

AO Raiffeisenbank

**International Financial Reporting Standards
Consolidated Condensed Interim
Financial Information and
Report on Review of Consolidated Condensed
Interim Financial Information**

30 September 2017

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REPORT ON REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

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Report on Review of Consolidated Condensed Interim Financial Information

To the Shareholders and Supervisory Board of AO Raiffeisenbank:

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of AO Raiffeisenbank and its subsidiaries (the "Group") as of 30 September 2017 and the related consolidated condensed interim statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated condensed 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 consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit
17 November 2017

Moscow, Russian Federation



N.V. Kossova, certified auditor (licence no. 01-000396), AO PricewaterhouseCoopers Audit

Audited entity: AO Raiffeisenbank

State registration certificate № 3292 issued by the Central Bank of Russian Federation on 10 June 1996

Certificate of inclusion in the Unified State Register of Legal Entities issued on 7.10.2002 under registration № 1027739326449

17/1 Troitskaya Str., 129090 Moscow, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations


AO Raiffeisenbank
Consolidated Condensed Interim Statement of Financial Position

	Note	30 September 2017 (Unaudited)	31 December 2016
<i>In thousands of Russian Roubles</i>			
ASSETS			
Cash and cash equivalents	6	168 262 994	122 101 961
Mandatory cash balances with the Central Bank of the Russian Federation		6 093 782	5 622 919
Trading securities	7	44 502 983	23 393 275
Other securities at fair value through consolidated profit or loss	8	14 431 860	35 100 057
Due from other banks	9	23 295 940	31 857 908
Loans and advances to customers	10	500 707 638	474 399 662
Fixed assets and intangible assets		14 418 466	14 737 665
Deferred income tax asset		-	2 470 451
Investment securities held to maturity	11	8 808 953	4 173 747
Derivatives and other financial assets	12	25 255 834	34 539 611
Investment in associates		2 469 689	2 289 714
Assets held for sale		64 938	96 025
Current income tax asset		797 032	-
Other assets		2 254 468	3 017 012
TOTAL ASSETS		811 364 577	753 800 007
LIABILITIES			
Due to other banks	13	28 413 352	13 493 051
Customer accounts	14	601 985 484	547 596 730
Term borrowings from the Parent Bank	15	31 031 791	32 326 452
Debt securities in issue		6 388 204	6 422 315
Derivatives and other financial liabilities	16	16 846 519	32 057 128
Current income tax liability		-	504 557
Deferred income tax liability		339 833	-
Other liabilities		5 234 648	5 494 674
TOTAL LIABILITIES		690 239 831	637 894 907
EQUITY			
Share capital		43 268 888	43 268 888
Share premium		591 083	591 083
Additional paid-in capital		1 520 016	1 520 016
Retained earnings and other reserves		75 744 759	70 525 113
TOTAL EQUITY		121 124 746	115 905 100
TOTAL LIABILITIES AND EQUITY		811 364 577	753 800 007

Approved for issue and signed on 17 November 2017.


 Sergei Monin
 Chairman of the Board




 Gert Hebenstreit
 Chief Financial Officer

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

	Note	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
<i>In thousands of Russian Roubles</i>					
Interest income	17	66 282 259	22 744 460	68 706 027	22 573 205
Interest expense	17	(33 063 200)	(10 977 197)	(37 003 419)	(11 860 045)
Net interest income		33 219 059	11 767 263	31 702 608	10 713 160
Charge of provision for loan impairment	10	(1 237 421)	(471 420)	(5 611 018)	(722 492)
Net interest income after provision for loan impairment		31 981 638	11 295 843	26 091 590	9 990 668
Fee and commission income	18	18 453 892	6 497 195	16 325 459	5 755 763
Fee and commission expense	18	(6 933 231)	(2 600 711)	(6 296 162)	(2 264 326)
(Losses net of gains)/gains less losses from trading securities		(398 852)	(119 604)	482 140	(40 216)
Gains less losses/(losses net of gains) from other securities at fair value through profit or loss		52 944	(26 026)	144 197	(62 224)
Gains less losses from trading in foreign currencies		4 359 575	1 400 627	3 543 702	1 449 698
Unrealized gains less losses/(losses net of gains) from derivative financial instruments	19	1 546 723	(318 342)	8 826 300	(1 107 547)
Realized gains less losses/(losses net of gains) from derivative financial instruments	20	1 412 372	(43 313)	4 939 689	2 279 354
Foreign exchange translation (losses net of gains)/gains less losses		(1 011 924)	682 534	(11 689 042)	(742 109)
Amortisation of the hedging adjustment		(553 075)	(171 577)	(111 856)	46 155
(Charge)/release of provision for credit related commitments		(16 519)	2 491	(2 729)	(6 879)
Allocation of provision for investment securities held to maturity		(964)	(964)	(1 116)	(1 856)
Gains from the sale of loans	10	52 118	23 529	28 976	12 446
Other operating income		213 846	(14 391)	165 396	74 804
Income from realization of assets held for sale		32 015	7 242	27 923	-
Share of profit of associate		317 000	120 343	274 637	64 931
Operating income		49 507 558	16 734 876	42 749 104	15 448 662
Administrative and other operating expenses	21	(19 999 651)	(6 667 936)	(17 283 611)	(5 758 959)
Profit before tax		29 507 907	10 066 940	25 465 493	9 689 703
Income tax expense		(6 393 524)	(2 180 627)	(5 382 829)	(2 042 497)
Profit for the period		23 114 383	7 886 313	20 082 664	7 647 206
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Revaluation of investment securities available for sale		-	-	17 700	(6 600)
Income tax recorded directly in other comprehensive income		-	-	(3 540)	1 320
Other comprehensive income/(loss) for the period, net of tax		-	-	14 160	(5 280)
Total comprehensive income for the period, net of tax		23 114 383	7 886 313	20 096 824	7 641 926

The notes set out on pages 5 to 58 form an integral part of this consolidated condensed interim financial information.

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Changes in Equity

<i>In thousands of Russian Roubles</i>	Share capital	Share premium	Additional paid-in capital	Retained earnings and other reserves	Total
Balance at 1 January 2016	43 268 888	591 083	1 520 016	49 332 559	94 712 546
Profit for the period	-	-	-	20 082 664	20 082 664
Other comprehensive income for the period	-	-	-	14 160	14 160
Total comprehensive income for the period	-	-	-	20 096 824	20 096 824
Dividends declared	-	-	-	(2 105 336)	(2 105 336)
Balance at 30 September 2016	43 268 888	591 083	1 520 016	67 324 047	112 704 034
Balance at 1 January 2017	43 268 888	591 083	1 520 016	70 525 113	115 905 100
Profit for the period	-	-	-	23 114 383	23 114 383
Total comprehensive income for the period	-	-	-	23 114 383	23 114 383
Dividends paid	-	-	-	(17 894 737)	(17 894 737)
Balance at 30 September 2017	43 268 888	591 083	1 520 016	75 744 759	121 124 746

The notes set out on pages 5 to 58 form an integral part of this consolidated condensed interim financial information.

AO Raiffeisenbank
Consolidated Condensed Interim Statement of Cash Flows

	Note	Nine-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)
<i>In thousands of Russian Roubles</i>			
Cash flows from operating activities			
Interest received		67 836 895	66 911 210
Interest paid		(32 551 308)	(36 345 767)
Fees and commissions received		18 545 060	16 514 638
Fees and commissions paid		(6 821 236)	(6 296 162)
Realized (losses net of gains) /gains less losses from trading in trading securities		(426 382)	258 069
Realized (losses net of gains) arising from other securities at fair value through profit or loss		(52 058)	(93 245)
Realized gains less losses from financial derivative instruments		1 412 372	4 939 689
Realized gains less losses arising from trading in foreign currencies		4 359 575	3 543 702
Cash proceeds from sale of loans	10	406 096	1 064 804
Other operating income received		493 164	227 415
Staff costs paid		(9 202 889)	(8 715 000)
Administrative and other operating expenses paid		(6 753 556)	(5 125 849)
Income tax paid		(4 884 829)	(3 918 724)
Cash flows from operating activities before changes in operating assets and liabilities		32 360 904	32 964 780
Net (increase) in mandatory cash balances with the Central Bank of the Russian Federation		(470 863)	(1 351 876)
Net (increase) in trading securities		(21 475 936)	(2 443 460)
Net decrease/(increase) in other securities at fair value through consolidated profit and loss		20 063 538	(5 011 335)
Net decrease/(increase) in due from other banks		7 231 419	(17 668 603)
Net (increase) in loans and advances to customers		(34 246 098)	(9 685 045)
Net (increase)/decrease in derivatives and other financial assets		(47 719)	317 759
Net decrease in other assets		749 572	603 437
Net increase/(decrease) in due to other banks		14 219 175	(10 202 423)
Net increase in customer accounts		57 596 693	22 889 484
Net (decrease) in derivatives and other financial liabilities		(4 579 744)	(919 823)
Net (decrease) in other liabilities		(1 625 759)	(1 629 028)
Net cash from operating activities		69 775 182	7 863 867
Cash flows from investing activities			
Acquisition of premises and equipment and intangible assets		(1 958 152)	(1 183 321)
Proceeds from sale of premises and equipment		5 055	1 831
Dividends received		137 025	45 675
Acquisition of securities portfolio held-to-maturity		(5 003 110)	(1 036 058)
Proceeds from redemption of securities portfolio held-to-maturity		342 599	5 827 425
Interest received on securities portfolio held-to-maturity		265 385	0
Proceeds from sale of assets held for sale		62 004	66 632
Net cash (used in) from investing activities		(6 149 194)	3 722 184
Cash flows from financing activities			
Proceeds from term borrowings from the Parent Bank and other financial institutions		-	222 215
Proceeds from subordinated debt		-	-
Repayment of term borrowings from the Parent Bank and other financial institutions		-	(13 071 862)
Interest paid on term borrowings from the Parent Bank and other financial institutions		(2 128 346)	(2 735 571)
Proceeds from issuance of debt securities		69 061	14 772
Repayment of debt securities in issue		(99 962)	(6 504 502)
Interest paid on debt securities		(519 024)	(1 241 086)
Dividends paid		(17 894 737)	(2 105 336)
Net cash (used in) financing activities		(20 573 008)	(25 421 370)
Change in accrued interest on cash and cash equivalents		896 987	31 457
Effect of exchange rate changes on cash and cash equivalents		2 211 066	(16 159 658)
Net decrease/(increase) cash and cash equivalents		46 161 033	(29 963 520)
Cash and cash equivalents at the beginning of the period	6	122 101 961	159 565 835
Cash and cash equivalents at the end of the period	6	168 262 994	129 602 315

The notes set out on pages 5 to 58 form an integral part of this consolidated condensed interim financial information.

1 Introduction

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the nine months period ended 30 September 2017 for AO Raiffeisenbank (hereinafter – the “Bank”) and its subsidiaries (together referred to as the “Group”).

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with the Russian regulations. The Bank is owned by Raiffeisen Bank International AG with 99,96718% of the authorized capital of the Bank (36 553 ordinary uncertificated shares) and Raiffeisen-Invest-Gesellschaft m. b. H. with 0,03282% of the authorized capital of the Bank (12 ordinary uncertificated shares).

Principal activity. The Bank has operated under a full banking license issued by the Central Bank the Russian Federation (“CBRF”) since 1996. The Bank operates in all banking sectors of the Russian financial markets, including money market, investments, corporate and retail banking, and provides a complete range of banking services to its clients. In addition, the Group, through operations of its subsidiaries and associates, is also involved in asset management, pension and leasing businesses. On 2 February 2005 the Bank was accepted to the State deposit insurance scheme, introduced by the Federal law No. 177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

As at 30 September 2017 the Group had 5 branches within the Russian Federation and 177 outlets (31 December 2016: 5 branches and 174 outlets).

The number of the Group’s employees as at 30 September 2017 was 7 904 (31 December 2016: 7 664).

Registered address and place of business. The Bank’s registered address is: 17/1 Troitskaya Str., 129090, Moscow, Russian Federation. The Bank’s main place of business is: 28 Smolenskaya-Sennaya, 119002, Moscow, Russian Federation.

Presentation currency. This consolidated condensed interim financial information is presented in Russian Roubles (“RR”), unless otherwise stated.

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2017, the Russian economy continued to be negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals, all of which contributed to the country’s economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia’s credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

Management determined loan impairment provisions using the “incurred loss” model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

The key rate of the Central Bank of the Russian Federation decreased from 10.0% per annum (from September 19, 2016) to 8.25% (from October 30, 2017)

3 Summary of Significant Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with IAS 34 Interim Financial Reporting. This consolidated condensed interim financial information should be read in conjunction with the annual IFRS consolidated financial statements of the Group for the year ended 31 December 2016.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

At 30 September 2017 the principal rates of exchange used for translating foreign currency balances were USD 1 = RR 58,0169 (31 December 2016: USD 1 = RR 60,6569) and EUR 1 = 68,4483 (31 December 2016: EUR 1 = 63,8111).

The accounting policies and methods of computation applied in the preparation of this consolidated condensed interim financial information are consistent with the accounting policies and methods applied in the annual consolidated financial statements of the Group for the year ended 31 December 2016. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2016, became effective for the Group from 1 January 2017. They have not significantly affected this consolidated condensed interim financial information of the Group.

Interim period measurement. Interim period income tax expense is accrued using the estimated effective tax rate that will be applied to the expected total annual earnings, i.e. the estimated weighted average annual effective income tax rate is applied to the pre-tax income of the interim period.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated condensed interim financial information and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated condensed interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances to customers. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the period, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of RR 1 154 966 thousand (2016: RR 1 151 883 thousand), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% decrease or increase in the actual compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of RR 889 602 thousand (2016: RR 845 246 thousand), respectively.

4 Critical Accounting Estimates, and Judgments in Applying Accounting Policies (Continued)

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Valuation of financial derivatives is applied to single currency interest rate swap transactions, cross currency interest swap transactions and foreign exchange forward contracts. The fair value of these transactions is determined as the difference between the present value of fixed receivable and the present value of floating obligation or vice versa. Refer to Note 26. The present value of floating obligation is determined using discount factors derived from the zero coupon curve. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Any over or under estimation of these future cash flows could require a material adjustment to the carrying value of these derivatives.

5 New Accounting Pronouncements

Since the Group published its last annual consolidated financial statements, no new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2017 apart from those disclosed in annual consolidated financial statements of the Group.

6 Cash and Cash Equivalents

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Cash on hand	20 781 427	26 191 439
Cash balances with the CBRF (other than mandatory reserve deposits)	38 217 216	17 302 045
Correspondent accounts and overnight placements with other banks		
- Russian Federation	13 987 342	5 297 996
- Other countries	29 271 746	8 253 152
Reverse securities sale and repurchase agreements with other banks and other financial institutions with original maturities of less than three months	66 005 263	65 057 329
Total cash and cash equivalents	168 262 994	122 101 961

At 30 September 2017 cash equivalents in the amount of RR 66 005 263 thousand (31 December 2016: RR 65 057 329 thousand) are effectively collateralised by securities purchased under reverse securities sale and repurchase agreements with a fair value of RR 73 037 620 thousand (31 December 2016: RR 73 067 801 thousand) which the Group has a right to sell or repledge.

Correspondent accounts, overnight placements and placements with other banks with original maturities of less than three months and deals with securities purchased under "reverse-repo agreements" with original maturities of less than three months represent balances with large and well-known foreign banks and top-rated Russian banks and financial institutions.

Currency, geographical and liquidity analysis of cash and cash equivalents are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

7 Trading Securities

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Corporate bonds	12 811 074	6 647 900
Corporate Eurobonds	10 582 585	10 967 120
Bonds of Central Bank of Russia	10 109 315	-
Russian Federation Eurobonds	6 019 212	1 882 231
Federal loan bonds (OFZ)	4 979 234	3 894 430
Municipal bonds	1 563	1 594
Total trading securities	44 502 983	23 393 275

Estimation of fair value of trading securities is based on their market quotations.

Trading securities are carried at fair value which also reflects any credit risk related write-downs. As trading securities are carried at fair value based on observable market data, the Group does not analyse or monitor impairment indicators separately on these securities.

The Bank is licensed by the Federal Commission on Securities Markets of the Russian Federation for trading in securities.

At 30 September 2017 and 31 December 2016 no trading securities were past due or impaired and there were no renegotiated balances of trading securities that would otherwise be past due. Trading securities are not collateralised.

Currency, geographical and liquidity analysis of trading securities and repurchase receivables related to trading securities are disclosed in Note 23.

8 Other Securities at Fair Value Through Consolidated Profit or Loss

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Federal loan bonds (OFZ)	5 657 430	6 152 667
US Treasury Bonds	4 673 880	24 353 123
Corporate Eurobonds	1 992 256	2 655 657
Corporate bonds	1 294 639	1 431 201
Russian Federation Eurobonds	443 278	129 709
Municipal bonds	370 377	377 700
Total other debt securities at fair value through consolidated profit and loss	14 431 860	35 100 057

The Group irrevocably designated the above securities, which are not part of its trading book, as at fair value through profit or loss. The securities meet the criteria for classification as at fair value through profit or loss because Asset and Liability Committee of the Group ("ALCO") assesses performance of the investments based on their fair values in accordance with a strategy documented in the business plan.

As the securities are carried at their fair value based on observable market data, the Group does not analyse or monitor separate impairment indicators.

Currency, geographical and liquidity analysis of other securities at fair value through consolidated profit or loss and Repurchase Receivables related to Other securities at Fair Value Through Consolidated Profit or Loss are disclosed in Note 23.

AO Raiffeisenbank
Notes to the Consolidated Condensed Interim Financial Information

9 Due from Other Banks

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Short-term placements with other banks with original maturities of more than three months and less than one year	17 006 747	19 534 539
Long-term placements with other banks with original maturities of more than one year	6 289 193	12 323 369
Total due from other banks	23 295 940	31 857 908

As at 30 September 2017 and 31 December 2016 due from other banks are neither past due nor impaired.

Disclosure of the fair value of due from other banks is presented in Note 26.

Currency, geographical and liquidity analysis of due from other banks are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

10 Loans and Advances to Customers

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Loans to corporate customers (Corporate loans)	261 053 638	274 816 219
Loans to individuals (Retail loans)	214 544 589	187 116 338
Loans to medium entities (Middle business)	27 545 664	23 301 117
Loans to small and micro entities (SME loans)	15 871 361	14 052 452
Total gross loans and advances to customers	519 015 252	499 286 126
Less: Provision for loan impairment	(18 307 614)	(24 886 464)
Total loans and advances to customers	500 707 638	474 399 662

Movements in the provision for loan impairment during nine-month period ended 30 September 2017 are as follows:

<i>In thousands of Russian Roubles</i>	Loans to corporate customers	Loans to medium entities	Retail loans	Loans to small and micro entities	Total
Provision for loan impairment at 1 January 2017	10 881 314	689 405	12 112 426	1 203 319	24 886 464
Charge/(Release) of provision for impairment during the period	461 016	20 650	805 528	50 999	1 338 193
Disposal of provisions as a result of disposal of loans	(25 772)	(42 761)	(3 558 945)	(564 981)	(4 192 459)
Amounts written off during the period as uncollectible	(2 902 388)	(360 502)	(156 605)	(43 826)	(3 463 321)
Exchange differences on provision for loan impairment	(198 324)	(1 047)	(61 892)	-	(261 263)
Provision for loan impairment at 30 September 2017 (Unaudited)	8 215 846	305 745	9 140 512	645 511	18 307 614

10 Loans and Advances to Customers (Continued)

The provision for loan impairment during 9 months 2017 differs from the amount presented in the Consolidated Condensed Interim Statement of Profit or Loss for the period due to RR 100 772 thousand recovery of amounts previously written-off as uncollectible (nine-month period ended 30 September 2016: RR 105 853 thousand). This amount relates to Loans to corporate customers and was credited directly to the consolidated condensed interim statement of profit or loss for the period.

Movements in the provision for loan impairment during three-month period ended 30 September 2017 are as follows:

	Loans to corporate customers	Loans to medium entities	Retail loans	Loans to small and micro entities	Total
<i>In thousands of Russian Roubles</i>					
Provision for loan impairment at 1 July 2017 (Unaudited)	10 357 581	645 390	12 285 643	1 225 404	24 514 018
Charge/(Release) of provision for impairment during the period	49 349	20 680	406 910	(16 949)	459 990
Disposal of provisions as a result of disposal of loans	(18 646)	-	(3 471 010)	(562 388)	(4 052 044)
Amounts written off during the period as uncollectible	(2 068 194)	(360 502)	(60 713)	(556)	(2 489 965)
Exchange differences on provision for loan impairment	(104 244)	177	(20 318)	-	(124 385)
Provision for loan impairment at 30 September 2017 (Unaudited)	8 215 846	305 745	9 140 512	645 511	18 307 614

Movements in the provision by product for the Retail loan impairment during nine-month period ended 30 September 2017 are as follows:

	Unsecured customer loans	Mortgage loans	Car loans	Credit cards and overdrafts	Total
<i>In thousands of Russian Roubles</i>					
Provision for loan impairment at 1 January 2017	6 600 859	1 829 262	1 509 381	2 172 924	12 112 426
Charge of provision for impairment during the period	745 888	(174 705)	(76 450)	310 795	805 528
Disposal of provisions as a result of disposal of loans	(2 544 121)	(169 559)	(185 384)	(659 880)	(3 558 944)
Amounts written off during the period as uncollectible	(63 483)	(41 323)	(30 599)	(21 200)	(156 605)
Exchange differences on provision for loan impairment	(1 854)	(55 837)	(4 133)	(69)	(61 893)
Provision for loan impairment at 30 September 2017 (Unaudited)	4 737 289	1 387 838	1 212 815	1 802 570	9 140 512

10 Loans and Advances to Customers (Continued)

Movements in the provision by product for the Retail loan impairment during three-month period ended 30 September 2017 are as follows:

<i>In thousands of Russian Roubles</i>	Unsecured customer loans	Mortgage loans	Car loans	Credit cards and overdrafts	Total
Provision for loan impairment at 1 July 2017 (Unaudited)	6 942 220	1 531 207	1 430 511	2 381 705	12 285 643
Charge/(release) of provision for impairment during the period	362 703	(19 194)	(24 584)	87 985	406 910
Disposal of provisions as a result of disposal of loans	(2 529 056)	(98 650)	(184 212)	(659 091)	(3 471 009)
Amounts written off during the period as uncollectible	(38 023)	(8 073)	(7 188)	(7 429)	(60 713)
Exchange differences on provision for loan impairment	(555)	(17 452)	(1 712)	(600)	(20 319)
Provision for loan impairment at 30 September 2017 (Unaudited)	4 737 289	1 387 838	1 212 815	1 802 570	9 140 512

Movements in the provision for loan impairment during nine-month period ended 30 September 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Loans to corporate customers	Loans to medium entities	Retail loans	Loans to small and micro entities	Total
Provision for loan impairment at 1 January 2016	19 008 009	871 487	13 775 402	2 094 954	35 749 852
Charge/(Release) of provision for impairment during the period	2 951 987	(64 710)	2 632 822	196 772	5 716 871
Disposal of provisions as a result of disposal of loans	(1 161 525)	(7 799)	(301 751)	(25 784)	(1 496 859)
Amounts written off during the period as uncollectible	(6 797 288)	(97 536)	(199 262)	(62 003)	(7 156 089)
Exchange differences on provision for loan impairment	(1 721 222)	(18 127)	(312 549)	(9)	(2 051 907)
Provision for loan impairment at 30 September 2016 (Unaudited)	12 279 961	683 315	15 594 662	2 203 930	30 761 868

Movements in the provision for loan impairment during three-month period ended 30 September 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Loans to corporate customers	Loans to medium entities	Retail loans	Loans to small and micro entities	Total
Provision for loan impairment at 1 July 2016 (Unaudited)	13 071 525	657 055	15 597 976	2 221 112	31 547 668
Charge of provision for impairment during the period	543 583	26 586	181 905	9 405	761 479
Disposal of provisions as a result of disposal of loans	(1 131 031)	-	(88 550)	(13 451)	(1 233 032)
Amounts written off during the period as uncollectible	(14 423)	-	(67 591)	(13 135)	(95 149)
Exchange differences on provision for loan impairment	(189 693)	(326)	(29 078)	(1)	(219 098)
Provision for loan impairment at 30 September 2016 (Unaudited)	12 279 961	683 315	15 594 662	2 203 930	30 761 868

10 Loans and Advances to Customers (Continued)

Movements in the provision by product for the Retail loan impairment during nine-month period ended 30 September 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Unsecured customer loans	Mortgage loans	Car loans	Credit cards and overdrafts	Total
Provision for loan impairment at 1 January 2016	7 430 901	1 819 434	2 012 247	2 512 820	13 775 402
Charge of provision for impairment during the period	1 653 122	412 280	101 658	465 762	2 632 822
Disposal of provisions as a result of disposal of loans	(3 192)	(294 012)	(3 761)	(786)	(301 751)
Amounts written off during the period as uncollectible	(46 496)	(122 161)	(18 325)	(12 280)	(199 262)
Exchange differences on provision for loan impairment	(10 661)	(245 293)	(24 670)	(31 925)	(312 549)
Provision for loan impairment at 30 September 2016 (Unaudited)	9 023 674	1 570 248	2 067 149	2 933 591	15 594 662

Movements in the provision by product for the Retail loan impairment during three-month period ended 30 September 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Unsecured customer loans	Mortgage loans	Car loans	Credit cards and overdrafts	Total
Provision for loan impairment at 1 July 2016 (Unaudited)	8 793 554	1 819 634	2 121 358	2 863 430	15 597 976
Charge/(release) of provision for impairment during the period	249 185	(105 948)	(40 991)	79 659	181 905
Disposal of provisions as a result of disposal of loans	(1 562)	(84 824)	(1 570)	(594)	(88 550)
Amounts written off during the period as uncollectible	(16 536)	(37 717)	(8 990)	(4 348)	(67 591)
Exchange differences on provision for loan impairment	(967)	(20 897)	(2 658)	(4 556)	(29 078)
Provision for loan impairment at 30 September 2016 (Unaudited)	9 023 674	1 570 248	2 067 149	2 933 591	15 594 662

During the nine-month period ended 30 September 2017 the Bank disposed loans to customers under cession and other agreements with the total gross value of RR 4 878 906 thousand (nine-month period ended 30 September 2016: RR 2 955 926 thousand) for cash proceeds of RR 406 096 thousand (nine-month period ended 30 September 2016: RR 1 064 804) and other assets with carrying value of RR 332 469 thousand (nine-month period ended 30 September 2016: RR 423 239 thousand). As of the date of disposal during the nine-month period ended 30 September 2017 these loans were provided for impairment in the total amount of RR 4 192 459 thousand (nine-month period ended 30 September 2016: RR 1 496 859 thousand). The net financial result of a loan disposal during the nine-month period ended 30 September 2017 recognized in the consolidated condensed interim statement of profit or loss and other comprehensive income was a gain of RR 52 118 thousand (nine-month period ended 30 September 2016: RR 28 976 thousand).

10 Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)		31 December 2016	
	Amount	%	Amount	%
Individuals	214 544 589	41,35%	187 116 338	37,48%
Manufacturing	96 713 408	18,63%	106 966 472	21,42%
Real estate	60 176 177	11,59%	80 907 810	16,20%
Trade	72 620 859	13,99%	46 752 842	9,36%
Mining	25 405 411	4,89%	28 950 931	5,80%
Transport, storage and communication	20 238 396	3,90%	16 660 674	3,34%
Financial Services	13 008 228	2,51%	16 429 986	3,29%
Health and social work	5 907 559	1,14%	6 055 307	1,21%
Hotels and restaurants	1 784 703	0,34%	1 702 482	0,34%
Electricity, gas and water supply	1 592 612	0,31%	651 416	0,13%
Other	7 023 310	1,35%	7 091 868	1,42%
Total loans and advances to customers (before provision for loan impairment)	519 015 252	100,00%	499 286 126	100,00%

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans granted to legal entities outstanding at 30 September 2017 is as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	Middle business	SME loans	Total
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>				
Minimal risk	378	-	-	378
Excellent credit standing	22 989 770	-	-	22 989 770
Very good credit standing	76 953 146	-	1 953	76 955 099
Good credit standing	54 000 750	442 520	224 684	54 667 954
Sound credit standing	49 649 100	6 909 864	1 120 156	57 679 120
Acceptable credit standing	35 371 593	15 440 352	4 466 703	55 278 648
Marginal credit standing	2 686 972	3 982 892	7 327 712	13 997 576
Weak credit standing	3 714 579	22 232	1 223 375	4 960 186
Very weak credit standing	-	23 700	295 904	319 604
Total neither past due nor impaired loans, assessed for impairment on collective basis (gross)	245 366 288	26 821 560	14 660 487	286 848 335
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>				
- less than 30 days overdue	-	2 450	124 565	127 015
- 31 – 60 days overdue	-	-	14 851	14 851
- 61 – 90 days overdue	-	-	4 537	4 537
- 91 – 180 days overdue	-	-	5 474	5 474
Total past due but not impaired loans, assessed for impairment on collective basis (gross)	-	2 450	149 427	151 877
<i>Loans individually determined to be impaired</i>				
- not overdue	5 648 075	121 150	90 186	5 859 411
- less than 30 days overdue	1 624 796	108 419	26 856	1 760 071
- 31 – 60 days overdue	-	63 542	16 986	80 528
- 61 – 90 days overdue	-	-	2 483	2 483
- 91 – 180 days overdue	-	1 919	46 534	48 453
- 181 – 364 days overdue	5 528 785	-	181 011	5 709 796
- over 365 days overdue	2 885 694	426 624	697 391	4 009 709
Total loans individually determined to be impaired (gross)	15 687 350	721 654	1 061 447	17 470 451
Total gross loans and advances to customers	261 053 638	27 545 664	15 871 361	304 470 663
Less: Provision for loan impairment	(8 215 846)	(305 745)	(645 511)	(9 167 102)
Total loans and advances to customers	252 837 792	27 239 919	15 225 850	295 303 561

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans granted to legal entities outstanding at 31 December 2016 is as follows:

<i>In thousands of Russian Roubles</i>	Corporate loans	Middle business	SME loans	Total
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>				
Minimal risk	8 707 586	-	-	8 707 586
Excellent credit standing	47 486 328	-	-	47 486 328
Very good credit standing	50 622 390	-	-	50 622 390
Good credit standing	57 042 285	387 108	245 948	57 675 341
Sound credit standing	45 772 303	5 930 563	917 844	52 620 710
Acceptable credit standing	42 720 021	11 621 811	3 038 757	57 380 589
Marginal credit standing	2 523 983	3 925 267	6 509 381	12 958 631
Weak credit standing	692 063	320 881	1 272 831	2 285 775
Very weak credit standing	1 279 443	92 824	306 647	1 678 914
Total neither past due nor impaired loans, assessed for impairment on collective basis (gross)	256 846 402	22 278 454	12 291 408	291 416 264
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>				
- less than 30 days overdue	-	-	89 790	89 790
- 31 – 60 days overdue	-	-	54 775	54 775
- 61 – 90 days overdue	-	-	50 627	50 627
- 91 – 180 days overdue	-	-	-	-
Total past due but not impaired loans, assessed for impairment on collective basis (gross)	-	-	195 192	195 192
<i>Loans individually determined to be impaired</i>				
- not overdue	11 327 985	119 917	80 243	11 528 145
- less than 30 days overdue	-	-	29 490	29 490
- 31 – 60 days overdue	1 963 305	-	29 211	1 992 516
- 61 – 90 days overdue	-	-	17 874	17 874
- 91 – 180 days overdue	-	42 285	131 240	173 525
- 181 – 364 days overdue	-	157 642	255 918	413 560
- over 365 days overdue	4 678 527	702 819	1 021 876	6 403 222
Total loans individually determined to be impaired (gross)	17 969 817	1 022 663	1 565 852	20 558 332
Total gross loans and advances to customers	274 816 219	23 301 117	14 052 452	312 169 788
Less: Provision for loan impairment	(10 881 314)	(689 405)	(1 203 319)	(12 774 038)
Total loans and advances to customers	263 934 905	22 611 712	12 849 133	299 395 750

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of retail loans outstanding at 30 September 2017 is as follows:

<i>In thousands of Russian Roubles</i>	Unsecured consumer loans	Mortgage loans	Car loans	Credit cards and overdrafts	Total Retail Loans
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>					
Minimal risk	3 566 418	49 113 153	588 534	750 449	54 018 554
Excellent credit standing	9 547 139	19 899 460	714 738	1 917 525	32 078 862
Very good credit standing	18 280 272	9 743 342	1 283 394	3 581 107	32 888 115
Good credit standing	22 579 190	5 219 236	760 120	3 945 839	32 504 385
Sound credit standing	19 208 323	3 112 080	285 067	2 463 334	25 068 804
Acceptable credit standing	11 680 041	2 712 714	120 632	1 004 193	15 517 580
Marginal credit standing	2 849 526	778 569	67 969	571 546	4 267 610
Weak credit standing	1 017 052	390 887	41 877	173 217	1 623 033
Very weak credit standing	1 184 685	966 326	42 167	141 153	2 334 331
Total current and not impaired loans, assessed for impairment on a collective basis	89 912 646	91 935 767	3 904 498	14 548 363	200 301 274
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	1 600 302	720 707	184 594	1 105 393	3 610 996
- 31 – 60 days overdue	296 267	158 508	33 490	132 956	621 221
- 61 – 90 days overdue	191 270	67 289	16 427	53 026	328 012
Total past due but not impaired loans, assessed for impairment on a collective basis	2 087 839	946 504	234 511	1 291 375	4 560 229
<i>Loans individually determined to be impaired</i>					
- not overdue	206 524	593 597	17 902	63 478	881 501
- less than 30 days overdue	70 876	189 555	14 598	27 159	302 188
- 31 – 60 days overdue	47 848	139 543	6 361	10 570	204 322
- 61 – 90 days overdue	54 411	124 951	8 354	13 156	200 872
- 91 – 180 days overdue	527 004	190 603	54 545	178 087	950 239
- 181 – 364 days overdue	670 216	228 943	109 866	593 679	1 602 704
- over 365 days overdue	2 212 813	1 456 949	1 161 327	710 171	5 541 260
Total individually impaired loans (gross)	3 789 692	2 924 141	1 372 953	1 596 300	9 683 086
Total gross loans and advances to customers	95 790 177	95 806 412	5 511 962	17 436 038	214 544 589
Less: Provision for loan impaired	(4 737 289)	(1 387 838)	(1 212 815)	(1 802 570)	(9 140 512)
Total loans and advances to customers	91 052 888	94 418 574	4 299 147	15 633 468	205 404 077

10 Loans and Advances to Customers (Continued)

Analysis by credit quality of retail loans outstanding at 31 December 2016 is as follows:

<i>In thousands of Russian Roubles</i>	Unsecured consumer loans	Mortgage loans	Car loans	Credit cards and overdrafts	Total Retail Loans
<i>Neither past due nor impaired loans, assessed for impairment on a collective basis</i>					
Minimal risk	2 147 246	24 166 969	209 523	782 255	27 305 993
Excellent credit standing	5 685 211	19 579 082	1 561 903	1 971 038	28 797 234
Very good credit standing	13 592 763	8 812 567	3 313 566	2 990 444	28 709 340
Good credit standing	17 783 691	4 875 135	1 924 876	3 595 568	28 179 270
Sound credit standing	21 163 500	2 237 969	836 444	2 270 969	26 508 882
Acceptable credit standing	12 831 854	2 711 211	378 014	1 171 677	17 092 756
Marginal credit standing	4 792 850	1 928 179	179 794	637 855	7 538 678
Weak credit standing	1 535 198	1 042 852	117 265	281 271	2 976 586
Very weak credit standing	1 719 382	1 832 017	160 752	252 877	3 965 028
Total current and not impaired loans, assessed for impairment on a collective basis	81 251 695	67 185 981	8 682 137	13 953 954	171 073 767
<i>Past due but not impaired loans, assessed for impairment on a collective basis</i>					
- less than 30 days overdue	1 035 645	519 605	238 686	610 159	2 404 095
- 31 – 60 days overdue	269 977	110 500	55 807	115 374	551 658
- 61 – 90 days overdue	169 479	86 155	26 535	57 364	339 533
Total past due but not impaired loans, assessed for impairment on a collective basis	1 475 101	716 260	321 028	782 897	3 295 286
<i>Loans individually determined to be impaired</i>					
- not overdue	388 239	672 985	56 217	89 179	1 206 620
- less than 30 days overdue	91 201	150 425	24 323	31 103	297 052
- 31 – 60 days overdue	62 117	82 575	19 491	16 209	180 392
- 61 – 90 days overdue	74 894	128 216	15 335	15 377	233 822
- 91 – 180 days overdue	585 642	300 758	103 813	186 999	1 177 212
- 181 – 364 days overdue	1 414 804	404 756	236 112	763 456	2 819 128
- over 365 days overdue	3 147 470	1 493 322	1 275 664	916 603	6 833 059
Total individually impaired loans (gross)	5 764 367	3 233 037	1 730 955	2 018 926	12 747 285
Total gross loans and advances to customers	88 491 163	71 135 278	10 734 120	16 755 777	187 116 338
Less: Provision for loan impaired	(6 600 859)	(1 829 262)	(1 509 381)	(2 172 924)	(12 112 426)
Total loans and advances to customers	81 890 304	69 306 016	9 224 739	14 582 853	175 003 912

10 Loans and Advances to Customers (Continued)

Disclosure of the fair value of the Group's loans and advances to customers at 30 September 2017 and 31 December 2016 is presented in Note 26. Currency, geographical and liquidity analysis of loans and advances to customers are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

11 Investment Securities Held to Maturity

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Corporate eurobonds	5 646 957	966 727
Eurobonds of the European Bank for Reconstruction and Development	2 854 810	2 889 200
Corporate bonds	308 971	318 641
Total gross investment securities held to maturity	8 810 738	4 174 568
Less: Provision for impairment	(1 785)	(821)
Total investment securities held to maturity	8 808 953	4 173 747

Refer to Note 26 for the disclosure of the fair value of each class of investment securities held to maturity. Currency, geographical and liquidity analysis of investment securities held to maturity are disclosed in Note 23.

12 Derivatives and Other Financial Assets

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Fair value of currency rate based financial derivatives	18 879 996	27 877 389
Fair value of interest rate based financial derivatives	3 430 456	3 764 559
Plastic card receivables	2 736 085	2 845 480
Trade receivables	209 297	52 183
Total derivatives and other financial assets	25 255 834	34 539 611

Currency, geographical and liquidity analysis of derivatives and other financial assets are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

13 Due to Other Banks

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Correspondent accounts and overnight placements of other banks	18 809 679	8 373 019
Short-term placements of other banks	7 618 022	4 216 980
Long-term placements of other banks	894 432	636 431
Direct sale and repurchase agreements with securities with other banks and other financial institutions	179 568	-
Loans from Central Bank secured by surety	911 651	266 621
Total due to other banks	28 413 352	13 493 051

13 Due to Other Banks (continued)

At 30 September 2017 included in amounts due to other banks are liabilities of RR 179 578 thousand (31 December 2016: RR nil thousand) under sale and repurchase agreements. Refer to Note 26. As at 30 September 2017 the fair value of securities purchased under reverse securities sale and repurchase agreements and sold under direct sale and repurchase agreements with other banks amounted to RR 208 192 thousand (31 December 2016: nil thousand).

Currency, geographical and liquidity analysis of due to other banks are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

14 Customer Accounts

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
State and public organisations		
- Current/settlement accounts	862 065	871 737
- Term deposits	15 526	9 818
Legal entities		
- Current/settlement accounts	173 477 202	141 823 198
- Term deposits	59 059 912	50 753 136
Individuals		
- Current/demand accounts	241 308 195	198 911 522
- Term deposits	127 262 584	155 227 319
Total customer accounts	601 985 484	547 596 730

At 30 September 2017 the aggregate balances of twenty largest customers amounted to RR 54 898 758 thousand (2016: RR 33 987 351 thousand) or 9,1% (2016: 6,2%) of the total customer accounts.

At 30 September 2017 included in customer accounts are deposits of RR 2 012 019 thousand (31 December 2016: RR 707 431 thousand) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 25.

At 30 September 2017 included in customer accounts are deposits of RR 3 863 388 thousand (31 December 2016: RR 3 003 287 thousand) held as collateral for irrevocable commitments under guarantees. Refer to Note 25.

Disclosure of the fair value of the Group's customer accounts at 30 September 2017 is presented in Note 26. Currency, geographical and liquidity analysis of customer accounts are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

14 Customer Accounts (Continued)

Analysis of customer accounts by segments is set out below:

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Customer accounts of individuals (Retail)	368 570 779	354 138 841
Customer accounts of corporates (Corporate)	158 104 077	131 231 930
Customer accounts of small and micro entities (SME)	41 309 085	33 390 708
Customer accounts of medium entities (Middle business)	33 123 952	27 953 696
Customer accounts of state and municipal organisations (Public sector)	877 591	881 555
Total customer accounts	601 985 484	547 596 730

15 Term Borrowings from the Parent Bank

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Subordinated Loans from the Parent Bank	31 031 791	32 326 452
Total term borrowings from the Parent Bank	31 031 791	32 326 452

In September 2014 the Group raised two Subordinated loans from the Parent Bank. Loan in the amount of USD 130 193 thousand is made available for an indefinite period of time. Borrower may repay the loan at its option but only with the consent of the lender and a written consent of CBRF, on the 5th anniversary of the date of inclusion of the loan into own funds and each subsequent anniversary of that date. Loan in the amount USD 165 091 thousand has a maturity date on 27 September 2021. For both loans the Group shall pay interest on the outstanding principal amounts based on the Libor dependent floating interest rates.

In April 2015 the Group raised a Subordinated loan from the Parent Bank in amount of USD 228 160 thousand. The loan has maturity date on 22 April 2020. The Group shall pay interest on the outstanding principal amount based on the Libor dependent floating interest rates.

Carrying value of each class of term borrowings from the Parent Bank approximates fair value at 30 September 2017 and 31 December 2016 as all these liabilities bear floating interest rate. Refer to Note 26.

Currency, geographical and liquidity analysis of term borrowings from the Parent Bank are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

16 Derivatives and Other Financial Liabilities

Derivatives and other financial liabilities comprise the following:

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Fair value of currency rate based financial derivatives	7 842 085	17 300 157
Fair value of interest rate based financial derivatives	2 808 008	4 427 233
Shortselling of trading assets	4 099 486	7 994 531
Other accrued expenses	1 342 344	1 455 435
Provision for credit related commitments	461 946	445 423
Plastic cards payables	174 290	152 640
Trade payables	63 226	27 057
Settlements on conversion operations	10 839	247 773
Other	44 295	6 879
Total derivatives and other financial liabilities	16 846 519	32 057 128

Movement in the provisions for credit related commitments during nine-months period ended 30 September 2017 includes provision allocation of RR (16 519) thousand (during nine-months period ended 30 September 2016: allocation of RR (2 729) thousand). Effect of translation to presentation currency in amount RR (4) thousand (during nine-months period ended 30 September 2016: RR 2 938 thousand) is attributable to provisions for credit related commitments accounted for within Foreign exchange translation gains less losses.

Shortselling of trading assets are selling deals of bond securities that the Group has obtained as collaterals in reverse repo agreements or currently doesn't keep in its own securities' portfolio.

Currency, geographical and liquidity analysis of derivatives and other financial liabilities are disclosed in Note 23. Information on related party transactions is presented in Note 27.

17 Interest Income and Expense

	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
<i>In thousands of Russian Roubles</i>				
Interest income				
Loans and advances to retail customers	22 143 021	7 756 829	20 395 302	6 875 021
Loans and advances to legal entities	19 176 146	6 227 749	20 209 321	6 452 294
Interest rate swap contracts	9 720 162	3 113 721	10 710 747	3 798 828
Foreign exchange swap contracts	4 986 133	1 859 593	6 183 980	1 763 007
Interest income from repo transactions	3 089 274	1 109 592	1 587 014	574 577
Cross-currency interest rate swap contracts	3 023 341	1 078 334	5 842 178	1 733 122
Trading securities	1 745 687	683 042	1 331 786	398 560
Due from other banks	1 000 431	458 820	1 105 442	482 042
Other securities at fair value through profit and loss	935 731	246 244	792 724	311 541
Debt securities held to maturity	240 803	121 535	268 408	67 605
Interest income on impaired financial assets	174 970	75 755	74 521	52 234
Investment securities available for sale	46 560	13 246	204 604	64 374
Total interest income	66 282 259	22 744 460	68 706 027	22 573 205
Interest expense				
Interest rate swap contracts	10 016 408	3 134 433	10 895 735	3 952 785
Foreign exchange swap contracts	5 038 116	1 983 565	6 991 551	2 094 340
Term deposits of individuals	4 331 613	1 301 088	4 108 357	1 298 771
Current/settlement accounts	3 979 033	1 382 364	3 151 334	975 581
Term deposits of legal entities	2 733 121	897 345	3 110 223	867 029
Cross-currency interest rate swap contracts	2 490 065	1 008 233	3 104 063	1 130 575
Term borrowings from the Parent Bank	2 225 934	723 774	2 760 600	849 527
Term placements of other banks	1 627 469	341 504	1 605 610	308 992
Debt securities in issue	519 945	175 292	1 078 045	356 520
Placements of the Central Bank	57 663	16 147	134 404	7 095
Correspondent accounts of other banks	33 414	10 744	44 196	16 121
Interest expense from repo transactions	10 419	2708	19 301	2 709
Total interest expense	33 063 200	10 977 197	37 003 419	11 860 045
Net interest income	33 219 059	11 767 263	31 702 608	10 713 160

18 Fee and Commission Income and Expense

<i>In thousands of Russian Roubles</i>	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
Fee and commission income				
Commissions on operations with plastic cards	9 723 371	3 437 318	8 183 522	2 900 992
Commissions on settlement transactions	2 487 283	933 318	2 352 301	859 014
Commissions on documentary business and guarantees	1 194 286	431 115	1 154 157	396 354
Agent insurance fee	1 515 300	497 601	1 152 241	417 425
Commissions on cash operations	602 102	220 059	596 725	203 525
Fiduciary activities	687 447	216 263	726 526	226 723
Early and late repayment fees	475 468	163 204	489 465	160 114
Commissions on export operations	539 373	206 222	478 686	171 673
Consulting service income	275 797	54 252	433 672	177 310
Credit facility fee	211 490	51 860	158 990	39 938
Commissions on transactions with securities	387 129	135 155	322 312	109 912
Other	354 846	150 828	276 862	92 783
Total fee and commission income	18 453 892	6 497 195	16 325 459	5 755 763
Fee and commission expense				
Commissions on operations with plastic cards	6 162 659	2 313 493	5 442 180	1 966 877
Commissions on cash operations	185 902	62 546	256 370	85 736
Commissions on settlement transactions	263 424	96 117	236 884	88 129
Commissions on transactions with securities	91 565	35 802	133 614	44 939
Commissions for agency services	108 621	41 678	46 365	19 977
Credit facility fee	28 793	12 301	27 275	-
Other	92 267	38 774	153 474	58 668
Total fee and commission expense	6 933 231	2 600 711	6 296 162	2 264 326
Net fee and commission income	11 520 661	3 896 484	10 029 297	3 491 437

19 Unrealized Gains less Losses/(Losses less Gains) from Derivative Financial Instruments

<i>In thousands of Russian Roubles</i>	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
Cross currency interest rate swaps	6 858 082	(856 209)	1 680 882	(939 288)
Interest rate swaps	670 826	68 351	96 751	(145 035)
Forwards with securities	29 676	39 160	(3 498)	(2 149)
Foreign exchange options	(3 277)	2 668	(1 257)	(3 573)
Foreign exchange forwards	(467 185)	321 746	(3 893 585)	(1 894 902)
Foreign exchange swaps	(5 541 399)	105 942	10 947 007	1 877 400
Total unrealized gains less losses/(losses less gains) from derivative financial instruments	1 546 723	(318 342)	8 826 300	(1 107 547)

20 Realized Gains less Losses from Derivative Financial Instruments

<i>In thousands of Russian Roubles</i>	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
Foreign exchange forwards	1 364 758	(68 309)	4 714 094	2 105 822
Interest rate swaps	19 000	19 000	169 836	169 836
Foreign exchange options	32 285	7 377	50 208	2 329
OFZ futures	(4 128)	(1 878)	3 779	3 779
Index futures	457	497	-	-
Cross currency interest rate swaps	-	-	1 774	1 774
Foreign exchange futures	-	-	(2)	(4 186)
Total realized gains less losses from derivative financial instruments	1 412 372	(43 313)	4 939 689	2 279 354

21 Administrative and Other Operating Expenses

<i>In thousands of Russian Roubles</i>	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
Staff costs	10 486 467	3 433 902	9 497 198	3 051 844
Amortisation of intangible assets	1 544 155	479 975	1 530 102	578 839
Deposit insurance fee	1 281 858	446 349	1 138 419	422 765
Rent expenses	1 087 792	355 558	1 178 279	385 719
Advertising and marketing	1 060 782	272 956	299 833	114 684
IT services	963 619	364 096	803 688	330 796
Premises and equipment maintenance expenses	935 216	324 621	534 734	160 556
Depreciation of premises and equipment	799 350	278 849	836 341	264 649
Professional services	394 798	228 496	372 614	78 584
Communication expenses	289 243	103 497	310 114	125 498
Taxes other than on income	176 043	59 288	160 353	53 814
Security expenses	106 507	38 498	96 525	38 156
Other	873 821	281 851	525 411	153 055
Total administrative and other operating expenses	19 999 651	6 667 936	17 283 611	5 758 959

22 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person – or group of persons – who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by Managing board of the Group.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organized on a basis of three primary business divisions:

- Corporate banking – comprises corporate lending, loans to corporate entities and state and municipal organizations, corporate deposit services, trade finance operations, structured corporate lending, corporate finance advisory services and leasing services.

22 Segment Analysis (Continued)

- Retail banking – comprises retail demand and term deposit services, credit and debit card services, retail lending, including consumer loans and personal instalment loans and loans to small and micro entities, auto loans and mortgages, money transfers and private banking services.
- Proprietary business – comprises securities trading, debt and equity capital markets services, foreign currency and derivative products, structured financing, lending, including loans and advances to banks and other financial institutions and other transactions.

In addition to the primary business divisions, the performance of the Group is being assessed on a basis of seven geographical regions (“Hubs”) located across the Russian Federation. These geographical hubs are: Moscow, Centre, North-West, Siberia, South, Ural and Volga.

(b) Factors that management used to identify the reportable segments

The Group’s business divisions are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

(c) Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are materially the same as those described in the summary of significant accounting policies except for: (i) the fair value changes in available for sale securities that are reported within the segments’ profits or losses rather than in other comprehensive income; (ii) use of a transfer pricing system, (iii) different classification of certain lines of income and expenses and (iv) some balances and operations are excluded from segment analysis since they are monitored separately and on a less regular basis. In accordance with the transfer pricing system used by the Group funds are generally reallocated at internal interest rates, which are determined by reference to market interest rate benchmarks.

Segment assets and liabilities are reported to the CODM net of inter-segment assets and liabilities.

(d) Information about reportable segment profit or loss, assets and liabilities by business divisions

Assets and liabilities of business segments of the Group are set out below:

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Corporate business	282 385 583	279 312 696
Retail business	224 867 882	190 064 492
Proprietary business	300 761 589	282 752 837
Total business division assets	808 015 054	752 130 025
Corporate business	174 009 593	140 604 545
Retail business	410 379 422	390 126 554
Proprietary business	104 987 833	107 718 729
Total business division liabilities	689 376 848	638 449 828

22 Segment Analysis (Continued)

Business divisions of the Group for the nine-month period ended 30 September 2017 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate business (Unaudited)	Retail business (Unaudited)	Proprietary business (Unaudited)	Total (Unaudited)
Net interest result	7 392 342	18 921 217	4 166 525	30 480 084
Net fee and commission result	3 989 619	11 175 506	119 718	15 284 843
Provision for loan impairment	(339 303)	(847 464)	(94)	(1 186 861)
Trading result	42 563	2 170	3 389 177	3 433 910
Valuation result from hedge accounting and other derivative instruments	-	-	656 656	656 656
Net income from investments	(964)	-	74 658	73 694
General administrative expenses	(3 539 778)	(14 885 559)	(810 369)	(19 235 706)
Other operating loss	-	5 197	(306 629)	(301 432)
Total business division result before tax	7 544 479	14 371 067	7 289 642	29 205 188
Income taxes	-	-	-	(6 338 166)
Total business division result after tax	7 544 479	14 371 067	7 289 642	22 867 022

Business divisions of the Group for the three-month period ended 30 September 2017 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate business (Unaudited)	Retail business (Unaudited)	Proprietary business (Unaudited)	Total (Unaudited)
Net interest result	2 532 506	6 566 272	1 328 891	10 427 669
Net fee and commission result	1 448 866	3 783 967	57 560	5 290 393
Provision for loan impairment	(47 196)	(373 269)	(20 110)	(440 575)
Trading result	(44 821)	(11 432)	875 412	819 159
Valuation result from hedge accounting and other derivative instruments	-	-	484 683	484 683
Net income from investments	(964)	-	(18 798)	(19 762)
General administrative expenses	(1 209 280)	(4 926 126)	(318 092)	(6 453 498)
Other operating loss	-	5 197	(160 940)	(155 743)
Total business division result before tax	2 679 111	5 044 609	2 228 606	9 952 326
Income taxes	-	-	-	(2 160 915)
Total business division result after tax	2 679 111	5 044 609	2 228 606	7 791 411

22 Segment Analysis (Continued)

Business divisions of the Group for the nine-month period ended 30 September 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate business (Unaudited)	Retail business (Unaudited)	Proprietary business (Unaudited)	Total (Unaudited)
Net interest result	8 465 391	17 738 119	4 746 006	30 949 516
Net fee and commission result	3 665 208	9 951 170	157 818	13 774 196
Provision for loan impairment	(2 706 531)	(2 759 359)	71	(5 465 819)
Trading result	108 418	4 389	2 164 759	2 277 566
Valuation result from hedge accounting and other derivative instruments	-	-	266 933	266 933
Net income from investments	-	-	131 074	131 074
General administrative expenses	(3 487 180)	(13 386 342)	276 235	(16 597 287)
Other operating loss	-	-	(260 773)	(260 773)
Total business division result before tax	6 045 306	11 547 977	7 482 123	25 075 406
Income taxes	-	-	-	(5 350 070)
Total business division result after tax	6 045 306	11 547 977	7 482 123	19 725 336

Business divisions of the Group for the three-month period ended 30 September 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Corporate business (Unaudited)	Retail business (Unaudited)	Proprietary business (Unaudited)	Total (Unaudited)
Net interest result	2 709 051	5 910 039	1 783 265	10 402 355
Net fee and commission result	1 325 940	3 319 841	112 257	4 758 038
Provision for loan impairment	(531 307)	(172 915)	(12 041)	(716 263)
Trading result	58 697	645	718 436	777 778
Valuation result from hedge accounting and other derivative instruments	-	-	33 706	33 706
Net income from investments	-	-	(71 332)	(71 332)
General administrative expenses	(1 128 259)	(4 543 231)	94 189	(5 577 301)
Other operating loss	-	-	(43 749)	(43 749)
Total business division result before tax	2 434 122	4 514 379	2 614 731	9 563 232
Income taxes	-	-	-	(2 030 502)
Total business division result after tax	2 434 122	4 514 379	2 614 731	7 532 730

22 Segment Analysis (Continued)

Major customers

The Group does not have any single customer, from which it earns revenue representing 10% of more of the total revenues. Based on domicile of the customers substantially all of the revenues are from Russian customers.

Major ratio calculations for the reportable segment of the Group annualized for the nine-months period ended 30 September 2017 and actual the year ended 31 December 2016 are set out below:

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Capital expenditure	1 958 152	2 740 244
Cost/income ratio	39,40%	38,17%
Average equity	118 514 923	105 308 823
Return on equity before tax	33,20%	28,18%
Return on equity after tax	26,00%	22,11%

Capital expenditure represents additions to non-current assets other than financial instruments.

(e) Information about reportable segment profit or loss, assets and liabilities by geographical location

Hubs of the Group¹ as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Head Office	297 565 789	279 230 867
Moscow	285 622 863	282 797 164
Centre	18 223 925	18 646 168
North-West	74 532 752	66 335 283
Siberia	34 119 136	25 300 149
South	35 975 201	23 458 502
Ural	26 735 695	27 949 869
Volga	35 239 693	28 412 023
Total hub assets	808 015 054	752 130 025
Head Office	85 462 613	86 960 696
Moscow	424 445 658	397 147 708
Centre	10 753 842	8 527 259
North-West	95 019 622	82 975 043
Siberia	14 597 314	11 298 754
South	19 747 086	16 088 281
Ural	11 467 403	10 334 065
Volga	27 883 310	25 118 022
Total hub liabilities	689 376 848	638 449 828

¹ All Hubs of the Group are within Russian Federation

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22 Segment Analysis (Continued)

Hubs of the Group for the nine-month period ended 30 September 2017 are as follows:

<i>In thousands of Russian Roubles</i>	Head Office (Unaudited)	Moscow (Unaudited)	Centre (Unaudited)	North-West (Unaudited)	Siberia (Unaudited)	South (Unaudited)	Ural (Unaudited)	Volga (Unaudited)	Total (Unaudited)
Net interest result	3 786 709	15 521 649	1 108 564	4 074 027	1 507 398	1 358 880	1 396 366	1 726 491	30 480 084
Net fee and commission result	(231 495)	9 250 498	649 754	2 652 035	686 412	774 639	611 914	891 086	15 284 843
Provision for loan impairment	2 916	(328 976)	(63 017)	(396 597)	(100 361)	(128 051)	(45 688)	(127 087)	(1 186 861)
Trading result	3 370 186	46 684	596	15 990	137	528	(19)	(192)	3 433 910
Valuation result from hedge accounting and other derivative instruments	656 656	-	-	-	-	-	-	-	656 656
Net income from investments	73 694	-	-	-	-	-	-	-	73 694
General administrative expenses	(546 562)	(9 159 191)	(1 129 469)	(2 978 183)	(1 422 031)	(1 260 978)	(1 141 040)	(1 598 252)	(19 235 706)
Other operating loss	(301 432)	-	-	-	-	-	-	-	(301 432)
Total hub result before tax	6 810 672	15 330 664	566 428	3 367 272	671 555	745 018	821 533	892 046	29 205 188
Income taxes	(6 338 166)	-	-	-	-	-	-	-	(6 338 166)
Total hub result after tax	472 506	15 330 664	566 428	3 367 272	671 555	745 018	821 533	892 046	22 867 022

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22 Segment Analysis (Continued)

Hubs of the Group for the three-month period ended 30 September 2017 are as follows:

<i>In thousands of Russian Roubles</i>	Head Office (Unaudited)	Moscow (Unaudited)	Centre (Unaudited)	North-West (Unaudited)	Siberia (Unaudited)	South (Unaudited)	Ural (Unaudited)	Volga (Unaudited)	Total (Unaudited)
Net interest result	1 196 013	5 359 591	381 996	1 440 954	532 336	474 012	438 370	604 397	10 427 669
Net fee and commission result	(85 482)	3 180 467	242 703	910 048	231 106	279 242	219 722	312 587	5 290 393
Provision for loan impairment	(19 366)	(118 287)	(33 041)	(106 225)	(43 078)	(33 271)	(22 380)	(64 927)	(440 575)
Trading result	856 422	(40 410)	(10)	3 817	(151)	(12)	(281)	(216)	819 159
Valuation result from hedge accounting and other derivative instruments	484 683	-	-	-	-	-	-	-	484 683
Net income from investments	(19 762)	-	-	-	-	-	-	-	(19 762)
General administrative expenses	(225 939)	(3 071 746)	(371 229)	(980 628)	(474 164)	(420 392)	(379 250)	(530 150)	(6 453 498)
Other operating loss	(155 743)	-	-	-	-	-	-	-	(155 743)
Total hub result before tax	2 030 826	5 309 615	220 419	1 267 966	246 049	299 579	256 181	321 691	9 952 326
Income taxes	(2 160 915)	-	-	-	-	-	-	-	(2 160 915)
Total hub result after tax	(130 089)	5 309 615	220 419	1 267 966	246 049	299 579	256 181	321 691	7 791 411

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22 Segment Analysis (Continued)

Hubs of the Group for the nine-month period ended 30 September 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Head Office (Unaudited)	Moscow (Unaudited)	Centre (Unaudited)	North-West (Unaudited)	Siberia (Unaudited)	South (Unaudited)	Ural (Unaudited)	Volga (Unaudited)	Total (Unaudited)
Net interest result	4 387 038	15 937 966	1 087 835	3 863 736	1 370 832	1 294 267	1 423 877	1 583 965	30 949 516
Net fee and commission result	(147 069)	8 086 636	570 559	2 549 128	699 770	640 171	560 833	814 168	13 774 196
Provision for loan impairment	6 408	(3 670 585)	(232 337)	(356 848)	(364 339)	(480 565)	21 886	(389 439)	(5 465 819)
Trading result	2 164 805	62 178	93	16 236	-	-	33 269	985	2 277 566
Valuation result from hedge accounting and other derivative instruments	266 933	-	-	-	-	-	-	-	266 933
Net income from investments	131 074	-	-	-	-	-	-	-	131 074
General administrative expenses	529 893	(8 529 011)	(1 032 769)	(2 650 942)	(1 299 622)	(1 126 796)	(1 067 224)	(1 420 816)	(16 597 287)
Other operating loss	(260 773)	-	-	-	-	-	-	-	(260 773)
Total hub result before tax	7 078 309	11 887 184	393 381	3 421 310	406 641	327 077	972 641	588 863	25 075 406
Income taxes	(5 350 070)	-	-	-	-	-	-	-	(5 350 070)
Total hub result after tax	1 728 239	11 887 184	393 381	3 421 310	406 641	327 077	972 641	588 863	19 725 336

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22 Segment Analysis (Continued)

Hubs of the Group for the three-month period ended 30 September 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Head Office (Unaudited)	Moscow (Unaudited)	Centre (Unaudited)	North-West (Unaudited)	Siberia (Unaudited)	South (Unaudited)	Ural (Unaudited)	Volga (Unaudited)	Total (Unaudited)
Net interest result	1 670 303	5 272 211	351 822	1 273 584	454 008	421 692	435 662	523 073	10 402 355
Net fee and commission result	12 367	2 745 675	194 516	861 502	243 441	240 489	161 323	298 725	4 758 038
Provision for loan impairment	(11 872)	(551 409)	(9 301)	28 925	(68 029)	(23 325)	(11 003)	(70 249)	(716 263)
Trading result	718 435	56 631	60	2 306	-	-	-	346	777 778
Valuation result from hedge accounting and other derivative instruments	33 706	-	-	-	-	-	-	-	33 706
Net income from investments	(71 332)	-	-	-	-	-	-	-	(71 332)
General administrative expenses	180 096	(2 864 536)	(345 570)	(894 617)	(437 725)	(383 500)	(358 165)	(473 284)	(5 577 301)
Other operating loss	(43 749)	-	-	-	-	-	-	-	(43 749)
Total hub result before tax	2 487 954	4 658 572	191 527	1 271 700	191 695	255 356	227 817	278 611	9 563 232
Income taxes	(2 030 502)	-	-	-	-	-	-	-	(2 030 502)
Total hub result after tax	457 452	4 658 572	191 527	1 271 700	191 695	255 356	227 817	278 611	7 532 730

22 Segment Analysis (Continued)

(f) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

Reconciliation of segment revenues, segment result and other material items is presented below.

<i>In thousands of Russian Roubles</i>	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
Total interest and fee and commission result for segment	45 764 927	15 718 062	44 723 712	15 160 393
Reclassification of interest result to trading result and net income from investments	2 968 040	1 424 749	750 183	295 222
Reclassification of commission result to trading result	(4 168 696)	(1 538 254)	(4 097 386)	(1 374 860)
Effect of the consolidation of the subsidiaries and other adjustments	175 449	59 190	355 396	123 842
Total net interest and fee and commission result	44 739 720	15 663 747	41 731 905	14 204 597

Total revenue comprises interest and similar income and fee and commission income.

Reconciliation of reportable segment result is presented below.

<i>In thousands of Russian Roubles</i>	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)	Nine-Month Period Ended 30 September 2016 (Unaudited)	Three-Month Period Ended 30 September 2016 (Unaudited)
Total segment result	22 867 022	7 791 411	19 725 336	7 532 730
Consolidation of subsidiaries and associate	267 799	102 024	356 510	114 160
Intercompany and other adjustments	(20 438)	(7 122)	818	316
Profit after tax	23 114 383	7 886 313	20 082 664	7 647 206

22 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the nine-month period ended 30 September 2017 is as follows:

	Total amount for reportable segment	Reclassifications	Consolidation of the subsidiaries and associate and other	As reported under IFRS
<i>In thousands of Russian Roubles</i>				
Net interest result	30 480 084	2 968 040	(229 065)	33 219 059
Net fee and commission result	15 284 843	(4 168 696)	404 514	11 520 661
Provision for loan impairment	(1 186 861)	(14 975)	14	(1 201 822)
Trading result	3 433 910	1 215 631	48 622	4 698 163
Valuation result from hedge accounting and other derivative instruments	656 656	-	-	656 656
Net income from investments	73 694	-	(21 714)	51 980
Depreciation and amortization	(2 341 054)	-	(2 451)	(2 343 505)
Other administrative expenses	(16 894 652)	-	112 327	(16 782 325)
Share of profit of associates	-	-	317 000	317 000
Other operating loss	(301 432)	-	(326 528)	(627 960)
Income taxes	(6 338 166)	-	(55 358)	(6 393 524)

Reconciliation of other material items of income or expenses for the three-month period ended 30 September 2017 is as follows:

	Total amount for reportable segment	Reclassifications	Consolidation of the subsidiaries and associate and other	As reported under IFRS
<i>In thousands of Russian Roubles</i>				
Net interest result	10 427 669	1 424 748	(85 154)	11 767 263
Net fee and commission result	5 290 393	(1 538 254)	144 345	3 896 484
Provision for loan impairment	(440 575)	(4 576)	(249)	(445 400)
Trading result	819 159	118 081	8 402	945 642
Valuation result from hedge accounting and other derivative instruments	484 683	-	-	484 683
Net income from investments	(19 762)	-	(7 228)	(26 990)
Depreciation and amortization	(757 957)	-	(867)	(758 824)
Other administrative expenses	(5 695 541)	-	68 280	(5 627 261)
Share of profit of associates	-	-	120 343	120 343
Other operating loss	(155 743)	-	(133 257)	(289 000)
Income taxes	(2 160 915)	-	(19 712)	(2 180 627)

22 Segment Analysis (Continued)

Reconciliation of other material items of income or expenses for the nine-month period ended 30 September 2016 is as follows:

	Total amount for reportable segment	Reclassifications	Consolidation of the subsidiaries and associate and other	As reported under IFRS
<i>In thousands of Russian Roubles</i>				
Net interest result	30 949 516	750 183	2 909	31 702 608
Net fee and commission result	13 774 196	(4 097 386)	352 487	10 029 297
Provision for loan impairment	(5 465 819)	(116 015)	(2 937)	(5 584 771)
Trading result	2 277 566	3 463 218	(16 784)	5 724 000
Valuation result from hedge accounting and other derivative instruments	266 933	-	-	266 933
Net income from investments	131 074	-	12 007	143 081
Depreciation and amortization	(2 362 809)	-	(3 634)	(2 366 443)
Other administrative expenses	(14 234 478)	-	(157 279)	(14 391 757)
Share of profit of associates	-	-	274 637	274 637
Other operating loss	(260 773)	-	(71 319)	(332 092)
Income taxes	(5 350 070)	-	(32 759)	(5 382 829)

Reconciliation of other material items of income or expenses for the three-month period ended 30 September 2016 is as follows:

	Total amount for reportable segment	Reclassifications	Consolidation of the subsidiaries and associate and other	As reported under IFRS
<i>In thousands of Russian Roubles</i>				
Net interest result	10 402 355	290 223	20 582	10 713 160
Net fee and commission result	4 758 038	(1 374 860)	108 259	3 491 437
Provision for loan impairment	(716 263)	(283)	(379)	(716 925)
Trading result	777 778	1 084 920	(11 069)	1 851 629
Valuation result from hedge accounting and other derivative instruments	33 706	-	-	33 706
Net income from investments	(71 332)	-	7 252	(64 080)
Depreciation and amortization	(842 701)	-	(787)	(843 488)
Other administrative expenses	(4 734 600)	-	(27 816)	(4 762 416)
Share of profit of associates	-	-	64 931	64 931
Other operating loss	(43 749)	-	(34 502)	(78 251)
Income taxes	(2 030 502)	-	(11 995)	(2 042 497)

Provision for loan impairment comprises of provision for impairment of loans and advances to customers, provision for credit related commitments and gains from the sale of loans.

Trading result, Net income from investments and valuation result from hedge accounting and other derivative instruments comprise gains less losses from trading securities, gains less losses from trading in foreign currencies, unrealised and realized gains less losses from derivative financial instruments and foreign exchange translation losses, less gains, ineffectiveness from hedge accounting, gain from redemption of investment securities available for sale, gains less losses from other securities at fair value through profit or loss and provision for investment securities held to maturity.

23 Financial Risk Management

The Group's risk management function is conducted regarding financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and credit risk concentrations. Its primary objectives are to identify and assess risks, establish risk limits, assume risk mitigation measures, ensure that all material risks are measured and limited, and that business in general is evaluated from a risk/return perspective. The operational and legal risk management functions are meant to ensure that internal policies and procedures work properly to minimize operational and legal risks. Policies and processes for managing financial risks remain unchanged from those disclosed in last annual consolidated financial statements for the year ended 31 December 2016.

Market risk. Market risk is the risk of loss due to adverse changes in interest rates, exchange rates, equity prices, commodity prices, bond issuer credit spreads, which may affect the Group's equity, profit or the market value of its assets and liabilities. Market risk derives from on- and off-balance sheet positions in the Bank's treasury, investment banking and lending operations.

The Group's market risk management approach encompasses the recognition, measurement, monitoring and management of market risk that results from the Group's banking business on a group basis. The Group encounters market risk in both trading and non-trading activities (including interest rate positions, balance sheet structures and hedging positions).

The Group's market risk management unit is in charge of identifying and assessing market risks and establishing procedures to control market risks, including monitoring position limits and exposures. The Bank's market risk management unit also assesses market risk for new businesses and products, including structured products. The Assets and Liabilities Management Department and Markets and Investment Banking Directorate, which trade within the trading limits set by the market risk management unit and approved by the ALCO/Parent Bank' MACO/CC, performs trading and market positioning for the Bank. The Bank is subject to the policies and limits set by the Parent Bank and approved by the Parent Bank's market risk committee.

The Bank's market risk management unit is in charge of daily limit monitoring and reporting to the Parent Bank, and is responsible for reporting any limited breach to the Bank's management and Parent Bank. In the case of a limit breach, the Parent Bank's MACO has the right to intervene in the Bank's risk management activities and practices.

Market Risk is controlled by the following activities:

- Establishment of market risk limits (interest rate, FX) by ALCO and MACO;
- Provide Market Risk Report on a daily basis to Bank's Management; informing about limit violation and current taking risks;
- Analysis of each issues and setting the liquidity limit for issues;
- Limits control during the day by Financial Markets Risk Management Department.

Currency risk. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign currency exchange risk on open positions within established open FX position limits.

Foreign exchange risk management is done centrally by the Capital Markets Division for the Bank's Head Office and all regional and Moscow branches. Controlling over open positions is done by Financial Markets Risk Management Department.

The Bank's Capital Markets Division undertakes daily aggregation of the currency position of the Bank and takes measures for maintaining of the Bank's currency position within established limits. The Bank uses spot transactions, forwards and futures contracts tradable on MICEX and RTS and OTC market as the main instruments for hedging currency risk.

23 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at 30 September 2017:

<i>In thousands of Russian Roubles</i>	RUR	USD	EUR	Other	Total
Cash and cash equivalents	88 267 814	34 124 013	42 285 503	3 585 664	168 262 994
Mandatory cash balances with the Central bank of the Russian Federation	6 093 782	-	-	-	6 093 782
Trading securities and repurchase receivables related to trading securities	28 217 321	15 847 184	438 478	-	44 502 983
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	7 407 799	6 395 298	628 763	-	14 431 860
Due from other banks	1 698 307	15 308 440	-	6 289 193	23 295 940
Loans and advances to customers	351 064 909	114 577 115	35 052 940	12 674	500 707 638
Investment securities held-to-maturity	3 162 985	4 960 581	685 387	-	8 808 953
Derivatives and other financial assets	23 224 023	1 319 786	485 738	226 287	25 255 834
Total monetary financial assets	509 136 940	192 532 417	79 576 809	10 113 818	791 359 984
Due to other banks	18 914 596	2 471 285	6 902 692	124 779	28 413 352
Customer accounts	350 217 616	163 890 417	81 847 717	6 029 734	601 985 484
Term borrowings from the Parent Bank	-	31 031 791	-	-	31 031 791
Debt securities in issue	6 148 629	203 869	35 706	-	6 388 204
Derivatives and other financial liabilities	12 564 118	3 402 912	871 620	7 869	16 846 519
Total monetary financial liabilities	387 844 959	201 000 274	89 657 735	6 162 382	684 665 350
Less fair value of currency derivatives	12 968 121	(1 875 742)	(273 150)	218 688	11 037 917
Currency derivatives	(9 703 023)	8 759 443	13 930 633	(1 949 136)	11 037 917
Net position including currency derivatives	98 620 837	2 167 328	4 122 857	1 783 612	106 694 634

23 Financial Risk Management (Continued)

The Group's exposure to foreign currency exchange rate risk at 31 December 2016 is presented below:

<i>In thousands of Russian Roubles</i>	RUR	USD	EUR	Other	Total
Cash and cash equivalents	69 449 592	43 849 364	7 730 903	1 072 102	122 101 961
Mandatory cash balances with the Central bank of the Russian Federation	5 622 919	-	-	-	5 622 919
Trading securities and repurchase receivables related to trading securities	10 863 386	12 326 357	203 532	-	23 393 275
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	8 046 835	26 435 163	618 059	-	35 100 057
Due from other banks	1 225 451	24 384 475	-	6 247 982	31 857 908
Loans and advances to customers	289 549 213	156 731 508	28 057 897	61 044	474 399 662
Securities held-to-maturity	3 207 020	-	966 727	-	4 173 747
Derivatives and other financial assets	32 906 052	1 377 704	251 098	4 757	34 539 611
Total monetary financial assets	420 870 468	265 104 571	37 828 216	7 385 885	731 189 140
Due to other banks	8 479 475	2 738 392	2 237 127	38 057	13 493 051
Customer accounts	305 556 673	160 633 836	76 266 807	5 139 414	547 596 730
Term borrowings from the Parent Bank	-	32 326 452	-	-	32 326 452
Debt securities in issue	6 107 448	279 186	35 681	-	6 422 315
Derivatives and other financial liabilities	20 255 758	11 214 425	414 420	172 525	32 057 128
Total monetary financial liabilities	340 399 354	207 192 291	78 954 035	5 349 996	631 895 676
Less fair value of currency derivatives	19 989 345	(9 353 437)	108 524	(167 200)	10 577 232
Currency derivatives	38 910 115	(67 629 818)	41 150 937	(1 854 002)	10 577 232
Net position including currency derivatives	99 391 884	(364 101)	(83 406)	349 087	99 293 464

The above analysis includes only monetary financial assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

23 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 30 September 2017 is set out below:

<i>In thousands of Russian Roubles</i>	Russia	Austria	Other European Union	Other countries	Total
Assets					
Cash and cash equivalents	137 282 243	24 744 783	3 889 058	2 346 910	168 262 994
Mandatory cash balances with the Central bank of the Russian Federation	6 093 782	-	-	-	6 093 782
Trading securities and repurchase receivables related to trading securities	33 920 398	-	10 582 585	-	44 502 983
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	7 765 724	-	1 992 256	4 673 880	14 431 860
Due from other banks	1 698 306	12 405 698	9 191 936	-	23 295 940
Loans and advances to customers	472 596 277	1 833	21 328 523	6 781 005	500 707 638
Investment securities held-to-maturity	5 268 755	685 387	2 854 811	-	8 808 953
Derivatives and other financial assets	11 360 293	13 799 335	70 905	25 301	25 255 834
Total financial assets	675 985 778	51 637 036	49 910 074	13 827 096	791 359 984
Liabilities					
Due to other banks	17 612 569	7 230 891	3 026 373	543 519	28 413 352
Customer accounts	588 244 502	669 357	9 424 229	3 647 396	601 985 484
Term borrowings from the Parent Bank	-	31 031 791	-	-	31 031 791
Debt securities in issue	6 184 335	-	203 869	-	6 388 204
Derivatives and other financial liabilities	8 613 912	8 197 672	27 627	7 308	16 846 519
Total financial liabilities	620 655 318	47 129 711	12 682 098	4 198 223	684 665 350
Net balance sheet position	55 330 460	4 507 325	37 227 976	9 628 873	106 694 634
Credit related commitments (Note 25)	323 290 764	11 527 804	13 688 354	1 192 834	349 699 756

Assets liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand have been allocated based on the country in which they are physically held.

23 Financial Risk Management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2016 is set out below:

	Russia	Austria	Other European Union	Other countries	Total
<i>In thousands of Russian Roubles</i>					
Assets					
Cash and cash equivalents	113 759 920	3 486 094	1 225 332	3 630 615	122 101 961
Mandatory cash balances with the Central bank of the Russian Federation	5 622 919	-	-	-	5 622 919
Trading securities and repurchase receivables related to trading securities	12 426 155	-	10 967 120	-	23 393 275
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	8 091 277	-	2 655 657	24 353 123	35 100 057
Due from other banks	1 225 451	12 203 402	18 429 055	-	31 857 908
Loans and advances to customers	439 413 026	1 798	23 111 631	11 873 207	474 399 662
Securities held to maturity	317 820	966 727	2 889 200	-	4 173 747
Derivatives and other financial assets	12 592 901	21 777 984	166 674	2 052	34 539 611
Total financial assets	593 449 469	38 436 005	59 444 669	39 858 997	731 189 140
Liabilities					
Due to other banks	6 226 903	2 704 737	3 830 643	730 768	13 493 051
Customer accounts	534 505 774	1 077 691	9 609 799	2 403 466	547 596 730
Term borrowings from the Parent Bank	-	32 326 452	-	-	32 326 452
Debt securities in issue	6 166 739	-	255 576	-	6 422 315
Derivatives and other financial liabilities	12 169 252	19 821 561	39 850	26 465	32 057 128
Total financial liabilities	559 068 668	55 930 441	13 735 868	3 160 699	631 895 676
Net balance sheet position	34 380 801	(17 494 436)	45 708 801	36 698 298	99 293 464
Credit related commitments (Note 25)	254 156 817	4 138 600	15 774 248	875 495	274 945 160

Credit risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group had 2 borrowers with significant risk concentration at 30 September 2017 (31 December 2016: 2 borrowers).

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset and Liability Committee of the Group.

23 Financial Risk Management (Continued)

The Group seeks to maintain a stable funding base comprising primarily amounts due to other banks corporate and retail customer deposits and invest the funds in diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Group calculates liquidity ratios on a daily basis in accordance with the requirement of the CB RF.

The Bank monitors expected maturities which may be summarised as follows at 30 September 2017 and 31 December 2016:

<i>In thousands of Russian Roubles, 30 September 2017</i>	Demand and less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Cash and cash equivalents	168 262 994	-	-	-	168 262 994
Mandatory cash balances with the Central bank of the Russian Federation	6 093 782	-	-	-	6 093 782
Trading securities and repurchase receivables related to trading securities	44 502 983	-	-	-	44 502 983
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	14 431 860	-	-	-	14 431 860
Due from other banks	-	17 006 747	6 289 193	-	23 295 940
Loans and advances to customers	103 066 842	99 544 356	213 467 205	84 629 235	500 707 638
Investment securities held-to- maturity	-	685 387	6 672 187	1 451 379	8 808 953
Derivatives and other financial assets	6 854 600	10 066 054	8 226 903	108 277	25 255 834
Total financial assets	343 213 061	127 302 544	234 655 488	86 188 891	791 359 984
Due to other banks	26 752 368	248 246	1 408 940	3 798	28 413 352
Customer accounts	52 283 174	184 086 986	351 577 544	14 037 780	601 985 484
Term borrowings from the Parent bank	-	-	23 386 752	7 645 039	31 031 791
Debt securities in issue	1 006 745	5 343 202	38 257	-	6 388 204
Derivatives and other financial liabilities	8 916 335	4 355 783	3 441 826	132 575	16 846 519
Total financial liabilities	88 958 622	194 034 217	379 853 319	21 819 192	684 665 350
Net liquidity gap at 30 September 2017	254 254 439	(66 731 673)	(145 197 831)	64 369 699	106 694 634
Cumulative gap at 30 September 2017	254 254 439	187 522 766	42 324 935	106 694 634	-

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23 Financial Risk Management (Continued)

<i>in thousands of Russian Roubles, 31 December 2016</i>	Demand and less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Cash and cash equivalents	122 101 961	-	-	-	122 101 961
Mandatory cash balances with the Central bank of the Russian Federation	5 622 919	-	-	-	5 622 919
Trading securities and repurchase receivables related to trading securities	23 393 275	-	-	-	23 393 275
Other securities at fair value through profit or loss and repurchase receivables related to other securities at fair value through profit or loss	35 100 057	-	-	-	35 100 057
Due from other banks	19 544 197	-	12 313 711	-	31 857 908
Loans and advances to customers	83 034 148	94 178 318	226 179 507	71 007 689	474 399 662
Securities held-to-maturity portfolio	-	327 086	3 846 661	-	4 173 747
Derivatives and other financial assets	11 199 195	4 006 960	19 198 595	134 861	34 539 611
Total financial assets	299 995 752	98 512 364	261 538 474	71 142 550	731 189 140
Due to other banks	12 589 999	205 934	697 118	-	13 493 051
Customer accounts	45 952 456	155 180 360	331 570 508	14 893 406	547 596 730
Term borrowings from the Parent bank	-	-	24 429 324	7 897 128	32 326 452
Debt securities in issue	90 468	108 394	6 223 453	-	6 422 315
Derivatives and other financial liabilities	16 621 139	8 754 580	6 455 273	226 136	32 057 128
Total financial liabilities	75 254 062	164 249 268	369 375 676	23 016 670	631 895 676
Net liquidity gap at 31 December 2016	224 741 690	(65 736 904)	(107 837 202)	48 125 880	99 293 464
Cumulative gap at 31 December 2016	224 741 690	159 004 786	51 167 584	99 293 464	-

The above given analyses are based on expected maturities except for the entire portfolio of trading securities is classified within demand and less than one month based on Management's assessment of the portfolio's realisability.

24 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the CBRF (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on principles of the Basel Accord.

Under the current capital requirements set by the CBRF banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. According to requirements set by the CBRF statutory capital ratio has to be maintained above minimum level of 10%. Compliance with capital adequacy ratios set by the CBRF is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Management believes the Bank meets all the requirements in relation to the minimum amount of regulatory capital set by the CBRF.

Regulatory capital is based on the Bank's reports prepared under Russian accounting standards and comprises:

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Tier 1 capital		
Net assets under Russian GAAP	97 295 681	86 034 643
Less: intangible assets and shares of subsidiaries	(1 630 485)	(1 789 327)
Subordinated debt	7 553 417	7 897 128
Total Tier 1 Capital	103 218 613	92 142 444
Tier 2 capital		
Subordinated debt	14 942 861	19 200 825
Current year profit and Increase in the value of the property of a credit institution due to revaluation	17 483 595	26 546 541
Total Tier 2 capital	32 426 456	45 747 366
Total regulatory capital	135 645 069	137 889 810

The Group is also subject to minimum capital requirements established by covenants stated in loan agreements including capital adequacy levels calculated in accordance with the requirements of the Basel Accord as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998), Amendment to the Capital Accord to incorporate market risks (updated November 2005) and Group of Governors and Heads of Supervision announces higher global minimum capital standards (updated September 2010) commonly known as Basel III.

24 Management of Capital (Continued)

The composition of the Group's capital calculated in accordance with the Austrian Banking Act which assumes major principles and requirements of Basel Accord is as follows:

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Tier 1 capital		
Share capital	43 268 888	43 268 888
Share premium	591 083	591 083
Additional paid-in capital	1 520 016	1 520 016
Retained earnings and other reserves	75 744 759	70 525 113
Total Tier 1 capital before deductions	121 124 746	115 905 100
Less: deferred tax	-	(2 470 451)
Less: Shortfall of LLP over EL	(50 155)	-
Less: intangible assets	(2 975 293)	(2 944 369)
Total Tier 1 capital	118 099 298	110 490 280
Tier 2 capital		
Subordinated debt	18 595 099	24 211 922
Less: insurance holding companies	(173 709)	(173 709)
Items from additional own funds plus LLP surplus	1 465	1 496 946
Revaluation reserve for debt instruments through Capital	-	21 979
Total Tier 2 capital	18 422 855	25 557 138
Total capital	136 522 153	136 047 418

24 Management of Capital (Continued)

The composition of the Group's capital calculated in accordance with Basel Accord is as follows:

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Common Equity Tier 1 capital		
Share capital	43 268 888	43 268 888
Share premium	591 083	591 083
Additional paid-in capital	1 520 016	1 520 016
Retained earnings	75 744 759	70 525 113
Total Tier 1 capital before deductions	121 124 746	115 905 100
Less: deferred tax	-	(2 470 451)
Less: Shortfall of LLP over EL	(50 155)	-
Total Tier 1 capital	121 074 591	113 434 649
Tier 2 capital		
Subordinated debt	18 595 099	24 211 922
Items from additional own funds plus LLP surplus	1 465	1 496 946
Total Tier 2 capital	18 596 564	25 708 868
Total capital	139 671 155	139 143 517

The Group and the Bank have complied with all externally imposed capital requirements throughout 2017 and 2016.

Risk weighted assets

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Total Risk weighted assets	563 223 651	529 513 344
Capital Adequacy Ratio by Austrian Banking Act	24,24%	25,69%
Capital Adequacy Ratio by Basel III	24,80%	26,28%

The Bank manages capital ratios using different capital amounts calculated in accordance with the above mentioned Capital Adequacy regulations.

25 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business claims against the Group may be received. On the basis of its own estimates and internal professional advice Management is of the opinion that certain losses could be incurred in respect of claims and accordingly has made provisions for the legal cases in this consolidated condensed interim financial information.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities, even those that have not been challenged in the past. As a result, additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. It is possible, with the evolution of the interpretation of the transfer pricing rules, that application of the transaction prices as transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated.

Adoption of new norms as well as other Russian tax legislation interpretations in combination with the latest trends in law enforcement could lead to potential possibility of increase in tax paid and tax penalties driven by rigid position of tax authorities and courts concerning tax legislation interpretations. At the same time the potential impact cannot be reliably estimated, as well as the probability of an unfavorable outcome in the case of claims of the Russian tax authorities.

Management believes that as at 30 September 2017 and 31 December 2016 the provisions of the tax laws applicable to the Group, are interpreted appropriately.

Operating lease commitments. Where the Group is the lessee the future minimum lease payments under non-cancellable operating leases are as follows:

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Not later than 1 year	559 935	537 618
Later than 1 year and not later than 5 years	-	2 907
Total operating lease commitments	559 935	540 525

25 Contingencies and Commitments (Continued)

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans guarantees or letters of credit. With respect to credit risk on commitments to extend credit the Group is potentially exposed to loss in an amount equal to the total unused commitments. However the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

In March 2017 the Group received a credit line from Central Bank of Russia in the amount of 23 billion roubles for a period of one year. At 30 September 2017, the Group did not use these funds.

Outstanding credit related commitments by products are as follows:

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Undrawn credit lines and Overdraft facilities (revocable)	215 795 167	150 149 341
Guarantees issued (irrevocable)	390 786	285 462
Undrawn commitments to issue documentary instruments (revocable)	9 431 410	9 283 148
Undrawn commitments to issue documentary instruments (irrevocable)	20 968 231	30 418 312
Undrawn credit lines and Overdraft facilities (irrevocable)	2 083 723	1 770 935
Import letters of credit (irrevocable)	15 023 606	11 322 937
Export letters of credit (irrevocable)	827 992	756 926
Credit related commitments before provision	264 520 915	203 987 061
Performance guarantees issued (irrevocable)	85 178 841	70 958 099
Credit related commitments and performance guarantees before provision	349 699 756	274 945 160
Less: Provision for credit related commitments and performance guarantees	(461 946)	(445 423)
Total credit related commitments and performance guarantees	349 237 810	274 499 737

In addition to credit related commitments the Group issues performance guarantees. Performance guarantees are guarantees that provide compensation if another party fails to perform a contractual obligation. Such guarantees do not transfer credit risk. The risk under performance guarantee is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such guarantees relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the guarantee matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests.

25 Contingencies and Commitments (Continued)

The total outstanding contractual amount of undrawn credit lines letters of credit and guarantees does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded. Fair value of guarantee contracts was RR 65 158 thousand at 30 September 2017 (31 December 2016: RR 74 198 thousand).

Outstanding credit related commitments by segments as of 30 September 2017 are as follows:

<i>In thousands of Russian Roubles</i>	Credit lines, Overdraft facilities and Commitments to issue documentary instruments	Financial guarantees and Letters of credit	Performance guarantees	Total contingencies and commitments
Credit related commitments to corporate customers (Corporate business)	191 110 536	13 533 916	75 038 350	279 682 802
Credit related commitments to individuals (Retail business)	33 601 054	2 024 353	45 242	35 670 649
Credit related commitments to medium entities (Middle business)	19 037 882	684 115	9 592 708	29 314 705
Credit related commitments to small and micro entities (SME business)	4 528 451	-	502 541	5 030 992
Credit related commitments to state and municipal organisations (Public sector)	608	-	-	608
Credit related commitments and performance guarantees before provision	248 278 531	16 242 384	85 178 841	349 699 756
Less: Provision for credit related commitments and performance guarantees	(387 946)	(14 718)	(59 282)	(461 946)
Total contingencies and commitments	247 890 585	16 227 666	85 119 559	349 237 810

Outstanding credit related commitments by segments as of 31 December 2016 are as follows:

<i>In thousands of Russian Roubles</i>	Credit lines, Overdraft facilities and Commitments to issue documentary instruments	Financial guarantees and Letters of credit	Performance guarantees	Total contingencies and commitments
Credit related commitments to corporate customers (Corporate business)	141 754 897	10 535 332	62 165 130	214 455 359
Credit related commitments to individuals (Retail business)	31 258 005	726 574	-	31 984 579
Credit related commitments to medium entities (Middle business)	14 729 239	1 051 676	8 428 789	24 209 704
Credit related commitments to small and micro entities (SME business)	3 878 944	51 743	364 180	4 294 867
Credit related commitments to state and municipal organisations (Public sector)	651	-	-	651
Credit related commitments and performance guarantees before provision	191 621 736	12 365 325	70 958 099	274 945 160
Less: Provision for credit related commitments and performance guarantees	(389 375)	(15 390)	(40 658)	(445 423)
Total contingencies and commitments	191 232 361	12 349 935	70 917 441	274 499 737

25 Contingencies and Commitments (Continued)

Outstanding credit related commitments by currency are as follows:

<i>In thousands of Russian Roubles</i>	30 September 2017 (Unaudited)	31 December 2016
Russian Roubles	285 570 016	223 995 874
US Dollars	39 038 286	33 047 815
Euro	24 405 804	17 242 718
Other	685 650	658 753
Total credit related commitments before provision	349 699 756	274 945 160

Assets pledged and restricted.

The Group had no assets pledged as collateral as of 30 September 2017 and as of 31 December 2016.

As at 30 September 2017 the estimated fair value of securities purchased under reverse sale and repurchase agreements (Note 6) which the Group has the right to sell or repledge in the absence of default of the counterparty was RR 73 037 620 thousand (31 December 2016: RR 65 057 329 thousand).

Mandatory cash balances with the Bank of Russia in the amount of RR 6 093 782 thousand (31 December 2016: RR 5 622 919 thousand) represent mandatory reserve deposits which are not available to finance the Group's day-to-day operations.

As at 30 September 2017 restricted cash represents monetary funds in the amount of RR 2 012 019 thousand which collateralise settlements on irrevocable letters of credit (31 December 2016: RR 707 431 thousand).

As at 30 September 2017 restricted cash represents monetary funds in the amount of RR 3 863 388 thousand which collateralise settlements on irrevocable commitments under guarantees (31 December 2016: RR 3 003 287 thousand).

26 Fair Value of Financial Instruments

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

26 Fair Value of Financial Instruments (Continued)

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated condensed interim statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorized are as follows:

<i>In thousands of Russian Roubles</i>	30 September 2017			31 December 2016		
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Total	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Total
Assets at fair value						
Financial assets						
Trading securities						
- Corporate bonds	12 429 826	381 248	12 811 074	5 543 556	1 104 344	6 647 900
- Federal loan bonds (OFZ)	4 979 234	-	4 979 234	3 894 430	-	3 894 430
- Corporate eurobonds	10 582 585	-	10 582 585	10 967 120	-	10 967 120
- Russian Federation Eurobonds	6 019 212	-	6 019 212	1 882 231	-	1 882 231
- Municipal bonds	1 563	-	1 563	1 594	-	1 594
Other securities at fair value through profit and loss						
- Federal loan bonds (OFZ)	5 657 430	-	5 657 430	6 152 667	-	6 152 667
- US Treasury Bonds	4 673 880	-	4 673 880	24 353 123	-	24 353 123
- Corporate Eurobonds	1 992 256	-	1 992 256	2 655 657	-	2 655 657
- Corporate bonds	1 294 639	-	1 294 639	1 115 978	315 223	1 431 201
- Russian Federation Eurobonds	443 278	-	443 278	129 709	-	129 709
- Municipal bonds	370 377	-	370 377	377 700	-	377 700
Derivatives and other financial assets carried at fair value						
- Fair value of currency rate based financial derivatives	-	18 879 996	18 879 996	-	27 877 389	27 877 389
- Fair value of interest rate based financial derivatives	-	3 430 456	3 430 456	-	3 764 559	3 764 559
Total assets recurring fair value measurements	48 444 280	22 691 700	71 135 980	57 073 765	33 061 515	90 135 280

26 Fair Value of Financial Instruments (Continued)

	30 September 2017			31 December 2016		
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Total	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Total
<i>In thousands of Russian Roubles</i>						
Liabilities carried at fair value						
Financial liabilities						
Derivatives and other financial liabilities						
- Fair value of currency rate based financial derivatives	-	7 842 085	7 842 085	-	17 300 157	17 300 157
- Fair value of interest rate based financial derivatives	-	2 808 008	2 808 008	-	4 427 233	4 427 233
- Shortselling of trading assets	4 099 486	-	4 099 486	7 994 531	-	7 994 531
Total liabilities recurring fair value measurements	4 099 486	10 650 093	14 749 579	7 994 531	21 727 390	29 721 921

The valuation technique based on discounted cash flows is used in the fair value measurement for level 2 measurements at 30 September 2017. The following main inputs are relevant:

- **Spot and Forward currency exchange rates.** Cash Rate, Interest Rate Futures quotes and IRS quotes are used for foreign currencies, implied RUB rates are derived from foreign exchange forward contracts.
- **Cross currency interest rate swaps (CCIRS) curves.** CCIRS are used for discounting and projection of cash flows and are derived from Cash Rate quotes, Futures quotes and Interest Rate Swap quotes available from Chicago Merchandile (for futures) and contributors which quote these instruments on Over the counter market.
- **Adjustment for credit risk.** The Bank has the Credit Value Adjustment (also known as Credit Risk Adjustment or Default Risk Adjustment) which reflects the probability of default of the counterparty and Debit Value Adjustment which reflects the possibility of our default. Credit Value Adjustment (CVA) is an adjustment to the price of derivatives reflecting expected losses arising from the possible default of the counterparty both by counterparty and by instrument.
CVA is calculated with a Monte-Carlo methodology simulating both expected exposure coming from derivative positions with counterparty (estimated with Group market risk calculation approach) and the default event coming from counterparty Default Probability and Recovery Rate. CVA itself is calculated for each counterparty by calculating Bank's expected losses on the event of having positive derivative position revaluation with defaulted counterparty adjusted by the recovery rate. The adjustment is calculated based on observable market inputs.
- **Shortselling of trading assets** are selling deals of bond securities that the Group has obtained as collaterals in reverse repo agreements or currently doesn't keep in its own securities' portfolio.

The fair value of shares is determined by multiplying the number of shares by the market price as the share of the shareholding is immaterial.

26 Fair Value of Financial Instruments (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	30 September 2017			31 December 2016				
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Carrying value	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Carrying value
<i>In thousands of Russian Roubles</i>								
FINANCIAL ASSETS CARRIED AT AMORTIZED COST								
<i>Due from other banks</i>								
- Short-term placements with other banks with original maturities of more than three months	-	17 006 747	-	17 006 747	-	19 534 539	-	19 534 539
- Long-term placements with other banks with original maturities of more than one year	-	6 289 193	-	6 289 193	-	12 323 369	-	12 323 369
<i>Loans and advances to customers</i>								
- Corporate loans	-	-	253 810 394	252 837 792	-	-	263 366 804	263 934 905
- Retail loans	-	-	215 913 166	205 404 077	-	-	176 833 930	175 003 912
- Loans to middle business	-	-	27 270 902	27 239 919	-	-	22 598 888	22 611 712
- Small and micro entities loans	-	-	15 187 819	15 225 850	-	-	12 677 204	12 849 133
<i>Investment securities held to maturity</i>								
- Corporate bonds	314 159	-	-	307 186	326 154	-	-	317 820
- Eurobonds of EBRD	-	2 957 916	-	2 854 810	-	2 943 018	-	2 889 200
- Corporate Eurobonds	5 666 548	-	-	5 646 957	327 613	643 428	-	966 727
<i>Assets Held for Sale</i>	-	183 900	-	64 938	-	287 326	-	96 025
Total	5 980 707	26 437 756	512 182 281	532 877 469	653 767	35 731 680	475 476 826	510 527 342

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26 Fair Value of Financial Instruments (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

	30 September 2017			31 December 2016			Carrying value	
	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique not based on observable market data technique (Level 3)		
<i>In thousands of Russian Roubles</i>								
FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST								
<i>Due to other banks</i>								
- Correspondent accounts and overnight placements of other banks	-	18 809 679	-	18 809 679	-	8 373 019	-	8 373 019
- Short-term placements of other banks	-	7 618 022	-	7 618 022	-	4 216 980	-	4 216 980
- Long-term placements of other banks	-	1 058 233	-	894 432	-	659 146	-	636 431
- Direct sale and repurchase agreements with securities with other banks and other financial institutions	-	179 568	-	179 568	-	-	-	-
- Loans from Central Bank secured by surety	-	911 651	-	911 651	-	266 621	-	266 621
<i>Customer accounts</i>								
- Current/settlement accounts of legal entities	-	173 477 202	-	173 477 202	-	139 093 637	-	141 823 198
- Term deposits of legal entities	-	59 792 978	-	59 059 912	-	54 883 276	-	50 753 136
- Current/demand accounts of individuals	-	241 308 195	-	241 308 195	-	198 911 522	-	198 911 522
- Term deposits of individuals	-	127 707 128	-	127 262 584	-	155 701 153	-	155 227 319
- Current/settlement accounts of state and public organisations	-	862 065	-	862 065	-	871 737	-	871 737
- Term deposits of state and public organisations	-	15 526	-	15 526	-	9 818	-	9 818
<i>Debt securities in issue</i>								
- Bonds issued on domestic market	-	5 970 343	-	6 090 434	-	6 092 317	-	6 092 722
- Promissory notes	-	93 901	-	93 901	-	74 017	-	74 017
- Bonds issued on external market	-	203 869	-	203 869	-	255 576	-	255 576
<i>Term borrowings from the Parent Bank</i>	-	31 031 791	-	31 031 791	-	32 326 452	-	32 326 452
<i>Other financial liabilities</i>								
- Provision for other credit related commitments	-	-	461 946	461 946	-	-	445 423	445 423
Total	-	669 040 151	461 946	668 280 777	-	601 735 271	445 423	600 283 971

26 Fair Value of Financial Instruments (Continued)

The fair values in level 2 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assessment of fair value of loans and advances to customer categorized at Level 3, the Bank uses Discounted cash flows model.

The Bank calculates FV for loans with fixed interest rate with remaining maturity of more than one year. The Bank uses the following assumptions:

- the fair values of loans with floating rate are considered to be equal to the carrying value because the interest payments are based on LIBOR or MIBOR depending on the terms of agreement;
- the fair value of loans with remaining maturity less than one year are considered to be equal to the carrying value due to the fact that effect of fair value recalculation based on current market rates is not material.

For corporate loans with maturity more than one year the Bank discounts monthly payments at weighted average rate by product type and currency type calculated based on contractual rates for loans issued by the Bank during the last quarter before the reporting date.

For loans to private individuals with maturity more than one year the Bank discounts monthly payments at weighted average rate by product type and currency type calculated based on the loans issued at the end of the last quarter before the reporting date.

27 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship attention is directed to the substance of the relationship not merely the legal form.

At 30 September 2017 the outstanding balances with related parties were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Corresponding accounts and overnight placements with other banks (contractual interest rate: 0,00% p.a.)	24 744 778	27 502	-	-	-
Due from other banks (contractual interest rate: (0,43)% – 1,57% p.a.)	6 583 257	9 191 936	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 0,9% – 16,69% p.a.)	-	821 687	4 931 760	225 979	-
Investment securities held to maturity	685 387	-	-	-	-
Purchased intangible assets less accumulated depreciation	294 837	-	-	-	-
Derivatives and other financial assets	13 799 469	529	-	-	-
Investments in associate	-	-	2 469 689	-	-
Due to other banks (contractual interest rate: 0,00% – 9,14% p.a.)	7 397 757	336 625	-	-	155 703
Customer accounts (contractual interest rate: 6,75% – 7,55%p.a.)	-	-	1 571 752	-	-
Term borrowings from the Parent Bank (contractual interest rate: 7,48% – 10,33% p.a.)	31 031 791	-	-	-	-
Debt securities in issue (contractual interest rate: 4,69% - 6,11% p.a.)	-	203 869	-	-	-
Derivatives and other financial liabilities	8 158 566	2 254	-	-	-
Other liabilities	-	-	-	686 038	235 715

27 Related Party Transactions (Continued)

The income and expense items with related parties for the nine-month period ended 30 September 2017 were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Interest income	8 414 865	302 046	405 617	17 605	90 035
Interest expense	(10 024 386)	(12 463)	(65 063)	-	-
Fee and commission income	7 479	9 201	6 237	-	234
Fee and commission expense	(72 656)	(33)	-	-	-
Gains less losses/(losses less gains) from trading in foreign currencies	847 887	(115 073)	(59)	-	-
Unrealized gains less losses from financial derivatives	3 666 150	10 285	-	-	-
Administrative and other operating expenses	(302 538)	-	-	(398 927)	(84 880)
Other operating income	-	98	13 766	-	-
Share of profit of associate	-	-	317 000	-	-

The income and expense items with related parties for the three-month period ended 30 September 2017 were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Interest income	2 656 569	52 697	236 211	6 191	90 035
Interest expense	(2 972 852)	(2 937)	(20 619)	-	-
Fee and commission income	2 762	7 387	2 500	-	152
Fee and commission expense	(21 562)	(13)	-	-	-
Gains less losses/(losses less gains) from trading in foreign currencies	150 239	(36 429)	289	-	-
Unrealized (losses net of gains)/gains less losses from financial derivatives	(734 128)	(5 209)	-	-	-
Administrative and other operating expenses	(120 027)	-	-	(121 717)	(31 830)
Other operating income	-	98	7 410	-	-
Share of profit of associate	-	-	120 343	-	-

27 Related Party Transactions (Continued)

At 30 September 2017 other rights and obligations with related parties were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Other related parties
<i>In thousands of Russian Roubles</i>				
Guarantees issued by the Group at the period end	2 520 442	155 231	-	-
Guarantees received by the Group at the period end	4 231 514	-	-	317 815
Undrawn credit lines and overdraft facilities	7 655 665	400 000	875 324	-
Interest rate swap agreements – notional amount as at the period end	102 812 036	-	-	-
Interest rate swap agreements – fair values as at the period end	(31 244)	-	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the period end	67 950 251	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the period end	61 165 131	-	-	-
Cross currency interest rate swap agreements – fair values at the period end	7 137 694	-	-	-
Foreign currency derivative financial instruments – principal amount purchased	120 471 571	733 363	-	-
Foreign currency derivative financial instruments – principal amount sold	121 543 362	734 604	-	-
Foreign currency derivative financial instruments – fair value	(1 260 134)	(1 725)	-	-
Currency Options purchased - notional amount	1 462 728	-	-	-
Currency Options purchased - fair value	44 764	-	-	-

At 31 December 2016 the outstanding balances with related parties were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Corresponding accounts and overnight placements with other banks (contractual interest rate: 0,00% p.a.)	3 486 094	27 418	-	-	-
Due from other banks (contractual interest rate: 1,12% – 2,40% p.a.)	12 203 402	18 429 055	-	-	-
Gross amount of loans and advances to customers (contractual interest rate: 1,40% – 16,69% p.a.)	-	5 109 187	4 781 737	232 267	-
Investment securities held to maturity	966 727	-	-	-	-
Purchased intangible assets less accumulated depreciation	302 740	-	-	-	-
Derivatives and other financial assets	21 781 386	458	-	-	-
Investments in associate	-	-	2 289 714	-	-
Due to other banks (contractual interest rate: 0,00% – 9,00% p.a.)	2 390 734	484 623	-	-	108 227
Customer accounts (contractual interest rate: 0,00% – 10,30%p.a.)	-	-	1 434 060	-	-
Term borrowings from the Parent Bank (contractual interest rate: 7,15% – 10,00% p.a.)	32 326 452	-	-	-	-
Debt securities in issue (contractual interest rate: 4,69% – 5,50% p.a.)	-	284 391	-	-	-
Derivatives and other financial liabilities	19 828 760	12 468	-	-	-
Other liabilities	-	-	-	612 562	232 002

27 Related Party Transactions (Continued)

The income and expense items with related parties for the nine-month period ended 30 September 2016 were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Interest income	16 171 087	696 685	258 982	16 000	-
Interest expense	(10 394 039)	(14 830)	(130 454)	-	-
Fee and commission income	8 988	3 405	4 641	-	143
Fee and commission expense	(85 604)	(34)	-	-	-
Gains less losses from trading in foreign currencies	2 651 709	4 912	2 890	-	-
Unrealized gains less losses from financial derivatives	17 550 514	56 778	-	-	-
Release of accruals for future payments	859 859	-	-	-	-
Administrative and other operating expenses	(562 587)	-	-	(276 120)	(91 692)
Other operating income	323	-	6 393	4 262	-
Share of profit of associate	-	-	274 637	-	-

The income and expense items with related parties for the three-month period ended 30 September 2016 were as follows:

	Parent bank	Subsidiaries of the Parent Bank	Associates	Members of the Managing Board	Other related parties
<i>In thousands of Russian Roubles</i>					
Interest income	4 986 084	223 218	88 961	6 122	-
Interest expense	(3 377 221)	(4 536)	(37 773)	-	-
Fee and commission income	3 170	1 121	1 305	-	11
Fee and commission expense	(29 453)	(7)	-	-	-
Gains less losses from trading in foreign currencies	1 164 754	20 656	1 178	-	-
Unrealized (losses net of gains)/gains less losses from financial derivatives	(424 204)	2 941	-	-	-
Release of accruals for future payments	234 025	-	-	-	-
Administrative and other operating expenses	(192 737)	-	-	(102 043)	(33 788)
Other operating income	151	-	6 393	-	-
Share of profit of associate	-	-	69 937	-	-

27 Related Party Transactions (Continued)

At 31 December 2016 other rights and obligations with related parties were as follows:

<i>In thousands of Russian Roubles</i>	Parent bank	Subsidiaries of the Parent Bank	Associates	Other related parties
Guarantees issued by the Group at the year end	2 508 266	38 573	-	-
Guarantees received by the Group at the year end	1 759 729	-	-	295 115
Letters of credit issued by the Group at the year end	-	-	-	-
Undrawn credit lines	-	400 000	2 500 935	-
Interest rate swap agreements – notional amount as at the year end	181 942 801	-	-	-
Interest rate swap agreements – fair values as at the year end	(1 006 332)	-	-	-
Cross currency interest rate swap agreements – notional amount receivable as at the year end	84 966 731	-	-	-
Cross currency interest rate swap agreements – notional amount payable as at the year end	85 402 227	-	-	-
Cross currency interest rate swap agreements – fair values as at the year end	249 261	-	-	-
Foreign currency derivative financial instruments – principal amount purchased	105 986 609	5 159 209	-	-
Foreign currency derivative financial instruments – principal amount sold	103 920 220	5 173 033	-	-
Foreign currency derivative financial instruments – fair value	2 782 764	(12 010)	-	-
Currency Options purchased – notional amount	375 235	-	-	-
Currency Options purchased – fair value	34	-	-	-

Key management compensation is presented below:

<i>In thousands of Russian Roubles</i>	30 September 2017 Expense	30 September 2017 Accrued liability	30 September 2016 Expense	31 December 2016 Accrued liability
Short-term benefits:				
- Salaries	205 798	-	211 239	-
- Short-term bonuses	198 921	677 930	65 833	596 313
- SB payment	84 880	235 715	91 692	232 002
Share-based compensation:				
- Cash-settled share-based compensation	(5 792)	8 108	(951)	16 249
Total	483 807	921 753	367 813	844 564

Short-term bonuses fall due within twelve months after the end of the period in which Management rendered the related services.

28 Subsequent events

The Group paid dividends to RBI in the amount RR 6 316 008 thousand in October 2017.

25 October 2017 the Group acquired the rest 50% of share in Raiffeisen Leasing, Russia, for consideration paid in amount RR 1 888 090 thousand. Starting this date the Group is 100% owner of the company.