

***Group of State Corporation "Bank for Development and Foreign  
Economic Affairs (Vnesheconombank)"***

Interim Condensed Consolidated Financial Statements  
as at 30 June 2017

*with report on review*

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## Report on Review of Interim Financial Information

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

### **Introduction**

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

### **Scope of review**

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



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### **Conclusion**

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

G.A. Shinin  
Partner  
Ernst & Young LLC

25 August 2017

### **Details of the entity**

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

Record made in the State Register of Legal Entities on 8 June 2007; State Registration Number 1077711000102.  
Address: Russia 107996, Moscow, prospekt Akademika Sakharova, 9.

### **Details of the auditor**

Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002; State Registration Number 1027739707203.

Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

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

	Notes	30 June 2017 (Unaudited)	31 December 2016
<b>Assets</b>			
Cash and cash equivalents	8	486.8	350.1
Financial assets at fair value through profit or loss	9	24.4	19.2
Financial assets lent and pledged as collateral under repurchase agreements	10	3.1	4.7
Special purpose accounts		92.7	79.9
Amounts due from banks and treasury	11	84.7	92.3
Non-current assets held for sale and distribution to the Russian Government	12	16.0	13.0
Loans to customers	13	1,843.8	1,904.5
Net investments in leases	14	209.2	283.6
Investment financial assets:	15		
- available for sale		456.5	470.3
- held to maturity		12.7	18.0
Subordinated loans to banks		58.7	57.4
Investments in associates and jointly controlled entities	4	40.9	39.7
Property and equipment		94.4	100.4
Income tax assets	20	7.9	6.5
Other assets	16	131.0	133.8
<b>Total assets</b>		<b>3,562.8</b>	<b>3,573.4</b>
<b>Liabilities</b>			
Amounts due to banks	17	589.6	644.5
Financial liabilities at fair value through profit or loss	9	0.1	0.5
Amounts due to the Russian Government and the Bank of Russia	7	607.6	553.8
Liabilities of disposal group to be distributed to the Russian Government	12	0.5	-
Amounts due to customers	18	447.3	532.1
Debt securities issued	19	1,051.3	1,024.6
Finance lease liabilities	22	70.5	75.9
Subordinated deposits		94.0	92.5
Income tax liabilities	20	13.3	14.2
Provisions	21	37.7	33.4
Other liabilities	16	33.4	46.2
<b>Total liabilities</b>		<b>2,945.3</b>	<b>3,017.7</b>
<b>Equity</b>			
Authorized capital	25	700.0	596.6
Additional paid-in capital		164.3	164.3
Uncovered loss		(301.8)	(264.3)
Unrealized revaluation of investment financial assets available for sale		42.4	45.3
Foreign currency translation reserve		7.0	8.4
<b>Equity attributable to the Russian Government</b>		<b>611.9</b>	<b>550.3</b>
Non-controlling interests		5.6	5.4
<b>Total equity</b>		<b>617.5</b>	<b>555.7</b>
<b>Total equity and liabilities</b>		<b>3,562.8</b>	<b>3,573.4</b>

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

S.N. Gorkov

Chairman of the Bank

E.P. Kosyreva

Acting Chief Accountant

25 August 2017

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



## Interim condensed consolidated statement of profit or loss

For the six-month period ended 30 June 2017

*(in billions of Russian rubles)*

	Notes	For the three-month period ended 30 June (unaudited)		For the six-month period ended 30 June (unaudited)	
		2017	2016	2017	2016
Interest income	23	65.6	73.7	135.4	163.3
Interest expense	23	(41.7)	(51.9)	(91.3)	(115.8)
<b>Net interest income</b>		<b>23.9</b>	<b>21.8</b>	<b>44.1</b>	<b>47.5</b>
Provision for impairment of interest-earning assets	21	(88.4)	(24.0)	(91.6)	(200.2)
<b>Net interest expense after allowance for impairment of interest-earning assets</b>		<b>(64.5)</b>	<b>(2.2)</b>	<b>(47.5)</b>	<b>(152.7)</b>
Fee and commission income		2.5	3.1	5.1	6.0
Fee and commission expense		(0.8)	(1.0)	(1.5)	(1.8)
<b>Net fee and commission income</b>		<b>1.7</b>	<b>2.1</b>	<b>3.6</b>	<b>4.2</b>
Net gains/(losses) from financial instruments at fair value through profit or loss		(0.1)	2.1	(0.3)	1.7
Net gains/(losses) from investment financial assets available for sale		0.2	0.8	(0.1)	2.0
Net gains/(losses) from foreign currencies and currency derivatives:					
- dealing		3.1	2.1	3.1	6.5
- translation differences		12.7	(24.8)	18.7	(57.0)
Net gains/(losses) on initial recognition of financial instruments, restructuring and early repayment		(1.9)	-	(1.9)	(2.7)
Share in net profit/(loss) of associates and jointly controlled entities		0.8	(0.2)	(0.5)	(1.2)
Dividends		1.5	2.2	1.5	2.2
Government grants	7, 18	3.0	-	3.0	135.9
Insurance premiums		0.1	18.4	1.7	18.7
Other operating income	24	13.5	9.4	25.6	14.4
<b>Non-interest income</b>		<b>32.9</b>	<b>10.0</b>	<b>50.8</b>	<b>120.5</b>
Payroll and other staff costs		(7.2)	(6.1)	(13.1)	(13.1)
Occupancy and equipment		(2.6)	(1.5)	(3.7)	(3.5)
Depreciation of property and equipment		(1.6)	(1.0)	(3.4)	(2.5)
Taxes other than income tax		(0.7)	(0.7)	(1.4)	(1.3)
Other provisions and allowances for impairment of other assets	21	(6.7)	(16.0)	(10.0)	(16.1)
Other operating expenses	24	(11.9)	(7.0)	(21.8)	(17.6)
<b>Non-interest expense</b>		<b>(30.7)</b>	<b>(32.3)</b>	<b>(53.4)</b>	<b>(54.1)</b>
Loss before income tax		<b>(60.6)</b>	<b>(22.4)</b>	<b>(46.5)</b>	<b>(82.1)</b>
Income tax expense	20	(1.0)	(2.1)	(1.1)	(0.7)
<b>Loss for the period</b>		<b>(61.6)</b>	<b>(24.5)</b>	<b>(47.6)</b>	<b>(82.8)</b>
Attributable to:					
- the Russian Government		(61.3)	(24.5)	(47.5)	(82.7)
- non-controlling interests		(0.3)	-	(0.1)	(0.1)
		<b>(61.6)</b>	<b>(24.5)</b>	<b>(47.6)</b>	<b>(82.8)</b>

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

## Interim condensed consolidated statement of comprehensive income

For the six-month period ended 30 June 2017

*(in billions of Russian rubles)*

Notes	For the three-month period ended 30 June (unaudited)		For the six-month period ended 30 June (unaudited)	
	2017	2016	2017	2016
<b>Loss for the period</b>	<b>(61.6)</b>	<b>(24.5)</b>	<b>(47.6)</b>	<b>(82.8)</b>
<b>Other comprehensive income/(loss)</b>				
<i>Other comprehensive income/(loss) to be subsequently reclassified to profit or loss when specific conditions are met</i>				
Change in unrealized gains/(losses) on investment financial assets available for sale, including reclassification of such gains/(losses) to profit or loss due to impairment and/or disposals	(3.2)	(9.8)	(2.6)	14.3
Translation differences	(4.9)	3.1	(1.5)	(8.6)
Income tax relating to components of other comprehensive income	-	0.2	(0.3)	-
<b>Net other comprehensive income/(loss) to be subsequently reclassified to profit or loss when specific conditions are met</b>	<b>(8.1)</b>	<b>(6.5)</b>	<b>(4.4)</b>	<b>5.7</b>
<i>Other comprehensive income not to be subsequently reclassified to profit or loss</i>				
Revaluation of property and equipment reclassified to the investment property	-	-	1.2	-
<b>Net other comprehensive income not to be subsequently reclassified to profit or loss</b>	<b>-</b>	<b>-</b>	<b>1.2</b>	<b>-</b>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>(8.1)</b>	<b>(6.5)</b>	<b>(3.2)</b>	<b>5.7</b>
<b>Total comprehensive loss for the period</b>	<b>(69.7)</b>	<b>(31.0)</b>	<b>(50.8)</b>	<b>(77.1)</b>
Attributable to:				
- the Russian Government	(69.3)	(31.0)	(50.9)	(76.8)
- non-controlling interests	(0.4)	-	0.1	(0.3)
	<b>(69.7)</b>	<b>(31.0)</b>	<b>(50.8)</b>	<b>(77.1)</b>

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

**Interim condensed consolidated statement of changes in equity**  
**For the six-month period ended 30 June 2017**  
*(in billions of Russian rubles)*

	Attributable to the Russian Government					Total	Non-controlling interests	Total equity
	Authorized capital	Additional paid-in capital	Uncovered loss	Unrealized revaluation of investment financial assets available for sale	Foreign currency translation reserve			
<b>31 December 2015</b>	<b>445.6</b>	<b>150.5</b>	<b>(154.2)</b>	<b>35.3</b>	<b>(0.9)</b>	<b>476.3</b>	<b>4.5</b>	<b>480.8</b>
Loss for the period (unaudited)	-	-	(82.7)	-	-	(82.7)	(0.1)	(82.8)
Other comprehensive income/(loss) (unaudited)	-	-	-	14.3	(8.4)	5.9	(0.2)	5.7
<b>Total comprehensive income/(loss) for the period (unaudited)</b>	<b>-</b>	<b>-</b>	<b>(82.7)</b>	<b>14.3</b>	<b>(8.4)</b>	<b>(76.8)</b>	<b>(0.3)</b>	<b>(77.1)</b>
Contributions of the Russian Government (unaudited)	109.5	1.6	-	-	-	111.1	-	111.1
Subsidiary acquired (Note 5) (unaudited)	-	-	-	-	-	-	2.1	2.1
Financial result from the distribution of capital to the Russian Government (unaudited)	1.0	-	6.4	(6.9)	(0.2)	0.3	(1.4)	(1.1)
Change in interest in existing subsidiaries (unaudited)	-	-	(0.8)	-	-	(0.8)	0.8	-
Dividends paid by subsidiaries (unaudited)	-	-	-	-	-	-	(0.1)	(0.1)
<b>30 June 2016 (unaudited)</b>	<b>556.1</b>	<b>152.1</b>	<b>(231.3)</b>	<b>42.7</b>	<b>(9.5)</b>	<b>510.1</b>	<b>5.6</b>	<b>515.7</b>
<b>31 December 2016</b>	<b>596.6</b>	<b>164.3</b>	<b>(264.3)</b>	<b>45.3</b>	<b>8.4</b>	<b>550.3</b>	<b>5.4</b>	<b>555.7</b>
Loss for the period (unaudited)	-	-	(47.5)	-	-	(47.5)	(0.1)	(47.6)
Other comprehensive income/(loss) (unaudited)	-	-	0.9	(2.9)	(1.4)	(3.4)	0.2	(3.2)
<b>Total comprehensive income/(loss) for the period (unaudited)</b>	<b>-</b>	<b>-</b>	<b>(46.6)</b>	<b>(2.9)</b>	<b>(1.4)</b>	<b>(50.9)</b>	<b>0.1</b>	<b>(50.8)</b>
Change in interest in existing subsidiaries (unaudited)	-	-	(0.1)	-	-	(0.1)	0.1	-
Contributions of the Russian Government (Note 25) (unaudited)	103.4	-	9.2	-	-	112.6	-	112.6
<b>30 June 2017 (unaudited)</b>	<b>700.0</b>	<b>164.3</b>	<b>(301.8)</b>	<b>42.4</b>	<b>7.0</b>	<b>611.9</b>	<b>5.6</b>	<b>617.5</b>

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



**Interim condensed consolidated statement of cash flows**  
**For the six-month period ended 30 June 2017**  
*(in billions of Russian rubles)*

	For the six-month period ended 30 June (unaudited)	
	Notes	2016 (restated)
<b>Cash flows from operating activities</b>		
Loss for the period		(82.8)
		(47.6)
<i>Adjustments:</i>		
Change in interest accruals		(25.5)
Impairment and other provisions	21	216.3
Changes in unrealized revaluation of trading securities and derivative financial instruments		(1.9)
Net gains/(losses) from investment financial assets available for sale, net of impairment loss		(2.0)
Impairment of investment financial assets available for sale	15	-
Changes in translation differences		57.0
Net losses on initial recognition of financial instruments, restructuring and early repayment		2.7
Government grants	7	(135.9)
Share in net loss of associates and jointly controlled entities		1.2
Depreciation and amortization		3.0
Deferred income tax	20	(0.7)
Other changes		3.4
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>34.8</b>
		<b>2.7</b>
<i>Net (increase)/decrease in operating assets</i>		
Financial assets at fair value through profit or loss		0.8
Special purpose accounts		(15.9)
Amounts due from banks and treasury		2.7
Loans to customers		48.3
Net investments in leases		1.5
Other assets		(1.0)
		8.1
		(2.7)
		(13.6)
		5.5
		8.5
		54.0
		8.1
<i>Net increase/(decrease) in operating liabilities</i>		
Amounts due to banks, net of long-term interbank financing		(128.8)
Amounts due to the Russian Government and the Bank of Russia, net of long-term financing		(81.9)
Amounts due to customers		(109.5)
Debt securities issued, net of bonds and Eurobonds		35.2
Finance lease liabilities		(9.1)
Other liabilities		2.0
		1.4
<b>Net cash from / (used in) operating activities</b>		<b>(220.9)</b>
		<b>31.2</b>

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

## Interim condensed consolidated statement of cash flows (continued)

For the six-month period ended 30 June 2017

*(in billions of Russian rubles)*

	Notes	For the six-month period ended 30 June (unaudited)	
		2017	2016 (restated)
<b>Cash flows from investing activities</b>			
Purchase of investment financial assets		(127.5)	(50.9)
Proceeds from sale and redemption of investment financial assets		141.7	83.2
Investments in associates and jointly controlled entities		-	0.1
Disposal of subsidiaries, net of cash		-	(30.5)
Purchase of property and equipment		(1.2)	(0.8)
Proceeds from sale of property and equipment		0.3	0.1
<b>Net cash from investing activities</b>		<b>13.3</b>	<b>1.2</b>
<b>Cash flows from financing activities</b>			
Long-term interbank financing raised	17	10.5	24.9
Long-term interbank financing repaid	17	(86.3)	(91.9)
Long-term financing raised from the Bank of Russia and the Russian Government		28.3	231.4
Long-term financing repaid to the Bank of Russia		(1.7)	(89.9)
Placement of bonds	19	113.0	15.0
Redemption of bonds and Eurobonds	19	(54.6)	(76.9)
Purchase of bonds and Eurobonds issued by the Group	19	(37.3)	(33.2)
Proceeds from sale of previously purchased bonds	19	13.2	9.5
Contributions of the Russian Government and grants received	25	107.6	111.1
Transfer of grants	16	(10.0)	-
<b>Net cash from financing activities</b>		<b>82.7</b>	<b>100.0</b>
Effect of changes in foreign exchange rates against the Russian ruble on cash and cash equivalents		11.3	1.0
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>138.5</b>	<b>(118.7)</b>
<b>Cash and cash equivalents, beginning</b>	8	<b>350.1</b>	<b>322.1</b>
<b>Cash and cash equivalents, ending</b>	8	<b>486.8</b>	<b>207.5</b>
<b>Cash recognized in assets of disposal groups held for sale, beginning</b>		<b>-</b>	<b>4.1</b>
<b>Cash recognized in assets of disposal groups held for sale, ending</b>	12	<b>1.8</b>	<b>-</b>
<b>Supplemental information:</b>			
Income tax paid		(4.0)	(1.0)
Interest paid		(76.1)	(112.1)
Interest received		91.3	131.3
Dividends		1.5	2.2

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

(in billions of Russian rubles, unless otherwise stated)

## 1. Principal activities

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

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

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

During the six-month period of 2017, the Bank, as a state management company, invested pension savings in state securities denominated in Russian rubles, and in corporate bonds of highly credible Russian issuers. As at 30 June 2017 and 31 December 2016, total funds of the State Pension Fund of the Russian Federation placed in management to the state management company amounted to RUB 1,798.0 billion and RUB 1,977.8 billion, respectively. Change in funds placed in management to the state management company resulted from a repayment of funds to the State Pension Fund of the Russian Federation according to decisions made in respect of applications to switch to a private pension fund (private management company) that the insured persons submitted in 2016.

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

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

## 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 ("BYN") as its functional currency. Public Stock Company "Joint-Stock Commercial Industrial and Investment Bank" (PSC Prominvestbank), another foreign subsidiary of the Group, uses the Ukrainian hryvnia ("UAH") as its functional currency. The foreign subsidiary VEB Asia Limited – uses the Hong Kong dollar ("HKD") as its functional currency.

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

## 2. Basis of preparation (continued)

### General (continued)

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

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

As at 30 June 2017 and 31 December 2016, official exchange rates of the Bank of Russia were RUB 59.0855 per USD 1 and RUB 60.6569 per USD 1, respectively.

### Going concern

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

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

### Changes in accounting policies

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

#### *New adopted standards*

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

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

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

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

## 2. Basis of preparation (continued)

### Changes in accounting policies (continued)

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

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

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

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

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

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

### Significant accounting judgments and estimates

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

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

### Impairment of goodwill

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

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

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

	As previously reported	Reclassification amount	As reclassified
<b>Interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2016 (unaudited)</b>			
<b>Cash flows from operating activities</b>			
Special purpose accounts	–	(15.9)	(15.9)
Amounts due from banks and treasury	0.8	1.9	2.7
<b>Net cash used in operating activities</b>	<b>(206.9)</b>	<b>(14.0)</b>	<b>(220.9)</b>
Effect of changes in foreign exchange rates against the Russian ruble on cash and cash equivalents	(5.6)	6.6	1.0
<b>Net decrease in cash and cash equivalents</b>	<b>(111.3)</b>	<b>(7.4)</b>	<b>(118.7)</b>
<b>Cash and cash equivalents, beginning</b>	<b>373.0</b>	<b>(50.9)</b>	<b>322.1</b>
<b>Cash and cash equivalents, ending</b>	<b>265.8</b>	<b>(58.3)</b>	<b>207.5</b>

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

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

Subsidiaries	Ownership		Country of incorporation	Type of activity
	30 June 2017 (unaudited)	31 December 2016		
Bank BelVEB OJSC	97.52%	97.52%	Republic of Belarus	Banking
JSC "VEB-Leasing"	99.79%	99.79%	Russia	Leasing
Sviaz-Bank	99.77%	99.77%	Russia	Banking
PSC Prominvestbank	99.77%	99.72%	Ukraine	Banking
JSC "Kraslesinvest"	100%	100%	Russia	Production and processing of materials
JSC "GLOBEXBANK"	99.99%	99.99%	Russia	Banking
VEB Capital LLC	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
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	99.99%	99.99%	Russia	Electric energy
Resort Zolotoe Koltso LLC	100%	100%	Russia	Real estate and construction
Russian Export Center JSC	100%	100%	Russia	Support of export operations
Caspian Flat Glass JSC	100%	100%	Russia	Manufacturing



(in billions of Russian rubles, unless otherwise stated)

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

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

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

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

In March 2017, state registration of the Bank's purchase of 2,070,000 ordinary registered shares additionally issued by JSC "North Caucasus Development Corporation" for the total amount of RUB 2.1 billion has been finalized. The shares were purchased at the expense of the federal budget subsidy received by Vnesheconombank in December 2016 in the form of an asset contribution from the Russian Federation for Vnesheconombank to increase the share capital of JSC "North Caucasus Development Corporation" for the purposes of creating a medical cluster on the Caucasian Mineral Waters territory and implementing investment projects in the North Caucasus Federal District. The Bank's interest in the share capital of JSC "North Caucasus Development Corporation" remained unchanged at 100%.

In June 2017, the Bank transferred a total of RUB 6.1 billion to purchase of shares of LLC "VEB Capital". The Group's interest in the charter capital of its subsidiary has not changed and amounts up to 100%.

In June 2017, the Bank transferred a total of USD 392.6 million and EUR 2.1 million (RUB 23.5 billion at the date of transfer) to purchase additionally issued shares of PSC Prominvestbank. The Group's interest in the share capital of its subsidiary increased to 99.77%. As at the date of signing these financial statements, a report on the results of PSC Prominvestbank's placement of additionally issued shares was not registered.

#### Major associates and jointly controlled entities

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

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

#### 5. Business combinations

##### Acquisitions in 2017

No business combinations took place during the six-month period ended 30 June 2017.

##### Acquisitions in 2016

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

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

(in billions of Russian rubles, unless otherwise stated)

## 5. Business combinations (continued)

### Acquisitions in 2016 (continued)

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

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

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

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

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

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

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

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

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

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

## 6. Segment information

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

Segment 1	Vnesheconombank
Segment 2	Sviaz-Bank, JSC "GLOBEXBANK"
Segment 3	PSC Prominvestbank (Ukraine)
Segment 4	Bank BelVEB OJSC (Republic of Belarus)
Segment 5	JSC "VEB-Leasing"
Segment 6	Russian Export Center JSC, and its subsidiaries
Segment 7	VEB Capital LLC, VEB Engineering LLC, 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, and other subsidiaries

Segment 1 comprises the core bank of the Group. Segment 2 comprises banks that were purchased in 2008 and 2009 to recover their financial stability, in line with anti-crisis measures developed by the Russian Government. Segments 3 and 4 reflect the Group's banking operations in Ukraine and the Republic of Belarus, respectively. Segment 5 reflects leasing operations of the Group. As at 30 June 2017, the Group made a decision to report the export support activity separately – Segment 6 – and recalculated comparative information. Segment 7 comprises other subsidiaries, in which the Group holds a controlling ownership interest.

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

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

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

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

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

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

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

	For the six-month period ended 30 June 2017 (unaudited)							Total before adjust- ments	Adjust- ments	Total
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6	Segment 7			
Interest income on transactions with external customers	85.4	19.0	3.1	5.9	16.6	3.0	2.4	135.4	-	135.4
Interest expense on transactions with external customers	(69.5)	(11.1)	(0.8)	(1.7)	(6.7)	(0.9)	(0.6)	(91.3)	-	(91.3)
<b>Net interest income on transactions with external customers</b>	<b>15.9</b>	<b>7.9</b>	<b>2.3</b>	<b>4.2</b>	<b>9.9</b>	<b>2.1</b>	<b>1.8</b>	<b>44.1</b>	<b>-</b>	<b>44.1</b>
Intersegment net interest income/(expense)	4.1	(1.2)	(0.8)	(1.1)	(4.1)	1.5	(1.0)	(2.6)	2.6	-
Provisions for impairment of interest-earning assets	(79.5)	(6.1)	(8.7)	(2.4)	(11.2)	0.1	(2.2)	(110.0)	18.4	(91.6)
<b>Net interest income/(expense) after provisions for impairment of interest-earning assets</b>	<b>(59.5)</b>	<b>0.6</b>	<b>(7.2)</b>	<b>0.7</b>	<b>(5.4)</b>	<b>3.7</b>	<b>(1.4)</b>	<b>(68.5)</b>	<b>21.0</b>	<b>(47.5)</b>
Net fee and commission income/(expense) on transactions with external customers	1.7	0.7	0.3	0.9	(0.1)	0.1	-	3.6	-	3.6
Intersegment net fee and commission expense	-	-	-	(0.1)	-	-	-	(0.1)	0.1	-
Other non-interest income/(expense) on transactions with external customers	28.0	2.4	(1.6)	0.7	3.9	3.0	14.4	50.8	-	50.8
Non-interest expense on transactions with external customers	(8.5)	(7.8)	(3.0)	(2.4)	(11.7)	(4.0)	(16.0)	(53.4)	-	(53.4)
Other intersegment non-interest income/(expense)	(23.1)	-	0.2	-	0.4	-	(1.3)	(23.8)	23.8	-
<b>Segment loss before income tax</b>	<b>(61.4)</b>	<b>(4.1)</b>	<b>(11.3)</b>	<b>(0.2)</b>	<b>(12.9)</b>	<b>2.8</b>	<b>(4.3)</b>	<b>(91.4)</b>	<b>44.9</b>	<b>(46.5)</b>
Income tax expense										(1.1)
<b>Loss for the period</b>										<b>(47.6)</b>

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

	For the six-month period ended 30 June 2016 (unaudited, revised)							Total before adjust- ments	Adjust- ments	Total
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6	Segment 7			
Interest income on transactions with external customers	97.3	24.8	6.8	7.5	22.2	2.0	2.7	163.3	-	163.3
Interest expense on transactions with external customers	(79.7)	(19.7)	(2.1)	(1.9)	(11.5)	(0.8)	(0.1)	(115.8)	-	(115.8)
<b>Net interest income on transactions with external customers</b>	<b>17.6</b>	<b>5.1</b>	<b>4.7</b>	<b>5.6</b>	<b>10.7</b>	<b>1.2</b>	<b>2.6</b>	<b>47.5</b>	-	<b>47.5</b>
Intersegment net interest income/(expense)	7.3	(1.6)	(2.0)	(1.7)	(6.7)	1.6	1.9	(1.2)	1.2	-
Reversal of/(provision for) impairment of interest-earning assets	(180.9)	(12.8)	3.9	(0.2)	0.2	0.3	(14.0)	(203.5)	3.3	(200.2)
<b>Net interest income/(expense) after provision for impairment of interest-earning assets</b>	<b>(156.0)</b>	<b>(9.3)</b>	<b>6.6</b>	<b>3.7</b>	<b>4.2</b>	<b>3.1</b>	<b>(9.5)</b>	<b>(157.2)</b>	<b>4.5</b>	<b>(152.7)</b>
Net fee and commission income on transactions with external customers	2.2	0.7	0.4	1.0	(0.1)	-	-	4.2	-	4.2
Intersegment net fee and commission income/(expense)	0.1	-	-	(0.1)	(0.1)	-	-	(0.1)	0.1	-
Other non-interest income/(expense) on transactions with external customers	112.2	5.7	(2.4)	1.0	(5.4)	17.4	8.0)	120.5	-	120.5
Non-interest (expense)/income on transactions with external customers	(9.3)	(9.6)	0.7	(2.3)	(6.5)	(18.9)	(8.2)	(54.1)	-	(54.1)
Other intersegment non-interest income/(expense)	(39.0)	(0.1)	0.3	(0.1)	0.3	-	7.9	(30.7)	30.7	-
<b>Segment profit/(loss) before income tax</b>	<b>(89.8)</b>	<b>(12.6)</b>	<b>5.6</b>	<b>3.2</b>	<b>(7.6)</b>	<b>1.6</b>	<b>(17.8)</b>	<b>(117.4)</b>	<b>35.3</b>	<b>(82.1)</b>
Income tax expense										(0.7)
<b>Loss for the period</b>										<b>(82.8)</b>

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

	30 June 2017 (unaudited)	31 December 2016
<b>Segment assets</b>		
Segment 1	2,573.4	2,486.3
Segment 2	340.4	414.2
Segment 3	49.3	75.1
Segment 4	119.2	121.7
Segment 5	357.4	439.9
Segment 6	143.5	122.3
Segment 7	199.2	199.2
<b>Total before deducting intersegment assets</b>	<b>3,782.4</b>	<b>3,858.7</b>
Intersegment assets	(359.9)	(395.7)
Adjustments	140.3	110.4
<b>Total assets</b>	<b>3,562.8</b>	<b>3,573.4</b>

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

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

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
<b>Segment liabilities</b>		
Segment 1	2,347.4	2,315.3
Segment 2	310.6	380.2
Segment 3	28.2	66.1
Segment 4	106.2	108.0
Segment 5	335.7	404.7
Segment 6	80.0	61.2
Segment 7	104.0	104.4
<b>Total before deducting intersegment liabilities</b>	<b>3,312.1</b>	<b>3,439.9</b>
Intersegment liabilities	(359.9)	(395.7)
Adjustments	(6.9)	(26.5)
<b>Total liabilities</b>	<b>2,945.3</b>	<b>3,017.7</b>

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

- ▶ As a result of transactions made with foreign subsidiaries in currencies other than the reporting currency of the Group.
- ▶ Due to the repurchase of debt securities issued by the Group entities or other deals with financial instruments between the Group entities.
- ▶ Due to a reversal of provisions 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:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
Interest-bearing loans and deposits from the Federal Treasury	305.0	281.0
Interest-bearing loans and deposits from the Bank of Russia	202.4	193.9
Settlements related to redemption of Russian Government loans	96.3	78.7
Deposits of non-budgetary funds and regional authorities	3.7	–
Other funds	0.2	0.2
<b>Amounts due to the Russian Government, its institutions and the Bank of Russia</b>	<b>607.6</b>	<b>553.8</b>

From April until June 2017, in accordance with Resolution No. 18 of the Russian Government dated 19 January 2008 ruble-denominated funds of the NWF in the amount of RUB 23.3 billion were deposited with Vnesheconombank for the purposes of investment projects financing. During the reporting period ended 30 June 2017, a gain on initial recognition of deposits placed at the rate below the market level in the amount of RUB 2.0 billion was recognized within "Government grants" in the consolidated statement of profit or loss, and RUB 5.0 billion was recognized within the equity "Uncovered loss" as a result of the operations with the owner.



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

During the first quarter of 2016, as a part of the government support measures the Bank raised financing on conditions that allowed the Bank to record a gain on initial recognition in the amount of RUB 134.9 billion within "Government grants" in the consolidated statement of profit or loss. As at 30 June 2017 and 31 December 2016, the carrying amount of liabilities related to the funds raised amounts to RUB 164.2 billion and RUB 158.0 billion, respectively.

As at 30 June 2017, interest-bearing loans and deposits from the Bank of Russia include loans in the amount of RUB 33.4 billion (31 December 2016: RUB 30.7 billion) secured by the pledge of the rights of claim under loans to customers in the amount of RUB 39.0 billion (31 December 2016: RUB 38.7 billion) (Note 13).

As at 30 June 2017, interest-bearing loans and deposits from the Bank of Russia include loans in the amount of RUB 3.4 billion (31 December 2016: RUB 3.8 billion) secured by the pledge of the rights of claim under the amounts due from banks of RUB 4.5 billion (31 December 2016: RUB 4.5 billion) (Note 11).

**8. Cash and cash equivalents**

Cash and cash equivalents comprise:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
Cash on hand	12.6	15.6
Current accounts with the Bank of Russia	17.6	20.8
Correspondent nostro accounts with banks and current accounts with other non-banking organizations:		
- the Russian Federation	18.0	16.3
- other countries	189.4	63.6
Interest-bearing loans and deposits with banks maturing within 90 days	138.7	187.5
Reverse repurchase agreements with banks for up to 90 days	110.5	46.3
<b>Cash and cash equivalents</b>	<b>486.8</b>	<b>350.1</b>

As at 30 June 2017, reverse repurchase agreements include loans in the amount of RUB 102.4 billion (31 December 2016: RUB 37.1 billion) provided to banks and secured by corporate bonds with a fair value of RUB 114.0 billion (31 December 2016: RUB 40.3 billion), as well as loans in the amount of RUB 8.1 billion (31 December 2016: RUB 9.2 billion) provided to banks and secured by corporate shares with a fair value of RUB 9.5 billion (31 December 2016: RUB 12.3 billion).

An increase in balances on correspondent nostro accounts and current accounts with banks of other countries as at 30 June 2017 as compared to 31 December 2016 is mainly due to the increase in balances on nostro accounts with OECD banks.

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

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

Financial assets at fair value through profit or loss comprise:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
Trading financial assets	2.8	0.5
Derivative financial assets	8.0	4.7
Financial assets designated as at fair value through profit or loss	13.6	14.0
<b>Financial assets at fair value through profit or loss</b>	<b>24.4</b>	<b>19.2</b>

As at 30 June 2017, financial assets at fair value through profit or loss pledged as collateral under repurchase agreements comprise trading Russian State Bonds (OFZ) in the amount of RUB 0.5 billion. As at 31 December 2016, the Group had no financial assets at fair value through profit or loss pledged as collateral under repurchase agreements.

Financial assets designated as at fair value through profit or loss include investments in associates and jointly controlled entities in the amount of RUB 1.8 billion and RUB 0.5 billion, respectively (31 December 2016: investments in associates in the amount of RUB 2.2 billion), that meet the criteria to be designated as at fair value through profit or loss since the Group's 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.

**Trading financial assets**

Trading financial assets held by the Group comprise:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
<b>Equity securities</b>	<b>0.2</b>	<b>0.2</b>
<b>Debt securities</b>		
Corporate bonds	1.3	-
- Russian State Bonds (OFZ)	1.0	-
Eurobonds issued by the Russian Federation	0.2	0.2
Eurobonds of Russian and foreign issuers	0.1	0.1
<b>Trading financial assets</b>	<b>2.8</b>	<b>0.5</b>

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

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

	30 June 2017 (unaudited)			31 December 2016		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
<b>Forward contracts for equity financial instruments</b>	2.3	2.3	–	2.3	2.0	–
<b>Interest rate swaps</b>						
Foreign contracts	4.7	–	0.1	6.0	–	0.2
Cross currency interest rate swap	–	–	–	0.3	–	0.3
<b>Option contracts with foreign currency</b>	<b>4.9</b>	<b>2.2</b>	<b>–</b>	<b>5.1</b>	<b>2.5</b>	<b>–</b>
<b>Foreign exchange contracts</b>						
Forwards and swaps – foreign	62.2	1.9	–	5.0	0.2	–
Forwards and swaps – domestic	43.9	1.6	–	–	–	–
<b>Total derivative assets/liabilities</b>		<b>8.0</b>	<b>0.1</b>		<b>4.7</b>	<b>0.5</b>

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

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

	30 June 2017 (unaudited)	31 December 2016
Financial assets at fair value through profit or loss pledged as collateral under repurchase agreements (Note 9)	0.5	–
Investment financial assets lent and pledged as collateral under repurchase agreements (Note 15)	2.3	2.2
Investment financial assets held to maturity pledged as collateral under repurchase agreements (Note 15)	0.3	1.1
Loans to customers pledged as collateral under repurchase agreements (Note 13)	–	1.4
<b>Total financial assets lent and pledged as collateral under repurchase agreements</b>	<b>3.1</b>	<b>4.7</b>

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

Amounts due from banks and treasury comprise:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
Obligatory reserves with central banks	3.1	3.2
Non-interest-bearing deposits	28.7	40.9
Interbank loans and term interest-bearing deposits with banks	42.4	35.6
Export financing	7.8	7.7
Mortgage bonds	5.9	6.4
Amounts due from treasury	–	2.1
	<b>87.9</b>	<b>95.9</b>
Less allowance for impairment (Note 21)	(3.2)	(3.6)
<b>Amounts due from banks and treasury</b>	<b>84.7</b>	<b>92.3</b>

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

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

An increase in balances on interbank loans and term interest-bearing deposits with banks as at 30 June as compared to 31 December 2016 was due to the increased lending by subsidiaries.

As at 30 June 2017, interbank loans and term interest-bearing deposits with banks include the loan with a carrying amount of RUB 2.0 billion issued by subsidiary at a below-market interest rate. For the period ended 30 June 2017, loss in the amount of RUB 1.0 billion was recorded in the line "Net gains/(losses) on initial recognition of financial instruments, restructuring and early repayment" of the consolidated statement of profit or loss.

**12. Non-current assets held for sale and disposal group**

Non-current assets comprise:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
<b>Non-current assets</b>		
Assets of disposal group to be distributed to the Russian Government	8.6	–
Assets held for sale	7.4	13.0
<b>Total non-current assets</b>	<b>16.0</b>	<b>13.0</b>

In May 2017, the Vnesheconombank Supervisory Board approved a free-of-charge transfer of JSC "North Caucasus Development Corporation", the Bank's subsidiary, to the state. The Group management plans to transfer 100% shares of JSC "North Caucasus Development Corporation" within 1 year from its initial classification as a disposal group.

*(in billions of Russian rubles, unless otherwise stated)***12. Non-current assets held for sale and disposal group (continued)**

Below are the assets and liabilities of JSC "North Caucasus Development Corporation" classified as a disposal group to be distributed to the Russian Government as at 30 June 2017:

	<b>30 June 2017</b> <b>(unaudited)</b>
Cash and cash equivalents	1.8
Amounts due from banks	2.1
Investment financial assets available for sale	0.1
Property and equipment	0.2
Income tax assets	0.2
Other assets	4.2
<b>Assets of a disposal group to be distributed to the Russian Government</b>	<b>8.6</b>
Provisions (Note 21)	0.2
Other liabilities	0.3
<b>Liabilities of a disposal group to be distributed to the Russian Government</b>	<b>0.5</b>
<b>Net assets of a disposal group to be distributed to the Russian Government</b>	<b>8.1</b>

A decrease in the assets held for sale for the six-month period of 2017 was due to their sale by a subsidiary leasing company.

**13. Loans to customers**

Loans to customers comprise:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
Project financing	1,533.4	1,519.4
Commercial loans, including loans to individuals	702.6	746.9
Financing of operations with securities	195.2	200.4
Export and pre-export financing	96.1	94.2
Reverse repurchase agreements	40.8	43.6
Back-to-back financing	37.5	37.2
Claims under letters of credit	17.6	17.7
Mortgage bonds	5.1	5.6
Promissory notes	4.1	3.4
Other	25.2	22.5
	<b>2,657.6</b>	<b>2,690.9</b>
Less allowance for impairment (Note 21)	(813.8)	(786.4)
<b>Loans to customers</b>	<b>1,843.8</b>	<b>1,904.5</b>
<b>Loans to customers pledged as collateral under repurchase agreements (Note 10)</b>		
Other	-	1.4
<b>Total loans to customers pledged as collateral under repurchase agreements</b>	<b>-</b>	<b>1.4</b>
<b>Loans to customers, including those pledged as collateral under repurchase agreements</b>	<b>1,843.8</b>	<b>1,905.9</b>

(in billions of Russian rubles, unless otherwise stated)

### 13. Loans to customers (continued)

As at 30 June 2017, reverse repurchase agreements with a carrying amount of RUB 9.0 billion were signed primarily in respect of shares with a fair value of RUB 7.4 billion and marketable corporate bonds with a fair value of RUB 2.4 billion. As at 31 December 2016, reverse repurchase agreements with a carrying amount of RUB 12.0 billion were signed in respect of shares with a fair value of RUB 8.2 billion and marketable corporate bonds with a fair value of RUB 2.1 billion.

Reverse repurchase agreements also include loans to state-related entities with a carrying amount of RUB 13.9 billion as at 30 June 2017 (31 December 2016: RUB 13.2 billion), and an impaired loan to an entity not related to the Group with a carrying amount of RUB 17.9 billion as at 30 June 2017 (31 December 2016: RUB 18.4 billion). Provision for impairment of the latter loan comprised RUB 10.4 billion (31 December 2016: RUB 7.8 billion). Previously, the Bank provided RUB 26.3 billion to state-related entities through the acquisition of non-marketable shares in other state-related entities.

As at 30 June 2017, loans to customers in the amount of RUB 39.0 billion (31 December 2016: RUB 38.7 billion) are pledged as collateral for interest-bearing loans raised from the Bank of Russia in the amount of RUB 33.4 billion (31 December 2016: RUB 30.7 billion) (Note 7).

Loans are made principally in the following industry sectors:

	30 June 2017	%		%
	(unaudited)		31 December 2016	
Manufacturing, including heavy machinery and production of military-related goods	774.5	29	781.7	29
Finance companies	761.2	29	742.0	28
Real estate and construction	339.9	13	350.5	13
Agriculture	169.8	6	174.5	6
Individuals	98.4	4	98.6	4
Electric energy	91.9	3	94.8	4
Transport	84.4	3	85.4	3
Mining	73.6	3	75.7	3
Trade	66.3	3	73.4	3
Oil and gas	60.3	2	62.4	2
Metallurgy	52.1	2	55.7	2
Foreign states	35.0	1	38.6	1
Telecommunications	13.8	1	17.8	1
Logistics	4.5	0	7.8	0
Science and education	1.2	0	1.1	0
Other	30.7	1	32.3	1
	<b>2,657.6</b>	<b>100</b>	<b>2,692.3</b>	<b>100</b>

As at 30 June 2017, the total outstanding amount of loans to three major borrowers / groups of related borrowers was RUB 628.0 billion, equivalent to 23.6% of the Group's gross loan portfolio (31 December 2016: RUB 613.9 billion or 22.8% of the gross loan portfolio). As at 30 June 2017, an allowance for impairment of RUB 36.0 billion was made against these loans (31 December 2016: RUB 35.8 billion).

As at 30 June 2017 and 31 December 2016, in addition to the three major borrowers mentioned above, loans were issued to ten other major borrowers / groups of related borrowers in the amount of RUB 511.1 billion and RUB 488.7 billion, or 19.2% and 18.2% of the Group's gross loan portfolio, respectively. As at 30 June 2017 and 31 December 2016, an allowance for impairment was made against these loans in the total amount of RUB 155.7 billion and RUB 144.3 billion, respectively.



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

Loans have been granted to the following types of customers:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
Private enterprises	1,806.0	1,836.1
State-controlled entities (Russian Federation)	650.6	650.9
Individuals	98.4	98.6
Companies under foreign state control	66.7	67.0
Foreign states	35.0	38.6
Individual entrepreneurs	0.9	1.0
Regional authorities	-	0.1
	<b>2,657.6</b>	<b>2,692.3</b>

**14. Net investments in leases**

Net investments in leases comprise:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
Gross investments in leases	301.2	385.7
Less unearned finance lease income	(64.8)	(85.8)
	<b>236.4</b>	<b>299.9</b>
Less allowance for impairment (Note 21)	(27.2)	(16.3)
<b>Net investments in leases</b>	<b>209.2</b>	<b>283.6</b>

As at 30 June 2017 and 31 December 2016, certain leased-out assets were pledged as collateral under loans received. As at 30 June 2017 and 31 December 2016, the amount of net investments in leases related to assets pledged as collateral under loan agreements with banks was RUB 24.6 billion and RUB 39.1 billion, respectively.

As at 30 June 2017, the share of the largest Russian lessee was RUB 70.2 billion, or 29.7% of total net investments in leases before allowance for impairment. The second largest amount of net investments in leases was RUB 32.1 billion or 13.6% of total net investments in leases before allowance for impairment. As at 30 June 2017, the amount of allowance with respect to the assets attributable to the first lessee is RUB 0.4 billion, and the amount of allowance with respect to the assets attributable to the second largest lessee is RUB 13.0 billion. The mentioned lessees operate in the transport sector.

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

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

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

	Not later than 1 year	1 to 5 years	Later than 5 years	Total
	(unaudited)			
Gross investments in leases	77.2	153.8	70.2	<b>301.2</b>
Less unearned finance lease income	(4.9)	(33.6)	(26.3)	<b>(64.8)</b>
<b>Net investment in leases before allowance</b>	<b>72.3</b>	<b>120.2</b>	<b>43.9</b>	<b>236.4</b>

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

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

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

Investment financial assets available for sale comprise:

	30 June 2017 (unaudited)	31 December 2016
<b>Equity securities</b>		
Units	169.4	171.8
Shares and participation interests	57.9	62.1
	<b>227.3</b>	<b>233.9</b>
<b>Debt securities</b>		
Corporate bonds	90.9	90.7
Russian State Bonds (OFZ)	43.3	39.9
Debt instruments issued by foreign government bodies	22.8	26.0
Municipal and sub-federal bonds	1.8	1.9
	<b>158.8</b>	<b>158.5</b>
Eurobonds of Russian and foreign issuers	25.8	35.5
Eurobonds issued by the Russian Federation	9.1	6.9
	<b>193.7</b>	<b>200.9</b>
<b>Other financial assets available for sale</b>	<b>35.5</b>	<b>35.5</b>
<b>Investment financial assets available for sale</b>	<b>456.5</b>	<b>470.3</b>

As at 30 June 2017, investment financial assets available for sale, lent and pledged as collateral under repurchase agreements included corporate bonds in the amount of RUB 2.3 billion. As at 31 December 2016, investment financial assets available for sale lent and pledged as collateral under repurchase agreements included Eurobonds issued by the Russian Federation in the amount of RUB 0.1 billion and corporate bonds in the amount of RUB 2.1 billion.

(in billions of Russian rubles, unless otherwise stated)

## 15. Investment financial assets (continued)

### Investment financial assets available for sale (continued)

As a result of the sale of investment financial assets available for sale during the six-month period ended 30 June 2017, the Group realized part of the revaluation previously recorded in equity and transferred it to "Net gains/(losses) from investment financial assets available for sale" in the consolidated statement of profit or loss. The realized revaluation amounted to RUB 1.0 billion (for the six-month period ended 30 June 2016, the realized revaluation gain amounted to RUB 0.7 billion).

The Group recognized an impairment loss of RUB 0.6 billion on financial assets available for sale for the six-month period ended 30 June 2017 (for the six-month period ended 30 June 2016: no impairment) in "Net gains/(losses) from investment financial assets available for sale" in the consolidated statement of profit or loss.

### Investment financial assets held to maturity

Investment financial assets held to maturity comprise:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
Corporate bonds	8.4	11.4
Municipal and sub-federal bonds	1.1	1.1
Russian State Bonds (OFZ)	-	0.3
	<b>9.5</b>	<b>12.8</b>
Eurobonds of Russian and foreign issuers	3.2	5.2
<b>Total investment financial assets held to maturity</b>	<b>12.7</b>	<b>18.0</b>

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

## 16. Other assets and liabilities

As at 30 June 2017, other assets include investment property with a fair value of RUB 35.3 billion (31 December 2016: RUB 30.0 billion). An increase in investment property in the first quarter of 2017 resulted from reclassification of a fixed asset of the Group's subsidiary to investment property due to the change in use. Overall decrease in other assets resulted from classification of JSC "North Caucasus Development Corporation" as a disposal group to be distributed to the Russian Government (Note 12).

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

As at 30 June 2017, a subsidiary entered into agreements with state-related banks to receive funding at a below-market rate in the amount of RUB 6.9 billion. At initial recognition of the related liability, loss of RUB 0.9 billion was recorded in "Net gains/(losses) on initial recognition of financial instruments, restructuring and early repayment" of the consolidated statement of profit or loss for the six-month period ended 30 June 2017.

*(in billions of Russian rubles, unless otherwise stated)***17. Amounts due to banks**

Amounts due to banks comprise:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
Correspondent loro accounts of Russian banks	31.9	10.5
Correspondent loro accounts of other banks	4.4	3.1
Loans and other placements from OECD-based banks	159.4	211.3
Loans and other placements from Russian banks	256.8	277.0
Loans and other placements from other banks	134.3	138.3
Repurchase agreements	2.8	4.2
Collateral on securities lent	-	0.1
<b>Amounts due to banks</b>	<b>589.6</b>	<b>644.5</b>
<b>Held as security against letters of credit</b>	<b>0.2</b>	<b>0.3</b>

As at 30 June 2017, loans and other placements from other banks do not include loans from foreign banks collateralized by the Group's assets. As at 31 December 2016, loans and other placements from other banks included loans from foreign banks in the amount of RUB 2.0 billion collateralized by debt instruments issued by foreign government bodies with a collateral value of RUB 0.5 billion and loans from national banks of foreign states with a collateral value of RUB 1.7 billion. (Note 15).

As at 30 June 2017, repurchase agreements with banks include loans received from Russian banks in the amount of RUB 2.1 billion collateralized by debt securities available for sale with a fair value of RUB 2.3 billion (31 December 2016: RUB 1.9 billion and RUB 2.1 billion, respectively), loans received from Russian banks in the amount of RUB 0.3 billion collateralized by debt securities held for sale with a fair value of RUB 0.3 billion (31 December 2016: RUB 1.0 billion and RUB 1.1 billion, respectively), loans received from Russian banks in the amount of RUB 0.4 billion and collateralized by debt securities included in financial assets at fair value through profit or loss with a fair value of RUB 0.5 billion (31 December 2016: no loans collateralized by debt securities of such categories) (Note 10).

For the six-month period of 2017, the Group raised long-term financing from OECD-based banks totaling RUB 0.4 billion (for the six-month period of 2016: RUB 0.8 billion) and repaid long-term financing from OECD-based banks of RUB 36.7 billion (for the six-month period of 2016: RUB 37.0 billion) in accordance with contractual terms.

For the six-month period of 2017, the Group raised long-term financing from non-OECD-based banks totaling RUB 0.4 billion (for the six-month period of 2016: RUB 24.1 billion) and repaid long-term financing from non-OECD-based banks of RUB 8.7 billion (for the six-month period of 2016: RUB 8.4 billion) in accordance with contractual terms.

For the six-month period of 2017, the Group's leasing company raised long-term financing from Russian and foreign banks totaling RUB 9.7 billion (for the six-month period of 2016: no long-term financing raised) and repaid long-term financing from Russian and foreign banks of RUB 40.9 billion (for the six-month period of 2016: RUB 46.5 billion) in accordance with contractual terms.

An increase in balances on correspondent loro accounts with Russian banks as at 30 June 2017 as compared to 31 December 2016 resulted from the increase in balances on accounts with state-related bank.

*(in billions of Russian rubles, unless otherwise stated)***17. Amounts due to banks (continued)**

As at 30 June 2017, Vnesheconombank's liabilities under loan agreements under which bank creditors may demand early repayment of the previously provided loans totaled RUB 258.5 billion (31 December 2016: RUB 306.3 billion) following a decrease in the Bank's credit ratings in 2014. As at the date of authorization of these interim condensed consolidated financial statements, Vnesheconombank did not receive notices demanding an early repayment of previously provided loans. In 2014-2015, the creditors under agreements containing credit rating compliance conditions confirmed that they did not demand early repayment. Management of the Bank is taking all the appropriate liquidity management measures and expects the Government to provide support if necessary.

**18. Amounts due to customers**

Amounts due to customers comprise:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
Current accounts	83.9	98.3
Term deposits	363.4	433.8
<b>Amounts due to customers</b>	<b>447.3</b>	<b>532.1</b>
<b>Held as collateral against guarantees</b>	<b>1.0</b>	<b>0.3</b>
<b>Held as collateral against letters of credit</b>	<b>0.2</b>	<b>1.8</b>

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

As at 30 June 2017, recorded within term deposits are special purpose funds with the carrying amount of RUB 10.0 billion received from a state-related entity at a below market rate. For the period ended 30 June 2017, income of RUB 1.0 billion was recognized in "Government grants" of the consolidated statement of profit or loss. Included within other liabilities as at 30 June 2017 is deferred income on government grants at the amount of RUB 4.3 billion.

**19. Debt securities issued**

Debt securities issued comprise:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
Eurobonds	471.7	516.7
Domestic bonds	544.3	471.1
Promissory notes	35.3	36.7
Deposit and saving certificates	-	0.1
<b>Debt securities issued</b>	<b>1,051.3</b>	<b>1,024.6</b>
<b>Promissory notes held as collateral against guarantees</b>	<b>1.1</b>	<b>1.0</b>

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

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

Type of securities	Period of issue	Maturity	Issue currency	Nominal value of securities issued		Nominal value of securities in the portfolios of the Group entities at the issue / placement date, RUB, billion	Secondary placement
				Currency, billion (unaudited)	At the placement date, RUB, billion		
Bonds	January	December 2021	RUB	10.0	10.0	–	–
Bonds	February	July 2025	USD	0.0	2.8	–	Yes
Bonds	March	July 2018	RUB	15.0	15.0	–	–
Bonds	March	January 2025	RUB	1.6	1.6	–	Yes
Bonds	March	February 2025	RUB	0.5	0.5	–	Yes
Bonds	April	November 2017	RUB	0.04	0.04	–	Yes
Bonds	April	April 2021	RUB	0.2	0.2	–	Yes
Bonds	April	October 2021	RUB	1.0	1.0	–	Yes
Bonds	April	January 2025	RUB	0.4	0.4	–	Yes
Bonds	April	February 2025	RUB	1.1	1.1	–	Yes
Bonds	April-May	July 2018	RUB	1.1	1.1	–	Yes
Bonds	April-May	August 2020	RUB	3.8	3.8	–	Yes
Bonds	April-May	September 2017	BYR	0.0	0.2	–	Yes
Bonds	May	November 2019	RUB	25.0	25.0	–	–
Bonds	June	June 2021	RUB	30.0	30.0	–	–
Bonds	June	December 2022	USD	0.6	33.0	–	–

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

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

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



(in billions of Russian rubles, unless otherwise stated)

## 19. Debt securities issued (continued)

For the six-month period ended 30 June 2017, the Bank purchased previously issued Eurobonds denominated in USD and EUR with a total nominal value of RUB 2.7 billion (equivalent at the purchase date).

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

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

Type of securities	Period of issue	Maturity	Issue currency	Nominal value of securities issued		Nominal value of securities in the portfolios of the Group entities at the issue / placement date, RUB, billion	Secondary placement
				Currency, billion (unaudited)	At the placement date, RUB, billion		
Bonds	February	February 2025	RUB	19.6	19.6	19.6	–
Bonds	February	January 2025	RUB	0.6	0.6	–	Yes
Bonds	February	January 2025	RUB	3.0	3.0	3.0	Yes
Bonds	February	February 2025	RUB	3.1	3.1	3.1	Yes
Bonds	March	February 2018	RUB	0.4	0.4	–	Yes
Bonds	March	March 2021	RUB	3.0	3.0	–	Yes
Bonds	April	November 2017	RUB	2.8	2.8	–	Yes
Bonds	April	April 2021	RUB	2.5	2.5	2.5	Yes
Bonds	April	February 2025	RUB	1.0	1.0	1.0	Yes
Bonds	April	March 2018	RUB	0.5	0.5	0.5	Yes
Bonds	April-May	February 2018	RUB	1.2	1.2	–	Yes
Bonds	May	May 2019	RUB	15.0	15.0	–	–
Bonds	May-June	April 2022	RUB	0.2	0.2	–	Yes

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

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

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

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

**20. Taxation**

Income tax assets and liabilities comprise:

	30 June 2017 (unaudited)	31 December 2016
Current income tax asset	1.5	0.8
Deferred income tax asset	6.4	5.7
<b>Income tax assets</b>	<b>7.9</b>	<b>6.5</b>
Current income tax liability	0.4	0.5
Deferred income tax liability	12.9	13.7
<b>Income tax liabilities</b>	<b>13.3</b>	<b>14.2</b>

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

	For the six-month period ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Current tax expense	3.1	1.4
Deferred tax benefit – origination and reversal of temporary differences in the statement of profit or loss	(2.0)	(0.7)
<b>Income tax expense</b>	<b>1.1</b>	<b>0.7</b>

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

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

	Amounts due from banks and treasury	Loans to customers including those pledged as collateral under repurchase agreements	Assets of disposal group	Net investment in leases	Total
<b>31 December 2015</b>	<b>3.2</b>	<b>763.1</b>	<b>8.4</b>	<b>3.5</b>	<b>778.2</b>
Charge (unaudited)	-	198.2	0.6	1.4	200.2
Write-offs (unaudited)	-	(2.2)	-	-	(2.2)
Interest accrued on impaired loans (unaudited)	-	(19.3)	-	-	(19.3)
Reversal of allowance previously written off (unaudited)	-	0.7	-	-	0.7
Effect of business combination (IFRS 3) (Note 5) (unaudited)	-	(185.2)	-	-	(185.2)
Disposal of subsidiaries (unaudited)	-	-	(9.0)	-	(9.0)
<b>30 June 2016 (unaudited)</b>	<b>3.2</b>	<b>755.3</b>	<b>-</b>	<b>4.9</b>	<b>763.4</b>
<b>31 December 2016</b>	<b>3.6</b>	<b>786.4</b>	<b>-</b>	<b>16.3</b>	<b>806.3</b>
Charge/(reversal) (unaudited)	-	77.9	-	13.7	91.6
Write-offs (unaudited)	(0.4)	(38.4)	-	(2.8)	(41.6)
Interest accrued on impaired loans (unaudited)	-	(13.9)	-	-	(13.9)
Reversal of amounts previously written off (unaudited)	-	0.8	-	-	0.8
Effect of translation into presentation currency (unaudited)	-	1.0	-	-	1.0
<b>30 June 2017 (unaudited)</b>	<b>3.2</b>	<b>813.8</b>	<b>-</b>	<b>27.2</b>	<b>844.2</b>

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

	Investment financial assets	Investments in associates	Other assets	Assets and liabilities of disposal group	Claims	Insurance activity	Guarantees and commitments	Total
<b>31 December 2015</b>	<b>0.1</b>	<b>0.7</b>	<b>18.9</b>	<b>0.9</b>	<b>0.8</b>	<b>4.0</b>	<b>10.0</b>	<b>35.4</b>
Charge/(reversal) (unaudited)	(0.1)	-	0.9	0.3	0.2	17.7	(2.9)	16.1
Disposal of subsidiaries (unaudited)	-	-	(0.2)	(1.2)	-	-	-	(1.4)
<b>30 June 2016 (unaudited)</b>	<b>-</b>	<b>0.7</b>	<b>19.6</b>	<b>-</b>	<b>1.0</b>	<b>21.7</b>	<b>7.1</b>	<b>50.1</b>
<b>31 December 2016</b>	<b>-</b>	<b>0.8</b>	<b>23.6</b>	<b>-</b>	<b>0.5</b>	<b>27.3</b>	<b>5.6</b>	<b>57.8</b>
Charge/(reversal) (unaudited)	-	(0.1)	5.8	-	0.3	2.2	1.8	10.0
Write-offs (unaudited)	-	-	(2.0)	-	-	-	-	(2.0)
Reclassification of the provision for the disposal group (Note 12) (unaudited)	-	-	-	0.2	(0.2)	-	-	-
Effect of translation into presentation currency (unaudited)	-	-	(0.2)	-	-	-	0.2	-
<b>30 June 2017 (unaudited)</b>	<b>-</b>	<b>0.7</b>	<b>27.2</b>	<b>0.2</b>	<b>0.6</b>	<b>29.5</b>	<b>7.6</b>	<b>65.8</b>

For the six-month period of 2016, a subsidiary accrued a provision for unearned premium of RUB 16.9 billion under an agreement for the insurance of a loan to finance export-oriented production.

*(in billions of Russian rubles, unless otherwise stated)***22. Finance lease liabilities**

The Group's finance lease liabilities decreased from RUB 75.9 billion as at 31 December 2016 to RUB 70.5 billion as at 30 June 2017 due to the currency revaluation under foreign currency agreements concluded by a subsidiary leasing company and duly repayment of liabilities.

**23. Interest income and expense**

Interest income and expense comprise:

	For the three-month period ended 30 June (unaudited)		For the six-month period ended 30 June (unaudited)	
	2017	2016	2017	2016
<b>Interest income</b>				
Loans to customers	47.7	52.5	96.2	116.5
Amounts due from banks and cash equivalents	5.4	5.0	13.0	12.8
Investment securities	4.8	5.3	9.6	12.0
	<b>57.9</b>	<b>62.8</b>	<b>118.8</b>	<b>141.3</b>
Finance leases	6.4	9.5	14.2	19.2
Financial assets at fair value through profit or loss	0.1	–	0.1	0.3
Other investment financial assets available for sale	0.8	0.8	1.6	1.6
Government subsidy used	0.4	0.6	0.7	0.9
	<b>65.6</b>	<b>73.7</b>	<b>135.4</b>	<b>163.3</b>
<b>Interest expense</b>				
Amounts due to banks and the Bank of Russia	(11.9)	(16.1)	(25.1)	(42.5)
Amounts due to customers and the Russian Government	(15.2)	(17.6)	(31.6)	(35.1)
Debt securities issued	(14.3)	(17.9)	(34.0)	(37.5)
Finance lease liabilities	(0.3)	(0.3)	(0.6)	(0.7)
	<b>(41.7)</b>	<b>(51.9)</b>	<b>(91.3)</b>	<b>(115.8)</b>

**24. Other operating income and expenses**

An increase in other operating income for the six-month period of 2017 was mainly due to the income received by the Group's leasing company from operating leases and early disposal of net investments in leases in the amount of RUB 4.6 billion for the six-month period ended 30 June 2017 (for the six-month period ended 30 June 2016: RUB 0.7 billion).

An increase in other operating expenses for the three-month period ended 30 June 2017 was mainly due to the expenses incurred by the Group's subsidiary as a result of decrease in the fair value of investment property of RUB 2.1 billion and recognition of loss from impairment of property and equipment in the amount of RUB 1.4 billion (for the six-month period ended 30 June 2016 those expenses were insignificant).

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

## 25. Equity

### Changes in equity

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

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

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

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

Included within uncovered loss there is also an income from operations with the owner amounting up to RUB 5.0 billion (Note 7).

## 26. Commitments and contingencies

### Operating environment

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

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

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

The ruble interest rates remained high. The exchange rate of the Russian ruble fluctuates in line with changes in oil prices. Following the drop in the RUB-exchange rate in 2015 – early 2016 to RUB 83.5913 per USD 1 and increasing oil prices, the Russian ruble strengthened, with the exchange rate of RUB 60.6569 per USD 1 by the end of 2016. The exchange rate as at 30 June 2017 was RUB 59.0855 per USD 1. The key rate of the Bank of Russia decreased from 10% as at 31 December 2016 to 9.0% as at 30 June 2017.

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

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

## 26. Commitments and contingencies (continued)

### Operating environment (continued)

In July 2017, Standard & Poor's revised its outlook on Vnesheconombank from "developing" to "positive" making it equal to the sovereign credit rating of the Russian Federation. During the first half of 2017, there were no changes in credit ratings of Vnesheconombank. Standard & Poor's affirmed its BB+/B long- and short-term foreign currency and BBB-/A-3 long- and short-term local currency sovereign credit ratings on the Bank.

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

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

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

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

In 2014-2015, political and economic uncertainty in Ukraine increased significantly. While this uncertainty still exists, it was taken into account at estimating assets and liabilities of the Group that are related to its activities in Ukraine as at 30 June 2017. From 2014, Ukraine demonstrated decreased gross domestic product, significant negative foreign trade balance and a drastic reduction in foreign currency reserves. International rating agencies downgraded sovereign debt ratings for Ukraine. Moreover, during the period from 1 January 2014 to 30 June 2017, the Ukrainian hryvnia depreciated against major foreign currencies by approximately 65.5%. The combination of these events resulted in the deterioration of liquidity and tighter credit conditions when lending is available. Further assistance from the International Monetary Fund and other international donors depends on progress in mentioned above structural reforms. In March 2017, Ukraine imposed one-year special economic sanctions on banks with Russian participation in equity, including PSC Prominvestbank, that forbid withdrawal of capital to its affiliates outside Ukraine, including granting and repayments of loans and deposits, purchase of securities, dividend or interest payments and profit and equity distribution.

Information about the risk the Group is exposed to in Ukraine as at 30 June 2017 is provided in Note 6 "Segment information". As disclosed earlier, Segment 3 includes PSC Prominvestbank: its income/expenses, profit/loss, assets and liabilities, and represents the Group's banking activity in Ukraine. As at 30 June 2017, net assets of the subsidiary bank in Ukraine less intergroup loans provided to it amounted to RUB 23.5 billion. As at 30 June 2017, the Group's exposure to risk in Ukraine is accounted for within assets of Segment 1 in the amount RUB 13.6 billion. As at 30 June 2017, a 100% allowance for impairment was recognized against these assets.

As at 30 June 2017, assets of the Group exposed to the risks of consequences arising from the situation in Ukraine comprise loans issued by the Group's subsidiary with a carrying amount of RUB 20.1 billion (before allowance for impairment of these loans in the amount of RUB 15.89 billion), and other assets in the amount of RUB 4.6 billion (before allowance for impairment of RUB 4.6 billion). As at 31 December 2016, loans to customers of the Group's subsidiary amounted to RUB 24.7 billion (allowance for impairment: RUB 22.4 billion), and other assets amounted to RUB 4.8 billion (allowance for impairment: RUB 4.8 billion).

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

## 26. Commitments and contingencies (continued)

### Operating environment (continued)

The Group management also believes that as at 30 June 2017 the risks of consequences caused by the situation in Ukraine could also affect Vnesheconombank's loans issued to third parties for the acquisition of securities and financing of steel companies of Ukraine with a carrying amount of RUB 65.6 billion before allowance (31 December 2016: RUB 67.3 billion). As at 30 June 2017 and 31 December 2016, a 100% allowance for impairment was recognized against these assets.

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

### Legal issues

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

### Taxation

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

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

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

As at 30 June 2017, the Group 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, unless otherwise stated)***26. Commitments and contingencies (continued)****Commitments and contingencies**

The Group's commitments and contingencies comprise the following:

	<b>30 June 2017</b> <b>(unaudited)</b>	<b>31 December 2016</b>
Undrawn loan commitments	242.2	416.9
Guarantees	604.2	633.4
Letters of credit	9.7	10.9
	<b>856.1</b>	<b>1,061.2</b>
<b>Operating lease commitments</b>		
Not later than 1 year	2.6	3.0
Later than 1 year but not later than 5 years	4.3	4.8
Later than 5 years	4.2	4.8
	<b>11.1</b>	<b>12.6</b>
Co-investment commitments	4.4	4.7
Capital expenditure commitments	42.0	47.9
	<b>913.6</b>	<b>1,126.4</b>
Less provisions (Note 21)	(7.6)	(5.6)
<b>Commitments and contingencies (before deducting collateral)</b>	<b>906.0</b>	<b>1,120.8</b>
Less cash and promissory notes held as collateral against guarantees and letters of credit	(2.5)	(3.4)
<b>Commitments and contingencies</b>	<b>903.5</b>	<b>1,117.4</b>

As at 30 June 2017, the Group advised export letters of credit of RUB 87.6 billion (31 December 2016: RUB 88.6 billion). The Group bears no credit risks under export letters of credit.

For the six-month period of 2017, there was a decrease in the Group's loan commitments mainly due to the expiry of the commitments to extend a credit line in the amount of RUB 151.9 billion to a Russian company unrelated to the state (equivalent as at the expiration date).

For the six-month period of 2017, the Group's guarantee liabilities decreased mainly due to a decrease in significant USD-denominated guarantees for customers in the amount of RUB 26.4 billion (equivalent as at the date of decrease).

**27. Fair value measurement**

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

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

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

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

30 June 2017 (unaudited)	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets measured at fair value</b>				
<b>Trading financial assets</b>	<b>2.4</b>	<b>0.4</b>	<b>–</b>	<b>2.8</b>
- Equity securities	0.2	–	–	0.2
- Eurobonds issued by the Russian Federation	0.2	–	–	0.2
- Corporate bonds	0.9	0.4	–	1.3
- Eurobonds of Russian and foreign issuers	0.1	–	–	0.1
- Russian State Bonds (OFZ)	1.0	–	–	1.0
<b>Financial assets at fair value through profit or loss pledged as collateral under repurchase agreements</b>	<b>0.5</b>	<b>–</b>	<b>–</b>	<b>0.5</b>
- Russian State Bonds (OFZ)	0.5	–	–	0.5
<b>Derivative financial instruments</b>	<b>–</b>	<b>6.2</b>	<b>1.8</b>	<b>8.0</b>
- Forward contracts: equity financial instruments	–	0.5	1.8	2.3
- Option contracts with foreign currency	–	2.2	–	2.2
- Foreign exchange contracts: foreign	–	1.9	–	1.9
- Foreign exchange contracts: domestic	–	1.6	–	1.6
<b>Financial assets designated as at fair value through profit or loss</b>	<b>–</b>	<b>–</b>	<b>13.6</b>	<b>13.6</b>
<b>Investment financial assets available for sale</b>	<b>142.1</b>	<b>108.1</b>	<b>206.3</b>	<b>456.5</b>
- Units	–	–	169.4	169.4
- Shares and participation interests	55.8	0.7	1.4	57.9
- Corporate bonds	17.1	73.8	–	90.9
- Russian State Bonds (OFZ)	35.7	7.6	–	43.3
- Debt instruments issued by foreign government bodies	0.4	22.4	–	22.8
- Municipal and sub-federal bonds	1.4	0.4	–	1.8
- Eurobonds of Russian and foreign issuers	25.7	0.1	–	25.8
- Eurobonds issued by the Russian Federation	6.0	3.1	–	9.1
- Other financial assets available for sale	–	–	35.5	35.5
<b>Investment financial assets available for sale pledged as collateral under repurchase agreements</b>	<b>1.8</b>	<b>0.5</b>	<b>–</b>	<b>2.3</b>
- Corporate bonds	1.8	0.5	–	2.3
<b>Investment property (within other assets)</b>	<b>–</b>	<b>–</b>	<b>35.3</b>	<b>35.3</b>
<b>Assets for which fair values are disclosed</b>				
Cash and cash equivalents	–	486.8	–	486.8
Special purpose accounts	–	92.7	–	92.7
Amounts due from banks and treasury, including those pledged as collateral under repurchase agreements	–	–	86.5	86.5
Loans to customers, including those pledged as collateral under repurchase agreements	1.5	53.2	1,817.1	1,817.1
Net investments in leases	–	–	197.3	197.3
Investment financial assets held to maturity, including those pledged as collateral under repurchase agreements	8.4	5.3	–	13.7
Subordinated loans to banks	–	–	69.4	69.4
	<b>156.7</b>	<b>753.2</b>	<b>2,427.3</b>	<b>3,337.2</b>

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

## 27. Fair value measurement (continued)

30 June 2017 (unaudited)	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<i>Liabilities measured at fair value</i>				
Derivative financial liabilities	-	0.1	-	0.1
- Interest rate swaps: foreign	-	0.1	-	0.1
<i>Liabilities for which fair values are disclosed</i>				
Amounts due to banks	-	-	589.3	589.3
Amounts due to the Russian Government and the Bank of Russia	-	-	617.3	617.3
Amounts due to customers	-	-	449.4	449.4
Debt securities issued	570.4	429.9	76.8	1,077.1
Finance lease liabilities	-	-	60.3	60.3
Subordinated deposits	-	-	115.4	115.4
	<u>570.4</u>	<u>430.0</u>	<u>1,908.5</u>	<u>2,908.9</u>

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

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

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

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

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

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

*Derivatives*

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

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

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

Trading financial assets and investment financial assets available for sale and related to Levels 2 and 3 valued using a valuation technique are represented mainly by unquoted equity and debt securities. Such assets are valued using models which incorporate either only observable market data or both observable and unobservable data. The unobservable inputs include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

*(in billions of Russian rubles, unless otherwise stated)***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 2017	Gains/(losses) recorded in the statement of profit or loss (unaudited)	Losses recorded in other comprehensive income (unaudited)	Acquisitions (unaudited)	Disposal (unaudited)	Reclassification (unaudited)	30 June 2017 (unaudited)
<b>Assets</b>							
Derivative financial asset	1.5	0.3	-	-	-	-	1.8
Financial assets designated as at fair value through profit or loss	14.0	(0.4)	-	-	-	-	13.6
Investment financial assets available for sale	208.9	1.5	(4.0)	-	(0.1)	-	206.3
Investment property (within other assets)	30.0	(2.1)	-	0.2	(0.1)	7.3	35.3
	<b>254.4</b>	<b>(0.7)</b>	<b>(4.0)</b>	<b>0.2</b>	<b>(0.2)</b>	<b>7.3</b>	<b>257.0</b>

Unrealized gains on derivative financial asset in the amount of RUB 0.3 billion and 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 "Net gains/(losses) from financial instruments at fair value through profit or loss".

Gains on investment financial assets available for sale in the amount of RUB 1.5 billion are recognized in the consolidated statement of profit or loss in "Interest income". Unrealized losses from revaluation of investment financial assets available for sale in the amount of RUB 4.0 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".

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

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

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

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

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

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

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

*Effect of changes in significant unobservable inputs on the measurement of assets 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 June 2017 (unaudited)	Carrying amount	Valuation technique	Unobservable inputs	Range (weighted average value)	Alternative assumptions
<b>Financial assets at fair value through profit or loss</b>					
Derivative financial asset 1	1.8	Discounted cash flows	Discount rate	13.62%	1%
Group 1 of financial assets	2.5	Other valuation techniques	Not applicable	Not applicable	–
Group 2 of financial assets	9.7	Discounted cash flows	Weighted average cost of capital	15.08%	1%
Group 7 of financial assets	1.4	Discounted cash flows	Terminal period growth Weighted average cost of capital	4.25% 15.40%	0,5%, 3%
<b>Investment financial assets available for sale</b>					
Group 3 of equity securities	2.2	Other valuation techniques	Not applicable	Not applicable	–
Group 4 of equity securities	167.2	Discounted cash flows	Weighted average cost of capital	10,75%-18%	0.5%
Group 5 of other financial assets available for sale	35.5	Multiplier	Fair value / net assets	0.57	0.5%
Group 6 of equity securities	1.4	Weighted average multiplier	EV/PAX (PAX-passenger traffic) EV/EBITDA EV/Sales	0.01 11.30 3.73	10%
<b>Investment property (within other assets)</b>					
Group 1 of investment property	1.6	Comparative method	Discount Cost of 1 sqm	10.0%-20.0% RUB 7.9 thousand	0.7%-4.6%
Group 2 of investment property	0.5	Discounted cash flows	Cost of 1 sqm	RUB 292 thousand- RUB 394 thousand	5%
Group 3 of investment property	2.0	Discounted cash flows	Discount rate	18%	1%
Group 4 of investment property	2.7	Comparative method	Discount Cost of 1 sqm	9.0%-16.3% RUB 9.176 thousand – RUB 13.10 thousand	2%-5% 5%
Group 5 of investment property	14.3	Discounted cash flows	Discount rate	16.4%-17.7%	1%
Group 6 of investment property	6.8	Other valuation techniques	Not applicable	Not applicable	–
Group 7 of investment property	0.1	Other valuation techniques	Not applicable	Not applicable	–
Group 8 of investment property	7.3	Discounted cash flows	Discount rate	18%	1%



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

31 December 2016	Carrying amount	Valuation technique	Unobservable inputs	Range (weighted average value)	Alternative assumptions
<b>Financial assets at fair value through profit or loss</b>					
Derivative financial asset 1	1.5	Discounted cash flows	Discount rate	14.19%	1%
Group 1 of financial assets	2.9	Other valuation techniques	Not applicable	Not applicable	–
Group 2 of financial assets	9.7	Discounted cash flows	Weighted average cost of capital	15.08%	1%
Group 7 of financial assets	1.4	Discounted cash flows	Terminal period growth Weighted average cost of capital	4.25% 15.40%	0,5%, 3%
<b>Investment financial assets available for sale</b>					
Group 3 of equity securities	1.9	Other valuation techniques	Not applicable	Not applicable	–
Group 4 of equity securities	170.0	Discounted cash flows	Weighted average cost of capital	11.4%-17.9%	0.5%
Group 5 of other financial assets available for sale	35.5	Multiplier	Fair value / net assets	0.57	0.5%
Group 6 of equity securities	1.4	Weighted average multiplier	EV/PAX (PAX-passenger traffic) EV/EBITDA EV/Sales	0.01 11.30 3.73	2%
<b>Investment property (within other assets)</b>					
Group 1 of investment property	1.6	Comparative method	Discount Cost of 1 sqm	10%-20% RUB 9.2 thousand	4.6%-4.9%
Group 2 of investment property	1.4	Discounted cash flows	Cost of 1 sqm	RUB 304 thousand – RUB 412 thousand	5%
Group 3 of investment property	2.1	Discounted cash flows	Discount rate	18.0%	1%
Group 4 of investment property	2.5	Comparative method	Discount Cost of 1 sqm	9.0%-16.3% RUB 9.176 thousand – RUB 13.10 thousand	5%
Group 5 of investment property	15.5	Discounted cash flows	Discount rate	16.4%-17.7%	1%
Group 6 of investment property	6.8	Other valuation techniques	Not applicable	Not applicable	–
Group 7 of investment property	0.1	Other valuation techniques	Not applicable	Not applicable	–

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

	30 June 2017 (unaudited)	
	Carrying amount (unaudited)	Effect of reasonably possible alternative assumptions (unaudited)
Derivative financial asset	1.8	(0.2)
Financial assets designated as at fair value through profit or loss	11.1	(0.4)
Investment financial assets available for sale	204.1	(2.0)
Investment property (within other assets)	28.4	(1.3)

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

	<b>31 December 2016</b>	
	<b>Carrying amount</b>	<b>Effect of reasonably possible alternative assumptions</b>
Derivative financial assets	1.5	(0.2)
Financial assets designated as at fair value through profit or loss	11.1	(0.1)
Investment financial assets available for sale	206.9	(1.5)
Investment property (within other assets)	23.1	(1.5)

To determine the impact of possible alternative assumptions relating to the financial assets designated as at fair value through profit of loss, investment financial assets available for sale and derivative financial asset, the Group took a prudent approach and adjusted key unobservable inputs at the lower interval boundary of possible assumptions. If the upper interval boundary of possible assumptions were applied, their positive impacts as at 30 June 2017 would have amounted to RUB 2.5 billion, RUB 1.9 billion and RUB 0.2 billion, respectively (31 December 2016: RUB 0.1 billion, RUB 1.0 billion and RUB 0.1 billion, respectively).

*Transfers between Level 1 and Level 2*

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

	<b>Transfers from Level 2 to Level 1 for the six-month period ended 30 June</b>	
	<b>2017 (unaudited)</b>	<b>2016 (unaudited)</b>
<b>Financial assets</b>		
Investment financial assets available for sale (including those lent and pledged as collateral under repurchase agreements)	3.9	3.3
	<b>Transfers from Level 1 to Level 2 for the six-month period ended 30 June</b>	
	<b>2017 (unaudited)</b>	<b>2016 (unaudited)</b>
<b>Financial assets</b>		
Investment financial assets available for sale (including those pledged as collateral under repurchase agreements)	0.7	9.7

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

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

*(in billions of Russian rubles, unless otherwise stated)***27. Fair value measurement (continued)****Financial instruments not carried at fair value in the statement of financial position**

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

	30 June 2017 (unaudited)			31 December 2016		
	Carrying amount	Fair value	Unrecognized gain/(loss)	Carrying amount	Fair value	Unrecognized gain/(loss)
<b>Financial assets</b>						
Cash and cash equivalents	486.8	486.8	-	350.1	350.1	-
Financial assets lent and pledged as collateral under repurchase agreements:						
- investment financial assets held to maturity	0.3	0.3	-	1.1	1.1	-
- loans to customers	-	-	-	1.4	1.4	-
Special purpose accounts	92.7	92.7	-	79.9	79.9	-
Amounts due from banks and treasury	84.7	86.5	1.8	92.3	94.9	2.6
Loans to customers	1,843.8	1,871.8	28.0	1,904.5	1,929.8	25.3
Net investments in leases	209.2	197.3	(11.9)	283.6	265.9	(17.7)
Investment financial assets held to maturity	12.7	13.4	0.7	18.0	18.7	0.7
Subordinated loans	58.7	69.4	10.7	57.4	64.6	7.2
<b>Financial liabilities</b>						
Amounts due to banks	589.6	589.3	0.3	644.5	644.3	0.2
Amounts due to the Russian Government and the Bank of Russia	607.6	617.3	(9.7)	553.8	558.4	(4.6)
Amounts due to customers	447.3	449.4	(2.1)	532.1	534.0	(1.9)
Debt securities issued	1,051.3	1,077.1	(25.8)	1,024.6	1,051.3	(26.7)
Finance lease liabilities	70.5	60.3	10.2	75.9	63.7	12.2
Subordinated deposits	94.0	115.4	(21.4)	92.5	111.7	(19.2)
<b>Total unrecognized change in unrealized fair value</b>			<b>(19.2)</b>			<b>(21.9)</b>

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

*Assets for which fair value approximates their carrying amount*

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

*Fixed and floating rate financial instruments*

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

*(in billions of Russian rubles, unless otherwise stated)***27. Fair value measurement (continued)****Financial instruments not carried at fair value in the statement of financial position (continued)**

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

**28. Related party transactions**

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

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

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

**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 June 2017 and 31 December 2016 are as follows:

	30 June 2017 (unaudited)			31 December 2016		
	Associates	Jointly controlled entities	Key management personnel	Associates	Jointly controlled entities	Key management personnel
<b>Assets</b>						
Financial assets designated as at fair value through profit or loss	1.8	0.5	–	2.2	–	–
Amounts due from banks and treasury	22.2	–	–	22.4	–	–
Subordinated loans to banks	5.2	–	–	5.1	–	–
Loans to customers, net of allowance	9.2	19.4	0.1	15.5	11.7	0.1
Other assets	0.3	1.3	–	–	–	–
<b>Liabilities</b>						
Amounts due to banks	0.8	–	–	–	–	–
Amounts due to customers	0.1	–	0.4	–	–	0.3
Guarantees issued and undrawn loan commitments	15.8	–	–	15.5	–	–

*(in billions of Russian rubles, unless otherwise stated)***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 six-month periods ended 30 June 2017 and 2016 are as follows:

	For the six-month period ended 30 June 2017 (unaudited)			For the six-month period ended 30 June 2016 (unaudited)		
	Associates	Jointly controlled entities	Key management personnel	Associates	Jointly controlled entities	Key management personnel
<b>Interest income</b>						
Loans to customers	0.7	1.3	–	3.0	0.7	–
Amounts due from banks and treasury	1.1	–	–	0.5	–	–
Subordinated loans to banks	0.5	–	–	0.1	–	–
<b>Interest expense</b>						
Amounts due to banks	(0.1)	–	–	–	–	–
Amounts due to customers	–	–	–	(0.6)	–	(0.1)
<b>Reversal of / (allowance for) impairment of interest-earning assets</b>	(4.0)	5.0	–	(77.1)	0.5	–

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

	For the six-month period ended 30 June (unaudited)	
	2017	2016
Salaries and other short-term benefits	1.0	1.2
Mandatory contributions to the pension fund	0.1	0.1
Social security contributions	0.1	–
<b>Compensation to key management personnel</b>	<b>1.2</b>	<b>1.3</b>

**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 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 addition, as at 30 June 2017 transactions with state-related entities include cash non-interest-bearing deposits (obligatory reserves) maintained by the Vnesheconombank's subsidiary banks with the Bank of Russia in the amount of RUB 2.7 billion (31 December 2016: RUB 2.9 billion).

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

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

In addition, as at 30 June 2017 transactions with state-related entities include interest bearing term deposit placed by Group's subsidiary with the state-related bank in the amount of RUB 2.0 billion and liabilities of the Group's subsidiary in the amount of RUB 0.9 billion to provide loans to state-related banks with the purpose of financing of investment projects (Notes 11, 16). During the reporting period ended 30 June 2017, within the line "Net gains/(losses) on initial recognition of financial instruments, restructuring and early repayment" of the consolidated statement of profit and loss, loss on initial recognition of respective financial instruments in the amount of RUB 1.9 billion has been recognized by the Group's subsidiary.

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

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

Bank	Type of transaction	Amounts due from banks and treasury	
		30 June 2017 (unaudited)	31 December 2016
Bank 1	Interest-bearing loans and deposits with banks maturing within 90 days	31.5	0.1
Bank 2	Interest-bearing loans and deposits with banks maturing within 90 days	9.0	9.0
Bank 3	Term interest-bearing deposits with banks	5.0	5.3
Bank 4	Interest-bearing loans and deposits with banks maturing within 90 days	1.5	90.9
		<b>47.0</b>	<b>105.3</b>

Bank	Type of transaction	Amounts due to banks	
		30 June 2017 (unaudited)	31 December 2016
Bank 4	Loans and other placements from Russian banks	111.2	134.3
Bank 5	Loans and other placements from Russian banks	65.2	58.9
Bank 1	Loans and other placements from Russian banks	39.9	43.2
Bank 6	Loans and other placements from Russian banks	2.2	6.6
Bank 7	Loans and other placements from Russian banks	0.2	5.0
		<b>218.7</b>	<b>248.0</b>

*(in billions of Russian rubles, unless otherwise stated)***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 13. Transactions with state-related customers account for the major portion of all of the Group's operations with customers. Balances of the most significant transactions with state-related institutions and entities as at 30 June 2017 and 31 December 2016 comprise the following:

Borrower	Industry	Loans to customers	Undrawn loan commitments	Loans to customers	Undrawn loan commitments
		30 June 2017 (unaudited)		31 December 2016	
Customer 1	Financing	394.3	-	378.1	-
Customer 2	Manufacturing, including heavy machinery and production of military-related goods	99.3	1.3	102.9	-
Customer 3	Manufacturing, including heavy machinery and production of military-related goods	77.5	11.6	76.4	15.2
Customer 4	Financing	40.9	-	40.8	-
Customer 5	Manufacturing, including heavy machinery and production of military-related goods	38.3	10.9	36.7	12.2
Customer 6	Transport	31.7	-	32.7	-
Customer 7	Manufacturing, including heavy machinery and production of military-related goods	31.5	-	30.4	-
Customer 8	Electric energy	26.5	-	27.2	-
Customer 9	Oil and gas	25.8	-	24.3	-
Customer 10	Transport	24.7	-	24.9	-
Customer 11	Manufacturing, including heavy machinery and production of military-related goods	12.6	-	16.7	-
Customer 12	Manufacturing, including heavy machinery and production of military-related goods	12.4	-	12.7	-
Customer 13	Manufacturing, including heavy machinery and production of military-related goods	6.8	7.6	6.7	7.7
Customer 14	Electric energy	6.6	-	6.7	-
Customer 15	Telecommunications	6.6	-	5.5	-
Customer 16	Manufacturing, including heavy machinery and production of military-related goods	6.0	-	5.7	-
Customer 17	Trade	5.0	-	5.7	-
Customer 18	Electric energy	4.9	6.8	5.3	6.8
Customer 19	Telecommunications	0.3	2.0	5.5	7.0
Customer 20	Financing	-	-	9.1	-
		<b>851.7</b>	<b>40.2</b>	<b>854.0</b>	<b>48.9</b>



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

		<b>Net investments in leases</b>	
<b>Customer</b>	<b>Industry</b>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016</b>
Customer 21	Transport	70.2	76.5
Customer 22	Transport	-	35.4
Customer 23	Transport	-	5.3
Customer 24	Transport	-	5.3
		<b>70.2</b>	<b>122.5</b>
		<b>Amounts due to customers</b>	
<b>Customer</b>	<b>Industry</b>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016</b>
Customer 25	Financing	51.4	65.9
Customer 26	Other	10.0	-
Customer 15	Telecommunications	9.6	11.1
Customer 27	Manufacturing, including heavy machinery and production of military-related goods	7.8	13.5
Customer 6	Transport	6.4	0.6
Customer 5	Manufacturing, including heavy machinery and production of military-related goods	3.6	10.2
Customer 7	Manufacturing, including heavy machinery and production of military-related goods	1.5	5.8
		<b>90.3</b>	<b>107.1</b>
		<b>Guarantees issued</b>	
<b>Customer</b>	<b>Industry</b>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016</b>
Customer 27	Manufacturing, including heavy machinery and production of military-related goods	138.8	159.4
Customer 28	Electric energy	9.1	8.3
		<b>147.9</b>	<b>167.7</b>

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

	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016</b>
Financial assets at fair value through profit or loss		
- trading financial assets	1.2	0.2
Financial assets at fair value through profit or loss pledged as collateral under repurchase agreements	0.5	-
Investment financial assets:		
- available for sale	54.2	48.7
- held to maturity	1.1	1.4
Investment financial assets pledged as collateral under repurchase agreements		
- available for sale	-	0.1
- held to maturity	0.3	-

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

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

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 June 2017 and 31 December 2016, the Group's investments in securities issued by state-related issuers, as well as transactions involving derivative financial instruments with such counterparties comprise the following:

	30 June 2017 (unaudited)			31 December 2016		
	Equity securities	Debt securities	Derivative financial assets	Equity securities	Debt securities	Derivative financial assets
Financial assets at fair value through profit or loss						
- trading financial assets	0.2	1.0	-	0.2	-	-
- derivative financial assets	-	-	1.5	-	-	-
- financial assets designated as at fair value through profit or loss	10.6	-	-	10.6	-	-
Financial assets pledged as collateral under repurchase agreements						
- available for sale	-	2.3	-	-	2.7	-
- loans to customers	-	-	-	-	1.4	-
Investment financial assets available for sale	210.6	97.1	-	218.3	103.1	-
Investment financial assets held to maturity	-	7.4	-	-	10.7	-

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

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

	For the six-month period ended 30 June (unaudited)	
	2017	2016
<b>Interest expense</b>		
Amounts due to the Bank of Russia	(9.5)	(18.8)
Amounts due to the Russian Government	(17.0)	(16.5)
Government grants	3.0	135.9

Government grants recorded in the consolidated statement of profit or loss for the six-month period ended 30 June 2017 include Bank's gain from government grants in the amount of RUB 2.0 billion (for the six-month period ended 30 June 2016: RUB 134.9 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 period ended 30 June 2017 also include a gain of RUB 1.0 billion on recognition of special purpose funds with the carrying amount of RUB 10.0 billion attracted at a below market rate (Note 18).

In addition as at 30 June 2017 the gain on transactions with the owner in the amount of RUB 5.0 billion is recorded directly within uncovered loss in equity (Note 7).

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

## 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 six-month period ended 30 June 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.

## 29. Subsequent events

In July-August 2017, the Bank issued USD-denominated guarantees and counter guarantees in favor of customers totaling RUB 8.6 billion (equivalent as of the date of these interim condensed consolidated financial statements). In addition, in July-August 2017, USD- and RUB-denominated guarantees previously issued by the Bank in favor of customers totaling RUB 7.7 billion expired (equivalent at the reporting date).

In July 2017, in accordance with the free-of-charge transfer agreement, the transfer of ownership rights to the ordinary shares of JSC "North Caucasus Development Corporation" from Vnesheconombank to the Russian Federation represented by Federal agency for the management of state property has been completed (Note 12).

In July 2017, LLC "VEB Innovations", a 100% subsidiary of Vnesheconombank, was registered. In August 2017, funds in the amount of RUB 0.25 billion were transferred as a monetary contribution to the charter capital. The company was established to assist in the National Technology Initiative (NTI) projects.

On the 5 July 2017, the Group obtained control over six companies of Eurodon Group: LLC EURODON, LLC Ursdon, LLC Eurodon YUG, LLC Irdon, LLC TH Indolina, LLC Metall-don – ownership share in each of the companies comprised 74%. Principal activity of the group is table poultry production, processing and sales of turkey and duck meat, installation and construction works, production of steel structures and sandwich panels. The Group's participation in charter capital of these companies was due to the Bank's financing of project for the industrial complex establishment. Currently the Group is in the process of determining the fair value of assets, liabilities and contingencies of the acquirees.

In July-August 2017, the Bank purchased its own Eurobonds with a nominal value of USD 3.2 million (equivalent to RUB 0.2 billion at the date of purchase).

In August 2017 the Bank opened a USD-nominated credit line for the Client in amount RUB 22.1 billion (equivalent as of the date of these interim condensed consolidated financial statements).