

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 2016

with report on review

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

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Review report on 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 2016 and the related interim condensed consolidated statements of profit or loss and of comprehensive income for the three- 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 interim 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.

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*.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor who issued the audit report of 19 April 2016 and expressed an unmodified opinion, including the Emphasis of Matter paragraph drawing attention to the Group's accumulated liquidity deficit for the term of up to one year as at 31 December 2015 and to the fact that the Group's ability to continue as a going concern depends, to a significant extent, upon implementation of the measures taken by management to maintain financial stability of the Group and on the obtaining of other forms of financial support.



G.A. Shinin
Partner
Ernst & Young LLC

12 December 2016

Details of the audited entity

Name: State corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"
State corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" was formed by means of reorganization of Bank for Foreign Economic Affairs of the USSR pursuant to and in accordance with Federal Law No. 82-FZ, *On the Bank for Development*, dated 17 May 2007. In accordance with Federal Law No. 395-1, *On Banks and Banking Activity*, dated 2 December 1990, the state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" performs banking operations as stipulated by Federal Law No. 82-FZ, *On the Bank for Development*, dated 17 May 2007.
Record made in the State Register of Legal Entities on 8 June 2007; State Registration Number 1077711000102.
Address: Russia 107996, Moscow, Prospekt Akademika Sakharova, 9.

Details of the practitioner

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

Interim condensed consolidated statement of financial position**As at 30 September 2016***(in billions of Russian rubles)*


		30 September 2016	31 December 2015
	Notes	(Unaudited)	(Restated)
Assets			
Cash and cash equivalents	8	398.6	373.0
Precious metals		0.3	0.3
Financial assets at fair value through profit or loss	9	19.5	52.6
Financial assets lent and pledged under repurchase agreements	10	3.6	78.0
Amounts due from banks and treasury	11	117.5	80.9
Non-current assets held for sale and assets of disposal groups	14	10.7	137.2
Loans to customers	12	2,098.1	2,580.3
Net investments in leases	13	319.3	343.1
Investment financial assets:	15		
- available for sale		486.4	390.8
- held to maturity		17.6	27.5
Amounts due from the Russian Government		0.4	0.5
Subordinated loans to banks	11	56.9	50.4
Investments in associates and jointly controlled entities	4	40.4	9.9
Property and equipment		65.9	68.9
Income tax assets	20	11.7	11.3
Other assets	16	150.8	177.7
Total assets		3,797.7	4,382.4
Liabilities			
Amounts due to banks	17	726.9	1,019.4
Financial liabilities at fair value through profit or loss	9	0.6	2.8
Amounts due to the Russian Government and the Bank of Russia	7	632.6	706.4
Liabilities of disposal groups held for sale	14	-	69.0
Amounts due to customers	18	555.3	642.3
Debt securities issued	19	1,070.9	1,179.9
Finance lease liabilities	22	81.3	105.9
Subordinated deposits	7	94.3	102.1
Income tax liabilities	20	6.7	10.5
Provisions	21	29.6	14.8
Other liabilities	16	49.9	48.5
Total liabilities		3,248.1	3,901.6
Equity			
Authorized capital	25	596.6	445.6
Additional paid-in capital	25	152.1	150.5
Uncovered loss	25	(235.3)	(154.2)
Unrealized revaluation of investment financial assets available for sale		42.0	35.3
Foreign currency translation reserve		(12.5)	(0.9)
Equity attributable to the Russian Government		542.9	476.3
Non-controlling interests		6.7	4.5
Total equity		549.6	480.8
Total equity and liabilities		3,797.7	4,382.4

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

Sergey N. Gorkov

Vladimir.D. Shapinsky

12 December 2016

 Chairman of the Bank
 Chief Accountant

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

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

	Notes	For the three-month period ended 30 September (Unaudited)		For the nine-month period ended 30 September (Unaudited)	
		2015		2015	
		2016	(Restated)	2016	(Restated)
Interest income	23	79.8	72.7	243.1	233.9
Interest expense	23	(57.7)	(64.4)	(173.5)	(184.4)
Net interest income		22.1	8.3	69.6	49.5
Provision for impairment of interest-earning assets	21	(37.9)	(44.6)	(238.1)	(121.5)
Net interest expense after provision for impairment of interest-earning assets		(15.8)	(36.3)	(168.5)	(72.0)
Fee and commission income		2.7	2.6	8.7	7.9
Fee and commission expense		(0.7)	(0.7)	(2.5)	(1.9)
Net fee and commission income		2.0	1.9	6.2	6.0
Gains less losses from financial instruments at fair value through profit or loss		0.9	4.1	2.6	5.5
Gains less losses from investment financial assets available for sale		19.5	(5.3)	21.5	(24.5)
Gains less losses from foreign currencies and currency derivatives:					
- dealing		0.7	(1.1)	7.2	(0.1)
- translation differences		0.4	(2.7)	(56.6)	(6.0)
Gains less losses on initial recognition of financial instruments, restructuring and early repayment		-	(1.0)	(2.7)	(6.1)
Share in net loss of associates and jointly controlled entities		(0.3)	(0.5)	(1.5)	(2.3)
Dividends		1.1	7.4	3.3	8.5
Government grants	7, 14	7.6	-	143.5	13.1
Insurance premiums	24	0.5	0.8	19.2	1.7
Other operating income		6.1	4.2	20.5	12.5
Non-interest income		36.5	5.9	157.0	2.3
Payroll and other staff costs		(5.0)	(5.9)	(18.1)	(17.9)
Occupancy and equipment		(1.8)	(2.0)	(5.3)	(5.8)
Depreciation of property and equipment		(0.9)	(0.9)	(3.4)	(2.4)
Taxes other than income tax		(0.6)	(1.0)	(1.9)	(2.7)
Other provisions and allowances for impairment of other assets	21	(3.2)	(12.5)	(19.3)	(17.6)
Other operating expenses	24	(21.4)	(5.4)	(39.0)	(17.5)
Non-interest expense		(32.9)	(27.7)	(87.0)	(63.9)
Loss before income tax		(10.2)	(56.2)	(92.3)	(127.6)
Income tax benefit/(expense)	20	6.8	(3.3)	6.1	(5.4)
Loss for the period		(3.4)	(59.5)	(86.2)	(133.0)
Attributable to:					
- the Russian Government		(4.0)	(59.1)	(86.7)	(132.4)
- non-controlling interests		0.6	(0.4)	0.5	(0.6)
		(3.4)	(59.5)	(86.2)	(133.0)

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

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

Notes	For the three-month period ended 30 September (Unaudited)		For the nine-month period ended 30 September (Unaudited)	
	2016	2015	2016	2015
Loss for the period	(3.4)	(59.5)	(86.2)	(133.0)
Other comprehensive income/(loss)				
<i>Other comprehensive income/(loss) 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	(0.7)	–	13.6	44.1
Translation differences	(3.0)	10.5	(11.6)	(0.9)
Income tax relating to components of other comprehensive income	–	(0.1)	–	(0.3)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(3.7)	10.4	2.0	42.9
Other comprehensive income/(loss) for the period, net of tax	(3.7)	10.4	2.0	42.9
Total comprehensive loss for the period	(7.1)	(49.1)	(84.2)	(90.1)
Attributable to:				
- the Russian Government	(7.7)	(48.4)	(84.5)	(89.1)
- non-controlling interests	0.6	(0.7)	0.3	(1.0)
	(7.1)	(49.1)	(84.2)	(90.1)

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

Interim condensed consolidated statement of changes in equity
For the nine-month period ended 30 September 2016
(in billions of Russian rubles)

	Attributable to the Russian Government					Total	Non-controlling interests	Total equity
	Authorized capital	Additional paid-in capital	Uncovered loss	Unrealized revaluation of investment financial assets available for sale	Foreign currency translation reserve			
31 December 2014	418.1	138.2	(169.0)	(14.0)	1.0	374.3	4.3	378.6
Loss for the period (Unaudited)	-	-	(132.4)	-	-	(132.4)	(0.6)	(133.0)
Other comprehensive income/(loss) (Unaudited)	-	-	-	43.8	(0.5)	43.3	(0.4)	42.9
Total comprehensive income/(loss) for the period (Unaudited)	-	-	(132.4)	43.8	(0.5)	(89.1)	(1.0)	(90.1)
Contributions of the Russian Government (Unaudited)	27.5	12.3	-	-	-	39.8	-	39.8
Changes in ownership interests in existing subsidiaries (Unaudited)	-	-	(0.2)	-	-	(0.2)	0.1	(0.1)
Subsidiaries acquired (Unaudited)	-	-	-	-	-	-	(0.8)	(0.8)
30 September 2015 (Unaudited)	445.6	150.5	(301.6)	29.8	0.5	324.8	2.6	327.4
31 December 2015	445.6	150.5	(154.2)	35.3	(0.9)	476.3	4.5	480.8
Loss for the period (Unaudited)	-	-	(86.7)	-	-	(86.7)	0.5	(86.2)
Other comprehensive income/(loss) (Unaudited)	-	-	-	13.6	(11.4)	2.2	(0.2)	2.0
Total comprehensive income/(loss) for the period (Unaudited)	-	-	(86.7)	13.6	(11.4)	(84.5)	0.3	(84.2)
Contributions of the Russian Government (Note 25) (Unaudited)	150.0	1.6	-	-	-	151.6	-	151.6
Subsidiaries incorporated and acquired (Note 5) (Unaudited)	-	-	-	-	-	-	2.6	2.6
Financial result from the distribution of capital to the Russian Government (Note 25) (Unaudited)	1.0	-	6.4	(6.9)	(0.2)	0.3	(1.4)	(1.1)
Changes in ownership interests in existing subsidiaries (Note 5) (Unaudited)	-	-	(0.8)	-	-	(0.8)	0.8	-
Dividends from subsidiaries (Unaudited)	-	-	-	-	-	-	(0.1)	(0.1)
30 September 2016 (Unaudited)	596.6	152.1	(235.3)	42.0	(12.5)	542.9	6.7	549.6

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

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

	For the nine-month period ended 30 September (Unaudited)	
	Notes	2015 (Restated)
Cash flows from operating activities		
Loss for the period		(133.0)
<i>Adjustments:</i>		
Change in interest accruals		(56.1)
Impairment and other provisions	21	139.1
Changes in unrealized revaluation of trading securities and derivative financial instruments		(6.7)
(Gains less losses) / losses less gains from investment financial assets available for sale, net of impairment loss		1.6
Impairment of investment financial assets available for sale	15	22.9
Changes in translation differences		6.0
Gains less losses on initial recognition of financial instruments, restructuring and early repayment		6.1
Government grants	7, 14	(13.1)
Share in net loss of associates and jointly controlled entities		2.3
Depreciation and amortization		3.0
Impairment of goodwill	5, 24	-
Deferred income tax	20	4.0
Other changes		1.4
Cash flows from operating activities before changes in operating assets and liabilities		(22.5)
<i>Net (increase)/decrease in operating assets</i>		
Precious metals		-
Financial assets at fair value through profit or loss		(7.5)
Amounts due from banks and treasury		(42.8)
Loans to customers		(39.9)
Net investments in leases		16.2
Other assets		(18.9)
<i>Net increase/(decrease) in operating liabilities</i>		
Amounts due to banks, net of long-term interbank financing		(50.6)
Amounts due to the Russian Government and the Bank of Russia, net of long-term financing		94.8
Amounts due to customers		50.9
Debt securities issued, net of bonds and Eurobonds		(7.9)
Finance lease liabilities		(5.9)
Other liabilities		(1.7)
Net cash used in operating activities		(35.8)

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

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

		For the nine-month period ended 30 September (Unaudited)	
		2016	2015 (Restated)
Notes			
Cash flows from investing activities			
	Purchase of investment financial assets	(100.4)	(194.7)
	Proceeds from sale and redemption of investment financial assets	260.5	187.6
	Investments in associates and jointly controlled entities	(1.3)	-
	Disposal of subsidiaries, net of cash	(30.5)	-
	Purchase of property and equipment	(1.1)	(2.0)
	Proceeds from sale of property and equipment	0.1	-
	Net cash from/(used in) investing activities	127.3	(9.1)
Cash flows from financing activities			
	Long-term interbank financing raised	63.3	20.9
	Long-term interbank financing repaid	(149.2)	(101.6)
	Long-term financing raised from the Bank of Russia and the Russian Government	241.1	49.6
	Long-term financing repaid to the Bank of Russia	(90.0)	(17.6)
	Placement of bonds	69.2	79.9
	Redemption of bonds and Eurobonds	(100.2)	(35.6)
	Purchase of bonds and Eurobonds issued by the Group	(49.0)	(35.7)
	Proceeds from sale of previously purchased bonds and Eurobonds	19.8	36.1
	Contributions of the Russian Government	150.0	39.8
	Government assistance and grants received	8.1	7.5
	Dividends from subsidiaries	(0.1)	-
	Net cash from financing activities	163.0	43.3
	Effect of changes in foreign exchange rates against the Russian ruble on cash and cash equivalents	(6.1)	33.3
	Net increase in cash and cash equivalents	21.5	31.7
	Cash and cash equivalents, beginning	373.0	326.0
	Cash and cash equivalents, ending	398.6	355.0
	Cash recognized in assets of disposal groups held for sale, beginning	4.1	-
	Cash recognized in assets of disposal groups held for sale, ending	-	2.7
Supplemental information:			
	Income tax paid	(1.5)	(0.8)
	Interest paid	(150.8)	(167.1)
	Interest received	183.6	161.1
	Dividends received	4.0	8.5

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

(in billions 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 is presented in Note 4.

Vnesheconombank was formed on 8 June 2007 pursuant to and in accordance with Federal Law No. 82-FZ, *On Bank for Development*, dated 17 May 2007 (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, *On Banks and Banking Activity*, dated 2 December 1990, 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 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, *On Amendments to Certain Legislative Acts of the Russian Federation*, dated 16 January 2015, the Memorandum was amended with a 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 billions 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 authorized capital has been formed through asset contributions from the Russian Federation made under decisions of the Russian Government, including the contribution to the authorized capital of state-owned shares in JSC "Russian Bank for Small and Medium Enterprises Support" (JSC SME Bank), "State Specialized Russian Export-Import Bank" (joint-stock company) (EXIMBANK OF RUSSIA), the Federal Center for Project Finance (FCPF), and international and domestic long-distance electrical communication operator Public Joint-Stock Company Rostelecom (PJSC Rostelecom).

Vnesheconombank performs the functions of an agent of 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 organizations.

Vnesheconombank performs the functions of an agent for 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, Additional Agreement No. 5 dated 16 April 2014, Additional Agreement No. 6 dated 1 October 2015 and Additional Agreement No. 7 dated 21 September 2016 (collectively, Agency Agreement"). In September 2016, Vnesheconombank received an advance payment of RUB 0.2 billion from the Russian Ministry of Finance for performance of the functions of an agent in 2016.

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, *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"*, dated 18 July 2009 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 billions of Russian rubles)

1. Principal activities (continued)

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, *On the Procedure for Using Pension Accruals to Finance Payments*, dated 30 November 2011 for purposes of payments to the cumulative pension.

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 2016, the Bank, as a state management company, mainly invested pension savings in state securities denominated in Russian rubles, corporate bonds of highly credible Russian issuers and in mortgage securities. As at 30 September 2016 and 31 December 2015, total funds of the State Pension Fund of the Russian Federation managed by the state management company amounted to RUB 1,929.0 billion and RUB 2,018.4 billion, 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 has been acting as a lender for operations to enhance affordability of mortgage loans through extending loans to OJSC "The Agency for Housing Mortgage Lending".

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

The Bank has representative offices in New-York (the United States of America), London (the United Kingdom of Great Britain and Northern Ireland), Milan (the Italian Republic), Frankfurt am-Main (the Federal Republic of Germany), 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

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, a foreign subsidiary of the Group, uses the Hong Kong dollar ("HKD") as its functional currency.

(in billions of Russian rubles)

2. Basis of preparation (continued)

General (continued)

These interim condensed consolidated financial statements for the nine-month period ended 30 September 2016 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 2015. Operating results for the nine-month period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the year ending 31 December 2016.

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

Going concern

The interim condensed consolidated financial statements have been prepared based on the going concern assumption.

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

Changes in accounting policies

The accounting policies and calculation methods adopted in the preparation of these interim condensed consolidated financial statements are consistent with those adopted and described in the annual consolidated financial statements of the Group for the year ended 31 December 2015, except for the adoption of new standards since 1 January 2016, noted below.

New adopted standards

In spite of the fact that the new and amended standards were applied for the first time in 2016, 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:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and in the statement of comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

(in billions of Russian rubles)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 and will be measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group as the Group does not have any bearer plants.

Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group's consolidated financial statements.

(in billions of Russian rubles)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Annual improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits – regional market issue regarding discount rate

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is effective for annual periods beginning on or after 1 January 2016.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

(in billions of Russian rubles)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Amendments to IAS 1: Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

1. The materiality requirements in IAS 1
2. That specific line items in the statements of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
3. That entities have flexibility as to the order in which they present the notes to financial statements
4. That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Group as the Group is not an investment entity.

Significant accounting judgments and estimates

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

The key assumptions concerning the future and other key sources of estimation uncertainty regarding the allowance for impairment of loans and receivables and the measurement of the fair value of financial instruments and investment property are consistent with those used in preparing the annual consolidated financial statements for the year ended 31 December 2015.

*(in billions of Russian rubles)***2. Basis of preparation (continued)*****Impairment of goodwill***

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

3. Reclassification of comparative information

In the interim condensed consolidated statement of financial position as at 30 September 2016, amounts on the correspondent account with the Bank of Russia intended for a designated purpose are included in amounts due from banks and treasury. The following reclassifications have been made to 2015 balances to ensure their comparability with the balances as at 30 September 2016:

	As previously reported	Reclassification amount	As reclassified
Interim condensed consolidated statement of financial position as at 31 December 2015			
Cash and cash equivalents	400.5	(27.5)	373.0
Amounts due from banks and treasury	53.4	27.5	80.9

The effect of the change is also disclosed in Notes 8, 11 and 27.

The Group changed the presentation of the interim condensed consolidated financial statement of profit or loss for the three- and nine-month periods ended 30 September 2015 in these interim condensed consolidated financial statements due to significant results from insurance operations and the application of another method for the presentation of government grants in the consolidated financial statements since 31 December 2015:

	As previously reported	Reclassification amount	As reclassified
Interim condensed consolidated statement of profit or loss for the nine-month period ended 30 September 2015			
Gains less losses on initial recognition of financial instruments, restructuring and early repayment	7.0	(13.1)	(6.1)
Government grants	-	13.1	13.1
Other operating income	14.2	(1.7)	12.5
Insurance premiums	-	1.7	1.7

	As previously reported	Reclassification amount	As reclassified
Interim condensed consolidated statement of profit or loss for the three-month period ended 30 September 2015			
Insurance premiums	-	0.8	0.8
Other operating income	5.0	(0.8)	4.2

*(in billions of Russian rubles)***3. Reclassification of comparative information (continued)**

The Group changed the presentation of the statement of cash flows for the nine-month period ended 30 September 2015 in these interim condensed consolidated financial statements due to significant results from insurance operations and the application of another method for the presentation of government grants in the consolidated financial statements since 31 December 2015:

	As previously reported	Reclassification amount	As reclassified
Interim condensed consolidated statement of cash flows for the nine-month period ended 30 September 2015			
Cash flows from operating activities			
<i>Adjustments:</i>			
Gains less losses on initial recognition of financial instruments, restructuring and early repayment	(7.0)	13.1	6.1
Government grants	-	(13.1)	(13.1)

4. Major 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 2016 (Unaudited)	31 December 2015		
Bank BelVEB OJSC	97.52%	97.52%	Republic of Belarus	Banking
JSC "VEB-Leasing"	99.11%	99.11%	Russia	Leasing
JSC SME Bank	-	100%	Russia	Banking
Sviaz-Bank	99.65%	99.65%	Russia	Banking
PSC Prominvestbank	99.72%	99.39%	Ukraine	Banking
JSC "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 "North Caucasus Development Corporation"	100%	100%	Russia	Advisory services, investment project support
RDIF Management Company LLC	-	100%	Russia	Management company
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
Infrastructure Molzhaninovo LLC (former Resad LLC)	99.99%	85%	Russia	Electric energy
Resort Zolotoe Koltso LLC	100%	100%	Russia	Real estate and construction
Russian Export Center JSC	100%	100%	Russia	Export support

As at 31 December 2015, the Group's subsidiaries also included Mutual Fund RDIF with 100% ownership.

(in billions of Russian rubles)

4. Major subsidiaries (continued)

As at 30 September 2016 and 31 December 2015, the Group owns 100% of the voting shares in JSC "VEB-Leasing".

As at 30 September 2016 and 31 December 2015 the Group's subsidiaries also includes EXIMBANK OF RUSSIA and EXIAR through the subsidiary Russian Export Center JSC (REC JSC). The Group's interest in the authorized capital of the subsidiaries remains unchanged at 100%.

In January 2016, the Bank purchased 45,800,000,000 shares additionally issued by Russian Export Center JSC for the total amount of RUB 45.8 billion. The Bank's interest in the share capital of Russian Export Center JSC remained unchanged at 100%.

In February 2016, Vnesheconombank made an additional contribution to the authorized capital of Resort Zolotoe Koltso LLC in the amount of RUB 7.9 billion. The Bank's share in the authorized capital of the company remained unchanged at 100%.

In February 2016, Vnesheconombank made an additional contribution to the authorized capital of Resad LLC in the amount of RUB 7.0 billion. The Bank's share in the authorized capital of the company is 99.99997%. In March 2016, Resad LLC was renamed Infrastructure Molzhaninovo LLC.

In February 2016, Vnesheconombank made an additional cash contribution to the authorized capital of LLC "VEB-Capital" in the amount of RUB 40.4 billion and an asset contribution in the amount of RUB 1.7 billion. The Bank's share in the authorized capital of the company remained unchanged at 100%.

In February 2016, the Bank transferred funds in the amount of USD 0.5 billion (RUB 37.2 billion at the date of transfer) and EUR 0.2 billion (RUB 19.0 billion at the date of transfer) in payment for 1,999,984,200 shares additionally issued by PSC Prominvestbank. In May 2016, the report on the results of PSC Prominvestbank's placement of additionally issued shares was registered by the National Securities and Stock Market Commission of Ukraine.

In March 2016, as a result of repurchase of 16.11% of own shares by Rose Group Limited, the Group's ownership reduced to 68.28%. In the third quarter 2016, as a result of a reverse exchange of shares, the Group's ownership in Rose Group Limited increased to 73.4%.

In April 2016, pursuant to Decree No. 287 of the President of the Russian Federation dated 5 June 2015 and Federal Law No. 156-FZ, *On Amendments to Certain Legislative Acts of the Russian Federation Regarding Measures for Further Development of Small and Medium Enterprises in the Russian Federation*, dated 29 June 2015, Vnesheconombank paid for an additional issue of shares in JSC "Federal Corporation for Development of Small and Medium Enterprises" (hereinafter, "JSC SME Corporation") with 19,240 shares of JSC SME Bank (100% as at 31 December 2015), thus losing control over the bank (Notes 25, 28).

In June 2016, the Bank transferred RUB 1.6 billion received in December 2015 as an asset contribution of the Russian Federation for the implementation of priority investment projects in the Baikal Region under the state program "Social and Economic Development of the Far East and the Baikal Region", in payment for the shares additionally issued by JSC "The Far East and Baikal Region Development Fund". The Bank's share in the authorized capital of the company remained unchanged at 100%.

As on 2 June 2016 Federal Law No. 154-FZ, *On the Russian Direct Investment Fund*, became effective, Vnesheconombank lost control over RDIF Management Company LLC. Therefore, the Bank deconsolidated the assets and liabilities of Mutual Fund RDIF and classified 100% of units in Mutual Fund RDIF owned by the Bank as investment financial assets available for sale (Notes 15, 25, 28). As at 31 December 2015, the Bank was holding 100% of shares in the authorized capital of RDIF Management Company LLC.

(in billions of Russian rubles)

4. Major subsidiaries (continued)

In June 2016, Vnesheconombank exercised its preemptive right to purchase additional shares in PSC Prominvestbank and paid for 160,682,620 shares additionally issued by PSC Prominvestbank in the amount of USD 64.6 million and EUR 0.04 million (total equivalent to RUB 4.2 billion at the date of purchase). The Bank's share in the authorized capital of the company changed to 99.72%.

In August 2016, the Bank made a non-repayable cash contribution of RUB 19.8 billion to the assets of JSC "GLOBEXBANK".

In August 2016, the Bank purchased 147,052,550 additionally issued shares of JSC "GLOBEXBANK" for RUB 10 billion. The Bank's interest in the authorized capital of the subsidiary bank did not change significantly.

In August 2016, Vnesheconombank made an additional contribution to the authorized capital of Infrastructure Molzhaninovo LLC in the amount of RUB 1.2 billion. The Bank's share in the authorized capital of the company is 99.99998%.

Significant investment in associates and jointly-controlled entities made in reporting period

In April 2016, the Group purchased additionally issued shares in JSC "RSMB Corporation" with a fair value of RUB 30 billion. The Bank's interest in the authorized capital of associated JSC "RSMB Corporation" is 37.5%.

In August 2016, the Bank made an additional contribution to the authorized capital of Asia Cement LLC by means of converting part of the debt under an earlier provided loan into capital on the basis of an offset of mutual homogeneous claims of the Bank and the company. The Bank's share in the authorized capital of the company is 49%. The book value of the investment is insignificant. Pursuant to the current version of the company's Charter, its participants jointly control Asia Cement LLC.

5. Business combinations

Acquisitions in 2016

On 30 March 2016, the Group increased its share in its associate LLC "VEB-Invest" from 19% to 100%. The cost of acquisition paid for in cash was insignificant. The fair value and the carrying amount of the previously recorded 19% share in the capital of LLC "VEB-Invest" amount to RUB 0.

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

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

*(in billions of Russian rubles)***5. Business combinations (continued)*****Acquisitions in 2016 (continued)***

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

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

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

As a result of impairment testing, goodwill of RUB 4.3 billion was expensed and recorded within other operating expenses in the consolidated statement of profit or loss (Note 24).

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

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

Changes in ownership interests in 2016

During the nine-month period of 2016, as a result of additional issues of shares of PSC Prominvestbank, the carrying amount of the net assets of PSC Prominvestbank increased and the contribution of non-controlling shareholders was insignificant. In addition, PSC Prominvestbank repurchased 4,303,568 shares (less than 1% of issued shares) from non-controlling shareholders and sold 4,080,103 treasury shares (less than 1% of issued shares) to third parties. As a result of the reallocation of interests between the Bank and other shareholders, the non-controlling interest increased by RUB 0.3 billion and the Group's uncovered loss increased by RUB 0.3 billion.

In February 2016, Vnesheconombank made an additional contribution to the authorized capital of Resad LLC in the amount of RUB 7.0 billion. As a result of the reallocation of interests between the participants, the non-controlling interest increased by RUB 0.5 billion and the Group's uncovered loss increased by RUB 0.5 billion.

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

On 2 July 2015, Pilsen Toll s.r.o., a subsidiary of LLC "VEB-Capital", purchased of 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 authorized 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 as determined by an independent appraiser, were as follows:

	Fair value recognized on control acquisition (Unaudited)
Property and equipment	7.0
Income tax assets	0.1
Other assets	0.7
	7.8
Income tax liabilities	0.9
Provisions (Note 21)	0.2
Other liabilities	0.3
	1.4
Total identifiable net assets	6.4
Less non-controlling interest	0.8
Consideration transferred on acquisition	7.2

Transactions representing previous relations between the acquitted subsidiary and participants of the Group accounted for within loans to customers and other assets of the Group with the fair value of RUB 6.5 billion and RUB 0.7 billion, respectively, at the acquisition date were excluded in the process of accounting for the business combination. Funds received from the Group were excluded from the identifiable liabilities of United Group S.A., and the consideration transferred upon acquisition was adjusted by the fair value of the above liabilities.

The Group decided to measure the non-controlling interest 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 has amounted to RUB 0.1 billion, and its contribution to the Group's financial result has constituted a loss of RUB 0.2 billion. 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 134,0 billion.

Changes in ownership interests in 2015

In the first quarter of 2015, as a result of the additional issue of shares in PSC Prominvestbank, which started in December 2014, the carrying amount of the net assets of PSC Prominvestbank increased by RUB 17.0 billion and the contribution of non-controlling shareholders was insignificant. In addition, during the first half year of 2015, PSC Prominvestbank repurchased 2,164,558 shares from non-controlling shareholders and sold 2,447,904 treasury shares to third parties. As a result of the reallocation of interests between the Bank and other shareholders, the non-controlling interest increased by RUB 0.3 billion and the Group's uncovered loss increased by RUB 0.3 billion.

In the first quarter of 2015, Mutual Fund RDIF repurchased non-controlling interests in some of its subsidiaries. As a result of the reallocation of interests, non-controlling interests decreased by RUB 0.1 billion.

(in billions of Russian rubles)

6. Segment information

For the management purposes, the Group has six operating segments:

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

Segment 1 comprises the core bank of the Group. Segment 2 comprises banks that were purchased in 2008 and 2009 to recover their financial stability in line with anti-crisis measures developed by the Russian Government 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 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.

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

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

During the nine-month periods ended 30 September 2016 and 30 September 2015, 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 the Russian Government and entities under control of the Russian Federation. Such income was mainly received from transactions within Segments 1, 2 and 5.

*(in billions 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 2016 (Unaudited)								
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6	Total before adjustments	Adjustments	Total
Interest income on transactions with external clients	146.6	36.7	9.2	11.0	33.2	6.4	243.1	-	243.1
Interest expense on transactions with external clients	(120.7)	(28.4)	(2.8)	(2.9)	(15.7)	(3.0)	(173.5)	-	(173.5)
Net interest income on transactions with external clients	25.9	8.3	6.4	8.1	17.5	3.4	69.6	-	69.6
Intersegment net interest income/(expense)	11.2	(2.1)	(2.6)	(2.3)	(10.9)	1.0	(5.7)	5.7	-
Reversal of/(provision for) impairment of interest-earning assets	(191.1)	(16.2)	2.5	(1.5)	(19.2)	(13.4)	(238.9)	0.8	(238.1)
Net interest income/(expense) after provision for impairment of interest-earning assets	(154.0)	(10.0)	6.3	4.3	(12.6)	(9.0)	(175.0)	6.5	(168.5)
Net fee and commission income/(expense) on transactions with external clients	3.2	1.0	0.6	1.5	-	(0.1)	6.2	-	6.2
Intersegment net fee and commission income/(expense)	0.2	-	-	(0.1)	(0.3)	-	(0.2)	0.2	-
Other non-interest income/(expense) on transactions with external clients	138.3	7.5	0.9	1.6	(6.2)	14.9	157.0	-	157.0
Non-interest expense on transactions with external clients	(12.8)	(13.7)	(0.1)	(3.4)	(16.3)	(40.7)	(87.0)	-	(87.0)
Other intersegment non-interest income/(expense)	(65.3)	-	0.2	(0.3)	0.7	3.3	(61.4)	61.4	-
Segment profit/(loss) before income tax	(90.4)	(15.2)	7.9	3.6	(34.7)	(31.6)	(160.4)	68.1	(92.3)
Income tax benefit									6.1
Loss for the period									(86.2)

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

	For the nine-month period ended 30 September 2015 (Unaudited)						Total before adjustments	Adjustments	Total
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6			
Interest income on transactions with external clients	127.8	48.7	12.6	10.1	32.7	2.0	233.9	-	233.9
Interest expense on transactions with external clients	(123.9)	(36.2)	(4.4)	(3.7)	(15.6)	(0.6)	(184.4)	-	(184.4)
Net interest income on transactions with external clients	3.9	12.5	8.2	6.4	17.1	1.4	49.5	-	49.5
Intersegment net interest income/(expense)	8.5	(6.3)	(4.2)	(1.8)	(7.8)	11.0	(0.6)	0.6	-
Reversal of/(provision for) impairment of interest-earning assets	(51.2)	(18.6)	(38.2)	(3.0)	(12.5)	(0.1)	(123.6)	2.1	(121.5)
Net interest income/(expense) after provision for impairment of interest-earning assets	(38.8)	(12.4)	(34.2)	1.6	(3.2)	12.3	(74.7)	2.7	(72.0)
Net fee and commission income on transactions with external clients	1.9	1.3	1.3	1.4	0.1	-	6.0	-	6.0
Intersegment net fee and commission income/(expense)	0.2	-	-	(0.2)	(0.1)	-	(0.1)	0.1	-
Other non-interest income/(expense) on transactions with external clients	(21.2)	0.2	(2.2)	9.2	7.4	8.9	2.3	-	2.3
Non-interest expense on transactions with external clients	(18.3)	(11.4)	(11.2)	(3.5)	(11.8)	(7.7)	(63.9)	-	(63.9)
Other intersegment non-interest income/(expense)	(33.3)	(0.2)	(0.1)	(5.8)	0.4	(0.5)	(39.5)	39.5	-
Segment profit/(loss) before income tax	(109.5)	(22.5)	(46.4)	2.7	(7.2)	13.0	(169.9)	42.3	(127.6)
Income tax expense									(5.4)
Loss for the period									(133.0)

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

	30 September 2016 (Unaudited)	31 December 2015
Segment assets		
Segment 1	2,708.9	3,056.4
Segment 2	510.5	623.1
Segment 3	86.2	127.4
Segment 4	124.8	128.8
Segment 5	469.0	551.4
Segment 6	279.1	354.2
Total before deducting intersegment assets	4,178.5	4,841.3
Intersegment assets	(476.2)	(583.5)
Adjustments	95.4	124.6
Total assets	3,797.7	4,382.4

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

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

	30 September 2016 (Unaudited)	31 December 2015
Segment liabilities		
Segment 1	2,465.8	2,901.3
Segment 2	477.3	605.5
Segment 3	73.8	165.4
Segment 4	110.6	114.1
Segment 5	486.1	547.1
Segment 6	142.9	149.9
Total before deducting intersegment liabilities	3,756.5	4,483.3
Intersegment liabilities	(476.2)	(583.5)
Adjustments	(32.2)	1.8
Total liabilities	3,248.1	3,901.6

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

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 2016 (Unaudited)	31 December 2015
Interest-bearing loans and deposits from the Federal Treasury	289.5	181.1
Interest-bearing loans and deposits from the Bank of Russia	254.6	374.3
Settlements related to redemption of Russian Government loans	72.0	63.0
Deposits of non-budgetary funds	16.0	23.6
Repurchase agreements with the Bank of Russia	–	64.1
Other amounts	0.5	0.3
Amounts due to the Russian Government, its institutions and the Bank of Russia	632.6	706.4

During the first quarter of 2016, as a part of the government support measures the Bank raised long-term and short-term financing on conditions that allowed the Bank to record a gain on initial recognition in the amount of RUB 134.9 billion within "Government grants" in the consolidated statement of profit or loss. During the third quarter of 2016, at maturity, the short-term financing was extended on the same conditions, thus allowing the Bank to record an additional gain of RUB 2.5 billion within "Government grants" in the consolidated statement of profit or loss. As at 30 September 2016, the carrying amount of liabilities related to the funds raised amounts to RUB 93.9 billion and RUB 128.6 billion, respectively.

(in billions of Russian rubles)

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

In February and March 2016, in accordance with Decree No. 1495 of the Russian Government, *On the Rules for Depositing Federal Budget Funds with State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"*, dated 30 December 2015, federal budget funds in the amount of RUB 45.0 billion and RUB 55.0 billion, respectively, were deposited for a period of up to 270 days at a rate equivalent to the key rate of the Bank of Russia in order to support liquidity.

In September 2016, an agreement for depositing the funds of the National Welfare Fund ("NWF") with Vnesheconombank in the total amount of RUB 50 billion with a maturity of up to June 2020 was extended at the below-market rate upon expiration. The Bank derecognized the initial liability and recognized a new one. There was no movement in cash flows. During the reporting period ended 30 September 2016, a gain of RUB 5.1 billion on initial recognition was recognized within "Government grants" in the consolidated statement of profit or loss. As at 30 September 2016, such deposit amounted to RUB 45.9 billion (31 December 2015: RUB 49.9 billion).

In September 2014, an agreement for depositing the foreign currency funds of the National Welfare Fund ("NWF") with Vnesheconombank in the amount of USD 288 million (equivalent to RUB 11.0 billion as at the agreement date) was signed. These funds were deposited in accordance with Resolution No. 18 of the Russian Government dated 19 January 2008. As at 30 September 2016, the value of the deposit with a maturity of up to 26 September 2034 is RUB 4.6 billion (31 December 2015: RUB 5.0 billion).

As at 30 September 2016, interest-bearing loans and deposits from the Bank of Russia also include loans in the amount of RUB 29.5 billion (31 December 2015: RUB 294.3 billion) secured by the pledge of the rights of claim under loans to customers in the amount of RUB 37.4 billion (31 December 2015: RUB 434.9 billion) (Note 12).

During the nine-month period of 2016, the Group repaid short-term and long-term loans of the Bank of Russia secured by bank guarantees (carrying amount as at 31 December 2015: RUB 77.3 billion).

As at 30 September 2016, deposits of non-budgetary funds include RUB-denominated short-term deposits with the subsidiary banks in the amount of RUB 16.0 billion (31 December 2015: RUB 23.6 billion).

As at 30 September 2016, the Group did not enter into any transactions under repurchase agreements with the Bank of Russia. As at 31 December 2015, under the repurchase agreements with the Bank of Russia, the Group sold debt securities with a fair value of RUB 67.8 billion, subject to repurchase (Note 10). Pledged securities are classified as investment financial assets available for sale with a fair value of RUB 58.2 billion, investment financial assets held to maturity with a fair value of RUB 5.2 billion, and trading financial assets with a fair value of RUB 4.4 billion.

Subordinated deposits

In September 2014, the agreements for depositing the foreign currency funds of the NWF with Vnesheconombank in the amount of USD 6.0 billion (equivalent to RUB 228.5 billion as at the agreement date) were signed.

In accordance with Resolution No. 2750-r of the Russian Government dated 30 December 2015, the terms of depositing the funds of the NWF with Vnesheconombank, which were previously provided in accordance with Resolution No. 1749-r of the Russian Government dated 6 September 2014 for the total nominal amount of USD 6.0 billion, were amended as follows: prolongation of the deposit period until 26 September 2034, reduction of the interest rate to 0.25% p.a. and introduction of a three-year grace period for interest payments. As at 30 September 2016, such deposits amounted to RUB 94.3 billion (31 December 2015: RUB 102.1 billion).

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

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 11.9 billion carrying interest ranging from 12.9% p.a. to 13.5% 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 2016 (Unaudited)	31 December 2015 (Restated)
Cash on hand	16.8	24.0
Current accounts with the Bank of Russia	24.3	41.0
Correspondent nostro accounts with banks and current accounts with other non-banking organizations:		
- the Russian Federation	12.7	79.2
- other countries	104.2	144.3
Interest-bearing loans and deposits with banks maturing within 90 days	153.7	62.7
Reverse repurchase agreements with banks for up to 90 days	86.9	21.0
Other cash equivalents	-	0.8
Cash and cash equivalents	398.6	373.0

As at 30 September 2016, reverse repurchase agreements included loans in the amount of RUB 65.9 billion (31 December 2015: RUB 11.5 billion) provided to banks and secured by corporate bonds with a fair value of RUB 73.6 billion (31 December 2015: RUB 13.5 billion), as well as loans in the amount of RUB 21.0 billion (31 December 2015: RUB 9.5 billion) provided to banks and secured by corporate shares with a fair value of RUB 24.1 billion (31 December 2015: RUB 11.3 billion).

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

Financial assets at fair value through profit or loss comprise:

	30 September 2016 (Unaudited)	31 December 2015
Trading financial assets	0.7	8.8
Derivative financial assets	6.3	2.7
Financial assets designated as at fair value through profit or loss	12.5	41.1
Financial assets at fair value through profit or loss	19.5	52.6

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

Trading financial assets held by the Group comprise:

	30 September 2016 (Unaudited)	31 December 2015
Equity securities	0.4	6.8
Debt securities		
Russian State Bonds (OFZ)	–	0.6
Eurobonds issued by the Russian Federation	0.2	0.4
Eurobonds of Russian and foreign issuers	0.1	0.5
	0.3	1.5
Other debt financial assets	–	0.5
	0.3	2.0
Trading financial assets	0.7	8.8

As at 30 September 2016, the Group had no financial assets at fair value through profit or loss pledged under repurchase agreements. As at 31 December 2015, financial assets at fair value through profit or loss pledged under repurchase agreements comprised Russian State Bonds (OFZ) in the amount of RUB 4.0 billion and corporate bonds in the amount of RUB 0.4 billion (Note 10).

Derivative financial instruments

As at 30 September 2016 and 31 December 2015, derivative financial instruments comprise:

	30 September 2016 (Unaudited)			31 December 2015		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Foreign exchange contracts						
Forwards and swaps – foreign	–	–	–	48.2	0.1	–
Forward contracts for equity securities	3.7	3.0	–	1.1	0.3	–
Interest rate swaps						
Foreign contracts	7.5	–	0.3	10.1	–	0.5
Option contracts with foreign currency	5.5	3.3	–	4.9	2.3	–
Cross-currency interest rate swap	0.3	–	0.3	38.2	–	2.3
Total derivative assets/liabilities		6.3	0.6		2.7	2.8

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 1.8 billion (31 December 2015: RUB 17.0 billion). As at 31 December 2015, this category also included investments in jointly controlled entities in the amount of RUB 13.4 billion that meet the criteria to be designated as at fair value through profit or loss since the Group management measures the performance of these investments in terms of changes in their fair value based on quoted prices in an open market, valuation models, using both observable and non-observable market data. The change in the amount of investments in associates and jointly controlled entities that meet the criteria to be designated as at fair value through profit or loss was due to the deconsolidation of Mutual Fund RDIF as at 30 June 2016 (Note 4).

*(in billions of Russian rubles)***10. Financial assets lent and pledged under repurchase agreements**

Financial assets lent and pledged under repurchase agreements comprise:

	30 September 2016 (Unaudited)	31 December 2015
Financial assets at fair value through profit or loss (Note 9)	–	4.4
Amounts due from banks and treasury (Note 11)	–	0.3
Loans to customers (Note 12)	–	0.9
Investment financial assets available for sale (Note 15)	0.3	62.9
Investment financial assets held to maturity (Note 15)	3.3	9.5
Total financial assets lent and pledged under repurchase agreements	3.6	78.0

11. Amounts due from banks and treasury

Amounts due from banks and treasury comprise:

	30 September 2016 (Unaudited)	31 December 2015 (Restated)
Obligatory reserve with central banks	3.6	3.5
Non-interest-bearing deposits	56.1	54.8
Interbank loans and term interest-bearing deposits with banks	41.0	14.4
Amounts due from treasury	8.1	–
Mortgage bonds	6.7	7.6
Export financing	5.4	3.8
	120.9	84.1
Less allowance for impairment (Note 21)	(3.4)	(3.2)
Amounts due from banks and treasury	117.5	80.9
Amounts due from banks pledged under repurchase agreements (Note 10)	–	0.3
Amounts due from banks and treasury, including those pledged under repurchase agreements	117.5	81.2

As at 30 September 2016, 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 38.0 billion (31 December 2015: RUB 40.6 billion) (Note 28).

As at 30 September 2016, interbank loans and term interest-bearing deposits with banks with a carrying amount of RUB 1.1 billion (31 December 2015: RUB 1.6 billion) were pledged as collateral for loans received from the Bank of Russia.

As at 30 September 2016, interbank loans and term interest-bearing deposits with banks include loans of RUB 22.8 billion issued to a former subsidiary bank, which became an associate bank in the second quarter of 2016 (Note 28).

Obligatory reserve with central banks includes cash non-interest-bearing deposits (obligatory reserves) placed by the Group's subsidiary banks with the Bank of Russia and the National Bank of the Republic of Belarus. The amount of these reserves depends on the level of funds attracted by the banks. The banks' ability to withdraw such deposits is significantly restricted by the statutory legislation. Pursuant to law, Vnesheconombank creates no obligatory reserve to be maintained with the Bank of Russia.

*(in billions of Russian rubles)***11. Amounts due from banks and treasury (continued)*****Subordinated loans to banks***

As at 30 September 2016, subordinated loans issued to banks include loans in the amount of RUB 51.9 billion (31 December 2015: RUB 50.4 billion) issued to eleven Russian banks in accordance with Federal Law No. 173-FZ in rubles at 6.5% p.a. and 7.5% p.a. and maturing from November 2017 through December 2020.

As at 30 September 2016, subordinated loans to Russian banks include a loan of RUB 5.0 billion issued to a former subsidiary bank, which became an associate bank in the second quarter of 2016 (Note 28).

12. Loans to customers

Loans to customers comprise:

	30 September 2016 (Unaudited)	31 December 2015
Project financing	1,342.3	1,652.3
Commercial loans, including loans to individuals	999.7	1,106.9
Financing of operations with securities	294.5	327.1
Export and pre-export financing	84.4	100.9
Reverse repurchase agreements	48.2	46.0
Back-to-back financing	37.0	36.5
Claims under letters of credit	17.5	19.6
Mortgage bonds	6.0	7.1
Promissory notes	2.8	3.6
Other	26.7	43.4
	2,859.1	3,343.4
Less allowance for impairment (Note 21)	(761.0)	(763.1)
Loans to customers	2,098.1	2,580.3
Loans to customers pledged under repurchase agreements (Note 10)		
Other	-	0.9
Total loans to customers pledged under repurchase agreements	-	0.9
Loans to customers, including those pledged under repurchase agreements	2,098.1	2,581.2

As at 30 September 2016, reverse repurchase agreements with a carrying amount of RUB 16.5 billion were signed primarily in respect of shares with a fair value of RUB 8.6 billion and marketable corporate bonds with a fair value of RUB 5.2 billion. As at 31 December 2015, reverse repurchase agreements with a carrying amount of RUB 13.7 billion were signed in respect of shares with a fair value of RUB 9.9 billion and marketable corporate bonds with a fair value of RUB 0.1 billion.

Reverse repurchase agreements also include loans to state-related entities with a carrying amount of RUB 12.9 billion as at 30 September 2016 (31 December 2015: RUB 11.9 billion), and a loan to entity not related to the Group with a carrying amount of RUB 18.8 billion as at 30 September 2016 (31 December 2015: RUB 20.4 billion). Previously, the Bank provided RUB 26.3 billion to the state-related entities through the acquisition of non-marketable shares in other state-related entities.

As at 30 September 2016, loans in the amount of RUB 37.4 billion primarily related to project financing and commercial loans are provided as collateral for funds raised from the Bank of Russia (31 December 2015: RUB 434.9 billion) (Note 7).

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

Loans were made principally in the following industry sectors:

	30 September		31 December	
	2016	%	2015	%
	(Unaudited)			
Manufacturing, including heavy machinery and production of military-related goods	845.6	29	922.3	28
Finance	753.3	26	829.5	25
Real estate and construction	363.8	13	612.4	18
Agriculture	188.0	7	196.5	6
Electric energy	100.2	4	113.0	3
Transport	99.5	3	115.9	3
Individuals	98.5	3	87.2	3
Trade	82.3	3	92.0	3
Mining	77.7	3	83.7	3
Oil and gas	72.8	3	83.8	3
Metallurgy	57.4	2	65.0	2
Foreign states	40.8	1	45.7	1
Research and education	19.0	1	18.5	1
Telecommunications	18.1	1	18.7	0
Logistics	8.3	0	8.6	0
Other	33.8	1	51.5	1
	2,859.1	100	3,344.3	100

As at 30 September 2016, the total outstanding amount of loans to three major borrowers / groups of related borrowers was RUB 429.0 billion, equivalent to 15.0% of the Group's gross loan portfolio (31 December 2015: RUB 579.8 billion or 17.3% of the gross loan portfolio). As at 30 September 2016, an allowance for impairment of RUB 190.7 billion was made against these loans (31 December 2015: RUB 201.0 billion). As at 31 December 2015, these loans included loans to an associate company controlled by the Group since March 2016, which accounted for 6.7% of the gross loan portfolio.

As at 30 September 2016 and 31 December 2015, 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 594.6 billion and RUB 722.7 billion, or 20.8% and 21.6% of the Group's gross loan portfolio, respectively. As at 30 September 2016 and 31 December 2015, an allowance for impairment was made against these loans in the total amount of RUB 118.5 billion and RUB 158.9 billion, respectively.

Loans were extended to the following types of customers:

	30 September 2016 (Unaudited)	31 December 2015
Private companies	2,333.5	2,729.7
State-controlled entities (Russian Federation)	322.8	403.8
Individuals	98.5	87.2
Companies under foreign state control	61.8	75.8
Foreign states	40.8	45.7
Individual entrepreneurs	1.1	1.3
Regional authorities	0.6	0.8
	2,859.1	3,344.3

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

Net investments in leases comprise:

	30 September 2016 (Unaudited)	31 December 2015
Gross investments in leases	447.6	453.7
Less unearned finance lease income	(104.9)	(107.1)
	342.7	346.6
Less allowance for impairment (Note 21)	(23.4)	(3.5)
Net investments in leases	319.3	343.1

As at 30 September 2016 and 31 December 2015, certain leased-out assets were pledged as collateral under loans received. As at 30 September 2016 and 31 December 2015, the amount of net investments in leases related to assets pledged as collateral under loan agreements was RUB 55.3 billion and RUB 59.1 billion, respectively.

As at 30 September 2016, the share of the largest Russian lessee was RUB 81.7 billion, 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 41.3 billion or 12% of total net investments in leases before allowance for impairment. As at 30 September 2016, the amount of allowance with respect to the assets attributable to the first lessee is RUB 0.3 billion, and the amount of allowance with respect to the assets attributable to the second group of related lessees is RUB 5.6 billion. The mentioned lessee and the group of related lessees operate in the transport sector.

As at 31 December 2015, the share of the largest Russian lessee was RUB 101.4 billion, or 29% 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 36.7 billion or 11% of total net investments in leases before allowance for impairment. As at 31 December 2015, the amount of allowance with respect to the assets attributable to the first lessee was RUB 0.3 billion, and the amount of allowance with respect to the assets attributable to the second lessee was RUB 0.3 billion. The mentioned lessee and the group of related lessees operate in the transport sector.

Below is the maturity profile of gross and net investments in leases as at 30 September 2016:

	Not later than 1 year	1 to 5 years	Later than 5 years	Total
	(Unaudited)			
Gross investments in leases	101.3	252.7	93.6	447.6
Less unearned finance lease income	(8.6)	(60.5)	(35.8)	(104.9)
Net investments in leases before allowance	92.7	192.2	57.8	342.7

Below is the maturity profile of gross and net investments in leases as at 31 December 2015:

	Not later than 1 year	1 to 5 years	Later than 5 years	Total
Gross investments in leases	91.0	245.5	117.2	453.7
Less unearned finance lease income	(6.4)	(58.3)	(42.4)	(107.1)
Net investments in leases before allowance	84.6	187.2	74.8	346.6

*(in billions of Russian rubles)***14. Non-current assets held for sale and disposal groups**

As at 30 September 2016, disposal groups' non-current assets and liabilities held for sale decreased following the transfer in April 2016 of 100% shares in JSC SME Bank classified as a disposal group (Note 25) as at 31 December 2015.

Loss of RUB 0.5 billion 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 "Losses on initial recognition of financial instruments, restructuring and early repayment" of the consolidated statement of profit or loss for the nine-month period ended 30 September 2016.

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

15. Investment financial assets*Investment financial assets available for sale*

Investment financial assets available for sale comprise:

	30 September 2016 (Unaudited)	31 December 2015
Equity securities	239.5	202.6
Debt securities		
Corporate bonds	100.9	52.6
Russian State Bonds (OFZ)	39.4	35.0
Debt instruments issued by foreign government bodies	27.0	22.5
Municipal and sub-federal bonds	2.3	4.8
	169.6	114.9
Eurobonds of Russian and foreign issuers	36.0	32.6
Eurobonds issued by the Russian Federation	8.5	8.8
	214.1	156.3
Other financial assets available for sale	32.8	31.9
Investment financial assets available for sale	486.4	390.8

An increase in equity securities as at 30 September 2016 as compared to 31 December 2015 was due to Vnesheconombank classifying 100% units in Mutual Fund RDIF in the amount of RUB 172.0 billion as investment financial assets available for sale as a result of the deconsolidation of the fund (Note 4). As at the reclassification date, these units amounted to RUB 168.9 billion. Also, the amount of equity securities decreased due to Group's disposal in third quarter 2016 of securities amounting to RUB 111.1 billion as at 31 December 2015.

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

Investment financial assets available for sale lent and pledged under repurchase agreements comprise:

	30 September 2016 (Unaudited)	31 December 2015
Eurobonds issued by the Russian Federation	0.3	1.1
Eurobonds of Russian and foreign issuers	–	1.9
	0.3	3.0
Corporate bonds	–	55.4
Russian State Bonds (OFZ)	–	4.5
	–	59.9
Total investment financial assets available for sale lent and pledged under repurchase agreements (Note 10)	0.3	62.9

As a result of the sale of investment financial assets available for sale for the nine-month period ended 30 September 2016, 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 gain amounted to RUB 11.8 billion (for the nine-month period ended 30 September 2015, the realized revaluation loss amounted to RUB 2.0 billion).

The Group recognized an impairment loss of RUB 1.4 billion on available-for-sale financial assets for the nine-month period ended 30 September 2016 (for the nine-month period ended 30 September 2015: RUB 22.9 billion) in "Gains less losses from investment financial assets available for sale" in the consolidated statement of profit or loss.

As at 30 September 2016, the Group pledged securities included in the category "Debt instruments issued by foreign government bodies" with a fair value of RUB 0.5 billion (31 December 2015: RUB 1.1 billion) as collateral for interbank loans in the amount of RUB 2.3 billion (31 December 2015: RUB 0.8 billion) (Note 17).

Investment financial assets held to maturity

Investment financial assets held to maturity comprise:

	30 September 2016 (Unaudited)	31 December 2015
Corporate bonds	12.8	19.3
Municipal and sub-federal bonds	1.1	0.4
Russian State Bonds (OFZ)	0.1	0.3
	14.0	20.0
Eurobonds of Russian and foreign issuers	3.6	7.5
Total investment financial assets held to maturity	17.6	27.5

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

Investment financial assets held to maturity pledged under repurchase agreements comprise:

	30 September 2016 (Unaudited)	31 December 2015
Eurobonds of Russian and foreign issuers	3.1	2.3
Russian State Bonds (OFZ)	0.2	–
Corporate bonds	–	6.4
Municipal and sub-federal bonds	–	0.8
Total investment financial assets held to maturity pledged under repurchase agreements (Note 10)	3.3	9.5

16. Other assets and other liabilities

As at 30 September 2016, other assets include investment property with a fair value of RUB 30.6 billion and real property under construction with a value of RUB 11.7 billion (31 December 2015: RUB 8.4 billion and RUB 7.3 billion, respectively). The change was primarily due to a business combination (Note 5).

As at 30 September 2016, receivables related to equipment purchased for leasing purposes decreased by RUB 37.2 billion as compared to 31 December 2015 primarily due to the transfer of the equipment purchased by a subsidiary leasing company to lessees as per lease contracts.

As at 30 September 2016, a portion of advances issued to leasing equipment suppliers was reclassified to net investments in leasing. As a result, advances decreased by RUB 8.7 billion as compared to 31 December 2015.

As at 30 September 2016, other liabilities include a subsidy received by the Bank in September 2016 for the purpose of implementation of Federal Law No. 359-FZ, *On the Federal Budget for 2016*, dated 14 December 2015 and in accordance with Resolution No. 535 of the Government of the Russian Federation dated 14 June 2016. The subsidy of RUB 8.1 billion was granted from the federal budget funds in the form of an asset contribution of the Russian Federation for the purchase of shares of Russian Export Center JSC in order to increase charter capital of EXIMBANK OF RUSSIA under the 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 used by Vnesheconombank in the full amount to acquire 8,100,000,000 shares of Russian Export Center JSC (Note 29).

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

Amounts due to banks comprise:

	30 September 2016 (Unaudited)	31 December 2015
Correspondent loro accounts of Russian banks	15.3	113.2
Correspondent loro accounts of other banks	2.5	2.7
Loans and other placements from OECD-based banks	258.0	418.5
Loans and other placements from Russian banks	285.1	257.0
Loans and other placements from other banks	162.4	219.4
Repurchase agreements	3.3	8.6
Collateral on securities lent	0.3	–
Amounts due to banks	726.9	1,019.4
Held as collateral against letters of credit	0.2	0.2

As at 30 September 2016, loans and other placements from other banks include loans from foreign banks in the amount of RUB 2.3 billion collateralized, among others, by debt instruments issued by foreign government bodies with the collateral value of RUB 0.5 billion. As at 31 December 2015, loans and other placements from other banks included loans from foreign banks in the amount of RUB 0.8 billion collateralized by debt instruments issued by foreign government bodies with the collateral value of RUB 1.1 billion (Note 15).

As at 30 September 2016, repurchase agreements with banks include loans of RUB 3.1 billion collateralized by debt securities held to maturity with a fair value of RUB 3.3 billion and loans of RUB 0.2 billion collateralized by debt securities received under reverse repurchase agreements with a fair value of RUB 0.2 billion. As at 31 December 2015, repurchase agreements with banks include loans of RUB 4.0 billion collateralized by debt securities available for sale with a fair value of RUB 4.7 billion and loans of RUB 3.7 billion collateralized by debt securities held to maturity with a fair value of RUB 4.4 billion (Note 10).

As at 30 September 2016, there are no repurchase agreements with banks for loans collateralized by debt securities included in amounts due from banks and loans to customers. As at 31 December 2015, repurchase agreements with banks include loans of RUB 0.6 billion collateralized by debt securities and included in loans to customers with a fair value of RUB 0.9 billion and loans of RUB 0.3 billion collateralized by debt securities and included in amounts due from banks with a fair value of RUB 0.3 billion (Note 10).

For the nine-month period of 2016, the Group raised long-term financing from OECD-based banks totaling RUB 0.9 billion (for the nine-month period of 2015: RUB 6.5 billion) and repaid RUB 85.3 billion (for the nine-month period of 2015: RUB 37.6 billion) in accordance with contractual terms.

For the nine-month period of 2016, the Group raised long-term financing from non-OECD banks totaling RUB 24.7 billion (for the nine-month period of 2015: RUB 2.5 billion) and repaid long-term financing of RUB 9.9 billion (for the nine-month period of 2015: RUB 9.1 billion) in accordance with contractual terms.

In May 2016, the Bank also raised a loan from a Russian bank equivalent to RUB 22.6 billion at the date of receipt at a fixed rate with a maturity of 3 years.

For the nine-month period of 2016, the Group's leasing company raised long-term financing from Russian and foreign banks totaling RUB 37.7 billion (for the nine-month period of 2015: RUB 12.0 billion) and repaid long-term financing from Russian and foreign banks of RUB 54.0 billion (for the nine-month period of 2015: RUB 54.8 billion) in accordance with contractual terms.

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

As at 30 September 2016, amounts due to banks include collateral on securities lent in the amount of RUB 0.3 billion received from a Russian bank. The securities lent are represented by debt securities available for sale with a fair value of RUB 0.3 billion (Note 10).

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 2016, the liabilities of Vnesheconombank under these agreements totaled RUB 348.6 billion (31 December 2015: RUB 491.4 billion). As at the date of signing these interim condensed consolidated financial statements, Vnesheconombank did not receive notices demanding an acceleration of 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 2016 (Unaudited)	31 December 2015
Current accounts	135.9	205.0
Term deposits	419.4	437.2
Repurchase agreements	-	0.1
Amounts due to customers	555.3	642.3
Held as collateral against guarantees	0.3	0.6
Held as collateral against letters of credit	1.5	3.0

Reduction of current accounts balances as at 30 September 2016 as compared to 31 December 2015 was due to reduced balances on current accounts of a state-related customer.

As at 30 September 2016, the amount of repurchase agreements and the fair value of collateral for such agreements are insignificant. As at 31 December 2015, repurchase agreements with customers included funds of RUB 0.1 billion received from a Russian entity and collateralized by debt securities available for sale with a fair value of RUB 0.1 billion (Note 10).

19. Debt securities issued

Debt securities issued comprise:

	30 September 2016 (Unaudited)	31 December 2015
Eurobonds	547.1	702.9
Domestic bonds	480.0	457.6
Promissory notes	43.5	18.4
Deposit and saving certificates	0.3	1.0
Debt securities issued	1,070.9	1,179.9
Promissory notes held as collateral against guarantees	0.8	0.9

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

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

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

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

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

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

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

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

For the nine-month period ended 30 September 2016, the Group purchased previously issued debt securities in the total amount of RUB 8.4 billion and resold them in the total amount of RUB 2.00 billion.

20. Taxation

Income tax assets and liabilities comprise:

	30 September 2016 (Unaudited)	31 December 2015
Current income tax asset	1.6	2.0
Deferred income tax asset	10.1	9.3
Income tax assets	11.7	11.3
Current income tax liability	0.2	0.3
Deferred income tax liability	6.5	10.2
Income tax liabilities	6.7	10.5

*(in billions 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	
	2016 (Unaudited)	2015 (Unaudited)
Current tax expense	1.7	1.4
Deferred tax (benefit)/expense – origination and reversal of temporary differences in the statement of profit or loss	(7.8)	4.0
Income tax (benefit)/expense	(6.1)	5.4

21. Allowance for impairment and provisions

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

	Amounts due from banks and treasury	Loans to customers including those pledged under repurchase agreements	Assets of disposal group	Net investments in leases	Total
31 December 2014	2.5	582.3	–	4.1	588.9
Charge (Unaudited)	0.5	110.4	–	10.6	121.5
Write-offs (Unaudited)	–	(14.4)	–	–	(14.4)
Reversal of allowance previously written off (Unaudited)	–	0.1	–	–	0.1
Interest accrued on impaired loans (Unaudited)	–	(27.8)	–	–	(27.8)
Reclassification of disposal group provision (Unaudited)	(2.9)	(2.0)	4.9	–	–
Effect of business combination (IFRS 3) (Unaudited)	–	(3.4)	–	–	(3.4)
30 September 2015 (Unaudited)	0.1	645.2	4.9	14.7	664.9
31 December 2015	3.2	763.1	8.4	3.5	778.2
Charge (Unaudited)	0.2	217.4	0.6	19.9	238.1
Write-offs (Unaudited)	–	(7.8)	–	–	(7.8)
Interest accrued on impaired loans (Unaudited)	–	(27.2)	–	–	(27.2)
Reversal of allowance previously written off (Unaudited)	–	0.7	–	–	0.7
Effect of business combination (IFRS 3) (Note 5) (Unaudited)	–	(185.2)	–	–	(185.2)
Disposal of subsidiaries (Note 14) (Unaudited)	–	–	(9.0)	–	(9.0)
30 September 2016 (Unaudited)	3.4	761.0	–	23.4	787.8

*(in billions 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	Assets and liabilities of disposal group	Claims	Insurance activities	Guarantees and commitments	Total
31 December 2014	0.1	-	11.2	-	0.3	2.4	3.7	17.7
Charge (Unaudited)	-	0.1	9.0	-	0.3	0.6	7.6	17.6
Write-offs (Unaudited)	-	-	(0.1)	-	(0.1)	-	(0.7)	(0.9)
Reversal of allowance previously written off (Unaudited)	-	-	0.2	-	-	-	-	0.2
Reclassification of disposal group provision (Unaudited)	(0.1)	-	(0.3)	0.5	-	-	(0.1)	-
Effect of business combination (IFRS 3) (Unaudited)	-	-	-	-	0.2	-	-	0.2
30 September 2015 (Unaudited)	-	0.1	20.0	0.5	0.7	3.0	10.5	34.9
31 December 2015	0.1	0.7	18.9	0.9	0.8	4.0	10.0	35.4
Charge/(reversal) (Unaudited)	(0.1)	0.1	3.5	0.3	0.1	18.4	(3.0)	19.3
Write-offs (Unaudited)	-	-	-	-	(0.2)	-	(0.5)	(0.7)
Disposal of subsidiaries (Notes 4, 14) (Unaudited)	-	-	(0.2)	(1.2)	-	-	-	(1.4)
30 September 2016 (Unaudited)	-	0.8	22.2	-	0.7	22.4	6.5	52.6

For the nine-month period ended 30 September 2016, a subsidiary accrued a provision for unearned insurance premium of RUB 16.8 billion under an agreement for the insurance of a loan to finance export-oriented production (Note 24).

22. Finance lease liabilities

The Group's finance lease liabilities decreased from RUB 105.9 billion as at 31 December 2015 to RUB 81.3 billion as at 30 September 2016 due to the currency revaluation under foreign currency agreements concluded by a subsidiary leasing company and planned repayment of liabilities.

*(in billions of Russian rubles)***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)	
	2016	2015	2016	2015
Interest income				
Loans to customers	57.2	48.2	173.7	163.7
Amounts due from banks and treasury and cash equivalents	6.2	6.2	19.0	18.4
Investment securities	5.6	7.1	17.6	19.2
	69.0	61.5	210.3	201.3
Finance leases	9.5	10.0	28.7	29.3
Other investment financial assets available for sale	0.8	0.8	2.4	2.4
Government grant used	0.5	0.1	1.4	0.2
Financial assets at fair value through profit or loss	-	0.3	0.3	0.7
	79.8	72.7	243.1	233.9
Interest expense				
Amounts due to banks and the Bank of Russia	(19.1)	(22.5)	(61.6)	(69.0)
Amounts due to customers and the Russian Government	(19.2)	(21.4)	(54.3)	(60.1)
Debt securities issued	(19.1)	(20.3)	(56.6)	(54.6)
Finance lease liabilities	(0.3)	(0.2)	(1.0)	(0.7)
	(57.7)	(64.4)	(173.5)	(184.4)

24. Insurance premiums and other operating expenses

In May 2016, a subsidiary entity provided an insurance coverage of a loan to finance export-oriented production for a term of 15 years in the amount of EUR 3.6 billion with two Russian state-related banks. The insurance premium under the agreement amounts to RUB 17.7 billion (Note 28). Simultaneously, a provision of RUB 16.8 billion for unearned premiums was accrued under the agreement (Note 21).

For the nine-month period ended 30 September 2016, other operating expenses increased mainly due to the fact that in the third quarter of 2016 a loss from goodwill impairment caused primarily by the acquisition of a company of RUB 5.7 billion was recognized and recognition of impairment of property and equipment of RUB 7.3 billion.

25. Equity***Authorized capital***

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

In March, June and September 2016, Vnesheconombank received subsidies from the Russian Ministry of Finance in the form of asset contributions of RUB 73.8 billion, RUB 35.7 billion and RUB 40.5 billion, respectively, to compensate for part of costs related to the fulfillment of obligations in 2016 arising from foreign borrowings in the capital markets. The subsidy for these purposes totally amounted to RUB 150.0 billion.

(in billions of Russian rubles)

25. Equity (continued)

Additional paid-in capital

In June 2016, in order to implement Federal Law, *On the Federal Budget for 2015 and for the 2016 and 2017 Planned Period*, the Bank used RUB 1.6 billion to purchase shares additionally issued by JSC "The Far East and Baikal Region Development Fund". As a result, these subsidy funds received by the Bank in December 2015 as an asset contribution of the Russian Federation for the implementation of priority investment projects in the Baikal region under the state program "Social and Economic Development of the Far East and the Baikal Region" were recorded within additional paid-in capital.

Changes in equity

Pursuant to Decree No. 287 of the President of the Russian Federation dated 5 June 2015 and Federal Law No. 156-FZ, *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*, dated 29 June 2015, in April 2016 Vnesheconombank paid for an additional issue of shares of Joint-stock company "Russian Small and Medium Business Corporation" with the shares of JSC SME Bank. In accordance with the agreement, Vnesheconombank transferred 19,240 shares (100%) of JSC SME Bank in payment for 3 million shares additionally issued by JSC "RSMB Corporation" with a total value of RUB 30 billion (Note 4). The Bank's interest in the share capital of JSC "RSMB Corporation" is 37.5%. As a result of the transaction, the Group's share capital and uncovered loss increased by RUB 1.0 billion.

As on 2 June 2016 Federal Law No. 154-FZ, *Concerning the Russian Direct Investment Fund*, became effective, Vnesheconombank distributed 100% of shares in RDIF Management Company LLC to the Russian Government, deconsolidated Mutual Fund RDIF (Note 4) and classified 100% of units in the fund as investment financial assets available for sale, at their fair value at the date of reclassification. As a result of the above transactions, uncovered loss, unrealized revaluation of financial assets available for sale, foreign currency translation reserve and non-controlling interests decreased by RUB 7.4 billion, RUB 6.9 billion, RUB 0.2 billion and RUB 1.4 billion, respectively.

26. Commitments and contingencies

Operating environment

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

Russia continues economic reforms and the development of its legal, tax and regulatory frameworks as required by a market economy. The 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 billions of Russian rubles)

26. 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 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 2016, 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.

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 2016.

Information about the risk the Group is exposed to in Ukraine as at 30 September 2016 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 2016, assets of the Group exposed to risks of consequences arising from the situation in Ukraine comprise loans provided by the Group's subsidiary with a carrying amount of RUB 25.3 billion (before allowance for impairment of these loans in the amount of RUB 15.5 billion), and other assets in the amount of RUB 4.9 billion (before allowance for impairment of RUB 4.6 billion). As at 31 December 2015, loans to customers of the Group's subsidiary amounted to RUB 27.0 billion (allowance for impairment: RUB 20.0 billion), and other assets amounted to RUB 5.3 billion (allowance for impairment: RUB 4.8 billion).

(in billions of Russian rubles)

26. Commitments and contingencies (continued)

Operating environment (continued)

The Group's management also believes that as at 30 September 2016, the loans with a carrying amount of RUB 425.6 billion (before allowance for impairment) (31 December 2015: RUB 618.2 billion) provided by Vnesheconombank to third parties for purchasing securities and financing the Ukrainian metallurgical enterprises are exposed to risks of consequences arising from the situation in Ukraine. As at 30 September 2016, an allowance for impairment of these loans amounted to RUB 194.8 billion (31 December 2015: RUB 183.0 billion).

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

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

At 30 September 2016, 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 billions of Russian rubles)***26. Commitments and contingencies (continued)***Commitments and contingencies*

The Group's commitments and contingencies comprise the following:

	30 September 2016 (Unaudited)	31 December 2015
Undrawn loan commitments	419.7	535.4
Guarantees	654.5	428.7
Letters of credit	9.9	19.1
	1,084.1	983.2
Operating lease commitments		
Not later than 1 year	2.9	3.1
Later than 1 year but not later than 5 years	5.0	6.2
Later than 5 years	4.3	4.7
	12.2	14.0
Co-investment commitments	4.9	5.7
Capital expenditure commitments	53.3	82.8
	1,154.5	1,085.7
Less provisions (Note 21)	(6.5)	(10.0)
Commitments and contingencies (before deducting collateral)	1,148.0	1,075.7
Less cash and promissory notes held as collateral against guarantees and letters of credit	(2.8)	(4.7)
Commitments and contingencies	1,145.2	1,071.0

In June 2016, as part of its export support activities, the Bank issued a USD-denominated guarantee for a Russian company in the amount of RUB 189.5 billion as at 30 September 2016.

As at 30 September 2016, the Bank issued guarantees for subsidiary's RUB-, USD- and EUR-denominated insurance agreements in the amount of RUB 462.0 billion.

During the nine-month period of 2016, the Bank issued RUB-, USD- and EUR-denominated guarantees for customers totaling RUB 119.0 billion.

27. Fair value measurement

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

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

*(in billions of Russian rubles)***27. Fair value measurement (continued)**

The following tables show an analysis of 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 2016 (Unaudited)				
<i>Assets measured at fair value</i>				
Trading financial assets	0.7	-	-	0.7
- Equity securities	0.4	-	-	0.4
- Eurobonds issued by the Russian Federation	0.2	-	-	0.2
- Eurobonds of Russian and foreign issuers	0.1	-	-	0.1
Derivative financial instruments	-	3.8	2.5	6.3
- Forward contracts: equity securities	-	0.5	2.5	3.0
- Option contracts with foreign currency	-	3.3	-	3.3
Financial assets designated as at fair value through profit or loss	-	-	12.5	12.5
Investment financial assets available for sale	132.4	143.9	210.1	486.4
- Equity securities	60.3	2.5	176.7	239.5
- Corporate bonds	14.2	86.1	0.6	100.9
- Russian State Bonds (OFZ)	17.2	22.2	-	39.4
- Debt instruments issued by foreign government bodies	0.5	26.5	-	27.0
- Municipal and sub-federal bonds	1.8	0.5	-	2.3
- Eurobonds of Russian and foreign issuers	33.6	2.4	-	36.0
- Eurobonds issued by the Russian Federation	4.8	3.7	-	8.5
- Other financial assets available for sale	-	-	32.8	32.8
Investment financial assets available for sale lent and pledged under repurchase agreements	0.3	-	-	0.3
- Eurobonds issued by the Russian Federation	0.3	-	-	0.3
Investment property (within other assets)	-	-	30.6	30.6
<i>Assets for which fair values are disclosed</i>				
Cash and cash equivalents	-	398.6	-	398.6
Amounts due from banks and treasury, including those pledged under repurchase agreements	-	-	120.4	120.4
Subordinated loans to banks	-	-	64.4	64.4
Loans to customers, including those pledged under repurchase agreements	3.6	91.2	2,025.5	2,120.3
Net investments in leases	-	-	295.1	295.1
Investment financial assets held to maturity	8.0	10.3	-	18.3
Investment financial assets held to maturity pledged under repurchase agreements	0.3	3.0	-	3.3
	145.3	650.8	2,761.1	3,557.2

*(in billions of Russian rubles)***27. Fair value measurement (continued)**

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
30 September 2016 (Unaudited)				
<i>Liabilities measured at fair value</i>				
Derivative financial liabilities	-	0.6	-	0.6
- Interest rate swaps: foreign	-	0.3	-	0.3
- Cross-currency interest rate swap	-	0.3	-	0.3
<i>Liabilities for which fair values are disclosed</i>				
Amounts due to banks	-	-	725.2	725.2
Amounts due to the Russian Government and the Bank of Russia	-	-	636.3	636.3
Amounts due to customers	-	-	558.0	558.0
Debt securities issued	436.6	559.8	96.5	1,092.9
Finance lease liabilities	-	-	67.2	67.2
Subordinated deposits	-	-	119.7	119.7
	436.6	560.4	2,202.9	3,199.3

(in billions of Russian rubles)

28. Fair value measurement (continued)

	Fair value measurement using			Total (Restated)
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2) (Restated)	Significant unobservable inputs (Level 3) (Restated)	
31 December 2015				
<i>Assets measured at fair value</i>				
Trading financial assets	8.3	0.5	-	8.8
- Equity securities	6.8	-	-	6.8
- Russian State Bonds (OFZ)	0.6	-	-	0.6
- Eurobonds issued by the Russian Federation	0.4	-	-	0.4
- Eurobonds of Russian and foreign issuers	0.5	-	-	0.5
- Other debt financial assets	-	0.5	-	0.5
Derivative financial instruments	-	2.7	-	2.7
- Foreign exchange contracts: foreign	-	0.1	-	0.1
- Forward contracts: equity securities	-	0.3	-	0.3
- Option contracts with foreign currency	-	2.3	-	2.3
Financial assets designated as at fair value through profit or loss	-	-	41.1	41.1
Trading financial assets pledged under repurchase agreements	4.4	-	-	4.4
- Russian State Bonds (OFZ)	4.0	-	-	4.0
- Corporate bonds	0.4	-	-	0.4
Investment financial assets available for sale	281.0	68.0	41.8	390.8
- Equity securities	190.7	2.0	9.9	202.6
- Corporate bonds	33.4	19.2	-	52.6
- Russian State Bonds (OFZ)	14.2	20.8	-	35.0
- Municipal and sub-federal bonds	4.6	0.2	-	4.8
- Debt instruments issued by foreign government bodies	2.6	19.9	-	22.5
- Eurobonds of Russian and foreign issuers	31.1	1.5	-	32.6
- Eurobonds issued by the Russian Federation	4.4	4.4	-	8.8
- Other financial assets available for sale	-	-	31.9	31.9
Investment financial assets available for sale pledged under repurchase agreements	10.9	52.0	-	62.9
- Corporate bonds	5.2	50.2	-	55.4
- Russian State Bonds (OFZ)	4.5	-	-	4.5
- Eurobonds of Russian and foreign issuers	0.1	1.8	-	1.9
- Eurobonds issued by the Russian Federation	1.1	-	-	1.1
Investment property (within other assets)	-	-	8.4	8.4
<i>Assets for which fair values are disclosed</i>				
Cash and cash equivalents	-	373.0	-	373.0
Amounts due from banks and treasury, including those pledged under repurchase agreements	-	-	81.4	81.4
Loans to customers, including those pledged under repurchase agreements	0.7	34.5	2,507.3	2,542.5
Net investments in leases	-	-	301.8	301.8
Investment financial assets held to maturity	18.0	9.3	0.3	27.6
Investment financial assets held to maturity pledged under repurchase agreements	4.6	5.0	-	9.6
Subordinated loans to banks	-	-	54.4	54.4
	327.9	545.0	3,036.5	3,909.4

(in billions of Russian rubles)

27. Fair value measurement (continued)

31 December 2015	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<i>Liabilities measured at fair value</i>				
Derivative financial liabilities	-	2.8	-	2.8
- Interest rate swaps: foreign	-	0.5	-	0.5
- Cross-currency interest rate swap	-	2.3	-	2.3
<i>Liabilities for which fair values are disclosed</i>				
Amounts due to banks	-	-	1,012.8	1,012.8
Amounts due to the Russian Government and the Bank of Russia	-	-	700.1	700.1
Amounts due to customers	-	-	646.3	646.3
Debt securities issued	440.4	606.9	102.3	1,149.6
Finance lease liabilities	-	-	85.5	85.5
Subordinated deposits	-	-	102.1	102.1
	440.4	609.7	2,649.1	3,699.2

Items measured at fair value on a regular basis

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

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap 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 and forward contracts for equity financial instruments. Option contracts are usually 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. Forward contract is valued using a cash flow discounting model.

Trading financial assets and investment financial assets available for sale

Trading financial assets and investment financial assets available for sale and related to Levels 2 and 3 valued using a valuation technique are represented mainly by unquoted equity and debt securities. 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 billions of Russian rubles)***27. Fair value measurement (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 2016	Gains/(losses) recorded in the statement of profit or loss (Unaudited)	Gains recorded in other comprehensive income (Unaudited)	Acquisitions (Unaudited)	Redemption/ Disposal (Unaudited)	Reclassification (Unaudited)	Transfers from Level 1	30 September 2016 (Unaudited)
Assets								
Derivative financial asset	-	-	-	2.5	-	-	-	2.5
Financial assets designated as at fair value through profit or loss	41.1	0.3	-	4.3	-	(33.2)	-	12.5
Investment financial assets available for sale	41.8	1.0	3.0	0.2	(1.7)	165.2	0.6	210.1
Investment property (within other assets)	8.4	(0.3)	-	22.9	(0.1)	(0.3)	-	30.6
	91.3	1.0	3.0	29.9	(1.8)	131.7	0.6	255.7

Unrealized losses on financial assets designated as at fair value through profit or loss in the amount of RUB 0.4 billion are recognized in the consolidated statement of profit or loss in "Gains less losses from financial instruments at fair value through profit or loss".

Gains on investment financial assets available for sale in the amount of RUB 2.4 billion are recognized in the consolidated statement of profit or loss in "Interest income". Losses on investment financial assets available for sale in the amount of RUB 1.4 billion constitute impairment and are recognized in the consolidated statement of profit or loss in "Gains less losses from investment financial assets available for sale".

Unrealized gains from revaluation of investment assets available for sale in the amount of RUB 3.0 billion are recorded in the consolidated statement of comprehensive income in "Change in unrealized gains/(losses) on investment financial assets available for sale, including reclassification of such gains/(losses) to profit or loss due to impairment and/or disposals".

Reclassification include units in Mutual Fund RDIF for the amount of RUB 168.9 billion reclassified to investment financial assets available for sale, as well as decrease in financial assets designated as at fair value through profit or loss and investment financial assets available for sale for the amount of RUB 33.2 billion and RUB 3.7 billion respectively due to deconsolidation of the fund (Note 4).

During the nine-month period of 2016, there were no transfers of financial assets from Level 3 to Level 1 and Level 2. The transfer from Level 1 to Level 3 was due to the fact that the above financial assets ceased trading in an active market, resulting in change of the fair value measurement technique.

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

The following table shows a reconciliation of the 2015 opening and closing amounts of Level 3 assets which were recorded at fair value:

	1 January 2015	Gains/(losses) recorded in the statement of profit or loss	Gains/(losses) recorded in other comprehensive income	Disposals	Acquisitions	Transfer to Level 1	Other changes	31 December 2015
Assets								
Financial assets designated as at fair value through profit or loss	18.3	(0.7)	–	–	23.6	–	(0.1)	41.1
Investment financial assets available for sale	47.7	(1.0)	(0.5)	(3.4)	0.1	(1.1)	–	41.8
Investment property (within other assets)	8.3	–	–	(0.1)	0.6	–	(0.4)	8.4
Total Level 3 assets	74.3	(1.7)	(0.5)	(3.5)	24.3	(1.1)	(0.5)	91.3

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

As at 30 September 2016 and 31 December 2015, there were no Level 3 financial liabilities recorded at fair value.

*(in billions of Russian rubles)***27. Fair value measurement (continued)*****Items measured at fair value on a regular basis (continued)****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 2016 (unaudited)	Carrying amount	Valuation technique	Unobservable inputs	Range (weighted average)
Financial assets at fair value through profit or loss				
Derivative financial asset 1	2.5	Discounted cash flows	Discount rate	14.08%
Group 1 of financial assets designated as at fair value through profit or loss	2.8	Other valuation techniques	Not applicable	Not applicable
Group 2 of financial assets designated as at fair value through profit or loss	9.7	Discounted cash flows	WACC Terminal period growth	15.1% 4.3%
Investment financial assets available for sale				
Group 3 of equity securities	2.0	Other valuation techniques	Not applicable	Not applicable
Group 4 of equity securities	172.0	Discounted cash flows	WACC Terminal period growth	11.0%-15.1% 2.0%-4.0%
Group 5 of other financial assets available for sale	32.8	Multiplier	Fair value/Net assets	0.57
Group 6 of equity securities	2.7	Weighted average multiplier	EV/PAX (PAX-passenger traffic) EV/EBITDA EV/Sales	0.01 11.3 3.7
Group 7 of debt securities	0.6	Discounted cash flows	WACC	13.7
Investment property (within other assets)				
Group 1 of investment property	2.0	Sales comparison method	Discount Cost of 1 sqm	10.0% RUB 9.3 thousand – RUB 19.0 thousand
Group 2 of investment property	1.4	Discounted cash flows	Cost of 1 sqm	RUB 304 thousand – RUB 412 thousand
Group 3 of investment property	1.9	Discounted cash flows	Discount rate	18.0%
Group 4 of investment property	2.8	Sales comparison method	Discount Cost of 1 sqm	8.0%-12.8% RUB 8.0 thousand – RUB 22.2 thousand
Group 5 of investment property	15.5	Discounted cash flows	Discount rate	16.4%-17.7%
Group 6 of investment property	6.8	Other valuation techniques	Not applicable	Not applicable
Group 7 of investment property	0.2	Other valuation techniques	Not applicable	Not applicable

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

31 December 2015	Carrying amount	Valuation technique	Unobservable inputs	Range (weighted average)
Financial assets designated as at fair value through profit or loss				
Group 1 of financial assets	27.8	Other valuation techniques	Not applicable	Not applicable
Group 2 of financial assets	13.3	Discounted cash flows	WACC Terminal period growth	12.8%-16.5% 1.0%-3.0%
Investment financial assets available for sale				
Group 3 of equity securities	4.3	Other valuation techniques	Not applicable	Not applicable
Group 5 of other financial assets available for sale	31.9	Multiplier	Fair value/ Net assets	0.56
Group 6 of equity securities	2.7	Weighted average multiplier	EV/PAX (PAX-passenger traffic) EV/EBITDA EV/Sales	0.01 11.3 3.7
Group 8 of equity securities	2.9	Discounted cash flows	WACC Terminal period growth	11.7%-14.3% 2.0%-4.0%
Investment property (within other assets)				
Group 1 of investment property	2.3	Other valuation techniques	Not applicable	Not applicable
Group 2 of investment property	1.3	Discounted cash flows	Cost of 1 sqm	RUB 342 thousand – RUB 418 thousand
Group 3 of investment property	1.8	Discounted cash flows	Discount rate	18.0%
Group 4 of investment property	2.8	Sales comparison method	Discount Cost of 1 sqm	8.0%-12.8% RUB 8.0 thousand – RUB 22.2 thousand
Group 7 of investment property	0.2	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 the derivative financial asset 1, the Group adjusted the discount rate used for discounting expected cash flows by 1%.
- ▶ For the financial instruments in Group 2 of financial assets designated at fair value through profit or loss, the Group adjusted the weighted average cost of capital used for discounting expected cash flows, by 1%.
- ▶ For the financial instruments in Group 4 of equity securities, the Group adjusted the weighted average cost of capital and the terminal growth rate used for discounting expected cash flows, by 0.5%.

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

- ▶ 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 asset in Group 6 of investment financial assets available for sale, the Group adjusted the weighted average value of multipliers by 2%.
- ▶ For the financial asset in Group 7 of investment financial assets available for sale, the Group adjusted the weighted average value of multipliers by 1%.
- ▶ For the financial instruments in Group 8 of equity securities, 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 assets in Group 1 of investment property, as at 30 September 2016 the Group adjusted the cost of land / real properties used for the market approach by decreasing it by 6.2% and increasing it by 8%.
- ▶ For the assets in Group 2 of investment property, the Group adjusted the cost of land / real properties used for discounting expected cash flows by 5%.
- ▶ For the assets in Group 3 of investment property, the Group adjusted the discount rate used for discounting expected cash flows by 1%.
- ▶ For the assets in Group 4 of investment property, the Group adjusted the cost of land / real properties used for the market approach by 5% and the discount (minimum by 2% / maximum by 5%).
- ▶ For the assets in Group 5 of investment property, the Group adjusted the discount rate used for discounting expected cash flows by 1%.

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

	30 September 2016 (Unaudited)	
	Carrying amount (Unaudited)	Effect of reasonably possible alternative assumptions
Derivative financial asset	2.5	(0.2)
Financial assets designated as at fair value through profit or loss	9.7	(0.1)
Investment financial assets available for sale	208.1	(0.7)
Investment property (within other assets)	23.6	(1.6)
	31 December 2015	
	Carrying amount	Effect of reasonably possible alternative assumptions (Restated)
Financial assets designated as at fair value through profit or loss	13.3	(0.1)
Investment financial assets available for sale	37.5	(0.8)
Investment property (within other assets)	5.9	(0.6)

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

To determine the impact of possible alternative assumptions relating to the financial assets designated as at fair value through profit or loss, investment financial assets available for sale and derivative financial asset, the Group took a prudent approach and adjusted key unobservable inputs at the lower interval boundary of possible assumptions. If the upper interval boundary of possible assumptions were applied, their positive impacts as at 30 September 2016 would have amounted to RUB 0.1 billion, RUB 0.7 billion and RUB 0.2 billion, respectively (31 December 2015: RUB 0.1 billion, RUB 0.8 billion and as at 31 December 2015, there was no derivative financial asset).

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	
	2016 (Unaudited)	2015 (Unaudited)
Financial assets		
Investment financial assets available for sale (including those lent and pledged under repurchase agreements)	1.4	11.9
	Transfers from Level 1 to Level 2 for the nine-month period ended 30 September	
	2016 (Unaudited)	2015 (Unaudited)
Financial assets		
Investment financial assets available for sale (including those pledged under repurchase agreements)	17.4	5.1

During the nine-month period of 2016 and 2015, 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 consequently determined based on quoted prices in active market for identical assets.

During the nine-month period of 2016 and 2015, 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.

*(in billions of Russian rubles)***27. Fair value measurement (continued)***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.

	30 September 2016 (Unaudited)			2015		
	Carrying amount	Fair value	Unrecognized gain/(loss)	Carrying amount (Restated)	Fair value (Restated)	Unrecognized gain/(loss) (Restated)
Financial assets						
Cash and cash equivalents	398.6	398.6	–	373.0	373.0	–
Amounts due from banks and treasury	117.5	120.4	2.9	80.9	81.1	0.2
Loans to customers	2,098.1	2,120.3	22.2	2,580.3	2,541.6	(38.7)
Net investments in leases	319.3	295.1	(24.2)	343.1	301.8	(41.3)
Investment financial assets held to maturity	17.6	18.3	0.7	27.5	27.6	0.1
Subordinated loans to banks	56.9	64.4	7.5	50.4	54.4	4.0
Financial assets lent and pledged under repurchase agreements:						
- investment financial assets held to maturity	3.3	3.3	–	9.5	9.6	0.1
- loans to customers	–	–	–	0.9	0.9	–
- amounts due from banks	–	–	–	0.3	0.3	–
Financial liabilities						
Amounts due to banks	726.9	725.2	1.7	1,019.4	1,012.8	6.6
Amounts due to the Russian Government and the Bank of Russia	632.6	636.3	(3.7)	706.4	700.1	6.3
Amounts due to customers	555.3	558.0	(2.7)	642.3	646.3	(4.0)
Debt securities issued	1,070.9	1,092.8	(21.9)	1,179.9	1,149.6	30.3
Finance lease liabilities	81.3	67.2	14.1	105.9	85.5	20.4
Subordinated deposits	94.3	119.7	(25.4)	102.1	102.1	–
Total unrecognized change in unrealized fair value			(28.8)			(16.0)

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 have a short-term maturity (less than three months) it is assumed that their carrying amounts approximate their fair value. This assumption is also applied to demand deposits and assets without a specific maturity.

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.

*(in billions of Russian rubles)***27. Fair value measurement (continued)*****Financial instruments not recorded at fair value in the statement of financial position (continued)***

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.

29. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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

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

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 2016 and 31 December 2015 are as follows:

	30 September 2016 (Unaudited)			31 December 2015		
	Associates	Jointly controlled entities	Key management personnel	Associates	Jointly controlled entities	Key management personnel
Assets						
Amounts due from banks and treasury	22.8	–	–	–	–	–
Loans to customers, net	18.6	15.3	0.1	116.2	6.9	0.1
Financial assets designated as at fair value through profit or loss	1.8	–	–	17.0	13.4	–
Subordinated loans to banks	5.0	–	–	–	–	–
Liabilities						
Amounts due to customers	9.8	–	1.9	9.7	–	4.5
Guarantees issued and undrawn loan commitments	17.2	–	–	–	–	–

*(in billions of Russian rubles)***28. 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 2016 and 30 September 2015 are as follows:

	For the nine-month period ended 30 September 2016 (Unaudited)			For the nine-month period ended 30 September 2015 (Unaudited)		
	Associates	Jointly controlled entities	Key management personnel	Associates	Jointly controlled entities	Key management personnel
Interest income on loans to customers	3.5	1.0	–	3.8	0.7	–
Interest income on amounts due from banks and treasury	0.5	–	–	–	–	–
Interest income on subordinated loans to banks	0.2	–	–	–	–	–
Interest expense on amounts due to customers	(0.9)	–	(0.1)	(1.1)	–	(0.3)
Reversal of / (provision for) impairment of interest-earning assets	(77.7)	(1.0)	–	(7.1)	(2.1)	–

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)	
	2016	2015
Salaries and other short-term benefits	1.5	1.8
Mandatory contributions to the pension fund	0.1	0.2
Social security contributions	0.1	0.1
Compensation to key management personnel	1.7	2.1

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.

The Bank also recognized within the equity financial result from distribution of capital to the Russian Government due to disposal of subsidiaries JSC SME Bank and RDIF Management Company LLC, as well as deconsolidation of units in Mutual Fund RDIF owned by the Bank (Note 25).

In addition, as at 30 September 2016 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 3,3 billion (31 December 2015: RUB 3.2 billion).

As at 30 September 2016, 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 38,0 billion (31 December 2015: RUB 40.6 billion).

*(in billions of Russian rubles)***28. 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 banks, as well as raise financing and issue guarantees to these banks (the list of transactions with the banks is not complete). These transactions are carried out primarily under market conditions, except for those disclosed in Note 11. Transactions with state-related banks account for the major portion of all of the Group's operations on granting loans to banks and the minor portion of financing raised from banks and guarantees issued.

Balances of significant transactions with state-related banks at 30 September 2016 and 31 December 2015 are stated in the tables below:

Bank	Type of transaction	Amounts due from banks and treasury	
		30 September 2016 (Unaudited)	31 December 2015
Bank 1	Interest-bearing loans and deposits with banks maturing within 90 days	40.4	23.5
Bank 2	Interest-bearing loans and deposits with banks maturing within 90 days	31.0	6.8
Bank 3	Term interest-bearing deposits with banks	5.6	6.4
Bank 4	Interest-bearing loans and deposits with banks maturing within 90 days	-	7.0
		77.0	43.7

Bank	Type of transaction	Amounts due to banks	
		30 September 2016 (Unaudited)	31 December 2015
Bank 1	Loans and other placements from Russian banks	142.8	152.8
Bank 2	Loans and other placements from Russian banks	63.0	5.4
Bank 5	Loans and other placements from Russian banks	42.8	60.3
		248.6	218.5

*(in billions of Russian rubles)***28. 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 as at 30 September 2016 and 31 December 2015 comprise the following:

Borrower	Industry	Loans to	Undrawn loan	Loans to	Undrawn loan
		customers	commitments	customers	commitments
		30 September 2016		31 December 2015	
		(Unaudited)			
Customer 1	Manufacturing, including heavy machinery and production of military-related goods	107.6	5.1	120.0	11.6
Customer 2	Manufacturing, including heavy machinery and production of military-related goods	77.5	17.7	86.6	23.7
Customer 3	Finance	40.9	-	40.7	-
Customer 4	Manufacturing, including heavy machinery and production of military-related goods	34.6	15.5	28.2	20.9
Customer 5	Transport	33.9	-	40.4	-
Customer 6	Manufacturing, including heavy machinery and production of military-related goods	29.8	-	27.7	-
Customer 7	Oil and gas	27.4	-	30.4	-
Customer 8	Electric energy	27.3	-	27.9	-
Customer 9	Transport	25.8	-	21.5	3.6
Customer 10	Manufacturing, including heavy machinery and production of military-related goods	18.3	-	18.1	-
Customer 11	Research and education	13.5	-	13.2	-
Customer 12	Manufacturing, including heavy machinery and production of military-related goods	12.7	-	13.6	-
Customer 13	Manufacturing, including heavy machinery and production of military-related goods	11.8	-	22.7	-
Customer 14	Transport	9.8	-	9.5	-
Customer 15	Finance	9.1	-	9.1	-
Customer 16	Electric energy	6.7	-	8.0	-
Customer 17	Manufacturing, including heavy machinery and production of military-related goods	6.5	7.9	6.3	8.0
Customer 18	Trade	6.5	-	6.5	-
Customer 19	Other	6.2	-	8.0	-
Customer 20	Telecommunications	5.7	6.8	5.0	4.4
Customer 21	Telecommunications	5.5	-	5.5	-
Customer 22	Electric energy	5.2	6.8	5.2	6.8
Customer 23	Manufacturing, including heavy machinery and production of military-related goods	5.1	1.1	4.2	1.7
Customer 24	Finance	2.7	-	5.9	1.1
Customer 25	Real estate and construction	-	-	48.8	-
Customer 26	Transport	-	-	9.4	-
Customer 27	Manufacturing, including heavy machinery and production of military-related goods	-	-	5.1	-
		530.1	60.9	627.5	81.8

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

Customer	Industry	Net investments in leases	
		30 September 2016 (Unaudited)	31 December 2015
Customer 26	Transport	81.7	101.4
Customer 28	Transport	27.6	32.7
Customer 29	Transport	5.6	6.8
Customer 30	Transport	5.6	6.7
		120.5	147.6

Customer	Industry	Amounts due to customers	
		30 September 2016 (Unaudited)	31 December 2015
Customer 31	Finance	69.4	–
Customer 21	Telecommunications	24.3	38.7
Customer 32	Manufacturing, including heavy machinery and production of military-related goods	10.8	76.4
Customer 33	Telecommunications	6.0	5.0
Customer 26	Transport	1.5	7.0
Customer 34	Infrastructure development	–	5.9
Customer 35	Transport	–	9.5
Customer 36	Finance	–	7.5
Customer 37	Finance	–	5.5
Customer 38	Oil and gas	–	5.0
		112.0	160.5

Customer	Industry	Guarantees issued	
		30 September 2016 (Unaudited)	31 December 2015
Customer 32	Manufacturing, including heavy machinery and production of military-related goods	166.3	198.6
Customer 39	Electric energy	7.2	4.4
		173.5	203.0

As at 30 September 2016 and 31 December 2015, the Group's investments in debt securities issued by the Russian Government and other governmental authorities comprise the following:

	30 September 2016 (Unaudited)	31 December 2015
Financial assets at fair value through profit or loss	0.2	1.0
Financial assets at fair value through profit or loss pledged under repurchase agreements	–	4.0
Investment financial assets:		
- available for sale	50.2	48.6
- held to maturity	1.2	0.7
Investment financial assets pledged under repurchase agreements		
- available for sale	0.3	5.6
- held to maturity	0.2	0.8

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

As at 30 September 2016 and 31 December 2015, 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, the 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 2016 and 31 December 2015, the Group's investments in securities issued by state-related issuers, as well as transactions involving derivative financial instruments with such counterparties comprise the following:

	30 September 2016 (Unaudited)		31 December 2015 (Restated)	
	Equity securities	Debt securities	Equity securities	Debt securities
Financial assets at fair value through profit or loss	10.6	–	18.2	0.3
Financial assets pledged under repurchase agreements:				
- at fair value through profit or loss	–	–	–	0.4
- available for sale	–	2.1	–	57.7
- held to maturity	–	–	–	1.4
Investment financial assets available for sale	220.2	105.5	153.9	49.6
Investment financial assets held to maturity	–	9.0	–	11.3

As at 30 September 2016, investment financial assets available for sale also include a financial asset issued by a state-related bank with a fair value of RUB 32.8 billion (31 December 2015: RUB 31.9 billion).

During the reporting period ended 30 September 2016, in the line "Gains less losses from investment financial assets available for sale" of the consolidated statement of profit or loss the Group recognized income from disposal of securities to the state-related entity in amount of RUB 19.5 billion. Realized part of the accumulated revaluation previously recorded in equity and reclassified to the consolidated statement of profit or loss comprised RUB 9.6 billion.

During the reporting period ended 30 September 2016, in the line "Insurance premiums" of the consolidated statement of profit or loss the Group recognized insurance premium of RUB 17.7 billion, received under insurance agreement with two Russian state-related banks (Note 24).

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

	For the nine-month period ended 30 September (Unaudited)	
	2016	2015
Interest expense		
Amounts due to the Bank of Russia	(25.5)	(33.9)
Amounts due to the Russian Government	(25.8)	(28.2)
Government grants	143.5	13.1

(in billions of Russian rubles)

28. Related party transactions (continued)

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

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

Government grants recorded in the consolidated statement of profit or loss for the nine-month period ended 30 September 2016 also include a gain of RUB 1.0 billion on initial recognition of loans raised from the Bank of Russia for the purpose of their subsequent issue to banks through JSC SME Bank under the program of extending loans to small and medium enterprises (Note 14).

30. Subsequent events

In October 2016, the National Securities and Stock Market Commission of Ukraine registered the report on the results of PSC Prominvestbank's placement of additionally issued shares. The Bank transferred funds to pay for these shares in June 2016 (Note 4).

In October 2016, the Bank fulfilled its obligations to purchase its own Series 18 bonds totaling RUB 1.3 billion 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 bond issue provides for a three-year offer.

In October 2016, the Bank fulfilled its obligations to purchase its own Series 19 bonds totaling RUB 2.9 billion 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 an offer in April 2021.

In October 2016, the Bank fulfilled its obligations to purchase its own Series 8 bonds totaling RUB 6.7 billion under the respective offer. In addition, the Bank made a secondary placement of all repurchased Series 8 bonds maturing in October 2020. This issue is not subject to an offer.

In October 2016, a subsidiary bank extended the maturity period of Series BO-9 exchange-traded bonds until December 2021.

In October 2016, short-term financing raised by the Bank as part of the government support measures (Note 7) was extended under non-market conditions for more than 5 years. Currently, the Bank is estimating the effect of the restructuring.

In October 2016, funds of subsidy from the federal budget (RUB 8.1 billion) were transferred to EXIMBANK OF RUSSIA as intended. The report on the results of placement of additionally issued by EXIMBANK OF RUSSIA shares was registered in November 2016.

In October 2016, the Group's leasing company fulfilled its obligations to purchase its own Series 8 and 9 bonds totaling RUB 2.5 billion and RUB 2.3 billion, respectively, under the respective offer. These bond issues provide for a three-year offer.

(in billions of Russian rubles)

29. Subsequent events (continued)

In November 2016, the Bank acquired title to 100% voting rights conferred by ordinary shares of JSC Caspian Flat Glass Plant. The shares were transferred to the Bank under the agreement on out-of-court sale of the shares, due to the Bank's financing of the respective project of RUB 3.0 billion. Currently, the Bank is in the process of determining the fair values of assets, liabilities and contingencies of the acquiree.

In November 2016, the Group's leasing company partially redeemed Series BO-02 exchange-traded bonds with a total nominal value of RUB 1 billion in accordance with the terms of the bond issue.

In November 2016, the Bank fulfilled its obligations to purchase its own Series BO-02 exchange-traded bonds totaling RUB 4.0 billion under the respective offer. Series BO-02 bonds mature in November 2017. The exchange-traded bonds of this issue are not subject to an offer.

In November and December 2016, deposits from the federal budget in the amount of RUB 45.0 billion and RUB 55.0 billion was prolonged till July and September 2017 respectively at the key interest rate of the Central Bank of Russia (Note 7).

In November 2016, a subsidiary bank fulfilled its obligations to purchase its own Series 1 bonds totaling RUB 0.4 billion under the respective offer. This issue provides for a one-year offer.

In December 2016, the Bank purchased 30,902,348 shares additionally issued by JSC VEB-Leasing for the total amount of RUB 75.0 billion. The Group's ownership in the share capital of JSC VEB-Leasing increased to 99.79%. At the same time JSC VEB-Leasing early repaid in the same amount loans provided by Vnesheconombank. As at the date of signing these interim condensed consolidated financial statements, the report on the results of JSC VEB-Leasing's placement of additionally issued securities is not registered.

In December 2016, the Bank fulfilled its obligations to purchase its own Series BO-11 exchange-traded bonds totaling RUB 1.0 billion under the respective resolution. Series BO-11 bonds mature in August 2029. The exchange-traded bonds of this issue are not subject to an offer.