

***Group of State Corporation "Bank for Development and  
Foreign Economic Affairs (Vnesheconombank)"***  
Interim Condensed Consolidated Financial Statements  
as at 30 September 2017

*with report on review*

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## Report on Review of Interim Financial Information

To the Supervisory Board of State Corporation  
"Bank for Development and Foreign Economic Affairs  
(Vnesheconombank)"

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" and its subsidiaries (hereinafter, the "Group"), which comprise the interim condensed consolidated statement of financial position as at 30 September 2017, the interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended and selected explanatory notes (interim financial information). Management of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

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

## **Conclusion**

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



G.A. Shinin  
Partner  
Ernst & Young LLC

6 December 2017

## **Details of the entity**

Name: State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"  
State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" was formed by means of reorganization of Bank for Foreign Economic Affairs of the USSR pursuant to and in accordance with Federal Law No. 82-FZ, *On the Bank for Development*, dated 17 May 2007. In accordance with Federal Law No. 395-1, *On Banks and Banking Activity*, dated 2 December 1990, State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" performs banking operations as stipulated by Federal Law No. 82-FZ, *On the Bank for Development*, dated 17 May 2007.

Record made in the State Register of Legal Entities on 8 June 2007; State Registration Number 1077711000102.  
Address: Russia, 107078, Moscow, prospekt Akademika Sakharova, 9.

## **Details of the auditor**

Name: Ernst & Young LLC

Record made in the State Register of Legal Entities on 5 December 2002; State Registration Number 1027739707203.

Address: Russia, 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.

Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of Auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

**Interim condensed consolidated statement of financial position  
as at 30 September 2017**  
(in billions of Russian rubles)

	Notes	30 September 2017 (unaudited)	31 December 2016
<b>Assets</b>			
Cash and cash equivalents	8	500.0	350.1
Financial assets at fair value through profit or loss	9	19.3	19.2
Financial assets lent and pledged as collateral under repurchase agreements	10	1.4	4.7
Special purpose accounts		90.3	79.9
Amounts due from banks and treasury	11	85.9	92.3
Non-current assets held for sale	12	7.3	13.0
Loans to customers	13	1,767.4	1,904.5
Net investments in leases	14	182.7	283.6
Investment financial assets:	15		
- available for sale		469.2	470.3
- held to maturity		12.5	18.0
Subordinated loans to banks		59.1	57.4
Investments in associates and jointly controlled entities	4	37.5	39.7
Property and equipment		123.7	100.4
Income tax assets	20	11.4	6.5
Other assets	16	135.0	133.8
<b>Total assets</b>		<b>3,502.7</b>	<b>3,573.4</b>
<b>Liabilities</b>			
Amounts due to banks	17	617.5	644.5
Financial liabilities at fair value through profit or loss	9	5.0	0.5
Amounts due to the Russian Government and the Bank of Russia	7	506.0	553.8
Amounts due to customers	18	491.7	532.1
Debt securities issued	19	1,067.2	1,024.6
Finance lease liabilities	22	67.5	75.9
Subordinated deposits		94.2	92.5
Income tax liabilities	20	14.0	14.2
Provisions	21	41.2	33.4
Other liabilities	16	38.9	46.2
<b>Total liabilities</b>		<b>2,943.2</b>	<b>3,017.7</b>
<b>Equity</b>			
Authorized capital	25	700.0	596.6
Additional paid-in capital	25	162.2	164.3
Uncovered loss		(370.2)	(264.3)
Unrealized revaluation of investment financial assets available for sale		61.6	45.3
Foreign currency translation reserve		6.2	8.4
<b>Equity attributable to the Russian Government</b>		<b>559.8</b>	<b>550.3</b>
Non-controlling interests		(0.3)	5.4
<b>Total equity</b>		<b>559.5</b>	<b>555.7</b>
<b>Total equity and liabilities</b>		<b>3,502.7</b>	<b>3,573.4</b>

Signed and authorized for release on behalf of the Chairman of the Bank

S.N. Gorkov ✓

Chairman of the Bank

E.P. Kosyreva

Acting Chief Accountant

5 December 2017

The accompanying selected notes 1-29 are an integral part of these interim condensed consolidated financial statements.

**Interim condensed consolidated statement of profit or loss  
for the nine-month period ended 30 September 2017**  
(in billions of Russian rubles)

	Notes	For the three-month period ended 30 September (unaudited)		For the nine-month period ended 30 September (unaudited)	
		2017	2016	2017	2016
Interest income	23	66.1	79.8	201.5	243.1
Interest expense	23	(46.6)	(57.7)	(137.9)	(173.5)
<b>Net interest income</b>		<b>19.5</b>	<b>22.1</b>	<b>63.6</b>	<b>69.6</b>
Allowance for impairment of interest-earning assets	21	(47.9)	(37.9)	(139.5)	(238.1)
<b>Net interest expense after allowance for impairment of interest-earning assets</b>		<b>(28.4)</b>	<b>(15.8)</b>	<b>(75.9)</b>	<b>(168.5)</b>
Fee and commission income		3.3	2.7	8.4	8.7
Fee and commission expense		(0.8)	(0.7)	(2.3)	(2.5)
<b>Net fee and commission income</b>		<b>2.5</b>	<b>2.0</b>	<b>6.1</b>	<b>6.2</b>
Net gains/(losses) from financial instruments at fair value through profit or loss		-	0.9	(0.3)	2.6
Net gains/(losses) from investment financial assets available for sale		(0.2)	19.5	(0.3)	21.5
Net gains/(losses) from foreign currencies and currency derivatives:					
- dealing		(13.3)	0.7	(10.2)	7.2
- translation differences		4.7	0.4	23.4	(56.6)
Net gains/(losses) on initial recognition of financial instruments, restructuring and early repayment		(11.3)	-	(13.2)	(2.7)
Share in net profit/(loss) of associates and jointly controlled entities		(1.1)	(0.3)	(1.6)	(1.5)
Dividends		1.5	1.1	3.0	3.3
Government grants	7, 18	0.2	7.6	3.2	143.5
Insurance premiums		2.0	0.5	3.7	19.2
Other operating income	24	8.1	6.1	33.7	20.5
<b>Non-interest income</b>		<b>(9.4)</b>	<b>36.5</b>	<b>41.4</b>	<b>157.0</b>
Payroll and other staff costs		(6.4)	(5.0)	(19.5)	(18.1)
Occupancy and equipment		(1.8)	(1.8)	(5.5)	(5.3)
Depreciation of property and equipment		(2.1)	(0.9)	(5.5)	(3.4)
Taxes other than income tax		(0.6)	(0.6)	(2.0)	(1.9)
Other provisions and allowances for impairment of other assets	21	(2.9)	(3.2)	(12.9)	(19.3)
Other operating expenses	24	(14.2)	(21.4)	(36.0)	(39.0)
<b>Non-interest expense</b>		<b>(28.0)</b>	<b>(32.9)</b>	<b>(81.4)</b>	<b>(87.0)</b>
<b>Loss before income tax</b>		<b>(63.3)</b>	<b>(10.2)</b>	<b>(109.8)</b>	<b>(92.3)</b>
Income tax expense	20	0.5	6.8	(0.6)	6.1
<b>Loss for the period</b>		<b>(62.8)</b>	<b>(3.4)</b>	<b>(110.4)</b>	<b>(86.2)</b>
Attributable to:					
- the Russian Government		(62.5)	(4.0)	(110.0)	(86.7)
- non-controlling interests		(0.3)	0.6	(0.4)	0.5
		<b>(62.8)</b>	<b>(3.4)</b>	<b>(110.4)</b>	<b>(86.2)</b>

The accompanying selected notes 1-29 are an integral part of these interim condensed consolidated financial statements.

**Interim condensed consolidated statement of comprehensive income  
for the nine-month period ended 30 September 2017**  
(in billions of Russian rubles)

Notes	For the three-month period ended 30 September (unaudited)		For the nine-month period ended 30 September (unaudited)	
	2017	2016	2017	2016
<b>Loss for the period</b>	<b>(62.8)</b>	<b>(3.4)</b>	<b>(110.4)</b>	<b>(86.2)</b>
<b>Other comprehensive income/(loss)</b>				
<i>Other comprehensive income to be subsequently reclassified to profit or loss when specific conditions are met</i>				
Change in unrealized gains/(losses) on investment financial assets available for sale, including reclassification of such gains/(losses) to profit or loss due to impairment and/or disposals	19.3	(0.7)	16.7	13.6
Translation differences	(0.8)	(3.0)	(2.3)	(11.6)
Income tax relating to components of other comprehensive income	(0.1)	–	(0.4)	–
<b>Net other comprehensive income/(loss) to be subsequently reclassified to profit or loss when specific conditions are met</b>	<b>18.4</b>	<b>(3.7)</b>	<b>14.0</b>	<b>2.0</b>
<i>Other comprehensive income not to be subsequently reclassified to profit or loss</i>				
Revaluation of property and equipment reclassified to the investment property	–	–	1.2	–
<b>Net other comprehensive income not to be subsequently reclassified to profit or loss</b>	<b>–</b>	<b>–</b>	<b>1.2</b>	<b>–</b>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>18.4</b>	<b>(3.7)</b>	<b>15.2</b>	<b>2.0</b>
<b>Total comprehensive loss for the period</b>	<b>(44.4)</b>	<b>(7.1)</b>	<b>(95.2)</b>	<b>(84.2)</b>
Attributable to:				
- the Russian Government	(44.1)	(7.7)	(95.0)	(84.5)
- non-controlling interests	(0.3)	0.6	(0.2)	0.3
	<b>(44.4)</b>	<b>(7.1)</b>	<b>(95.2)</b>	<b>(84.2)</b>

The accompanying selected notes 1-29 are an integral part of these interim condensed consolidated financial statements.

**Interim condensed consolidated statement of changes in equity  
for the nine-month period ended 30 September 2017**  
(in billions of Russian rubles)

	Attributable to the Russian Government					Total	Non-controlling interests	Total equity
	Authorized capital	Additional paid-in capital	Uncovered loss	Unrealized revaluation of investment financial assets available for sale	Foreign currency translation reserve			
<b>31 December 2015</b>	<b>445.6</b>	<b>150.5</b>	<b>(154.2)</b>	<b>35.3</b>	<b>(0.9)</b>	<b>476.3</b>	<b>4.5</b>	<b>480.8</b>
Loss for the period (unaudited)	-	-	(86.7)	-	-	(86.7)	0.5	(86.2)
Other comprehensive income/(loss) (unaudited)	-	-	-	13.6	(11.4)	2.2	(0.2)	2.0
<b>Total comprehensive income/(loss) for the period (unaudited)</b>	<b>-</b>	<b>-</b>	<b>(86.7)</b>	<b>13.6</b>	<b>(11.4)</b>	<b>(84.5)</b>	<b>0.3</b>	<b>(84.2)</b>
Contributions of the Russian Government (unaudited)	150.0	1.6	-	-	-	151.6	-	151.6
Subsidiary acquired (Note 5) (unaudited)	-	-	-	-	-	-	2.6	2.6
Financial result from the distribution of capital to the Russian Government (unaudited)	1.0	-	6.4	(6.9)	(0.2)	0.3	(1.4)	(1.1)
Change in interest in existing subsidiaries (unaudited)	-	-	(0.8)	-	-	(0.8)	0.8	-
Dividends paid by subsidiaries (unaudited)	-	-	-	-	-	-	(0.1)	(0.1)
<b>30 September 2016 (unaudited)</b>	<b>596.6</b>	<b>152.1</b>	<b>(235.3)</b>	<b>42.0</b>	<b>(12.5)</b>	<b>542.9</b>	<b>6.7</b>	<b>549.6</b>
<b>31 December 2016</b>	<b>596.6</b>	<b>164.3</b>	<b>(264.3)</b>	<b>45.3</b>	<b>8.4</b>	<b>550.3</b>	<b>5.4</b>	<b>555.7</b>
Loss for the period (unaudited)	-	-	(110.0)	-	-	(110.0)	(0.4)	(110.4)
Other comprehensive income (unaudited)	-	-	0.9	16.3	(2.2)	15.0	0.2	15.2
<b>Total comprehensive income/(loss) for the period (unaudited)</b>	<b>-</b>	<b>-</b>	<b>(109.1)</b>	<b>16.3</b>	<b>(2.2)</b>	<b>(95.0)</b>	<b>(0.2)</b>	<b>(95.2)</b>
Contributions of the Russian Government (Note 25) (unaudited)	103.4	-	9.6	-	-	113.0	-	113.0
Financial result from the distribution of capital to the Russian Government (Note 25) (unaudited)	-	(2.1)	(6.3)	-	-	(8.4)	-	(8.4)
Acquisition of a subsidiary (Note 5)	-	-	-	-	-	-	(5.6)	(5.6)
Change in interest in existing subsidiaries (unaudited)	-	-	(0.1)	-	-	(0.1)	0.1	-
<b>30 September 2017 (unaudited)</b>	<b>700.0</b>	<b>162.2</b>	<b>(370.2)</b>	<b>61.6</b>	<b>6.2</b>	<b>559.8</b>	<b>(0.3)</b>	<b>559.5</b>

The accompanying selected notes 1-29 are an integral part of these interim condensed consolidated financial statements.

**Interim condensed consolidated statement of cash flows  
for the nine-month period ended 30 September 2017**  
(in billions of Russian rubles)

	Notes	For the nine-month period ended 30 September (unaudited)	
		2017	2016 (restated)
<b>Cash flows from operating activities</b>			
Loss for the period		(110.4)	(86.2)
<i>Adjustments:</i>			
Change in interest accruals		(41.2)	(37.8)
Impairment and other provisions	21	152.4	257.4
Changes in unrealized revaluation of trading securities and derivative financial instruments		5.7	(3.8)
Net (gains)/losses from investment financial assets available for sale, net of impairment loss		(0.4)	(22.9)
Impairment of investment financial assets available for sale	15	0.7	1.4
Changes in translation differences		(23.4)	56.6
Net losses on initial recognition of financial instruments, restructuring and early repayment		13.2	2.7
Government grants	7, 18	(3.2)	(143.5)
Share in net loss of associates and jointly controlled entities		1.6	1.5
Depreciation and amortization		6.0	4.1
Impairment of goodwill	5	0.4	5.7
Deferred income tax	20	(1.3)	(7.8)
Other changes		–	3.7
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>0.1</b>	<b>31.1</b>
<i>Net (increase)/decrease in operating assets</i>			
Financial assets at fair value through profit or loss		(1.3)	6.3
Special purpose accounts		(13.1)	(18.9)
Amounts due from banks and treasury		3.7	(6.9)
Loans to customers		30.4	47.8
Net investments in leases		51.5	12.8
Other assets		7.2	14.7
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to banks, net of long-term interbank financing		(1.0)	(151.0)
Amounts due to the Russian Government and the Bank of Russia, net of long-term financing		18.9	(87.7)
Amounts due to customers		(31.7)	(148.4)
Debt securities issued, net of bonds and Eurobonds		35.1	30.1
Finance lease liabilities		(5.6)	(10.8)
Other liabilities		(0.6)	1.9
<b>Net cash from/(used in) operating activities</b>		<b>93.6</b>	<b>(279.0)</b>

The accompanying selected notes 1-29 are an integral part of these interim condensed consolidated financial statements.

**Interim condensed consolidated statement of cash flows (continued)***(in billions of Russian rubles)*

	Notes	For the nine-month period ended 30 September (unaudited)	
		2017	2016 (restated)
<b>Cash flows from investing activities</b>			
Purchase of investment financial assets		(148.3)	(100.4)
Proceeds from sale and redemption of investment financial assets		171.4	260.5
Investments in associates and jointly controlled entities		-	(1.3)
Disposal of subsidiaries, net of cash		(2.1)	(30.5)
Purchase of property and equipment		(2.0)	(1.1)
Proceeds from sale of property and equipment		0.2	0.1
<b>Net cash from investing activities</b>		<b>19.2</b>	<b>127.3</b>
<b>Cash flows from financing activities</b>			
Long-term interbank financing raised	17	95.0	63.3
Long-term interbank financing repaid	17	(110.0)	(149.2)
Long-term financing raised from the Bank of Russia and the Russian Government	7	32.6	241.1
Long-term financing repaid to the Bank of Russia and the Russian Government		(103.4)	(90.0)
Placement of bonds	19	113.0	69.2
Redemption of bonds and Eurobonds	19	(56.9)	(100.2)
Purchase of bonds and Eurobonds issued by the Group	19	(56.1)	(49.0)
Proceeds from sale of previously purchased bonds	19	14.0	19.8
Contributions of the Russian Government and grants received	25	107.6	150.0
Transfer of grants	16	(10.0)	8.1
Dividends from subsidiaries		-	(0.1)
<b>Net cash from financing activities</b>		<b>25.8</b>	<b>163.0</b>
Effect of changes in foreign exchange rates against the Russian ruble on cash and cash equivalents		<b>11.3</b>	<b>1.5</b>
<b>Net increase in cash and cash equivalents</b>		<b>149.9</b>	<b>12.8</b>
<b>Cash and cash equivalents, beginning</b>	8	<b>350.1</b>	<b>322.1</b>
<b>Cash and cash equivalents, ending</b>	8	<b>500.0</b>	<b>339.0</b>
<b>Cash recognized in assets of disposal groups held for sale, beginning</b>		<b>-</b>	<b>4.1</b>
<b>Cash recognized in assets of disposal groups held for sale, ending</b>	12	<b>-</b>	<b>-</b>
<b>Supplemental information:</b>			
Income tax paid		(6.4)	(1.5)
Interest paid		(112.9)	(150.8)
Interest received		133.9	183.6
Dividends		3.7	4.0

The accompanying selected notes 1-29 are an integral part of these interim condensed consolidated financial statements.

(in billions of Russian rubles, unless otherwise indicated)

## 1. Principal activities

The Group of the State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" comprises State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" ("Vnesheconombank" or the "Bank"), subsidiary Russian banks, and CIS-based banks, as well as Russian and foreign subsidiaries (collectively, the "Group"). Information on the subsidiaries is presented in Note 4.

Vnesheconombank was formed on 8 June 2007 pursuant to and in accordance with Federal Law No. 82-FZ dated 17 May 2007 *On Bank for Development*, (the "Federal Law"), by means of reorganization of the Bank for Foreign Economic Affairs of the USSR ("Vnesheconombank of the USSR"), and is its legal successor. Vnesheconombank of the USSR was a specialized state bank of the Russian Federation servicing, in an agency capacity, the foreign debt and assets of the former USSR and the Government of the Russian Federation (hereinafter, the "Russian Government") and its authorized institutions.

In accordance with Federal Law No. 395-1 dated 2 December 1990, *On Banks and Banking Activity*, as amended, Vnesheconombank performs banking operations as stipulated by the Federal Law. The Bank has no right to attract deposits from individuals. The legislation on banks and banking activity shall apply to the Bank only to the extent that it does not contradict the mentioned Federal Law, and is subject to certain specifics established by the Federal Law.

During the nine-month period of 2017, the Bank, as a state management company, invested pension savings in state securities denominated in Russian rubles, and in corporate bonds of highly credible Russian issuers. As at 30 September 2017 and 31 December 2016, total funds of the State Pension Fund of the Russian Federation placed in management to the state management company amounted to RUB 1,827.8 billion and RUB 1,977.8 billion, respectively. Change in funds placed in management to the state management company resulted from a repayment of funds to the State Pension Fund of the Russian Federation according to decisions made in respect of applications to switch to a private pension fund (private management company) that the insured persons submitted in 2016.

The Bank is located in Moscow, Russia at the following address: 9 Prospekt Akademika Sakharova, Moscow.

As at 30 September 2017, the Bank has representative offices in New York (the United States of America), London (the United Kingdom of Great Britain and Northern Ireland), Milan (the Italian Republic), Frankfurt am-Main (the Federal Republic of Germany), Mumbai (the Republic of India), Beijing (the People's Republic of China) and Paris (the French Republic) (Note 29).

## 2. Basis of preparation

### General

The Russian ruble is the functional currency of Vnesheconombank and the presentation currency of the Group. Transactions in other currencies are treated as transactions in foreign currencies. The Group's foreign subsidiary OJSC "Belvnesheconombank" (Bank BelVEB OJSC) uses the Belarusian ruble ("BYR") as its functional currency. Public Stock Company "Joint-Stock Commercial Industrial and Investment Bank" (PSC Prominvestbank), another foreign subsidiary of the Group, uses the Ukrainian hryvnia ("UAH") as its functional currency. The foreign subsidiary VEB Asia Limited – uses the Hong Kong dollar ("HKD") as its functional currency.

(in billions of Russian rubles, unless otherwise indicated)

## 2. Basis of preparation (continued)

### General (continued)

These interim condensed consolidated financial statements for the nine-month period ended 30 September 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Accordingly, they do not include all the information and disclosures required in the annual financial statements under IFRS, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. Operating results for the nine-month period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017.

These interim condensed consolidated financial statements are presented in billions of Russian rubles ("RUB billion"), unless otherwise indicated.

As at 30 September 2017 and 31 December 2016, official exchange rates of the Bank of Russia were RUB 58.0169 per USD 1 and RUB 60.6569 per USD 1, respectively.

### Going concern

These interim condensed consolidated financial statements have been prepared on a going concern assumption.

These interim condensed consolidated financial statements reflect management's current assessment of the impact of the Russian business environment on the performance and financial position of the Group. The future development of the Russian economy is largely dependent upon the effectiveness of measures undertaken by the Russian Government and other factors, including regulatory and political developments which are beyond the Group's control. The Group's management cannot predict the impact that the above factors may have on the financial position of the Group in the future.

### Changes in accounting policies

The accounting policies and calculation methods adopted in the preparation of these interim condensed consolidated financial statements are consistent with those adopted and described in the annual consolidated financial statements of the Group for the year ended 31 December 2016, except for the adoption of new standards since 1 January 2017, noted below.

#### New adopted standards

In spite of the fact that the new and amended standards were applied for the first time in 2017, they had no material impact on the Group's interim condensed consolidated financial statements. The nature and the effect of each new standard or amendment are described below:

#### *Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

*(in billions of Russian rubles, unless otherwise indicated)*

## 2. Basis of preparation (continued)

### Changes in accounting policies (continued)

#### *Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments were issued on 19 January 2016 and become effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments did not have any material impact on the Group.

#### *Annual improvements 2014-2016 cycle*

#### *Amendments to IFRS 12 Disclosure of Interests in Other Entities – clarification of the scope of the disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. Disclosure requirements of IFRS 12 are not directly applicable to the interim condensed consolidated financial statements. The Group will make the respective disclosure in the annual consolidated financial statements for the year ended 31 December 2017.

### Significant accounting judgments and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts. These estimates and assumptions are based on the information available as at the date of the financial statements. The actual results may significantly differ from these estimates and it is quite possible that these differences will have a material effect on the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty regarding the allowance for impairment of loans and receivables and the measurement of the fair value of financial instruments and investment property are consistent with those used in preparing the consolidated financial statements for the year ended 31 December 2016.

### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows.

*(in billions of Russian rubles, unless otherwise indicated)***3. Reclassification of comparatives**

The Group changed the presentation of the statement of cash flows for the nine-month period ended 30 September 2016 in these interim condensed consolidated financial statements, as it reclassified amounts on the correspondent accounts with the foreign banks intended for a designated purpose to the Special purpose accounts and restated comparative amounts in the consolidated financial statements for 2016.

<b>Interim condensed consolidated statement of cash flows for the nine-month period ended 30 September 2016 (unaudited)</b>	<b>As previously reported</b>	<b>Reclassification amount</b>	<b>As reclassified</b>
<b>Cash flows from operating activities</b>			
Precious metals	(0.1)	0.1	-
Special purpose accounts	-	(18.9)	(18.9)
Amounts due from banks and treasury	(9.5)	2.6	(6.9)
Other assets	14.8	(0.1)	14.7
<b>Net cash used in operating activities</b>	<b>(262.7)</b>	<b>(16.3)</b>	<b>(279.0)</b>
Effect of changes in foreign exchange rates against the Russian ruble on cash and cash equivalents	(6.1)	7.6	1.5
<b>Net increase in cash and cash equivalents</b>	<b>21.5</b>	<b>(8.7)</b>	<b>12.8</b>
<b>Cash and cash equivalents, beginning</b>	<b>373.0</b>	<b>(50.9)</b>	<b>322.1</b>
<b>Cash and cash equivalents, ending</b>	<b>398.6</b>	<b>(59.6)</b>	<b>339.0</b>

**4. Major subsidiaries, associates and jointly controlled entities**

The Group's subsidiaries owned directly by Vnesheconombank included in the interim condensed consolidated financial statements are presented in the table below:

<b>Subsidiaries</b>	<b>Ownership</b>		<b>Country of incorporation</b>	<b>Type of activity</b>
	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>		
Bank BelVEB OJSC	97.52%	97.52%	Republic of Belarus	Banking
JSC "VEB-Leasing"	99.79%	99.79%	Russia	Leasing
Sviaz-Bank	99.77%	99.77%	Russia	Banking
PSC Prominvestbank	99.77%	99.72%	Ukraine	Banking
JSC "Kraslesinvest"	100%	100%	Russia	Production and processing of materials
JSC "GLOBEXBANK"	99.99%	99.99%	Russia	Banking
LLC "VEB Capital"	100%	100%	Russia	Financial intermediary
LLC "VEB Engineering"	100%	100%	Russia	Investment project implementation services
FCPF	100%	100%	Russia	Financial intermediary
JSC "The Far East and Baikal Region Development Fund"	100%	100%	Russia	Investment project support
VEB Asia Limited	100%	100%	People's Republic of China	Financial intermediary
LLC "Infrastructure Molzhaninovo"	99.99%	99.99%	Russia	Electric energy
LLC "Resort Zolotoe Koltso"	100%	100%	Russia	Real estate and construction
JSC "Russian Export Center"	100%	100%	Russia	Support of export operations
JSC "Caspian Flat Glass"	100%	100%	Russia	Manufacturing
LLC "VEB Innovations"	100%	-	Russia	Financial intermediary
LLC "VEB Service"	100%	-	Russia	Business and management advisory services
JSC "North Caucasus Development Corporation"	-	100%	Russia	Advisory services, investment project support

(in billions of Russian rubles, unless otherwise indicated)

#### 4. Major subsidiaries, associates and jointly controlled entities (continued)

Significant subsidiaries, controlled by Vnesheconombank through above -mentioned entities, are presented in the table below:

Subsidiaries	Ownership		Country of incorporation	Type of activity
	30 September 2017 (unaudited)	31 December 2016		
Rose Group Limited	73.4%	73.4%	Guernsey	Real estate development business
United Group S.A.	100%	100%	Luxembourg	Holding company
EXIMBANK OF RUSSIA	100%	100%	Russia	Banking
JSC EXIAR	100%	100%	Russia	Support of export operations
LLC "EURODON"	74%	40%	Russia	Manufacturing

As at 30 September 2017 and 31 December 2016, the Group owns 100% of the voting shares of JSC "VEB-Leasing".

In March 2017, the Bank purchased 2,070,000 ordinary registered shares additionally issued by JSC "North Caucasus Development Corporation" for the total amount of RUB 2.1 billion. The shares were purchased at the expense of the federal budget subsidy received by Vnesheconombank in December 2016.

In May 2017, the Vnesheconombank's Supervisory Board approved free-of-charge transfer of JSC "North Caucasus Development Corporation", a subsidiary, to the state. In July 2017, Vnesheconombank transferred ownership rights to the ordinary shares in JSC "North Caucasus Development Corporation" to the Russian Federation represented by the Federal Agency for State Property Management (Note 25).

In June 2017, the Bank transferred a total of USD 392.6 million and EUR 2.1 million (RUB 23.5 billion at the date of transfer) to purchase additionally issued shares of PSC Prominvestbank. The Group's interest in the authorized capital of its subsidiary increased to 99.77%. The report on the results of PSC Prominvestbank's placement of additionally issued shares was registered in October 2017.

In July 2017, LLC "VEB Innovations", a 100% subsidiary of Vnesheconombank, was registered. In August 2017, funds in the amount of RUB 0.3 billion were transferred as an additional monetary contribution to the authorized capital. The company was established to assist in the National Technology Initiative (NTI) projects.

In September 2017, LLC "VEB Service", a 100% subsidiary of Vnesheconombank, was registered. Authorized capital of the company is insignificant. The company was incorporated for the purpose of providing business and management advisory services.

#### Major associates and jointly controlled entities

As at 30 September 2017 and 31 December 2016, JSC "RSMB Corporation" is a major associate of the Group. As at 30 September 2017 and 31 December 2016, the Bank's interest in the authorized capital of the company is 32.3% and 37.5%, respectively.

As at 30 September 2017 and 31 December 2016, LLC "Asia Cement" is a major jointly controlled entity, with the Bank's interest in the capital of the company of 49.0%.

(in billions of Russian rubles, unless otherwise indicated)

## 5. Business combinations

### Acquisitions in 2017

On 5 July 2017, the Group obtained control over six companies of EURODON Group (“the companies”): LLC “EURODON”, LLC “Ursdon”, LLC “Eurodon Yug”, LLC “Irdon”, “TD Indolina”, LLC “Metal-Don”. The Group has a 74% interest in each company. Major activities of the companies include production, processing and sales of turkey and duck meat, construction and assembly works, sandwich panel (LLC “Irdon”) and steel construction (LLC “Metal-Don”) manufacturing. Previously, the Group’s interests in LLC “EURODON”, LLC “Ursdon”, LLC “Irdon” and LLC “Metal-don” were 40%, 49%, 49% and 49%, respectively. As at the date of acquisition of control, the aggregate fair value of these interests amounted to RUB 0.4 billion. The Group’s participation in authorized capital of these companies was due to the Bank’s financing of a number of projects aimed at creating the industrial manufacturing complex.

The fair values of the acquired identifiable assets and liabilities of the companies were determined provisionally and are presented in the table below:

	<b>Provisional fair value recognized on control acquisition</b>
Property and equipment	6.3
Income tax assets	0.3
Other assets	4.0
	<b>10.6</b>
Income tax liabilities	0.4
Other liabilities	3.5
	<b>3.9</b>
<b>Total identifiable net assets</b>	<b>6.7</b>
Less non-controlling interests	5.6
Less the fair value of previously held interest	(0.4)
Goodwill arising on acquisition	0.4
<b>Consideration transferred on acquisition</b>	<b>12.3</b>

Based on the results of the fair value measurement procedures performed with regard to the acquired identifiable assets and liabilities, the financial result from the acquisition of control may be adjusted.

The Group decided to measure the non-controlling interests in the companies at the proportionate share of non-controlling participants in its identifiable net assets.

As a result of impairment testing, goodwill of RUB 0.4 billion was expensed and recorded within other operating expenses in the interim condensed consolidated statement of profit or loss.

Transactions representing previous relations between the participants of the Group recognized in the companies’ financial statements within amounts due to banks with the fair value of RUB 12.3 billion as at the acquisition date were eliminated in the process of accounting for the business combination. Funds received from the Group were excluded from the identifiable assets and liabilities of the companies, and the consideration transferred upon acquisition was adjusted by the fair value of the funds.

The contribution of the companies to the Group’s other operating income and loss amounted to RUB 1.9 billion and RUB 0.8 billion of loss, respectively. If the business combination had occurred at the beginning of the year, the Group’s other operating income and net loss would have amounted to RUB 38.8 billion and RUB 112.9 billion, respectively.

(in billions of Russian rubles, unless otherwise indicated)

## 5. Business combinations (continued)

### Acquisitions in 2016

On 30 March 2016, the Group increased its share in its associate LLC "VEB-Invest" from 19% to 100%.

The cost of acquisition paid for in cash was insignificant. The fair value and the carrying amount of the previously recorded 19% share in the capital of LLC "VEB-Invest" amounted to RUB 0.

LLC "VEB-Invest" is the parent company of a group of companies primarily engaged in the implementation of investment projects involving the development and construction of real estate properties of various classes in Moscow and Russian regions.

The Group increased its share in the authorized capital of LLC "VEB-Invest" in 2016, as the Bank participates in the financing of investment projects implemented by LLC "VEB-Invest" Group.

The fair values of the acquired identifiable assets and liabilities of LLC "VEB-Invest", as determined by an independent appraiser, were as follows:

	<b>Fair value recognized on control acquisition</b>
Investments in associates and jointly controlled entities	0.4
Property and equipment	0.6
Other assets	27.4
	<b>28.4</b>
Income tax liabilities	3.5
Other liabilities	0.8
	<b>4.3</b>
<b>Total identifiable net assets</b>	<b>24.1</b>
Less non-controlling interests	(2.1)
Goodwill arising on acquisition	4.3
<b>Consideration transferred on acquisition</b>	<b>26.3</b>

The Group decided to measure the non-controlling interests in LLC "VEB-Invest" at the proportionate share of non-controlling participants in its identifiable net assets.

As a result of impairment testing, goodwill of RUB 4.3 billion was expensed and recorded within other operating expenses in the interim condensed consolidated statement of profit or loss.

Transactions representing previous relations between the participants of the Group within cash and amounts due to banks with a fair value of RUB 2.0 billion and RUB 28.3 billion, respectively, at the acquisition date were excluded in the process of accounting for the business combination. Funds provided to and received from the Group were excluded from the identifiable assets and liabilities of the LLC "VEB-Invest" Group, and the consideration transferred upon acquisition was adjusted by the fair value of the funds.

*(in billions of Russian rubles, unless otherwise indicated)*

## 5. Business combinations (continued)

### Acquisitions in 2016 (continued)

The contribution of the LLC "VEB-Invest" Group to the Group's financial result was insignificant. If the business combination had occurred at the beginning of the year, the Group's net loss would not have changed significantly.

In June 2017, reorganization of LLC "VEB-Invest" (in the form of a spin-off) was completed and the new legal entity LLC "NVI" was incorporated. Assets, liabilities, rights and obligations of LLC "VEB-Invest" were transferred to LLC "NVI".

## 6. Segment information

For management purposes, as at 30 September 2017 the Group has seven operating segments:

Segment 1	Vnesheconombank
Segment 2	Sviaz-Bank, JSC "GLOBEXBANK"
Segment 3	PSC Prominvestbank (Ukraine)
Segment 4	Bank BelVEB OJSC (Republic of Belarus)
Segment 5	JSC "VEB-Leasing"
Segment 6	Russian Export Center JSC, and its subsidiaries
Segment 7	LLC "VEB Capital", LLC "VEB Engineering", FCPF, , JSC "The Far East and Baikal Region Development Fund", VEB Asia Limited, LLC "Infrastructure Molzhaninovo", LLC "Resort Zolotoe Koltso" and other subsidiaries

Segment 1 comprises the core bank of the Group. Segment 2 comprises banks that were purchased in 2008 and 2009 to recover their financial stability, in line with anti-crisis measures developed by the Russian Government. Segments 3 and 4 reflect the Group's banking operations in Ukraine and the Republic of Belarus, respectively. Segment 5 reflects operations of the Group's leasing company. As at 30 June 2017, The Group decided to separate the activities of subsidiaries engaged in export support operations into a separate segment (Segment 6), with the restatement of comparative information. Segment 7 comprises other subsidiaries, in which the Group holds a controlling ownership interest.

During the nine-month period ended 30 September 2016, Rose Group Limited was included into Segment 2 as it was a subsidiary of JSC "GLOBEXBANK". As at 30 September 2017 and 31 December 2016, assets and liabilities of Rose Group Limited are included into Segment 7.

The operating segments were not combined for the purpose of creating the above reporting operating business segments.

Management of the Group monitors the operating results of each segment separately to make decisions on allocation of resources and to assess operating performance. Segments results are defined in a different way from that used for the purposes of the consolidated financial statements, as shown in the table below. Income taxes are accounted for on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties.

*(in billions of Russian rubles, unless otherwise indicated)***6. Segment information (continued)**

During the nine-month periods ended 30 September 2017 and 30 September 2016, the Group received no income from transactions with one external customer or counterparty, which would have amounted to 10% or more of the Group's total income, except for income from transactions with the Russian Government and entities under control of the Russian Federation. Such income was mainly received from transactions within Segments 1, 2 and 5.

Information on the income and profit of the Group's operating segments is presented below:

	For the nine-month period ended 30 September 2017 (unaudited)							Total before adjust- ments	Adjust- ments	Total
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6	Segment 7			
Interest income on transactions with external customers	131.5	27.8	4.1	8.2	23.7	4.6	1.6	201.5	-	201.5
Interest expense on transactions with external customers	(106.4)	(15.9)	(1.2)	(2.3)	(9.9)	(1.5)	(0.7)	(137.9)	-	(137.9)
<b>Net interest income on transactions with external customers</b>	<b>25.1</b>	<b>11.9</b>	<b>2.9</b>	<b>5.9</b>	<b>13.8</b>	<b>3.1</b>	<b>0.9</b>	<b>63.6</b>	-	<b>63.6</b>
Intersegment net interest income/(expense)	6.4	(1.4)	(0.8)	(1.7)	(6.2)	2.4	(3.1)	(4.4)	4.4	-
Reversal of/(allowance for) impairment of interest-earning assets	(132.3)	(5.2)	(10.8)	(2.7)	(11.8)	0.7	(0.2)	(162.3)	22.8	(139.5)
<b>Net interest income/(expense) after allowance for impairment of interest-earning assets</b>	<b>(100.8)</b>	<b>5.3</b>	<b>(8.7)</b>	<b>1.5</b>	<b>(4.2)</b>	<b>6.2</b>	<b>(2.4)</b>	<b>(103.1)</b>	<b>27.2</b>	<b>(75.9)</b>
Net fee and commission income on transactions with external customers	3.3	1.0	0.4	1.2	-	0.2	-	6.1	-	6.1
Intersegment net fee and commission income/(expense)	0.2	-	-	(0.1)	(0.2)	-	-	(0.1)	0.1	-
Other non-interest income on transactions with external customers	7.2	2.8	0.7	1.7	6.0	5.3	17.7	41.4	-	41.4
Non-interest expense on transactions with external customers	(12.0)	(10.8)	(4.0)	(3.2)	(16.3)	(8.5)	(26.6)	(81.4)	-	(81.4)
Other intersegment non-interest income/(expense)	(19.0)	-	0.2	-	0.6	-	(1.4)	(19.6)	19.6	-
<b>Segment profit/(loss) before income tax</b>	<b>(121.1)</b>	<b>(1.7)</b>	<b>(11.4)</b>	<b>1.1</b>	<b>(14.1)</b>	<b>3.2</b>	<b>(12.7)</b>	<b>(156.7)</b>	<b>46.9</b>	<b>(109.8)</b>
Income tax expense										(0.6)
<b>Loss for the period</b>										<b>(110.4)</b>

(in billions of Russian rubles, unless otherwise indicated)

## 6. Segment information (continued)

	For the nine-month period ended 30 September 2016 (Unaudited, restated)							Total before adjust- ments	Adjust- ments	Total
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6	Segment 7			
Interest income on transactions with external customers	146.6	36.7	9.2	11.0	33.2	3.1	3.3	243.1	-	243.1
Interest expense on transactions with external customers	(120.7)	(28.4)	(2.8)	(2.9)	(15.7)	(1.1)	(1.9)	(173.5)	-	(173.5)
<b>Net interest income on transactions with external customers</b>	<b>25.9</b>	<b>8.3</b>	<b>6.4</b>	<b>8.1</b>	<b>17.5</b>	<b>2.0</b>	<b>1.4</b>	<b>69.6</b>	-	<b>69.6</b>
Intersegment net interest income/(expense)	11.2	(2.1)	(2.6)	(2.3)	(10.9)	2.4	(1.3)	(5.6)	5.6	-
Reversal of/(allowance for) impairment of interest-earning assets	(191.1)	(16.2)	2.5	(1.5)	(19.2)	0.5	(13.9)	(238.9)	0.8	(238.1)
<b>Net interest income/(expense) after allowance for impairment of interest-earning assets</b>	<b>(154.0)</b>	<b>(10.0)</b>	<b>6.3</b>	<b>4.3</b>	<b>(12.6)</b>	<b>4.9</b>	<b>(13.8)</b>	<b>(174.9)</b>	<b>6.4</b>	<b>(168.5)</b>
Net fee and commission income on transactions with external customers	3.2	1.0	0.6	1.5	-	-	(0.1)	6.2	-	6.2
Intersegment net fee and commission income/(expense)	0.2	-	-	(0.1)	(0.3)	-	-	(0.2)	0.2	-
Other non-interest income/(expense) on transactions with external customers	138.3	7.5	0.9	1.6	(6.2)	17.7	(2.8)	157.0	-	157.0
Non-interest (expense)/income on transactions with external customers	(12.8)	(13.7)	(0.1)	(3.4)	(16.3)	(20.2)	(20.5)	(87.0)	-	(87.0)
Other intersegment non-interest income/(expense)	(65.3)	-	0.2	(0.3)	0.7	-	3.3	(61.4)	61.4	-
<b>Segment profit/(loss) before income tax</b>	<b>(90.4)</b>	<b>(15.2)</b>	<b>7.9</b>	<b>3.6</b>	<b>(34.7)</b>	<b>2.4</b>	<b>(33.9)</b>	<b>(160.3)</b>	<b>68.0</b>	<b>(92.3)</b>
Income tax expense										6.1
<b>Loss for the period</b>										<b>(86.2)</b>

*(in billions of Russian rubles, unless otherwise indicated)***6. Segment information (continued)**

Reconciliation of the total segment assets to total assets of the Group according to IFRS is presented below:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016 (restated)</b>
<b>Segment assets</b>		
Segment 1	2,507.2	2,486.3
Segment 2	334.5	414.2
Segment 3	49.2	75.1
Segment 4	118.1	121.7
Segment 5	361.4	439.9
Segment 6	152.0	122.3
Segment 7	273.0	199.2
<b>Total before deducting intersegment assets</b>	<b>3,795.4</b>	<b>3,858.7</b>
Intersegment assets	(438.3)	(395.7)
Adjustments	145.6	110.4
<b>Total assets</b>	<b>3,502.7</b>	<b>3,573.4</b>

Reconciliation of the total segment liabilities to total liabilities of the Group according to IFRS is presented below:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016 (restated)</b>
<b>Segment liabilities</b>		
Segment 1	2,342.6	2,315.3
Segment 2	302.4	380.2
Segment 3	29.3	66.1
Segment 4	104.4	108.0
Segment 5	340.4	404.7
Segment 6	85.7	61.2
Segment 7	184.9	104.4
<b>Total before deducting intersegment liabilities</b>	<b>3,389.7</b>	<b>3,439.9</b>
Intersegment liabilities	(438.3)	(395.7)
Adjustments	(8.2)	(26.5)
<b>Total liabilities</b>	<b>2,943.2</b>	<b>3,017.7</b>

The adjustments of intersegment income and expenses, as well as the Group's assets and liabilities, are related to the accounting differences due to the following reasons:

- ▶ As a result of transactions made with foreign subsidiaries in currencies other than the reporting currency of the Group
- ▶ Due to the repurchase of debt securities issued by the Group entities or other deals with financial instruments between the Group entities
- ▶ Due to a reversal of allowances for impairment of intersegment assets and investments in subsidiaries, created by the Group entities

(in billions of Russian rubles, unless otherwise indicated)

## 7. Operations with the Russian Government, its authorized institutions and the Bank of Russia

Amounts due to the Russian Government, its authorized institutions and the Bank of Russia consisted of the following:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
Interest-bearing loans and deposits from the Bank of Russia	208.6	193.9
Interest-bearing loans and deposits from the Federal Treasury	201.2	281.0
Settlements related to redemption of Russian Government loans	89.0	78.7
Deposits of non-budgetary funds and regional authorities	7.0	–
Other funds	0.2	0.2
<b>Amounts due to the Russian Government, its institutions and the Bank of Russia</b>	<b>506.0</b>	<b>553.8</b>

From April till June 2017, in accordance with Resolution No. 18 of the Russian Government dated 19 January 2008 ruble-denominated funds of the NWF in the amount of RUB 23.3 billion were placed as a long-term deposit with Vnesheconombank for the purposes of investment projects financing. During the reporting period ended 30 September 2017, a gain on initial recognition of deposits placed at the rate below the market level in the amount of RUB 2.0 billion was recognized within "Government grants" in the consolidated statement of profit or loss, and RUB 5.4 billion was recognized within the equity's "Uncovered loss" item as a result of the operations with the owner (Note 25).

In July and September 2017, the Group repaid deposits from the Federal Treasury amounting to RUB 45.0 billion and RUB 55.0 billion, respectively.

As at 30 September 2017, interest-bearing loans and deposits from the Bank of Russia include short-term and long-term loans in the amount of RUB 35.5 billion (31 December 2016: RUB 30.7 billion) secured by the pledge of the rights of claim under loans to customers in the amount of RUB 42.3 billion (31 December 2016: RUB 38.7 billion) (Note 13).

As at 30 September 2017, interest-bearing loans and deposits from the Bank of Russia include loans in the amount of RUB 4.2 billion (31 December 2016: RUB 3.8 billion) secured by the pledge of the rights of claim under the amounts due from banks of RUB 5.3 billion (31 December 2016: RUB 4.5 billion) (Note 11).

As at 30 September 2017, deposits of non-budgetary funds include RUB-denominated short-term deposits with a subsidiary bank in the amount of RUB 7.0 billion.

During the first quarter of 2016, as a part of the government support measures the Bank raised financing on conditions that allowed the Bank to record a gain on initial recognition in the amount of RUB 134.9 billion within "Government grants" in the consolidated statement of profit or loss. As at 30 September 2017 and 31 December 2016, the carrying amount of liabilities related to the funds raised amounts to RUB 167.5 billion and RUB 158.0 billion, respectively.

*(in billions of Russian rubles, unless otherwise indicated)***8. Cash and cash equivalents**

Cash and cash equivalents comprise:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
Cash on hand	10.2	15.6
Current accounts with the Bank of Russia	16.7	20.8
Correspondent nostro accounts with banks and current accounts with other non-banking organizations:		
- the Russian Federation	76.4	16.3
- other countries	26.2	63.6
Interest-bearing loans and deposits maturing within 90 days:		
- due from the Bank of Russia	50.0	-
- due from banks	108.1	187.5
Reverse repurchase agreements with banks for up to 90 days	212.4	46.3
<b>Cash and cash equivalents</b>	<b>500.0</b>	<b>350.1</b>

An increase in balances on correspondent nostro accounts and current accounts of the Russian Federation as at 30 September 2017 as compared to 31 December 2016 is mainly due to the increase in balances on nostro accounts with state-related banks.

A decrease in balances of interest-bearing loans and deposits with banks maturing within 90 days as at 30 September 2017 compared to 31 December 2016 is mainly due to repayment of loans issued to a state-related bank.

As at 30 September 2017, reverse repurchase agreements included loans in the amount of RUB 198.1 billion (31 December 2016: RUB 36.7 billion) provided to banks and secured by corporate bonds with a fair value of RUB 221.6 billion (31 December 2016: RUB 39.9 billion), as well as loans in the amount of RUB 13.9 billion (31 December 2016: RUB 9.2 billion) provided to banks and secured by corporate shares with a fair value of RUB 16.8 billion (31 December 2016: RUB 12.3 billion). As at 30 September 2017, reverse repurchase agreements include loans of RUB 0.4 billion (31 December 2016: RUB 0.4 billion) issued to banks and secured by clearing certificate participatory notes with a fair value of RUB 0.4 billion (31 December 2016: RUB 0.4 billion).

**9. Financial assets and liabilities at fair value through profit or loss**

Financial assets at fair value through profit or loss comprise:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
Trading financial assets	2.2	0.5
Derivative financial assets	4.9	4.7
Financial assets at fair value through profit or loss	12.2	14.0
<b>Financial assets at fair value through profit or loss</b>	<b>19.3</b>	<b>19.2</b>

Financial assets at fair value through profit or loss include investments in associates and jointly controlled entities in the amount of RUB 0.4 billion and RUB 0.5 billion, respectively (31 December 2016: investments in associates in the amount of RUB 2.2 billion), that meet the criteria to be designated as at fair value through profit or loss since the Group management measures the performance of these investments in terms of changes in their fair value based on quoted prices in an open market, valuation models, using both observable and non-observable market data.

*(in billions of Russian rubles, unless otherwise indicated)***9. Financial assets and liabilities at fair value through profit or loss (continued)****Trading financial assets**

Trading financial assets held by the Group comprise:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
<b>Equity securities</b>	<b>0.2</b>	<b>0.2</b>
<b>Debt securities</b>		
Bonds of the Bank of Russia	1.4	–
Corporate bonds	0.4	–
Eurobonds issued by the Russian Federation	0.1	0.2
Eurobonds of Russian and foreign issuers	0.1	0.1
	<b>2.0</b>	<b>0.3</b>
<b>Trading financial assets</b>	<b>2.2</b>	<b>0.5</b>

**Derivative financial instruments**

As at 30 September 2017 and 31 December 2016, derivative financial instruments comprise:

	<b>30 September 2017 (unaudited)</b>			<b>31 December 2016</b>		
	<b>Notional principal</b>	<b>Fair value</b>		<b>Notional principal</b>	<b>Fair value</b>	
		<b>Asset</b>	<b>Liability</b>		<b>Asset</b>	<b>Liability</b>
<b>Forward contracts for equity financial instruments</b>	2.3	2.4	–	2.3	2.0	–
<b>Interest rate swaps</b>						
Foreign contracts	4.0	–	0.1	6.0	–	0.2
Cross currency interest rate swap	–	–	–	0.3	–	0.3
<b>Option contracts with foreign currency</b>	4.3	2.4	–	5.1	2.5	–
<b>Foreign exchange contracts</b>						
Forwards and swaps – foreign	61.7	–	0.9	5.0	0.2	–
Forwards and swaps – domestic	140.6	0.1	4.0	–	–	–
<b>Total derivative assets/liabilities</b>		<b>4.9</b>	<b>5.0</b>		<b>4.7</b>	<b>0.5</b>

**10. Financial assets lent and pledged as collateral under repurchase agreements**

Financial assets lent and pledged as collateral under repurchase agreements comprise:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
Investment financial assets lent and pledged as collateral under repurchase agreements (Note 15)	1.1	2.2
Investment financial assets held to maturity pledged as collateral under repurchase agreements (Note 15)	0.3	1.1
Loans to customers pledged as collateral under repurchase agreements (Note 13)	–	1.4
<b>Total financial assets lent and pledged as collateral under repurchase agreements</b>	<b>1.4</b>	<b>4.7</b>

*(in billions of Russian rubles, unless otherwise indicated)***11. Amounts due from banks and treasury**

Amounts due from banks and treasury comprise:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
Obligatory reserve with central banks	3.1	3.2
Non-interest-bearing deposits	28.6	40.9
Interbank loans and term interest-bearing deposits with banks	39.3	35.6
Export financing	9.8	7.7
Mortgage bonds	5.3	6.4
Amounts due from treasury	–	2.1
	<b>86.1</b>	<b>95.9</b>
Less allowance for impairment (Note 21)	(0.2)	(3.6)
<b>Amounts due from banks and treasury</b>	<b>85.9</b>	<b>92.3</b>

As at 30 September 2017, non-interest-bearing deposits include amounts placed on the correspondent account with the Bank of Russia for a designated purpose in the total amount of RUB 27.5 billion (31 December 2016: RUB 37.8 billion) (Note 28). A decrease in the amounts as at 30 September 2017 as compared to 31 December 2016 was due to the Group's transfer of unused government grants provided by the Ministry of Industry and Trade in the amount of RUB 10.0 billion in March 2017 (Note 16).

As at 30 September 2017, interbank loans with a carrying amount of RUB 5.3 billion (31 December 2016: RUB 4.5 billion) are pledged as collateral under loans raised from the Bank of Russia (Note 7). As at 31 December 2016, non-interest-bearing deposits with banks with a carrying amount of RUB 1.7 billion are pledged as collateral under loans raised from the national bank of a foreign state (Note 17).

As at 30 September 2017, interbank loans and term interest-bearing deposits with banks include loans with a carrying amount of RUB 4.8 billion issued to Russian state-related banks by the Bank's subsidiary at a below-market interest rate. For the period ended 30 September 2017, loss in the amount of RUB 2.0 billion was recorded in the line "Net gains/(losses) on initial recognition of financial instruments, restructuring and early repayment" of the consolidated statement of profit or loss and a carrying amount of commitment to issue loans at rate below the market level recorded as Other liabilities as at 30 September 2017 amounted to RUB 0.9 billion (Note 28).

**12. Non-current assets held for sale**

Assets held for sale decreased from RUB 13.0 billion as at 31 December 2016 to RUB 7.3 billion as at 30 September 2017 due to their sale by a subsidiary leasing company.

*(in billions of Russian rubles, unless otherwise indicated)***13. Loans to customers**

Loans to customers comprise:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
Project financing	1,516.7	1,519.4
Commercial loans, including loans to individuals	667.6	746.9
Financing of operations with securities	201.4	200.4
Export and pre-export financing	95.4	94.2
Back-to-back financing	37.7	37.2
Reverse repurchase agreements	20.9	43.6
Claims under letters of credit	18.0	17.7
Mortgage bonds	4.6	5.6
Promissory notes	4.4	3.4
Other	27.3	22.5
	<b>2,594.0</b>	<b>2,690.9</b>
Less allowance for impairment (Note 21)	(826.6)	(786.4)
<b>Loans to customers</b>	<b>1,767.4</b>	<b>1,904.5</b>
<b>Loans to customers pledged as collateral under repurchase agreements (Note 10)</b>		
Other	-	1.4
<b>Total loans to customers pledged as collateral under repurchase agreements</b>	<b>-</b>	<b>1.4</b>
<b>Loans to customers, including those pledged as collateral under repurchase agreements</b>	<b>1,767.4</b>	<b>1,905.9</b>

During the nine-month period ended 30 September 2017, the Bank entered into an agreement to issue a below-market interest rate loan for dealing with securities. At initial recognition of the related liability, loss of RUB 9.1 billion was recorded in the line "Net gains/(losses) on initial recognition of financial instruments, restructuring and early repayment" of the consolidated statement of profit or loss for the nine-month period ended 30 September 2017. As at 30 September 2017, the carrying amount of the loan was RUB 9.8 billion, the carrying amount of the commitment to provide the loan at the below-market interest rate recognized in "Other liabilities" was RUB 2.3 billion.

During the nine-month period ended 30 September 2017, the Group's subsidiary entered into an agreement for providing project financing at the below-market interest rate. At initial recognition of the related liability, loss of RUB 1.2 billion was recorded in the line "Net gains/(losses) on initial recognition of financial instruments, restructuring and early repayment" of the consolidated statement of profit or loss for the nine-month period ended 30 September 2017. As at 30 September 2017, the carrying amount of the loan was RUB 5.4 billion, the carrying amount of the commitment to provide the loan at the below-market interest rate recognized in "Other liabilities" was RUB 0.1 billion.

At 30 September 2017, reverse repurchase agreements with a carrying amount of RUB 6.7 billion were signed in respect of shares with a fair value of RUB 4.2 billion. As at 31 December 2016, reverse repurchase agreements with a carrying amount of RUB 12.0 billion were signed in respect of shares with a fair value of RUB 8.2 billion and marketable corporate bonds with a fair value of RUB 2.1 billion.

Reverse repurchase agreements also include loans to state-related entities with a carrying amount of RUB 14.2 billion as at 30 September 2017 (31 December 2016: RUB 13.2 billion), and a loan to an entity not related to the Bank with a carrying amount of RUB 18.4 billion as at 31 December 2016. Previously, the Bank provided RUB 26.3 billion to state-related entities through the acquisition of non-marketable shares in other state-related entities.

*(in billions of Russian rubles, unless otherwise indicated)***13. Loans to customers (continued)**

As at 30 September 2017, loans to customers in the amount of RUB 42.3 billion (31 December 2016: RUB 38.7 billion) are pledged as collateral for interest-bearing loans raised from the Bank of Russia in the amount of RUB 35.5 billion (31 December 2016: RUB 30.7 billion) (Note 7).

Loans are made principally in the following industry sectors:

	30 September		31 December	
	2017	%	2016	%
	(unaudited)			
Financing	769.1	30	742.0	28
Manufacturing, including heavy machinery	762.1	29	781.7	29
Real estate and construction	327.1	13	350.5	13
Agriculture	154.9	6	174.5	6
Individuals	102.3	4	98.6	4
Transport	85.2	3	85.4	3
Electric energy	79.9	3	94.8	4
Trade	67.8	3	73.4	3
Mining	55.4	2	75.7	3
Oil and gas	52.4	2	62.4	2
Metallurgy	52.1	2	55.7	2
Foreign states	36.4	1	38.6	1
Telecommunications	14.1	1	17.8	1
Logistics	4.6	0	7.8	0
Science and education	1.2	0	1.1	0
Other	29.4	1	32.3	1
	<b>2,594.0</b>	<b>100</b>	<b>2,692.3</b>	<b>100</b>

As at 30 September 2017, the total outstanding amount of loans to three major borrowers / groups of related borrowers was RUB 634.3 billion, equivalent to 24.5% of the Group's gross loan portfolio (31 December 2016: RUB 613.9 billion or 22.8% of the gross loan portfolio). As at 30 September 2017, an allowance for impairment of RUB 36.7 billion was made against these loans (31 December 2016: RUB 35.8 billion).

As at 30 September 2017 and 31 December 2016, in addition to the three major borrowers mentioned above, loans were issued to ten other major borrowers / groups of related borrowers in the amount of RUB 509.8 billion and RUB 488.7 billion, or 19.7% and 18.2% of the Group's gross loan portfolio, respectively. As at 30 September 2017 and 31 December 2016, an allowance for impairment was made against these loans in the total amount of RUB 193.4 billion and RUB 144.3 billion, respectively.

Loans have been granted to the following types of customers:

	30 September	31 December
	2017	2016
	(unaudited)	
Private enterprises	1,744.4	1,836.1
State-controlled entities (Russian Federation)	644.3	650.9
Individuals	102.3	98.6
Companies under foreign state control	65.8	67.0
Foreign states	36.4	38.6
Individual entrepreneurs	0.8	1.0
Regional authorities	-	0.1
	<b>2,594.0</b>	<b>2,692.3</b>

*(in billions of Russian rubles, unless otherwise indicated)***14. Net investments in leases**

Net investments in leases comprise:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
Gross investments in leases	242.7	385.7
Less unearned finance lease income	(48.8)	(85.8)
	<b>193.9</b>	<b>299.9</b>
Less allowance for impairment (Note 21)	(11.2)	(16.3)
<b>Net investments in leases</b>	<b>182.7</b>	<b>283.6</b>

As at 30 September 2017 and 31 December 2016, certain leased-out assets were pledged as collateral under loans received. As at 30 September 2017 and 31 December 2016, the amount of net investments in leases related to assets pledged as collateral under loan agreements with banks was RUB 23.7 billion and RUB 39.1 billion, respectively.

As at 30 September 2017, the share of the largest Russian lessee was RUB 70.3 billion, or 36.3% of total net investments in leases before allowance for impairment. The second largest amount of net investments in leases was RUB 19.0 billion or 9.8% of total net investments in leases before allowance for impairment. As at 30 September 2017, the amount of allowance with respect to the assets attributable to the first lessee is RUB 0.4 billion, and the amount of allowance with respect to the assets attributable to the second largest lessee is RUB 0.2 billion. The mentioned lessees operate in the transport sector.

As at 31 December 2016, the share of the largest Russian lessee was RUB 76.5 billion, or 25.5% of total net investments in leases before allowance for impairment. The second largest amount of net investments in leases issued to the group of related lessees was RUB 35.5 billion or 11.8% of total net investments in leases before allowance for impairment. As at 31 December 2016, the amount of allowance with respect to the assets attributable to the first lessee is RUB 0.4 billion, and the amount of allowance with respect to the assets attributable to the second lessee is RUB 0.1 billion. The mentioned lessee and the group of related lessees operate in the transport sector.

Below is the maturity profile of gross and net investments in leases as at 30 September 2017:

	<b>Not later than 1 year</b>	<b>Later than 1 year but not later than 5 years</b>	<b>Later than 5 years</b>	<b>Total</b>
	<b>(unaudited)</b>			
Gross investments in leases	78.2	103.9	60.6	<b>242.7</b>
Less unearned finance lease income	(6.2)	(21.7)	(20.9)	<b>(48.8)</b>
<b>Net investment in leases before allowance</b>	<b>72.0</b>	<b>82.2</b>	<b>39.7</b>	<b>193.9</b>

Below is the maturity profile of gross and net investments in leases as at 31 December 2016:

	<b>Not later than 1 year</b>	<b>Later than 1 year but not later than 5 years</b>	<b>Later than 5 years</b>	<b>Total</b>
Gross investments in leases	98.1	203.6	84.0	<b>385.7</b>
Less unearned finance lease income	(6.8)	(47.0)	(32.0)	<b>(85.8)</b>
<b>Net investment in leases before allowance</b>	<b>91.3</b>	<b>156.6</b>	<b>52.0</b>	<b>299.9</b>

*(in billions of Russian rubles, unless otherwise indicated)***15. Investment financial assets****Investment financial assets available for sale**

Investment financial assets available for sale comprise:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
<b>Equity securities</b>		
Units	174.1	171.8
Shares and participation interests	72.0	62.1
	<b>246.1</b>	<b>233.9</b>
<b>Debt securities</b>		
Corporate bonds	86.1	90.7
Russian State Bonds (OFZ)	41.3	39.9
Debt instruments issued by foreign government bodies	15.8	26.0
Municipal and sub-federal bonds	1.8	1.9
	<b>145.0</b>	<b>158.5</b>
Eurobonds of Russian and foreign issuers	28.7	35.5
Eurobonds issued by the Russian Federation	13.1	6.9
	<b>186.8</b>	<b>200.9</b>
<b>Other financial assets available for sale</b>	<b>36.3</b>	<b>35.5</b>
<b>Investment financial assets available for sale</b>	<b>469.2</b>	<b>470.3</b>

As at 30 September 2017, investment financial assets available for sale, lent and pledged as collateral under repurchase agreements included corporate bonds in the amount of RUB 1.1 billion. As at 31 December 2016, investment financial assets available for sale lent and pledged as collateral under repurchase agreements included Eurobonds issued by the Russian Federation in the amount of RUB 0.1 billion and corporate bonds in the amount of RUB 2.1 billion.

As a result of the sale of investment financial assets available for sale for the nine-month period ended 30 September 2017, the Group realized part of the revaluation previously recorded in equity and transferred it to "Net gains/(losses) from investment financial assets available for sale" in the consolidated statement of profit or loss. The realized revaluation gain amounted to RUB 0.9 billion (for the nine-month period ended 30 September 2016, the realized revaluation gain amounted to RUB 11.8 billion).

The Group recognized an impairment loss of RUB 0.7 billion on financial assets available for sale for the nine-month period ended 30 September 2017 (for the nine-month period ended 30 September 2016: RUB 1.4 billion loss) in "Net gains/(losses) from investment financial assets available for sale" in the consolidated statement of profit or loss.

*(in billions of Russian rubles, unless otherwise indicated)***15. Investment financial assets (continued)****Investment financial assets held to maturity**

Investment financial assets held to maturity comprise:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
Corporate bonds	8.2	11.4
Municipal and sub-federal bonds	1.1	1.1
Russian State Bonds (OFZ)	–	0.3
	<b>9.3</b>	<b>12.8</b>
Eurobonds of Russian and foreign issuers	3.2	5.2
<b>Total investment financial assets held to maturity</b>	<b>12.5</b>	<b>18.0</b>

As at 30 September 2017, investment financial assets held to maturity pledged as collateral under repurchase agreements include Russian State Bonds (OFZ) totaling RUB 0.3 billion. As at 31 December 2016, investment financial assets held to maturity pledged as collateral under repurchase agreements include Eurobonds of Russian and foreign issuers totaling RUB 1.1 billion.

**16. Other assets and liabilities**

As at 30 September 2017, other assets include investment property with a fair value of RUB 32.9 billion (31 December 2016: RUB 30.0 billion). An increase in investment property resulted from reclassification of a fixed asset of the Group's subsidiary to investment property due to the change in use.

As at 30 September 2017, other liabilities decreased as in March 2017 the Group returned RUB 10.0 billion of unused government grants previously provided by the Ministry of Industry and Trade of the Russian Federation as compensation of a shortfall in income on loans granted to support manufacturers of high-tech products (Note 11).

**17. Amounts due to banks**

Amounts due to banks comprise:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
Correspondent loro accounts of Russian banks	22.3	10.5
Correspondent loro accounts of other banks	2.7	3.1
Loans and other placements from Russian banks	321.4	277.0
Loans and other placements from OECD-based banks	135.7	211.3
Loans and other placements from other banks	134.0	138.3
Repurchase agreements	1.4	4.2
Collateral on securities lent	–	0.1
<b>Amounts due to banks</b>	<b>617.5</b>	<b>644.5</b>
<b>Held as collateral against letters of credit</b>	<b>0.2</b>	<b>0.3</b>

(in billions of Russian rubles, unless otherwise indicated)

## 17. Amounts due to banks (continued)

For the nine-month period of 2017, the Group raised long-term financing from OECD-based banks totaling RUB 0.6 billion (for the nine-month period of 2016: RUB 0.9 billion) and repaid financing of RUB 55.9 billion (for the nine-month period of 2016: RUB 85.3 billion) in accordance with contractual terms.

For the nine-month period of 2017, the Group raised long-term financing from non-OECD-based banks totaling RUB 76.4 billion (for the nine-month period of 2016: RUB 24.7 billion) and repaid financing of RUB 10.3 billion (for the nine-month period of 2016: RUB 9.9 billion) in accordance with contractual terms.

For the nine-month period of 2017, the Group's leasing company raised long-term financing from Russian and foreign banks totaling RUB 18.0 billion (for the nine-month period of 2016: RUB 37.7 billion) and repaid long-term financing from Russian and foreign banks of RUB 43.8 billion (for the nine-month period of 2016: RUB 54.0 billion) in accordance with contractual terms.

As at 30 September 2017, repurchase agreements with banks include loans of RUB 1.0 billion received from Russian banks and collateralized by debt securities available for sale with a fair value of RUB 1.1 billion (31 December 2016: RUB 1.9 billion and RUB 2.1 billion, respectively), loans of RUB 0.2 billion received from Russian banks and collateralized by debt securities held to maturity with a fair value of RUB 0.3 billion (31 December 2016: RUB 1.0 billion and RUB 1.1 billion, respectively) (Note 10).

As at 30 September 2017, repurchase agreements with banks include loans in the amount of RUB 0.2 billion collateralized by an interest secured by the clearing certificate participatory notes obtained as a result of reverse repurchase agreements with a fair value of RUB 0.2 billion (31 December 2016: no loans collateralized by an interest secured by the clearing certificate participatory notes) (Note 8).

As at 30 September 2017, Vnesheconombank's liabilities under loan agreements under which bank creditors may demand early repayment of the previously provided loans totaled RUB 237.4 billion (31 December 2016: RUB 306.3 billion) following a decrease in the Bank's credit ratings in 2014. As at the date of authorization of these interim condensed consolidated financial statements, Vnesheconombank did not receive notices demanding an early repayment of previously provided loans. In 2014-2015, the creditors under agreements containing credit rating compliance conditions confirmed that they did not demand early repayment. Management of the Bank is taking all the appropriate liquidity management measures and expects the Government to provide support if necessary.

As at 31 December 2016, loans and other placements from other banks included loans from foreign banks in the amount of RUB 2.0 billion collateralized by debt instruments issued by foreign government bodies with a collateral value of RUB 0.5 billion and loans from national banks of foreign states with a collateral value of RUB 1.7 billion.

## 18. Amounts due to customers

Amounts due to customers comprise:

	30 September 2017 (unaudited)	31 December 2016
Current accounts	87.0	98.3
Term deposits	404.7	433.8
<b>Amounts due to customers</b>	<b>491.7</b>	<b>532.1</b>
<b>Held as collateral against guarantees</b>	<b>0.1</b>	<b>0.3</b>
<b>Held as collateral against letters of credit</b>	<b>0.7</b>	<b>1.8</b>

*(in billions of Russian rubles, unless otherwise indicated)***18. Amounts due to customers (continued)**

Reduction of term deposit balances as at 30 September 2017 as compared to 31 December 2016 was due to maturity of deposits of the Bank's customers and subsidiaries.

As at 30 September 2017, recorded within term deposits are special purpose funds intended for the investment projects aimed at the economy development of Sakhalin Region. Funds with the carrying amount of RUB 10.0 billion are raised by the Bank's subsidiary at a below market rate from a state-related company. For the period ended 30 September 2017, income of RUB 1.0 billion was recognized in "Government grants" of the consolidated statement of profit or loss. Included within other liabilities as at 30 September 2017 is deferred income on government grants at the amount of RUB 4.3 billion.

**19. Debt securities issued**

Debt securities issued comprise:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
Eurobonds	465.0	516.7
Domestic bonds	529.5	471.1
Promissory notes	72.7	36.7
Deposit and saving certificates	–	0.1
<b>Debt securities issued</b>	<b>1,067.2</b>	<b>1,024.6</b>
<b>Promissory notes held as collateral against guarantees</b>	<b>1.3</b>	<b>1.0</b>

For the nine-month period ended 30 September 2017, the Group issued / reissued the following bonds at the domestic market:

Type of securities	Period of issue	Maturity	Issue currency	Nominal value of securities issued		Nominal value of securities in the portfolios of the Group entities at the issue / placement date, RUB, billion	Secondary placement
				Currency billion	At the placement date, RUB, billion		
(unaudited)							
Bonds	January	December 2021	RUB	10.0	10.0	–	–
Bonds	February	July 2025	USD	0.0	2.8	–	Yes
Bonds	March	July 2018	RUB	15.0	15.0	–	–
Bonds	March	January 2025	RUB	1.6	1.6	–	Yes
Bonds	March	February 2025	RUB	0.5	0.5	–	Yes
Bonds	April	April 2021	RUB	0.2	0.2	–	Yes
Bonds	April	October 2021	RUB	1.0	1.0	–	Yes
Bonds	April	January 2025	RUB	0.4	0.4	–	Yes
Bonds	April	February 2025	RUB	1.1	1.1	–	Yes
Bonds	April-May	July 2018	RUB	1.1	1.1	–	Yes
Bonds	April-May	August 2020	RUB	3.8	3.8	–	Yes
Bonds	April-May	September 2017	BYR	0.0	0.2	–	Yes
Bonds	May	November 2019	RUB	25.0	25.0	–	–
Bonds	June	June 2021	RUB	30.0	30.0	–	–
Bonds	June	December 2022	USD	0.6	33.0	–	–
Bonds	September	March 2021	RUB	0.8	0.8	–	Yes

(in billions of Russian rubles, unless otherwise indicated)

## 19. Debt securities issued (continued)

For the nine-month period ended 30 September 2017, the Bank sold previously purchased Eurobonds in the total amount of RUB 0.5 billion.

For the nine-month period ended 30 September 2017, the Group repaid/repurchased the following issued securities under the offer:

Type of securities	Period of issue	Period of repayment/repurchase	Issue currency	Nominal value of securities repaid		Repurchased from the Group's participant		Purchase under the offer
				Currency billion	At the repayment/repurchase date, RUB, billion	At the repayment/repurchase date, RUB billion		
(unaudited)								
Bonds	July 2015	January	USD	0.0	2.8	–		Yes
Bonds	July 2010	January	RUB	4.8	4.8	–		Yes
Bonds	February 2012	January	RUB	2.0	2.0	–		–
Bonds	July 2015	January	RUB	10.0	10.0	–		Yes
Bonds	August 2015	February	RUB	4.0	4.0	–		Yes
Eurobonds	February 2012	February	USD	0.6	34.9	–		–
Bonds	February 2015	February	RUB	3.8	3.8	0.9		Yes
Bonds	February 2015	February	RUB	3.3	3.3	1.6		Yes
Bonds	March 2015	March	RUB	1.3	1.3	–		–
Bonds	March 2013	March	RUB	1.0	1.0	–		–
Bonds	March 2013	March	RUB	1.0	1.0	–		–
Bonds	February 2015	March	RUB	1.6	1.6	–		Yes
Bonds	March 2015	March	RUB	0.5	0.5	0.5		Yes
Bonds	June 2015	April	RUB	0.8	0.8	–		Yes
Bonds	April 2012	April	RUB	3.4	3.4	–		Yes
Bonds	May 2014	May	USD	0.2	11.6	–		–
Bonds	February 2015	May	RUB	1.2	1.2	–		Yes
Bonds	May 2015	May	RUB	1.0	1.0	–		–
Bonds	November 2013	May	RUB	1.2	1.2	–		–
Bonds	February 2015	June	RUB	1.4	1.4	–		Yes
Bonds	June 2015	June	RUB	0.5	0.5	–		–
Bonds	July 2012	June	USD	4.0	23.6	23.6		–
Bonds	December 2011	June	RUB	0.1	0.1	–		Yes
Bonds	March 2013	August	RUB	2.0	2.0	–		–
Bonds	June 2012	August	BYR	0.0	0.1	–		–
Bonds	August 2015	August	RUB	5.0	5.0	–		Yes
Bonds	March 2015	September	RUB	9.9	9.9	–		Yes
Bonds	March 2011	September	RUB	0.8	0.8	–		Yes
Bonds	September 2012	September	BYR	0.0	0.3	–		–

For the nine-month period ended 30 September 2017, the Bank purchased previously issued Eurobonds denominated in USD and EUR with a total nominal value of RUB 5.7 billion (equivalent at the purchase date).

For the nine-month period ended 30 September 2017, the Bank placed RUB-denominated discount promissory notes with a total nominal value of RUB 50.0 billion, maturing from May 2020 through August 2020.

For the nine-month period ended 30 September 2017, the Group's subsidiary bank placed discount promissory notes denominated in USD, EUR and RUB with a total nominal value of RUB 6.1 billion (equivalent at the date of placement), maturing from April 2017 through October 2020 and repaid discount and interest bearing promissory notes denominated in USD and RUB with a total nominal value of RUB 8.1 billion (equivalent at the maturity date).

*(in billions of Russian rubles, unless otherwise indicated)***19. Debt securities issued (continued)**

For the nine-month period ended 30 September 2016, the Group issued / reissued the following bonds at the domestic market:

Type of securities	Period of issue	Maturity	Issue currency	Nominal value of securities issued		Nominal value of securities in the portfolios of the Group entities at the issue/placement date, RUB, billion	Secondary placement
				Currency billion (unaudited)	At the placement date, RUB, billion		
Bonds	February	February 2025	RUB	19.6	19.6	19.6	–
Bonds	February	January 2025	RUB	0.6	0.6	–	Yes
Bonds	February	January 2025	RUB	3.0	3.0	3.0	Yes
Bonds	February	February 2025	RUB	3.1	3.1	3.1	Yes
Bonds	March	February 2018	RUB	0.4	0.4	–	Yes
Bonds	March	March 2021	RUB	3.0	3.0	–	Yes
Bonds	April	November 2017	RUB	2.8	2.8	–	Yes
Bonds	April	April 2021	RUB	2.5	2.5	2.5	Yes
Bonds	April	February 2025	RUB	1.0	1.0	1.0	Yes
Bonds	April	March 2018	RUB	0.5	0.5	0.5	Yes
Bonds	April-May	February 2018	RUB	1.2	1.2	–	Yes
Bonds	May	May 2019	RUB	15.0	15.0	–	–
Bonds	May-June	April 2022	RUB	0.2	0.2	–	Yes
Bonds	July	July 2021 r.	USD	0.6	38.1	3.9	–
Bonds	July	July 2019 r.	RUB	20.0	20.0	–	–
Bonds	July	December 2021 r.	RUB	0.6	0.6	–	Yes
Bonds	July	December 2016 r.	RUB	0.3	0.3	–	Yes
Bonds	September	April 2022 r.	RUB	1.1	1.1	–	Yes
Bonds	September	February 2032 r.	RUB	0.1	0.1	–	Yes
Bonds	September	September 2021 r.	RUB	0.4	0.4	–	Yes
Bonds	September	February 2025 r.	RUB	2.7	2.7	–	Yes
Bonds	September	February 2025 r.	RUB	3.1	3.1	–	Yes

For the nine-month period ended 30 September 2016, the Bank placed discount promissory notes with a total nominal value of USD 0.6 billion (equivalent to RUB 37.4 billion at the date of placement), maturing from November 2016 through May 2019.

For the nine-month period ended 30 September 2016, a subsidiary bank sold previously purchased debt securities in the total amount of RUB 1.3 billion.

*(in billions of Russian rubles, unless otherwise indicated)***19. Debt securities issued (continued)**

For the nine-month period ended 30 September 2016, the Group repaid/ repurchased the following securities under the offer:

Type of securities	Period of issue	Period of repayment/repurchase	Issue currency	Nominal value of securities repaid		Repurchased from the Group's participant		Purchase under the offer
				Currency billion	At the repayment/repurchase date, RUB billion	At the repayment/repurchase date, RUB billion		
(unaudited)								
Eurobond	February 2011	February	CHF	0.5	40.8	–	–	–
Bond	February 2015	February	RUB	3.6	3.6	–	–	Yes
Bond	February 2015	February	RUB	5.0	5.0	–	–	Yes
Bond	February 2012	February	RUB	2.0	2.0	–	–	–
Bond	February 2015	March	RUB	5.0	5.0	–	–	Yes
Bond	March 2015	March	RUB	4.1	4.1	–	–	Yes
Bond	March 2011	March	RUB	3.0	3.0	–	–	Yes
Bond	March 2015	March	RUB	1.3	1.3	–	–	–
Bond	April 2011	April	RUB	3.7	3.7	–	–	Yes
Bond	April 2011	April	RUB	2.5	2.5	–	–	Yes
Bond	April 2011	April	RUB	2.1	2.1	–	–	Yes
Bond	April 2013	April	RUB	3.3	3.3	–	–	–
Bond	April 2012	April	RUB	0.6	0.6	–	–	Yes
Bond	April 2012	April	RUB	3.0	3.0	2.0	–	Yes
Bond	November 2013	May	RUB	0.6	0.6	–	–	–
Bond	November 2013	May	RUB	0.6	0.6	–	–	–
Bond	May 2014	May	USD	0.04	2.6	–	–	Yes
Eurobond	May 2011	May	USD	0.4	26.8	–	–	–
Bond	May 2015	May	RUB	1.0	1.0	–	–	–
Bond	June 2015	June	RUB	0.5	0.5	–	–	–
Bond	July 2013 r.	July	RUB	20.0	20.0	–	–	–
Bond	February 2015 r.	August	RUB	1.0	1.0	–	–	Yes
Bond	March 2012 r.	September	RUB	0.1	0.1	–	–	Yes
Bond	October 2011 r.	September	RUB	0.4	0.4	–	–	Yes
Bond	March 2015 r.	September	RUB	2.7	2.7	–	–	Yes
Bond	March 2015 r.	September	RUB	3.1	3.1	–	–	Yes
Bond	March 2015 r.	September	RUB	1.3	1.3	–	–	–
Bond	March 2013 r.	September	RUB	1.0	1.0	–	–	–
Bond	March 2013 r.	September	RUB	1.0	1.0	–	–	–

For the nine-month period ended 30 September 2016, the Group purchased previously issued Eurobonds in the total amount of RUB 8.4 billion and resold them in the total amount of RUB 2.0 billion.

**20. Taxation**

Income tax assets and liabilities comprise:

	30 September 2017 (unaudited)	31 December 2016
Current income tax asset	4.9	0.8
Deferred income tax asset	6.5	5.7
<b>Income tax assets</b>	<b>11.4</b>	<b>6.5</b>
Current income tax liability	0.2	0.5
Deferred income tax liability	13.8	13.7
<b>Income tax liabilities</b>	<b>14.0</b>	<b>14.2</b>

*(in billions of Russian rubles, unless otherwise indicated)***20. Taxation (continued)**

Income tax recorded in the consolidated statement of profit or loss comprises:

	<b>For the nine-month period ended 30 September</b>	
	<b>2017 (unaudited)</b>	<b>2016 (unaudited)</b>
Current tax expense	1.9	1.7
Deferred tax benefit – origination and reversal of temporary differences in the statement of profit or loss	(1.3)	(7.8)
<b>Income tax expense/(benefit)</b>	<b>0.6</b>	<b>(6.1)</b>

**21. Allowance for impairment and provisions**

The movements in the allowance for impairment of interest-earning assets were as follows:

	Amounts due from banks and treasury	Loans to customers, including those pledged as collateral under repurchase agreements	Assets of disposal group	Net investments in leases	Total
<b>31 December 2015</b>	<b>3.2</b>	<b>763.1</b>	<b>8.4</b>	<b>3.5</b>	<b>778.2</b>
Charge (unaudited)	0.2	217.4	0.6	19.9	238.1
Write-offs (unaudited)	-	(7.8)	-	-	(7.8)
Interest accrued on impaired loans (unaudited)	-	(27.2)	-	-	(27.2)
Reversal of allowance previously written off (unaudited)	-	0.7	-	-	0.7
Effect of business combination (IFRS 3) (Note 5) (unaudited)	-	(185.2)	-	-	(185.2)
Disposal of subsidiaries (unaudited)	-	-	(9.0)	-	(9.0)
<b>30 September 2016 (unaudited)</b>	<b>3.4</b>	<b>761.0</b>	<b>-</b>	<b>23.4</b>	<b>787.8</b>
<b>31 December 2016</b>	<b>3.6</b>	<b>786.4</b>	<b>-</b>	<b>16.3</b>	<b>806.3</b>
Charge/(reversal) (unaudited)	-	125.6	-	13.9	139.5
Write-offs (unaudited)	(3.4)	(47.2)	-	(18.9)	(69.5)
Interest accrued on impaired loans (unaudited)	-	(20.6)	-	-	(20.6)
Reversal of amounts previously written off	-	0.8	-	-	0.8
Effect of business combination (IFRS 3) (Note 5) (unaudited)	-	(16.3)	-	-	(16.3)
Effect of translation into reporting currency (unaudited)	-	(2.1)	-	(0.1)	(2.2)
<b>30 September 2017 (unaudited)</b>	<b>0.2</b>	<b>826.6</b>	<b>-</b>	<b>11.2</b>	<b>838.0</b>

*(in billions of Russian rubles, unless otherwise indicated)***21. Allowance for impairment and provisions (continued)**

The movements in the allowance for impairment of other assets and in other provisions are as follows:

	Investment financial assets	Investments in associates	Other assets	Assets and liabilities of disposal group	Claims	Insurance activity	Guarantees and commitments	Total
<b>31 December 2015</b>	<b>0.1</b>	<b>0.7</b>	<b>18.9</b>	<b>0.9</b>	<b>0.8</b>	<b>4.0</b>	<b>10.0</b>	<b>35.4</b>
Charge/(reversal) (unaudited)	(0.1)	0.1	3.5	0.3	0.1	18.4	(3.0)	<b>19.3</b>
Write-offs (unaudited)	-	-	-	-	(0.2)	-	(0.5)	<b>(0.7)</b>
Disposal of subsidiaries (unaudited)	-	-	(0.2)	(1.2)	-	-	-	<b>(1.4)</b>
<b>30 September 2016 (unaudited)</b>	<b>-</b>	<b>0.8</b>	<b>22.2</b>	<b>-</b>	<b>0.7</b>	<b>22.4</b>	<b>6.5</b>	<b>52.6</b>
<b>31 December 2016</b>	<b>-</b>	<b>0.8</b>	<b>23.6</b>	<b>-</b>	<b>0.5</b>	<b>27.3</b>	<b>5.6</b>	<b>57.8</b>
Charge/(reversal) (unaudited)	-	(0.1)	4.8	-	0.4	5.7	2.1	<b>12.9</b>
Write-offs (unaudited)	-	-	(2.0)	(0.2)	-	-	-	<b>(2.2)</b>
Disposal of subsidiaries (unaudited) (Note 12)	-	-	-	0.2	(0.2)	-	-	-
Effect of translation into reporting currency (unaudited)	-	-	(0.4)	-	-	-	(0.1)	<b>(0.5)</b>
<b>30 September 2017 (unaudited)</b>	<b>-</b>	<b>0.7</b>	<b>26.0</b>	<b>-</b>	<b>0.7</b>	<b>33.0</b>	<b>7.6</b>	<b>68.0</b>

For the nine-month period of 2016, a subsidiary accrued a provision for unearned premium of RUB 16.8 billion under an agreement for the insurance of a loan to finance export-oriented production

**22. Finance lease liabilities**

The Group's finance lease liabilities decreased from RUB 75.9 billion as at 31 December 2016 to RUB 67.5 billion as at 30 September 2017 due to the currency revaluation under foreign currency agreements concluded by a subsidiary leasing company and duly repayment of liabilities.

*(in billions of Russian rubles, unless otherwise indicated)***23. Interest income and expense**

Interest income and expense comprise:

	For the three-month period ended 30 September (unaudited)		For the nine-month period ended 30 September (unaudited)	
	2017	2016	2017	2016
<b>Interest income</b>				
Loans to customers	48.8	57.2	145.0	173.7
Amounts due from banks and cash equivalents	5.9	6.2	18.9	19.0
Investment securities	4.4	5.6	14.0	17.6
	<b>59.1</b>	<b>69.0</b>	<b>177.9</b>	<b>210.3</b>
Finance leases	5.9	9.5	20.1	28.7
Other investment financial assets available for sale	0.8	0.8	2.4	2.4
Government grant used	0.3	0.5	1.0	1.4
Financial assets at fair value through profit or loss	–	–	0.1	0.3
	<b>66.1</b>	<b>79.8</b>	<b>201.5</b>	<b>243.1</b>
<b>Interest expense</b>				
Amounts due to banks and the Bank of Russia	(12.3)	(19.1)	(37.4)	(61.6)
Amounts due to customers and the Russian Government	(15.2)	(19.2)	(46.8)	(54.3)
Debt securities issued	(18.7)	(19.1)	(52.7)	(56.6)
Finance lease liabilities	(0.4)	(0.3)	(1.0)	(1.0)
	<b>(46.6)</b>	<b>(57.7)</b>	<b>(137.9)</b>	<b>(173.5)</b>

**24. Other operating income and expenses**

An increase in other operating income for the nine-month period of 2017 was mainly due to the income received by the Group's leasing company from operating leases and early disposal of net investments in leases in the amount of RUB 6.7 billion for the nine-month period ended 30 September 2017 (for the nine-month period ended 30 September 2016: RUB 0.8 billion).

A change in other operating expenses for the nine-month period ended 30 September 2017 was mainly due to recognition of loss from impairment of property and equipment in the amount of RUB 1.4 billion (for the nine-month period ended 30 September 2016: RUB 4.7 billion) and the increased expenses incurred by the Group's subsidiary as a result of decrease in the fair value of investment property of RUB 5.6 billion (for the nine-month period ended 30 September 2016 those expenses amounted to RUB 0.3 billion).

*(in billions of Russian rubles, unless otherwise indicated)*

## 25. Equity

### Changes in equity

In accordance with Article 18 of the Federal Law, the Bank's authorized capital is formed, in particular, from asset contributions of the Russian Federation made according to resolutions of the Russian Government.

In March and June 2017, Vnesheconombank received grants from the federal budget in the form of an asset contribution of the Russian Federation of RUB 107.6 billion, of which:

- ▶ RUB 103.4 billion to compensate for costs related to the fulfillment of obligations arising from foreign borrowings in the capital markets (recognized within authorized capital)
- ▶ RUB 4.2 billion to compensate for losses arising from the free-of-charge transfer of assets to the state treasury of the Russian Federation (recognized within retained earnings)

The federal budget for 2017 and for 2018 and 2019 planned periods provides for grants to be extended to Vnesheconombank in 2017 for the total amount of RUB 150.0 billion to compensate for part of costs related to the fulfillment of obligations arising from foreign borrowings in the capital markets and losses arising from free of charge transfer of assets to the state treasury of the Russian Federation.

Included within uncovered loss there is also an income from operations with the owner amounting up to RUB 5.4 billion (Note 7).

In July 2017, Vnesheconombank transferred ownership rights to the ordinary shares in JSC "North Caucasus Development Corporation" to the Russian Federation represented by the Federal Agency for State Property Management under the free-of-charge transfer agreement. As a result of the transaction, the Group's additional paid-in capital decreased by RUB 2.1 billion; the uncovered loss grew by RUB 6.3 billion.

## 26. Commitments and contingencies

### Operating environment

The Russian, Belarusian and Ukrainian economies are vulnerable to market downturns and economic slowdowns elsewhere in the world.

Russia continues economic reforms and the development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and development and the effectiveness of economic, financial and monetary measures undertaken by the Russian government.

The Russian economy is still affected by sanctions imposed on Russia by a number of countries since the second half of 2014. Vnesheconombank is still subject to the US and EU sectoral sanctions and its subsidiaries are subject to the US sectoral sanctions. In August 2017, the USA extended sectoral sanctions and decreased possible maturity for attraction of equity and debt financing to 14 days.

The ruble interest rates remained high. The exchange rate of the Russian ruble fluctuates in line with changes in oil prices. Following the drop in the exchange rate in 2015 – early 2016 to RUB 83.5913 per USD 1 and increasing oil prices, the Russian ruble strengthened, with the exchange rate of RUB 60.6569 per USD 1 by the end of 2016. The exchange rate as at 30 September 2017 was RUB 58.0169 per USD 1. The key rate of the Bank of Russia decreased from 10.0% as at 31 December 2016 to 8.5% as at 30 September 2017. Since October 30, 2017, the key rate of the Bank of Russia decreased by 0.25% to 8.25%.

*(in billions of Russian rubles, unless otherwise indicated)*

## 26. Commitments and contingencies (continued)

### Operating environment (continued)

The combination of the above resulted in reduced access to capital, a higher cost of capital in prior periods and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects.

In July 2017, Analytical Credit Rating Agency (ACRA) assigned the AAA (RU) rating with a stable outlook to the Bank.

In February 2017, the rating agency Moody's revised the outlook on Vnesheconombank's long-term ratings from «Negative» to «Stable» as a result of a corresponding change in the outlook for the sovereign credit ratings of the Russian Federation. In July 2017, Standard & Poor's revised the outlook on Vnesheconombank's long-term ratings from "Developing" to "Positive", making it equal to the sovereign credit rating of the Russian Federation. In September 2017, following a change in the outlook on the sovereign credit ratings of the Russian Federation, Fitch changed Vnesheconombank's long-term rating outlook from «Stable» to «Positive». During the nine-month period of 2017, Vnesheconombank's credit ratings assigned by these agencies did not change.

The Group's management considers all these factors and believes that it takes all adequate steps to support the Group's sustainability under current conditions.

As an emerging market, the Republic of Belarus does not possess a well-developed business and regulatory infrastructure that would generally exist in more mature market economies. The future stability of the Belarusian economy depends largely on the reforms and developments and the effectiveness of the economic, financial and monetary measures taken by the Belarusian Government.

In 2017, the Government of the Republic of Belarus has continued to take stabilization measures aimed to support the economy in order to overcome the consequences of the global financial crisis. The global financial crisis caused uncertainties regarding future economic growth, availability of financing and cost of capital, which may have an adverse effect on the Group's financial position, performance and economic prospects.

In 2014-2015, political and economic uncertainty in Ukraine increased significantly. This uncertainty still exists, it was taken into account at estimating assets and liabilities of the Group that are related to its activities in Ukraine as at 30 September 2017. From 2014, Ukraine demonstrated decreased gross domestic product, significant negative foreign trade balance and a drastic reduction in foreign currency reserves. International rating agencies downgraded sovereign debt ratings for Ukraine. Moreover, during the period from 1 January 2014 to 30 September 2017, the Ukrainian hryvnia depreciated against major foreign currencies by approximately 68.1%. The combination of these events resulted in the deterioration of liquidity and tighter credit conditions when lending is available. Further assistance from the International Monetary Fund and other international donors depends on progress in mentioned above structural reforms. In March 2017, Ukraine imposed one-year special economic sanctions on banks with Russian participation in equity, including PSC Prominvestbank, that forbid withdrawal of capital to its affiliates outside Ukraine, including granting and repayments of loans and deposits, purchase of securities, dividend or interest payments and profit and equity distribution.

*(in billions of Russian rubles, unless otherwise indicated)*

## 26. Commitments and contingencies (continued)

### Operating environment (continued)

Information about the risk the Group is exposed to in Ukraine as at 30 September 2017 is provided in Note 6 "Segment information". As disclosed earlier, Segment 3 includes PSC Prominvestbank: its income/expenses, profit/loss, assets and liabilities; and represents the Group's banking activity in Ukraine. As at 30 September 2017, net assets of the subsidiary Bank in Ukraine less intergroup loans provided to it amounted to RUB 23.5 billion. As at 30 September 2017, the Group's exposure to risk in Ukraine is accounted for within assets of Segment 1 in the amount RUB 13.4 billion. As at 30 September 2017, a 100% allowance for impairment was recognized against these assets.

As at 30 September 2017, assets of the Group exposed to the risks of consequences arising from the situation in Ukraine comprise loans issued by the Group's subsidiary with a carrying amount of RUB 20.0 billion (before the allowance for impairment of these loans in the amount of RUB 15.8 billion), and other assets in the amount of RUB 4.6 billion (allowance for impairment amounted to RUB 4.6 billion). As at 31 December 2016, loans to customers of the Group's subsidiary amounted to RUB 24.7 billion (allowance for impairment: RUB 22.4 billion), and other assets amounted to RUB 4.8 billion (allowance for impairment: RUB 4.8 billion).

The Group's management also believes that as at 30 September 2017, the loans with a carrying amount of RUB 74.1 billion (before allowance for impairment) (31 December 2016: RUB 67.3 billion) provided by Vnesheconombank to third parties for purchasing securities and financing the Ukrainian metallurgical enterprises are exposed to risks of consequences arising from the situation in Ukraine. As at 30 September 2017, the allowance for impairment of these loans amounted to RUB 65.5 billion (31 December 2016: RUB 67.3 billion).

The Group keeps monitoring the situation in Ukraine and taking the relevant steps to mitigate the effect of such risks. Further potential deterioration of the current situation in Ukraine may have a negative impact on the Group's financial position, which at present is hardly determinable.

### Legal issues

The Group is involved in a number of legal actions related to the Group's ordinary activities. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group. Movements in provisions for legal claims are disclosed in Note 21.

### Taxation

Major part of the Group's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. In addition, the provisions of Russian tax legislation applicable to financial instruments (including transactions with derivative financial instruments and securities) are subject to significant uncertainty and lack of interpretive guidance. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

From 1 January 2015, new taxation rules for controlled foreign companies as well as the concepts of beneficial owner of income and tax residency of legal entities were introduced. The adoption of the law should increase the administrative and, in some cases, tax burden on Russian taxpayers that have foreign subsidiaries and/or conduct transactions with foreign companies.

(in billions of Russian rubles, unless otherwise indicated)

## 26. Commitments and contingencies (continued)

### Taxation (continued)

The interpretation of such provisions of the Russian tax legislation and the latest trends in judicial practice indicate a potential increase in taxes payable and penalties assessed, including due to the fact that the tax authorities and courts may take a more assertive position in applying the legislation and reviewing tax calculations. Consequently, the tax authorities may challenge the transactions and operations of the Group, which have not been challenged before at any time in the future. As a result, significant additional taxes, penalties and fines may be assessed by the relevant authorities. However, it is not possible to determine their amounts or evaluate the probability of a negative outcome in the event of claims brought by the tax authorities. Fiscal periods remain open to review for a period of three calendar years immediately preceding the year of review. Under certain circumstances, reviews may cover longer periods.

At 30 September 2017, the Group's management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

### Commitments and contingencies

The Group's commitments and contingencies comprise the following:

	<b>30 September 2017 (unaudited)</b>	<b>31 December 2016</b>
Undrawn loan commitments	268.8	416.9
Guarantees	598.3	633.4
Letters of credit	8.9	10.9
	<b>876.0</b>	<b>1,061.2</b>
<b>Operating lease commitments</b>		
Not later than 1 year	2.7	3.0
Later than 1 year but not later than 5 years	3.9	4.8
Later than 5 years	4.3	4.8
	<b>10.9</b>	<b>12.6</b>
Co-investment commitments	1.7	4.7
Capital expenditure commitments	39.6	47.9
	<b>928.2</b>	<b>1,126.4</b>
Less provisions (Note 21)	(7.6)	(5.6)
<b>Commitments and contingencies (before deducting collateral)</b>	<b>920.6</b>	<b>1,120.8</b>
Less cash and promissory notes held as collateral against guarantees and letters of credit	(2.3)	(3.4)
<b>Commitments and contingencies</b>	<b>918.3</b>	<b>1,117.4</b>

As at 30 September 2017, the Group advised export letters of credit of RUB 139.2 billion (31 December 2016: RUB 88.6 billion). The Group bears no significant credit risks under export letters of credit.

For the nine-month period of 2017, there was a decrease in the Group's loan commitments mainly due to the expiry of the commitments to extend a credit line in the amount of RUB 146.3 billion to a Russian company unrelated to the state (equivalent as at the expiration date).

For the nine-month period of 2017, the Group's guarantee liabilities decreased mainly due to a decrease in significant USD-denominated guarantees for customers in the amount of RUB 31.7 billion (equivalent at the exchange rate as at the date of decrease).

*(in billions of Russian rubles, unless otherwise indicated)***27. Fair value measurement**

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

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

▶ The following tables show an analysis of fair value by level of the fair value hierarchy:

30 September 2017 (unaudited)	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets measured at fair value</b>				
<b>Trading financial assets</b>	<b>2.2</b>	<b>-</b>	<b>-</b>	<b>2.2</b>
- Equity securities	0.2	-	-	0.2
- Bonds of the Bank of Russia	1.4	-	-	1.4
- Corporate bonds	0.4	-	-	0.4
- Eurobonds issued by the Russian Federation	0.1	-	-	0.1
- Eurobonds of Russian and foreign issuers	0.1	-	-	0.1
<b>Derivative financial instruments</b>	<b>-</b>	<b>2.9</b>	<b>2.0</b>	<b>4.9</b>
- Forward contracts: equity financial instruments	-	0.4	2.0	2.4
- Option contracts with foreign currency	-	2.4	-	2.4
- Foreign exchange contracts: domestic	-	0.1	-	0.1
<b>Financial assets at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>12.2</b>	<b>12.2</b>
<b>Investment financial assets available for sale</b>	<b>163.8</b>	<b>93.5</b>	<b>211.9</b>	<b>469.2</b>
- Units	-	-	174.1	174.1
- Shares and participation interests	69.8	0.7	1.5	72.0
- Corporate bonds	12.3	73.8	-	86.1
- Russian State Bonds (OFZ)	41.3	-	-	41.3
- Debt instruments issued by foreign government bodies	0.3	15.5	-	15.8
- Municipal and sub-federal bonds	1.4	0.4	-	1.8
- Eurobonds of Russian and foreign issuers	28.6	0.1	-	28.7
- Eurobonds issued by the Russian Federation	10.1	3.0	-	13.1
- Other financial assets available for sale	-	-	36.3	36.3
<b>Investment financial assets available for sale pledged as collateral under repurchase agreements</b>	<b>1.1</b>	<b>-</b>	<b>-</b>	<b>1.1</b>
- Corporate bonds	1.1	-	-	1.1
<b>Investment property (within other assets)</b>	<b>-</b>	<b>-</b>	<b>32.9</b>	<b>32.9</b>
<b>Assets for which fair values are disclosed</b>				
<b>Cash and cash equivalents</b>	<b>-</b>	<b>500.0</b>	<b>-</b>	<b>500.0</b>
<b>Special purpose accounts</b>	<b>-</b>	<b>90.3</b>	<b>-</b>	<b>90.3</b>
<b>Amounts due from banks and treasury, including those pledged as collateral under repurchase agreements</b>	<b>-</b>	<b>-</b>	<b>91.2</b>	<b>91.2</b>
<b>Loans to customers, including those pledged as collateral under repurchase agreements</b>	<b>3.3</b>	<b>49.3</b>	<b>1,745.6</b>	<b>1,798.2</b>
<b>Net investments in leases</b>	<b>-</b>	<b>-</b>	<b>168.9</b>	<b>168.9</b>
<b>Investment financial assets held to maturity, including those pledged as collateral under repurchase agreements</b>	<b>8.0</b>	<b>5.6</b>	<b>-</b>	<b>13.6</b>
<b>Subordinated loans to banks</b>	<b>-</b>	<b>-</b>	<b>66.0</b>	<b>66.0</b>
	<b>178.4</b>	<b>741.6</b>	<b>2,330.7</b>	<b>3,250.7</b>

(in billions of Russian rubles, unless otherwise indicated)

## 27. Fair value measurement (continued)

30 September 2017 (unaudited)	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<i>Liabilities measured at fair value</i>				
<b>Derivative financial liabilities</b>	-	5.0	-	5.0
- Forwards and swaps – domestic	-	4.0	-	4.0
- Forwards and swaps – foreign	-	0.9	-	0.9
- Interest rate swaps: foreign	-	0.1	-	0.1
<i>Liabilities for which fair values are disclosed</i>				
Amounts due to banks	-	-	617.2	617.2
Amounts due to the Russian Government and the Bank of Russia	-	-	516.2	516.2
Amounts due to customers	-	-	493.9	493.9
Debt securities issued	544.7	466.5	98.3	1,109.5
Finance lease liabilities	-	-	57.7	57.7
Subordinated deposits	-	-	118.8	118.8
	<b>544.7</b>	<b>471.5</b>	<b>1,902.1</b>	<b>2,918.3</b>

*(in billions of Russian rubles, unless otherwise indicated)***27. Fair value measurement (continued)**

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>31 December 2016</b>				
<b><i>Assets measured at fair value</i></b>				
<b>Trading financial assets</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>0.5</b>
- Equity securities	0.2	-	-	0.2
- Eurobonds issued by the Russian Federation	0.2	-	-	0.2
- Eurobonds of Russian and foreign issuers	0.1	-	-	0.1
<b>Derivative financial instruments</b>	<b>-</b>	<b>3.2</b>	<b>1.5</b>	<b>4.7</b>
- Foreign exchange contracts: foreign	-	0.2	-	0.2
- Forward contracts: equity securities	-	0.5	1.5	2.0
- Option contracts with foreign currency	-	2.5	-	2.5
<b>Financial assets at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>14.0</b>	<b>14.0</b>
<b>Investment financial assets available for sale</b>	<b>144.7</b>	<b>116.7</b>	<b>208.9</b>	<b>470.3</b>
- Units	-	-	171.8	171.8
- Shares and participation interests	58.5	2.0	1.6	62.1
- Corporate bonds	12.7	78.0	-	90.7
- Russian State Bonds (OFZ)	32.5	7.4	-	39.9
- Municipal and sub-federal bonds	1.9	-	-	1.9
- Debt instruments issued by foreign government bodies	0.5	25.5	-	26.0
- Eurobonds of Russian and foreign issuers	35.0	0.5	-	35.5
- Eurobonds issued by the Russian Federation	3.6	3.3	-	6.9
- Other financial assets available for sale	-	-	35.5	35.5
<b>Investment financial assets available for sale pledged as collateral under repurchase agreements</b>	<b>2.2</b>	<b>-</b>	<b>-</b>	<b>2.2</b>
- Corporate bonds	2.1	-	-	2.1
- Eurobonds issued by the Russian Federation	0.1	-	-	0.1
<b>Investment property (within other assets)</b>	<b>-</b>	<b>-</b>	<b>30.0</b>	<b>30.0</b>
<b><i>Assets for which fair values are disclosed</i></b>				
<b>Cash and cash equivalents</b>	<b>-</b>	<b>350.1</b>	<b>-</b>	<b>350.1</b>
<b>Special purpose accounts</b>	<b>-</b>	<b>79.9</b>	<b>-</b>	<b>79.9</b>
<b>Amounts due from banks and treasury, including those pledged as collateral under repurchase agreements</b>	<b>-</b>	<b>-</b>	<b>94.9</b>	<b>94.9</b>
<b>Loans to customers, including those pledged as collateral under repurchase agreements</b>	<b>6.3</b>	<b>8.8</b>	<b>1,916.1</b>	<b>1,931.2</b>
<b>Net investments in leases</b>	<b>-</b>	<b>-</b>	<b>265.9</b>	<b>265.9</b>
<b>Investment financial assets held to maturity</b>	<b>12.5</b>	<b>5.1</b>	<b>1.1</b>	<b>18.7</b>
<b>Investment financial assets held to maturity pledged as collateral under repurchase agreements</b>	<b>-</b>	<b>1.1</b>	<b>-</b>	<b>1.1</b>
<b>Subordinated loans to banks</b>	<b>-</b>	<b>-</b>	<b>64.6</b>	<b>64.6</b>
	<b>166.2</b>	<b>564.9</b>	<b>2,597.0</b>	<b>3,328.1</b>

*(in billions of Russian rubles, unless otherwise indicated)***27. Fair value measurement (continued)**

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>31 December 2016</b>				
<i>Liabilities measured at fair value</i>				
<b>Derivative financial liabilities</b>	-	0.5	-	0.5
- Interest rate swaps: foreign	-	0.2	-	0.2
- Cross-currency interest rate swap	-	0.3	-	0.3
<i>Liabilities for which fair values are disclosed</i>				
<b>Amounts due to banks</b>	-	-	644.3	644.3
<b>Amounts due to the Russian Government and the Bank of Russia</b>	-	-	558.4	558.4
<b>Amounts due to customers</b>	-	-	534.0	534.0
<b>Debt securities issued</b>	419.2	541.6	90.5	1,051.3
<b>Finance lease liabilities</b>	-	-	63.7	63.7
<b>Subordinated deposits</b>	-	-	111.7	111.7
	<b>419.2</b>	<b>542.1</b>	<b>2,002.6</b>	<b>2,963.9</b>

**Items measured at fair value on a regular basis**

The following is a description of the determination of fair value for financial instruments which are regularly measured at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

*Derivatives*

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap pricing models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange forward and spot rates, as well as interest rate curves.

Derivative instruments valued using a valuation technique with significant unobservable inputs in general are primarily long-term option contracts and forward contracts for equity financial instruments. Option contracts are usually valued using binomial option pricing models, which imply using various unobservable inputs, including market rate volatility. However, as at the reporting date, there were no such options. Forward contract is valued using a cash flow discounting model.

*Trading financial assets and investment financial assets available for sale*

Trading financial assets and investment financial assets available for sale and related to Levels 2 and 3 valued using a valuation technique are represented mainly by unquoted equity and debt securities. Such assets are valued using models which incorporate either only observable market data or both observable and unobservable data. The unobservable inputs 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.

(in billions of Russian rubles, unless otherwise indicated)

## 27. Fair value measurement (continued)

### Items measured at fair value on a regular basis (continued)

Movements in Level 3 assets and liabilities measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 assets, which are recorded at fair value:

	1 January 2017	Gains/(losses) recorded in the statement of profit or loss (unaudited)	Gains recorded in other comprehensive income (unaudited)	Acquisitions (unaudited)	Disposal/redemption (unaudited)	Reclassification/business combination (unaudited)	30 September 2017 (unaudited)
<b>Assets</b>							
Derivative financial asset	1.5	0.5	-	-	-	-	2.0
Financial assets at fair value through profit or loss	14.0	(1.4)	-	-	-	(0.4)	12.2
Investment financial assets available for sale	208.9	2.4	2.1	-	(1.5)	-	211.9
Investment property (within other assets)	30.0	(4.5)	-	0.2	(0.1)	7.3	32.9
	<b>254.4</b>	<b>(3.0)</b>	<b>2.1</b>	<b>0.2</b>	<b>(1.6)</b>	<b>6.9</b>	<b>259.0</b>

Unrealized gains on derivative financial asset in the amount of RUB 0.5 billion and unrealized losses on financial assets at fair value through profit or loss in the amount of RUB 1.4 billion are recognized in the consolidated statement of profit or loss in "Net gains/(losses) from financial instruments at fair value through profit or loss".

Gains on investment financial assets available for sale in the amount of RUB 2.4 billion are recognized in the consolidated statement of profit or loss in "Interest income". Unrealized gains from revaluation of investment financial assets available for sale in the amount of RUB 2.1 billion are recorded in the consolidated statement of comprehensive income in "Change in unrealized gains/(losses) on investment financial assets available for sale, including reclassification of such gains/(losses) to profit or loss due to impairment and/or disposals".

During the nine-month period of 2017, there were no transfers of financial assets from Level 3 to Level 1 and Level 2 and from Level 1 and Level 2 to Level 3.

The following table shows a reconciliation of the 2016 opening and closing amounts of Level 3 assets which were recorded at fair value:

	1 January 2016	Gains/(losses) recorded in the statement of profit or loss	Gains/(losses) recorded in other comprehensive income	Disposals/redemptions	Acquisitions	Transfer from Level 1	Reclassification	31 December 2016
<b>Assets</b>								
Derivative financial assets	-	-	-	-	1.5	-	-	1.5
Financial assets at fair value through profit or loss	41.1	-	-	-	6.1	-	(33.2)	14.0
Investment financial assets available for sale	41.8	0.4	4.3	(3.2)	0.2	0.6	164.8	208.9
Investment property (within other assets)	8.4	-	-	(0.1)	22.9	-	(1.2)	30.0
<b>Total Level 3 assets</b>	<b>91.3</b>	<b>0.4</b>	<b>4.3</b>	<b>(3.3)</b>	<b>30.7</b>	<b>0.6</b>	<b>130.4</b>	<b>254.4</b>

Transfers between the levels of the fair value hierarchy are considered performed at the end of the reporting period.

(in billions of Russian rubles, unless otherwise indicated)

## 27. Fair value measurement (continued)

### Items measured at fair value on a regular basis (continued)

The reason for the transfers from Level 1 to Level 3 as at 31 December 2016 is that the market for these securities became inactive, which led to a change in the method used to determine fair value.

As at 30 September 2017 and 31 December 2016, there were no Level 3 financial liabilities recorded at fair value.

*Effect of changes in significant unobservable inputs on the measurement of financial instruments categorized within Level 3 of the fair value hierarchy*

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

30 September 2017 (unaudited)	Carrying amount	Valuation technique	Unobservable inputs	Range (weighted average value)	Alternative assumptions
<b>Financial assets at fair value through profit or loss</b>					
Derivative financial asset 1	2.0	Discounted cash flows	Discount rate	13.38%	1%
Group 1 of financial assets	2.5	Other valuation techniques	Not applicable	Not applicable	–
Group 2 of financial assets	9.7	Discounted cash flows	Weighted average cost of capital	15.08%	1%
			Terminal period growth	4.25%	
<b>Investment financial assets available for sale</b>					
Group 3 of equity securities	2.0	Other valuation techniques	Not applicable	Not applicable	–
Group 4 of equity securities	172.3	Discounted cash flows	Weighted average cost of capital	10.75%-18%	0.5%
Group 5 of other financial assets available for sale	36.3	Multiplier	Fair value / Net assets	0.57	0.5%
Group 6 of equity securities	1.3	Weighted average multiplier	EV/PAX (PAX-passenger traffic)	0.01	10%
			EV/EBITDA	11.30	
			EV/Sales	3.73	
<b>Investment property (within other assets)</b>					
Group 1 of investment property	1.6	Comparative method	Discount	10.0%-20.0%	0.7%-4.6%
			Cost of 1 sqm	RUB 2.8 thousand	
Group 2 of investment property	0.5	Discounted cash flows	Cost of 1 sqm	RUB 292 thousand – RUB 394 thousand	5%
Group 3 of investment property	2.0	Discounted cash flows	Discount rate	18%	1%
Group 4 of investment property	2.6	Comparative method	Discount	9.0%-16.3%	2%-5%
			Cost of 1 sqm	RUB 9.176 thousand – RUB 13.10 thousand	5%
Group 5 of investment property	14.2	Discounted cash flows	Discount rate	16.4%-17.7%	1%
Group 6 of investment property	4.6	Other valuation techniques	Not applicable	Not applicable	–
Group 7 of investment property	0.1	Other valuation techniques	Not applicable	Not applicable	–
Group 8 of investment property	7.3	Discounted cash flows	Discount rate	18%	1%

*(in billions of Russian rubles, unless otherwise indicated)***27. Fair value measurement (continued)****Items measured at fair value on a regular basis (continued)**

31 December 2016	Carrying amount	Valuation technique	Unobservable inputs	Range (weighted average value)	Alternative assumptions
<b>Financial assets at fair value through profit or loss</b>					
Derivative financial asset 1	1.5	Discounted cash flows	Discount rate	14.19%	1%
Group 1 of financial assets	2.9	Other valuation techniques	Not applicable	Not applicable	-
Group 2 of financial assets	9.7	Discounted cash flows	Weighted average cost of capital	15.08%	1%
Group 7 of financial assets	1.4	Discounted cash flows	Terminal period growth Weighted average cost of capital	4.25% 15.40%	0.5%, 3%
<b>Investment financial assets available for sale</b>					
Group 3 of equity securities	1.9	Other valuation techniques	Not applicable	Not applicable	-
Group 4 of equity securities	170.0	Discounted cash flows	Weighted average cost of capital	11.4%-17.9%	0.5%
Group 5 of other financial assets available for sale	35.5	Multiplier	Fair value / Net assets	0.57	0.5%
Group 6 of equity securities	1.4	Weighted average multiplier	EV/PAX (PAX-passenger traffic) EV/EBITDA EV/Sales	0.01 11.30 3.73	2%
<b>Investment property (within other assets)</b>					
Group 1 of investment property	1.6	Comparative method	Discount Cost of 1 sqm	10-20% RUB 9.2 thousand	4.6%-4.9%
Group 2 of investment property	1.4	Discounted cash flows	Cost of 1 sqm	RUB 304 thousand – RUB 412 thousand	5%
Group 3 of investment property	2.1	Discounted cash flows	Discount rate	18.0%	1%
Group 4 of investment property	2.5	Comparative method	Discount Cost of 1 sqm	9.0%-16.3% RUB 9.176 thousand – RUB 13.10 thousand	5%
Group 5 of investment property	15.5	Discounted cash flows	Discount rate	16.4%-17.7%	1%
Group 6 of investment property	6.8	Other valuation techniques	Not applicable	Not applicable	-
Group 7 of investment property	0.1	Other valuation techniques	Not applicable	Not applicable	-

*(in billions of Russian rubles, unless otherwise indicated)***27. Fair value measurement (continued)****Items measured at fair value on a regular basis (continued)**

In order to determine the effect of reasonably possible alternative assumptions mentioned above, the Group adjusted key unobservable model inputs. The following table shows the effect of reasonably possible alternative assumptions on the fair value of Level 3 instruments:

	<b>30 September 2017 (unaudited)</b>	
	<b>Carrying amount (unaudited)</b>	<b>Effect of reasonably possible alternative assumptions (unaudited)</b>
Derivative financial asset	2.0	(0.2)
Financial assets at fair value through profit or loss	9.7	(0.2)
Investment financial assets available for sale	209.9	(2.0)
Investment property (within other assets)	28.2	(1.5)
	<b>31 December 2016</b>	
	<b>Carrying amount</b>	<b>Effect of reasonably possible alternative assumptions</b>
Derivative financial assets	1.5	(0.2)
Financial assets at fair value through profit or loss	11.1	(0.1)
Investment financial assets available for sale	206.9	(1.5)
Investment property (within other assets)	23.1	(1.5)

To determine the impact of possible alternative assumptions relating to the financial assets at fair value through profit of loss, investment financial assets available for sale and derivative financial asset, the Group took a prudent approach and adjusted key unobservable inputs at the lower interval boundary of possible assumptions. If the upper interval boundary of possible assumptions were applied, their positive impacts as at 30 September 2017 would have amounted to RUB 0.2 billion, RUB 1.9 billion and RUB 0.2 billion, respectively (31 December 2016: RUB 0.1 billion, RUB 1.0 billion and RUB 0.1 billion, respectively).

*Transfers between Level 1 and Level 2*

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value, during the reporting period:

	<b>Transfers from Level 2 to Level 1 for the nine-month period ended 30 September</b>	
	<b>2017 (unaudited)</b>	<b>2016 (unaudited)</b>
<b>Financial assets</b>		
Investment financial assets available for sale (including those lent and pledged as collateral under repurchase agreements)	9.0	1.4
	<b>Transfers from Level 1 to Level 2 for the nine-month period ended 30 September</b>	
	<b>2017 (unaudited)</b>	<b>2016 (unaudited)</b>
<b>Financial assets</b>		
Investment financial assets available for sale (including those pledged as collateral under repurchase agreements)	1.7	17.4

*(in billions of Russian rubles, unless otherwise indicated)***27. Fair value measurement (continued)****Items measured at fair value on a regular basis (continued)**

During the nine-month periods of 2017 and 2016, the above financial assets were transferred from Level 2 to Level 1, as they became actively traded during the reporting period and their fair values were subsequently determined based on quoted prices in active market for identical assets.

During the nine-month periods of 2017 and 2016, the above financial assets were transferred from Level 1 to Level 2 as they ceased to be actively traded during the year and their fair values were subsequently obtained through valuation techniques using observable market inputs.

**Financial instruments not carried at fair value in the statement of financial position**

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

	30 September 2017 (unaudited)			31 December 2016		
	Carrying amount	Fair value	Unrecognized gain/(loss)	Carrying amount	Fair value	Unrecognized gain/(loss)
<b>Financial assets</b>						
Cash and cash equivalents	500.0	500.0	–	350.1	350.1	–
Financial assets lent and pledged as collateral under repurchase agreements:						
- investment financial assets held to maturity	0.3	0.3	–	1.1	1.1	–
- loans to customers	–	–	–	1.4	1.4	–
Special purpose accounts	90.3	90.3	–	79.9	79.9	–
Amounts due from banks and treasury	85.9	91.2	5.3	92.3	94.9	2.6
Loans to customers	1,767.4	1,798.2	30.8	1,904.5	1,929.8	25.3
Net investments in leases	182.7	168.9	(13.8)	283.6	265.9	(17.7)
Investment financial assets held to maturity	12.5	13.3	0.8	18.0	18.7	0.7
Subordinated loans	59.1	66.0	6.9	57.4	64.6	7.2
<b>Financial liabilities</b>						
Amounts due to banks	617.5	617.2	0.3	644.5	644.3	0.2
Amounts due to the Russian Government and the Bank of Russia	506.0	516.2	(10.2)	553.8	558.4	(4.6)
Amounts due to customers	491.7	493.9	(2.2)	532.1	534.0	(1.9)
Debt securities issued	1,067.2	1,109.5	(42.3)	1,024.6	1,051.3	(26.7)
Finance lease liabilities	67.5	57.7	9.8	75.9	63.7	12.2
Subordinated deposits	94.2	118.8	(24.6)	92.5	111.7	(19.2)
<b>Total unrecognized change in unrealized fair value</b>			<b>(39.2)</b>			<b>(21.9)</b>

*(in billions of Russian rubles, unless otherwise indicated)*

## 27. Fair value measurement (continued)

### Financial instruments not recorded at fair value in the statement of financial position (continued)

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

#### *Assets for which fair value approximates their carrying amount*

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months) it is assumed that their carrying amount approximates their fair value. This assumption is also applied to demand deposits and assets without a specific maturity.

#### *Fixed and floating rate financial instruments*

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

The fair value of floating interest rate instruments is generally their current value. Interest rates on loans to customers and amounts due from banks bearing a fixed interest rate may be revised in case of material changes in the market situation. Consequently, interest rates on loans issued shortly before the reporting date do not differ materially from interest rates applicable to new instruments with similar credit risk and maturity. If the Group determines that interest rates on previously issued loans differ materially from those applicable to similar instruments at the reporting date, the Group estimates the fair value of these loans. Such estimates are based on the discounted cash flow method using discount rates, which are determined from the current yield on government bonds with similar maturity, and credit spreads.

## 28. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control or jointly 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, and not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Related parties include the state, key management of the Group, associates and jointly controlled entities. Since Vnesheconombank is a state corporation, all state-controlled entities or entities on which the state has a significant influence (collectively – state-related entities), are considered to be related parties of the Group.

*(in billions of Russian rubles, unless otherwise indicated)***28. Related party transactions (continued)****Transactions with associates, jointly controlled entities and key management personnel**

Outstanding balances of transactions with associates, jointly controlled entities and key management personnel at 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017 (unaudited)			31 December 2016		
	Associates	Jointly controlled entities	Key management personnel	Associates	Jointly controlled entities	Key management personnel
<b>Assets</b>						
Financial assets at fair value through profit or loss	0.4	0.5	–	2.2	–	–
Amounts due from banks and treasury	22.3	–	–	22.4	–	–
Subordinated loans to banks	5.3	–	–	5.1	–	–
Loans to customers, net of allowance	3.4	18.6	0.1	15.5	11.7	0.1
Other assets	–	2.2	–	–	–	–
<b>Liabilities</b>						
Amounts due to banks	0.5	–	–	–	–	–
Amounts due to customers	–	–	0.2	–	–	0.3
Other liabilities	–	–	0.1	–	–	–
<b>Guarantees issued and loan commitments</b>	<b>2.3</b>	<b>–</b>	<b>–</b>	<b>15.5</b>	<b>–</b>	<b>–</b>

The related income and expense from transactions with associates, jointly controlled entities and key management personnel for the nine-month periods ended 30 September 2017 and 30 September 2016 are as follows:

	For the nine-month period ended 30 September 2017 (unaudited)			For the nine-month period ended 30 September 2016 (unaudited)		
	Associates	Jointly controlled entities	Key management personnel	Associates	Jointly controlled entities	Key management personnel
<b>Interest income</b>						
Loans to customers	1.0	1.8	–	3.5	1.0	–
Amounts due from banks and treasury	1.7	–	–	0.5	–	–
Subordinated loans to banks	0.6	–	–	0.2	–	–
<b>Interest expense</b>						
Amounts due to banks	(0.1)	–	–	–	–	–
Amounts due to customers	–	–	–	(0.9)	–	(0.1)
<b>Reversal of/(allowance for) impairment of interest-earning assets</b>	<b>(4.0)</b>	<b>(0.9)</b>	<b>–</b>	<b>(77.7)</b>	<b>(1.0)</b>	<b>–</b>

Cost of services rendered by the key management personnel for the reporting period comprises the following:

	For the nine-month period ended 30 September (unaudited)	
	2017	2016
Salaries and other short-term benefits	1.4	1.5
Mandatory contributions to the pension fund	0.2	0.1
Social security contributions	0.1	0.1
<b>Compensation to key management personnel</b>	<b>1.7</b>	<b>1.7</b>

(in billions of Russian rubles, unless otherwise indicated)

## 28. Related party transactions (continued)

### Transactions with the state, state institutions and state-related entities

The information about transactions with the Russian Government, its authorized institutions, and the Bank of Russia is provided in Note 7.

As at 30 September 2017, interbank loans and term interest-bearing deposits with banks include loans with a carrying amount of RUB 4.8 billion issued to Russian state-related banks by the Bank's subsidiary at a below-market interest rate. For the period ended 30 September 2017, loss in the amount of RUB 2.0 billion was recorded in the line "Net gains/(losses) on initial recognition of financial instruments, restructuring and early repayment" of the consolidated statement of profit or loss and a carrying amount of commitment to issue loans at rate below the market level recorded as Other liabilities amounted to RUB 0.9 billion (Note 11).

The Bank is servicing, in an agency capacity, government foreign financial assets and, until the date determined by the Russian Government, the government foreign debt of the former USSR and the Russian Federation.

As at 30 September 2017 transactions with state-related entities include the deposits with the Bank of Russia that mature within 90 days totaling RUB 50.0 billion (31 December 2016: nil) (Note 8).

In addition, as at 30 September 2017 transactions with state-related entities include cash non-interest-bearing deposits (obligatory reserves) maintained by the Vnesheconombank's subsidiary banks with the Bank of Russia in the amount of RUB 2,6 billion (31 December 2016: RUB 2.9 billion).

As at 30 September 2017, non-interest-bearing deposits also include amounts placed on the correspondent account with the Bank of Russia for a designated purpose in the total amount of RUB 27.5 billion (31 December 2016: RUB 37.8 billion). A decrease in the amounts as at 30 September 2017 as compared to 31 December 2016 was due to the Group's transfer of unused government grants provided by the Ministry of Industry and Trade of the Russian Federation in the amount of RUB 10.0 billion in March 2017 (Note 11).

In the normal course of business, the Bank and its subsidiaries grant loans to state-related banks, as well as raise financing and issue guarantees to these banks (the list of transactions with the banks is not complete). These transactions are carried out primarily under market conditions, except for those disclosed in Note 11. Transactions with state-related banks account for the major portion of all of the Group's operations on granting loans to banks and the minor portion of financing raised from banks and guarantees issued.

Balances of significant transactions with state-related banks as at 30 September 2017 and 31 December 2016 comprise the following:

Bank	Type of transaction	Amounts due from banks and treasury	
		30 September 2017 (unaudited)	31 December 2016
Bank 1	Interest-bearing loans and deposits with banks maturing within 90 days	47.0	-
Bank 2	Interest-bearing loans and deposits with banks maturing within 90 days	9.0	9.0
Bank 3	Interest-bearing loans and deposits with banks maturing within 90 days	7.0	90.9
Bank 4	Subordinated loans to banks	6.3	6.1
Bank 5	Term interest-bearing deposits with banks	4.4	5.3
		<b>73.7</b>	<b>111.3</b>

*(in billions of Russian rubles, unless otherwise indicated)***28. Related party transactions (continued)****Transactions with the state, state institutions and state-related entities (continued)**

Bank	Type of transaction	Amounts due to banks	
		30 September 2017 (unaudited)	31 December 2016
Bank 1	Loans and other placements from Russian banks	139.4	58.9
Bank 3	Loans and other placements from Russian banks	110.8	134.3
Bank 6	Loans and other placements from Russian banks	34.8	43.2
Bank 7	Loans and other placements from Russian banks	1.1	5.0
Bank 8	Loans and other placements from Russian banks	-	6.6
		<b>286.1</b>	<b>248.0</b>

In the normal course of business, the Bank and its subsidiaries grant loans to state-related customers, as well as issue guarantees to these customers, maintain their current accounts and raise deposits from them (the list of transactions with customers is not complete). These transactions are carried out primarily under market conditions, except for those disclosed in Note 13. Transactions with state-related customers account for the major portion of all of the Group's operations with customers. Balances of the most significant transactions with state-related institutions and entities as at 30 September 2017 and 31 December 2016 comprise the following:

Borrower	Industry	Loans to customers	Undrawn loan commitments	Loans to customers	Undrawn loan commitments
		30 September 2017 (unaudited)		31 December 2016	
Customer 1	Financing	401.0	-	378.1	-
Customer 2	Manufacturing, including heavy machinery	99.2	-	102.9	-
Customer 3	Manufacturing, including heavy machinery	78.1	9.5	76.4	15.2
Customer 4	Financing	40.9	-	40.8	-
Customer 5	Manufacturing, including heavy machinery	35.3	16.9	36.7	12.2
Customer 6	Manufacturing, including heavy machinery	32.1	-	30.4	-
Customer 7	Transport	31.2	-	32.7	-
Customer 8	Electric energy	26.3	-	27.2	-
Customer 9	Transport	25.4	-	24.9	-
Customer 10	Oil and gas	19.5	-	24.3	-
Customer 11	Manufacturing, including heavy machinery	13.0	-	16.7	-
Customer 12	Manufacturing, including heavy machinery	12.3	-	12.7	-
Customer 13	Manufacturing, including heavy machinery	6.9	0.8	6.7	7.7
Customer 14	Telecommunications	6.6	-	5.5	-
Customer 15	Manufacturing, including heavy machinery	6.1	-	5.7	-
Customer 16	Trade	4.9	-	5.7	-
Customer 17	Electric energy	4.8	6.8	5.3	6.8
Customer 18	Telecommunications	0.4	2.0	5.5	7.0
Customer 19	Financing	-	-	9.1	-
Customer 20	Electric energy	-	-	6.7	-
		<b>844.0</b>	<b>36.0</b>	<b>854.0</b>	<b>48.9</b>

*(in billions of Russian rubles, unless otherwise indicated)***28. Related party transactions (continued)****Transactions with the state, state institutions and state-related entities (continued)**

Customer	Industry	Net investments in leases	
		30 September 2017 (unaudited)	31 December 2016
Customer 21	Transport	70.3	76.5
Customer 22	Transport	-	35.4
Customer 23	Transport	-	5.3
Customer 24	Transport	-	5.3
		<b>70.3</b>	<b>122.5</b>

Customer	Industry	Amounts due to customers	
		30 September 2017 (unaudited)	31 December 2016
Customer 25	Financing	47.9	65.9
Customer 7	Transport	12.9	0.6
Customer 14	Telecommunications	10.3	11.1
Customer 26	Manufacturing, including heavy machinery	10.2	13.5
Customer 27	Other	10.0	-
Customer 28	Manufacturing, including heavy machinery	5.8	2.7
Customer 5	Manufacturing, including heavy machinery	3.5	10.2
Customer 6	Manufacturing, including heavy machinery	1.7	5.8
		<b>102.3</b>	<b>109.8</b>

Customer	Industry	Guarantees issued	
		30 September 2017 (unaudited)	31 December 2016
Customer 26	Manufacturing, including heavy machinery	141.4	159.4
Customer 29	Electric energy	5.5	8.3
		<b>146.9</b>	<b>167.7</b>

As at 30 September 2017 and 31 December 2016, the Group's investments in debt securities issued by the Russian Government and other governmental authorities (at federal, sub-federal and municipal level) comprise the following:

	30 September 2017 (unaudited)	31 December 2016
Financial assets at fair value through profit or loss		
- trading financial assets	1.5	0.2
Investment financial assets:		
- available for sale	56.2	48.7
- held to maturity	1.1	1.4
Investment financial assets pledged as collateral under repurchase agreements		
- available for sale	-	0.1
- held to maturity	0.3	-

*(in billions of Russian rubles, unless otherwise indicated)***28. Related party transactions (continued)****Transactions with the state, state institutions and state-related entities (continued)**

As at 30 September 2017 and 31 December 2016, there were no transactions involving derivative financial instruments with the Russian Government.

In the normal course of business, the Group invests in securities issued by state-related issuers and enters into derivative contracts with such counterparties. As at 30 September 2017 and 31 December 2016, the Group's investments in securities issued by state-related issuers, as well as transactions involving derivative financial instruments with such counterparties comprise the following:

	30 September 2017 (unaudited)			31 December 2016		
	Equity securities	Debt securities	Derivative financial instruments	Equity securities	Debt securities	Derivative financial assets
Financial assets at fair value through profit or loss						
- trading financial assets	0.2	0.4	-	0.2	-	-
- derivative financial assets	-	-	0.1	-	-	-
- financial assets at fair value through profit or loss	10.1	-	-	10.6	-	-
Financial assets pledged as collateral under repurchase agreements						
- available for sale	-	1.1	-	-	2.7	-
- loans to customers	-	-	-	-	1.4	-
Investment financial assets available for sale	222.6	96.4	-	218.3	103.1	-
Investment financial assets held to maturity	-	7.2	-	-	10.7	-
Derivative financial liabilities	-	-	(0.6)	-	-	-

As at 30 September 2017, investment financial assets available for sale also include a financial asset issued by a state-related bank with a fair value of RUB 36.3 billion (31 December 2016: RUB 35.5 billion).

Significant financial results related to transactions with the state are presented below:

	For the nine-month period ended 30 September (unaudited)	
	2017	2016
<b>Interest expense</b>		
Amounts due to the Bank of Russia	(14.3)	(25.5)
Amounts due to the Russian Government	(24.9)	(25.8)
<b>Government grants</b>	<b>3.2</b>	<b>143.5</b>

Government grants recorded in the consolidated statement of profit or loss for the nine-month period ended 30 September 2017 include the Bank's gain from government grants in the amount of RUB 2.0 billion (for the nine-month period ended 30 September 2016: RUB 142.5 billion) related to the funds recorded within operations with the Russian Government, its authorized institutions and the Bank of Russia in the consolidated statement of financial position (Note 7).

*(in billions of Russian rubles, unless otherwise indicated)*

## 28. Related party transactions (continued)

### Transactions with the state, state institutions and state-related entities (continued)

For the period ended 30 September 2017, gain of RUB 1.0 billion on initial recognition of special purpose funds with the carrying amount of RUB 10.0 billion attracted by the Bank's subsidiary at a below market rate was recognized in line "Government grants" of the consolidated statement of profit or loss (Note 18).

For the period ended 30 September 2017, the Group recognized a gain of RUB 0.2 billion in line "Government grants" of the consolidated statement of profit or loss. The gain resulted from compensation of promotion costs for high-tech, innovative and other products.

In addition, the Bank recognized within the equity financial result from distribution of capital to the Russian Government due to disposal of JSC "North Caucasus Development Corporation" (a subsidiary) (Note 25).

In addition, as at 30 September 2017 a gain on the transaction with the owner in the amount of RUB 5.4 billion is recorded within uncovered loss (Note 7).

Gain of RUB 1.0 billion on initial recognition of loans granted by the Bank of Russia for the purposes of further issue to banks through JSC SME Bank under the program of extending loans to small and medium enterprises was recorded in line "Government grants" of the consolidated statement of profit or loss for the nine-month period ended 30 September 2016.

## 29. Subsequent events

In October-November 2017, the Bank issued USD and EUR-denominated guarantees and counter guarantees in favor of customers totaling RUB 8.8 billion (equivalent as of the date of these interim condensed consolidated financial statements). Also, in October-November 2017, USD, EUR and RUB-denominated guarantees previously issued by the Bank in favor of customers totaling RUB 9.8 billion expired (equivalent at the reporting date).

In October-November 2017, the Bank repurchased its own Eurobonds with a nominal value of EUR 35.6 million (equivalent to RUB 2.5 billion as at the date of purchase) and nominal value of USD 37.3 million (equivalent to RUB 2.2 billion as at the date of purchase).

In October 2017, the Bank purchased own RUB-denominated bonds with a total nominal value of RUB 2.5 billion.

In October 2017, the Bank opened a USD-denominated credit facility of RUB 29.2 billion for its customer (equivalent as of the date of these interim condensed consolidated financial statements).

In October 2017, the Group's leasing company purchased its own USD-denominated bonds with a total nominal value of RUB 11.5 billion.

In October 2017, the Bank attracted a loan from a foreign bank in the equivalent at the date of attraction of RUB 28.6 billion at a fixed interest rate for the period of 5 years. The funds will be used to finance the real sector of the economy.

(in billions of Russian rubles, unless otherwise indicated)

## 29. Subsequent events (continued)

In October 2017, pursuant to the decisions of the Vnesheconombank's Supervisory Board concerning optimization of the foreign network of Vnesheconombank's representative offices, the Bank's representative office in Paris (France) ceased its operations.

In November 2017, the subsidiary bank fulfilled its obligations to repurchase its own bonds in the amount of RUB 0.6 billion under the offer. Subsequently, the subsidiary bank placed the entire redeemed amount of bonds with a maturity in November 2025. An offer is envisaged in 2019.

In November 2017, a long-term placement of funds of the NWF for a deposit in Vnesheconombank in the amount of RUB 5.4 billion was made for the purposes of financing investment projects.

In November 2017, following the early repayment of subordinated loans without collateral previously provided to the Russian bank as part of the implementation of the Federal Law No. 173-FZ dated 13 October 2008 *On Additional Measures to Support the Financial System of the Russian Federation* (Note 7), the Bank early repaid long-term interest-bearing NWF deposits for the amount of RUB 6.9 billion.

In accordance with the terms of issue in November 2017, the Bank repaid its USD-denominated Eurobonds with a total nominal value of USD 0.6 billion (equivalent to RUB 35.7 rubles at the maturity date).

In November 2017, the Bank repaid its own RUB-denominated bonds with a total nominal value of RUB 9.0 billion, including bonds in the amount of RUB 4.0 billion earlier repurchased by the Bank under the offer.

In November 2017, the Group's leasing company partially repaid its own RUB-denominated bonds with a total nominal value of RUB 1.3 billion in accordance with the terms of issue.