

Interim condensed consolidated financial statements of
**State Corporation "Bank for Development and
Foreign Economic Affairs (Vnesheconombank)"
and its subsidiaries**
for the nine-month period ended 30 September 2015
with report on review

**Interim condensed consolidated financial statements of the Group -
State Corporation "Bank for Development and Foreign Economic Affairs
(Vnesheconombank)" and its subsidiaries**

Contents	Page
Report on review of the interim condensed consolidated financial statements	
Interim condensed consolidated statement of financial position	1
Interim condensed consolidated statement of profit or loss	2
Interim condensed consolidated statement of comprehensive income	5
Interim condensed consolidated statement of changes in equity	4
Interim condensed consolidated statement of cash flows	5
Notes to the interim condensed consolidated financial statements	
1. Principal activities	7
2. Basis of preparation	9
3. Reclassification of comparative information	12
4. Major subsidiaries, associates and jointly controlled entities	13
5. Business combinations	15
6. Segment information	17
7. Operations with the Russian Government, its authorized institutions and the Bank of Russia	22
8. Cash and cash equivalents	23
9. Financial assets and liabilities at fair value through profit or loss	24
10. Financial assets pledged under repurchase agreements	25
11. Amounts due from banks	26
12. Loans to customers	26
13. Net investments in leases	29
14. Disposal groups classified as held for sale	30
15. Investment financial assets	31
16. Other assets	32
17. Amounts due to banks	32
18. Amounts due to customers	33
19. Debt securities issued	33
20. Taxation	35
21. Allowance for impairment and provisions	36
22. Finance lease liabilities	37
23. Interest income and expense	37
24. Equity	38
25. Commitments and contingencies	38
26. Fair value of financial instruments	41
27. Related party transactions	51
28. Subsequent events	57

Report on review of the interim condensed consolidated financial statements

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

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 2015, and the related interim condensed consolidated statements of profit or loss and of comprehensive income for the three-month and nine-month periods then ended, interim condensed consolidated statements of changes in equity and of cash flows for the nine-month period then ended and explanatory notes.

Management of the Group is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the Federal Law *On Auditing Activity*, Federal Rule (Standard) on Auditing No. 33 *Engagements to Review Financial Statements* and International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

A review of the interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the federal standards on auditing effective in the Russian Federation and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Совершенство бизнеса,
улучшаем мир

Conclusion

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

G.A. Shinin
Partner
Ernst & Young Vneshaudit CJSC

28 December 2015

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 dated 17 May 2007, *On Bank for Development*. In accordance with Federal Law No. 395-1 *On Banks and Banking Activity* dated 2 December 1990, the state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" performs banking operations as stipulated by Federal Law No. 82-FZ dated 17 May 2007, *On Bank for Development*.

Entry made in the State Register of Legal Entities on 8 July 2007; State Registration Number 1077711000102.

Address: Russia 107996, Moscow, Prospekt Akademika Sakharova, 9.

Details of the practitioner

Name: Ernst & Young Vneshaudit

Entry made in the State Register of Legal Entities on 16 September 2002; State Registration Number 1027739199333.

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

Ernst & Young Vneshaudit is a member of the Self-regulatory Organization of Auditors "Russian Audit Chamber" (Association) ("SRO APR"). Ernst & Young Vneshaudit is included in the control copy of the register of auditors and audit organizations, main registration number 10301017410.

Interim condensed consolidated statement of financial position**As at 30 September 2015***(in millions of Russian rubles)*

		30 September 2015	31 December 2014
	Notes	(Unaudited)	(Restated)
Assets			
Cash and cash equivalents	8	354,982	325,927
Precious metals		248	274
Financial assets at fair value through profit or loss	9	44,676	44,346
Financial assets lent and pledged under repurchase agreements	10, 12	18,901	103,681
Amounts due from banks	11	139,286	178,298
Assets of disposal groups classified as held for sale	14	130,280	4,307
Loans to customers	12	2,502,912	2,251,203
Net investment in leases	13	389,485	380,763
Investment financial assets:	15		
- available for sale		465,918	368,717
- held to maturity		34,674	21,447
Amounts due from the Russian Government		465	400
Investments in associates and jointly controlled entities	4	10,893	10,892
Property and equipment		60,063	58,257
Income tax assets	20	6,852	7,508
Other assets	16	154,869	129,800
Total assets		4,314,504	3,885,820
Liabilities			
Amounts due to banks	17	1,013,665	1,010,540
Financial liabilities at fair value through profit or loss	9	1,948	2,670
Amounts due to the Russian Government and the Bank of Russia	7	659,329	559,278
Liabilities of disposal groups classified as held for sale	14	65,446	188
Amounts due to customers	18	603,169	508,728
Debt securities issued	19	1,117,403	983,145
Finance lease liabilities	22	98,556	89,785
Subordinated deposits	7	358,798	303,015
Income tax liability	20	9,511	7,329
Provisions	21	14,244	6,445
Other liabilities		45,038	36,132
Total liabilities		3,987,107	3,507,255
Equity			
Charter capital	24	445,571	418,069
Additional paid-in capital	24	150,498	138,170
Uncovered loss		(301,602)	(169,021)
Unrealized revaluation of investment financial assets available for sale		29,828	(13,940)
Foreign currency translation reserve		512	976
Equity attributable to the Russian Government		324,807	374,254
Non-controlling interests		2,590	4,311
Total equity		327,397	378,565
Total equity and liabilities		4,314,504	3,885,820

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

Vladimir A. Dmitriev

Chairman of the Bank

Vladimir D. Shaprinsky

Chief Accountant

28 December 2015

The accompanying selected notes 1-28 are an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of profit or loss*(in millions of Russian rubles)*

	Notes	For the three-month period ended 30 September (Unaudited)		For the nine-month period ended 30 September (Unaudited)	
		2015	2014	2015	2014
Interest income	23	72,653	72,634	233,854	201,866
Interest expense	23	(64,425)	(47,566)	(184,388)	(128,862)
Net interest income		8,228	25,068	49,466	73,004
Provision for impairment of interest-earning assets	21	(44,541)	(81,019)	(121,483)	(180,916)
Net interest expense after provision for impairment of interest-earning assets		(36,313)	(55,951)	(72,017)	(107,912)
Fee and commission income		2,570	2,434	7,896	6,496
Fee and commission expense		(709)	(920)	(1,913)	(1,821)
Net fee and commission income		1,861	1,514	5,983	4,675
Gains less losses from financial instruments at fair value through profit or loss		4,082	470	5,457	2,776
Gains less losses from investment financial assets available for sale		(5,309)	(1,325)	(24,513)	(4,738)
Gains less losses from foreign currencies					
- dealing		(1,050)	736	(89)	1,247
- translation differences		(2,672)	(9,470)	(5,958)	(11,868)
Gains less losses on initial recognition of financial instruments, restructuring and early repayment		(982)	(18,231)	6,968	60,308
Share in net loss of associates and jointly controlled entities		(493)	(320)	(2,271)	(101)
Dividends		7,340	8,315	8,529	8,527
Other operating income		4,944	6,666	14,166	16,525
Non-interest income/(expense)		5,860	(13,159)	2,289	72,676
Payroll and other staff costs		(5,913)	(5,507)	(17,863)	(16,174)
Occupancy and equipment		(2,034)	(1,811)	(5,774)	(4,884)
Depreciation of property and equipment		(870)	(728)	(2,396)	(2,125)
Taxes other than income tax		(966)	(947)	(2,735)	(2,608)
Provision for other impairment and provisions	21	(12,435)	(3,649)	(17,553)	(5,869)
Other operating expenses		(5,454)	(7,208)	(17,534)	(21,578)
Non-interest expense		(27,672)	(19,850)	(63,855)	(53,238)
Loss before income tax and hyperinflation effect		(56,264)	(87,446)	(127,600)	(83,799)
Loss on net monetary position resulting from hyperinflation		-	(362)	-	(1,037)
Loss before income tax		(56,264)	(87,808)	(127,600)	(84,836)
Income tax expense	20	(3,269)	(940)	(5,424)	(1,430)
Loss for the period		(59,533)	(88,748)	(133,024)	(86,266)
Attributable to:					
- the Russian Government		(59,081)	(88,532)	(132,361)	(86,096)
- non-controlling interests		(452)	(216)	(663)	(170)
		(59,533)	(88,748)	(133,024)	(86,266)

The accompanying selected notes 1-28 are an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of comprehensive income*(in millions of Russian rubles)*

Notes	For the three-month period ended 30 September (Unaudited)		For the nine-month period ended 30 September (Unaudited)	
	2015	2014	2015	2014
Loss for the period	(59,081)	(88,748)	(133,024)	(86,266)
Other comprehensive income/(loss)				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</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	(15)	(8,726)	44,107	(964)
Translation differences	10,535	3,758	(828)	(4,520)
Income tax relating to components of other comprehensive income	(78)	85	(325)	107
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	10,442	(4,883)	42,954	(5,377)
Other comprehensive income/(loss) for the period, net of tax	10,442	(4,883)	42,954	(5,377)
Total comprehensive loss for the period	(49,091)	(93,631)	(90,070)	(91,643)
Attributable to:				
- the Russian Government	(48,413)	(93,484)	(89,043)	(91,448)
- non-controlling interests	(678)	(147)	(1,027)	(195)
	(49,091)	(93,631)	(90,070)	(91,643)

The accompanying selected notes 1-28 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 2015

(in millions of Russian rubles)

	Attributable to the Russian Government					Total	Non- controlling interests	Total equity
	Charter capital	Additional paid-in capital	Retained earnings / (uncovered loss)	Unrealized revaluation of investment financial assets available for sale	Foreign currency translation reserve			
31 December 2013	388,069	138,170	54,744	(10,491)	958	571,450	5,409	576,859
Loss for the period (Unaudited)	-	-	(86,096)	-	-	(86,096)	(170)	(86,266)
Other comprehensive loss (Unaudited)	-	-	-	(838)	(4,514)	(5,352)	(25)	(5,377)
Total comprehensive loss for the period (Unaudited)	-	-	(86,096)	(838)	(4,514)	(91,448)	(195)	(91,643)
Gain on initial recognition of Russian Government funds (Unaudited) (Note 7)	-	-	25,956	-	-	25,956	-	25,956
Subsidiaries acquired (Unaudited) (Note 5)	-	-	-	-	-	-	(586)	(586)
Changes in ownership interests in existing subsidiaries (Unaudited)	-	-	36	-	(3)	33	38	71
Dividends paid by subsidiaries (Unaudited)	-	-	-	-	-	-	(8)	(8)
30 September 2014 (Unaudited)	388,069	138,170	(5,360)	(11,329)	(3,559)	505,991	4,658	510,649
31 December 2014	418,069	138,170	(169,021)	(13,940)	976	374,254	4,311	378,565
Loss for the period (Unaudited)	-	-	(132,361)	-	-	(132,361)	(663)	(133,024)
Other comprehensive income/(loss) (Unaudited)	-	-	-	43,775	(457)	43,318	(364)	42,954
Total comprehensive income/(loss) for the period (Unaudited)	-	-	(132,361)	43,775	(457)	(89,043)	(1,027)	(90,070)
Contribution of the Russian Government (Note 24) (Unaudited)	27,502	12,328	-	-	-	39,830	-	39,830
Changes in ownership interests in existing subsidiaries (Note 5) (Unaudited)	-	-	(220)	(7)	(7)	(234)	149	(85)
Subsidiaries acquired (Unaudited) (Note 5)	-	-	-	-	-	-	(838)	(838)
Dividends paid by subsidiaries (Unaudited)	-	-	-	-	-	-	(5)	(5)
30 September 2015 (Unaudited)	445,571	150,498	(301,602)	29,828	512	324,807	2,590	327,397

The accompanying selected notes 1-28 are an integral part of these interim condensed consolidated financial statements.

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

	Notes	For the nine-month period ended 30 September (Unaudited)	
		2015	2014 (Restated)
Cash flows from operating activities			
Loss for the period		(133,024)	(86,266)
Adjustments:			
Change in interest accruals		(56,061)	(54,477)
Impairment and other provisions	21	139,036	186,785
Changes in unrealized revaluation of trading securities and derivative financial instruments		(6,725)	866
Gains less losses from investment financial assets available for sale, net of impairment loss		1,577	663
Impairment of investment financial assets available for sale	15	22,936	4,075
Changes in translation differences		5,958	11,868
Gains less losses on initial recognition of financial instruments, restructuring and early repayment		(6,968)	(60,308)
Share in net (profit)/loss of associates and jointly controlled entities		2,271	101
Depreciation and amortization		3,050	2,644
Deferred income tax	20	4,036	68
Loss on net monetary position resulting from hyperinflation		-	1,037
Other changes		1,414	1,548
Cash flows from operating activities before changes in operating assets and liabilities		(22,500)	8,604
<i>Net (increase)/decrease in operating assets</i>			
Precious metals		(4)	55
Financial assets at fair value through profit or loss		(7,460)	37,962
Amounts due from banks		(42,790)	(3,501)
Loans to customers		(39,946)	(257,399)
Net investments in leases		16,231	(13,903)
Amounts due from the Russian Government		1	(2)
Other assets		(18,947)	(14,960)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to banks, net of long-term interbank financing		(50,610)	(23,467)
Amounts due to the Russian Government and the Bank of Russia, net of long-term financing		94,832	98,282
Amounts due to customers		50,973	(2,803)
Debt securities issued, net of bonds		(7,942)	(15,417)
Finance lease liabilities		(5,899)	(2,619)
Other liabilities		(1,768)	3,961
Net cash used in operating activities		(35,829)	(185,207)

The accompanying selected notes 1-28 are an integral part of these interim condensed consolidated financial statements.

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

	Notes	For the nine-month period ended 30 September (Unaudited)	
		2015	2014 (Restated)
Cash flows from investing activities			
Purchase of investment financial assets		(194,653)	(137,279)
Proceeds from sale and redemption of investment financial assets		187,604	120,720
Subordinated loans repaid by Russian credit institutions		-	214,038
Investments in associates and jointly controlled entities		(56)	(3,905)
Purchase of property and equipment		(2,051)	(1,651)
Proceeds from sale of property and equipment		76	79
Acquisition of subsidiaries, net of cash acquired	5	12	1
Net cash from/(used in) investing activities		(9,068)	192,003
Cash flows from financing activities			
Long-term interbank financing raised	17	20,921	181,841
Long-term interbank financing repaid	17	(101,563)	(158,504)
Long-term financing repaid to the Bank of Russia		(17,570)	(212,636)
Long-term financing raised from the Bank of Russia		49,553	62,000
Long-term financing repaid to the Russian Ministry of Finance		-	(214,038)
Placement of bonds	19	79,953	232,824
Redemption of bonds	19	(35,565)	(18,642)
Purchase of bonds issued by the Group		(35,682)	(13,813)
Proceeds from sale of previously purchased bonds		36,090	20,851
Contribution of the Russian Government	24	39,830	-
Change in interest in existing subsidiaries	5	(85)	71
Government assistance received	27	7,466	1,510
Dividends paid by subsidiaries to non-controlling shareholders		(5)	(8)
Net cash from/(used in) financing activities		43,343	(118,544)
Effect of changes in foreign exchange rates against the Russian ruble on cash and cash equivalents		33,299	32,221
Net decrease in cash and cash equivalents		31,745	(79,527)
Cash and cash equivalents, beginning	8	325,927	275,994
Cash and cash equivalents, ending	8	354,982	196,467
Cash recognized in assets of disposal groups classified as held for sale, ending	14	2,690	-
Supplemental information:			
Income tax paid		(832)	(2,754)
Interest paid		(167,085)	(125,409)
Interest received		161,147	143,249
Dividends received		8,582	8,569

The accompanying selected notes 1-28 are an integral part of these interim condensed consolidated financial statements.

(in millions of Russian rubles)

1. Principal activities

The Group of 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, CIS-based banks, and Russian and foreign subsidiaries (collectively, the "Group"). Information on major subsidiaries, associates, and jointly controlled entities is presented in Note 4 and Note 9.

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.

The main principles and areas of the Bank's activity are set out in the Federal Law and the Memorandum on Financial Policies of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" approved by Resolution of the Russian Government No. 1007-r dated 27 July 2007 (extended by Resolutions No. 1170-r of the Government of the Russian Federation dated 15 July 2010 and No. 1316-r dated 25 July 2013). The Memorandum on Financial Policies (hereinafter, the "Memorandum") provides for the main areas of the Bank's investing and financing activities, stipulates quantitative limitations, conditions and criteria of specific operations. The Russian Government, by Resolution No. 2610-r dated 29 December 2012, approved amendments to the Memorandum setting out terms and procedures for providing financial support and guarantees to companies working on state defense contracts and involved in federal-level defense and security programs. In addition, the Memorandum was amended by adding a section on the formal process for Vnesheconombank to make decisions on investing pension savings in bonds covered by guarantees of the Russian Government and bonds issued by Russian companies, which have been assigned a long-term credit rating for liabilities denominated in Russian rubles or foreign currencies of an international credit rating agency accredited in accordance with the procedure established by the Russian legislation that is not lower than Russia's sovereign rating for liabilities denominated in Russian rubles or foreign currencies.

As part of legislative initiatives aimed at deoffshorization of the Russian economy, in accordance with Resolution of the Russian Government No. 16 dated 16 January 2015, *On Amendments to Certain Legislative Acts of the Russian Federation*, the Memorandum was amended with separate provision under which Vnesheconombank should only enter into operations and transactions with offshore counterparties included in the register of the Russian Ministry of Finance in accordance with the procedure established by the Supervisory Board of Vnesheconombank.

The management bodies of the Bank are the Supervisory Board (chaired by the Prime Minister of the Russian Federation), the Management Board, and the Chairman of the Bank. In accordance with the Federal Law, the Chairman of the Bank is appointed by the President of the Russian Federation as proposed by the Prime Minister of the Russian Federation for a term which cannot exceed 5 years.

(in millions of Russian rubles)

1. Principal activities (continued)

Vnesheconombank activities are aimed at overcoming infrastructure growth constraints, upgrading and promoting the economic sector for non-raw materials, encouraging innovation, exporting high-technology products, carrying out projects in special economic zones, environment protection projects, and supporting small and medium-sized enterprises. The Bank actively participates in large investment projects contributing to the development of infrastructure and high-technology industries of the real sector of the economy, as well as in investment projects aimed at the development of municipalities engaged in a single area of activity.

The Bank's charter capital has been formed through asset contributions from the Russian Federation made under decisions of the Russian Government, including the contribution of state-owned shares of JSC "Russian Bank for Small and Medium Enterprises Support" (JSC SME Bank), JSC "State Specialized Russian Export-Import Bank" (EXIMBANK OF RUSSIA), the Federal Center for Project Finance (FCPF), and, international and domestic long-distance electrical communication operator Open Joint-Stock Company Rostelecom to the charter capital.

Vnesheconombank performs the functions of an agent for the Russian Government for the purpose of accounting, servicing and repaying the foreign sovereign debt of the former USSR and the Russian Federation (including internal currency debt of the former USSR); accounting, servicing and repaying (using) government loans issued by the former USSR and the Russian Federation to foreign borrowers; collecting (recovering) debts from legal entities, constituent entities of the Russian Federation and municipal governments under cash liabilities to the Russian Federation; providing and executing state guarantees of the Russian Federation and monitoring projects implemented by the Russian Federation with involvement of international financial institutions.

Vnesheconombank performs the functions of an agent of the Russian Government under the Agreement entered into with the Ministry of Finance of the Russian Federation (the "Russian Ministry of Finance") on 25 December 2009, Additional Agreement No. 1 dated 23 December 2010, Additional Agreement No. 2 dated 8 December 2011, Additional Agreement No. 3 dated 23 July 2012, Additional Agreement No. 4 dated 19 August 2013, and Additional Agreement No. 5 dated 16 April 2014 (collectively, "Agency Agreement"). Additional Agreement No. 6 was signed after the reporting date (Note 28).

The Bank performs functions of the agent servicing the foreign debt of the former USSR and of the Russian Federation, including maintenance of accounting records, settlements and reconciliation of the above debt by the date determined by the Russian Government.

In January 2003, the Bank was appointed as the state trust management company for the trust management of pension savings. Vnesheconombank performs trust management of accumulated pension savings of insured citizens who have not selected a non-state pension fund or a private management company and who have selected the Bank as the management company.

On 2 August 2009, Federal Law No. 182-FZ dated 18 July 2009, *On Amendments to Federal Law "On Non-state Pension Funds" and Federal Law "On Investment of Funds to Finance the Funded Part of Labor Pensions in the Russian Federation"*, came into effect which provides for that from 1 November 2009 the Bank as a state trust management company for pension savings shall form two portfolios: an extended investment portfolio and an investment portfolio of government securities. The Bank shall form the portfolios in accordance with the investment declarations approved by Resolution of the Russian Government No. 540 dated 1 September 2003 and Resolution of the Russian Government No. 842 dated 24 October 2009.

In June 2012, Vnesheconombank was appointed as a state management company for funds in the payment reserve. The payment reserve is formed in accordance with Federal Law No. 360-FZ dated 30 November 2011, *On the Procedure for Using Pension Accruals to Finance Payments* for purposes of payments to the cumulative pension.

(in millions of Russian rubles)

1. Principal activities (continued)

The Bank, as a management company for the payment reserve, shall form two portfolios: a payment reserve portfolio and a portfolio of pension savings of insured persons to whom a term pension payment is assigned. The Bank shall form the portfolios in accordance with the investment declarations approved by Resolution of the Russian Government No. 550 dated 4 June 2012.

During the nine-month period of 2015, the Bank, as a state management company, mainly invested pension savings in state securities denominated in Russian rubles, and corporate bonds of highly credible Russian issuers. As at 30 September 2015 and 31 December 2014, total funds of the State Pension Fund of the Russian Federation managed by the state management company amounted to RUB 1,907,038 million and RUB 1,905,621 million, respectively.

In accordance with Resolution of the Russian Government No. 503 dated 14 June 2013, Vnesheconombank performs functions of the state trust management company for pension savings and the state management company for the payment reserve until 1 January 2019.

Since October 2008, Vnesheconombank has been taking measures aimed at supporting the financial system of the Russian Federation so as to implement Federal Law No. 173-FZ *On Additional Measures to Support the Financial System of the Russian Federation* dated 13 October 2008 (Federal Law No. 173-FZ). As detailed in Notes 11 and 12, the Bank extended unsecured subordinated loans to Russian banks, and starting from the end of December 2010, the Bank acts as a lender for operations to enhance affordability of mortgage loans through extending loans to OJSC "The Agency for Housing Mortgage Lending" (OJSC "AHML").

The Bank's head office is located at 9 Prospekt Akademika Sakharova, Moscow.

The Bank has representative offices in St. Petersburg (Russia), Khabarovsk (Russia), Yekaterinburg (Russia), Pyatigorsk (Russia), Rostov-on-Don (Russia), Krasnoyarsk (Russia), Nizhny Novgorod (Russia), 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), Johannesburg (the Republic of South Africa), Mumbai and New-Delhi (the Republic of India), Beijing (the People's Republic of China), Paris (the French Republic) and Zurich (the Swiss Confederation).

2. Basis of preparation

General

These interim condensed consolidated financial statements for the nine-month period ended 30 September 2015 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 2014. Operating results for the nine-month period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015.

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

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, uses the Ukrainian hryvnia ("UAH") as its functional currency. VEB Asia Limited, foreign subsidiary of the Group, uses the Hong Kong dollar ("HKD") as its functional currency.

(in millions of Russian rubles)

2. Basis for preparation (continued)

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 2014, except for the introduced amendment and adoption of new standards since 1 January 2015, noted below.

Amendments introduced to the accounting policies

Since 1 January 2015, the Group changed its Accounting policy with respect to recognition of business combination of entities under common control, and decided not to restate comparatives in the financial statements for the periods preceding such combination. The Group's previous accounting policy for transactions on acquisition of subsidiaries involving entities under common control which required restatement of comparatives, was developed when the major user of the consolidated financial statements was the Bank's owner represented by the State. Considering the restatement of comparatives, the State, acting as the controlling owner of both purchasing and transferring parties, could assess the Group's performance as if it always included the new subsidiary and results of its operations. The range of major users of the Group's consolidated financial statements has significantly expanded and includes Russian and foreign investors requesting comparison of data and reflection of actual situation. Restatement of prior period comparatives in the consolidated financial statements due to acquisition of the new subsidiary will not reflect the actual amount of the Group's income, expenses and cash flows and, correspondingly, will be less appropriate from the point of view of users performing the financial statements analysis.

New adopted standards

In spite of the fact that the new and amended standards were applied for the first time in 2015, they had no material impact on the Group's interim condensed consolidated financial statements. The nature and the impact of each new standard or amendment are described below:

Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 (issued in November 2013)

The amendment provides guidance on how the employee contributions linked to service should be attributed to periods of service. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments are effective for annual periods beginning on or after 1 July 2014. These amendments had no impact on the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 cycle (issued in December 2013 and effective for annual reporting periods beginning on 1 July 2014) include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- ▶ A performance condition must contain a service condition;
- ▶ A performance target must be met while the counterparty is rendering service;
- ▶ A performance target must relate to the operations or activities of an entity, or to those of another entity in the same group;
- ▶ A performance condition may be a market or non-market condition;
- ▶ If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

These amendments had no impact on the Group's accounting policies.

(in millions of Russian rubles)

2. Basis for preparation (continued)

Changes in accounting policies (continued)

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- ▶ An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- ▶ The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group did not apply the aggregation criteria provided in the paragraph 12 of IFRS 8. The reconciliation of segment assets to total assets was disclosed by the Group in prior periods. The Group continues the disclosure in Note 6 to these interim condensed consolidated financial statements as such reconciliation is reported to the chief operating decision maker.

IFRS 13 Short-term Receivables and Payables – Amendments to IFRS 13

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. These provisions are consistent with the Group's current accounting policies, and therefore it was not affected by these amendments.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. During the current interim reporting period, the Group did not recognize the adjustments to the value of assets made as a result of revaluation.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is not relevant to the Group as the Group does not use services of a management entity.

Annual improvements 2011-2013 cycle (issued in December 2013 and effective for annual reporting periods beginning on 1 July 2014). The group applied these improvements in its interim condensed consolidated statement for the first time for the three months ended 31 March 2015. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that for the purpose of exceptions from the scope of IFRS 3:

- ▶ Joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- ▶ This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The amendment is not relevant to the Group and its subsidiaries as the Bank is not a joint venture.

(in millions of Russian rubles)

2. Basis for preparation (continued)

Changes in accounting policies (continued)

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the exception provided in IFRS 13 for companies holding a group of financial assets and liabilities (portfolio) and managing this group as a whole.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. In determining if the transaction is the purchase of an asset or business combination, the Group applied IFRS 3, and not IFRS 40. Therefore, these amendments had no impact on the Group's accounting policies.

Meaning of Effective IFRSs – Amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided that either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The standard had no impact on the Group, since the Group is an existing IFRS preparer.

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 at the date of the financial statements. The actual results may differ from these estimates and it is possible that these differences may have a material effect on the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty regarding allowance for impairment of loans and receivables and measurement of fair value of financial instruments and investment property are consistent with those used in preparing the annual consolidated financial statements for the year ended 31 December 2014.

3. Reclassification of comparative information

The Group has changed the presentation of certain items in the consolidated statement of financial position as at 30 September 2015 due to significance leasing operations of the Group's subsidiaries and disposal groups classified as held for sale. The following reclassifications have been made to 2014 balances to conform to the 2015 presentation:

	As previously reported	Reclassification amount	As reclassified
Consolidated statement of financial position as at 31 December 2014			
Assets of disposal groups classified as held for sale	–	4,307	4,307
Loans to customers	2,631,966	(380,763)	2,251,203
Net investments in leases	–	380,763	380,763
Other assets	134,107	(4,307)	129,800
Liabilities of disposal groups classified as held for sale	–	188	188
Other liabilities	36,320	(188)	36,132

The effect of the above changes is also disclosed in Notes 12, 13 and 14.

*(in millions of Russian rubles)***4. Major subsidiaries, associates and jointly controlled entities*****Subsidiaries***

The Group's major subsidiaries included in the interim condensed consolidated financial statements are presented in the table below:

Subsidiaries	Ownership		Country of incorporation	Type of activity
	30 September 2015 (Unaudited)	31 December 2014		
EXIMBANK OF RUSSIA	100%	100%	Russia	Banking
Bank BelVEB OJSC	97.52%	97.52%	Republic of Belarus	Banking
OJSC "VEB-Leasing"	99.11%	98.96%	Russia	Leasing
JSC SME Bank	100%	100%	Russia	Banking
Sviaz-Bank	99.65%	99.65%	Russia	Banking
PSC Prominvestbank	99.39%	98.6%	Ukraine	Banking
CJSC "Kraslesinvest"	100%	100%	Russia	Production and processing of materials
JSC "GLOBEXBANK"	99.99%	99.99%	Russia	Banking
Rose Group Limited (former R.G.I. International Limited)	73.4%	73.4%	Guernsey	Real estate development business
LLC "VEB-Capital"	100%	100%	Russia	Financial intermediary
"VEB Engineering" LLC	100%	100%	Russia	Investment project implementation services
FCPF	100%	100%	Russia	Financial intermediary
JSC "Development Corporation of North Caucasus"	100%	100%	Russia	Advisory services, investment project support
RDIF Management Company LLC	100%	100%	Russia	Management company
EXIAR	100%	100%	Russia	Insurance
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
Resad LLC	85%	85%	Russia	Electric energy
Resort Zolotoe Koltso LLC	100%	100%	Russia	Real estate and construction
JSC Russian Export Center	100%	-	Russia	Export support
	Share of assets:			
Mutual Fund RDIF	100%	100%	Russia	Mutual fund

As at 30 September 2015 and 31 December 2014, the Group owns 100% of the voting shares of OJSC "VEB-Leasing".

In February 2015, 441,542,360 additionally issued ordinary registered shares of PSC Prominvestbank were transferred to the securities account of Vnesheconombank with PSC Prominvestbank (Vnesheconombank paid for the additional shares of PSC Prominvestbank in December 2014). As a result of the placement of additional shares in PSC Prominvestbank, Vnesheconombank's interest in the share capital of the subsidiary bank increased to 99.09%.

In March 2015, the Bank purchased 50,337,125 ordinary registered shares additionally issued by JSC "GLOBEXBANK" for the total amount of RUB 5,034 million. As a result of the placement of the additional shares of JSC "GLOBEXBANK", the Bank's interest in share capital of the subsidiary remained unchanged at 99.99%.

*(in millions of Russian rubles)***4. Major subsidiaries, associates and jointly controlled entities (continued)*****Subsidiaries (continued)***

In April and June 2015, Vnesheconombank made additional contributions to the charter capital of LLC "VEB Capital" for the amount of RUB 440 million and RUB 225 million, respectively. The Bank's share in the charter capital of the company remained unchanged at 100%.

In April 2015, JSC National Export Center was officially registered (currently JSC Russian Export Center, hereinafter – "the Center"). Vnesheconombank is the sole founder of the Center. In May 2015, the amount of RUB 3,000 million was contributed to the charter capital of the Center. At 30 June 2015, Law No. 185-FZ *Concerning Amendments to Federal Law "On Bank for Development" and Article 970 of Part II of the Civil Code of the Russian Federation* dated 29 June 2015, became effective. In accordance with the revised Federal Law, Vnesheconombank, the Center, EXIAR, EXIMBANK OF RUSSIA and their subsidiaries shall perform export support functions. Vnesheconombank shall coordinate the activities of the Center, EXIAR and EXIMBANK OF RUSSIA.

In April 2015, the Bank transferred the subsidy (RUB 2,328 million) received in December 2014 to purchase additional units of its subsidiary Mutual Fund RDIF (Note 24).

In May 2015, the Bank transferred a total of USD 303 million (RUB 15,844 million at the date of transfer) in payment for 637,761,278 ordinary registered additionally issued shares of PSC Prominvestbank. In July 2015, the title to the additionally issued shares was transferred to the Bank. As a result of the placement of additional shares of PSC Prominvestbank, Vnesheconombank's share in the charter capital of the subsidiary bank increased to 99.39%.

In June 2015, Vnesheconombank purchased 12,153,476 ordinary registered shares additionally issued by EXIAR for the total amount of RUB 12,153 million. The Bank's share in the charter capital of the company remained unchanged at 100%.

In July 2015, Vnesheconombank transferred funds in the amount of RUB 10,000 million to purchase 1,304,291 shares additionally issued by OJSC "VEB-Leasing". After the placement of the additionally issued shares, the Group's share in the charter capital of the company is 99.11%.

Associates

The Group's major associates accounted for under the equity method in the consolidated financial statements are presented in the table below:

Associates	Ownership		Country of incorporation	Type of activity
	30 September 2015 (Unaudited)	31 December 2014		
OJSC "Ilyushin Finance Co."	21.39%	21.39%	Russia	Leasing
CJSC "Leader"	27.62%	27.62%	Russia	Management company
LLC "VEB-Invest"	19.00%	19.00%	Russia	Investments
	Share of assets:			
CMIF "Bioprocess Capital Ventures"	50.00%	50.00%	Russia	Mutual fund

*(in millions of Russian rubles)***5. Business combinations*****Acquisitions in 2015***

In July 2015, Pilsen Toll s.r.o., a subsidiary of LLC "VEB-Capital", purchased 85% voting shares of Luxembourg-registered holding company United Group S.A. United Group S.A. is a beneficiary owner of a Czech metal manufacturer. The Group's participation in the company's charter capital is due to the Bank's financing of the respective investment project.

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

	Provisional fair value recognized on control acquisition
Cash and cash equivalents	12
Property and equipment	985
Other assets	989
	1,986
Amounts due to banks	4,389
Amounts due to customers	1,986
Provisions (Note 21)	166
Other liabilities	1,029
	7,570
Total identifiable net assets	(5,584)
Less liabilities to the Group	6,483
Less non-controlling interests	838
Goodwill arising on acquisition	4,746
Consideration transferred on acquisition	6,483

Based on the fair value measurement procedures performed with regard to the acquired identifiable assets and liabilities, the goodwill recognized in the financial statements may be adjusted.

Transactions representing previous relations between the participants of the Group within amounts due to banks, amounts due to customers and other liabilities with the fair value of RUB 6,483 million at the acquisition date were eliminated in the process of accounting for the business combination. Funds received from the Group were eliminated from the identifiable liabilities of United Group S.A., and compensation transferred upon acquisition was increased by the respective fair value of the specified liabilities.

The above goodwill of RUB 4,746 million includes the expected improvement of performance of the acquired group of companies as a result of business combination. The recognized goodwill is not expected to be deducted for taxation purposes.

The Group decided to measure non-controlling interests in United Group S.A. at the proportionate share of non-controlling shareholders in its identifiable net assets.

From the date of acquisition, the contribution of United Group S.A. in the Group's non-interest income is RUB 112 million, and its contribution to the financial result constitutes a loss of RUB 236 million. Had the combination occurred at the beginning of the year, the Group's loss for the nine-month period ended 30 September 2015 would have been RUB 134,023 million.

*(in millions of Russian rubles)***5. Business combinations (continued)*****Acquisitions in 2014***

On 24 July 2014, after the approval of the new version of the charter of Resad LLC by the general meeting of the participants, the Bank acquired control over the entity (state registration of the new version of the charter was completed in August 2014). The Bank's share in the charter capital of the company remained unchanged at 85%.

Resad LLC is the originator of the project for the construction of Molzhaninovka gas-turbine power plant in Moscow.

On 29 July 2014, the Bank acquired 100% of the voting shares of Resort Zolotoe Koltso LLC which implements the project for the construction of the tourist and recreation complex in Pereslavsky district of Yaroslavl region.

The Bank's participation in the charter capitals of Resad LLC and Resort Zolotoe Koltso LLC is due to the Bank's financing of the respective projects.

The fair values of the acquired identifiable assets and liabilities of the specified entities were determined provisionally and are presented in the table below.

	Provisional fair value recognized on acquisition of control over Resad LLC	Provisional fair value recognized on acquisition of control over Resort Zolotoe Koltso LLC
Cash and cash equivalents	1	-
Property and equipment	1,367	1,759
Income tax assets	26	-
Other assets	762	228
	2,156	1,987
Amounts due to customers	-	4
Income tax liabilities	-	54
Other liabilities	199	78
	199	136
Total identifiable net assets	1,957	1,851
Non-controlling interests	586	-
Compensation transferred upon acquisition of control	2,543	1,851

At the acquisition dates, the Group recognized loans issued to Resad LLC and Resort Zolotoe Koltso LLC, which were recorded in the financial statements of the specified entities within amounts due to banks at the carrying value of RUB 5,864 million and RUB 3,739 million, respectively. The fair value of the specified liabilities of Resad LLC and Resort Zolotoe Koltso LLC was RUB 2,543 million and RUB 1,851 million, respectively. The specified transactions representing previous relations between the participants of the Group were eliminated in the process of accounting for the business combination. Loans issued by the Group were eliminated from the identifiable liabilities of Resad LLC and Resort Zolotoe Koltso LLC, and compensation transferred upon acquisition was increased by the respective fair value of the specified liabilities.

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

Analysis of cash flows on acquisition:

Net cash acquired with the subsidiary (included in cash flows from investing activities)	1
Cash paid upon acquisition of control (included in cash flows from investing activities)	-
Net cash flow	1

(in millions of Russian rubles)

5. Business combinations (continued)

Acquisitions in 2014 (continued)

The contribution of the specified entities to the financial result of the Group was insignificant. Had the acquisition occurred at the beginning of the year, the Group's net loss would not have changed significantly.

Changes in ownership interests in 2015

In the first quarter of 2015, following the results of the additional issue of shares of PSC Prominvestbank which started in December 2014, the carrying amount of net assets of PSC Prominvestbank increased by RUB 16,993 million and the contribution of non-controlling shareholders amounted to RUB 2 million. In addition, during the six-month period of 2015, PSC Prominvestbank repurchased 2,164,558 shares from non-controlling shareholders and sold 2,447,904 treasury shares to the third parties. In the third quarter of 2015, following the results of the next additional issue of shares of PSC Prominvestbank which started in May 2015, the carrying amount of net assets of PSC Prominvestbank increased by RUB 15,845 million and the contribution of non-controlling shareholders amounted to RUB 1 million. As a result of the reallocation of interests between the Bank and other shareholders, non-controlling interests increased by RUB 241 million; the Group's retained earnings, unrealized revaluation of investment financial assets available for sale and foreign currency translation reserve decreased by RUB 220 million, RUB 7 million and RUB 7 million, respectively.

In the first quarter of 2015, RDIF long-term direct investment mutual fund repurchased non-controlling interests in some of its subsidiaries. The reallocation of interests resulted in a decrease of the Group's non-controlling interests by RUB 95 million.

Changes in ownership interests in 2014

In the first quarter of 2014, PSC Prominvestbank sold 1,779,521 treasury shares held by this subsidiary bank to the third parties previously repurchased from the shareholders. As a result of the reallocation of interests between Vnesheconombank and non-controlling shareholders, non-controlling interests increased by RUB 38 million, the foreign currency translation reserve decreased by RUB 3 million and the Group's retained earnings increased by RUB 36 million.

6. Segment information

For the management purposes the Group has six operating segments:

Segment 1	Vnesheconombank, JSC SME Bank.
Segment 2	Sviaz-Bank, JSC "GLOBEXBANK", R.G.L.
Segment 3	PSC "Prominvestbank" (Ukraine).
Segment 4	Bank BelVEB OJSC (Republic of Belarus).
Segment 5	OJSC "VEB-Leasing".
Segment 6	LLC "VEB Capital", LLC "VEB Engineering", FCPF, JSC "North Caucasus Development Corporation", RDIF Management Company LLC, EXIAR, RDIF long-term direct investment mutual fund, JSC "The Far East and Baikal Region Development Fund", VEB Asia Limited, Resad LLC, Resort Zolotoe Koltso LLC, EXIMBANK OF RUSSIA, JSC Russian Export Center and other subsidiaries.

(in millions of Russian rubles)

6. Segment information (continued)

Segment 1 comprises major banks within 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 and their subsidiaries. Segments 3 and 4 reflect the Group's banking operations in Ukraine and the Republic of Belarus, respectively. Segment 5 reflects leasing operations of the Group. Segment 6 comprises other subsidiaries and funds in which the Group holds a controlling ownership interest.

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

In 2014, OJSC "VEB-Leasing" was transferred to a separate segment (Segment 5) as a result of a significant increase in its income and assets, and the comparative information was restated.

During the fourth quarter of 2014, shares of EXIMBANK OF RUSSIA (previously included in Segment 1) owned by the Bank were fully transferred to EXIAR following the Instruction of the President of the Russian Federation of 24 June 2014 on the establishment of the Center for Exports Credit and Insurance Support on the basis of EXIAR. In 2014, the established Center for Exports Credit and Insurance Support was included in Segment 6. The comparative information for the nine-month period of 2014 is not restated, since the effect on the segment information is insignificant.

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 managed 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.

During the nine-month periods ended 30 September 2015 and 30 September 2014, the Group received no income from transactions with one external client or counterparty, which would have amounted to 10% or more percent of the Group's total income, except for income from transactions with entities under control of the Russian Federation. Such income was mainly received from transactions within Segments 1, 2 and 5.

*(in millions of Russian rubles)***6. Segment information (continued)**

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

	For the nine-month period ended 30 September 2015						Total before adjustments	Adjustments	Total
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6			
Interest income on transactions with external clients	127,750	48,701	12,640	10,092	32,692	1,979	233,854	-	233,854
Interest expense on transactions with external clients	(123,874)	(36,188)	(4,394)	(3,749)	(15,582)	(601)	(184,388)	-	(184,388)
Net interest income on transactions with external clients	3,876	12,513	8,246	6,343	17,110	1,378	49,466	-	49,466
Intersegment net interest income/(expense)	8,562	(6,326)	(4,204)	(1,821)	(7,796)	10,996	(589)	589	-
Reversal of/(provision for) impairment of interest-earning assets	(51,229)	(18,612)	(38,264)	(2,942)	(12,504)	(77)	(123,628)	2,145	(121,483)
Net interest income/(expense) after provision for impairment of interest-earning assets	(38,791)	(12,425)	(34,222)	1,580	(3,190)	12,297	(74,751)	2,734	(72,017)
Net fee and commission income on transactions with external clients	1,901	1,333	1,311	1,390	24	24	5,983	-	5,983
Intersegment net fee and commission income/(expense)	193	9	-	(171)	(79)	-	(48)	48	-
Other non-interest income/(expense) on transactions with external clients	(21,199)	186	(2,202)	9,175	7,463	8,866	2,289	-	2,289
Non-interest expense on transactions with external clients	(18,344)	(11,357)	(11,136)	(3,509)	(11,808)	(7,701)	(63,855)	-	(63,855)
Other intersegment non-interest income/(expense)	(33,275)	(267)	(139)	(5,777)	439	(459)	(39,478)	39,478	-
Segment profit/(loss) before income tax	(109,515)	(22,521)	(46,388)	2,688	(7,151)	13,027	(169,860)	42,260	(127,600)
Income tax expense									(5,424)
Loss for the period									(133,024)

*(in millions of Russian rubles)***6. Segment information (continued)**

	For the nine-month period ended 30 September 2014 (Unaudited, restated)						Total before adjustments	Adjustments	Total
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6			
Interest income on transactions with external clients	119,868	36,631	11,287	7,134	26,288	658	201,866	-	201,866
Interest expense on transactions with external clients	(93,938)	(17,854)	(4,243)	(2,083)	(10,743)	(1)	(128,862)	-	(128,862)
Net interest income on transactions with external clients	25,930	18,777	7,044	5,051	15,545	657	73,004	-	73,004
Intersegment net interest income/(expense)	6,625	(6,210)	(2,748)	(1,254)	(3,899)	6,963	(523)	523	-
(Provision for)/reversal of impairment of interest-earning assets	(161,459)	(6,770)	(10,251)	(1,235)	(2,392)	256	(181,851)	935	(180,916)
Net interest income/(expense) after provision for impairment of interest-earning assets	(128,904)	5,797	(5,955)	2,562	9,254	7,876	(109,370)	1,458	(107,912)
Net fee and commission income/(expense) on transactions with external clients	1,430	1,226	726	1,217	77	(1)	4,675	-	4,675
Intersegment net fee and commission income/(expense)	171	28	(6)	(181)	(46)	-	(34)	34	-
Other non-interest income on transactions with external clients	53,658	6,995	3,500	1,127	1,210	6,186	72,676	-	72,676
Non-interest expense on transactions with external clients	(14,121)	(15,784)	(4,199)	(2,851)	(8,260)	(8,023)	(53,238)	-	(53,238)
Other intersegment non-interest income/(expense)	(18,313)	390	(1,640)	133	330	140	(18,960)	18,960	-
Segment profit/(loss) before income tax and hyperinflation effect	(106,079)	(1,348)	(7,574)	2,007	2,565	6,178	(104,251)	20,452	(83,799)
Loss on net monetary position resulting from hyperinflation	-	-	-	(1,037)	-	-	(1,037)	-	(1,037)
Income tax expense	-	-	-	-	-	-	-	-	(1,430)
Loss for the period									(86,266)

*(in millions of Russian rubles)***6. Segment information (continued)**

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

	30 September 2015	31 December 2014
	(Unaudited)	
Segment assets		
Segment 1	2,967,620	2,642,182
Segment 2	652,702	667,691
Segment 3	145,738	180,125
Segment 4	124,273	93,527
Segment 5	568,428	510,615
Segment 6	318,659	255,029
Total before deducting intersegment assets	4,777,420	4,349,169
Intersegment assets	(547,648)	(525,793)
Adjustments	84,732	62,444
Total assets	4,314,504	3,885,820

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

	30 September 2015	31 December 2014
	(Unaudited)	
Segment liabilities		
Segment 1	3,025,443	2,626,673
Segment 2	619,082	618,868
Segment 3	162,799	169,503
Segment 4	109,462	79,938
Segment 5	542,871	483,682
Segment 6	75,097	49,211
Total before deducting intersegment liabilities	4,534,754	4,027,875
Intersegment liabilities	(547,648)	(525,793)
Adjustments	1	5,173
Total liabilities	3,987,107	3,507,255

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 the impairment of intersegment assets and investments in subsidiaries, created by the Group entities

*(in millions of Russian rubles)***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:

	30 September 2015	31 December 2014
	(Unaudited)	
Interest-bearing loans and deposits from the Bank of Russia	384,464	219,594
Interest-bearing loans and deposits from the Federal Treasury	196,531	204,339
Settlements related to redemption of Russian Government loans	48,467	28,848
Deposits of non-budgetary funds	17,722	10,042
Repurchase agreements with the Bank of Russia	11,902	96,182
Other amounts	243	273
Amounts due to the Russian Government, its institutions and the Bank of Russia	659,329	559,278

As at 30 September 2015, interest-bearing loans and deposits from the Bank of Russia include short-term and long-term loans with the carrying amount of RUB 79,650 million (31 December 2014: RUB 181,853 million) secured by bank guarantees.

As at 30 September 2015, interest-bearing loans and deposits from the Bank of Russia also include loans in the amount of RUB 302,258 million (31 December 2014: RUB 14,461 million) secured by the pledge of the rights of claims under loans to customers in the amount of RUB 427,618 million (31 December 2014: RUB 18,687 million) (Note 12).

As at 30 September 2015, interest-bearing loans and deposits from the Bank of Russia also include loans in the amount of RUB 952 million (31 December 2014: RUB 22,955 million) secured by the pledge of the rights of claims under amounts due from banks in the amount of RUB 1,325 million (31 December 2014: RUB 29,466 million) (Note 11).

In March 2015, RUB-denominated deposit from the Federal Treasury intended to finance banks and legal entities supporting small and medium enterprises was extended by ten years at an interest rate below market level. JSC SME Bank, a subsidiary bank, is responsible for implementing such financial support. The Group derecognized the initial liability and recognized a new one. There was no movement in cash flows. For the reporting period ended 30 September 2015, gain from the initial recognition of financial instruments in the amount of RUB 14,479 million were recognized in the consolidated statement of profit or loss. Loss from the early repayment of deposit in the amount of RUB 1,333 million is recorded in "Gains less losses on initial recognition of financial instruments, restructuring and early repayment", in the consolidated statements of profit or loss. As at 30 September 2015, such deposit amounted to RUB 16,230 million (31 December 2014: RUB 29,068 million).

As at 30 September 2015, under the repurchase agreements with the Bank of Russia, the Group sold debt securities with a fair value of RUB 12,742 million, subject to repurchase (31 December 2014: RUB 100,873 million) (Note 10). Pledged securities are classified as trading financial assets with a fair value of RUB 859 million (31 December 2014: RUB 451 million), investment financial assets available for sale with a fair value of RUB 6,506 million (31 December 2014: RUB 58,869 million), investment financial assets held to maturity with a fair value of RUB 5,377 million (31 December 2014: RUB 29,210 million). As at 30 September 2015, there were no pledged securities classified as amounts due from banks (31 December 2014: RUB 1,748 million). As at 30 September 2015, there were no pledged securities classified as loans to customers (31 December 2014: RUB 10,595 million).

As at 31 December 2014, repurchase agreements with the Bank of Russia also include funds received from the Bank of Russia and collateralized by securities that were acquired under reverse repurchase agreements with a fair value of RUB 4,117 million.

*(in millions of Russian rubles)***7. Operations with the Russian Government, its authorized institutions and the Bank of Russia (continued)**

As at 30 September 2015, deposits of non-budgetary funds include RUB-denominated short-term deposits with the subsidiary banks in the amount of RUB 17,722 million (31 December 2014: RUB 10,042 million).

Subordinated deposits

In September 2014, the agreements for depositing the foreign currency funds of the National Welfare Fund ("NWF") with Vnesheconombank in the total amount of USD 5,966 million (equivalent to RUB 228,502 million as at the agreement date) were signed. In accordance with Resolution No. 1749-r of the Russian Government dated 6 September 2014, USD 5,966 million were deposited under subordination terms for the purpose of the additional capitalization of Vnesheconombank maturing in 15 years at the interest rate below the market level. As at 30 September 2015, such deposits amounted to RUB 358,798 million (31 December 2014: RUB 303,015 million).

In September 2015, pursuant to Resolution No. 2756-r of the Russian Government dated 29 December 2014, a subsidiary bank entered into agreements with the State Corporation Deposit Insurance Agency under the state program for the additional capitalization of Russian banks. According to the terms of the agreements, the bank received five subordinated loans in the total amount of RUB 11,853 million carrying interest ranging from 14.8% p.a. to 17.4% p.a. and maturing from January 2025 through December 2034 in the form of Russian State Bonds (OFZ) of five issues which should be returned upon the maturity of subordinated loans. In accordance with IAS 39, securities received under an agreement stipulating for their return to the transferor, as well as a related liability to return, are not subject to recognition in the consolidated statement of financial position.

8. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 September 2015	31 December 2014
	(Unaudited)	
Cash on hand	19,016	22,424
Current accounts with the Bank of Russia	21,429	37,728
Correspondent nostro accounts with banks and current accounts with other non-banking organizations:		
- the Russian Federation	86,999	56,352
- other countries	101,123	112,677
Interest-bearing loans and deposits maturing within 90 days:		
- due from the Bank of Russia	-	8,500
- due from banks	86,621	79,448
Other cash equivalents	2,376	-
Reverse repurchase agreements with banks for up to 90 days	37,418	8,798
Cash and cash equivalents	354,982	325,927

Other cash equivalents include short-term receivables from a non-resident financial company for the repayment of its debt securities issued.

As at 30 September 2015, reverse repurchase agreements included loans in the amount of RUB 26,054 million (31 December 2014: RUB 8,798 million) provided to banks and secured by corporate bonds with a fair value of RUB 29,303 million (31 December 2014: RUB 11,214 million), as well as loans in the amount of RUB 11,364 million provided to banks and secured by corporate shares with a fair value of RUB 21,715 million. As at 31 December 2014, there were no reverse repurchase agreements with banks secured by corporate shares.

*(in millions of Russian rubles)***9. Financial assets and liabilities at fair value through profit or loss**

Financial assets at fair value through profit or loss comprise:

	30 September 2015 (Unaudited)	31 December 2014
Trading financial assets	8,222	12,034
Derivative financial assets	6,792	11,220
Financial assets designated as at fair value through profit or loss	29,662	21,092
Financial assets at fair value through profit or loss	44,676	44,346

Trading financial assets

Trading financial assets held by the Group comprise:

	30 September 2015 (Unaudited)	31 December 2014
Debt securities		
Corporate bonds	583	4,022
Russian State Bonds (OFZ)	0	88
	583	4,110
Eurobonds issued by the Russian Federation	370	347
Eurobonds of Russian and foreign issuers	563	706
	1,516	5,163
Other debt financial assets	503	626
	2,019	5,789
Equity securities	6,203	6,245
Trading financial assets	8,222	12,034

Derivative financial instruments

As at 30 September 2015 and 31 December 2014, derivative financial instruments consist of:

	30 September 2015 (Unaudited)			31 December 2014		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Foreign exchange contracts						
Forwards and swaps – foreign	46,607	16	136	1,411	14	0
Forwards and swaps – domestic	1,524	1	0	7,720	329	195
Forward contracts for securities						
Debt securities	25	3	–	898	58	–
Equity securities	1,121	323	–	1,050	253	21
Interest rate swaps						
Foreign contracts	11,135	–	565	10,015	–	596
Domestic contracts	–	–	–	703	–	5
Option contracts with securities	2,592	4,540	–	2,627	3,293	–
Option contracts with foreign currency	3,969	1,909	–	3,301	733	–
Cross-currency interest rate swap	34,788	–	1,247	41,921	6,540	1,853
Total derivative assets/liabilities		6,792	1,948		11,220	2,670

*(in millions of Russian rubles)***9. Financial assets and liabilities at fair value through profit or loss (continued)*****Financial assets designated as at fair value through profit or loss***

Financial assets designated as at fair value through profit or loss include investments in associates in the amount of RUB 9,757 million (31 December 2014: RUB 11,874 million) and jointly controlled entities in the amount of RUB 7,250 million (31 December 2014: RUB 4,001 million) 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.

10. Financial assets pledged under repurchase agreements

Financial assets pledged as collateral under repurchase agreements comprise:

	30 September 2015 (Unaudited)	31 December 2014
Financial assets at fair value through profit or loss pledged under repurchase agreements		
Russian State Bonds (OFZ)	859	–
Corporate bonds	–	451
Total financial assets at fair value through profit or loss pledged under repurchase agreements	859	451
Investment financial assets available for sale pledged under repurchase agreements		
Corporate bonds	3,556	46,918
Russian State Bonds (OFZ)	536	501
Municipal and sub-federal bonds	–	97
	4,092	47,516
Eurobonds issued by the Russian Federation	–	10,198
Eurobonds of Russian and foreign issuers	2,950	1,555
	7,042	59,269
Equity securities	4,942	255
Total investment financial assets available for sale pledged under repurchase agreements	11,984	59,524
Investment financial assets held to maturity pledged under repurchase agreements		
Corporate bonds	5,024	28,273
Eurobonds of Russian and foreign issuers	1,034	2,117
Municipal and sub-federal bonds	–	438
Total investment financial assets held to maturity pledged under repurchase agreements	6,058	30,828
Amounts due from banks pledged under repurchase agreements	–	1,845
Total amounts due from banks pledged under repurchase agreements	–	1,845
Loans to customers pledged under repurchase agreements (Note 12)		
Other	–	11,221
Less allowance for impairment (Note 21)	–	(188)
Total loans to customers pledged under repurchase agreements	–	11,033
Total financial assets pledged under repurchase agreements	18,901	103,681

*(in millions of Russian rubles)***11. Amounts due from banks**

Amounts due from banks comprise:

	30 September 2015 (Unaudited)	31 December 2014
Obligatory reserve with central banks	4,580	4,710
Non-interest-bearing deposits	56,266	11,448
Subordinated loans	50,031	48,940
Interbank loans and term interest-bearing deposits with banks	20,665	106,846
Mortgage bonds	7,865	8,889
	139,407	180,833
Less allowance for impairment (Note 21)	(121)	(2,535)
Amounts due from banks	139,286	178,298

As at 30 September 2015, 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 39,208 million.

As at 30 September 2015, subordinated loans issued to banks include loans in the amount of RUB 50,031 million issued to eleven Russian banks in accordance with Federal Law No. 173-FZ carrying interest at 6.5% p.a. and 7.5% p.a. and maturing from November 2017 through December 2020. As at 31 December 2014, subordinated loans issued to banks include loans in the amount of RUB 48,940 million issued to eleven Russian banks, carrying interest at 6.5% p.a. and 7.5% p.a. and maturing from November 2017 through December 2020.

As at 30 September 2015, interbank loans and term interest-bearing deposits with banks with carrying amount of RUB 1,325 million (31 December 2014: RUB 29,466 million) are pledged as collateral under loans raised from the Bank of Russia (Note 7).

12. Loans to customers

Loans to customers comprise:

	30 September 2015 (Unaudited)	31 December 2014 (Restated)
Project financing	1,525,040	1,371,069
Commercial loans, including loans to individuals	1,103,988	1,025,502
Financing of operations with securities	292,625	242,276
Export and pre-export financing	80,065	55,065
Reverse repurchase agreements	40,819	40,756
Back-to-back financing	36,364	35,905
Claims under letters of credit	19,033	20,952
Mortgage bonds	7,461	8,368
Promissory notes	3,630	3,530
Other	39,112	29,942
	3,148,137	2,833,365
Less allowance for impairment (Note 21)	(645,225)	(582,162)
Loans to customers	2,502,912	2,251,203
Loans to customers pledged under repurchase agreements (Note 10)		
Other	-	11,221
Less allowance for impairment (Note 21)	-	(188)
Total loans to customers pledged under repurchase agreements	-	11,033
Loans to customers, including those pledged under repurchase agreements	2,502,912	2,262,236

(in millions of Russian rubles)

12. Loans to customers (continued)

As at 30 September 2015, a loan with a carrying amount of RUB 849 million issued at the below-market rate due to restructuring was recorded in loans under project financing. For the reporting period ended 30 September 2015, a loss related to restructuring in the amount of RUB 1,882 million was recorded in line "Gains less losses on initial recognition of financial instruments, restructuring and early repayment" in the consolidated statement of profit or loss.

As at 30 September 2015, reverse repurchase agreements with a carrying amount of RUB 11,017 million were signed primarily in respect of shares with a fair value of RUB 7,545 million and marketable corporate bonds with a fair value of RUB 428 million. As at 31 December 2014, reverse repurchase agreements with a carrying amount of RUB 16,251 million were signed in respect of shares with a fair value of RUB 8,428 million, marketable corporate bonds with a fair value of RUB 7,159 million and promissory notes of Russian banks with a fair value of RUB 298 million.

Reverse repurchase agreements also include a loan to a state-related entity with a carrying amount of RUB 10,703 million as at 30 September 2015 (31 December 2014: RUB 9,965 million), and a loan to an entity not related to the Group with a carrying amount of RUB 18,177 million as at 30 September 2015 (31 December 2014: RUB 14,540 million). In 2014, the Bank provided RUB 25,081 million to the first borrower through acquisition of non-marketable shares of another state-related entity.

During the nine-month period ended 30 September 2015, the Bank entered into a reverse repurchase agreement on non-market terms with a state-related entity. Loss on initial recognition in the amount of RUB 350 million was recognized in the consolidated statement of profit or loss. As at 30 September 2015, the carrying amount of the loan was RUB 922 million.

During the nine-month period ended 30 September 2015, the Bank entered into an agreement for providing project financing to a state-related entity at the below-market interest rate. Loss of RUB 1,617 million was recognized upon initial recognition of the respective commitment. As at 30 September 2015, the carrying amount of the loan was RUB 5,197 million, the carrying amount of the commitment to provide the loan at the below-market interest rate recognized in "Other liabilities" was RUB 1,000 million.

As at 30 September 2015, loans in the amount of RUB 427,618 million primarily related to project financing and corporate loans are provided as collateral under funds raised from the Bank of Russia (31 December 2014: RUB 18,687 million) (Note 7).

*(in millions of Russian rubles)***12. Loans to customers (continued)**

Loans were made principally in the following industry sectors:

	30 September 2015	%	31 December 2014	%
	(Unaudited)		(Restated)	
Manufacturing, including heavy machinery and production of military-related goods	849,260	27	705,299	25
Finance	761,402	24	681,137	24
Real estate and construction	591,772	19	563,520	20
Agriculture	186,908	6	171,008	6
Electric energy	121,987	4	118,445	4
Transport	111,005	4	94,002	3
Trade	106,063	3	100,914	4
Individuals	81,693	3	77,988	3
Oil and gas	76,822	2	72,010	3
Mining	75,037	2	60,379	2
Metallurgy	60,199	2	56,321	2
Foreign states	38,423	1	26,492	1
Research and education	19,000	1	34,737	1
Telecommunications	14,370	0	20,437	1
Logistics	8,473	0	8,242	0
Regional authorities	2,043	0	9,248	0
Mass media	639	0	904	0
Other	43,041	2	43,503	1
	3,148,137	100	2,844,586	100

As at 30 September 2015, the total outstanding amount of loans to three major borrowers / groups of related borrowers was RUB 538,638 million, equivalent to 17.1% of the Group's gross loan portfolio (31 December 2014: RUB 482,700 million or 17.0% of the Group's gross loan portfolio). As at 30 September 2015, an allowance for impairment of RUB 180,778 million was made against these loans (31 December 2014: RUB 168,639 million). As at 30 September 2015, these loans included loans issued to an associate of the Group involved in the real estate business, which accounted for 6.7% (31 December 2014: 6.8%) of the gross loan portfolio.

As at 30 September 2015 and 31 December 2014, 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 663,275 million and RUB 598,796 million or 21.1% and 21.1% of the Group's gross loan portfolio, respectively. As at 30 September 2015 and 31 December 2014, an allowance for impairment was made against these loans in the total amount of RUB 129,496 million and RUB 151,274 million, respectively.

Loans were extended to the following types of customers:

	30 September 2015 (Unaudited)	31 December 2014 (Restated)
Private companies	2,555,182	2,290,075
State-controlled entities (Russian Federation)	398,132	380,555
Individuals	81,693	77,988
Companies under foreign state control	71,307	58,455
Foreign states	38,423	26,492
Regional authorities	2,043	9,248
Individual entrepreneurs	1,357	1,773
	3,148,137	2,844,586

*(in millions of Russian rubles)***13. Net investments in leases**

Net investments in leases comprise:

	30 September 2015 (Unaudited)	31 December 2014 (Restated)
Gross investments in leases	516,659	505,046
Less unearned finance lease income	(112,513)	(120,212)
	404,146	384,834
Less allowance for impairment (Note 21)	(14,661)	(4,071)
Net investments in leases	389,485	380,763

As at 30 September 2015 and 31 December 2014, certain leased-out assets were pledged as collateral under loans received. At 30 September 2015 and 31 December 2014, the amount of net investments in leases related to assets pledged as collateral under loan agreements was RUB 46,332 million and RUB 49,968 million, respectively.

As at 30 September 2015, the share of the largest Russian lessee was RUB 95,023 million, or 24% 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 59,520 million or 15% of total net investments in leases before allowance for impairment. As at 30 September 2015, the amount of allowance with respect to the assets attributable to the first lessee is RUB 285 million, attributable to the second lessee is RUB 530 million. The mentioned lessee and the group of related lessees operate in the transport sector.

As at 31 December 2014, the share of the largest Russian lessee was RUB 87,558 million, or 23% of total net investments in leases before allowance for impairment. The amount of net investments in leases issued to the group of related lessees was RUB 53,276 million or 14% of total net investments in leases before allowance for impairment. As at 31 December 2014, the amount of allowance with respect to the assets attributable to the first lessee is RUB 263 million, attributable to the second group is RUB 373 million. 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 2015:

	Not later than 1 year	1 to 5 years	Later than 5 years	Total
	(Unaudited)			
Gross investments in leases	120,275	274,035	122,349	516,659
Less unearned finance lease income	(6,575)	(63,543)	(42,395)	(112,513)
Net investments in leases before allowance	113,700	210,492	79,954	404,146

Below is the maturity profile of gross and net investments in leases as at 31 December 2014:

	Not later than 1 year	1 to 5 years	Later than 5 years	Total
Gross investments in leases	104,781	264,621	135,644	505,046
Less unearned finance lease income	(6,426)	(63,138)	(50,648)	(120,212)
Net investments in leases before allowance	98,355	201,483	84,996	384,834

*(in millions of Russian rubles)***14. Disposal groups classified as held for sale**

The Group's management intends to dispose 100% shares of JSC SME Bank within 1 year from the initial classification of this subsidiary as a disposal group.

Pursuant to Decree No. 287 of the President of the Russian Federation dated 5 June 2015 and Federal Law No. 156-FZ dated 29 June 2015, *Concerning Introducing Amendments to Certain Legislative Acts of the Russian Federation Regarding Measures for Further Development of Small and Medium Enterprises in the Russian Federation*, Vnesheconombank shall pay for an additional issue of shares of JSC "Federal Corporation for Development of Small and Medium Enterprises" with the shares of JSC SME Bank.

Below are the assets and liabilities of JSC SME Bank classified as a disposal group held for sale as at 30 September 2015:

	30 September 2015 (Unaudited)
Cash and cash equivalents	2,690
Financial assets at fair value through profit or loss	13,726
Amounts due from banks	88,165
Loans to customers	9,463
Net investments in leases	164
Investment financial assets:	
- available for sale	5,747
- held to maturity	387
Property and equipment	214
Income tax assets	77
Other assets	4,317
Assets of disposal group classified as held for sale	124,950
Amounts due to banks	19,440
Amounts due to the Russian Government and the Bank of Russia	27,722
Amounts due to customers	3,761
Securities issued	11,345
Income tax liabilities	2,373
Provisions	67
Other liabilities	513
Liabilities of disposal group classified as held for sale	65,221
Net assets of disposal group classified as held for sale	59,729

Loss of RUB 5,292 million on initial recognition of loans issued under the program of extending loans to small and medium enterprises through JSC SME Bank was recorded in line "Gains less losses on the 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 2015.

Profit of RUB 3,184 million on initial recognition of loans granted by the Bank of Russia for the purposes of further issue by the bank through JSC SME Bank under the program of extending loans to small and medium enterprises was also recorded in line "Gains less losses on the 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 2015.

As at 30 September 2015, an insignificant subsidiary of the Group's leasing company (most of core assets are net investments in leases) was recorded in disposal groups since management intends to dispose 100% share in this subsidiary in the nearest future.

*(in millions of Russian rubles)***15. Investment financial assets*****Investment financial assets available for sale***

Investment financial assets available for sale comprise:

	30 September 2015	31 December 2014
	(Unaudited)	
Debt securities		
Corporate bonds	113,053	67,011
Russian State Bonds (OFZ)	38,927	2,067
Debt instruments issued by foreign government bodies	25,867	20,649
Municipal and sub-federal bonds	4,100	1,872
Promissory notes	–	8,766
	181,947	100,365
Eurobonds of Russian and foreign issuers	40,326	35,179
Eurobonds issued by the Russian Federation	16,389	15,187
	238,662	150,731
Equity securities	190,272	181,812
Other financial assets available for sale	36,984	36,174
Investment financial assets available for sale	465,918	368,717

The Group recognized an impairment loss of RUB 22,936 million on available-for-sale financial assets for the nine-month period ended 30 September 2015 (for the nine-month period ended 30 September 2014: RUB 4,075 million) in "Gains less losses from investment financial assets available for sale" in the consolidated statement of profit or loss. Included above unrealized loss on revaluation in the amount of RUB 22,429 million was reclassified from equity.

As a result of the sale of investment financial assets available for sale for the nine-month period ended 30 September 2015, the Group realized part of the accumulated revaluation previously recorded in equity and transferred it to "Gains less losses from investment financial assets available for sale" in the consolidated statement of profit or loss. The realized revaluation loss amounted to RUB 1,988 million (for the nine-month period ended 30 September 2014, the amount of realized revaluation was immaterial).

As at 30 September, the Group pledged securities included in the category "Debt instruments issued by foreign government bodies" as collateral with fair value of RUB 8,854 million (30 December 2014: RUB 9,709 million) against loans of foreign banks (Note 17).

Investment financial assets held to maturity

Investment financial assets held to maturity comprise:

	30 September 2015	31 December 2014
	(Unaudited)	
Corporate bonds	25,200	17,007
Municipal and sub-federal bonds	1,221	790
Russian State Bonds (OFZ)	323	309
	26,744	18,106
Eurobonds of Russian and foreign issuers	7,930	3,422
	34,674	21,528
Less allowance for impairment (Note 21)	–	(81)
Investment financial assets held to maturity	34,674	21,447

*(in millions of Russian rubles)***15. Investment financial assets (continued)*****Investment financial assets held to maturity (continued)***

The increase in the amount of investment financial assets held to maturity from RUB 21,477 million as at 31 December 2014 to RUB 34,674 million as at 30 September 2015 relates primarily to repurchase of securities under direct repurchase agreements.

16. Other assets

The increase in other assets of the Group during the period ended 30 September 2015 was mainly due to advances issued by a leasing subsidiary to leasing equipment suppliers for the amount of RUB 12,127 million.

As at 30 September 2015, other assets included goodwill related to acquisition of shares of holding company United Group S.A. (Note 5) in the amount of RUB 5,568 million.

17. Amounts due to banks

Amounts due to banks comprise:

	30 September 2015	31 December 2014
	(Unaudited)	
Correspondent loro accounts of Russian banks	101,682	98,994
Correspondent loro accounts of other banks	4,012	3,150
Loans and other placements from OECD-based banks	454,750	460,385
Loans and other placements from Russian banks	243,509	246,356
Loans and other placements from other banks	204,786	201,655
Repurchase agreements	4,926	-
	1,013,665	1,010,540
Amounts due to banks		
Held as collateral against letters of credit	199	172

As at 30 September 2015, repurchase agreements with banks included loans of RUB 475 million received from Russian banks and collateralized by investment debt securities available for sale with a fair value of RUB 536 million (31 December 2014: no balances), loans of RUB 718 million received from Russian banks and collateralized by investment debt securities held to maturity with a fair value of RUB 790 million, and loans of RUB 3,733 million received from foreign banks and collateralized by investment equity securities available for sale with a fair value of RUB 4,942 million (31 December 2014: no balances) (Note 10).

As at 30 September 2015, loans and other placements from other banks include loans from other foreign banks in the amount of RUB 5,344 million collateralized by debt instruments issued by foreign government bodies in the amount of RUB 8,854 million (Note 15). As at 31 December 2014, loans and other placements from other banks include loans from foreign banks in the amount of RUB 8,230 million collateralized by debt instruments issued by foreign government bodies with the collateral value of RUB 9,709 million (Note 15).

For the nine-month period of 2015, the Group raised long-term financing from OECD-based banks totaling RUB 6,459 million (for the nine-month period of 2014: RUB 44,632 million) and repaid long-term financing of RUB 37,633 million (for the nine-month period of 2014: RUB 120,880 million) in accordance with contractual terms.

*(in millions of Russian rubles)***17. Amounts due to banks (continued)**

For the nine-month period of 2015, the Group raised long-term financing from non-OECD-based banks totaling RUB 2,449 million (for the nine-month period of 2014: RUB 81,519 million) and repaid long-term financing of RUB 9,140 million (for the nine-month period of 2014: RUB 4,735 million) in accordance with contractual terms.

For the nine-month period of 2015, the Group's leasing company raised long-term financing from Russian and foreign banks totaling RUB 12,013 million (for the nine-month period of 2014: RUB 55,690 million) and repaid long-term financing from Russian and foreign banks of RUB 54,790 million (for the nine-month period of 2014: RUB 32,889 million) in accordance with contractual terms.

As in 2014 and subsequently in January 2015 S&P downgraded the long-term foreign currency credit rating of Vnesheconombank to BBB- and BB+, respectively, and Moody's downgraded the long-term foreign currency issuer rating of Vnesheconombank to Ba1 in 2015, for a number of loan agreements, lending banks obtained the right to claim the early repayment of previously provided loans. As at 30 September 2015, the liabilities of Vnesheconombank under these agreements totaled RUB 520,814 million (31 December 2014: RUB 124,945 million). As at the date of signing these interim condensed consolidated financial statements, Vnesheconombank did not receive notices demanding an acceleration previously provided loans. The creditors under agreements containing credit rating compliance conditions confirmed that they did not require the early repayment. The Bank's management is taking all appropriate liquidity management measures and expects the state to provide support, if necessary.

18. Amounts due to customers

Amounts due to customers comprise:

	30 September 2015	31 December 2014
	(Unaudited)	
Current accounts	211,730	162,530
Term deposits	391,388	345,551
Repurchase agreements	–	636
Other amounts due to customers	51	11
	603,169	508,728
Amounts due to customers		
Held as collateral against guarantees	429	481
Held as collateral against letters of credit	4,332	5,459

As at 30 September 2015, there are no repurchase agreements with customers. As at 31 December 2014, repurchase agreements with customers include funds of RUB 367 million received from a Russian entity and collateralized by debt securities available for sale with a fair value of RUB 400 million (Note 10) and funds of RUB 269 received from a foreign entity and collateralized by equity securities available for sale with a fair value of RUB 255 million (Note 10).

19. Debt securities issued

Debt securities issued comprise:

	30 September 2015	31 December 2014
	(Unaudited)	
Eurobonds	640,714	552,028
Domestic bonds	463,315	415,161
Promissory notes	12,828	15,948
Deposit and saving certificates	546	8
	1,117,403	983,145
Debt securities issued		
Promissory notes held as collateral against guarantees	902	1,092

*(in millions of Russian rubles)***19. Debt securities issued (continued)**

For the nine-month period ended 30 September 2015, the Group issued / reissued at the domestic market the following bonds:

Period of issue	Maturity	Issue currency	Nominal value of securities issued		Secondary placement
			Currency, million	At the placement date, RUB, million	
(Unaudited)					
January	December 2021	RUB	920	920	Yes
January-February	April 2022	RUB	559	559	Yes
January-March	April 2016	RUB	2,143	2,143	Yes
February	February 2018	RUB	5,000	5,000	-
February	February 2025	RUB	5,000	5,000	-
February	February 2025	RUB	5,000	5,000	-
March	December 2016	BYR	21,202	87	Yes
March	February 2025	RUB	5,000	5,000	-
March	February 2025	RUB	5,000	5,000	-
March	March 2017	RUB	5,000	5,000	-
March	March 2018	RUB	5,000	5,000	-
March	February 2032	RUB	828	828	Yes
March	November 2015	RUB	1,932	1,932	Yes
April	April 2021	RUB	125	125	Yes
April-May	March 2022	RUB	2,009	2,009	Yes
May	May 2017	USD	1	50	Yes
May	May 2018	RUB	5,000	5,000	-
May	September 2016	BYR	12,372	44	Yes
May	September 2017	BYR	14,965	53	Yes
May	December 2021	RUB	3,525	3,525	Yes
May	November 2015	RUB	189	189	Yes
June-July	June 2020	RUB	5,000	5,000	-
July	July 2025	USD	200	11,953	-
July	June 2020	RUB	4,665	4,665	Yes
July	May 2017	USD	73	4,249	Yes
July	July 2016	RUB	281	281	Yes
July	July 2018	RUB	10,000	10,000	-
August	December 2021	RUB	1,210	1,210	Yes
August	August 2025	RUB	5,000	5,000	-
August	August 2020	RUB	5,000	5,000	-
August	December 2016	RUB	2,000	2,000	Yes
September	February 2032	RUB	6,194	6,194	Yes
September	September 2025	RUB	3,000	3,000	-

*(in millions of Russian rubles)***19. Debt securities issued (continued)**

For the nine-month period ended 30 September 2015, the Group repaid / repurchased the following domestic bonds:

Period of issue	Period of repayment/ repurchase	Issue currency	Nominal value of securities repaid		Nominal value of securities in the portfolios of the Group entities at the repayment/ repurchase date, RUB, million	Purchase under offering
			Currency, million	At the repayment/ repurchase date, RUB, million		
(Unaudited)						
July 2010	January	RUB	787	787	–	Yes
February 2012	February	RUB	2,000	2,000	–	–
February 2012	February	USD	500	31,065	–	–
December 2013	February	RUB	1,195	1,195	1,170	Yes
June 2012	February	BYR	20,210	85	–	Yes
December 2011	March	BYR	4,000	17	–	Yes
March 2012	March	RUB	828	828	–	Yes
November 2011	March	RUB	649	649	–	Yes
April 2011	April	RUB	125	125	–	Yes
May 2014	May	USD	334	16,669	–	Yes
November 2012	May	RUB	189	189	–	Yes
April 2013	May	RUB	3,209	3,209	–	Yes
November 2013	May	RUB	625	625	–	–
November 2013	May	RUB	625	625	–	–
December 2011	June	RUB	2,682	2,682	–	Yes
December 2011	June	BYR	2,770	10	–	Yes
October 2011	June	BYR	1,260	5	–	Yes
September 2012	June	BYR	14,600	52	–	Yes
July 2010	July	RUB	673	673	158	Yes
July 2013	July	RUB	281	281	–	Yes
April 2011	July	BYR	2,460	9	–	Yes
March 2012	September	RUB	6,194	6,194	–	Yes
October 2011	September	BYR	10,940	41	–	Yes
March 2013	September	RUB	1,250	1,250	–	–

20. Taxation

Income tax assets and liabilities comprise:

	30 September 2015 (Unaudited)	31 December 2014
Current income tax asset	1,907	2,395
Deferred income tax asset	4,945	5,113
Income tax assets	6,852	7,508
Current income tax liability	365	178
Deferred income tax liability	9,146	7,151
Income tax liabilities	9,511	7,329

*(in millions of Russian rubles)***20. Taxation (continued)**

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

	For the nine-month period ended 30 September	
	2015 (Unaudited)	2014 (Unaudited)
Current tax expense	1,388	1,362
Deferred tax expense – origination and reversal of temporary differences in the statement of profit or loss	4,036	68
Income tax expense	5,424	1,430

21. Allowance for impairment and provisions

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

	Amounts due from banks	Loans to customers, including those pledged under repurchase agreements (Restated)	Net investments in leases (Restated)	Total
31 December 2013	1,082	289,586	1,903	292,571
Charge (Unaudited)	453	98,575	869	99,897
Write-offs (Unaudited)	–	(3,584)	(168)	(3,752)
Reversal of allowance previously written off (Unaudited)	–	403	–	403
Interest accrued on impaired loans (Unaudited)	–	(4,752)	–	(4,752)
30 September 2014 (Unaudited, restated)	1,535	380,228	2,604	384,367
31 December 2014 (Restated)	2,535	582,350	4,071	588,956
Charge (Unaudited, restated)	478	110,406	10,599	121,483
Write-offs (Unaudited)	–	(14,375)	–	(14,375)
Reversal of allowance previously written off (Unaudited)	–	64	–	64
Interest accrued on impaired loans (Unaudited)	–	(27,815)	–	(27,815)
Reclassification of disposal group provision	(2,892)	(1,976)	(9)	(4,877)
Effect of business combination (IFRS 3) (Note 5)	–	(3,429)	–	(3,429)
30 September 2015 (Unaudited)	121	645,225	14,661	660,007

*(in millions of Russian rubles)***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	Claims	Insurance activities	Guarantees and commitments	Total
31 December 2013	74	-	4,309	85	902	470	5,840
Charge (Unaudited)	-	-	4,797	9	616	447	5,869
Write-offs (Unaudited)	-	-	(4)	-	-	-	(4)
30 September 2014 (Unaudited)	74	-	9,102	94	1,518	917	11,705
31 December 2014	81	-	11,249	341	2,440	3,664	17,775
Charge (Unaudited)	-	47	9,018	319	613	7,556	17,553
Write-offs (Unaudited)	(7)	-	(108)	(122)	-	(666)	(903)
Reversal of allowance previously written off (Unaudited)	-	-	146	-	-	-	146
Reclassification of disposal group allowance (Unaudited)	(74)	-	(298)	-	-	(67)	(439)
Effect of business combination (IFRS 3) (Note 5, Unaudited)	-	-	-	166	-	-	166
30 September 2015 (Unaudited)	-	47	20,007	704	3,053	10,487	34,298

22. Finance lease liabilities

As at 30 September 2015, the Group's finance lease liabilities increased mainly due to the currency revaluation in the amount of RUB 14,677 million under foreign currency agreements. For the nine-month period of 2015, the Group repaid finance lease liabilities for the amount of RUB 5,900 million.

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)	
	2015	2014	2015	2014
Interest income				
Loans to customers	48,224	46,532	163,749	126,463
Amounts due from banks and cash equivalents	6,170	10,662	18,362	30,737
Investment securities	7,118	5,399	19,173	15,583
	61,512	62,593	201,284	172,783
Finance leases	9,981	8,719	29,274	24,985
Financial assets at fair value through profit or loss	261	819	671	1,622
Other investment financial assets available for sale	819	477	2,431	2,431
Government grant used	80	26	194	45
	72,653	72,634	233,854	201,866
Interest expense				
Amounts due to banks and the Bank of Russia	(22,523)	(16,670)	(68,980)	(45,882)
Amounts due to customers and the Russian Government	(21,341)	(18,078)	(60,139)	(50,542)
Debt securities issued	(20,324)	(12,687)	(54,610)	(32,109)
Finance lease liabilities	(237)	(131)	(659)	(329)
	(64,425)	(47,566)	(184,388)	(128,862)

(in millions of Russian rubles)

24. Equity

Charter capital

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

In accordance with the Federal Law No. 109-FZ *On the Particulars of Transfer in 2015 of Profits Received by the Central Bank of the Russian Federation as a Result of the Year 2014* dated 2 May 2015, in May 2015 the Bank of Russia made an asset contribution of RUB 27,502 million (15% of the income) to the charter capital of Vnesheconombank.

Additional paid-in capital

In December 2014, in accordance with the Federal Law No. 349-FZ, dated 2 December 2013, *On the Federal Budget for 2014 and the Planned Period of 2015 and 2016*, the Bank received a subsidy from the Russian Ministry of Finance in the form of an asset contribution of RUB 2,328 million to purchase 2,129 units additionally issued by Mutual Fund RDIF. In April 2015, these funds were fully used as intended and recognized in "Additional paid-in capital".

In June 2015, in accordance with the Federal Law No. 384-FZ, dated 1 December 2014, *On the Federal Budget for 2015 and the Planned Period of 2016 and 2017*, Vnesheconombank received a subsidy of RUB 10,000 million from the federal budget in the form of an asset contribution of the Russian Federation to purchase shares of EXIAR in order to increase the charter capital of EXIMBANK OF RUSSIA under subprogram "Establishing the National System to Support the Development of the Foreign Economic Activity" of the state program of the Russian Federation "Development of the Foreign Economic Activity". These funds were fully used by Vnesheconombank to acquire 10,000,000 shares of EXIAR.

25. Commitments and contingencies

Operating environment

The Russian, Belarusian and Ukrainian economies are vulnerable to the 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 stability of the Russian economy is largely dependent upon these reforms and the effectiveness of the economic, financial and monetary measures undertaken by the Russian Government.

In 2014, certain sectoral sanctions against Russia were imposed by several countries. In July and September 2014, Vnesheconombank and its subsidiaries became subject to these sanctions. The sanctions mainly affect the ability of Vnesheconombank Group to attract equity and debt financing in the USA, Canada and EU countries for more than 30 days.

In 2015, a significant drop in crude oil prices and a significant devaluation of the Russian ruble, as well as sanctions imposed on Russia continued to have an adverse effect on the Russian economy. The ruble interest rates remained high as a result of raising the key interest rate by the Central Bank of Russia in December 2014 with an incremental decrease in 2015. In January 2015, Russia's credit rating was downgraded by Fitch Ratings to BBB-; Moody's assigned a Baa3 rating, whilst Standard & Poor's cut it to BB+ for the first time in a decade. In February 2015, Moody's downgraded Russia's rating from Baa3 to Ba1. The forecast of all agencies is negative.

(in millions of Russian rubles)

25. Commitments and contingencies (continued)

Operating environment (continued)

In January 2015, international rating agencies downgraded the ratings of Vnesheconombank to BBB- (long-term foreign currency issuer's default rating assigned by Fitch), Baa3 (long-term foreign currency issuer credit rating assigned by Moody's) and BB+ (long term foreign currency debt rating assigned by S&P). In February 2015, international rating agency Moody's downgraded the long-term foreign currency credit rating of Vnesheconombank to Ba1. In July 2015, following Vnesheconombank, the Group's subsidiaries became subject to the US sectoral sanctions.

In combination, these factors resulted in reduced access to capital, a higher cost of capital, higher inflation and uncertainty about economic growth, which could adversely affect the Group's financial position, results of operations and business prospects.

The Group's management takes into consideration the factors above and believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

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 economy of the Republic of Belarus ceased to be hyperinflationary from 1 January 2015. The future stability of the Belarusian economy depends to a large extent on the reforms and developments and the effectiveness of the economic, financial and monetary measures taken by the Belarusian Government.

In 2015, the Government of the Republic of Belarus continued to apply stabilization measures aimed at the support of the economy in order to overcome the consequences of the world financial crisis. The world financial crisis led to an uncertainty in respect of further economic growth, availability of financing and cost of capital, which could adversely affect the Group's financial position, results of operations and business prospects.

In 2014-2015, political and economic uncertainty in Ukraine increased significantly. This uncertainty was taken into account at estimating assets and liabilities of the Group that are related to its activities in Ukraine as at 30 September 2015.

In 2014 the economic and political situation in Ukraine deteriorated significantly. This resulted in the decrease of gross domestic product, significant deficit of external balance and drastic reduction of foreign currency reserves. Moreover, during the period from 1 January 2015 to 28 December 2015, the Ukrainian hryvnia depreciated against US dollar approximately by 47%, and the National Bank of Ukraine imposed certain restrictions on transactions in foreign currencies, as well as on certain international settlements including dividend payments. International rating agencies downgraded the Ukraine's sovereign debt rating. In March 2015, Ukraine completed negotiations on the program of extending loans with the International Monetary Fund, the results of which require the Government of Ukraine to take certain austerity measures. The combination of these events resulted in deterioration of liquidity and tighter credit conditions when lending is available.

Information about the risk the Group is exposed to in Ukraine as at 30 September 2015 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 2015, assets of the Group exposed to risks of consequences arising from the situation in the Ukraine comprise loans provided by the Group's subsidiary with a carrying amount of RUB 23,423 million (before allowance for impairment of these loans in the amount of RUB 6,523 million as at 30 September 2015), and other assets in the amount of RUB 5,773 million (before allowance for impairment of RUB 4,594 million). As at 31 December 2014, loans to customers of the Group's subsidiary amounted to RUB 17,124 million (allowance for impairment amounted to RUB 4,410 million), and other assets in the amount of RUB 4,656 million (allowance for impairment amounted to RUB 2,774 million).

(in millions of Russian rubles)

25. Commitments and contingencies (continued)

Operating environment (continued)

The Group's management also believes that as at 30 September 2015, the loans with a carrying amount of RUB 560,995 million (before allowance for impairment) (31 December 2014: RUB 474,495 million) provided to the third parties for purchasing securities and financing the Ukrainian metallurgical enterprises are exposed to risks of consequences arising from the situation in the Ukraine. As at 30 September 2015, an allowance for impairment of these loans amounted to RUB 169,548 million (31 December 2014: RUB 149,559 million).

The Group continues to monitor the situation in Ukraine and take corresponding measures to minimize the effect of these 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

A major part of the Group's business activity is carried out in the Russian Federation. Some provisions of the Russian tax, currency and customs legislation as currently in effect are vaguely drafted and are often subject to varying interpretations (which, in particular, may apply to legal relations retrospectively), selective and inconsistent application and changes which can occur frequently and, in some cases, at short notice. 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. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation and application of various provisions of this legislation, performing tax reviews and imposing additional tax requirements. It is therefore possible that at any time in the future the tax authorities may challenge transactions and operations of the Group that have not been challenged in the past. As a result, significant additional taxes, penalties and interest may be accrued by the relevant authorities.

Tax field audits of the accuracy of tax calculation and payments conducted by tax authorities may cover three calendar years preceding the year during which the tax audit decision was made. Under certain circumstances tax reviews may cover longer periods.

As at 30 September 2015, 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.

*(in millions of Russian rubles)***25. Commitments and contingencies (continued)***Commitments and contingencies*

The Group's commitments and contingencies comprise the following:

	30 September 2015	31 December 2014
	(Unaudited)	
Undrawn loan commitments	547,179	590,772
Guarantees	430,959	482,391
Letters of credit	15,813	22,727
	993,951	1,095,890
Operating lease commitments		
Not later than 1 year	2,875	2,981
Later than 1 year but not later than 5 years	5,942	7,294
Later than 5 years	3,419	3,923
	12,236	14,198
Co-investment commitments	5,215	4,619
Capital expenditure commitments	50,044	54,009
	1,061,446	1,168,716
Less provisions (Note 21)	(10,487)	(3,664)
Commitments and contingencies (before deducting collateral)	1,050,959	1,165,052
Less cash and promissory notes held as collateral against guarantees and letters of credit	(5,862)	(7,204)
Commitments and contingencies	1,045,097	1,157,848

26. Fair value of financial instruments

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

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: 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.

*(in millions of Russian rubles)***26. Fair value of financial instruments (continued)**

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
30 September 2015 (Unaudited)				
<i>Assets measured at fair value</i>				
Trading financial assets	8,222	-	-	8,222
- Corporate bonds	583	-	-	583
- Russian State Bonds (OFZ)	0	-	-	0
- Eurobonds issued by the Russian Federation	370	-	-	370
- Eurobonds of Russian and foreign issuers	563	-	-	563
- Other debt financial assets	503	-	-	503
- Equity securities	6,203	-	-	6,203
Derivative financial instruments	-	6,792	-	6,792
- Foreign exchange contracts: foreign	-	16	-	16
- Foreign exchange contracts: domestic	-	1	-	1
- Forward contracts: debt securities	-	3	-	3
- Forward contracts: equity securities	-	323	-	323
- Option contracts with securities	-	4,540	-	4,540
- Option contracts with foreign currency	-	1,909	-	1,909
Financial assets designated as at fair value through profit or loss	440	-	29,222	29,662
Trading financial assets pledged under repurchase agreements	859	-	-	859
- Russian State Bonds (OFZ)	859	-	-	859
Investment financial assets available for sale	291,451	126,323	48,144	465,918
- Corporate bonds	41,425	71,628	-	113,053
- Debt instruments issued by foreign government bodies	2,305	23,562	-	25,867
- Promissory notes	-	-	-	-
- Russian State Bonds (OFZ)	17,844	21,083	-	38,927
- Municipal and sub-federal bonds	2,856	1,244	-	4,100
- Eurobonds of Russian and foreign issuers	38,753	1,573	-	40,326
- Eurobonds issued by the Russian Federation	12,214	4,175	-	16,389
- Equity securities	176,054	3,058	11,160	190,272
- Other financial assets available for sale	-	-	36,984	36,984
Investment financial assets available for sale pledged under repurchase agreements	11,364	620	-	11,984
- Corporate bonds	2,936	620	-	3,556
- Eurobonds issued by the Russian Federation	-	-	-	-
- Eurobonds of Russian and foreign issuers	2,950	-	-	2,950
- Russian State Bonds (OFZ)	536	-	-	536
- Equity securities	4,942	-	-	4,942
<i>Assets for which fair values are disclosed</i>				
Cash and cash equivalents	-	354,982	-	354,982
Amounts due from banks	-	-	143,794	143,794
Loans to customers, including those pledged under repurchase agreements	514	119,501	2,341,350	2,461,365
Net investments in leases	-	-	351,812	351,812
Investment financial assets held to maturity	22,393	12,222	-	34,615
Investment financial assets held to maturity pledged under repurchase agreements	6,167	-	-	6,167
	341,410	620,440	2,914,322	3,876,172

*(in millions of Russian rubles)***26. Fair value of financial instruments (continued)**

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
30 September 2015 (Unaudited)				
<i>Liabilities measured at fair value</i>				
Derivative financial liabilities	-	1,948	-	1,948
- Foreign exchange contracts: foreign	-	136	-	136
- Foreign exchange contracts: domestic	-	0	-	0
- Interest rate swaps: foreign	-	565	-	565
- Cross-currency interest rate swap	-	1,247	-	1,247
<i>Liabilities for which fair values are disclosed</i>				
Amounts due to banks	-	-	1,001,438	1,001,438
Amounts due to the Russian Government and the Bank of Russia	-	-	650,085	650,085
Amounts due to customers	-	-	606,405	606,405
Debt securities issued	470,374	501,087	100,970	1,072,431
Finance lease liabilities	-	-	80,026	80,026
Subordinated deposits	-	-	296,888	296,888
	470,374	503,035	2,735,812	3,709,221

*(in millions of Russian rubles)***26. Fair value of financial instruments (continued)**

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
31 December 2014				
<i>Assets measured at fair value</i>				
Trading financial assets	11,954	80	-	12,034
- Corporate bonds	3,942	80	-	4,022
- Russian State Bonds (OFZ)	88	-	-	88
- Eurobonds issued by the Russian Federation	347	-	-	347
- Eurobonds of Russian and foreign issuers	706	-	-	706
- Other debt financial assets	626	-	-	626
- Equity securities	6,245	-	-	6,245
Derivative financial instruments	-	11,220	-	11,220
- Foreign exchange contracts: foreign	-	14	-	14
- Foreign exchange contracts: domestic	-	329	-	329
- Forward contracts: debt securities	-	58	-	58
- Forward contracts: equity securities	-	253	-	253
- Cross-currency interest rate swap	-	6,540	-	6,540
- Option contracts with securities	-	3,293	-	3,293
- Option contracts with foreign currency	-	733	-	733
Financial assets designated as at fair value through profit or loss	2,767	-	18,325	21,092
Trading financial assets pledged under repurchase agreements	451	-	-	451
Investment financial assets available for sale	241,070	79,962	47,685	368,717
- Corporate bonds	25,731	41,280	-	67,011
- Debt instruments issued by foreign government bodies	3,103	17,546	-	20,649
- Promissory notes	-	8,764	2	8,766
- Russian State Bonds (OFZ)	2,067	-	-	2,067
- Municipal and sub-federal bonds	1,872	-	-	1,872
- Eurobonds of Russian and foreign issuers	27,972	7,207	-	35,179
- Eurobonds issued by the Russian Federation	11,904	3,283	-	15,187
- Equity securities	168,421	1,882	11,509	181,812
- Other financial assets available for sale	-	-	36,174	36,174
Investment financial assets available for sale pledged under repurchase agreements	24,807	34,717	-	59,524
- Corporate bonds	12,201	34,717	-	46,918
- Eurobonds issued by the Russian Federation	10,198	-	-	10,198
- Eurobonds of Russian and foreign issuers	1,555	-	-	1,555
- Russian State Bonds (OFZ)	501	-	-	501
- Equity securities	255	-	-	255
- Municipal and sub-federal bonds, bonds of the Bank of Russia	97	-	-	97
<i>Assets for which fair values are disclosed</i>				
Cash and cash equivalents	-	325,927	-	325,927
Amounts due from banks including the amounts pledged under repurchase agreements	-	-	179,199	179,199
Loans to customers, including those pledged under repurchase agreements	-	33,201	2,151,719	2,184,920
Net investments in leases	-	-	346,391	346,391
Investment financial assets held to maturity	9,410	9,665	106	19,181
Investment financial assets held to maturity pledged under repurchase agreements	16,038	13,172	-	29,210
	306,497	507,944	2,743,425	3,557,866

*(in millions of Russian rubles)***26. Fair value of financial instruments (continued)**

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
31 December 2014				
<i>Liabilities measured at fair value</i>				
Derivative financial liabilities	-	2,670	-	2,670
- Foreign exchange contracts: foreign	-	0	-	0
- Foreign exchange contracts: domestic	-	195	-	195
- Forward contracts: equity securities	-	21	-	21
- Interest rate swaps: foreign	-	596	-	596
- Interest rate swaps: domestic	-	5	-	5
- Cross-currency interest rate swap	-	1,853	-	1,853
<i>Liabilities for which fair values are disclosed</i>				
Amounts due to banks	-	-	962,649	962,649
Amounts due to the Russian Government and the Bank of Russia	-	-	559,380	559,380
Amounts due to customers	-	34,145	475,555	509,700
Debt securities issued	648,268	165,790	25,834	839,892
Finance lease liabilities	-	-	71,571	71,571
Subordinated deposits	-	-	303,015	303,015
	648,268	202,605	2,398,004	3,248,877

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 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 models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Derivative instruments valued using a valuation technique with significant unobservable inputs in general are primarily long-term option contracts. Such derivative products are valued using binomial option pricing models, which imply using various non-observable inputs, including market rate volatility. However, as at the reporting date, there were no such options and principal inputs for valuation of the options made included market observable quoted shares, which are the underlying asset.

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. These 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 millions of Russian rubles)***26. Fair value of financial instruments (continued)*****Items measured at fair value on a regular basis (continued)****Movements in Level 3 financial instruments 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 2015	Gains recorded in the statement of profit or loss (Unaudited)	Gains recorded in other comprehen- sive income (Unaudited)	Disposals/ redemption (Unaudited)	Acquisitions (Unaudited)	Transfers into Level 2	Other changes (Unaudited)	30 September 2015 (Unaudited)
Assets								
Financial assets designated as at fair value through profit or loss	18,325	185	-	-	10,822	-	(110)	29,222
Investment financial assets available for sale	47,685	2,408	907	(1,721)	-	(1,135)	-	48,144
Total Level 3 assets	66,010	2,593	907	(1,721)	10,822	(1,135)	(110)	77,366

Unrealized gains on financial assets designated as at fair value through profit or loss in the amount of RUB 185 million are recognized in the consolidated statement of profit or loss in "Gains less losses / (losses less gains) from financial instruments at fair value through profit or loss".

Gains on investment financial assets available for sale in the amount of RUB 2,431 million are recognized in the consolidated statement of profit or loss in "Interest income".

Unrealized gains from revaluation of investment assets available for sale in the amount of RUB 907 million 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 2015, financial assets represented by Vnesheconombank's investments in the RBCF with the fair value of RUB 1,135 million were transferred to level 2 of the fair value hierarchy since the shares, in which the funds were invested, became started traded in an active market and their fair value was determined on the basis of techniques, inputs for which are based on observable market data.

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

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

	1 January 2014	Gains/ (losses) recorded in the statement of profit or loss	Gains/ (losses) recorded in other comprehen- sive income	Disposals	Acquisitions	Transfers from Level 1 and Level 2	31 December 2014
Assets							
Financial assets designated as at fair value through profit or loss	11,521	2,408	-	(2,983)	3,203	4,176	18,325
Investment financial assets available for sale	51,190	205	(5,891)	(80)	2,261	-	47,685
Total Level 3 assets	62,711	2,613	(5,891)	(3,063)	5,464	4,176	66,010

*(in millions of Russian rubles)***26. Fair value of financial instruments (continued)*****Items measured at fair value on a regular basis (continued)***

In 2014, the Group transferred certain financial instruments from Level 1 to Level 3 of the fair value hierarchy. The total amount of assets transferred was RUB 4,176 million. The reason for the transfers from Level 1 to Level 3 is that the market for these securities has become inactive, which has led to a change in the method used to determine fair value. Prior to the transfer, the fair value of the financial instruments was determined using observable market transactions. Since the transfer, these financial instruments have been valued using valuation models incorporating significant unobservable inputs.

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

As at 30 September 2015 and 31 December 2014, 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 2015 (Unaudited)	Carrying amount	Valuation technique	Unobservable inputs	Range (weighted average)
Financial assets designated as at fair value through profit or loss				
Group of financial assets 1	15,469	Other valuation techniques	Not applicable	Not applicable
Group of financial assets 2	10,113	Discounted cash flows	WACC Terminal period growth	14.4%-17.0% 2.22%- 3.00%
Group of financial assets 3	3,640	Weighted average multiplier	EV/EBITDA Low liquidity discount	7.82 35.24%
Investment financial assets available for sale				
Group 4 of equity securities	4,562	Other valuation techniques	Not applicable	Not applicable
Group 5 of other financial assets available for sale	36,984	Multiplier	Fair value/Net assets	0.671
Group 6 of equity securities	3,891	Discounted cash flows	WACC Terminal period growth	11.78%-21.01% 2%-3%
Group 7 of equity securities	2,707	Weighted average multiplier	EV/PAX (PAX-passenger traffic) EV/EBITDA EV/Sales	0.007 11.740 3.646

*(in millions of Russian rubles)***26. Fair value of financial instruments (continued)***Items measured at fair value on a regular basis (continued)*

31 December 2014	Carrying amount	Valuation technique	Unobservable inputs	Range (weighted average)
Financial assets designated as at fair value through profit or loss				
Group of financial assets 1	14,150	Other valuation techniques	Not applicable	Not applicable
Group of financial assets 2	4,175	Discounted cash flows	WACC Terminal period growth	11.26%-15.30% 2.30%- 3.00%
Investment financial assets available for sale				
Group 3 of equity securities	3,581	Other valuation techniques	Not applicable	Not applicable
Group 4 of other financial assets available for sale	36,174	Multiplier	Fair value / Net assets	0.767
Group 5 of equity securities	5,221	Discounted cash flows	WACC Terminal period growth Discount for non-controlling interest Assets growth rate	11.78%-21.01% 2%-3% 10%-15% 6.06%
Group 6 of equity securities	2,707	Weighted average multiplier	EV/PAX (PAX-passenger traffic) EV/EBITDA EV/Sales	0.007 11.740 3.646
Group 7 of promissory notes	2	Other valuation techniques	Not applicable	Not applicable

In order to determine reasonably possible alternative assumptions, the Group adjusted the above key unobservable model inputs as follows:

- ▶ For one financial instrument in Group of financial assets 1, designated as at fair value through profit or loss, the Group adjusted the value of the underlying asset comprising units of the closed-end mutual fund by decreasing its main pricing adjustments by 3%.
- ▶ For the financial instrument in Group of financial assets 2, the Group adjusted the weighted average cost of capital and the terminal growth rate used for discounting expected cash flows, by 0.5%.
- ▶ For the financial instrument in Group of financial assets 3, the Group adjusted the weighted average EV / EBITDA multiplier and the low liquidity discount used for determining the fair value of investments by 0.5% (31 December 2014, these investments were recorded in Group of financial assets 2).
- ▶ For the financial assets in Group 5 designated as other financial assets available for sale, the Group adjusted the value of the multiplier *Fair value / Net assets* used for determining the fair value of investments, by 2%.
- ▶ For the financial instruments in Group of financial assets 6, the Group adjusted the weighted average cost of capital and the terminal growth rate used for discounting expected cash flows, by 0.5%.
- ▶ For the financial asset in Group 7, included in investment financial assets available for sale, the Group adjusted the weighted average value of multipliers by increasing and decreasing the values by 2%.

*(in millions of Russian rubles)***26. Fair value of financial instruments (continued)*****Items measured at fair value on a regular basis (continued)***

The following table shows the effect of reasonably possible alternative assumptions on the fair value of Level 3 financial instruments:

	30 September 2015	
	(Unaudited)	
	Carrying amount	Effect of reasonably
	(Unaudited)	possible alternative
		assumptions
Financial assets		
Financial assets designated as at fair value through profit or loss	29,222	(78)
Investment financial assets available for sale	48,144	(878)
	31 December 2014	
	(Unaudited)	
	Carrying amount	Effect of reasonably
	(Unaudited)	possible alternative
		assumptions
Financial assets		
Financial assets designated as at fair value through profit or loss	18,325	(42)
Investment financial assets available for sale	47,685	(1,108)

To determine the impacts of possible alternative assumptions relating to investment financial assets available for sale, 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 2015 would have amounted to RUB 830 million (31 December 2014: RUB 1,188 million).

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:

	Transfers from Level 2 to Level 1	
	for the nine-month period ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
Financial assets		
Trading financial assets (including those pledged under repurchase agreements)	–	1,024
Investment financial assets available for sale (including those pledged under repurchase agreements)	11,883	548
	Transfers from Level 1 to Level 2	
	for the nine-month period ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
Financial assets		
Trading financial assets (including those pledged under repurchase agreements)	–	1,474
Investment financial assets available for sale (including those pledged under repurchase agreements)	5,110	39,620

*(in millions of Russian rubles)***26. Fair value of financial instruments (continued)*****Items measured at fair value on a regular basis (continued)***

During the nine-month period of 2015 and 2014, 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 period of 2015 and 2014, 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 consequently obtained through valuation techniques using observable market inputs.

Financial instruments not recorded 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 the fair values of non-financial assets and non-financial liabilities.

	Carrying amount	Fair value	Unrecognized gain/(loss)	Carrying amount	Fair value	Unrecognized gain/(loss)
	30 September 2015	30 September 2015	30 September 2015	2014	2014	2014
	(Unaudited)	(Unaudited)	(Unaudited)			
Financial assets						
Cash and cash equivalents	354,982	354,982	–	325,927	325,927	–
Amounts due from banks including those pledged under repurchase agreements	139,286	143,794	4,508	180,143	179,199	(944)
Loans to customers, including those pledged under repurchase agreements	2,502,912	2,461,365	(41,547)	2,262,236	2,184,920	(77,316)
Net investments in leases	389,485	351,812	(37,673)	380,763	346,391	(34,372)
Investment financial assets held to maturity	34,674	34,615	(59)	21,447	19,181	(2,266)
Investment financial assets held to maturity pledged under repurchase agreements	6,058	6,167	109	30,828	29,210	(1,618)
Financial liabilities						
Amounts due to banks	1,013,665	1,001,438	12,227	1,010,540	962,649	47,891
Amounts due to the Russian Government and the Bank of Russia	659,329	650,085	9,244	559,278	559,380	(102)
Amounts due to customers	603,169	606,405	(3,236)	508,728	509,700	(972)
Debt securities issued	1,117,403	1,072,431	44,972	983,145	839,892	143,253
Finance lease liabilities	98,556	80,026	18,530	89,785	71,571	18,214
Subordinated deposits	358,798	296,888	61,910	303,015	303,015	–
Total unrecognized change in unrealized fair value			68,985			91,768

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

Assets for which fair value approximates carrying amount

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

*(in millions of Russian rubles)***26. Fair value of financial instruments (continued)*****Financial instruments not recorded at fair value in the statement of financial position (continued)******Fixed and variable 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 carrying amount. 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.

27. 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, 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.

Transactions with associates, jointly controlled entities and key management personnel

Outstanding balances of transactions with associates, jointly controlled entities and key management personnel as at 30 September 2015 and 31 December 2014 are as follows:

	30 September 2015 (Unaudited)			31 December 2014		
	Associates	Jointly controlled entities	Key management personnel	Associates	Jointly controlled entities	Key management personnel
Assets						
Loans to customers, net	110,858	13,312	87	94,049	10,845	100
Liabilities						
Amounts due to customers	10,478	–	4,338	18,124	–	4,022
Credit related commitments and contingencies						
	–	–	13	1,467	–	18

*(in millions of Russian rubles)***27. Related party transactions (continued)*****Transactions with associates, jointly controlled entities and key management personnel (continued)***

The related income and expense from transactions with associates, jointly controlled entities and key management personnel for the nine-month periods ended 30 September 2015 and 30 September 2014 are as follows:

	For the nine-month period ended 30 September 2015 (Unaudited)			For the nine-month period ended 30 September 2014 (Unaudited)		
	Associates	Jointly controlled entities	Key management personnel	Associates	Jointly controlled entities	Key management personnel
Interest income on loans to customers	3,789	737	9	3,168	451	7
Interest expense on amounts due to customers	(1,062)	–	(277)	(1,014)	(12)	(159)
Reversal of/(provision for) impairment of interest earning assets	(7,111)	(2,114)	(1)	(14,346)	(9)	(1)

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)	
	2015	2014
Salaries and other short-term benefits	1,841	1,594
Mandatory contributions to the pension fund	147	114
Social security contributions	74	25
Compensation to key management personnel	2,062	1,733

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.

In addition, as at 30 September 2015 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 4,283 million (31 December 2014: RUB 4,388 million). As at 31 December 2014, transactions with state-related entities include Group's deposits and current accounts with the Bank of Russia that mature within 90 days totaling RUB 8,500 million (Note 8).

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.

*(in millions of Russian rubles)***27. Related party transactions (continued)***Transactions with the state, state institutions and state-related entities (continued)*

Balances of significant transactions with state-related banks as at 30 September 2015 and 31 December 2014 comprise the following:

Bank	Type of transaction	Amounts due from banks	
		30 September 2015 (Unaudited)	31 December 2014
Bank 1	Interest-bearing loans and deposits with banks maturing within 90 days	41,746	22,378
Bank 2	Term interest-bearing deposits with banks	6,599	14,055
Bank 3	Interest-bearing loans and deposits with banks maturing within 90 days	6,071	-
Bank 2	Interest-bearing loans and deposits with banks maturing within 90 days	-	21,500
		54,416	57,933

Bank	Type of transaction	Amounts due to banks	
		30 September 2015 (Unaudited)	31 December 2014
Bank 1	Loans and other placements from Russian banks	144,159	126,647
Bank 4	Loans and other placements from Russian banks	51,652	59,335
Bank 5	Loans and other placements from Russian banks	8,317	-
Bank 6	Loans and other placements from OECD-based banks	5,595	-
Bank 7	Loans and other placements from Russian banks	-	6,676
		209,723	192,658

As at 30 September 2015, the Bank provided guarantees in the amount of RUB 2,466 million to state-related banks under an agreement to secure loans provided by the Bank of Russia (31 December 2014: RUB 121,476 million).

*(in millions of Russian rubles)***27. Related party transactions (continued)*****Transactions with the state, state institutions and state-related entities (continued)***

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 12. 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 at 30 September 2015 and 31 December 2014 comprise the following:

Borrower	Industry	Loans to	Undrawn loan	Loans to	Undrawn loan
		customers	commitments	customers	commitments
		30 September 2015		31 December 2014	
		(Unaudited)			
Customer 1	Manufacturing, including heavy machinery and production of military-related goods	97,555	20,901	74,218	26,675
Customer 2	Manufacturing, including heavy machinery and production of military-related goods	75,720	24,505	59,726	25,715
Customer 3	Real estate and construction	48,800	–	51,583	–
Customer 4	Financing	40,661	–	40,641	–
Customer 5	Transport	37,268	–	32,552	–
Customer 6	Oil and gas	28,865	–	26,103	–
Customer 7	Electric energy	28,068	–	28,642	–
Customer 8	Manufacturing, including heavy machinery and production of military-related goods	25,581	1,466	14,649	10,927
Customer 9	Manufacturing, including heavy machinery and production of military-related goods	24,396	24,778	9,669	35,489
Customer 10	Manufacturing, including heavy machinery and production of military-related goods	21,406	2,641	19,032	2,243
Customer 11	Transport	18,739	6,800	15,045	10,000
Customer 12	Research and education	13,200	–	13,200	–
Customer 13	Manufacturing, including heavy machinery and production of military-related goods	13,170	–	–	–
Customer 14	Manufacturing, including heavy machinery and production of military-related goods	12,394	5,735	5,995	12,101
Customer 15	Electric energy	10,912	–	9,178	–
Customer 16	Transport	9,871	–	9,641	–
Customer 17	Financing	8,739	0	7,434	2,339
Customer 18	Transport	8,531	–	–	–
Customer 19	Other	8,371	–	8,305	0
Customer 20	Electric energy	8,034	–	9,187	–
Customer 21	Financing	6,010	1,089	5,686	1,851
Customer 22	Manufacturing, including heavy machinery and production of military-related goods	5,637	–	4,884	0
Customer 23	Telecommunications	5,500	0	5,500	0
Customer 24	Electric energy	5,239	–	5,239	6,821
Customer 25	Manufacturing, including heavy machinery and production of military-related goods	5,197	9,190	–	–
Customer 26	Manufacturing, including heavy machinery and production of military-related goods	2,216	5,576	1,294	6,502
Customer 27	Manufacturing, including heavy machinery and production of military-related goods	1,401	–	25,414	–
		571,481	102,681	482,817	140,663

*(in millions of Russian rubles)***27. Related party transactions (continued)***Transactions with the state, state institutions and state-related entities (continued)*

Customer	Industry	Net investments in leases	
		30 September 2015 (Unaudited)	31 December 2014
Customer 18	Transport	95,023	87,558
Customer 28	Transport	25,285	28,940
Customer 29	Transport	6,257	5,515
Customer 30	Transport	6,203	5,472
		132,768	127,485

The Bank has a significant influence on Customer 11, investments in shares of which are recorded in financial assets designated as at fair value through profit or loss (Note 9).

Customer	Industry	Amounts due to customers	
		30 September 2015 (Unaudited)	31 December 2014
Customer 23	Telecommunications	53,767	35,911
Customer 31	Manufacturing, including heavy machinery and production of military-related goods	52,971	48,170
Customer 4	Financing	11,028	8,670
Customer 32	Telecommunications	8,335	–
Customer 33	Financing	6,722	–
Customer 34	Electric energy	5,386	0
Customer 35	Other	4,004	7,117
Customer 36	Infrastructure development	2,506	6,022
Customer 37	Financing	2,206	8,603
Customer 38	Electric energy	0	12,131
Customer 8	Manufacturing, including heavy machinery and production of military-related goods	0	5,520
		146,925	132,144

Customer	Industry	Guarantees issued	
		30 September 2015 (Unaudited)	31 December 2014
Customer 31	Manufacturing, including heavy machinery and production of military-related goods	193,365	130,248
Customer 39	Manufacturing, including heavy machinery and production of military-related goods	5,509	–
		198,874	130,248

*(in millions of Russian rubles)***27. Related party transactions (continued)***Transactions with the state, state institutions and state-related entities (continued)*

As at 30 September 2015 and 31 December 2014, the Group's investments in debt securities issued by the Russian Government and other governmental authorities comprise the following:

	30 September 2015	31 December 2014
	(Unaudited)	
Financial assets at fair value through profit or loss	370	435
Financial assets at fair value through profit or loss pledged under repurchase agreements	859	–
Investment financial assets:		
- available for sale	59,416	19,126
- held to maturity	1,544	1,099
Investment financial assets pledged under repurchase agreements		
- available for sale	536	10,796
- held to maturity	–	438

As at 30 September 2015 and 31 December 2014, there were no transactions involving derivative financial instruments with the Russian Government.

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

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 2015 and 31 December 2014, the Group's investments into securities issued by state-related issuers, as well as transactions involving derivative financial instruments with such counterparties comprise the following:

	30 September 2015			31 December 2014		
	(Unaudited)					
	Equity securities	Debt securities	Derivative financial instruments	Equity securities	Debt securities	Derivative financial instruments
Financial assets at fair value through profit or loss	18,224	879	4,540	9,853	2,076	3,619
Financial assets pledged under repurchase agreements	4,942	6,214	–	255	48,077	–
Investment financial assets:						
- available for sale	140,810	110,608	–	134,682	75,462	–
- held to maturity	–	13,308	–	–	6,783	–
Financial liabilities at fair value through profit or loss	–	–	–	–	–	193

As at 30 September 2015, investment financial assets available for sale also include a financial asset issued by a state-related bank with a fair value of RUB 36,984 million (31 December 2014: RUB 36,174 million).

In March and June 2015, the Group received subsidies from the federal budget in the form of asset contributions of the Russian Federation as compensation for part of the costs to incur within activity to support the manufacturers of high-tech products in the amount of RUB 4,466 million and RUB 3,000 million, respectively. The Group received subsidies in accordance with Resolutions of the Russian Government No. 1302 dated 13 December 2012 and No. 566 dated 8 June 2015, respectively, and are recorded in "Other liabilities" in the consolidated statement of financial position.

*(in millions of Russian rubles)***27. Related party transactions (continued)*****Transactions with the state, state institutions and state-related entities (continued)***

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

	For the nine-month period ended 30 September (Unaudited)	
	2015	2014
Interest expense		
Amounts due to the Bank of Russia	(33,867)	(18,917)
Amounts due to the Russian Government	(28,171)	(33,219)
Gains less losses on initial recognition of financial instruments, restructuring and early repayment	16,330	65,351

28. Subsequent events

Currently, in accordance with the instruction of the Chairman of the Government of the Russian Federation D.A. Medvedev, the action plan is being developed to implement measures for state support of Vnesheconombank. The mentioned measures will help to increase of Vnesheconombank's financial stability.

One of these measures is considered to be the introduction of changes to the terms of depositing the currency funds of the National Welfare Fund totaling RUB 6,254 million with Vnesheconombank, which provide for prolongation of maturity to no earlier than 26 September 2034, decrease of interest rate to 0.25% p.a., and establishing a three-year grace period for payment of interest. The respective changes were approved by the Vnesheconombank's Supervisory Board in December 2015.

In October 2015, the Bank signed Additional Agreement No. 6 to the Agreement on performing the functions of an agent of the Russian Government entered into between Vnesheconombank and the Russian Ministry of Finance on 25 December 2009, which determines the procedures for performing the agency functions in 2015 (Note 1).

In October 2015, the Bank fulfilled its obligations to purchase its own Series 18 bonds totaling RUB 647 million under the respective offer. In addition, the Bank made a secondary placement of all the repurchased bonds of the above series maturing in September 2032. This issue provides for a one-year offer.

In October 2015, the Bank fulfilled its obligations to purchase its own Series 19 bonds totaling RUB 706 million under the respective offer. In addition, the Bank made a secondary placement of all the repurchased bonds of the above series maturing in September 2032. This issue provides for a one-year offer.

In October 2015, the Group's leasing company fulfilled its obligations to purchase its own Series 08 bonds totaling RUB 588 million under the respective offer. The subsidiary also made a secondary placement of the bonds of the above series with a total nominal value of RUB 588 million maturing in October 2021.

During the period from October to December 2015, a subsidiary bank fully redeemed exchange-traded bonds, Series BO-01, with a total nominal value of RUB 5,000 million in accordance with the terms of issue. The bonds with a total nominal value of RUB 2,000 million were part of the portfolio of the Group's entities.

(in millions of Russian rubles)

28. Subsequent events (continued)

During the period from October to December 2015, a subsidiary bank fulfilled its obligations to purchase its own exchange-traded bonds, Series BO-02 and BO-04, with a total nominal value of RUB 4,549 million under the respective offer. The subsidiary bank also made a secondary placement of exchange-traded bonds, Series BO-02, BO-03 and BO-04, with a total nominal value of RUB 906 million.

In November 2015, the Group's leasing company fulfilled its obligations to purchase its own Series 09 bonds totaling RUB 280 million under the respective offer. The subsidiary also made a secondary placement of the bonds of the above series with a total nominal value of RUB 280 million maturing in October 2021.

In November 2015, the Bank fulfilled its obligations to purchase its own exchange-traded bonds, Series BO-02, with a total nominal value of RUB 5,307 million under the respective offer. In December 2015, the Bank made a second placement of the bonds of the above series for the amount of RUB 2,500 million, maturing in November 2017. This issue provides for a one-year offer in November 2016.

In December 2015, Vnesheconombank and JSC Russian Export Center signed a purchase agreement according to which the title for 100% of ordinary registered shares of EXIAR was transferred to JSC Russian Export Center. The Group's interest in the charter capital of its subsidiary remained unchanged at 100%.

In December 2015, it was decided to amend the plan to sell an insignificant subsidiary of the Group's leasing company (Note 14). The new plan provides for the sale of all assets and early settlement of all obligations. Later, in December 2015, pursuant to the purchase agreement, the assets of the subsidiary of the Group's leasing company were sold in full to a state-related third party.

In December 2015, a subsidiary bank placed the exchange-traded bonds, Series BO-09, which were earlier repurchased under the offer, with a total nominal value of RUB 1,900 million, maturing in December 2016.

In December 2015, a subsidiary bank fully redeemed the issue of exchange-traded bonds, Series BO-07, with a nominal value of RUB 5,762 million in accordance with the terms of issue.

In December 2015, Vnesheconombank's subsidiary purchased additional 15% voting shares of holding company United Group S.A. with a nominal value of EUR 4,650 to make the Group's share in the charter capital of United Group S.A. equal to 100%.