396
Trading securities	6		
- held by the Group		7 827 120	4 184 948
- pledged under repurchase agreements		-	263 368
Amounts due from credit institutions	7	349 590 645	332 555 937
Derivative financial assets	8	57 912 355	81 685 033
Derivative financial assets designated for hedging	8	11 160 171	12 003 652
Changes in fair value of portfolio hedged items		(459 433)	(8 117 984)
Loans to customers	9	838 215 335	826 851 401
Available-for-sale securities	10		
- held by the Group		52 286 356	32 553 782
- pledged under repurchase agreements		1 948 972	21 815 961
Fixed assets		5 726 573	6 001 364
Intangible assets		4 417 677	3 443 831
Current income tax assets		14 791	176 292
Other assets		3 635 041	4 081 974
Total assets		1 359 998 603	1 360 372 955
Liabilities			
Amounts due to credit institutions	12	156 203 379	209 956 341
Derivative financial liabilities	8	46 707 788	104 534 651
Derivative financial liabilities designated for hedging	8	14 929 647	20 464 088
Changes in fair value of portfolio hedged items		3 256 859	(697 554)
Amounts due to customers	13	931 082 181	810 620 505
Debt securities issued	14	35 373 349	62 007 167
Deferred income tax liabilities		5 000 464	2 597 149
Current income tax liabilities		1 019	506 631
Other liabilities		7 526 207	8 317 953
Total liabilities		1 200 080 893	1 218 306 931
Equity			
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		469 287	(1 541 487)
Revaluation reserve for available-for-sale securities		(4 435 314)	(9 070 231)
Retained earnings		121 658 650	110 452 655
Total equity		159 917 710	142 066 024
Total equity and liabilities		1 359 998 603	1 360 372 955

Signed and authorized for release on behalf of the Board of Management


K. Zhukov-Emelyanov
Acting Chairman of the Board of Management




G. Chernysheva
Chief Accountant

9 November 2015

The accompanying selected notes on pages 8 to 32 are an integral part of these consolidated interim condensed financial statements.

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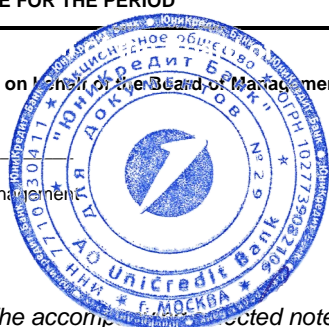
Consolidated Interim Condensed Statement of Comprehensive Income for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2015 unaudited	2014 unaudited	2015 unaudited	2014 unaudited
Interest income		31 304 780	24 610 232	100 034 830	66 420 903
Interest expense		(21 336 458)	(15 135 401)	(70 194 430)	(40 652 981)
Net interest income		9 968 322	9 474 831	29 840 400	25 767 922
Fee and commission income		2 228 966	1 901 687	6 182 503	5 817 744
Fee and commission expense		(1 127 852)	(308 653)	(3 214 589)	(878 145)
Net fee and commission income		1 101 114	1 593 034	2 967 914	4 939 599
Dividend income		-	-	3	1
Gains on financial assets and liabilities held for trading	16	531 637	208 101	3 924 154	1 149 850
Fair value adjustments in portfolio hedge accounting		1 286	36 937	(904 040)	23 321
Gains/(losses) on disposal of:					
- loans		24 698	20 649	26 603	163 019
- available-for-sale financial assets		-	(3 709)	(142 357)	(19 302)
OPERATING INCOME		11 627 057	11 329 843	35 712 677	32 024 410
(Impairment)/recovery on:					
- loans	9	(3 592 431)	(837 573)	(10 513 155)	(3 201 716)
- other financial transactions		-	(20 187)	11 781	3 091
NET INCOME FROM FINANCIAL ACTIVITIES		8 034 626	10 472 083	25 211 303	28 825 785
Personnel expenses		(1 923 846)	(1 749 739)	(5 906 222)	(5 373 548)
Other administrative expenses		(1 363 456)	(1 173 026)	(3 849 652)	(3 333 959)
Depreciation of fixed assets		(169 028)	(167 201)	(544 133)	(521 569)
Amortization of intangible assets		(200 806)	(187 026)	(602 423)	(527 786)
Other provisions		(34 290)	49	(71 483)	1 578
Other operating expenses		(151 173)	(9 940)	(188 676)	(72 464)
Operating costs		(3 842 599)	(3 286 883)	(11 162 589)	(9 827 748)
Gains on disposal of fixed assets		1 882	2 527	5 815	56 714
PROFIT BEFORE INCOME TAX EXPENSE		4 193 909	7 187 727	14 054 529	19 054 751
Income tax expense	11	(826 606)	(1 437 242)	(2 848 534)	(3 810 950)
PROFIT FOR THE PERIOD		3 367 303	5 750 485	11 205 995	15 243 801
OTHER COMPREHENSIVE INCOME/(LOSSES)					
Items that may be reclassified subsequently to profit or loss					
Cash flow hedge reserve – effective portion of changes in fair value:					
- fair value changes		1 677 703	346 424	2 003 914	241 243
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the period		7 004	(38 383)	6 860	40 671
Revaluation reserve for available-for-sale securities:					
- fair value changes		159 986	(1 330 453)	4 416 436	(2 545 439)
- reclassification adjustment relating to available-for-sale financial assets disposed of in the period		4 768	(5 095)	218 481	(11 264)
Other comprehensive income/(loss) for the period, net of tax		1 849 461	(1 027 507)	6 645 691	(2 274 789)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5 216 764	4 722 978	17 851 686	12 969 012

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K. Zhukov-Emelyanov
Acting Chairman of the Board of Management

9 November 2015



G. Chernysheva
Chief Accountant

The accompanying notes on pages 8 to 32 are an integral part of these consolidated interim condensed financial statements.

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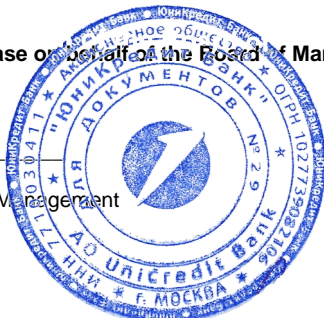
Consolidated Interim Condensed Statement of Changes in Equity for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)


	Share capital	Share premium	Cash flow hedge reserve	Revaluation reserve for available-for-sale securities	Retained earnings	Total equity
1 January 2014	41 787 806	437 281	(1 159 521)	(411 821)	91 390 954	132 044 699
Total comprehensive income						
Profit for the period (unaudited)	-	-	-	-	15 243 801	15 243 801
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	281 914	-	-	281 914
Net change in revaluation reserve for available-for-sale securities, net of tax (unaudited)	-	-	-	(2 556 703)	-	(2 556 703)
Total other comprehensive income (unaudited)	-	-	281 914	(2 556 703)	-	(2 274 789)
Total comprehensive income for the period (unaudited)	-	-	281 914	(2 556 703)	15 243 801	12 969 012
Transactions with owner, directly recorded in equity						
Purchase of subsidiary under common control (Note 1)	-	-	-	-	242 360	242 360
Total transactions with owner	-	-	-	-	242 360	242 360
30 September 2014 (unaudited)	41 787 806	437 281	(877 607)	(2 968 524)	106 877 115	145 256 071
1 January 2015	41 787 806	437 281	(1 541 487)	(9 070 231)	110 452 655	142 066 024
Total comprehensive income						
Profit for the period (unaudited)	-	-	-	-	11 205 995	11 205 995
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	2 010 774	-	-	2 010 774
Net change in revaluation reserve for available-for-sale securities, net of tax (unaudited)	-	-	-	4 634 917	-	4 634 917
Total other comprehensive income (unaudited)	-	-	2 010 774	4 634 917	-	6 645 691
Total comprehensive income for the period (unaudited)	-	-	2 010 774	4 634 917	11 205 995	17 851 686
30 September 2015 (unaudited)	41 787 806	437 281	469 287	(4 435 314)	121 658 650	159 917 710

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9 November 2015




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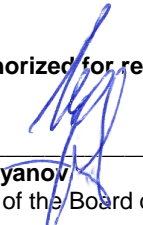
The accompanying selected notes on pages 8 to 32 are an integral part of these consolidated interim condensed financial statements.

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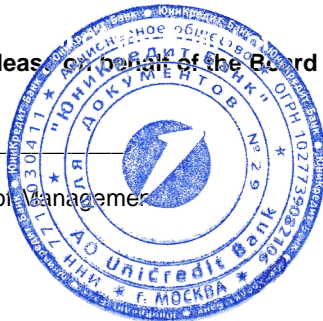
Consolidated Interim Condensed Statement of Cash Flows for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

	Note	Nine-month period ended 30 September 2015 unaudited	Nine-month period ended 30 September 2014 unaudited
Cash flows from operating activities before changes in operating assets and liabilities		242 492	23 688 803
Net cash used in operating activities before income tax		(19 206 773)	(2 169 134)
Corporate income tax paid		(2 450 752)	(1 994 217)
Net cash flows used in operating activities		(21 657 525)	(4 163 351)
Cash flows from investing activities			
Dividends received		3	1
Purchase of available-for-sale securities		-	(20 517 510)
Proceeds from redemption and sale of available-for-sale securities		5 892 550	9 385 402
Acquisition of subsidiary	1	-	(1 163 400)
Proceeds from sale of fixed and intangible assets		6 294	85
Purchase of fixed and intangible assets		(2 633 745)	(1 168 335)
Net cash flows from/(used in) investing activities		3 265 102	(13 463 757)
Cash flows from financing activities			
Proceeds from issuance of bonds		4 000 000	20 000 000
Proceeds from sale of repurchased bonds		-	156 001
Redemption of bonds issued under put option		(29 546 541)	(4 500 688)
Redemption of bonds issued on maturity		(360 880)	-
Proceeds from subordinated debt received		27 761 347	-
Redemption of subordinated debt		-	(3 503 430)
Net cash flows from financing activities		1 853 926	12 151 883
Effect of exchange rates changes on cash and cash balances		1 388 101	294 926
Net decrease in cash and cash balances		(15 150 396)	(5 180 299)
Cash and cash balances, beginning	5	42 873 396	25 708 189
Cash and cash balances, ending	5	27 723 000	20 527 890

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K. Zhukov-Emelyanov
Acting Chairman of the Board of Management

9 November 2015




G. Chernysheva
Chief Accountant

The accompanying selected notes on pages 8 to 32 are an integral part
of these consolidated interim condensed financial statements.

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

1. Principal activities

These consolidated interim condensed financial statements include the financial statements of AO UniCredit Bank (hereinafter – the “Bank”) and its subsidiary. AO UniCredit Bank and its subsidiary are hereinafter collectively referred to as the “Group”.

The Bank (the former International Moscow Bank) was established in 1989 as a closed joint-stock company under the laws of the Russian Federation. The Bank operates under General Banking License No. 1 of the Central Bank of Russia (hereinafter – the “CBR”) to conduct banking operations reissued on 22 December 2014. The Bank also possesses licenses for the securities market for dealing, brokerage and depository activities issued by the Federal Service for the Financial Markets on 25 April 2003, the CBR license for operations with precious metals reissued on 22 December 2014, as well as authorized to speak to the customs authorities as a guarantor on the basis of the notification of the Federal Customs Service of the Russian Federation dated 1 November 2013. The Bank is a member of the state deposit insurance system in the Russian Federation.

As at 30 September 2015 the Group comprises the Bank, the leading operating entity of the Group, and LLC UniCredit Leasing Company, a leasing company as its subsidiary. In February 2014 in addition to the existing 40% participation AO UniCredit Bank purchased the remaining 60% share participation in LLC UniCredit Leasing from UniCredit Leasing S.p.A. LLC UniCredit Leasing owns 100% of the shares in ZAO Locat Leasing Russia. Both companies operate in the financial leasing industry on the local market. The transaction was accounted for as a transaction under common control since both the Bank and UniCredit Leasing S.p.A have the same ultimate shareholders.

As at 30 September 2015 the Bank has 13 branches and 12 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus.

The Bank’s registered legal address is 9, Prechistenskaya Embankment, Moscow, Russian Federation, 119034.

As at 30 September 2015 the sole shareholder of the Group is UniCredit Bank Austria AG. UniCredit Bank Austria AG, a member of UniCredit Group, is responsible for commercial banking in Central and Eastern Europe within the UniCredit Group.

The primary activities of the Group are deposit taking, lending, providing payments and settlement services, transactions with foreign currencies and securities and providing finance leases.

The Group operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year. However, 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.

2. Basis of preparation

Statement of compliance. These consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The consolidated interim condensed financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2014 prepared in accordance with International Financial Reporting Standards (hereinafter – “IFRS”), such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group’s annual consolidated financial statements for 2014 prepared in accordance with IFRS. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the information presented not misleading if these financial statements are read in conjunction with the Group’s annual consolidated financial statements for 2014 prepared in accordance with IFRS. In the opinion of the management, these financial statements reflect all adjustments necessary to present fairly the Group’s financial position, results of operations, statements of changes in shareholders’ equity and cash flows for the interim reporting periods.

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

2. Basis of preparation (continued)

Basis of measurement. These consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments held for trading, available-for-sale assets and derivative financial instruments are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Presentation currency. These consolidated interim condensed financial statements are presented in Russian Roubles (hereinafter – “RUB”). Amounts in Russian Roubles are rounded to the nearest thousand.

The exchange rates used by the Group in the preparation of the consolidated interim condensed financial statements as at period-end are as follows:

	30 September 2015	31 December 2014
RUB/1 US Dollar	66.2367	56.2584
RUB/1 Euro	74.5825	68.3427

Use of estimates and judgements. The preparation of financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these consolidated interim condensed financial statements the significant judgements made by the management in applying accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

Going concern. These consolidated interim condensed financial statements have been prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. The management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio and based on historical experience that short term obligations will be refinanced in the normal course of business.

3. Significant accounting policies

Interim measurement period. Income tax expense is recognized in these consolidated interim condensed financial statements based on the management’s best estimates of the weighted average effective annual income tax rate expected for the full financial year. Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group’s financial statements for the year ended 31 December 2014, except for the impact of the adoption of the following amended standards:

- Amendments to IAS 19 – *Defined Benefit Plans: Employee contributions*;
- Annual Improvements to IFRSs 2010-2012 Cycle;
- Annual Improvements to IFRSs 2011-2013 Cycle.

**Selected Notes to Consolidated Interim Condensed Financial Statements (continued)
for the Nine-Month Period Ended 30 September 2015
(expressed in thousands of Russian Roubles)**

3. Significant accounting policies (continued)

Above mentioned changes do not have significant impact on the consolidated interim condensed financial statements.

New and revised IFRSs in issue but not yet effective. The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*²;
- IFRS 14 *Regulatory Deferral Accounts*¹;
- IFRS 15 *Revenue from Contracts with Customers*²;
- Amendments to IFRS 11 – *Accounting for Acquisition of Interests in Joint Operations*¹;
- Amendments to IAS 1 – Disclosure initiative project¹;
- Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*¹;
- Amendments to IAS 16 and IAS 41 – *Agriculture: Bearer Plants*¹;
- Amendments to IAS 27 – *Equity Method in Separate Financial Statements*¹;
- Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*¹;
- Amendments to IFRS 10, IFRS 12 and IAS 28 – *Investment Entities: Applying the Consolidation Exception*¹;
- Annual Improvements to IFRSs 2012-2014 Cycle¹.

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Reclassifications. With effect from December 2014, the Group discloses interest income and interest expenses related to derivative financial instruments on the gross basis. The details of reclassification and effect on the consolidated interim condensed financial statements for the three and nine-month periods ended 30 September 2014 are presented as follows:

	As previously reported unaudited	Effect of reclassifications unaudited	As adjusted unaudited
Consolidated interim condensed statement of comprehensive income for the three-month period ended 30 September 2014			
Interest income	18 917 372	5 692 860	24 610 232
Interest expense	(9 442 541)	(5 692 860)	(15 135 401)

	As previously reported unaudited	Effect of reclassifications unaudited	As adjusted unaudited
Consolidated interim condensed statement of comprehensive income for the nine-month period ended 30 September 2014			
Interest income	50 423 442	15 997 461	66 420 903
Interest expense	(24 655 520)	(15 997 461)	(40 652 981)

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

4. Operating segments

For the management purposes, the Group has four reporting business segments:

Corporate and Investment banking (hereinafter – “CIB”) includes corporate lending, project and commodity and corporate structured finance, corporate sight and term deposit services, securities, foreign currency and derivatives trading and custody services.

Retail banking comprises banking services to private individuals and SME, credit and debit card services, retail sight and term deposit services, lending to SME and retail lending (consumer loans, car loans and mortgages).

Leasing – represents the leasing activities of the Group.

Other – represents the Group’s funding activities and other unallocated items.

The information about each segment is measured on the same basis as the information used for decision making purposes for allocating resources to segments and assessing segment performance and is prepared on the same basis as the consolidated interim condensed financial statements.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers included in segment revenue. Interest charged for these funds is based on the Group’s funds transfer pricing policy.

Segment breakdown of assets and liabilities is set out below:

	30 September 2015 unaudited	31 December 2014
Assets		
CIB	959 167 269	992 513 291
Retail banking	126 890 608	155 069 273
Leasing	12 907 783	13 876 890
Other	261 032 943	198 913 501
Total assets	1 359 998 603	1 360 372 955
Liabilities		
CIB	848 468 053	871 471 401
Retail banking	191 510 226	151 878 535
Leasing	10 172 853	11 332 545
Other	149 929 761	183 624 450
Total liabilities	1 200 080 893	1 218 306 931

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 30 September 2015 is set out below (unaudited):

	CIB	Retail Banking	Leasing	Other	Total
Net interest income from external customers	6 267 110	2 487 846	210 794	1 002 572	9 968 322
Inter-segment income/(expense)	690 604	15 471	-	(706 075)	-
Net interest income	6 957 714	2 503 317	210 794	296 497	9 968 322
Net fee and commission income/(expense) from external customers	413 765	765 733	7 202	(85 586)	1 101 114
Gains/(losses) on financial assets and liabilities held for trading: - from external customers	210 065	324 064	(1 661)	(831)	531 637
Fair value adjustments in portfolio hedge accounting	-	-	-	1 286	1 286
Gains/(losses) on disposals of financial assets	25 289	(591)	-	-	24 698
Operating income	7 606 833	3 592 523	216 335	211 366	11 627 057
(Impairment)/recovery of impairment on loans and other financial transactions	(2 698 740)	(874 316)	(19 836)	461	(3 592 431)
Net income from financial activities	4 908 093	2 718 207	196 499	211 827	8 034 626
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(1 249 081)	(2 268 214)	(123 215)	(202 089)	(3 842 599)
Gains on disposal of fixed assets	-	-	-	1 882	1 882
Profit before income tax expense	3 659 012	449 993	73 284	11 620	4 193 909
Income tax expense					(826 606)
Profit for the period					3 367 303
Cash flow hedge reserve					1 684 707
Revaluation reserve for available-for-sale securities					164 754
Total comprehensive income					5 216 764

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 30 September 2014 is set out below (unaudited):

	CIB	Retail Banking	Leasing	Other	Total
Net interest income/(expense) from external customers	5 402 434	4 528 649	179 800	(636 052)	9 474 831
Inter-segment (expense)/income	(569 293)	(1 850 973)	-	2 420 266	-
Net interest income	4 833 141	2 677 676	179 800	1 784 214	9 474 831
Net fee and commission income/(expense) from external customers	771 175	884 478	223	(62 842)	1 593 034
Gains/(losses) on financial assets and liabilities held for trading: - from external customers	46 759	227 239	(2 267)	(63 630)	208 101
Fair value adjustments in portfolio hedge accounting	-	-	-	36 937	36 937
(Losses)/gains on disposals of financial assets	(5 738)	22 678	-	-	16 940
Operating income	5 645 337	3 812 071	177 756	1 694 679	11 329 843
(Impairment)/recovery of impairment on loans and other financial transactions	(1 126 957)	296 884	(27 687)	-	(857 760)
Net income from financial activities	4 518 380	4 108 955	150 069	1 694 679	10 472 083
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(1 096 651)	(2 014 935)	(92 771)	(82 526)	(3 286 883)
	(113 629)	(239 630)	(968)	-	(354 227)
Gains on disposal of fixed assets	-	-	-	2 527	2 527
Profit before income tax expense	3 421 729	2 094 020	57 298	1 614 680	7 187 727
Income tax expense					(1 437 242)
Profit for the period					5 750 485
Cash flow hedge reserve					308 041
Revaluation reserve for available-for-sale securities					(1 335 548)
Total comprehensive income					4 722 978

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

4. Operating segments (continued)

Segment information for the operating segments for the nine-month period ended 30 September 2015 is set out below (unaudited):

	CIB	Retail Banking	Leasing	Other	Total
Net interest income from external customers	18 596 684	8 129 894	620 031	2 493 791	29 840 400
Inter-segment income/(expense)	957 870	(337 619)	-	(620 251)	-
Net interest income	19 554 554	7 792 275	620 031	1 873 540	29 840 400
Net fee and commission income/(expense) from external customers	960 845	2 072 345	14 978	(80 254)	2 967 914
Dividend income	-	-	-	3	3
Gains/(losses) on financial assets and liabilities held for trading: - from external customers	2 250 749	1 071 614	(317)	602 108	3 924 154
Fair value adjustments in portfolio hedge accounting (Losses)/gains on disposals of financial assets	(143 538)	27 784	-	(904 040)	(904 040)
Operating income	22 622 610	10 964 018	634 692	1 491 357	35 712 677
(Impairment)/recovery of impairment on loans and financial transactions	(7 787 261)	(2 657 465)	(57 592)	944	(10 501 374)
Net income from financial activities	14 835 349	8 306 553	577 100	1 492 301	25 211 303
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(3 922 198)	(6 457 570)	(319 135)	(463 686)	(11 162 589)
Gains on disposal of fixed assets	(370 969)	(773 394)	(2 193)	-	(1 146 556)
	-	-	-	5 815	5 815
Profit before income tax expense	10 913 151	1 848 983	257 965	1 034 430	14 054 529
Income tax expense					(2 848 534)
Profit for the period					11 205 995
Cash flow hedge reserve					2 010 774
Revaluation reserve for available-for-sale securities					4 634 917
Total comprehensive income					17 851 686

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

4. Operating segments (continued)

Segment information for the operating segments for the nine-month period ended 30 September 2014 is set out below (unaudited):

	CIB	Retail Banking	Leasing	Other	Total
Net interest income/(expense) from external customers	15 793 340	12 911 217	521 990	(3 458 625)	25 767 922
Inter-segment (expense)/income	(2 164 259)	(5 302 175)	-	7 466 434	-
Net interest income	13 629 081	7 609 042	521 990	4 007 809	25 767 922
Net fee and commission income/(expense) from external customers	2 204 566	2 664 669	(4 217)	74 581	4 939 599
Dividend income	-	-	-	1	1
Gains/(losses) on financial assets and liabilities held for trading:					
- from external customers	663 549	690 750	(936)	(203 513)	1 149 850
Fair value adjustments in portfolio hedge accounting	-	-	-	23 321	23 321
Gains on disposals of financial assets	102 432	41 285	-	-	143 717
Operating income	16 599 628	11 005 746	516 837	3 902 199	32 024 410
Impairment on loans and financial transactions	(2 162 642)	(992 009)	(43 974)	-	(3 198 625)
Net income from financial activities	14 436 986	10 013 737	472 863	3 902 199	28 825 785
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(3 273 873)	(6 027 506)	(269 336)	(257 033)	(9 827 748)
	(337 481)	(709 181)	(2 693)	-	(1 049 355)
Gains on disposal of fixed assets	-	-	-	56 714	56 714
Profit before income tax expense	11 163 113	3 986 231	203 527	3 701 880	19 054 751
Income tax expense					(3 810 950)
Profit for the period					15 243 801
Cash flow hedge reserve					281 914
Revaluation reserve for available-for-sale securities					(2 556 703)
Total comprehensive income					12 969 012

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

4. Operating segments (continued)

Chief operating decision maker reviews the Group's results on the basis of net interest income. The following is the analysis by segments of the Group's net interest income from continuing operations from its major products and services:

	Nine-month period ended 30 September 2015 unaudited	Nine-month period ended 30 September 2014 unaudited
Medium and long term financing	8 457 297	5 649 197
Current accounts	5 732 000	4 305 682
Short-term financing	1 546 096	2 032 082
Term deposits	1 233 964	322 029
Consumer loans	1 198 988	1 654 848
Mortgage loans	209 537	569 625
Other lending	2 322 507	3 116 804
Other products	9 140 011	8 117 655
Net interest income	29 840 400	25 767 922

5. Cash and cash balances

Cash and cash balances comprise:

	30 September 2015 unaudited	31 December 2014
Cash on hand	13 618 349	19 074 061
Current accounts with the CBR	14 104 651	23 799 335
Cash and cash balances	27 723 000	42 873 396

Included in cash and cash balances as at 30 September 2015 is amount of RUB 1 450 000 thousand (31 December 2014: RUB 1 000 000 thousand) pledged as collateral for mortgage-backed bonds issued by the Group (see Note 14 for details).

6. Trading securities

Trading securities comprise:

	30 September 2015 unaudited	31 December 2014
USD denominated		
Russian Government Eurobonds	6 503	5 204
RUB denominated		
Corporate and Bank bonds	2 688 252	2 974 837
Russian Government Bonds	5 132 365	1 468 275
Trading securities	7 827 120	4 448 316

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

6. Trading securities (continued)

As at 30 September 2015 the Group has no securities sold under repurchase agreements (31 December 2014: RUB 263 368 thousand included in corporate and bank bonds) (see Note 12 for details).

As at 30 September 2015 included in trading securities are corporate and bank bonds blocked as collateral in order to receive "overnight" loans from the CBR upon the Group's request in the amount of RUB 502 060 thousand (31 December 2014: RUB 869 114 thousand). As at 30 September 2015 and 31 December 2014 the Group has no "overnight" loans with the CBR.

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 September 2015 unaudited	31 December 2014
Current accounts with credit institutions	74 566 344	94 243 731
Time deposits	251 787 773	181 983 768
Reverse repurchase agreements with credit institutions	19 029 863	50 434 023
Obligatory reserve with the CBR	4 206 665	5 894 415
Amounts due from credit institutions	349 590 645	332 555 937

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw such deposit is significantly restricted by statutory legislation.

As at 30 September 2015, there are three counterparties with balances that individually exceed 10% of the Group's equity. As at 30 September 2015, the aggregate amount of these balances is RUB 251 357 155 thousand (31 December 2014: six counterparties with aggregate amount of RUB 255 271 346 thousand).

As at 30 September 2015, the Group entered into reverse repurchase agreements with a number of Russian banks. Pledged under these agreements are Russian Government bonds, municipal, corporate and bank bonds issued by Russian companies and banks with the total fair value of RUB 20 225 383 thousand (31 December 2014: Russian Government bonds, corporate and bank bonds issued by Russian companies and banks with total fair value of RUB 53 444 561 thousand).

As at 30 September 2015 the Group has no term placements with the CBR (31 December 2014: RUB 35 000 000 thousand).

8. Derivative financial instruments

The Group enters into derivative financial instruments principally for trading and hedging purposes. The tables below show the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset or notional amount to which reference rate or index is applied and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of reporting period and are indicative of neither the market risk nor the credit risk.

The Group values the derivative financial instruments using widely accepted valuation techniques which are based on market interest rates and forward currency rates. Significant changes in these variables could cause the fair value of the derivatives to change materially.

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

8. Derivative financial instruments (continued)

The table below shows the fair value of derivative instruments held for trading, recorded as assets or liabilities, together with their notional amounts.

	30 September 2015 unaudited			31 December 2014		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cross-currency interest rate swaps	216 069 562	48 956 516	36 151 353	272 981 002	48 375 890	57 840 876
Interest rate swaps and options	281 348 985	7 056 656	9 250 366	569 907 604	10 444 854	14 867 984
Foreign exchange forwards and options	85 007 916	1 899 183	1 306 069	205 475 132	22 864 289	31 825 791
Futures on foreign exchange and securities	1 669 350	-	-	962 500	-	-
Total derivative assets/liabilities		57 912 355	46 707 788		81 685 033	104 534 651

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

	30 September 2015 unaudited			31 December 2014		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cash flow hedge						
Interest rate swaps	414 155 056	200 028	205 981	33 615 277	108 611	704 822
Cross-currency interest rate swaps	110 218 406	2 024 987	8 521 003	74 416 922	629 821	14 767 014
Total cash flow hedge		2 225 015	8 726 984		738 432	15 471 836
Fair value hedge						
Interest rate swaps	617 501 703	8 935 156	6 202 663	518 761 072	11 265 220	4 992 252
Total fair value hedge		8 935 156	6 202 663		11 265 220	4 992 252
Total derivative financial assets/ liabilities designated for hedging		11 160 171	14 929 647		12 003 652	20 464 088

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

9. Loans to customers

Loans to customers comprise:

	30 September 2015 unaudited	31 December 2014
Corporate customers	715 956 484	667 566 481
Retail customers, including SME	138 776 322	165 022 389
Lease receivables	11 967 601	12 485 745
Reverse repurchase agreements with companies	1 075 144	2 526 107
Gross loans to customers	867 775 551	847 600 722
Allowance for loan impairment	(29 560 216)	(20 749 321)
Loans to customers	838 215 335	826 851 401

A reconciliation of the allowance for loan impairment is as follows:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2015 unaudited	2014 unaudited	2015 unaudited	2014 unaudited
Allowance for loan impairment at the beginning of the period	25 599 704	18 327 957	20 749 321	16 978 859
Charge for the period	3 592 431	837 573	10 513 155	3 201 716
Loans sold or recovered through the sale of collateral during the period	(23 600)	(112 056)	(421 733)	(1 241 250)
Loans written-off during the period	(795 760)	(15 583)	(2 307 478)	(97 911)
Acquisition of subsidiary under common control	-	-	-	61 982
Effect of exchange rate changes	1 187 441	734 368	1 026 951	868 863
Allowance for loan impairment at the end of the period	29 560 216	19 772 259	29 560 216	19 772 259

The decision to write-off the loan is taken by the authorized body of the Bank. Loans are written-off in presence of the necessary documentation from the authorized state bodies, as well as under the conditions where further debt collection is not possible.

The decisions to sell the loans is taken individually for each case, for both corporate and retail loans. The decision is taken by the authorized body of the Bank based on the analysis of all possible alternative strategies for debt collection, the main criterion for the adoption of which is to minimize the losses of the Bank's troubled assets.

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

9. Loans to customers (continued)

The following table shows gross loans and related impairment as at 30 September 2015:

	Gross loans	Impairment	Net loans
Corporate customers			
Loans for which no indications of impairment have been identified on an individual basis, not past due	672 538 678	(3 135 635)	669 403 043
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	2 568 113	(27 276)	2 540 837
- Past due 31-90 days	1 981 639	(94 856)	1 886 783
- Past due 91-180 days	71 403	(397)	71 006
Impaired loans			
- Not past due	6 284 848	(880 751)	5 404 097
- Past due less than 31 days	1 015 885	(338 318)	677 567
- Past due 31-90 days	5 693 885	(2 697 791)	2 996 094
- Past due 90-180 days	6 828 918	(867 155)	5 961 763
- Past due over 180 days	18 973 115	(9 525 951)	9 447 164
Total loans to corporate customers	715 956 484	(17 568 130)	698 388 354
Retail customers			
Standard loans, not past due	118 170 049	(560 544)	117 609 505
Standard loans, past due			
- Past due less than 31 days	3 240 314	(218 207)	3 022 107
- Past due 31-90 days	1 704 336	(306 936)	1 397 400
- Past due 91-180 days	31 039	(6 207)	24 832
Impaired loans			
- Not past due	39 081	(150)	38 931
- Past due less than 31 days	11 384	(661)	10 723
- Past due 31-90 days	67 562	(15 612)	51 950
- Past due 90-180 days	1 727 165	(810 321)	916 844
- Past due over 180 days	13 785 392	(9 967 553)	3 817 839
Total loans to retail customers	138 776 322	(11 886 191)	126 890 131
Lease receivables			
Loans for which no indications of impairment have been identified on an individual basis, not past due	10 535 171	(54 917)	10 480 254
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	877 894	(4 724)	873 170
- Past due 31-90 days	448 967	(3 415)	445 552
Impaired loans			
- Not past due	14 150	(3 925)	10 225
- Past due less than 31 days	6 186	(4 158)	2 028
- Past due 31-90 days	10 014	(5 325)	4 689
- Past due 90-180 days	47 463	(13 557)	33 906
- Past due over 180 days	27 756	(15 874)	11 882
Total lease receivables	11 967 601	(105 895)	11 861 706
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	1 075 144	-	1 075 144
Total loans to customers	867 775 551	(29 560 216)	838 215 335

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

9. Loans to customers (continued)

The following table shows gross loans and related impairment as at 31 December 2014:

	Gross loans	Impairment	Net loans
Corporate customers			
Loans for which no indications of impairment have been identified on an individual basis, not past due	640 879 818	(2 426 988)	638 452 830
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	4 081 311	(105 348)	3 975 963
- Past due 31-90 days	3 558 024	(106 471)	3 451 553
Impaired loans			
- Not past due	3 401 003	(603 643)	2 797 360
- Past due less than 31 days	6 921 573	(613 672)	6 307 901
- Past due 31-90 days	268 066	(232 792)	35 274
- Past due 90-180 days	1 037 755	(346 499)	691 256
- Past due over 180 days	7 418 931	(6 244 308)	1 174 623
Total loans to corporate customers	667 566 481	(10 679 721)	656 886 760
Retail customers			
Standard loans, not past due	148 483 157	(692 754)	147 790 403
Standard loans, past due			
- Past due less than 31 days	2 571 260	(127 968)	2 443 292
- Past due 31-90 days	1 548 390	(275 308)	1 273 082
Impaired loans			
- Not past due	10 893	(9 513)	1 380
- Past due less than 31 days	554	(109)	445
- Past due 31-90 days	10 324	(2 043)	8 281
- Past due 90-180 days	1 367 141	(622 002)	745 139
- Past due over 180 days	11 030 670	(8 255 635)	2 775 035
Total loans to retail customers	165 022 389	(9 985 332)	155 037 057
Lease receivables			
Loans for which no indications of impairment have been identified on an individual basis, not past due	11 873 469	(52 609)	11 820 860
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	273 248	(1 768)	271 480
- Past due 31-90 days	237 015	(1 132)	235 883
Impaired loans			
- Not past due	29 366	(7 330)	22 036
- Past due less than 31 days	18 979	(4 834)	14 145
- Past due 31-90 days	30 957	(7 793)	23 164
- Past due 90-180 days	12 589	(5 311)	7 278
- Past due over 180 days	10 122	(3 491)	6 631
Total lease receivables	12 485 745	(84 268)	12 401 477
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	2 526 107	-	2 526 107
Total loans to customers	847 600 722	(20 749 321)	826 851 401

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

9. Loans to customers (continued)

As at 30 September 2015, the Group entered into reverse repurchase agreements with a number of Russian companies. Pledged under these agreements are Russian Government bonds and corporate bonds issued by Russian companies with the total fair value of RUB 1 176 309 thousand (31 December 2014: Russian municipal bonds and corporate and bank bonds issued by Russian companies and banks with total fair value of RUB 2 847 406 thousand).

As at 30 September 2015, the Group had RUB 227 145 708 thousand due from its ten largest borrowers (26% of gross loan portfolio) (31 December 2014: RUB 178 359 090 thousand or 21%). An allowance of RUB 242 282 thousand was recognized against these loans (31 December 2014: RUB 244 890 thousand).

As at 30 September 2015, the Group had ten borrowers or groups of borrowers with aggregate loan amounts that individually exceeded 10% of equity (31 December 2014: ten borrowers or groups of borrowers). As at 30 September 2015, the gross amount of these loans is RUB 273 926 514 thousand (31 December 2014: RUB 201 467 228 thousand).

Included in corporate loans as at 30 September 2015 are loans with gross amount of RUB 46 921 863 thousand (31 December 2014: RUB 94 494 775 thousand) pledged as collateral for term deposits due to the CBR (see Note 12 for details).

Included in retail loans as at 30 September 2015 are mortgage loans with gross amount of RUB 8 012 591 thousand (31 December 2014: RUB 4 428 583 thousand) pledged as collateral for mortgage-backed bonds issued by the Group (see Note 14 for details).

10. Available-for-sale securities

Available-for-sale securities comprise:

	30 September 2015 unaudited	31 December 2014
Debt and other fixed income investments available-for-sale		
USD denominated		
Corporate Eurobonds	221 391	179 083
RUB denominated		
Russian Government and Municipal bonds	32 565 998	28 969 400
Corporate and Bank bonds	21 439 399	25 212 720
Total debt and other fixed income investments available-for-sale	54 226 788	54 361 203
Equity investments available-for-sale		
RUB denominated		
Equity investments in financial institutions	5 833	5 833
EUR denominated		
Equity investments in financial institutions	2 707	2 707
Total equity investments available-for-sale	8 540	8 540
Total investments available-for-sale	54 235 328	54 369 743

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

10. Available-for-sale securities (continued)

As at 30 September 2015 included in Russian Government bonds are securities sold under repurchase agreements in the amount of RUB 1 948 972 thousand (31 December 2014: RUB 21 815 961 thousand) (see Notes 12 and 13 for details).

As at 30 September 2015 included in debt and other fixed income investments available-for-sale are bonds blocked as collateral in order to receive “overnight” loans from the CBR in the amount of RUB 21 181 148 thousand (31 December 2014: RUB 21 429 453 thousand). As at 30 September 2015 and 31 December 2014 the Group has no “overnight” loans due to the CBR (see Note 12 for details).

11. Taxation

The corporate income tax expense comprises:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2015 unaudited	2014 unaudited	2015 unaudited	2014 unaudited
Current tax charge	995 287	(645 361)	2 106 641	779 201
Deferred tax charge – (reversal)/ origination of temporary differences	(168 681)	2 082 603	741 893	3 031 749
Income tax expense	826 606	1 437 242	2 848 534	3 810 950

Tax effect relating to components of other comprehensive income comprises:

	Three-month period ended 30 September 2015 unaudited			Three-month period ended 30 September 2014 unaudited		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	2 105 884	(421 177)	1 684 707	385 051	(77 010)	308 041
Revaluation reserve for available-for-sale securities	205 942	(41 188)	164 754	(1 669 435)	333 887	(1 335 548)
Other comprehensive income	2 311 826	(462 365)	1 849 461	(1 284 384)	256 877	(1 027 507)

	Nine-month period ended 30 September 2015 unaudited			Nine-month period ended 30 September 2014 unaudited		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	2 513 468	(502 694)	2 010 774	352 391	(70 477)	281 914
Revaluation reserve for available-for-sale securities	5 793 646	(1 158 729)	4 634 917	(3 195 879)	639 176	(2 556 703)
Other comprehensive income	8 307 114	(1 661 423)	6 645 691	(2 843 488)	568 699	(2 274 789)

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 September 2015 unaudited	31 December 2014
Current accounts	16 548 798	25 254 271
Time deposits and loans	91 320 409	150 113 612
Repurchase agreements with credit institutions	1 564 443	20 835 234
Subordinated debt	46 769 729	13 753 224
Amounts due to credit institutions	156 203 379	209 956 341

As at 30 September 2015, the ten largest deposits, excluding subordinated debt, represented 83% of total amounts due to credit institutions (31 December 2014: 85%).

As at 30 September 2015 included in subordinated debt is subordinated loan received in March 2015 from the sole Group's shareholder UniCredit Bank Austria AG in the amount of USD 480 900 thousand with quarterly interest payment at annual interest rate Libor plus 10.08% and maturity date in June 2025.

As at 30 September 2015, the Group had two counterparties with the balance that exceed 10% of equity (31 December 2014: two counterparties). As at 30 September 2015, the aggregate amount of these balances is RUB 54 099 881 thousand (31 December 2014: RUB 133 848 120 thousand).

As at 30 September 2015 the Group has term deposits due to the CBR in the amount of RUB 36 620 661 thousand (31 December 2014: RUB 60 258 238 thousand) which are secured by a pool of corporate loans (see Note 9 for details).

As at 30 September 2015 the Group has no repurchase agreements with the CBR (31 December 2014: RUB 20 835 234 thousand). As at 31 December 2014 fair value of securities pledged under these repurchase agreements was RUB 22 079 329 thousand (see Notes 6 and 10 for details).

13. Amounts due to customers

The amounts due to customers include the following:

	30 September 2015 unaudited	31 December 2014
Current accounts	165 980 966	125 598 853
Time deposits	764 866 150	685 021 652
Repurchase agreements with customers	235 065	-
Amounts due to customers	931 082 181	810 620 505

As at 30 September 2015, approximately 60% of total amounts due to customers were placed with the Group by its ten largest customers (31 December 2014: 53%).

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

13. Amounts due to customers (continued)

Analysis of customer accounts by type of customer is as follows:

	30 September 2015 unaudited	31 December 2014
Corporate		
Current accounts	80 350 666	54 412 163
Time deposits	658 987 534	604 318 805
Repurchase agreements with customers	235 065	-
Total corporate accounts	739 573 265	658 730 968
Retail		
Current accounts	85 630 300	71 186 690
Time deposits	105 878 616	80 702 847
Total retail accounts	191 508 916	151 889 537
Amounts due to customers	931 082 181	810 620 505

Included in retail time deposits are deposits of individuals in the amount of RUB 91 627 191 thousand (31 December 2014: RUB 63 001 635 thousand). In accordance with the Russian Civil Code, the Group is obliged to repay such deposits upon demand of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, the related interest rate on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the contract. Group's experience shows that majority of the time deposits of individuals mature according to contractual terms and can be treated as stable customer base. The remaining part of retail time deposits in the amount of RUB 14 251 425 thousand (31 December 2014: RUB 17 701 212 thousand) is represented by deposits placed by SME.

14. Debt securities issued

Debt securities issued consists of the following:

	30 September 2015 unaudited	31 December 2014
Bonds issued	35 373 349	62 007 167
Debt securities issued	35 373 349	62 007 167

On 27 February 2015 the Group redeemed bonds under a put option amounting to RUB 9 794 782 thousand.

On 27 May 2015 the Group redeemed bonds under a put option amounting to RUB 9 810 182 thousand.

On 14 August 2015 the Group redeemed bonds under a put option amounting to RUB 9 941 577 thousand.

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

14. Debt securities issued (continued)

On 23 September 2015 the Group placed RUB 4 000 000 thousand mortgage-backed bonds with a five-year maturity. The bonds each have a face value of RUB one thousand and carry ten semi-annual interest coupons. The coupon rate was set as 12.35% for the first six semi-annual periods. In September 2018 the coupon rate will be set for the remaining semi-annual periods. The Group has an obligation to buy the bonds back at their nominal value upon the bond holders request just before the end of the sixth semi-annual period.

As at 30 September 2015 mortgage-backed bonds with the carrying value of RUB 9 027 250 thousand (31 December 2014: RUB 5 125 808 thousand) are secured by a pool of mortgage loans with the carrying value of RUB 8 012 591 thousand (31 December 2014: RUB 4 428 583 thousand) and by cash in the amount of RUB 1 450 000 thousand (31 December 2014: RUB 1 000 000 thousand) (see Notes 5 and 9 for details).

15. Credit related commitments and contingencies

Credit related commitments and contingencies include the following:

	30 September 2015 unaudited	31 December 2014
Undrawn loan commitments	269 739 272	259 196 477
Undrawn commitments to issue documentary instruments	159 726 877	140 828 238
Guarantees issued	144 252 864	125 789 656
Letters of credit	38 810 106	46 498 812
Gross credit related commitments and contingencies before provision	612 529 119	572 313 183
Provisions for credit related commitments and contingencies	-	(11 781)
Total credit related commitments and contingencies	612 529 119	572 301 402

As at 30 September 2015 and 31 December 2014 the main part of credit related commitments and contingencies are revocable.

Operating Environment. Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

In December 2014, the Central Bank of the RF significantly increased its key interest rate. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook.

While in 2015 the economic situation in Russia has been more stable, these events resulted in reduced access of the Russian businesses to international capital markets, higher inflation, slowdown of the economic growth and other negative economic consequences. The impact of further economic developments in Russia on future operations and financial position of the Group is difficult to determine.

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

16. Gains on financial assets and liabilities held for trading

Gains on financial assets and liabilities held for trading comprise:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2015 unaudited	2014 unaudited	2015 unaudited	2014 unaudited
Net gains/(losses) from trading securities	59 933	(12 397)	174 852	(358 302)
Net gains from foreign exchange, interest based derivatives and translation of other foreign currency assets and liabilities	471 704	220 498	3 749 302	1 508 152
Gains on financial assets and liabilities held for trading	531 637	208 101	3 924 154	1 149 850

17. Fair values of financial instruments

Fair value is defined as 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 values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.
- As there is no active secondary market in Russia for loans and advances to banks and customers, deposits by banks and customers, promissory notes issued, subordinated debt, other borrowed funds and other financial assets and liabilities, there is no reliable market value available for these portfolios. In order to present fair value for these financial instruments a separate recalculation procedure is performed by a special routine which uses cash flows of each individual deal as a basis. The cash flows are multiplied with the respective discount factor per time bucket, currency, legal entity and risk product (asset or liability).

In accordance with the Group methodology discount factors include:

- for assets: Risk free rate + expected loss + unexpected loss;
- for liabilities: Risk free rate + own credit spread (liquidity spreads).
- For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair value valuation of derivative instruments is based on discounted cash flow analysis and performed using the management's best estimates and applicable interest rates. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

17. Fair values of financial instruments (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	30 September 2015 unaudited		
	Level 1	Level 2	Total
Financial assets at FVTPL			
Trading securities			
- held by the Group	1 849 809	5 977 311	7 827 120
Securities available-for-sale			
- held by the Group	29 998 707	22 279 109	52 277 816
- pledged under repurchase agreements	1 948 972	-	1 948 972
Derivative financial assets	-	57 912 355	57 912 355
Derivative financial assets designated for hedging	-	11 160 171	11 160 171
Total	33 797 488	97 328 946	131 126 434
Financial liabilities at FVTPL			
Derivative financial liabilities	-	46 707 788	46 707 788
Derivative financial liabilities designated for hedging	-	14 929 647	14 929 647
Total	-	61 637 435	61 637 435
	31 December 2014		
	Level 1	Level 2	Total
Financial assets at FVTPL			
Trading securities			
- held by the Group	1 326 696	2 858 252	4 184 948
- pledged under repurchase agreements	-	263 368	263 368
Securities available-for-sale			
- held by the Group	26 451 655	6 093 587	32 545 242
- pledged under repurchase agreements	-	21 815 961	21 815 961
Derivative financial assets	-	81 685 033	81 685 033
Derivative financial assets designated for hedging	-	12 003 652	12 003 652
Total	27 778 351	124 719 853	152 498 204
Financial liabilities at FVTPL			
Derivative financial liabilities	-	104 534 651	104 534 651
Derivative financial liabilities designated for hedging	-	20 464 088	20 464 088
Total	-	124 998 739	124 998 739

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

17. Fair values of financial instruments (continued)

The table above does not include available-for-sale equity investments of RUR 8 540 thousand (31 December 2014: RUR 8 540 thousand) which do not have a quoted market price in an active market and whose fair value cannot be reliably measured due to absence of the market for such instruments. Currently the Group does not intend to dispose of these investments.

During the nine-month period ended 30 September 2015 the transfers from level 2 to level 1 amounted to RUR 425 863 thousand for trading securities. During the nine-month period ended 30 September 2014 there were no transfers between levels 1 and 2 for trading securities.

During the nine-month period ended 30 September 2015 the transfers from level 2 to level 1 amounted to RUR 2 103 795 thousand for available-for-sale securities. During the nine-month period ended 30 September 2014 there were no transfers between levels 1 and 2 for available-for-sale securities.

Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated interim condensed statement of financial position approximate their fair value.

	30 September 2015 unaudited		31 December 2014	
	Carrying value unaudited	Fair value unaudited	Carrying value	Fair value
Financial assets				
Amounts due from credit institutions	349 590 645	345 349 685	332 555 937	327 034 093
Loans to customers	838 215 335	866 771 544	826 851 401	852 715 500
Financial liabilities				
Amounts due to credit institutions	156 203 379	179 122 092	209 956 341	210 922 593
Amounts due to customers	931 082 181	960 302 211	810 620 505	827 401 485
Debt securities issued	35 373 349	34 844 405	62 007 167	59 722 181

As at 30 September 2015 there were no changes in fair value levels hierarchy for financial assets and financial liabilities that are measures subsequently to initial recognition at amortised cost in comparison with 31 December 2014.

18. Related party disclosures

The Group's ultimate shareholder is the UniCredit S.P.A, the parent company of UniCredit Group. The Bank's immediate parent is UniCredit Bank Austria AG. Both entities issue publicly available financial statements.

In accordance with IAS 24 *Related Party Disclosures*, 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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be conducted on the same terms, conditions and amounts as transactions between unrelated parties.

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

18. Related party disclosures (continued)

Balances and transactions with UniCredit Bank Austria AG (the immediate parent) and UniCredit S.P.A (ultimate parent) were as follows:

	30 September 2015 unaudited	Weighted average interest rate, % unaudited	31 December 2014	Weighted average interest rate, %
Amounts due from credit institutions				
- in EUR	47 752	0.0%	519 897	0.0%
- in USD	211 712 428	2.5%	119 834 946	3.3%
Derivative financial assets	54 443		3 661	
Derivative financial assets designated for hedging	17 228		-	
Other assets	126 364		126 927	
Amounts due to credit institutions				
- in Russian Roubles	2 423 131	7.7%	4 872 000	6.4%
- in EUR	19 020 560	2.0%	17 621 039	2.1%
- in USD	44 247 556	8.0%	44 510 280	2.2%
- in other currencies	1 006 467	0.0%	-	
Derivative financial liabilities	9 885 529		17 342 174	
Derivative financial liabilities designated for hedging	2 464 010		10 224	
Other liabilities	487 434		448 834	
Commitments and guarantees issued	40 150 508		10 441 771	
Commitments and guarantees received	79 733 465		98 489 972	

	Nine-month period ended 30 September 2015 unaudited	Nine-month period ended 30 September 2014 unaudited
Interest income	7 151 846	1 154 977
Interest expense	(2 471 855)	(1 175 121)
Fee and commission income	19 330	18 258
Fee and commission expense	(1 934 402)	(51 351)
Losses on financial assets and liabilities held for trading	(5 665 836)	(1 540 072)
Fair value adjustments in portfolio hedge accounting	9 067	-
(Personnel expenses)/recovery of personnel expenses for seconded employees	(6 984)	6 301

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

18. Related party disclosures (continued)

Balances and transactions with other companies controlled by the UniCredit Group or related with UniCredit Group are as follows:

	30 September 2015 unaudited	Weighted average interest rate, % unaudited	31 December 2014	Weighted average interest rate, %
Amounts due from credit institutions				
- in Russian Roubles	10 389 007	14.3%	10 994 784	13.0%
- in EUR	10 567 608	0.4%	8 193 844	0.4%
- in USD	1 332 789	4.1%	1 139 014	4.1%
- in other currencies	8 146	0.0%	2 736	0.0%
Derivative financial assets	6 819 562		6 801 297	
Derivative financial assets designated for hedging	7 933 073		3 067 860	
Loans to customers				
- in Russian Roubles	860 000	0.0%	731 662	5.0%
- in EUR	2 898 156	6.0%	2 675 568	6.1%
Intangible assets	412 905		886 550	
Other assets	49 863		39 162	
Amounts due to credit institutions				
- in Russian Roubles	1 356 619	3.2%	2 286 350	22.2%
- in EUR	4 882 688	0.0%	2 709 370	0.0%
- in USD	368 849	0.0%	5 663 104	2.3%
- in other currencies	1 572	0.0%	1 967	0.0%
Derivative financial liabilities	9 877 009		12 052 242	
Derivative financial liabilities designated for hedging	6 887 975		15 000 188	
Amounts due to customers				
- in Russian Roubles	27 507	20.2%	22 482	19.2%
- in EUR	325 804	0.4%	391 218	2.1%
Other liabilities	411 042		976 985	
Commitments and guarantees issued	26 388 241		16 872 379	
Commitments and guarantees received	1 000 812		6 441 018	

	Nine-month period ended 30 September 2015 unaudited	Nine-month period ended 30 September 2014 unaudited
Interest income	9 936 433	4 701 452
Interest expense	(6 033 594)	(4 405 834)
Fee and commission income	47 766	11 355
Fee and commission expense	(52 892)	(37 005)
Gains/(losses) on financial assets and liabilities held for trading	2 347 318	(4 690 371)
Fair value adjustments in portfolio hedge accounting	(741 900)	-
Other income	326	700
Personnel expenses	(36 681)	(26 568)
Other administrative expenses	(95 921)	(68 098)

AO UniCredit Bank

Selected Notes to Consolidated Interim Condensed Financial Statements (continued) for the Nine-Month Period Ended 30 September 2015 (expressed in thousands of Russian Roubles)

18. Related party disclosures (continued)

Subordinated loans from the members of the UniCredit Group were as follows:

	Nine-month period ended 30 September 2015 unaudited UniCredit Bank Austria AG	Nine-month period ended 30 September 2014 unaudited UniCredit Bank Austria AG
Subordinated loans at the beginning of the period	13 753 224	12 326 113
Subordinated loans received during the period	27 761 347	-
Subordinated loans repaid during the period	-	(3 503 430)
Accrual of interest, net of interest paid	(84 684)	171 297
Effect of exchange rates changes	5 339 842	996 820
Subordinated loans at the end of the period	46 769 729	9 990 800

For the nine-month period ended 30 September 2015 compensation of the key management personnel comprises remuneration in the amount of RUB 110 063 thousand (nine-month period ended 30 September 2014: RUB 89 898 thousand) and post-employment benefits in the amount of RUB 851 thousand (nine-month period ended 30 September 2014: RUB 767 thousand). As at 30 September 2015, current accounts and time deposits of key management personnel amounted to RUB 206 453 thousand (31 December 2014: RUB 102 556 thousand). As at 30 September 2015, other liabilities of key management personnel amounted to RUB 20 396 thousand (31 December 2014: RUB 17 025 thousand). The related interest expense for the nine-month period ended 30 September 2015 amounted to RUB 8 284 thousand (nine-month period ended 30 September 2014: RUB 2 891 thousand).