

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

Interim Condensed Consolidated Financial Statements
as at 31 March 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 31 March 2017, the interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period then ended and selected explanatory notes (interim financial information). Management of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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



G.A. Shinin
Partner
Ernst & Young LLC

5 June 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 31 March 2017

(in billions of Russian rubles)

	Notes	31 March 2017 (unaudited)	31 December 2016
Assets			
Cash and cash equivalents	8	328.9	350.1
Financial assets at fair value through profit or loss	9	19.6	19.2
Financial assets lent and pledged as collateral under repurchase agreements	10	–	4.7
Special purpose accounts		76.0	79.9
Amounts due from banks and treasury	11	97.2	92.3
Non-current assets held for sale		11.9	13.0
Loans to customers	12	1,863.7	1,904.5
Net investments in leases	13	227.6	283.6
Investment financial assets:	14		
- available for sale		463.8	470.3
- held to maturity		17.1	18.0
Subordinated loans to banks		58.2	57.4
Investments in associates and jointly controlled entities	4	38.3	39.7
Property and equipment		93.9	100.4
Income tax assets	19	6.5	6.5
Other assets	15	139.2	133.8
Total assets		3,441.9	3,573.4
Liabilities			
Amounts due to banks	16	555.6	644.5
Financial liabilities at fair value through profit or loss	9	0.2	0.5
Amounts due to the Russian Government and the Bank of Russia	7	562.7	553.8
Amounts due to customers	17	472.6	532.1
Debt securities issued	18	951.9	1,024.6
Finance lease liabilities	21	68.7	75.9
Subordinated deposits		87.8	92.5
Income tax liabilities	19	13.6	14.2
Provisions	20	34.0	33.4
Other liabilities	15	43.5	46.2
Total liabilities		2,790.6	3,017.7
Equity			
Authorized capital	24	673.3	596.6
Additional paid-in capital		164.3	164.3
Uncovered loss		(249.6)	(264.3)
Unrealized revaluation of investment financial assets available for sale		45.6	45.3
Foreign currency translation reserve		11.8	8.4
Equity attributable to the Russian Government		645.4	550.3
Non-controlling interests		5.9	5.4
Total equity		651.3	555.7
Total equity and liabilities		3,441.9	3,573.4

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

S.N. Gorkov

Chairman of the Bank

E.P. Kosyreva

Acting Chief Accountant

5 June 2017

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

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

	Notes	For the three-month period ended 31 March (unaudited)	
		2017	2016 (restated)
Interest income	22	69.8	89.6
Interest expense	22	(49.6)	(63.9)
Net interest income		20.2	25.7
Provision for impairment of interest-earning assets	20	(3.2)	(176.2)
Net interest expense after provision for impairment of interest-earning assets		17.0	(150.5)
Fee and commission income		2.6	2.9
Fee and commission expense		(0.7)	(0.8)
Net fee and commission income		1.9	2.1
Net gains/(losses) from financial instruments at fair value through profit or loss		(0.2)	(0.4)
Net gains/(losses) from investment financial assets available for sale		(0.3)	1.2
Net gains/(losses) from foreign currencies and currency derivatives:			
- dealing		-	4.4
- translation differences		6.0	(32.2)
Net losses on initial recognition of financial instruments, restructuring and early repayment		-	(2.7)
Share in net loss of associates and jointly controlled entities		(1.3)	(1.0)
Government grants	7	-	135.9
Insurance premiums		1.6	0.8
Other operating income	23	12.1	4.5
Non-interest income		17.9	110.5
Payroll and other staff costs		(5.9)	(7.0)
Occupancy and equipment		(1.1)	(2.0)
Depreciation of property and equipment		(1.8)	(1.5)
Taxes other than income tax		(0.7)	(0.6)
Other provisions and allowances for impairment of other assets	20	(3.3)	(0.1)
Other operating expenses		(9.9)	(10.6)
Non-interest expense		(22.7)	(21.8)
Profit/(loss) before income tax		14.1	(59.7)
Income tax benefit/(expense)	19	(0.1)	1.4
Profit/(loss) for the period		14.0	(58.3)
Attributable to:			
- the Russian Government		13.8	(58.2)
- non-controlling interests		0.2	(0.1)
		14.0	(58.3)

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

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

Notes	For the three-month period ended 31 March (unaudited)	
	2017	2016
Profit/(loss) for the period	14.0	(58.3)
Other comprehensive income		
<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	0.6	24.1
Translation differences	3.4	(11.7)
Income tax relating to components of other comprehensive income	(0.3)	(0.2)
Net other comprehensive income to be subsequently reclassified to profit or loss	3.7	12.2
<i>Other comprehensive income/(loss) not to be subsequently reclassified to profit or loss when specific conditions are met</i>		
Revaluation of property and equipment reclassified to the investment property	1.2	-
Net other comprehensive income not to be subsequently reclassified to profit or loss	1.2	-
Other comprehensive income for the period, net of tax	4.9	12.2
Total comprehensive income/(loss) for the period	18.9	(46.1)
Attributable to:		
- the Russian Government	18.4	(45.8)
- non-controlling interests	0.5	(0.3)
	18.9	(46.1)

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

Interim condensed consolidated statement of changes in equity
For the three-month period ended 31 March 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			
31 December 2015	445.6	150.5	(154.2)	35.3	(0.9)	476.3	4.5	480.8
Loss for the period (unaudited)	-	-	(58.2)	-	-	(58.2)	(0.1)	(58.3)
Other comprehensive income/(loss) (unaudited)	-	-	-	23.9	(11.5)	12.4	(0.2)	12.2
Total comprehensive income/(loss) for the period (unaudited)	-	-	(58.2)	23.9	(11.5)	(45.8)	(0.3)	(46.1)
Contributions of the Russian Government (unaudited)	73.8	-	-	-	-	73.8	-	73.8
Subsidiary acquired (Note 5) (unaudited)	-	-	-	-	-	-	3.1	3.1
Change in interest in existing subsidiaries (unaudited)	-	-	(0.9)	-	-	(0.9)	0.8	(0.1)
31 March 2016 (unaudited)	519.4	150.5	(213.3)	59.2	(12.4)	503.4	8.1	511.5
31 December 2016	596.6	164.3	(264.3)	45.3	8.4	550.3	5.4	555.7
Profit for the period (unaudited)	-	-	13.8	-	-	13.8	0.2	14.0
Other comprehensive income (unaudited)	-	-	0.9	0.3	3.4	4.6	0.3	4.9
Total comprehensive income for the period (unaudited)	-	-	14.7	0.3	3.4	18.4	0.5	18.9
Contributions of the Russian Government (Note 24) (unaudited)	76.7	-	-	-	-	76.7	-	76.7
31 March 2017 (unaudited)	673.3	164.3	(249.6)	45.6	11.8	645.4	5.9	651.3

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

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

	Notes	For the three-month period ended 31 March (unaudited)	
		2017	2016 (restated)
Cash flows from operating activities			
Profit/ (loss) for the period		14.0	(58.3)
<i>Adjustments:</i>			
Change in interest accruals		(8.2)	(17.4)
Impairment and other provisions	20	6.5	176.3
Changes in unrealized revaluation of trading securities and derivative financial instruments		-	(0.9)
Net gains/(losses) from investment financial assets available for sale, net of impairment loss		0.2	(1.2)
Impairment of investment financial assets available for sale	14	0.1	-
Changes in translation differences		(6.0)	32.2
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		1.3	1.0
Depreciation and amortization		2.0	1.8
Deferred income tax	19	(1.3)	(1.8)
Other changes		0.9	(1.8)
Cash flows from operating activities before changes in operating assets and liabilities		9.5	(3.3)
<i>Net (increase)/decrease in operating assets</i>			
Financial assets at fair value through profit or loss		(0.8)	(1.9)
Special purpose accounts		(1.4)	(1.1)
Amounts due from banks and treasury		(6.1)	(1.0)
Loans to customers		(3.8)	51.8
Net investments in leases		34.9	(2.9)
Other assets		(1.9)	(0.6)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to banks, net of long-term interbank financing		(16.1)	(106.7)
Amounts due to the Russian Government and the Bank of Russia, net of long-term financing		4.9	(100.1)
Amounts due to customers		(47.8)	(71.1)
Debt securities issued, net of bonds and Eurobonds		3.1	(0.1)
Finance lease liabilities		0.4	(2.8)
Other liabilities		11.3	6.8
Net cash used in operating activities		(13.8)	(233.0)

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

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

		For the three-month period ended 31 March (unaudited)	
		2016 (restated)	
Notes	2017	2016 (restated)	
Cash flows from investing activities			
	(42.6)	(15.6)	
Purchase of investment financial assets	49.5	41.8	
Proceeds from sale and redemption of investment financial assets	–	0.1	
Investments in associates and jointly controlled entities	(2.9)	(0.6)	
Purchase of property and equipment	0.2	0.1	
Proceeds from sale of property and equipment	4.2	25.8	
Net cash from investing activities			
Cash flows from financing activities			
	9.5	2.4	
Long-term interbank financing raised	(47.4)	(44.1)	16
Long-term interbank financing repaid	2.7	231.0	
Long-term financing raised from the Bank of Russia and the Russian Government	(0.1)	(89.9)	
Long-term financing repaid to the Bank of Russia	25.0	–	18
Placement of bonds	(40.2)	(44.1)	18
Redemption of bonds and Eurobonds	(27.8)	(21.2)	18
Purchase of bonds and Eurobonds issued by the Group	5.4	5.9	18
Proceeds from sale of previously purchased bonds	76.7	73.8	24
Contributions of the Russian Government	(10.0)	–	15
Transfer of grants	–	(0.1)	
Change in interest in existing subsidiaries	(6.2)	113.7	
Net cash from/(used in) financing activities			
	(5.4)	11.4	
Effect of changes in foreign exchange rates against the Russian ruble on cash and cash equivalents	(21.2)	(82.1)	
Net decrease in cash and cash equivalents			
	350.1	322.1	8
Cash and cash equivalents, beginning			
	328.9	238.0	8
Cash and cash equivalents, ending			
	–	4.1	
Cash recognized in assets of disposal groups held for sale, beginning			
	–	6.1	
Cash recognized in assets of disposal groups held for sale, ending			
Supplemental information:			
	(1.1)	(0.6)	
Income tax paid	(41.0)	(61.2)	
Interest paid	51.8	68.6	
Interest received			

The accompanying selected notes 1-28 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 three-month period of 2017, the Bank, as a state management company, invested pension savings in state securities denominated in Russian rubles, corporate bonds of highly credible Russian issuers, and in corporate bonds collateralized by guarantees of the Russian Federation and mortgage securities. As at 31 March 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 1,754.8 billion and RUB 1,977.8 billion, respectively. Change in funds placed in management to the state management company resulted from a repayment of funds to the State Pension Fund of the Russian Federation according to decisions made in respect of applications to switch to a private pension fund (private management company) that the insured persons submitted in 2016.

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

As at 31 March 2017, the Bank has representative offices in New-York (the United States of America), London (the United Kingdom of Great Britain and Northern Ireland), Milan (the Italian Republic), Frankfurt am-Main (the Federal Republic of Germany), Mumbai (the Republic of India), Beijing (the People's Republic of China), Paris (the French Republic) and Zurich (the Swiss Confederation).

2. Basis of preparation

General

The Russian ruble is the functional currency of Vnesheconombank and the presentation currency of the Group. Transactions in other currencies are treated as transactions in foreign currencies. The Group's foreign subsidiary OJSC "Belvnesheconombank" (Bank BelVEB OJSC) uses the Belarusian ruble ("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.

These interim condensed consolidated financial statements for the three-month period ended 31 March 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 three-month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017.

(in billions of Russian rubles, unless otherwise stated)

2. Basis of preparation (continued)

General (continued)

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

As at 31 March 2017 and 31 December 2016, official exchange rates of the Bank of Russia were RUB 56.3779 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 12 Income Taxes

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 the requirements on recognition of deferred tax assets related to debt instruments measured at fair value, as well as requirements towards recognition of deferred tax assets for unrealized losses. These amendments did not have any material impact on the Group.

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative become effective for annual periods beginning on or after 1 January 2017. 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 amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to disclose additional information in these interim condensed consolidated financial statements, however it will disclose it in the annual financial statements for the year ending 31 December 2017.

(in billions of Russian rubles, unless otherwise stated)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Annual improvements 2014-2016 cycle

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 may have a material effect on the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty regarding the allowance for impairment of loans and receivables and the measurement of the fair value of financial instruments and investment property are consistent with those used in preparing the 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 also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3. Reclassification of comparatives

The Group changed the presentation of the interim condensed consolidated statement of profit or loss for the three-month period ended 31 March 2016 in these interim condensed consolidated financial statements due to revised presentation of results from insurance operations.

	As previously reported	Reclassification amount	As reclassified
Interim condensed consolidated statement of profit or loss for the three-month period ended 31 March 2016 (unaudited)			
Insurance premiums	–	0.8	0.8
Other operating income	5.3	(0.8)	4.5

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

Also the Group changed the presentation of the statement of cash flows for the three-month period ended 31 March 2016 in these interim condensed consolidated financial statements, as it has 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
Interim condensed consolidated statement of cash flows for the three-month period ended 31 March 2016 (unaudited)			
Cash flows from operating activities			
Special purpose accounts	–	(1.1)	(1.1)
Amounts due from banks and treasury	(0.2)	(0.8)	(1.0)
Net cash used in operating activities	(231.1)	(1.9)	(233.0)
Effect of changes in foreign exchange rates against the Russian ruble on cash and cash equivalents	7.7	3.7	11.4
Net decrease in cash and cash equivalents	(83.9)	1.8	(82.1)
Cash and cash equivalents, beginning	373.0	(50.9)	322.1
Cash and cash equivalents, ending	287.1	(49.1)	238.0

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
	31 March 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	99.72%	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
	31 March 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 31 March 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%.

Major associates and jointly controlled entities

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

As at 31 March 2017 and 31 December 2016, Asia Cement LLC is a major jointly controlled entity of the Group, with 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 three-month period ended 31 March 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.

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.

(in billions of Russian rubles, unless otherwise stated)

5. Business combinations (continued)

Acquisitions in 2016 (continued)

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:

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

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 billions of Russian rubles, unless otherwise stated)

6. Segment information

For management purposes, the Group has six 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	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, Russian Export Center JSC, Rose Group Limited 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. Segment 6 comprises other subsidiaries, in which the Group holds a controlling ownership interest.

During three-month period ended 31 March 2016 Rose Group Limited was included into Segment 2 as it was a subsidiary of JSC "GLOBEXBANK". As at 31 March 2017 and 31 December 2016, assets and liabilities of Rose Group Limited are included into Segment 6.

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 three-month periods ended 31 March 2017 and 31 March 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 three-month period ended 31 March 2017 (unaudited)						Total before adjustments	Adjustments	Total
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6			
Interest income on transactions with external customers	43.6	9.8	1.9	2.8	9.0	2.7	69.8	-	69.8
Interest expense on transactions with external customers	(37.7)	(5.9)	(0.5)	(0.7)	(4.0)	(0.8)	(49.6)	-	(49.6)
Net interest income on transactions with external customers	5.9	3.9	1.4	2.1	5.0	1.9	20.2	-	20.2
Intersegment net interest income/(expense)	2.3	(0.7)	(0.4)	(0.7)	(2.4)	0.4	(1.5)	1.5	-
Reversal of/(provision for) impairment of interest-earning assets	2.3	(5.2)	(1.2)	(0.6)	(3.0)	2.3	(5.4)	2.2	(3.2)
Net interest income/(expense) after provision for impairment of interest-earning assets	10.5	(2.0)	(0.2)	0.8	(0.4)	4.6	13.3	3.7	17.0
Net fee and commission income on transactions with external customers	1.0	0.3	0.2	0.4	-	-	1.9	-	1.9
Other non-interest income/(expense) on transactions with external customers	15.4	(0.4)	(0.2)	0.1	(0.6)	3.6	17.9	-	17.9
Non-interest expense on transactions with external customers	(4.2)	(3.9)	(1.7)	(1.1)	(4.6)	(7.2)	(22.7)	-	(22.7)
Other intersegment non-interest income/(expense)	(7.2)	-	0.2	0.2	0.2	(1.7)	(8.3)	8.3	-
Segment profit/(loss) before income tax	15.5	(6.0)	(1.7)	0.4	(5.4)	(0.7)	2.1	12.0	14.1
Income tax expense									(0.1)
Profit for the period									14.0

	For the three-month period ended 31 March 2016 (unaudited)						Total before adjustments	Adjustments	Total
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6			
Interest income on transactions with external customers	54.9	13.3	3.7	4.0	11.3	2.4	89.6	-	89.6
Interest expense on transactions with external customers	(43.9)	(10.4)	(1.2)	(1.1)	(6.2)	(1.1)	(63.9)	-	(63.9)
Net interest income on transactions with external customers	11.0	2.9	2.5	2.9	5.1	1.3	25.7	-	25.7
Intersegment net interest income/(expense)	4.1	(0.8)	(1.3)	(0.9)	(3.0)	2.9	1.0	(1.0)	-
Reversal of/(provision for) impairment of interest-earning assets	(180.3)	(1.3)	4.3	(0.1)	(2.7)	(1.7)	(181.8)	5.6	(176.2)
Net interest income/(expense) after provision for impairment of interest-earning assets	(165.2)	0.8	5.5	1.9	(0.6)	2.5	(155.1)	4.6	(150.5)
Net fee and commission income on transactions with external customers	1.0	0.3	0.3	0.5	-	-	2.1	-	2.1
Intersegment net fee and commission income/(expense)	-	-	-	(0.1)	-	-	(0.1)	0.1	-
Other non-interest income/(expense) on transactions with external customers	118.8	2.6	1.1	0.7	(4.0)	(8.7)	110.5	-	110.5
Non-interest expense on transactions with external customers	(6.2)	(4.7)	1.2	(1.2)	(6.6)	(4.3)	(21.8)	-	(21.8)
Other intersegment non-interest income/(expense)	(19.1)	(0.3)	0.4	(0.2)	0.2	0.4	(18.6)	18.6	-
Segment profit/(loss) before income tax	(70.7)	(1.3)	8.5	1.6	(11.0)	(10.1)	(83.0)	23.3	(59.7)
Income tax benefit									1.4
Loss for the period									(58.3)

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

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

	31 March 2017 (unaudited)	31 December 2016
Segment assets		
Segment 1	2,456.7	2,486.3
Segment 2	385.0	414.2
Segment 3	53.7	75.1
Segment 4	118.4	121.7
Segment 5	393.0	439.9
Segment 6	319.5	321.5
Total before deducting intersegment assets	3,726.3	3,858.7
Intersegment assets	(399.8)	(395.7)
Adjustments	115.4	110.4
Total assets	3,441.9	3,573.4

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

	31 March 2017 (unaudited)	31 December 2016
Segment liabilities		
Segment 1	2,163.9	2,315.3
Segment 2	356.6	380.2
Segment 3	47.0	66.1
Segment 4	105.1	108.0
Segment 5	360.5	404.7
Segment 6	162.4	165.6
Total before deducting intersegment liabilities	3,195.5	3,439.9
Intersegment liabilities	(399.8)	(395.7)
Adjustments	(5.1)	(26.5)
Total liabilities	2,790.6	3,017.7

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

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

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

	31 March 2017 (unaudited)	31 December 2016
Interest-bearing loans and deposits from the Federal Treasury	285.1	281.0
Interest-bearing loans and deposits from the Bank of Russia	197.2	193.9
Settlements related to redemption of Russian Government loans	76.2	78.7
Deposits of non-budgetary funds and regional authorities	4.0	-
Other funds	0.2	0.2
Amounts due to the Russian Government, its institutions and the Bank of Russia	562.7	553.8

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 31 March 2017 and 31 December 2016, the carrying amount of liabilities related to the funds raised amounts to RUB 161.0 billion and RUB 158.0 billion, respectively.

As at 31 March 2017, interest-bearing loans and deposits from the Bank of Russia include loans in the amount of RUB 31.6 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 38.8 billion (31 December 2016: RUB 38.7 billion) (Note 12).

8. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 March 2017 (unaudited)	31 December 2016
Cash on hand	10.5	15.6
Current accounts with the Bank of Russia	95.2	20.8
Correspondent nostro accounts with banks and current accounts with other non-banking organizations:		
- the Russian Federation	18.2	16.3
- other countries	26.6	63.6
Interest-bearing loans and deposits with banks maturing within 90 days	71.3	187.5
Reverse repurchase agreements with banks for up to 90 days	107.1	46.3
Cash and cash equivalents	328.9	350.1

As at 31 March 2017, reverse repurchase agreements include loans in the amount of RUB 81.3 billion (31 December 2016: RUB 37.1 billion) provided to banks and secured by corporate bonds with a fair value of RUB 91.0 billion (31 December 2016: RUB 40.3 billion), as well as loans in the amount of RUB 25.8 billion (31 December 2016: RUB 9.2 billion) provided to banks and secured by corporate shares with a fair value of RUB 32.9 billion (31 December 2016: RUB 12.3 billion).

A decrease in balances of interest-bearing loans and deposits with banks maturing within 90 days as at 31 March 2017 as compared to 31 December 2016 is mainly due to repayment of loans issued to a 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:

	31 March 2017 (unaudited)	31 December 2016
Trading financial assets	1.4	0.5
Derivative financial assets	4.6	4.7
Financial assets designated as at fair value through profit or loss	13.6	14.0
Financial assets at fair value through profit or loss	19.6	19.2

Financial assets designated as at fair value through profit or loss include investments in associates in the amount of RUB 1.8 billion (31 December 2016: RUB 2.2 billion) that meet the criteria to be designated as at fair value through profit or loss since the Group management measures the performance of these investments in terms of changes in their fair value based on quoted prices in an open market, valuation models, using both observable and non-observable market data.

Trading financial assets

Trading financial assets held by the Group comprise:

	31 March 2017 (unaudited)	31 December 2016
Equity securities	0.2	0.2
Debt securities		
Russian State Bonds (OFZ)	0.9	–
Eurobonds issued by the Russian Federation	0.2	0.2
Eurobonds of Russian and foreign issuers	0.1	0.1
	1.2	0.3
Trading financial assets	1.4	0.5

As at 31 March 2017 and 31 December 2016, the Group had no financial assets at fair value through profit or loss pledged as collateral under repurchase agreements.

Derivative financial instruments

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

	31 March 2017 (unaudited)			31 December 2016		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Forward contracts for equity financial instruments	2.3	2.2	–	2.3	2.0	–
Interest rate swaps						
Foreign contracts	5.0	–	0.2	6.0	–	0.2
Option contracts with foreign currency	5.0	2.4	–	5.1	2.5	–
Cross-currency interest rate swap	–	–	–	0.3	–	0.3
Foreign exchange contracts						
Forwards and swaps – foreign	–	–	–	5.0	0.2	–
Total derivative assets/liabilities		4.6	0.2		4.7	0.5

*(in billions of Russian rubles, unless otherwise stated)***10. Financial assets lent and pledged as collateral under repurchase agreements**

As at 31 December 2016, financial assets lent and pledged as collateral under repurchase agreements comprise investment financial assets available for sale in the amount of RUB 2.2 billion, investment financial assets held to maturity in the amount of RUB 1.1 billion (Note 14) and loans to customers in the amount of RUB 1.4 billion (Note 12).

11. Amounts due from banks and treasury

Amounts due from banks and treasury comprise:

	31 March 2017 (unaudited)	31 December 2016
Obligatory reserve with central banks	3.3	3.2
Non-interest-bearing deposits	29.1	40.9
Interbank loans and term interest-bearing deposits with banks	52.8	35.6
Export financing	7.4	7.7
Mortgage bonds	6.1	6.4
Amounts due from treasury	2.1	2.1
	100.8	95.9
Less allowance for impairment (Note 20)	(3.6)	(3.6)
Amounts due from banks and treasury	97.2	92.3

As at 31 March 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 27).

As at 31 March 2017, interbank loans and term interest-bearing deposits with banks with a carrying amount of RUB 4.1 billion (31 December 2016: RUB 4.5 billion) are pledged as collateral under loans raised from the Bank of Russia (Note 7). As at 31 December 2016, non-interest-bearing deposits with banks with a carrying amount of RUB 1.7 billion are pledged as collateral under loans raised from the national bank of a foreign state (Note 16).

*(in billions of Russian rubles, unless otherwise stated)***12. Loans to customers**

Loans to customers comprise:

	31 March 2017 (unaudited)	31 December 2016
Project financing	1,503.2	1,519.4
Commercial loans, including loans to individuals	725.1	746.9
Financing of operations with securities	186.2	200.4
Export and pre-export financing	92.5	94.2
Reverse repurchase agreements	45.3	43.6
Back-to-back financing	37.4	37.2
Claims under letters of credit	15.7	17.7
Mortgage bonds	5.2	5.6
Promissory notes	1.3	3.4
Other	23.8	22.5
	2,635.7	2,690.9
Less allowance for impairment (Note 20)	(772.0)	(786.4)
Loans to customers	1,863.7	1,904.5
Loans to customers pledged as collateral under repurchase agreements (Note 10)		
Other	-	1.4
Total loans to customers pledged as collateral under repurchase agreements	-	1.4
Loans to customers, including those pledged as collateral under repurchase agreements	1,863.7	1,905.9

As at 31 March 2017, reverse repurchase agreements with a carrying amount of RUB 14.4 billion were signed primarily in respect of shares with a fair value of RUB 9.6 billion and marketable corporate bonds with a fair value of RUB 4.0 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 13.5 billion as at 31 March 2017 (31 December 2016: RUB 13.2 billion), and a loan to an entity not related to the Group with a carrying amount of RUB 17.5 billion as at 31 March 2017 (31 December 2016: RUB 18.4 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 31 March 2017 loans to customers in amount RUB 38.8 billion (31 December 2016: RUB 38.7 billion) are provided as collateral for interest-bearing funds raised from the Bank of Russia in amount RUB 31.6 billion (31 December 2016: RUB 30.7 billion) (Note 7).

*(in billions of Russian rubles, unless otherwise stated)***12. Loans to customers (continued)**

Loans are made principally in the following industry sectors:

	31 March 2017	%	31 December	%
	(unaudited)		2016	
Manufacturing, including heavy machinery and production of military-related goods	759.0	29	781.7	29
Finance companies	731.0	28	742.0	28
Real estate and construction	349.1	13	350.5	13
Agriculture	172.6	7	174.5	6
Individuals	97.9	4	98.6	4
Electric energy	90.9	3	94.8	4
Transport	83.3	3	85.4	3
Trade	79.1	3	73.4	3
Mining	71.1	3	75.7	3
Oil and gas	58.8	2	62.4	2
Metallurgy	50.2	2	55.7	2
Foreign states	36.2	1	38.6	1
Telecommunications	17.7	1	17.8	1
Logistics	4.6	0	7.8	0
Science and education	1.1	0	1.1	0
Other	33.1	1	32.3	1
	2,635.7	100	2,692.3	100

As at 31 March 2017, the total outstanding amount of loans to three major borrowers / groups of related borrowers was RUB 609.7 million, equivalent to 23.1% of the Group's gross loan portfolio (31 December 2016: RUB 613.9 billion, or 22.8% of the gross loan portfolio). As at 31 March 2017, an impairment allowance of RUB 34.2 billion was made against these loans (31 December 2016: RUB 35.8 billion).

As at 31 March 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 485.2 billion and RUB 488.7 billion, or 18.4% and 18.2% of the Group's gross loan portfolio, respectively. As at 31 March 2017 and 31 December 2016, an impairment allowance was made against these loans in the total amount of RUB 142.5 billion and RUB 144.3 billion, respectively.

Loans have been granted to the following types of customers:

	31 March	31 December
	2017	2016
	(unaudited)	
Private enterprises	1,786.1	1,836.1
State-controlled entities (Russian Federation)	654.8	650.9
Individuals	97.9	98.6
Companies under foreign state control	59.6	67.0
Foreign states	36.2	38.6
Individual entrepreneurs	1.0	1.0
Regional authorities	0.1	0.1
	2,635.7	2,692.3

*(in billions of Russian rubles, unless otherwise stated)***13. Net investments in leases**

Net investments in leases comprise:

	31 March 2017 (unaudited)	31 December 2016
Gross investments in leases	319.9	385.7
Less unearned finance lease income	(71.0)	(85.8)
	248.9	299.9
Less allowance for impairment (Note 20)	(21.3)	(16.3)
Net investments in leases	227.6	283.6

As at 31 March 2017 and 31 December 2016, certain leased-out assets were pledged as collateral under loans received. As at 31 March 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 25.0 billion and RUB 39.1 billion, respectively.

As at 31 March 2017, the share of the largest Russian lessee was RUB 69.3 billion, or 27.8% of total net investments in leases before allowance for impairment. The second largest amount of net investments in leases was RUB 31.3 billion or 12.6% of total net investments in leases before allowance for impairment. As at 31 March 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 7.5 billion. The mentioned lessees operate in the transport sector.

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

Below is the maturity profile of gross and net investments in leases as at 31 March 2017:

	Not later than 1 year	1 to 5 years	Later than 5 years	Total
	(unaudited)			
Gross investments in leases	81.0	164.4	74.5	319.9
Less unearned finance lease income	(5.2)	(37.3)	(28.5)	(71.0)
Net investment in leases before allowance	75.8	127.1	46.0	248.9

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	385.7
Less unearned finance lease income	(6.8)	(47.0)	(32.0)	(85.8)
Net investment in leases before allowance	91.3	156.6	52.0	299.9

*(in billions of Russian rubles, unless otherwise stated)***14. Investment financial assets****Investment financial assets available for sale**

Investment financial assets available for sale comprise:

	31 March 2017 (unaudited)	31 December 2016
Equity securities		
Units	168.4	171.8
Shares and participation interests	64.3	62.1
	232.7	233.9
Debt securities		
Corporate bonds	90.9	90.7
Russian State Bonds (OFZ)	40.0	39.9
Debt instruments issued by foreign government bodies	26.4	26.0
Municipal and sub-federal bonds	1.9	1.9
	159.2	158.5
Eurobonds of Russian and foreign issuers	28.2	35.5
Eurobonds issued by the Russian Federation	7.4	6.9
	194.8	200.9
Other financial assets available for sale	36.3	35.5
Investment financial assets available for sale	463.8	470.3

As a result of the sale of investment financial assets available for sale for the three-month period ended 31 March 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 amount of realized revaluation was RUB 0.1 billion (for the three-month period ended 31 March 2016, the realized revaluation gain amounted to RUB 0.7 billion).

As at 31 March 2017, the amount of investment financial assets available for sale lent and pledged under repurchase agreements was insignificant. As at 31 December 2016, investment financial assets available for sale lent and pledged 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.

The Group recognized an impairment loss of RUB 0.1 billion on financial assets available for sale for the three-month period ended 31 March 2017 (for the three-month period ended 31 March 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:

	31 March 2017 (unaudited)	31 December 2016
Corporate bonds	11.2	11.4
Municipal and sub-federal bonds	1.1	1.1
Russian State Bonds (OFZ)	0.3	0.3
	12.6	12.8
Eurobonds of Russian and foreign issuers	4.5	5.2
Total investment financial assets held to maturity	17.1	18.0

As at 31 March 2017, the Group has no investment financial assets held to maturity pledged as collateral under repurchase agreements. 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.

(in billions of Russian rubles, unless otherwise stated)

15. Other assets and liabilities

As at 31 March 2017, other assets include investment property with a fair value of RUB 36.4 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.

As at 31 March 2017, other liabilities decreased as in March 2017 the Group returned RUB 11.3 billion of unused government subsidies previously provided by the Ministry of Industry and Trade as compensation of a shortfall in income on loans granted to support manufacturers of high-tech products.

16. Amounts due to banks

Amounts due to banks comprise:

	31 March 2017 (unaudited)	31 December 2016
Correspondent loro accounts of Russian banks	11.3	10.5
Correspondent loro accounts of other banks	2.4	3.1
Loans and other placements from OECD-based banks	176.5	211.3
Loans and other placements from Russian banks	234.5	277.0
Loans and other placements from other banks	130.9	138.3
Repurchase agreements	–	4.2
Collateral on securities lent	–	0.1
Amounts due to banks	555.6	644.5
Held as security against letters of credit	0.2	0.3

As at 31 March 2017, loans and other placements from other banks do not include collateralized loans from foreign banks. 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 the collateral value of RUB 0.5 billion (Note 14).

As at 31 March 2017, the amounts of repurchase agreements with banks were insignificant. As at 31 December 2016, repurchase agreements with banks include loans from Russian banks of RUB 1.3 billion collateralized by debt securities and included in loans to customers with a fair value of RUB 1.4 billion and loans from Russian banks of RUB 0.1 billion collateralized by debt securities and included in amounts due from banks with a fair value of RUB 0.1 billion (Note 10).

For the three-month period of 2017, the Group did not raise any significant long-term financing from OECD-based banks (for the three-month period of 2016: RUB 0.9 billion) and repaid financing of RUB 21.1 billion (for the three-month period of 2016: RUB 20.8 billion) in accordance with contractual terms.

For the three-month period of 2017, the Group did not raise any significant long-term financing from non-OECD-based banks (for the three-month period of 2016: RUB 1.5 billion) and repaid financing of RUB 0.9 billion (for the three-month period of 2016: RUB 0.9 billion) in accordance with contractual terms.

For the three-month period of 2017, the Group's leasing company raised long-term financing from Russian and foreign banks totaling RUB 9.5 billion (for the three-month period of 2016: RUB 12.0 billion) and repaid long-term financing from Russian and foreign banks of RUB 25.4 billion (for the three-month period of 2016: RUB 22.4 billion) in accordance with contractual terms.

*(in billions of Russian rubles, unless otherwise stated)***16. Amounts due to banks (continued)**

As at 31 March 2017, Vnesheconombank's liabilities under loan agreements under which bank creditors may demand early repayment totaled RUB 267.6 billion (31 December 2016: RUB 306.3 billion). The lending banks obtained the right to demand early repayment of the loans provided under these agreements. 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 require the early repayment. The management of the Bank is taking all of the appropriate liquidity management measures and expects the Government to provide support if necessary.

17. Amounts due to customers

Amounts due to customers comprise:

	31 March 2017 (unaudited)	31 December 2016
Current accounts	97.4	98.3
Term deposits	375.2	433.8
Amounts due to customers	472.6	532.1
Held as collateral against guarantees	0.3	0.3
Held as collateral against letters of credit	1.4	1.8

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

18. Debt securities issued

Debt securities issued comprise:

	31 March 2017 (unaudited)	31 December 2016
Eurobonds	446.6	516.7
Domestic bonds	467.5	471.1
Promissory notes	37.8	36.7
Deposit and saving certificates	-	0.1
Debt securities issued	951.9	1,024.6
Promissory notes held as collateral against guarantees	1.3	1.0

*(in billions of Russian rubles, unless otherwise stated)***18. Debt securities issued (continued)**

For the three-month period ended 31 March 2017, the Group issued / reissued the following bonds at the domestic market:

Type of securities	Period of issue	Maturity	Issue currency	Nominal value of securities issued		Nominal value of securities in the portfolios of the Group entities at the issue / placement date, RUB, billion	Secondary placement
				Currency, billion	At the placement date, RUB, billion		
(unaudited)							
Bonds	January	December 2021	RUB	10.0	10.0	-	-
Bonds	February	July 2025	USD	0.0	2.8	-	Yes
Bonds	March	July 2018	RUB	15.0	15.0	-	-
Bonds	March	January 2025	RUB	1.6	1.6	-	Yes
Bonds	March	February 2025	RUB	0.5	0.5	-	Yes

For the three-month period ended 31 March 2017, the Bank sold previously purchased Eurobonds in the total amount of RUB 0.5 billion.

For the three-month period ended 31 March 2017, the Bank repaid / repurchased the following issued securities under the offer:

Type of securities	Period of issue	Period of repayment/ repurchase	Issue currency	Nominal value of securities repaid		Repurchased from the Group's participant	Purchase under the offer
				Currency, billion	At the repayment/ repurchase date, RUB, billion		
(unaudited)							
Bonds	July 2015	January	USD	0.0	2.8	-	Yes
Bonds	July 2010	January	RUB	4.8	4.8	-	Yes
Bonds	February 2012	January	RUB	2.0	2.0	-	-
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 2018	March	RUB	1.6	1.6	-	Yes
Bonds	April 2022	March	RUB	0.5	0.5	0.5	Yes

For the three-month period ended 31 March 2017, the Bank purchased previously issued bonds in the total amount of RUB 14.0 billion.

For the three-month period ended 31 March 2017, the Group's subsidiary bank placed discount promissory notes denominated in USD, EUR and RUB with a total nominal value of RUB 4.8 billion (equivalent at the date of placement), maturing from April 2017 through October 2020 and repaid its debt on interest-bearing promissory notes denominated in USD and RUB in the amount of RUB 2.0 billion (equivalent at the maturity date).

*(in billions of Russian rubles, unless otherwise stated)***18. Debt securities issued (continued)**

For the three-month period ended 31 March 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	At the placement date, RUB, billion		
(unaudited)							
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

For the three-month period ended 31 March 2016, the Bank 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		Purchase under the offer
				Currency, 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	–

19. Taxation

Income tax assets and liabilities comprise:

	31 March 2017 (unaudited)	31 December 2016
Current income tax asset	0.4	0.8
Deferred income tax asset	6.1	5.7
Income tax assets	6.5	6.5
Current income tax liability	0.4	0.5
Deferred income tax liability	13.2	13.7
Income tax liabilities	13.6	14.2

*(in billions of Russian rubles, unless otherwise stated)***19. Taxation (continued)**

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

	For the three-month period ended 31 March	
	2017 (unaudited)	2016 (unaudited)
Current tax expense	1.4	0.4
Deferred tax benefit – origination and reversal of temporary differences in the statement of profit or loss	(1.3)	(1.8)
Income tax expense/(benefit)	0.1	(1.4)

20. Allowance for impairment and provisions

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

	Amounts due from banks and treasury	Loans to customers including those pledged under repurchase agreements	Assets of disposal group	Net investment in leases	Total
31 December 2015	3.2	763.1	8.4	3.5	778.2
Charge (unaudited)	–	172.3	0.6	3.3	176.2
Write-offs (unaudited)	–	(1.7)	–	–	(1.7)
Interest accrued on impaired loans (unaudited)	–	(10.6)	–	–	(10.6)
Effect of business combination (IFRS 3) (unaudited)	–	(185.2)	–	–	(185.2)
31 March 2016 (unaudited)	3.2	737.9	9.0	6.8	756.9
31 December 2016	3.6	786.4	–	16.3	806.3
Charge (unaudited)	–	(2.2)	–	5.4	3.2
Write-offs (unaudited)	–	(1.2)	–	(0.4)	(1.6)
Interest accrued on impaired loans (unaudited)	–	(6.0)	–	–	(6.0)
Effect of translation into presentation currency (unaudited)	–	(5.0)	–	–	(5.0)
31 March 2017 (unaudited)	3.6	772.0	–	21.3	796.9

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
31 December 2015	0.1	0.7	18.9	0.9	0.8	4.0	10.0	35.4
Charge/(reversal) (unaudited)	(0.1)	–	1.7	0.3	0.5	–	(2.3)	0.1
31 March 2016 (unaudited)	–	0.7	20.6	1.2	1.3	4.0	7.7	35.5
31 December 2016	–	0.8	23.6	–	0.5	27.3	5.6	57.8
Charge/(reversal) (unaudited)	–	(0.1)	2.4	–	0.1	(0.1)	1.0	3.3
Effect of translation into presentation currency (unaudited)	–	–	(0.8)	–	(0.1)	–	(0.3)	(1.2)
31 March 2017 (unaudited)	–	0.7	25.2	–	0.5	27.2	6.3	59.9

*(in billions of Russian rubles, unless otherwise stated)***21. Finance lease liabilities**

The Group's finance lease liabilities decreased from RUB 75.9 billion as at 31 December 2016 to RUB 68.7 billion as at 31 March 2017 due to the currency revaluation under foreign currency agreements concluded by a subsidiary leasing company and planned repayment of liabilities.

22. Interest income and expense

Interest income and expense comprise:

	For the three-month period ended 31 March (unaudited)	
	2017	2016
Interest income		
Loans to customers	48.5	64.0
Amounts due from banks and treasury and cash equivalents	7.6	7.8
Investment securities	4.8	6.7
	60.9	78.5
Finance leases	7.8	9.7
Other investment financial assets available for sale	0.8	0.8
Government subsidy used	0.3	0.3
Financial assets at fair value through profit or loss	–	0.3
	69.8	89.6
Interest expense		
Amounts due to banks and the Bank of Russia	(13.2)	(26.4)
Amounts due to customers and the Russian Government	(16.4)	(17.5)
Debt securities issued	(19.7)	(19.6)
Finance lease liabilities	(0.3)	(0.4)
	(49.6)	(63.9)

23. Other operating income

Increase in other operating income for the three-month period of 2017 was primarily due to income of the Group's leasing company from operating leases and income from early disposal of net investments in leases in the amount of RUB 2.7 billion for the three-month period ended 31 March 2017 (during the three-month period of 2016: RUB 0.3 billion).

24. Equity**Share capital**

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

In March 2017, Vnesheconombank received a subsidy from the federal budget in the form of an asset contribution of the Russian Federation of RUB 76.7 billion to compensate costs related to the fulfillment of obligations arising from foreign borrowings in the capital markets. 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.

(in billions of Russian rubles, unless otherwise stated)

25. 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 Russian government.

The Russian economy is still affected by sanctions imposed on Russia by a number of countries since the second half of 2014. Vnesheconombank is still subject to the US and EU sectoral sanctions and its subsidiaries are subject to the US sectoral sanctions.

The exchange rate of the Russian ruble fluctuates in line with changes in oil prices. Following the drop in the exchange rate in 2015 – early 2016 to RUB 83.5913 per USD 1 and increasing oil prices, the Russian ruble strengthened, with the exchange rate of RUB 60.6569 per USD 1 by the end of 2016. The exchange rate as at 31 March 2017 was RUB 56.3779 per USD 1. The key rate of the Bank of Russia decreased from 10% as at 31 December 2016 to 9.75% as at 31 March 2017.

In previous years the combination of these factors caused reduction in capital availability and increased its cost and also led to a rise in inflation and uncertainty regarding future economic growth, which subsequently may adversely affect the Group's financial position, its performance and economic prospects.

During the first quarter of 2017, there were no changes in credit ratings of Vnesheconombank.

The Group's management takes into consideration the factors afore and believes that it takes appropriate measures to support the Group's sustainability in the current circumstances.

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

In 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 has increased significantly. Since this uncertainty remains, it was taken into account at estimating assets and liabilities of the Group that are related to its activities in Ukraine as at 31 March 2017. From 2014 Ukraine experienced a 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. Furthermore, during the period from 1 January 2014 to 31 March 2017, the Ukrainian hryvnia depreciated against major foreign currencies by approximately 66.5%. The combination of these events resulted in 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 reformations. In March 2017, Ukraine imposed one-year special economic sanctions on banks with Russian participation in equity, including PSC Prominvestbank, that forbid withdrawal of capital to its affiliates outside Ukraine, including granting and repayments of loans and deposits, purchase of securities, dividend or interest payments and profit and equity distribution.

(in billions of Russian rubles, unless otherwise stated)

25. Commitments and contingencies (continued)

Operating environment (continued)

Information about the Group's exposure risk in Ukraine as at 31 March 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 31 March 2017 net assets of the subsidiary bank in Ukraine less intergroup loans provided to it amounted to RUB 30.2 billion. Also as at 31 March 2017 Group's exposure risk in Ukraine is accounted for in Segment 1 in amount RUB 11.3 billion.

In addition as at 31 March 2017, assets of the Group exposed to risks of consequences arising from the situation in Ukraine comprise loans provided by a Group's subsidiary with a carrying amount of RUB 17.3 billion (before allowance for impairment of these loans in the amount of RUB 12.9 billion), and other assets in the amount of RUB 4.4 billion (before allowance for impairment of RUB 4.4 billion). As at 31 December 2016, loans to customers of the Group's subsidiary amounted to RUB 24.7 billion (allowance for impairment: RUB 22.4 billion), and other assets amounted to RUB 4.8 billion (allowance for impairment: RUB 4.8 billion).

The Group's management also believes that as at 31 March 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 62.6 billion before allowance (31 December 2016: RUB 67.3 billion). As at 31 March 2017 and 31 December 2016, a 100% allowance for impairment was recognized against these assets.

The Group continues to monitor the situation in Ukraine and take corresponding measures to minimize the effect of these risks. Further potential deterioration of the current situation in Ukraine may have a negative impact on the Group's financial position, which at present is hardly determinable.

Legal issues

The Group is involved in a number of legal actions related to the Group's ordinary activities. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group. Movements in provisions for legal claims are disclosed in Note 20.

Taxation

A major part of the Group's business activity is carried out in the Russian Federation. Some provisions of the Russian tax, currency and customs legislation as currently in effect are vaguely drafted, are often unclear, contradictory, and subject to varying interpretations (which may have retrospective effect). In addition, the provisions of Russian tax law 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 this law generally should increase the administrative and, in some cases, tax burden on Russian taxpayers that have foreign subsidiaries and/or conduct transactions with foreign companies.

(in billions of Russian rubles, unless otherwise stated)

25. Commitments and contingencies (continued)

Taxation (continued)

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

As at 31 March 2017, the Group's management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

Commitments and contingencies

The Group's commitments and contingencies comprise the following:

	31 March 2017 (unaudited)	31 December 2016
Undrawn loan commitments	248.1	416.9
Guarantees	581.2	633.4
Letters of credit	9.9	10.9
	839.2	1,061.2
Operating lease commitments		
Not later than 1 year	2.8	3.0
Later than 1 year but not later than 5 years	4.4	4.8
Later than 5 years	4.5	4.8
	11.7	12.6
Co-investment commitments	4.9	4.7
Capital expenditure commitments	41.1	47.9
	896.9	1,126.4
Less provisions (Note 20)	(6.3)	(5.6)
Commitments and contingencies (before deducting collateral)	890.6	1,120.8
Less cash and promissory notes held as collateral against guarantees and letters of credit	(3.2)	(3.4)
Commitments and contingencies	887.4	1,117.4

As at 31 March 2017, the Group advised export letters of credit of RUB 63.1 billion (31 December 2016: RUB 88.6 billion). The Group bears no credit risks under export letters of credit.

For the three-month period of 2017, there was a decrease in the Group's loan commitments mainly due to the expiry of the undrawn loan commitments in the amount of RUB 140.0 billion to a Russian company non-related to the state.

For the three-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 37.1 billion.

*(in billions of Russian rubles, unless otherwise stated)***26. Fair value measurement**

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

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

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

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
31 March 2017 (unaudited)				
<i>Assets measured at fair value</i>				
Trading financial assets	1.4	-	-	1.4
- 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
- Russian State bonds (OFZ)	0.9	-	-	0.9
Derivative financial instruments	-	2.9	1.7	4.6
- Forward contracts: equity financial instruments	-	0.5	1.7	2.2
- Option contracts with foreign currency	-	2.4	-	2.4
Financial assets designated as at fair value through profit or loss	-	-	13.6	13.6
Investment financial assets available for sale	154.2	103.4	206.2	463.8
- Units	-	-	168.4	168.4
- Shares and participation interests	61.2	1.6	1.5	64.3
- Corporate bonds	18.6	72.3	-	90.9
- Russian State bonds (OFZ)	40.0	-	-	40.0
- Debt instruments issued by foreign government bodies	0.4	26.0	-	26.4
- Municipal and sub-federal bonds	1.9	-	-	1.9
- Eurobonds of Russian and foreign issuers	27.9	0.3	-	28.2
- Eurobonds issued by the Russian Federation	4.2	3.2	-	7.4
- Other financial assets available for sale	-	-	36.3	36.3
Investment property (within other assets)	-	-	36.4	36.4
<i>Assets for which fair values are disclosed</i>				
Cash and cash equivalents	-	328.9	-	328.9
Special purpose accounts	-	76.0	-	76.0
Amounts due from banks and treasury, including those pledged as collateral under repurchase agreements	-	-	102.7	102.7
Subordinated loans to banks	-	-	64.5	64.5
Loans to customers, including those pledged under repurchase agreements	3.7	12.5	1,855.5	1,871.7
Net investments in leases	-	-	214.4	214.4
Investment financial assets held to maturity	15.1	1.6	1.1	17.8
	174.4	525.3	2,496.1	3,195.8

(in billions of Russian rubles, unless otherwise stated)

26. Fair value measurement (continued)

31 March 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	-	0.2	-	0.2
- Interest rate swaps: foreign	-	0.2	-	0.2
<i>Liabilities for which fair values are disclosed</i>				
Amounts due to banks	-	-	556.8	556.8
Amounts due to the Russian Government and the Bank of Russia	-	-	567.2	567.2
Amounts due to customers	-	-	474.4	474.4
Debt securities issued	399.0	498.0	79.5	976.5
Finance lease liabilities	-	-	58.2	58.2
Subordinated deposits	-	-	110.6	110.6
	399.0	498.2	1,846.7	2,743.9
<i>Assets measured at fair value</i>				
Trading financial assets	0.5	-	-	0.5
- 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
Derivative financial instruments	-	3.2	1.5	4.7
- Foreign exchange contracts: foreign	-	0.2	-	0.2
- Forward contracts: equity financial instruments	-	0.5	1.5	2.0
- Option contracts with foreign currency	-	2.5	-	2.5
Financial assets designated as at fair value through profit or loss	-	-	14.0	14.0
Investment financial assets available for sale	144.7	116.7	208.9	470.3
- 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
Investment financial assets available for sale pledged under repurchase agreements	2.2	-	-	2.2
- Corporate bonds	2.1	-	-	2.1
- Eurobonds issued by the Russian Federation	0.1	-	-	0.1
Investment property (within other assets)	-	-	30.0	30.0
<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 under repurchase agreements	-	-	94.9	94.9
Loans to customers, including those pledged 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 under repurchase agreements	-	1.1	-	1.1
Subordinated loans to banks	-	-	64.6	64.6
	166.2	564.9	2,597.0	3,328.1

*(in billions of Russian rubles, unless otherwise stated)***26. 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>				
Derivative financial liabilities	-	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
	419.2	542.1	2,002.6	2,963.9

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 contract for equity financial instruments. Option contracts are usually valued using binomial option pricing models, which imply using various non-observable inputs, including market rate volatility. However, as at the reporting date, there were no such options. Forward contract is valued using a cash flow discounting model.

Trading financial assets and investment financial assets available for sale

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

*(in billions of Russian rubles, unless otherwise stated)***26. 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 that are recorded at fair value:

	1 January 2017	Gains/(losses) recorded in the statement of profit or loss (unaudited)	Gains/(losses) recorded in other comprehensive income (unaudited)	Acquisitions (unaudited)	Disposal (unaudited)	Reclassification (unaudited)	31 March 2017 (unaudited)
Assets							
Derivative financial asset	1.5	0.2	-	-	-	-	1.7
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	0.8	(3.5)	-	-	-	206.2
Investment property (within other assets)	30.0	(0.9)	-	0.1	(0.1)	7.3	36.4
	254.4	(0.3)	(3.5)	0.1	(0.1)	7.3	257.9

Unrealized gains on derivative financial asset in the amount of RUB 0.2 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 0.8 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 3.5 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 three-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 that were recorded at fair value:

	1 January 2016	Gains recorded in the statement of profit or loss	Gains recorded in other comprehensive income	Disposals/ Redemption	Acquisitions	Transfer from Level 1	Other changes	31 December 2016
Assets								
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
Total Level 3 assets	91.3	0.4	4.3	(3.3)	30.7	0.6	130.4	254.4

(in billions of Russian rubles, unless otherwise stated)

26. Fair value measurement (continued)

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

Transfers between 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 31 March 2017 and 31 December 2016, there were no Level 3 financial liabilities recorded at fair value.

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

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

31 March 2017 (unaudited)	Carrying amount	Valuation technique	Unobservable inputs	Range (weighted average value)	Alternative assumptions
Financial assets at fair value through profit or loss					
Derivative financial asset 1	1.7	Discounted cash flows	Discount rate	13.79%	1%
Group 1 of financial assets	2.5	Other valuation techniques	Not applicable	Not applicable	–
Group 2 of financial assets	9.7	Discounted cash flows	Weighted average cost of capital	15.08%	1%
			Terminal period growth	4.25%	
Group 7 of financial assets	1.4	Discounted cash flows	Weighted average cost of capital	15.40%	0.5%, 3%
Investment financial assets available for sale					
Group 3 of equity securities	2.4	Other valuation techniques	Not applicable	Not applicable	–
Group 4 of equity securities	166.1	Discounted cash flows	Weighted average cost of capital	10.35%-30.41%	0.5%
Group 5 of other financial assets available for sale	36.3	Multiplier	Fair value/Net assets	0.57	0.5%
Group 6 of equity securities	1.4	Weighted average multiplier	EV/PAX (PAX-passenger traffic)	0.01	10%
			EV/EBITDA	11.30	
			EV/Sales	3.73	
Investment property (within other assets)					
Group 1 of investment property	1.5	Comparative method	Discount Cost of 1 sqm	10.0%-20.0% RUB 7.3 thousand	4.1%-4.6%
Group 2 of investment property	0.5	Discounted cash flows	Cost of 1 sqm	RUB 292 thousand – RUB 396 thousand	5%
Group 3 of investment property	2.0	Discounted cash flows	Discount rate	18.0%	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	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	–
Group 8 of investment property	7.3	Discounted cash flows	Discount rate	18.0%	1%

*(in billions of Russian rubles, unless otherwise stated)***26. 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
Financial assets at fair value through profit or loss					
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%
			Terminal period growth	4.25%	
Group 7 of financial assets	1.4	Discounted cash flows	Weighted average cost of capital	15.40%	0.5%, 3%
Investment financial assets available for sale					
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)	0.01	2%
			EV/EBITDA	11.30	
			EV/Sales	3.73	
Investment property (within other assets)					
Group 1 of investment property	1.6	Comparative method	Discount	10%-20%	
			Cost of 1 sqm	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	9.0%-16.3%	
			Cost of 1 sqm	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:

*(in billions of Russian rubles, unless otherwise stated)***26. Fair value measurement (continued)****Items measured at fair value on a regular basis (continued)**

	31 March 2017	
	(unaudited)	
	Carrying amount (unaudited)	Effect of reasonably possible alternative assumptions (unaudited)
Derivative financial asset	1.7	(0.2)
Financial assets designated as at fair value through profit or loss	11.1	(0.3)
Investment financial assets available for sale	203.8	(2.2)
Investment property (within other assets)	29.5	(1.4)

	31 December 2016	
	(unaudited)	
	Carrying amount (unaudited)	Effect of reasonably possible alternative assumptions (unaudited)
Derivative financial assets	1.5	(0.2)
Financial assets designated as at fair value through profit or loss	14.0	(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 or loss, investment financial assets available for sale and derivative financial asset, the Group took a prudent approach and adjusted key unobservable inputs at the lower interval boundary of possible assumptions. If the upper interval boundary of possible assumptions were applied, their positive impacts as at 31 March 2017 would have amounted to RUB 0.2 billion, RUB 2.3 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 that are recorded at fair value, during the reporting period:

	Transfers from Level 2 to Level 1 for the three-month period ended 31 March	
	2017 (unaudited)	2016 (unaudited)
Financial assets		
Investment financial assets available for sale (including those lent and pledged under repurchase agreements)	12.7	6.1

	Transfers from Level 1 to Level 2 for the three-month period ended 31 March	
	2017 (unaudited)	2016 (unaudited)
Financial assets		
Investment financial assets available for sale (including those pledged under repurchase agreements)	1.2	10.1

*(in billions of Russian rubles, unless otherwise stated)***26. Fair value measurement (continued)****Items measured at fair value on a regular basis (continued)**

During the three-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 consequently determined based on quoted prices in active market for identical assets.

During the three-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 consequently obtained through valuation techniques using observable market inputs.

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

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

	31 March 2017 (unaudited)			31 December 2016		
	Carrying amount	Fair value	Unrecognized gain/(loss)	Carrying amount	Fair value	Unrecognized gain/(loss)
Financial assets						
Cash and cash equivalents	328.9	328.9	-	350.1	350.1	-
Financial assets lent and pledged under repurchase agreements:						
- investment financial assets held to maturity	-	-	-	1.1	1.1	-
- loans to customers	-	-	-	1.4	1.4	-
Special purpose accounts	76.0	76.0	-	79.9	79.9	-
Amounts due from banks and treasury	97.2	102.7	5.5	92.3	94.9	2.6
Loans to customers	1,863.7	1,871.7	8.0	1,904.5	1,929.8	25.3
Net investments in leases	227.6	214.4	(13.2)	283.6	265.9	(17.7)
Investment financial assets held to maturity	17.1	17.8	(0.7)	18.0	18.7	0.7
Subordinated loans	58.2	64.5	6.3	57.4	64.6	7.2
Financial liabilities						
Amounts due to banks	555.6	556.8	(1.2)	644.5	644.3	0.2
Amounts due to the Russian Government and the Bank of Russia	562.7	567.2	(4.5)	553.8	558.4	(4.6)
Amounts due to customers	472.6	474.4	(1.8)	532.1	534.0	(1.9)
Debt securities issued	951.9	976.5	(24.6)	1,024.6	1,051.3	(26.7)
Finance lease liabilities	68.7	58.2	10.5	75.9	63.7	12.2
Subordinated deposits	87.8	110.6	(22.8)	92.5	111.7	(19.2)
Total unrecognized change in unrealized fair value			(38.5)			(21.9)

(in billions of Russian rubles, unless otherwise stated)

26. Fair value measurement (continued)

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

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

Assets for which fair value approximates carrying amount

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

Fixed and floating rate financial instruments

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

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

27. Related party transactions

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

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

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

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

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

	31 March 2017 (unaudited)			31 December 2016		
	Associates	Jointly controlled entities	Key management personnel	Associates	Jointly controlled entities	Key management personnel
Assets						
Financial assets designated as at fair value through profit or loss	1.8	-	-	2.2	-	-
Amounts due from banks and treasury	22.5	-	-	22.4	-	-
Subordinated loans to banks	5.1	-	-	5.1	-	-
Loans to customers, net	13.7	13.1	0.1	15.5	11.7	0.1
Liabilities						
Amounts due to banks	0.9	-	-	-	-	-
Amounts due to customers	0.1	-	0.2	-	-	0.3
Guarantees issued and undrawn loan commitments	14.5	-	-	15.5	-	-

The related income and expense from transactions with associates, jointly controlled entities and key personnel for the three-month periods ended 31 March 2017 and 2016 are as follows:

	For the three-month period ended 31 March 2017 (unaudited)			For the three-month period ended 31 March 2016 (unaudited)		
	Associates	Jointly controlled entities	Key management personnel	Associates	Jointly controlled entities	Key management personnel
Interest income on loans to customers	0.4	0.6	-	2.4	0.4	-
Interest income on amounts due from banks and treasury	0.6	-	-	-	-	-
Interest income on subordinated loans to banks	0.3	-	-	-	-	-
Interest expense on amounts due to customers	-	-	-	(0.3)	-	(0.1)
Reversal of / (provision for) impairment of interest-earning assets	(2.9)	(5.1)	-	(77.3)	0.3	-

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

	For the three-month period ended 31 March (unaudited)	
	2017	2016
Salaries and other short-term benefits	0.3	0.6
Mandatory contributions to the pension fund	0.1	0.1
Compensation to key management personnel	0.4	0.7

(in billions of Russian rubles, unless otherwise stated)

27. Related party transactions (continued)

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

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

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 31 March 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 2,9 billion (31 December 2016: RUB 2.9 billion).

As at 31 March 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 11).

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

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

Bank	Type of transaction	Amounts due from banks and treasury	
		31 March 2017 (unaudited)	31 December 2016
Bank 1	Interest-bearing loans and deposits with banks maturing within 90 days	15.5	-
Bank 2	Interest-bearing loans and deposits with banks maturing within 90 days	9.0	9.0
Bank 1	Term interest-bearing deposits with banks	5.1	5.3
Bank 3	Interest-bearing loans and deposits with banks maturing within 90 days	1.6	90.9
		31.2	105.2
		Amounts due to banks	
Bank	Type of transaction	31 March 2017 (unaudited)	31 December 2016
Bank 3	Loans and other placements from Russian banks	107.6	134.3
Bank 4	Loans and other placements from Russian banks	63.0	58.9
Bank 5	Loans and other placements from Russian banks	39.4	43.2
Bank 6	Loans and other placements from Russian banks	0.8	6.6
Bank 7	Loans and other placements from Russian banks	0.2	5.0
		211.0	248.0

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

In the normal course of business, the Bank and its subsidiaries grant loans to state-related customers, as well as issue guarantees to these customers, maintain their current accounts and raise deposits from them (the list of transactions with customers is not complete). These transactions are carried out primarily under market conditions, except for those disclosed in Note 12. Transactions with state-related customers account for the major portion of all of the Group's operations with customers. Balances of the most significant transactions with state-related institutions and entities at 31 March 2017 and 31 December 2016 comprise the following:

Borrower	Industry	Loans to customers	Undrawn loan commitments	Loans to customers	Undrawn loan commitments
		31 March 2017 (unaudited)		31 December 2016	
Customer 1	Financing	386.0	-	378.1	-
Customer 2	Manufacturing, including heavy machinery and production of military-related goods	95.4	2.6	102.9	-
Customer 3	Manufacturing, including heavy machinery and production of military-related goods	72.4	12.7	76.4	15.2
Customer 4	Financing	40.8	-	40.8	-
Customer 5	Manufacturing, including heavy machinery and production of military-related goods	37.7	11.5	36.7	12.2
Customer 6	Manufacturing, including heavy machinery and production of military-related goods	31.0	-	30.4	-
Customer 7	Transport	30.3	-	32.7	-
Customer 8	Electric energy	26.7	-	27.2	-
Customer 9	Transport	25.6	-	24.9	-
Customer 10	Manufacturing, including heavy machinery and production of military-related goods	23.4	-	24.4	-
Customer 11	Manufacturing, including heavy machinery and production of military-related goods	17.0	0.1	16.7	-
Customer 12	Manufacturing, including heavy machinery and production of military-related goods	12.6	-	12.7	-
Customer 13	Financing	9.2	-	9.1	-
Customer 14	Manufacturing, including heavy machinery and production of military-related goods	6.7	7.7	6.7	7.7
Customer 15	Electric energy	6.6	-	6.7	-
Customer 16	Manufacturing, including heavy machinery and production of military-related goods	5.8	-	5.7	-
Customer 17	Telecommunications	5.6	7.0	5.5	7.0
Customer 18	Telecommunications	5.5	-	5.5	-
Customer 19	Trade	5.3	-	5.7	-
Customer 20	Electric energy	5.1	6.8	5.3	6.8
		848.7	48.4	854.1	48.9

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

Customer	Industry	Net investments in leases	
		31 March 2017 (unaudited)	31 December 2016
Customer 21	Transport	69.3	76.5
Customer 22	Transport	–	35.4
Customer 23	Transport	4.9	5.3
Customer 24	Transport	4.8	5.3
		79.0	122.5

Customer	Industry	Amounts due to customers	
		31 March 2017 (unaudited)	31 December 2016
Customer 25	Financing	52.4	65.9
Customer 26	Other	15.0	–
Customer 27	Manufacturing, including heavy machinery and production of military-related goods	8.2	13.5
Customer 17	Telecommunications	3.4	11.1
Customer 5	Manufacturing, including heavy machinery and production of military-related goods	0.2	10.2
Customer 6	Manufacturing, including heavy machinery and production of military-related goods	4.0	5.8
		83.2	106.5

Customer	Industry	Guarantees issued	
		31 March 2017 (unaudited)	31 December 2016
Customer 27	Manufacturing, including heavy machinery and production of military-related goods	133.8	159.4
Customer 28	Electric energy	7.6	8.3
		141.4	167.7

As at 31 March 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:

	31 March 2017 (unaudited)	31 December 2016
Financial assets at fair value through profit or loss	1.1	0.2
Investment financial assets:		
- available for sale	49.3	48.7
- held to maturity	1.4	1.4
Investment financial assets pledged under repurchase agreements		
- available for sale	–	0.1

As at 31 March 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)***27. 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 31 March 2017 and 31 December 2016, the Group's investments into securities issued by state-related issuers, as well as transactions involving derivative financial instruments with such counterparties comprise the following:

	31 March 2017 (unaudited)		31 December 2016	
	Equity securities	Debt securities	Equity securities	Debt securities
Financial assets at fair value through profit or loss				
- trading financial assets	0.2	-	0.2	-
- 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	-	-	-	2.7
- loans to customers	-	-	-	1.4
Investment financial assets available for sale	215.0	95.6	218.3	103.1
Investment financial assets held to maturity	-	9.3	-	10.7

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

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

	For the three-month period ended 31 March (Unaudited)	
	2017	2016
Interest expense		
Amounts due to the Bank of Russia	(4.7)	(12.1)
Amounts due to the Russian Government	(8.4)	(7.4)
Government grants	-	135.9

Government grants recorded in the consolidated statement of profit or loss for the three-month period ended 31 March 2016 include a gain from government grants in the amount of 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 three-month period ended 31 March 2016 also include a gain of RUB 1.0 billion from 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.

(in billions of Russian rubles, unless otherwise stated)

28. Subsequent events

In April 2017, the Group's leasing company fulfilled its obligations to purchase its own bonds with a total nominal value of RUB 3.4 billion.

In April 2017, the Group's leasing company made a secondary placement of previously purchased BO-04 Series exchange-traded bonds with a total nominal value of RUB 0.4 billion, maturing in January 2025, BO-05 Series exchange-traded bonds with a total nominal value of RUB 1.1 billion, maturing in February 2025, 03 Series exchange-traded bonds with a total nominal value of RUB 0.1 billion, maturing in April 2021, 04 Series exchange-traded bonds with a total nominal value of RUB 0.1 billion, maturing in April 2021, and 09 Series exchange-traded bonds with a total nominal value of RUB 1.0 billion, maturing in October 2021.

In April 2017, the Group's subsidiary bank fulfilled its obligations under the offer to purchase its own Series 04 bonds with a total nominal value of RUB 3.4 billion.

In April-May 2017, the Bank made a secondary placement of previously purchased BO-03 Series exchange-traded bonds with a total nominal value of RUB 1.1 billion, maturing in July 2018, and BO-05 Series exchange-traded bonds with a total nominal value of RUB 3.8 billion, maturing in August 2020.

In May 2017, the Bank fulfilled its obligations to redeem its bonds with a nominal value of USD 0.2 billion (equivalent to RUB 11.4 billion at the date of redemption).

During the period from April to May 2017, the Bank repurchased its own Eurobonds with a nominal value of USD 23.2 million (equivalent to RUB 1.4 billion at the date of repurchase) and Eurobonds with a nominal value of EUR 6.0 million (equivalent to RUB 0.4 billion at the date of repurchase).

During the period from April to May 2017, the Bank issued USD- and EUR-denominated guarantees and counter guarantees in favor of customers totaling RUB 0.6 billion (equivalent at the date of these interim condensed consolidated financial statements). Also, in April-May 2017, USD and RUB-denominated guarantees previously issued by the Bank for customers for the total amount of RUB 6.2 billion expired (equivalent at the reporting date).

In May 2017, the Vnesheconombank's Supervisory Board approved free-of-charge transfer of JSC "North Caucasus Development Corporation", a subsidiary, to the state.

In May 2017, the Bank issued Series PBO-001P-07 exchange-traded bonds with a nominal value of RUB 25.0 billion, maturing in November 2019. This issue is not subject to an offer.

In May 2017, the decision on establishment of Audit Committee of the Vnesheconombank's Supervisory Board was approved. The Chairman of the Committee will be A.G. Siluanov – Minister of Finance of the Russian Federation and Member of the Vnesheconombank's Supervisory Board.