

AO UniCredit Bank

Unaudited Consolidated Interim Condensed
Financial Statements
for the Three-Month Period Ended 31 March 2015

AO UNICREDIT BANK

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 31 MARCH 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 31 March 2015, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three-month period 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.

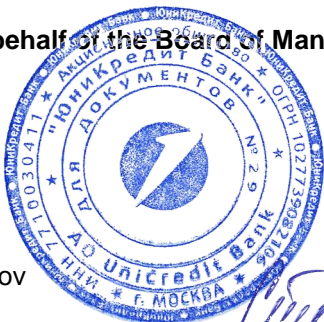
Management is also responsible for:

- 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 31 March 2015 were authorized for issue by the Board of Management of AO UniCredit Bank on 13 May 2015.

Signed on behalf of the Board of Management

M. Alekseev



V. Starovoytov

13 May 2015

Chairman of the Board of Management

Acting 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 31 March 2015, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three-month period 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

13 May 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 31 MARCH 2015 (expressed in thousands of Russian Roubles)

	Notes	31 March 2015 Unaudited	31 December 2014
Assets			
Cash and cash balances	5	32 336 773	42 873 396
Trading securities	6		
- held by the Group		2 477 004	4 184 948
- pledged under repurchase agreements		284 098	263 368
Amounts due from credit institutions	7	299 208 116	332 555 937
Derivative financial assets	8	62 260 858	81 685 033
Derivative financial assets designated for hedging	8	12 491 349	12 003 652
Changes in fair value of portfolio hedged items		(4 274 018)	(8 117 984)
Loans to customers	9	830 040 204	826 851 401
Securities available-for-sale	10		
- held by the Group		30 004 993	32 553 782
- pledged under repurchase agreements		24 150 022	21 815 961
Fixed assets		5 932 793	6 001 364
Intangible assets		3 633 386	3 443 831
Current income tax		20 458	176 292
Other assets		4 630 515	4 081 974
Total assets		1 303 196 551	1 360 372 955
Liabilities			
Amounts due to credit institutions	12	204 641 999	209 956 341
Financial liabilities held for trading		460 674	-
Derivative financial liabilities	8	84 493 840	104 534 651
Derivative financial liabilities designated for hedging	8	19 199 393	20 464 088
Changes in fair value of portfolio hedged items		947 936	(697 554)
Amounts due to customers	13	780 271 783	810 620 505
Debt securities issued	14	51 831 638	62 007 167
Deferred income tax liabilities		4 405 463	2 597 149
Current income tax liabilities		806	506 631
Other liabilities		7 559 916	8 317 953
Total liabilities		1 153 813 448	1 218 306 931
Equity			
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		(1 268 170)	(1 541 487)
Revaluation reserve for available-for-sale investment securities		(6 419 841)	(9 070 231)
Retained earnings		114 846 027	110 452 655
Total equity		149 383 103	142 066 024
Total equity and liabilities		1 303 196 551	1 360 372 955

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

M. Alekseev

Chairman of the Board of Management

V. Starovoytov

Acting Chief Accountant

13 May 2015



The accompanying selected notes on pages 8 to 26 are an integral part of these consolidated interim condensed financial statements.

AO UNICREDIT BANK

CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

	Notes	Three-month period ended 31 March 2015 Unaudited	Three-month period ended 31 March 2014 Unaudited
Interest income		36 119 781	19 581 557
Interest expense		(25 863 212)	(11 582 349)
Net interest income		10 256 569	7 999 208
Fee and commission income		2 022 963	1 837 204
Fee and commission expense		(1 154 156)	(270 422)
Net fee and commission income		868 807	1 566 782
Gains/(losses) on financial assets and liabilities held for trading	16	1 064 084	(152 873)
Fair value adjustments in portfolio hedge accounting		(400 902)	40 544
Losses/(gains) on disposal of:			
- loans		(4 337)	68 582
- available-for-sale financial assets		(141 157)	1 480
OPERATING INCOME		11 643 064	9 523 723
(Impairment)/recovery on:			
- loans	9	(2 456 285)	(908 530)
- other financial transactions		11 781	23 669
NET INCOME FROM FINANCIAL ACTIVITIES		9 198 560	8 638 862
Personnel expenses		(2 025 727)	(1 832 713)
Other administrative expenses		(1 251 611)	(975 122)
Depreciation of fixed assets		(183 605)	(186 781)
Amortization of intangible assets		(195 922)	(171 653)
Other provisions		(2 141)	2 514
Other operating expenses		(23 222)	(18 829)
Operating costs		(3 682 228)	(3 182 584)
Gains on disposal of fixed assets		2 561	3 204
PROFIT BEFORE INCOME TAX EXPENSE		5 518 893	5 459 482
Income tax expense	11	(1 125 521)	(1 085 822)
PROFIT FOR THE PERIOD		4 393 372	4 373 660
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		265 393	(175 647)
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the period		7 924	27 208
Revaluation reserve for available-for-sale securities:			
- fair value changes		2 489 652	(1 809 880)
- reclassification adjustment relating to available-for-sale financial assets disposed of in the period		160 738	(156)
Other comprehensive income/(loss) for the period, net of tax		2 923 707	(1 958 475)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		7 317 079	2 415 185

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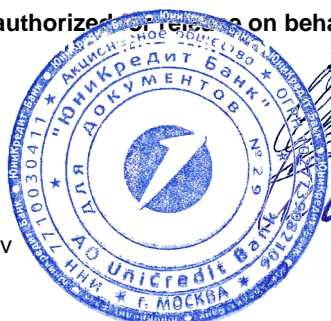
M. Alekseev

Chairman of the Board of Management

V. Starovoytov

Acting Chief Accountant

13 May 2015



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AO UNICREDIT BANK

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

	Share capital	Share premium	Cash flow hedge reserve	Revaluation reserve for available-for-sale investment 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)	-	-	-	-	4 373 660	4 373 660
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (Unaudited)	-	-	(148 439)	-	-	(148 439)
Net change in revaluation reserve for available-for-sale investment securities, net of tax (Unaudited)	-	-	-	(1 810 036)	-	(1 810 036)
Total other comprehensive income (Unaudited)	-	-	(148 439)	(1 810 036)	-	(1 958 475)
Total comprehensive income for the period (Unaudited)	-	-	(148 439)	(1 810 036)	4 373 660	2 415 185
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
31 March 2014 (Unaudited)	41 787 806	437 281	(1 307 960)	(2 221 857)	96 006 974	134 702 244
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)	-	-	-	-	4 393 372	4 393 372
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (Unaudited)	-	-	273 317	-	-	273 317
Net change in revaluation reserve for available-for-sale investment securities, net of tax (Unaudited)	-	-	-	2 650 390	-	2 650 390
Total other comprehensive income (Unaudited)	-	-	273 317	2 650 390	-	2 923 707
Total comprehensive income for the period (Unaudited)	-	-	273 317	2 650 390	4 393 372	7 317 079
31 March 2015 (Unaudited)	41 787 806	437 281	(1 268 170)	(6 419 841)	114 846 027	149 383 103

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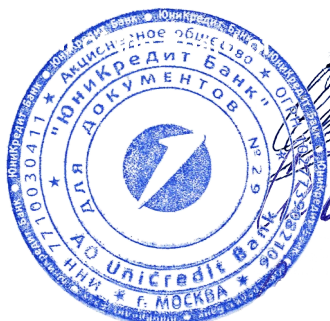
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CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

	Note	Three-Month Period Ended 31 March 2015 Unaudited	Three-Month Period Ended 31 March 2014 Unaudited
Cash flows from operating activities before changes in operating assets and liabilities		14 451 429	6 390 922
Net cash (used in)/from operating activities before income tax		(31 341 481)	10 748 312
Corporate income tax paid		(392 098)	(794 936)
Net cash flows (used in)/from operating activities		(31 733 579)	9 953 376
Cash flows from investing activities			
Purchase of available-for-sale investment securities		-	(19 929 411)
Proceeds from redemption and sale of available-for-sale investment securities		3 502 006	4 932 588
Acquisition of subsidiary	1	-	(1 163 400)
Proceeds from sale of fixed and intangible assets		2 794	3 919
Purchase of fixed and intangible assets		(500 761)	(320 128)
Net cash flows from/(used in) investing activities		3 004 039	(16 476 432)
Cash flows from financing activities			
Proceeds from issuance and sale of repurchased bonds		-	6 000
Redemption of bonds issued under put option		(9 904 446)	-
Proceeds from subordinated debt received		27 761 347	-
Net cash flows from financing activities		17 856 901	6 000
Effect of exchange rates changes on cash and cash balances		336 016	147 920
Net decrease in cash and cash balances		(10 536 623)	(6 369 136)
Cash and cash balances, beginning	5	42 873 396	25 708 189
Cash and cash balances, ending	5	32 336 773	19 339 053

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Acting Chief Accountant

13 May 2015



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AO UNICREDIT BANK

SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 “CB RF”) to conduct banking operations dated 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 CB RF license for operations with precious metals dated 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 31 March 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 31 March 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 31 March 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 three-month period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015.

AO UNICREDIT BANK

SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

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 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.

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:

	<u>31 March 2015</u>	<u>31 December 2014</u>
RUB/1 US Dollar	58.4643	56.2584
RUB/1 Euro	63.3695	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.

SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

In preparing these consolidated interim condensed financial statements the significant judgements made by 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. 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 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 consolidated interim condensed financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

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 and correspondent amendments to other standards⁵;
- IFRS 15 Revenue from Contracts with Customers and correspondent amendments to other standards⁴;
- IFRS 14 Regulatory Deferral Accounts¹;
- Amendments to IFRS 11 Joint Arrangements¹;
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets¹;
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture¹;
- Amendments to IAS 27 Separate financial statements¹;
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures²;
- Amendments to IFRSs – “Annual improvements to IFRSs 2012-2014 cycle”³;
- Amendments to IAS 1 – Disclosure initiative project².

¹ Applicable to annual periods beginning on or after 1 January 2016, with earlier application permitted.

² Applicable on a prospective basis to annual periods beginning on or after 1 January 2016, with earlier application permitted.

³ Applicable to annual periods beginning on or after 1 July 2016, with earlier application permitted.

⁴ Applicable to annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

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 consolidation interim condensed financial statements for the three-month period ended 31 March 2014 are presented as follows:

	<u>As previously reported</u>	<u>Effect of reclassifications</u>	<u>As adjusted</u>
Consolidated interim condensed statement of comprehensive income for the three-month period ended 31 March 2014			
Interest income	15 010 550	4 571 007	19 581 557
Interest expense	(7 011 342)	(4 571 007)	(11 582 349)

4. OPERATING SEGMENTS

For 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 private banking services, credit and debit card services, retail sight and term deposit services, 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.

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:

	<u>31 March 2015 Unaudited</u>	<u>31 December 2014</u>
Assets		
CIB	920 582 898	992 513 291
Retail banking	141 982 010	155 069 273
Leasing	13 106 410	13 876 890
Other	227 525 233	198 913 501
Total assets	<u>1 303 196 551</u>	<u>1 360 372 955</u>
Liabilities		
CIB	783 235 000	871 471 401
Retail banking	158 344 274	151 878 535
Leasing	10 515 679	11 332 545
Other	201 718 495	183 624 450
Total liabilities	<u>1 153 813 448</u>	<u>1 218 306 931</u>

AO UNICREDIT BANK

SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

Segment information for the operating segments for the three-month period ended 31 March 2015 and 31 March 2014 is set out below (unaudited):

	<u>CIB</u>	<u>Retail Banking</u>	<u>Leasing</u>	<u>Other</u>	<u>Total</u>
Net interest income from external customers for the three-month period ended 31 March 2015	5 642 469	2 995 576	196 457	1 422 067	10 256 569
Net interest income/(expense) from external customers for the three-month period ended 31 March 2014	5 337 722	4 172 093	182 050	(1 692 657)	7 999 208
Inter-segment income/(expense) for the three-month period ended 31 March 2015	662 398	(206 944)	-	(455 454)	-
Inter-segment (expense)/income for the three-month period ended 31 March 2014	(779 048)	(1 639 078)	-	2 418 126	-
Net interest income for the three-month period ended 31 March 2015	6 304 867	2 788 632	196 457	966 613	10 256 569
Net interest income for the three-month period ended 31 March 2014	4 558 674	2 533 015	182 050	725 469	7 999 208
Net fee and commission income from external customers for the three-month period ended 31 March 2015	150 850	711 726	4 545	1 686	868 807
Net fee and commission income/(expense) from external customers for the three-month period ended 31 March 2014	698 404	753 841	(4 505)	119 042	1 566 782
Gains on financial assets and liabilities held for trading for the three-month period ended 31 March 2015:					
- from external customers	504 212	392 716	841	166 315	1 064 084
(Losses)/gains on financial assets and liabilities held for trading for the three-month period ended 31 March 2014:					
- from external customers	(329 672)	237 753	(1 049)	(59 905)	(152 873)
Fair value adjustments in portfolio hedge accounting for the three-month period ended 31 March 2015	-	-	-	(400 902)	(400 902)
Fair value adjustments in portfolio hedge accounting for the three-month period ended 31 March 2014	-	-	-	40 544	40 544
(Losses)/gains on disposals of financial assets for the three-month period ended 31 March 2015	(147 470)	1 976	-	-	(145 494)
Gains on disposals of financial assets for the three-month period ended 31 March 2014	70 062	-	-	-	70 062
Operating income for the three-month period ended 31 March 2015	6 812 459	3 895 050	201 843	733 712	11 643 064
Operating income for the three-month period ended 31 March 2014	4 997 468	3 524 609	176 496	825 150	9 523 723

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

	CIB	Retail Banking	Leasing	Other	Total
(Impairment)/recovery of impairment for the three-month period ended 31 March 2015 on:					
- loans	(1 532 091)	(905 577)	(18 981)	364	(2 456 285)
- other financial transactions	11 781	-	-	-	11 781
(Impairment)/recovery of impairment for the three-month period ended 31 March 2014 on:					
- loans	(373 367)	(523 792)	(11 371)	-	(908 530)
- other financial transactions	23 669	-	-	-	23 669
Net income from financial activities for the three-month period ended 31 March 2015	5 292 149	2 989 473	182 862	734 076	9 198 560
Net income from financial activities for the three-month period ended 31 March 2014	4 647 770	3 000 817	165 125	825 150	8 638 862
Operating costs for the three-month period ended 31 March 2015 including:					
depreciation on fixed assets and amortization of intangible assets	(1 278 225)	(2 178 949)	(96 654)	(128 400)	(3 682 228)
Operating costs for the three-month period ended 31 March 2014 including:					
depreciation on fixed assets and amortization of intangible assets	(119 133)	(259 744)	(650)	-	(379 527)
Operating costs for the three-month period ended 31 March 2014 including:					
depreciation on fixed assets and amortization of intangible assets	(1 065 879)	(1 955 631)	(67 439)	(93 635)	(3 182 584)
	(43 707)	(95 218)	(789)	(218 720)	(358 434)
Gains on disposal of fixed assets for the three-month period ended 31 March 2015	-	-	-	2 561	2 561
Gains on disposal of fixed assets for the three-month period ended 31 March 2014	-	-	-	3 204	3 204
Profit before income tax expense for the three-month period ended 31 March 2015	4 013 924	810 524	86 208	608 237	5 518 893
Profit before income tax expense for the three-month period ended 31 March 2014	3 581 891	1 045 186	97 686	734 719	5 459 482
Income tax expense for the three-month period ended 31 March 2015					(1 125 521)
Income tax expense for the three-month period ended 31 March 2014					(1 085 822)
Profit for the three-month period ended 31 March 2015					4 393 372
Profit for the three-month period ended 31 March 2014					4 373 660
Cash flow hedge reserve for the three-month period ended 31 March 2015					273 317
Cash flow hedge reserve for the three-month period ended 31 March 2014					(148 439)
Revaluation reserve for available-for-sale investment securities for the three-month period ended 31 March 2015					2 650 390

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

	CIB	Retail Banking	Leasing	Other	Total
Revaluation reserve for available-for-sale investment securities for the three-month period ended 31 March 2014					(1 810 036)
Total comprehensive income for the three-month period ended 31 March 2015					7 317 079
Total comprehensive income for the three-month period ended 31 March 2014					2 415 185

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:

	Three-month Period Ended 31 March 2015 Unaudited	Three-month Period Ended 31 March 2014 Unaudited
Medium and long term financing	3 047 409	1 902 999
Current accounts	2 177 753	1 350 639
Term deposits	843 500	55 397
Short-term financing	548 879	608 358
Consumer loans	387 629	482 476
Mortgage loans	52 774	147 582
Other lending	709 882	1 219 009
Other products	2 488 743	2 232 748
Net interest income	10 256 569	7 999 208

5. CASH AND CASH BALANCES

Cash and cash balances comprise:

	31 March 2015 Unaudited	31 December 2014
Cash on hand	11 603 577	19 074 061
Current accounts with the CBR	20 733 196	23 799 335
Cash and cash balances	32 336 773	42 873 396

Included in cash and cash balances as at 31 March 2015 is amount of RUB 1 000 000 thousand (31 December 2014: RUB 1 000 000 thousand) pledged as collateral for mortgage-backed bonds issued by the Group in September 2011 (see Note 14 for details).

6. TRADING SECURITIES

Trading securities comprise:

	31 March 2015 Unaudited	31 December 2014
USD denominated		
Russian Government Eurobonds	5 749	5 204
RUB denominated		
Corporate and bank bonds	2 642 705	2 974 837
Russian Government Bonds	112 648	1 468 275
Trading securities	2 761 102	4 448 316

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

As at 31 March 2015 included in corporate and bank bonds are securities sold under repurchase agreements with CBR in the amount of RUB 284 098 thousand (31 December 2014: RUB 263 368 thousand included in corporate and bank bonds) (see Note 12 for details).

As at 31 March 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 485 210 thousand (31 December 2014: RUB 869 114 thousand). As at 31 March 2015 and 31 December 2014 the Group has no "overnight" loans with CBR (see Note 12 for details).

7. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	<u>31 March 2015</u> <u>Unaudited</u>	<u>31 December</u> <u>2014</u>
Current accounts with credit institutions	65 280 012	94 243 731
Time deposits	209 313 749	181 983 768
Reverse repurchase agreements with credit institutions	17 838 175	50 434 023
Obligatory reserve with the CBR	6 776 180	5 894 415
Amounts due from credit institutions	<u>299 208 116</u>	<u>332 555 937</u>

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 31 March 2015, there are three counterparties with balances that individually exceed 10% of the Group's equity. As at 31 March 2015, the aggregate amount of these balances is RUB 215 885 359 thousand (31 December 2014: six counterparties with aggregate amount of RUB 255 271 346 thousand).

As at 31 March 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 19 157 424 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 31 March 2015 the Group has term placements with CBR of RUB 10 000 000 thousand (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.

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

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

	31 March 2015 Unaudited			31 December 2014		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cross-currency interest rate swaps	261 148 222	40 449 998	59 667 960	272 981 002	48 375 890	57 840 876
Interest rate swaps and options	531 521 901	8 349 909	12 128 738	569 907 604	10 444 854	14 867 984
Foreign exchange forwards and options	150 876 967	13 460 951	12 697 142	205 475 132	22 864 289	31 825 791
Futures on foreign exchange and securities	960 000	-	-	962 500	-	-
Total derivative assets/liabilities		62 260 858	84 493 840		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.

	31 March 2015 Unaudited			31 December 2014		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cash flow hedge						
Interest rate swaps	31 876 560	68 856	705 518	33 615 277	108 611	704 822
Cross-currency interest rate swaps	63 926 856	2 662 929	13 024 806	74 416 922	629 821	14 767 014
Total cash flow hedge		2 731 785	13 730 324		738 432	15 471 836
Fair value hedge						
Interest rate swaps	525 460 553	9 759 564	5 469 069	518 761 072	11 265 220	4 992 252
Total fair value hedge		9 759 564	5 469 069		11 265 220	4 992 252
Total derivative financial assets/ liabilities designated for hedging		12 491 349	19 199 393		12 003 652	20 464 088

9. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 March 2015 Unaudited	31 December 2014
Corporate customers	685 246 483	667 566 481
Retail customers, including SME	152 292 581	165 022 389
Lease receivables	11 851 899	12 485 745
Reverse repurchase agreements with companies	3 294 693	2 526 107
Gross loans to customers	852 685 656	847 600 722
Allowance for loan impairment	(22 645 452)	(20 749 321)
Loans to customers	830 040 204	826 851 401

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

	Three-month period ended 31 March 2015	
	2015 Unaudited	2014 Unaudited
Allowance for loan impairment at the beginning of the period	20 749 321	16 978 859
Charge for the period	2 456 285	908 530
Loans sold or recovered through the sale of collateral during the period	(83 104)	(81 333)
Loans written-off during the period	(649 651)	(43 335)
Acquisition of subsidiary under common control	-	61 982
Effect of exchange rate changes	172 601	433 963
Allowance for loan impairment at the end of the period	22 645 452	18 258 666

As at 31 March 2015, the Group entered into reverse repurchase agreements with a number of Russian companies. Pledged under these agreements are Russian Government bonds, municipal bonds, corporate and bank bonds issued by Russian companies and banks with the total fair value of RUB 3 662 907 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 31 March 2015, the Group had RUB 182 263 812 thousand due from its ten largest borrowers (21% of gross loan portfolio) (31 December 2014: RUB 178 359 090 thousand or 21%). An allowance of RUB 243 046 thousand was recognized against these loans (31 December 2014: RUB 244 890 thousand).

As at 31 March 2015, the Group had nine 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 31 March 2015, the amount of these loans is RUB 219 139 731 thousand (31 December 2014: RUB 201 467 228 thousand).

Included in corporate loans as at 31 March 2015 are loans with gross amount of RUB 100 858 251 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 31 March 2015 are mortgage loans with gross amount of RUB 4 141 275 thousand (31 December 2014: RUB 4 428 583 thousand) pledged as collateral for mortgage-backed bonds issued by the Group in September 2011 (see Note 14 for details).

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

10. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	31 March 2015 Unaudited	31 December 2014
Debt and other fixed income investments available-for-sale		
USD denominated		
Corporate Eurobonds	194 865	179 083
RUB denominated		
Russian Government Bonds	30 929 184	28 969 400
Corporate and bank bonds	23 022 428	25 212 720
Total debt and other fixed income investments available-for-sale	54 146 477	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	2 705	2 707
Total equity investments available-for-sale	8 538	8 540
Total investments available-for-sale	54 155 015	54 369 743

As at 31 March 2015 included in Russian Government bonds, corporate and bank bonds are securities sold under repurchase agreements in the amount of RUB 24 150 022 thousand (31 December 2014: RUB 21 815 961 thousand) (see Note 12 for details).

As at 31 March 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 23 604 626 thousand (31 December 2014: RUB 21 429 453 thousand). As at 31 March 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 31 March 2015	
	2015 Unaudited	2014 Unaudited
Current tax charge	42 108	958 792
Deferred tax charge – origination of temporary differences	1 083 413	127 030
Income tax expense	1 125 521	1 085 822

Tax effect relating to components of other comprehensive income comprises:

	Three-Month Period Ended 31 March 2015 Unaudited			Three-Month Period Ended 31 March 2014 Unaudited		
	Amount before tax	Tax expense	Amount net- of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	341 646	(68 329)	273 317	(185 549)	37 110	(148 439)
Revaluation reserve for available- for-sale investment securities	3 312 988	(662 598)	2 650 390	(2 262 545)	452 509	(1 810 036)
Other comprehensive income	3 654 634	(730 927)	2 923 707	(2 448 094)	489 619	(1 958 475)

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

12. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	31 March 2015 Unaudited	31 December 2014
Current accounts	17 265 742	25 254 271
Time deposits and loans	123 405 234	150 113 612
Repurchase agreements with credit institutions	23 172 735	20 835 234
Subordinated debt	40 798 288	13 753 224
Amounts due to credit institutions	204 641 999	209 956 341

As at 31 March 2015, the ten largest deposits, excluding subordinated debt, represented 87% of total amounts due to credit institutions (31 December 2014: 85%).

As at 31 March 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 RUB 28 115 481 thousand or USD 480 900 thousand with quarterly interest payment at annual interest rate Libor plus 10.08% and maturity date in June 2025.

As at 31 March 2015, the Group had two counterparties with the balances that exceeded 10% of equity (31 December 2014: two counterparties). As at 31 March 2015, the aggregate amount of these balances is RUB 111 192 550 thousand (31 December 2014: RUB 133 848 120 thousand).

As at 31 March 2015 the Group has term deposits due to the CBR in the amount of RUB 69 856 112 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 31 March 2015 the Group has repurchase agreements with the CBR in the amount of RUB 21 636 771 thousand (31 December 2014: RUB 20 835 234 thousand). As at 31 March 2015 fair value of securities pledged under these repurchase agreements is RUB 22 639 567 thousand (31 December 2014: 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:

	31 March 2015 Unaudited	31 December 2014
Current accounts	133 379 737	125 598 853
Time deposits	646 771 721	685 021 652
Repurchase agreements with customers	120 325	-
Amounts due to customers	780 271 783	810 620 505

As at 31 March 2015, approximately 56% of total amounts due to customers were placed with the Group by its ten largest customers (31 December 2014: 53%).

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

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

	<u>31 March 2015</u> <u>Unaudited</u>	<u>31 December</u> <u>2014</u>
Corporate		
Current accounts	60 388 831	54 412 163
Time deposits	561 418 353	604 318 805
Repurchase agreements with customers	120 325	-
Total corporate accounts	<u>621 927 509</u>	<u>658 730 968</u>
Retail		
Current accounts	72 990 906	71 186 690
Time deposits	85 353 368	80 702 847
Total retail accounts	<u>158 344 274</u>	<u>151 889 537</u>
Amounts due to customers	<u>780 271 783</u>	<u>810 620 505</u>

Included in retail time deposits are deposits of individuals in the amount of RUB 72 798 728 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 12 554 640 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:

	<u>31 March 2015</u> <u>Unaudited</u>	<u>31 December</u> <u>2014</u>
Bonds issued	51 831 638	62 007 167
Debt securities issued	<u>51 831 638</u>	<u>62 007 167</u>

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

As at 31 March 2015 mortgage-backed bonds with the carrying value of RUB 5 013 359 thousand (31 December 2014: RUB 5 125 808 thousand) are secured by a pool of mortgage loans with the carrying value of RUB 4 141 275 thousand (31 December 2014: RUB 4 428 583 thousand) and by cash in the amount of RUB 1 000 000 thousand (31 December 2014: RUB 1 000 000 thousand) (see Note 5 and 9 for details).

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

15. CREDIT RELATED COMMITMENTS AND CONTINGENCIES

Credit related commitments and contingencies

	31 March 2015 Unaudited	31 December 2014
Undrawn loan commitments	222 284 017	259 196 477
Undrawn commitments to issue documentary instruments	135 925 797	140 828 238
Guarantees issued	127 248 861	125 789 656
Letters of credit	37 387 428	46 498 812
Gross credit related commitments and contingencies before provision	522 846 103	572 313 183
Provisions for credit related commitments and contingencies	-	(11 781)
Total credit related commitments and contingencies	522 846 103	572 301 402

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

Operating Environment

Emerging markets such as Russian Federation 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 Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because the Russian Federation 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. Management is unable to reliably estimate the effects of any further price fluctuations on the Group's financial position.

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. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook. In December 2014, the CBR significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. The exchange rate of the Russian Rouble depreciated significantly. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, further weakening of the Rouble and other negative economic consequences.

The impact of further political and economic developments in Russia on future operations and financial position of the Group is at this stage difficult to determine.

16. GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

Gains/(losses) on financial assets and liabilities held for trading comprise:

	Three-Month Period Ended 31 March	
	2015 Unaudited	2014 Unaudited
Net gains/(losses) from trading securities	42 320	(405 607)
Net (losses)/gains from foreign exchange, interest based derivatives and changes in fair value of money market deposits:		
- spot, derivative and money market deposits trading	(2 895 422)	(5 691 516)
- translation of other foreign currency assets and liabilities	3 917 186	5 944 250
Gains/(losses) on financial assets and liabilities held for trading	1 064 084	(152 873)

SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 *(expressed in thousands of Russian Roubles)*

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 borrowing 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.

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.

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

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.

	31 March 2015		
	Level 1	Level 2	Total
Financial assets at FVTPL			
Trading securities			
- held by the Group	118 397	2 358 607	2 477 004
- pledged under repurchase agreements	-	284 098	284 098
Investment securities available-for-sale			
- held by the Group	22 403 667	7 592 788	29 996 455
- pledged under repurchase agreements	7 760 949	16 389 073	24 150 022
Derivative financial assets	-	62 260 858	62 260 858
Derivative financial assets designated for hedging	-	12 491 349	12 491 349
Total	30 283 013	101 376 773	131 659 786
Financial liabilities at FVTPL			
Derivative financial liabilities	-	84 493 840	84 493 840
Derivative financial liabilities designated for hedging	-	19 199 393	19 199 393
Total	-	103 693 233	103 693 233
	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
Investment 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

The table above does not include available-for-sale equity investments of RUR 8 538 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 three-month period ended 31 March 2015 and 31 March 2014 there were no transfers between levels 1 and 2 for trading securities.

During the three-month period ended 31 March 2015 the transfers from level 2 to level 1 amounted to RUR 2 012 891 thousand for available-for-sale investment securities.

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

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.

	31 March 2015		31 December 2014	
	Carrying value Unaudited	Fair value Unaudited	Carrying value	Fair value
Financial assets				
Amounts due from credit institutions	299 208 116	294 889 160	332 555 937	327 034 093
Loans to customers	830 040 204	847 900 448	826 851 401	852 715 500
Financial liabilities				
Amounts due to credit institutions	204 641 999	205 625 014	209 956 341	210 922 593
Amounts due to customers	780 271 783	802 669 148	810 620 505	827 401 485
Debt securities issued	51 831 638	49 855 640	62 007 167	59 722 181

As at 31 March 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.

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

	31 March 2015 Unaudited	Weighted average interest rate, % Unaudited	31 December 2014	Weighted average interest rate, %
Amounts due from credit institutions				
In EUR	320 097	0.0%	519 897	0.0%
In USD	171 999 980	2.4%	119 834 946	3.3%
Derivative financial assets	2 160 527		3 661	
Derivative financial assets designated for hedging	2 527		-	
Other assets	256 770		126 927	
Amounts due to credit institutions				
In Russian Roubles	4 449 900	12.6%	4 872 000	6.4%
In EUR	16 535 932	2.1%	17 621 039	2.1%
In USD	44 315 910	7.1%	44 510 280	2.2%
Derivative financial liabilities	14 783 227		17 342 174	
Derivative financial liabilities designated for hedging	707		10 224	
Other liabilities	550 472		448 834	
Commitments and guarantees issued	8 406 003		10 441 771	
Commitments and guarantees received	83 662 564		98 489 972	

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

	Three-Month Period Ended 31 March 2015 Unaudited	Three-Month Period Ended 31 March 2014 Unaudited
Interest income	2 057 372	77 864
Interest expense	(488 787)	(424 617)
Fee and commission income	4 826	5 351
Fee and commission expense	(780 391)	(14 942)
Gains/(losses) on financial assets and liabilities held for trading	(4 230 126)	5 835
Fair value adjustments in portfolio hedge accounting	(273)	-
(Personnel expenses)/recovery of personnel expenses for seconded employees	(6 017)	11 240

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

	31 March 2015 Unaudited	Weighted average interest rate, % Unaudited	31 December 2014	Weighted average interest rate, %
Amounts due from credit institutions				
In Russian Roubles	10 002 515	12.2%	10 994 784	13.0%
In EUR	7 783 200	0.4%	8 193 844	0.4%
In USD	1 183 149	4.1%	1 139 014	4.1%
In other currencies	28 445	0.0%	2 736	0.0%
Derivative financial assets	7 405 903		6 801 297	
Derivative financial assets designated for hedging	6 480 505		3 067 860	
Loans to customers				
In Russian Roubles	778 232	5.0%	731 662	5.0%
In EUR	2 476 440	6.0%	2 675 568	6.1%
Intangible assets	46 549		886 550	
Other assets	56 222		39 162	
Amounts due to credit institutions				
In Russian Roubles	78 265	0.0%	2 286 350	22.2%
In EUR	4 046 269	0.0%	2 709 370	0.0%
In USD	7 090	0.0%	5 663 104	2.3%
In other currencies	1 952	0.0%	1 967	0.0%
Derivative financial liabilities	12 374 396		12 052 242	
Derivative financial liabilities designated for hedging	13 767 751		15 000 188	
Amounts due to customers				
In Russian Roubles	1 192 761	14.8%	22 482	19.2%
In EUR	353 493	1.9%	391 218	2.1%
In USD	93 543	1.8%	-	-
Other liabilities	465 852		976 985	
Commitments and guarantees issued	4 752 020		16 872 379	
Commitments and guarantees received	4 424 668		6 441 018	

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SELECTED NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015 (expressed in thousands of Russian Roubles)

	Three-Month Period Ended 31 March 2015 Unaudited	Three-Month Period Ended 31 March 2014 Unaudited
Interest income	3 393 704	1 449 748
Interest expense	(2 147 477)	(1 470 638)
Fee and commission income	11 412	4 672
Fee and commission expense	(11 084)	(10 813)
Losses on financial assets and liabilities held for trading	(2 909 048)	(379 074)
Fair value adjustments in portfolio hedge accounting	(1 533 773)	(1 267 988)
Other income	109	109
Personnel expenses	(11 141)	(3 911)
Other administrative expenses	(25 299)	(13 066)

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

	Three-Month Period Ended 31 March 2015 Unaudited UniCredit Bank Austria AG	Three-Month Period Ended 31 March 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	-
Accrual of interest, net of interest paid	(75 778)	(43 677)
Effect of exchange rates changes	(640 505)	1 112 190
Subordinated loans at the end of the period	40 798 288	13 394 626

For the three-month period ended 31 March 2015 compensation of the key management personnel comprises remuneration in the amount of RUB 31 253 thousand (three-month period ended 31 March 2014: RUB 26 223 thousand) and post-employment benefits in the amount of RUB 266 thousand (three-month period ended 31 March 2014: RUB 243 thousand).