VTB BANK

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

31 MARCH 2017

CONTENTS

Совершенствуя бизнес,
улучшаем мир

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Report on Review of Interim Financial Information

To the Shareholders and Supervisory Council of
VTB Bank (public joint stock company)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of VTB Bank (public joint stock company) and its subsidiaries, which comprise the interim consolidated statement of financial position as at 31 March 2017, the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in shareholders' equity and interim consolidated statement of cash flows for the three-month period then ended, and selected notes to the interim condensed consolidated financial statements (interim financial information).

Management of VTB Bank (public joint stock company) is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

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Conclusion

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

P.P. Tsebernyak
Partner
Ernst & Young LLC

15 May 2017

Details of the entity

Name: VTB Bank (public joint stock company)
Record made in the State Register of Legal Entities on 22 November 2002, State Registration Number 1027739609391.
Address: Russia, 190000, Saint-Petersburg, Bolshaya Morskaya st., 29.

Details of the auditor

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

(IN BILLIONS OF RUSSIAN ROUBLES)

	Note	For the three-month period ended 31 March 2017	2016	Change
Interest income	4	267.5	283.9	-5.8%
Interest expense	4	(151.1)	(182.8)	-17.3%
Payments to deposit insurance system	4	(3.4)	(2.8)	21.4%
Net interest income	4	**113.0**	**98.3**	15.0%
Provision charge for impairment of debt financial assets	14, 15, 16	(43.5)	(35.6)	22.2%
Net interest income after provision for impairment		**69.5**	**62.7**	10.8%
Net fee and commission income	5	**19.7**	**17.4**	13.2%
Gains net of losses arising from financial instruments at fair value through profit or loss	6	3.1	5.9	-47.5%
Gains net of losses / (losses net of gains) from investment financial assets available-for-sale	16	5.2	(1.8)	-388.9%
Losses net of gains arising from foreign currencies and precious metals	7	(7.7)	(8.4)	-8.3%
Other gains net of losses / (losses net of gains) on financial instruments at amortised cost		3.7	(0.4)	-1,025.0%
Share in profit of associates and joint ventures		0.9	1.0	-10.0%
Loss from disposal of subsidiaries and associates		(0.6)	–	n.a.
Gains net of losses arising from extinguishment of liabilities		–	2.0	n.a.
Provision charge for impairment of other assets, credit related commitments and legal claims	9, 27	(2.4)	(5.0)	-52.0%
Other operating income		9.6	6.2	54.8%
Non-interest gains/(losses)		**11.8**	**(0.5)**	-2,460.0%
Net insurance premiums earned		30.7	22.7	35.2%
Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs		(27.0)	(20.8)	29.8%
Revenues less expenses from insurance activity		**3.7**	**1.9**	94.7%
Revenue and other gains from other non-banking activities		7.9	5.7	38.6%
Cost of sales and other expenses from other non-banking activities	8	(7.0)	(7.8)	-10.3%
Reversal of impairment of land, premises and intangible assets other than goodwill used in other non-banking activities		0.3	–	n.a.
Net loss from change in fair value of investment property recognised on revaluation		(2.2)	(2.2)	0.0%
Net gain from disposal of disposal groups held for sale	18	0.8	–	n.a.
Revenues less expenses from other non-banking activities		**(0.2)**	**(4.3)**	-95.3%
Other operating expense		(5.2)	(6.4)	-18.8%
Impairment of land, premises and intangible assets other than goodwill		–	(0.3)	n.a
Staff costs and administrative expenses	8	(61.6)	(60.6)	1.7%
Non-interest expenses		**(66.8)**	**(67.3)**	-0.7%
Profit before tax		**37.7**	**9.9**	280.8%
Income tax expense	10	(10.1)	(5.2)	94.2%
Net profit after tax		**27.6**	**4.7**	487.2%
Loss after tax from subsidiaries acquired exclusively with a view to resale		–	(4.1)	n.a
Net profit		**27.6**	**0.6**	4,500.0%
Net profit/(loss) attributable to:				
Shareholders of the parent		28.1	1.7	1,552.9%
Non-controlling interests		(0.5)	(1.1)	-54.5%
Basic and diluted earnings per share (expressed in Russian roubles per share)	31	0.00218	0.00013	1,576.9%
Basic and diluted earnings per share before loss after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian roubles per share)	31	0.00218	0.00045	384.4%

The notes № 1-32 form an integral part of these interim condensed consolidated financial statements.

(IN BILLIONS OF RUSSIAN ROUBLES)

	For the three-month period ended 31 March	
	2017	2016
Net profit	**27.6**	**0.6**
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Net result on financial assets available-for-sale, net of tax	4.8	4.1
Cash flow hedges, net of tax	0.3	–
Share of other comprehensive loss of associates and joint ventures	(1.2)	(1.1)
Effect of translation, net of tax	(6.7)	(12.4)
Total other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(2.8)**	**(9.4)**
Other comprehensive loss, net of tax	**(2.8)**	**(9.4)**
Total comprehensive income/(loss)	**24.8**	**(8.8)**
Total comprehensive income/(loss) attributable to:		
Shareholders of the parent	25.4	(7.2)
Non-controlling interests	(0.6)	(1.6)

The notes № 1-32 form an integral part of these interim condensed consolidated financial statements.

AS AT 31 MARCH (IN BILLIONS OF RUSSIAN ROUBLES)

	Note	31 March 2017 (unaudited)	31 December 2016	Change
ASSETS				
Cash and short-term funds	11	640.8	452.9	41.5%
Mandatory cash balances with central banks		98.9	95.1	4.0%
Non-derivative financial assets at fair value through profit or loss, including pledged under repurchase agreements	12	298.0	267.1	11.6%
- Non-derivative financial assets at fair value through profit or loss		283.0	240.7	17.6%
- Non-derivative financial assets at fair value through profit or loss, pledged under repurchase agreements		15.0	26.4	-43.2%
Derivative financial assets	13	173.1	180.5	-4.1%
Due from other banks, including pledged under repurchase agreements	14	954.0	1,051.2	-9.2%
- Due from other banks		953.5	1,037.4	-8.1%
- Due from other banks, pledged under repurchase agreements		0.5	13.8	-96.4%
Loans and advances to customers, including pledged under repurchase agreements	15	8,681.2	8,854.5	-2.0%
- Loans and advances to customers		8,668.7	8,664.8	0.0%
- Loans and advances to customers, pledged under repurchase agreements		12.5	189.7	-93.4%
Investment financial assets, including pledged under repurchase agreements	16	306.6	340.7	-10.0%
- Investment financial assets		271.7	324.2	-16.2%
- Investment financial assets, pledged under repurchase agreements		34.9	16.5	111.5%
Investments in associates and joint ventures	17	90.3	90.6	-0.3%
Assets of disposal groups and non-current assets held for sale	18	4.2	15.6	-73.1%
Land, premises and equipment		353.7	352.7	0.3%
Investment property		231.6	235.5	-1.7%
Goodwill and other intangible assets		153.9	155.1	-0.8%
Deferred income tax asset	10	86.1	87.8	-1.9%
Other assets		384.8	406.2	-5.3%
Total assets		**12,457.2**	**12,585.5**	**-1.0%**
LIABILITIES				
Due to other banks	19	1,035.2	1,208.9	-14.4%
Customer deposits	20	8,130.1	7,346.6	10.7%
Derivative financial liabilities	13	132.8	165.0	-19.5%
Other borrowed funds	21	546.7	1,307.2	-58.2%
Debt securities issued	22	429.8	399.6	7.6%
Liabilities of disposal groups held for sale	18	1.1	2.2	-50.0%
Deferred income tax liability	10	32.1	35.2	-8.8%
Other liabilities		501.7	486.5	3.1%
Total liabilities before subordinated debt		**10,809.5**	**10,951.2**	**-1.3%**
Subordinated debt		214.7	224.1	-4.2%
Total liabilities		**11,024.2**	**11,175.3**	**-1.4%**
EQUITY				
Share capital		659.5	659.5	0.0%
Share premium		433.8	433.8	0.0%
Perpetual loan participation notes		126.9	136.5	-7.0%
Treasury shares and bought back perpetual loan participation notes		(2.4)	(2.5)	-4.0%
Other reserves	23	39.9	44.8	-10.9%
Retained earnings		166.1	128.4	29.4%
Equity attributable to shareholders of the parent		**1,423.8**	**1,400.5**	1.7%
Non-controlling interests		**9.2**	**9.7**	-5.2%
Total equity		**1,433.0**	**1,410.2**	1.6%
Total liabilities and equity		**12,457.2**	**12,585.5**	**-1.0%**

Approved for issue and signed on 15 May 2017.

A.L. Kostin
President – Chairman of the Management Board

Herbert Moos
Chief Financial Officer – Deputy Chairman of the Management Board

The notes № 1-32 form an integral part of these interim condensed consolidated financial statements.

(IN BILLIONS OF RUSSIAN ROUBLES)

	Note	For the three-month period ended 31 March 2017	2016
Cash flows from/(used in) operating activities			
Interest received		264.6	278.7
Interest paid		(154.1)	(182.2)
Payments to deposit insurance system		(3.4)	(2.7)
Gains/(losses) on operations with financial instruments at fair value through profit or loss		(22.2)	(24.5)
Losses on dealing in foreign currency		(56.8)	(97.7)
Fees and commissions received		30.9	26.0
Fees and commissions paid		(8.1)	(5.8)
Other operating income received		8.4	4.3
Other operating expenses paid		(3.8)	(3.3)
Staff costs and administrative expenses paid		(73.8)	(68.5)
Income received from non-banking activities		8.5	10.8
Expenses paid in non-banking activities		(8.3)	(9.7)
Net insurance premiums received		33.2	27.4
Net insurance claims paid		(14.0)	(15.4)
Income tax paid		(15.3)	(8.4)
Cash flows used in operating activities before changes in operating assets and liabilities		**(14.2)**	**(71.0)**
Net decrease/(increase) in operating assets			
Net increase in mandatory cash balances with central banks		(3.7)	(7.4)
Net (increase)/decrease in restricted cash		(0.1)	0.9
Net decrease/(increase) in correspondent accounts in precious metals		0.2	(0.5)
Net (increase)/decrease in financial assets at fair value through profit or loss		(42.3)	31.5
Net decrease in due from other banks		52.5	255.3
Net decrease in loans and advances to customers		7.3	537.5
Net decrease in other assets		25.9	18.7
Net (decrease)/increase in operating liabilities			
Net decrease in due to other banks		(147.8)	(6.4)
Net increase in customer deposits		990.1	252.1
Net increase/(decrease) in debt securities issued other than bonds issued		19.0	(34.9)
Net increase/(decrease) in other liabilities		14.1	(2.1)
Net cash from operating activities		**901.0**	**973.7**
Cash flows from/(used in) investing activities			
Dividends and other distributions received		0.2	0.1
Proceeds from redemption and sales of investment financial assets available-for-sale		132.4	43.6
Purchase of investment financial assets available-for-sale		(105.8)	(52.0)
Disposal of subsidiaries, net of cash	18	9.5	–
Proceeds from sale of share in associates and other distributions	18	1.1	0.7
Purchase of investment financial assets held-to-maturity		(7.1)	(13.0)
Proceeds from redemption and sales of investment financial assets held-to-maturity		9.3	0.2
Purchase of land, premises and equipment		(11.1)	(15.4)
Proceeds from sale of land, premises and equipment		0.4	0.8
Purchase or construction of investment property		(3.5)	(2.3)
Proceeds from sale of investment property		1.9	0.9
Purchase of intangible assets		(1.7)	(1.2)
Proceeds from sale of intangible assets		–	0.6
Net cash from/(used) in investing activities		**25.6**	**(37.0)**

(IN BILLIONS OF RUSSIAN ROUBLES) (CONTINUED)

	Note	For the three-month period ended 31 March 2017	2016
Cash flows used in financing activities			
Proceeds net of repayment in short-term local bonds issued		29.0	–
Repayment of local bonds		(4.8)	(42.3)
Buy-back of local bonds		(1.5)	(16.1)
Proceeds from sale of previously bought-back local bonds		3.8	26.4
Repayment of Eurobonds		–	(15.4)
Buy-back of Eurobonds		(6.9)	(4.7)
Proceeds from sale of previously bought-back Eurobonds		6.9	3.2
Proceeds from syndicated loans		–	0.5
Repayment of syndicated loans		(0.9)	(0.4)
Proceeds from other borrowings and funds from local central banks		304.6	1,001.1
Repayment of other borrowings and funds from local central banks		(1,055.4)	(1,532.5)
Buy-back of subordinated debt		(0.1)	(8.4)
Cash received from sale of treasury shares		1.1	7.9
Cash paid for treasury shares		(1.1)	(7.9)
Proceeds from sale of non-controlling interests in subsidiaries		–	5.5
Buy-back of perpetual loan participation notes		(2.9)	(0.8)
Proceeds from sale of previously bought-back perpetual loan participation notes		3.0	1.3
Net cash used in financing activities		**(725.2)**	**(582.6)**
Effect of exchange rate changes on cash and cash equivalents		(13.4)	(14.5)
Net increase in cash and cash equivalents		**188.0**	**339.6**
At the beginning of period	11	**448.6**	**561.6**
At the end of period	11	**636.6**	**901.2**

(IN BILLIONS OF RUSSIAN ROUBLES)

	Attributable to shareholders of the parent								
	Share capital	Share premium	Perpetual loan participation notes	Treasury shares and bought back perpetual loan participation loan notes	Other reserves (Note 23)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	**659.5**	**433.8**	**164.0**	**(2.9)**	**72.2**	**127.6**	**1,454.2**	**(0.1)**	**1,454.1**
Net result from bought back perpetual loan participation notes transactions	–	–	–	0.5	–	–	**0.5**	–	**0.5**
Profit/(loss) for the period	–	–	–	–	–	1.7	**1.7**	(1.1)	**0.6**
Other comprehensive (loss)/ income	–	–	–	–	(9.0)	0.1	**(8.9)**	(0.5)	**(9.4)**
Total comprehensive (loss)/ income for the period	**–**	**–**	**–**	**–**	**(9.0)**	**1.8**	**(7.2)**	**(1.6)**	**(8.8)**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.6)	0.6	**–**	–	**–**
Share-based payments (Note 30)	–	–	–	–	–	(0.1)	**(0.1)**	–	**(0.1)**
Sale of non-controlling interests	–	–	–	–	–	(0.8)	**(0.8)**	6.3	**5.5**
Foreign exchange translation of perpetual loan participation notes	–	–	(11.9)	–	–	11.9	**–**	–	**–**
Tax effect recognized on perpetual loan participation notes	–	–	–	–	–	(2.4)	**(2.4)**	–	**(2.4)**
Balance at 31 March 2016	**659.5**	**433.8**	**152.1**	**(2.4)**	**62.6**	**138.6**	**1,444.2**	**4.6**	**1,448.8**
Balance at 1 January 2017	**659.5**	**433.8**	**136.5**	**(2.5)**	**44.8**	**128.4**	**1,400.5**	**9.7**	**1,410.2**
Net result from bought back perpetual loan participation notes transactions	–	–	–	0.1	–	–	**0.1**	–	**0.1**
Profit/(loss) for the period	–	–	–	–	–	28.1	**28.1**	(0.5)	**27.6**
Other comprehensive loss	–	–	–	–	(2.7)	–	**(2.7)**	(0.1)	**(2.8)**
Total comprehensive income/(loss) for the period	–	–	–	–	**(2.7)**	**28.1**	**25.4**	**(0.6)**	**24.8**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(2.2)	2.2	**–**	–	**–**
Share-based payments (Note 30)	–	–	–	–	–	(0.3)	**(0.3)**	–	**(0.3)**
Increase in share capital of subsidiaries	–	–	–	–	–	–	**–**	0.1	**0.1**
Foreign exchange translation of perpetual loan participation notes	–	–	(9.6)	–	–	9.6	**–**	–	**–**
Tax effect recognised on perpetual loan participation notes	–	–	–	–	–	(1.9)	**(1.9)**	–	**(1.9)**
Balance at 31 March 2017	**659.5**	**433.8**	**126.9**	**(2.4)**	**39.9**	**166.1**	**1,423.8**	**9.2**	**1,433.0**

1. PRINCIPAL ACTIVITIES

VTB Bank and its subsidiaries (the "Group") comprise Russian and foreign commercial banks, insurance, leasing and other entities controlled by the Group.

VTB Bank, formerly known as Vneshtorgbank (the "Bank", or "VTB"), was formed as Russia's foreign trade bank under the laws of the Russian Federation on 17 October 1990. In 1998, following several reorganisations, VTB was reorganised into an open joint stock company. In October 2006 the Group started re-branding to change its name from Vneshtorgbank to VTB. In March 2007, the Bank for Foreign Trade was renamed into "VTB Bank" (Open Joint-Stock Company). In June 2015 "VTB Bank" (open joint-stock company) was renamed into VTB Bank (Public Joint-Stock Company) in accordance with the legislative requirements.

On 2 January 1991, VTB received a general banking license (number 1000) from the Central Bank of the Russian Federation (CBR). In addition, VTB holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer and a custodian, and providing asset management and special depositary services. VTB and other Russian banks within the Group are regulated and supervised by the CBR. Foreign banks within the Group operate under the bank regulatory regimes of their respective countries.

On 29 December 2004, the Bank became a member of the obligatory deposit insurance system provided by the State Corporation "Deposit Insurance Agency" (DIA). The Group subsidiary banks in Russia: "Bank VTB 24", PJSC, "BM-Bank", PJSC (currently – "BM-Bank", JSC) and "Post Bank", PJSC are also members of the obligatory deposit insurance system provided by DIA. The State deposit insurance scheme implies that DIA guarantees repayment of individual deposits up to the maximum total guaranteed amount of RUR 1.4 million with a 100% compensation of deposited amount from 29 December 2014.

On 5 October 2005, VTB re-registered its legal address to 29 Bolshaya Morskaya Street, Saint-Petersburg 190000, Russian Federation. VTB's Head Office is located in Moscow.

The Group operates in the corporate and investment banking, retail, real estate and other sectors. Corporate and investment banking include deposit taking and commercial lending, support of clients' export/import transactions, foreign exchange, securities trading and trading in derivative financial instruments. The Group's operations are conducted in both Russian and international markets. The Group conducts its banking business in Russia through VTB as a parent and several subsidiary banks with its network of 40 full service branches, including 32 branches of VTB and 8 branches of "Bank VTB 24", PJSC located in major Russian regions.

The Group operates outside Russia through 13 subsidiary banks, located in Austria, Germany, France, Great Britain, Serbia, Armenia, Belarus, Kazakhstan, Azerbaijan, Ukraine (2 banks), Georgia and Angola; through 3 representative offices located in Italy, China and Kyrgyzskaya Republic; through 2 VTB branches in China and India and 2 branches of "VTB Capital", Plc in Singapore and Dubai. The Group investment banking division also performs broker/dealer operations in the United States of America, securities dealing and financial advisory in Hong Kong and investment banking operations in Bulgaria.

The number of employees of the Group as at 31 March 2017 was 94,181 (31 December 2016: 93,519).

The average number of employees of the Group for the period ended 31 March 2017 was 94,274 (for the period ended 31 March 2016: 90,798).

VTB's majority shareholder is the Russian Federation, acting through the Federal Property Agency, which holds 60.9% of VTB's issued and outstanding ordinary shares as at 31 March 2017 (31 December 2016: 60.9%).

Unless otherwise noted herein, all amounts are expressed in billions of Russian roubles rounded off to one decimal.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements as at 31 March 2017 and for the three-month period ended 31 March 2017 (“financial statements”) have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. As a result, they do not include all of the information required by International Financial Reporting Standards (IFRS) for a complete set of financial statements. The Bank and its subsidiaries and associates maintain their accounting records in accordance with regulations applicable in their country of registration. These interim condensed consolidated financial statements are based on those accounting books and records, as adjusted and reclassified to comply with International Accounting Standard 34 *Interim Financial Reporting.*

These interim condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, by the revaluation of land, premises and investment properties, available-for-sale financial assets, and financial instruments at fair value through profit or loss, and by assets of disposal groups held for sale measured at lower of carrying value and fair value less costs to sell and property intended for sale in the ordinary course of business measured at lower of cost and net realisable value.

Income tax expense in respect of the current tax assets and liabilities is recognized based on the income tax rates enacted by the end of the reporting period in relevant tax jurisdictions where the Group is present. Income tax expense in respect of the deferred tax assets and liabilities is measured at the income tax rates that are expected to apply to the period when deferred assets are realized or liabilities are settled based on the income tax rates officially enacted by the end of the reporting period.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as at 31 December 2016. Operating results for the three-month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017.

These interim condensed consolidated financial statements are presented in Russian roubles (RUR), the national currency of the Russian Federation, where the Bank is domiciled. As at 31 March 2017, the principal closing rate of exchange used for translating balances in USD to Russian roubles was USD 1 to RUR 56.3779 (31 December 2016: USD 1 to RUR 60.6569), and the principal closing rate of exchange used for translating balances in Euro was EUR 1 to RUR 60.5950 (31 December 2016: EUR 1 to RUR 63.8111).

Estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as at the date of the financial statements. Actual results can differ significantly from such estimates. Judgments and significant estimates in these financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, except as described below.

During the first quarter 2017, the Group modified certain aspects of the loan loss provision estimation process in respect of allowances for loans granted to individuals which resulted in the cumulative increase of the provision for loan losses of RUR 2.8 billion in the consolidated income statement. The changes in methodology relate to the modification in application of available statistical information on a loss-given-default parameter and of the segmentation process in migration models.

DELVING INTO NUMBERS

3. ANALYSIS BY SEGMENT

In accordance with IFRS 8, *Operating Segments*, the Group has defined five reportable segments.

- Corporate-Investment banking (CIB).
- Mid-Corporate banking (MCB).
- Retail business (RB).
- Treasury.
- Other business.

The Group has also separately disclosed its Corporate Centre.

The composition of reportable segments is approved by resolutions of the Executive body of the VTB's Group Management Committee, the body that on a regular basis assesses performance of reportable segments and allocates resources to them.

As at 31 March 2017, the Group's reportable segments and their compositions remained as disclosed in the consolidated financial statements as at 31 December 2016.

3. ANALYSIS BY SEGMENT (CONTINUED)

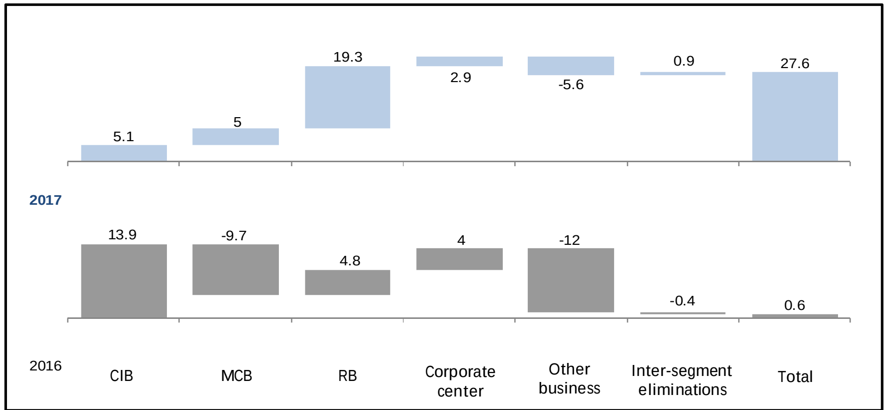
For the three-month period ended 31 March (unaudited)	Corporate-Investment banking (CIB)		Mid-Corporate banking (MCB)		Retail business (RB)		Treasury		Corporate centre		Other business		Inter-segment eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues from:																
External customers	162.8	173.6	20.9	24.9	145.3	126.6	27.0	25.3	0.3	–	9.9	9.6	–	–	**366.2**	**360.0**
Other segments	55.5	62.1	13.8	13.4	23.7	26.1	138.5	153.6	–	–	1.3	2.0	(232.8)	(257.2)	**–**	**–**
Total revenues	**218.3**	**235.7**	**34.7**	**38.3**	**169.0**	**152.7**	**165.5**	**178.9**	**0.3**	**–**	**11.2**	**11.6**	**(232.8)**	**(257.2)**	**366.2**	**360.0**
Segment income and expense:																
Interest income	192.1	215.1	32.0	35.3	114.2	110.0	159.7	177.2	0.1	–	1.1	1.0	(231.7)	(254.7)	**267.5**	**283.9**
Interest expense	(154.6)	(170.0)	(27.0)	(28.2)	(52.5)	(61.7)	(143.5)	(170.6)	(0.1)	–	(5.1)	(6.1)	231.7	253.8	**(151.1)**	**(182.8)**
Payments to deposit insurance system	–	–	–	–	(3.3)	(2.7)	(0.1)	(0.1)	–	–	–	–	–	–	**(3.4)**	**(2.8)**
Treasury result allocation	(8.5)	(18.2)	6.2	(3.0)	(1.1)	2.9	(4.0)	11.4	9.0	10.1	(1.6)	(3.2)	–	–	–	–
Net interest income	**29.0**	**26.9**	**11.2**	**4.1**	**57.3**	**48.5**	**12.1**	**17.9**	**9.0**	**10.1**	**(5.6)**	**(8.3)**	**–**	**(0.9)**	**113.0**	**98.3**
(Provision charge) / reversal of provision for impairment of debt financial assets	(23.7)	0.2	(2.6)	(13.0)	(17.1)	(21.6)	(0.1)	(1.2)	–	–	–	–	–	–	**(43.5)**	**(35.6)**
Net interest income after provision for impairment	**5.3**	**27.1**	**8.6**	**(8.9)**	**40.2**	**26.9**	**12.0**	**16.7**	**9.0**	**10.1**	**(5.6)**	**(8.3)**	**–**	**(0.9)**	**69.5**	**62.7**
Net fee and commission income/(expense)	4.0	3.8	2.1	2.4	12.7	10.5	0.8	0.5	–	–	0.1	0.3	–	(0.1)	**19.7**	**17.4**
Other gains net of losses arising from financial instruments and foreign currencies	12.7	6.9	0.2	–	3.1	2.6	(12.9)	(16.5)	–	–	0.8	3.6	0.4	0.7	**4.3**	**(2.7)**
Share in profit/(loss) of associates and joint ventures	0.6	1.2	–	–	–	–	0.1	–	0.2	(0.2)	–	–	–	–	**0.9**	**1.0**
(Loss)/profit from disposal of subsidiaries and associates	(0.7)	–	–	–	–	–	–	–	–	–	0.1	–	–	–	**(0.6)**	**–**
(Provision charge) / reversal of provision for impairment of other assets credit related commitments and legal claims	(1.6)	(3.1)	0.3	0.4	(1.3)	(2.2)	0.1	–	–	–	0.1	(0.1)	–	–	**(2.4)**	**(5.0)**
Other	3.4	1.2	–	(0.1)	3.3	1.1	0.8	0.3	–	–	0.5	(3.5)	(0.1)	(1.9)	**7.9**	**(2.9)**
Net operating income/(expense)	**23.7**	**37.1**	**11.2**	**(6.2)**	**58.0**	**38.9**	**0.9**	**1.0**	**9.2**	**9.9**	**(4.0)**	**(8.0)**	**0.3**	**(2.2)**	**99.3**	**70.5**
Staff costs and administrative expenses	(13.8)	(16.6)	(4.7)	(5.7)	(33.6)	(32.2)	(0.9)	(1.0)	(5.7)	(5.1)	(3.5)	(1.1)	0.6	1.1	**(61.6)**	**(60.6)**
(Loss)/profit before tax	**9.9**	**20.5**	**6.5**	**(11.9)**	**24.4**	**6.7**	–	–	**3.5**	**4.8**	**(7.5)**	**(9.1)**	**0.9**	**(1.1)**	**37.7**	**9.9**
Income tax expense	(4.8)	(6.6)	(1.5)	2.2	(5.1)	(1.9)	–	–	(0.6)	(0.8)	1.9	1.4	–	0.5	**(10.1)**	**(5.2)**
Net profit/(loss) after tax	**5.1**	**13.9**	**5.0**	**(9.7)**	**19.3**	**4.8**	–	–	**2.9**	**4.0**	**(5.6)**	**(7.7)**	**0.9**	**(0.6)**	**27.6**	**4.7**
(Loss)/profit after tax from subsidiaries acquired exclusively with a view to resale	–	–	–	–	–	–	–	–	–	–	–	(4.3)	–	0.2	**–**	**(4.1)**
Net profit/(loss)	**5.1**	**13.9**	**5.0**	**(9.7)**	**19.3**	**4.8**	–	–	**2.9**	**4.0**	**(5.6)**	**(12.0)**	**0.9**	**(0.4)**	**27.6**	**0.6**

3. ANALYSIS BY SEGMENT (CONTINUED)

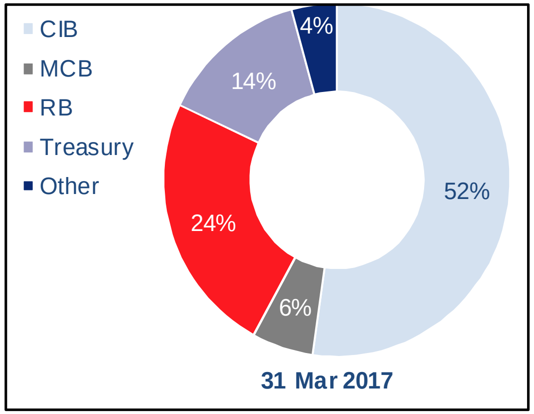
For the three-month period ended 31 March (unaudited)	Corporate-Investment banking (CIB)		Mid-Corporate banking (MCB)		Retail business (RB)		Treasury		Corporate centre		Other business		Inter-segment eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net profit/(loss)	**5.1**	**13.9**	**5.0**	**(9.7)**	**19.3**	**4.8**	**–**	**–**	**2.9**	**4.0**	**(5.6)**	**(12.0)**	**0.9**	**(0.4)**	**27.6**	**0.6**
Net result on financial assets available-for-sale, net of tax	(0.5)	0.2	–	–	1.3	1.0	3.7	1.2	–	–	(0.1)	2.0	0.4	(0.3)	**4.8**	**4.1**
Cash flow hedges, net of tax	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	**0.3**	**–**
Share of other comprehensive loss of associates and joint ventures	–	–	–	–	–	–	(1.2)	(1.1)	–	–	–	–	–	–	**(1.2)**	**(1.1)**
Effect of translation, net of tax	(2.8)	(2.2)	–	–	–	–	(3.9)	(10.2)	–	–	–	–	–	–	**(6.7)**	**(12.4)**
Total other comprehensive (loss)/income before treasury result allocation	**(3.0)**	**(2.0)**	**–**	**–**	**1.3**	**1.0**	**(1.4)**	**(10.1)**	**–**	**–**	**(0.1)**	**2.0**	**0.4**	**(0.3)**	**(2.8)**	**(9.4)**
Treasury result allocation	(1.5)	(9.2)	0.2	(1.6)	(0.3)	–	1.4	10.1	–	–	0.2	0.7	–	–	–	–
Total other comprehensive (loss)/income	**(4.5)**	**(11.2)**	**0.2**	**(1.6)**	**1.0**	**1.0**	**–**	**–**	**–**	**–**	**0.1**	**2.7**	**0.4**	**(0.3)**	**(2.8)**	**(9.4)**
Total comprehensive (loss)/income	**0.6**	**2.7**	**5.2**	**(11.3)**	**20.3**	**5.8**	**–**	**–**	**2.9**	**4.0**	**(5.5)**	**(9.3)**	**1.3**	**(0.7)**	**24.8**	**(8.8)**

3. ANALYSIS BY SEGMENT (CONTINUED)

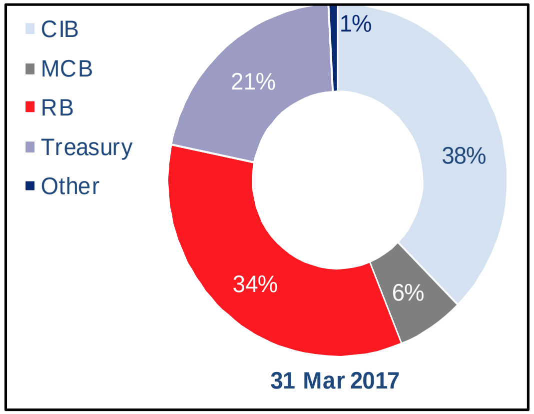
Net (loss)/profit after tax by segment for the three-month period ended 31 March



Segment assets



Segment liabilities

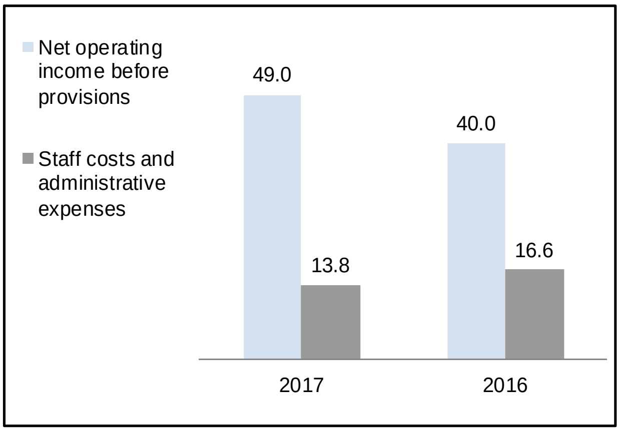


	Corporate-Investment banking (CIB)		Mid-Corporate banking (MCB)		Retail business (RB)		Treasury		Corporate centre		Other business		Inter-segment eliminations		Total	
	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016
Cash and short-term funds	22.1	32.5	–	–	221.7	187.0	396.8	232.1	–	–	0.2	1.3	–	–	**640.8**	**452.9**
Mandatory cash balances with central banks	–	–	–	–	25.1	25.2	73.8	69.9	–	–	–	–	–	–	**98.9**	**95.1**
Due from other banks. including pledged under repurchase agreements	336.3	418.7	–	–	130.1	140.3	480.5	492.2	7.1	–	–	–	–	–	**954.0**	**1,051.2**
Loans and advances to customers. including pledged under repurchase agreements	5,237.7	5,414.5	642.7	647.8	2,228.2	2,190.1	567.4	597.1	–	–	5.2	5.0	–	–	**8,681.2**	**8,854.5**
Other financial instruments	383.4	412.9	0.7	0.8	188.3	163.9	171.0	174.9	–	–	34.3	35.8	–	–	**777.7**	**788.3**
Investments in associates and joint ventures	67.5	67.3	0.4	0.4	–	–	6.7	6.8	15.7	16.1	–	–	–	–	**90.3**	**90.6**
Other assets items	460.2	500.4	71.6	70.0	193.5	192.4	26.8	17.8	–	–	462.2	472.3	–	–	**1,214.3**	**1,252.9**
Net amount of intersegment settlements	–	–	82.5	93.8	1,165.8	1,249.9	909.3	1,620.2	–	–	–	–	(2,157.6)	(2,963.9)	**–**	**–**
Segment assets	**6,507.2**	**6,846.3**	**797.9**	**812.8**	**4,152.7**	**4,148.8**	**2,632.3**	**3,211.0**	**22.8**	**16.1**	**501.9**	**514.4**	**(2,157.6)**	**(2,963.9)**	**12,457.2**	**12,585.5**
Due to other banks	102.9	113.1	1.6	1.9	44.7	13.1	885.9	1,080.7	–	–	0.1	0.1	–	–	**1,035.2**	**1,208.9**
Customer deposits	3,613.7	3,101.8	683.5	697.9	3,391.6	3,465.2	438.4	78.5	–	–	2.9	3.2	–	–	**8,130.1**	**7,346.6**
Other borrowed funds	129.6	132.4	0.2	0.2	14.8	17.5	399.2	1,154.2	–	–	2.9	2.9	–	–	**546.7**	**1,307.2**
Debt securities issued	13.3	18.8	10.9	11.4	47.3	25.2	358.3	344.2	–	–	–	–	–	–	**429.8**	**399.6**
Subordinated debt	–	–	–	–	2.1	2.1	212.6	222.0	–	–	–	–	–	–	**214.7**	**224.1**
Other liabilities items	270.1	294.4	7.0	7.7	288.1	278.3	12.3	12.8	–	–	90.2	95.7	–	–	**667.7**	**688.9**
Net amount of intersegment settlements	1,829.1	2,626.2	–	–	–	–	–	–	5.7	–	322.8	337.7	(2,157.6)	(2,963.9)	**–**	**–**
Segment liabilities	**5,958.7**	**6,286.7**	**703.2**	**719.1**	**3,788.6**	**3,801.4**	**2,306.7**	**2,892.4**	**5.7**	**–**	**418.9**	**439.6**	**(2,157.6)**	**(2,963.9)**	**11,024.2**	**11,175.3**

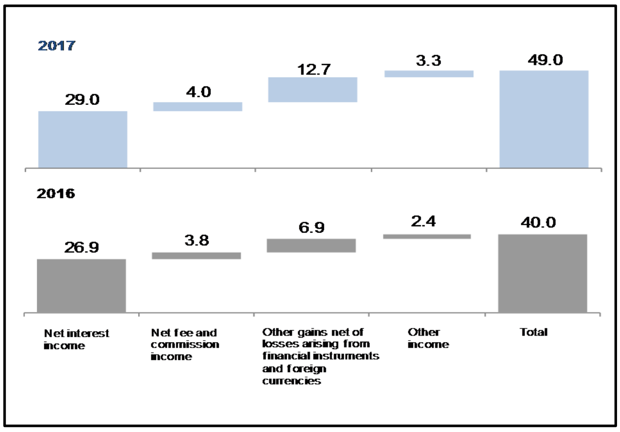
3. ANALYSIS BY SEGMENT (CONTINUED)

For the three-month period ended 31 March (unaudited)	Corporate-Investment banking (CIB) by product lines									
	Investment banking		Loans and deposits		Transaction banking		Inter-CIB eliminations		Total CIB	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues from:										
External customers	53.0	55.0	104.5	112.6	5.3	6.0	–	–	**162.8**	**173.6**
Other segments	33.5	38.6	1.1	2.6	21.1	21.0	(0.2)	(0.1)	**55.5**	**62.1**
Total revenues	**86.5**	**93.6**	**105.6**	**115.2**	**26.4**	**27.0**	**(0.2)**	**(0.1)**	**218.3**	**235.7**
Segment income and expense										
Interest income	71.1	82.2	97.9	109.5	23.2	23.5	(0.1)	(0.1)	**192.1**	**215.1**
Interest expense	(56.5)	(62.5)	(80.9)	(91.1)	(17.3)	(16.5)	0.1	0.1	**(154.6)**	**(170.0)**
Treasury result allocation	(2.5)	(0.7)	(5.9)	(17.4)	(0.1)	(0.1)	–	–	**(8.5)**	**(18.2)**
Net interest income	**12.1**	**19.0**	**11.1**	**1.0**	**5.8**	**6.9**	**–**	**–**	**29.0**	**26.9**
(Provision charge) / reversal of provision for impairment of debt financial assets	(1.5)	(0.2)	(22.0)	0.3	(0.2)	0.1	–	–	**(23.7)**	**0.2**
Net interest income after provision for impairment	**10.6**	**18.8**	**(10.9)**	**1.3**	**5.6**	**7.0**	**–**	**–**	**5.3**	**27.1**
Net fee and commission income	0.9	0.6	0.1	0.1	3.0	3.1	–	–	**4.0**	**3.8**
Other gains net of losses arising from financial instruments and foreign currencies	12.3	7.7	0.5	(0.8)	–	–	(0.1)	–	**12.7**	**6.9**
Share in profit of associates and joint ventures	0.4	1.0	0.2	0.2	–	–	–	–	**0.6**	**1.2**
Loss from disposal of subsidiaries and associates	(0.7)	–	–	–	–	–	–	–	**(0.7)**	**–**
(Provision charge) / reversal of provision for impairment of other assets credit related commitments and legal claims	(0.1)	–	(0.4)	(3.2)	(1.1)	0.1	–	–	**(1.6)**	**(3.1)**
Other	0.2	(0.1)	3.2	1.4	–	(0.1)	–	–	**3.4**	**1.2**
Net operating income/(expense)	**23.6**	**28.0**	**(7.3)**	**(1.0)**	**7.5**	**10.1**	**(0.1)**	**–**	**23.7**	**37.1**
Staff costs and administrative expenses	(7.1)	(9.4)	(4.0)	(4.5)	(2.7)	(2.7)	–	–	**(13.8)**	**(16.6)**
Profit/(loss) before tax	**16.5**	**18.6**	**(11.3)**	**(5.5)**	**4.8**	**7.4**	**(0.1)**	**–**	**9.9**	**20.5**
Income tax expense	(4.1)	(5.0)	0.3	(0.1)	(1.0)	(1.5)	–	–	**(4.8)**	**(6.6)**
Net profit/(loss)	**12.4**	**13.6**	**(11.0)**	**(5.6)**	**3.8**	**5.9**	**(0.1)**	**–**	**5.1**	**13.9**

Net operating income and administrative expenses for the three-month period ended 31 March: dynamics (CIB)



Net operating income before provisions for the three-month period ended 31 March: structure (CIB)



3. ANALYSIS BY SEGMENT (CONTINUED)

For the three-month period ended 31 March (unaudited)	Corporate-Investment banking (CIB) by product lines: Investment banking 2017	Investment banking 2016	Loans and deposits 2017	Loans and deposits 2016	Transaction banking 2017	Transaction banking 2016	Inter-CIB eliminations 2017	Inter-CIB eliminations 2016	Total CIB 2017	Total CIB 2016
Net profit/(loss)	**12.4**	**13.6**	**(11.0)**	**(5.6)**	**3.8**	**5.9**	**(0.1)**	**–**	**5.1**	**13.9**
Other comprehensive (loss)/ income:										
Net result on financial assets available-for-sale, net of tax	(0.6)	0.2	0.1	–	–	–	–	–	**(0.5)**	**0.2**
Cash flow hedges, net of tax	0.3	–	–	–	–	–	–	–	**0.3**	**–**
Effect of translation, net of tax	(2.9)	(3.1)	0.1	0.9	–	–	–	–	**(2.8)**	**(2.2)**
Total other comprehensive income before treasury result allocation	**(3.2)**	**(2.9)**	**0.2**	**0.9**	**–**	**–**	**–**	**–**	**(3.0)**	**(2.0)**
Treasury result allocation	(0.5)	(0.1)	(1.0)	(9.0)	–	(0.1)	–	–	**(1.5)**	**(9.2)**
Total other comprehensive loss	**(3.7)**	**(3.0)**	**(0.8)**	**(8.1)**	**–**	**(0.1)**	**–**	**–**	**(4.5)**	**(11.2)**
Total comprehensive income/(loss)	**8.7**	**10.6**	**(11.8)**	**(13.7)**	**3.8**	**5.8**	**(0.1)**	**–**	**0.6**	**2.7**

	Corporate-Investment banking (CIB) by product lines: Investment banking 31 March 2017 (unaudited)	Investment banking 31 December 2016	Loans and deposits 31 March 2017 (unaudited)	Loans and deposits 31 December 2016	Transaction banking 31 March 2017 (unaudited)	Transaction banking 31 December 2016	Inter-CIB eliminations 31 March 2017 (unaudited)	Inter-CIB eliminations 31 December 2016	Total CIB 31 March 2017 (unaudited)	Total CIB 31 December 2016
Cash and short-term funds	21.3	32.2	0.8	0.3	–	–	–	–	**22.1**	**32.5**
Due from other banks, including pledged under repurchase agreements	221.0	294.9	115.3	123.8	–	–	–	–	**336.3**	**418.7**
Loans and advances to customers, including pledged under repurchase agreements	1,383.9	1,461.6	3,786.7	3,867.6	67.1	85.3	–	–	**5,237.7**	**5,414.5**
Other financial instruments	376.2	405.9	7.2	7.0	–	–	–	–	**383.4**	**412.9**
Investments in associates and joint ventures	67.5	67.3	–	–	–	–	–	–	**67.5**	**67.3**
Other assets items	158.7	190.1	271.2	285.0	30.3	25.3	–	–	**460.2**	**500.4**
Net amount of intersegment settlements	388.7	174.6	–	–	1,514.5	1,017.2	(1,903.2)	(1,191.8)	**–**	**–**
Segment assets	**2,617.3**	**2,626.6**	**4,181.2**	**4,283.7**	**1,611.9**	**1,127.8**	**(1,903.2)**	**(1,191.8)**	**6,507.2**	**6,846.3**
Due to other banks	89.9	98.4	12.5	13.4	0.5	1.3	–	–	**102.9**	**113.1**
Customer deposits	2,064.7	2,035.2	0.1	4.1	1,548.9	1,062.5	–	–	**3,613.7**	**3,101.8**
Other borrowed funds	2.4	2.5	127.2	129.9	–	–	–	–	**129.6**	**132.4**
Debt securities issued	12.5	14.4	–	0.1	0.8	4.3	–	–	**13.3**	**18.8**
Other liabilities items	225.3	252.8	18.6	19.7	26.2	21.9	–	–	**270.1**	**294.4**
Net amount of intersegment settlements	–	–	3,732.3	3,818.0	–	–	(1,903.2)	(1,191.8)	**1,829.1**	**2,626.2**
Segment liabilities	**2,394.8**	**2,403.3**	**3,890.7**	**3,985.2**	**1,576.4**	**1,090.0**	**(1,903.2)**	**(1,191.8)**	**5,958.7**	**6,286.7**

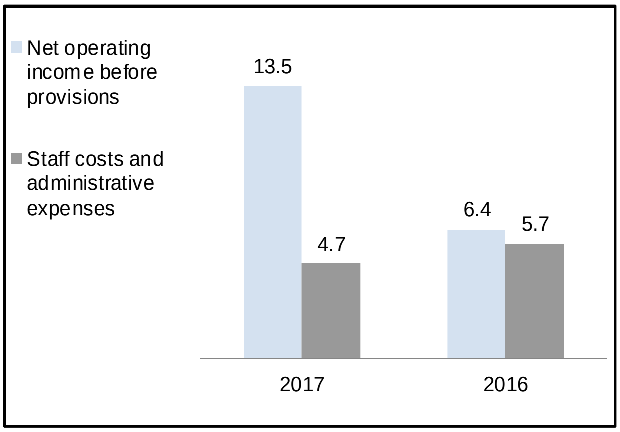
3. ANALYSIS BY SEGMENT (CONTINUED)

For the three-month period ended 31 March (unaudited)	Mid-Corporate banking (MCB) by product lines							
	Investment banking		Loans and deposits		Transaction banking		Total MCB	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues from:								
External customers	0.2	0.1	18.2	22.0	2.5	2.8	**20.9**	**24.9**
Other segments	–	–	–	0.1	13.8	13.3	**13.8**	**13.4**
Total revenues	**0.2**	**0.1**	**18.2**	**22.1**	**16.3**	**16.1**	**34.7**	**38.3**
Segment income and expense								
Interest income	–	0.1	18.0	21.8	14.0	13.4	**32.0**	**35.3**
Interest expense	–	(0.1)	(16.8)	(18.6)	(10.2)	(9.5)	**(27.0)**	**(28.2)**
Treasury result allocation	–	–	6.3	(2.8)	(0.1)	(0.2)	**6.2**	**(3.0)**
Net interest income	**–**	**–**	**7.5**	**0.4**	**3.7**	**3.7**	**11.2**	**4.1**
Provision charge of provision for impairment of debt financial assets	–	–	(2.6)	(13.0)	–	–	**(2.6)**	**(13.0)**
Net interest income after provision for impairment	**–**	**–**	**4.9**	**(12.6)**	**3.7**	**3.7**	**8.6**	**(8.9)**
Net fee and commission income	–	–	–	–	2.1	2.4	**2.1**	**2.4**
Other gains net of losses arising from financial instruments and foreign currencies	0.2	–	–	–	–	–	**0.2**	**–**
Reversal of provision for impairment of other assets credit related commitments and legal claims	–	–	0.1	0.3	0.2	0.1	**0.3**	**0.4**
Other	–	–	–	–	–	(0.1)	**–**	**(0.1)**
Net operating income/(expense)	**0.2**	**–**	**5.0**	**(12.3)**	**6.0**	**6.1**	**11.2**	**(6.2)**
Staff costs and administrative expenses	–	–	(2.2)	(2.9)	(2.5)	(2.8)	**(4.7)**	**(5.7)**
Profit/(loss) before tax	**0.2**	**–**	**2.8**	**(15.2)**	**3.5**	**3.3**	**6.5**	**(11.9)**
Income tax expense	–	–	(0.8)	2.9	(0.7)	(0.7)	**(1.5)**	**2.2**
Net profit/(loss)	**0.2**	**–**	**2.0**	**(12.3)**	**2.8**	**2.6**	**5.0**	**(9.7)**

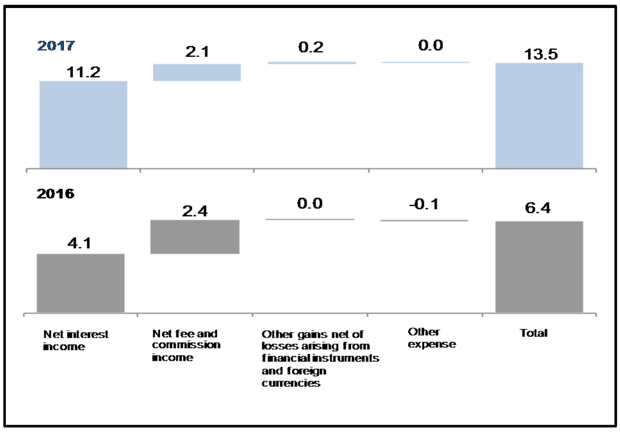
For the three-month period ended 31 March (unaudited)	Mid-Corporate banking (MCB) by product lines							
	Investment banking		Loans and deposits		Transaction banking		Total MCB	
	2017	2016	2017	2016	2017	2016	2017	2016
Net profit/(loss)	**0.2**	**–**	**2.0**	**(12.3)**	**2.8**	**2.6**	**5.0**	**(9.7)**
Treasury result allocation	–	–	0.2	(1.5)	–	(0.1)	**0.2**	**(1.6)**
Total other comprehensive income	**–**	**–**	**0.2**	**(1.5)**	**–**	**(0.1)**	**0.2**	**(1.6)**
Total comprehensive income	**0.2**	**–**	**2.2**	**(13.8)**	**2.8**	**2.5**	**5.2**	**(11.3)**

3. ANALYSIS BY SEGMENT (CONTINUED)

Net operating income and administrative expenses for the three-month period ended 31 March: dynamics (MCB)



Net operating income before provisions for the three-month period ended 31 March: structure (MCB)

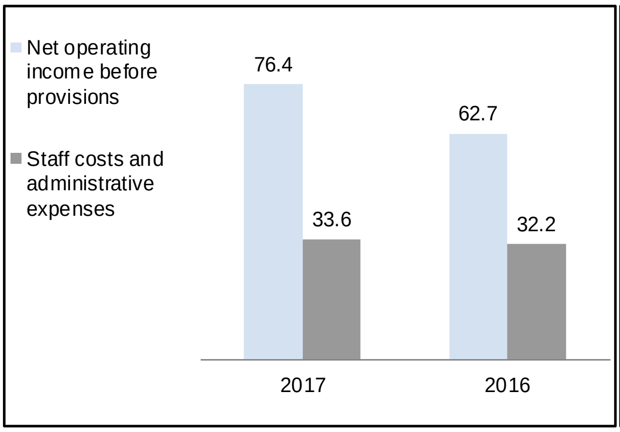


	Mid-Corporate banking (MCB) by product lines									
	Investment banking		Loans and deposits		Transaction banking		Inter-MCB eliminations		Total MCB	
	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016
Loans and advances to customers. including pledged under repurchase agreements	0.6	0.6	641.8	646.7	0.3	0.5	–	–	**642.7**	**647.8**
Other financial instruments	0.7	0.8	–	–	–	–	–	–	**0.7**	**0.8**
Investments in associates and joint ventures	–	–	0.4	0.4	–	–	–	–	**0.4**	**0.4**
Other assets items	–	0.1	45.7	45.2	25.9	24.7	–	–	**71.6**	**70.0**
Net amount of intersegment settlements	–	–	–	–	683.6	700.5	(601.1)	(606.7)	**82.5**	**93.8**
Segment assets	1.3	**1.5**	687.9	**692.3**	709.8	**725.7**	(601.1)	**(606.7)**	**797.9**	**812.8**
Due to other banks	–	–	1.1	1.1	0.5	0.8	–	–	**1.6**	**1.9**
Customer deposits	–	0.1	0.4	0.4	683.1	697.4	–	–	**683.5**	**697.9**
Other borrowed funds	–	–	0.2	0.2	–	–	–	–	**0.2**	**0.2**
Debt securities issued	–	–	–	–	10.9	11.4	–	–	**10.9**	**11.4**
Other liabilities items	–	–	1.9	2.1	5.1	5.6	–	–	**7.0**	**7.7**
Net amount of intersegment settlements	1.1	1.3	600.0	605.4	–	–	(601.1)	(606.7)	**–**	**–**
Segment liabilities	1.1	**1.4**	603.6	**609.2**	699.6	**715.2**	(601.1)	**(606.7)**	**703.2**	**719.1**

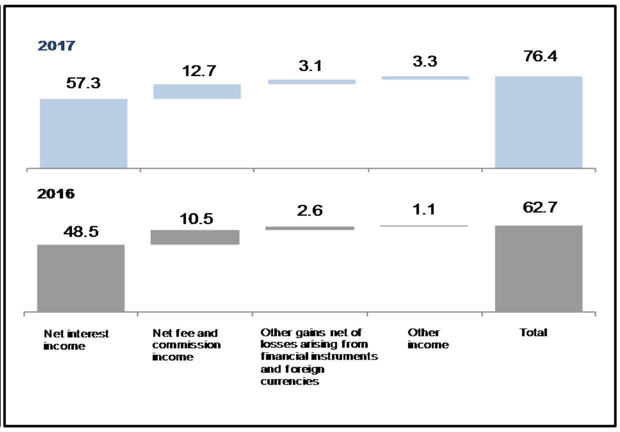
3. ANALYSIS BY SEGMENT (CONTINUED)

	Retail business (RB) by product lines									
For the three-month period ended 31 March (unaudited)	Retail banking		Insurance		Pension business		Inter-RB eliminations		Total RB	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues from:										
External customers	109.5	99.9	14.8	10.8	21.0	15.9	–	–	**145.3**	**126.6**
Other segments	24.9	26.3	0.9	0.7	0.7	0.7	(2.8)	(1.6)	**23.7**	**26.1**
Total revenues	**134.4**	**126.2**	**15.7**	**11.5**	**21.7**	**16.6**	**(2.8)**	**(1.6)**	**169.0**	**152.7**
Segment income and expense										
Interest income	109.9	106.2	1.7	1.2	3.2	2.9	(0.6)	(0.3)	**114.2**	**110.0**
Interest expense	(52.6)	(61.9)	–	–	–	–	0.1	0.2	**(52.5)**	**(61.7)**
Payments to deposit insurance system	(3.3)	(2.7)	–	–	–	–	–	–	**(3.3)**	**(2.7)**
Treasury result allocation	(1.1)	2.9	–	–	–	–	–	–	**(1.1)**	**2.9**
Net interest income	**52.9**	**44.5**	**1.7**	**1.2**	**3.2**	**2.9**	**(0.5)**	**(0.1)**	**57.3**	**48.5**
Provision charge of provision for impairment of debt financial assets	(17.0)	(21.4)	–	–	–	–	(0.1)	(0.2)	**(17.1)**	**(21.6)**
Net interest income after provision for impairment	**35.9**	**23.1**	**1.7**	**1.2**	**3.2**	**2.9**	**(0.6)**	**(0.3)**	**40.2**	**26.9**
Net fee and commission income/(expense)	14.9	11.9	(0.1)	(0.1)	(0.2)	(0.2)	(1.9)	(1.1)	**12.7**	**10.5**
Other gains net of losses arising from financial instruments and foreign currencies	2.9	2.2	(0.2)	(0.2)	0.4	0.6	–	–	**3.1**	**2.6**
Provision charge for impairment of other assets credit related commitments and legal claims	(1.3)	(1.8)	–	(0.4)	–	–	–	–	**(1.3)**	**(2.2)**
Other	(1.5)	(1.0)	6.1	4.5	(2.6)	(2.9)	1.3	0.5	**3.3**	**1.1**
Net operating income/(expense)	**50.9**	**34.4**	**7.5**	**5.0**	**0.8**	**0.4**	**(1.2)**	**(0.9)**	**58.0**	**38.9**
Staff costs and administrative expenses	(31.5)	(30.3)	(1.9)	(1.9)	(0.1)	(0.1)	(0.1)	0.1	**(33.6)**	**(32.2)**
Profit/(loss) before tax	**19.4**	**4.1**	**5.6**	**3.1**	**0.7**	**0.3**	**(1.3)**	**(0.8)**	**24.4**	**6.7**
Income tax expense	(3.9)	(1.0)	(1.3)	(1.0)	(0.1)	(0.1)	0.2	0.2	**(5.1)**	**(1.9)**
Net profit/(loss)	**15.5**	**3.1**	**4.3**	**2.1**	**0.6**	**0.2**	**(1.1)**	**(0.6)**	**19.3**	**4.8**

Net operating income and administrative expenses for the three-month period ended 31 March: dynamics (RB)



Net operating income before provisions for the three-month period ended 31 March: structure (RB)



3. ANALYSIS BY SEGMENT (CONTINUED)

For the three-month period ended 31 March (unaudited)	Retail business (RB) by product lines: Retail banking 2017	Retail banking 2016	Insurance 2017	Insurance 2016	Pension business 2017	Pension business 2016	Inter-RB eliminations 2017	Inter-RB eliminations 2016	Total RB 2017	Total RB 2016
Net profit/(loss)	**15.5**	**3.1**	**4.3**	**2.1**	**0.6**	**0.2**	**(1.1)**	**(0.6)**	**19.3**	**4.8**
Other comprehensive income/(loss):										
Net result on financial assets available-for-sale, net of tax	1.3	1.0	–	–	–	–	–	–	**1.3**	**1.0**
Total other comprehensive income before treasury result allocation	**1.3**	**1.0**	**–**	**–**	**–**	**–**	**–**	**–**	**1.3**	**1.0**
Treasury result allocation	(0.3)	–	–	–	–	–	–	–	**(0.3)**	**–**
Total other comprehensive income	**1.0**	**1.0**	**–**	**–**	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Total comprehensive income	**16.5**	**4.1**	**4.3**	**2.1**	**0.6**	**0.2**	**(1.1)**	**(0.6)**	**20.3**	**5.8**

	Retail business (RB) by product lines: Retail banking 31 March 2017 (unaudited)	Retail banking 31 December 2016	Insurance 31 March 2017 (unaudited)	Insurance 31 December 2016	Pension business 31 March 2017 (unaudited)	Pension business 31 December 2016	Inter-RB eliminations 31 March 2017 (unaudited)	Inter-RB eliminations 31 December 2016	Total RB 31 March 2017 (unaudited)	Total RB 31 December 2016
Cash and short-term funds	216.4	186.7	0.1	0.1	5.2	0.2	–	–	**221.7**	**187.0**
Mandatory cash balances with central banks	25.1	25.2	–	–	–	–	–	–	**25.1**	**25.2**
Due from other banks. including pledged under repurchase agreements	68.7	76.9	40.0	39.5	21.4	23.9	–	–	**130.1**	**140.3**
Loans and advances to customers. including pledged under repurchase agreements	2,220.5	2,182.4	–	–	7.7	7.7	–	–	**2,228.2**	**2,190.1**
Other financial instruments	83.5	74.7	22.4	19.9	82.4	69.3	–	–	**188.3**	**163.9**
Other assets items	155.8	154.2	37.0	37.6	0.7	0.6	–	–	**193.5**	**192.4**
Net amount of intersegment settlements	1,110.3	1,196.7	31.1	24.3	24.4	28.9	–	–	**1,165.8**	**1,249.9**
Segment assets	**3,880.3**	**3,896.8**	**130.6**	**121.4**	**141.8**	**130.6**	**–**	**–**	**4,152.7**	**4,148.8**
Due to other banks	44.7	13.1	–	–	–	–	–	–	**44.7**	**13.1**
Customer deposits	3,391.6	3,465.2	–	–	–	–	–	–	**3,391.6**	**3,465.2**
Other borrowed funds	14.8	17.5	–	–	–	–	–	–	**14.8**	**17.5**
Debt securities issued	47.3	25.2	–	–	–	–	–	–	**47.3**	**25.2**
Subordinated debt	2.1	2.1	–	–	–	–	–	–	**2.1**	**2.1**
Other liabilities items	45.7	51.4	106.0	101.2	136.4	125.7	–	–	**288.1**	**278.3**
Segment liabilities	**3,546.2**	**3,574.5**	**106.0**	**101.2**	**136.4**	**125.7**	**–**	**–**	**3,788.6**	**3,801.4**

3. ANALYSIS BY SEGMENT (CONTINUED)

	Other business							
For the three-month period ended 31 March (unaudited)	Construction and development		Other		Inter-other eliminations		Total Other business	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues from:								
External customers	5.4	3.9	4.5	5.7	–	–	**9.9**	**9.6**
Other segments	0.7	0.8	0.6	1.3	–	(0.1)	**1.3**	**2.0**
Total revenues	**6.1**	**4.7**	**5.1**	**7.0**	**–**	**(0.1)**	**11.2**	**11.6**
Segment income and expense								
Interest income	0.8	0.8	0.3	0.3	–	(0.1)	**1.1**	**1.0**
Interest expense	(3.7)	(4.4)	(1.4)	(1.8)	–	0.1	**(5.1)**	**(6.1)**
Treasury result allocation	–	–	(1.6)	(3.2)	–	–	**(1.6)**	**(3.2)**
Net interest income	**(2.9)**	**(3.6)**	**(2.7)**	**(4.7)**	**–**	**–**	**(5.6)**	**(8.3)**
Net interest income after provision for impairment	**(2.9)**	**(3.6)**	**(2.7)**	**(4.7)**	**–**	**–**	**(5.6)**	**(8.3)**
Net fee and commission income	–	–	0.1	0.3	–	–	**0.1**	**0.3**
Other gains net of losses arising from financial instruments and foreign currencies	0.1	1.8	0.7	1.8	–	–	**0.8**	**3.6**
Profit from disposal of subsidiaries and associates	–	–	0.1	–	–	–	**0.1**	**–**
Reversal of provision / (provision charge) for impairment of other assets credit related commitments and legal claims	0.1	–	–	(0.1)	–	–	**0.1**	**(0.1)**
Other operating income/(expense) items	(0.2)	(1.6)	0.7	(1.9)	–	–	**0.5**	**(3.5)**
Net operating (expense)/income	**(2.9)**	**(3.4)**	**(1.1)**	**(4.6)**	**–**	**–**	**(4.0)**	**(8.0)**
Staff costs and administrative expenses	(0.1)	(0.1)	(3.4)	(1.0)	–	–	**(3.5)**	**(1.1)**
Loss before tax	**(3.0)**	**(3.5)**	**(4.5)**	**(5.6)**	**–**	**–**	**(7.5)**	**(9.1)**
Income tax expense	1.0	0.3	0.9	1.1	–	–	**1.9**	**1.4**
Net loss after tax	**(2.0)**	**(3.2)**	**(3.6)**	**(4.5)**	**–**	**–**	**(5.6)**	**(7.7)**
Loss after tax from subsidiaries acquired exclusively with a view to resale	–	–	–	(4.3)	–	–	**–**	**(4.3)**
Net loss	**(2.0)**	**(3.2)**	**(3.6)**	**(8.8)**	**–**	**–**	**(5.6)**	**(12.0)**

3. ANALYSIS BY SEGMENT (CONTINUED)

	Other business							
For the three-month period ended 31 March (unaudited)	Construction and development		Other		Inter-other eliminations		Total Other business	
	2017	2016	2017	2016	2017	2016	2017	2016
Net loss	**(2.0)**	**(3.2)**	**(3.6)**	**(8.8)**	**–**	**–**	**(5.6)**	**(12.0)**
Other comprehensive (loss)/income:								
Net result on financial assets available-for-sale, net of tax	–	–	(0.1)	2.0	–	–	**(0.1)**	**2.0**
Total other comprehensive income before treasury result allocation	**–**	**–**	**(0.1)**	**2.0**	**–**	**–**	**(0.1)**	**2.0**
Treasury result allocation	–	–	0.2	0.7	–	–	**0.2**	**0.7**
Total other comprehensive income	**–**	**–**	**0.1**	**2.7**	**–**	**–**	**0.1**	**2.7**
Total comprehensive loss	**(2.0)**	**(3.2)**	**(3.5)**	**(6.1)**	**–**	**–**	**(5.5)**	**(9.3)**

	Other business							
	Construction and development		Other		Inter-Other eliminations		Total Other business	
	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016	31 March 2017 (unaudited)	31 December 2016
Cash and short-term funds	0.1	0.1	0.1	1.2	–	–	0.2	**1.3**
Loans and advances to customers. including pledged under repurchase agreements	5.0	4.8	0.2	0.2	–	–	5.2	**5.0**
Other financial instruments	–	–	34.3	35.8	–	–	34.3	**35.8**
Other assets items	348.8	355.7	113.4	116.6	–	–	462.2	**472.3**
Segment assets	353.9	**360.6**	148.0	**153.8**	–	**–**	501.9	**514.4**
Due to other banks	–	–	0.1	0.1	–	–	0.1	**0.1**
Customer deposits	–	–	2.9	3.2	–	–	2.9	**3.2**
Other borrowed funds	2.9	2.9	–	–	–	–	2.9	**2.9**
Other liabilities items	81.6	87.1	8.6	8.6	–	–	90.2	**95.7**
Net amount of intersegment settlements	245.9	253.6	76.9	84.1	–	–	322.8	**337.7**
Segment liabilities	330.4	**343.6**	88.5	**96.0**	–	**–**	418.9	**439.6**

4. INTEREST INCOME AND EXPENSE

	For the three-month period ended 31 March (unaudited)	
	2017	2016
Interest income		
Loans and advances to customers	245.7	260.7
Due from other banks	12.3	12.1
Other financial assets, including securities	5.2	5.8
Financial assets not at fair value through profit or loss	**263.2**	**278.6**
Financial assets at fair value through profit or loss	4.3	5.3
Total interest income	**267.5**	**283.9**
Interest expense		
Customer deposits	(105.5)	(114.9)
Due to other banks and other borrowed funds	(33.7)	(52.6)
Debt securities issued	(7.0)	(9.6)
Subordinated debt	(4.9)	(5.7)
Total interest expense	**(151.1)**	**(182.8)**
Payments to deposit insurance system	**(3.4)**	**(2.8)**
Net interest income	**113.0**	**98.3**

Interest income recognised on loans and advances to customers for the period ended 31 March 2017 includes finance income in the amount of RUR 5.6 billion calculated based on constant periodic rate of interest on the lessor's net investment in the finance lease (for the period ended 31 March 2016: RUR 6.2 billion).

5. NET FEE AND COMMISSION INCOME

	For the three-month period ended 31 March (unaudited)	
	2017	2016
Commission on settlement transactions and trade finance	16.3	13.6
Commission on guarantees and other credit related commitments issued	3.4	3.4
Commission on operations with securities and capital markets	2.7	1.3
Agents' fee received for insurance products distribution and other services	2.0	1.4
Commission on cash transactions	1.5	1.7
Other	1.9	2.1
Total fee and commission income	**27.8**	**23.5**
Commission on settlement transactions and trade finance	(5.1)	(4.2)
Commission on operations with securities and capital markets	(1.4)	(0.8)
Commission on cash transactions	(0.6)	(0.6)
Other	(1.0)	(0.5)
Total fee and commission expense	**(8.1)**	**(6.1)**
Net fee and commission income	**19.7**	**17.4**

6. GAINS NET OF LOSSES ARISING FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	For the three-month period ended 31 March (unaudited)	
		2017	2016
Gains net of losses arising from financial instruments held for trading		2.6	6.8
· Gains net of losses arising from non-derivative financial assets	12	1.9	5.0
· Gains net of losses arising from derivative financial instruments	13	0.7	1.8
Losses net of gains arising from financial instruments designated as at fair value through profit or loss		(0.2)	(0.4)
Gains net of losses / (losses net of gains) from associates and joint-ventures designated as at fair value through profit or loss		0.7	(0.5)
Total gains net of losses arising from financial instruments at fair value through profit or loss		**3.1**	**5.9**

7. LOSSES NET OF GAINS ARISING FROM FOREIGN CURRENCIES AND PRECIOUS METALS

	For the three-month period ended 31 March (unaudited)	
	2017	2016
Losses net of gains arising from dealing in foreign currencies and precious metals	(52.4)	(113.3)
· of which gains net of losses / (losses net of gains) arising from foreign exchange and precious metals derivative contracts held for trading (Note 13)	2.7	(43.2)
Foreign exchange translation gains net of losses	44.7	104.9
Total losses net of gains arising from foreign currencies and precious metals	**(7.7)**	**(8.4)**

Losses net of gains arising from dealing in foreign currencies represent foreign currency trading results and changes in value of foreign currency derivative positions, including those economically hedging net foreign currency positions.

8. STAFF COSTS AND ADMINISTRATIVE EXPENSES

	For the three-month period ended 31 March (unaudited)	
	2017	2016
Staff costs	34.4	35.3
Defined contribution pension expense	4.0	4.9
Depreciation and other expenses related to premises and equipment	4.7	4.6
Taxes other than on income	3.6	1.7
Leasing and rent expenses	3.5	3.1
Advertising expenses	3.0	1.9
Amortisation and other expenses related to intangibles, except for amortisation of core deposit and customer loan intangible	2.5	2.6
Charity	1.9	1.7
Professional services	1.2	1.0
Post and telecommunication expenses	1.1	1.2
Amortisation of core deposit and customer loan intangible	0.8	1.2
Security expenses	0.4	0.5
Transport expenses	0.2	0.2
Insurance	0.1	0.1
Other	0.2	0.6
Total staff costs and administrative expenses	**61.6**	**60.6**

For the three months ended 31 March 2017, included in cost of sales and other expenses from other non-banking activities are staff costs in the amount of RUR 0.8 billion and depreciation and amortization related to premises, equipment and intangible assets in the amount of RUR 0.4 billion (for the three months ended 31 March 2016: staff costs in the amount of RUR 1.8 billion and depreciation and amortization related to premises, equipment and intangible assets in the amount of RUR 0.8 billion).

9. ALLOWANCE FOR IMPAIRMENT OF OTHER ASSETS

The movements in allowances for impairment of other financial assets accounted at amortised cost were as follows:

1 January 2016	**4.8**
Provision for impairment during the period	1.0
Write-offs	(0.4)
Effect of translation	(0.1)
31 March 2016 (unaudited)	**5.3**
1 January 2017	**3.6**
Recoveries of amounts written-off in previous period	0.3
Write-offs	(0.2)
31 March 2017 (unaudited)	**3.7**

10. INCOME TAX

Income tax expense comprises the following:

	For the three-month period ended 31 March (unaudited)	
	2017	2016
Current tax expense	14.8	5.6
Deferred income tax benefit due to the origination and reversal of temporary differences	(4.7)	(0.4)
Income tax expense for the period	**10.1**	**5.2**

The Group's effective income tax rate for the three months ended 31 March 2017 was 26.8% (the three months of 2016: 52.5%). The effective income tax rate for the three-month period ended 31 March 2017 differs from the theoretical tax rate mainly due to non-deductible expenses.

10. INCOME TAX (CONTINUED)

The following table provides disclosure of income tax effects relating to each component of other comprehensive income/(loss) for the three-month periods ended 31 March 2017 and 2016:

	For the three-month period ended 31 March (unaudited)					
	2017			2016		
	Before tax	Tax expense/ (recovery)	Net of tax	Before tax	Tax expense/ (recovery)	Net of tax
Net result on financial assets available-for-sale	6.1	(1.3)	4.8	5.3	(1.2)	4.1
Cash flow hedges	0.3	–	0.3	–	–	–
Share of other comprehensive loss of associates and joint ventures	(1.2)	–	(1.2)	(1.1)	–	(1.1)
Effect of translation	(6.8)	0.1	(6.7)	(12.9)	0.5	(12.4)
Other comprehensive loss	**(1.6)**	**(1.2)**	**(2.8)**	**(8.7)**	**(0.7)**	**(9.4)**

11. CASH AND SHORT-TERM FUNDS

	31 March 2017 (unaudited)	31 December 2016
Cash on hand	121.0	137.9
Cash balances (other than mandatory) with central banks	391.7	166.2
Correspondent accounts with other banks		
· Russia	95.2	62.3
· OECD	29.1	80.3
· Other countries	3.8	6.2
Total Correspondent accounts with other banks	128.1	148.8
Total cash and short-term funds	**640.8**	**452.9**
Less: correspondent accounts in precious metals	(4.0)	(4.2)
Less: restricted cash	(0.2)	(0.1)
Total cash and cash equivalents	**636.6**	**448.6**

12. NON-DERIVATIVE FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS

	31 March 2017 (unaudited)	31 December 2016
Financial assets held for trading, including pledged under repurchase agreements	260.4	226.1
Financial assets designated as at fair value through profit or loss	37.6	41.0
Total non-derivative financial assets at fair value through profit or loss, including pledged under repurchase agreements	**298.0**	**267.1**

Financial assets held for trading, including pledged under repurchase agreements

	31 March 2017 (unaudited)	31 December 2016
Financial assets held for trading		
Debt securities		
· Bonds and eurobonds of Russian companies and banks	143.3	112.6
· Bonds and eurobonds of the Russian Federation	48.3	26.3
· Bonds and eurobonds of foreign governments	26.6	28.5
· Bonds and eurobonds of foreign companies and banks	14.7	14.4
· Russian municipal bonds	7.1	6.8
Total debt securities	240.0	188.6
Equity securities	5.4	7.6
Trading credit products	–	3.5
Total financial assets held for trading	**245.4**	**199.7**
Financial assets held for trading, pledged under repurchase agreements		
Debt securities		
· Bonds and eurobonds of foreign governments	4.2	5.3
· Bonds and eurobonds of the Russian Federation	3.6	2.2
· Bonds and eurobonds of Russian companies and banks	2.4	18.8
· Bonds and eurobonds of foreign companies and banks	0.5	–
Total debt securities	10.7	26.3
Equity securities	4.3	0.1
Total financial assets held for trading, pledged under repurchase agreements	**15.0**	**26.4**
Total financial assets held for trading, including pledged under repurchase agreements	**260.4**	**226.1**

12. NON-DERIVATIVE FINANCIAL ASSETSAT FAIR VALUE THROUGH PROFIT OR LOSS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS (CONTINUED)

Financial assets held for trading, including pledged under repurchase agreements (continued)

At 31 March 2017, bonds and eurobonds of Russian companies and banks are mostly those issued by banks and railway transportation, oil and building construction companies; equity securities are mostly represented by foreign insurance and Russian gas companies.

Gains net of losses arising from non-derivative financial assets held for trading

	For the three-month period ended 31 March (unaudited)	
	2017	2016
Debt securities	1.6	4.5
Equity securities	0.3	0.5
Total gains net of losses arising from non-derivative financial assets held for trading (Note 6)	**1.9**	**5.0**

Reclassifications

During three-month period ended 31 March 2017, the Group reclassified certain financial assets that met the definition of loans and receivables out of financial assets at fair value through profit or loss category to loans and receivables. The Group considered holding these investments for the foreseeable future or till maturity, due to lower market liquidity and reduced price transparency as well as positive outlook for the issuers' credit risk. The effective interest rate on the reclassified financial assets as determined on the reclassification date is 5.15%. As at the reclassification date the Group expected to recover the estimated cash flows of RUR 3.5 billion, of which the amount of RUR 1.2 billion were redeemed during three-month period ended 31 March 2017.

	31 March 2017 (unaudited)
	Loans and advances to customers
Fair value as at the date of reclassification	3.5
Carrying amount as at 31 March 2017	2.3
Fair value as at 31 March 2017	2.3
Fair value gain/(loss) that would be recognized in profit or loss for the three-month period ended 31 March 2017	–
Loss recognized after reclassification in profit or loss for the three-month period ended 31 March 2017	(0.3)

Financial assets designated as at fair value through profit or loss

	31 March 2017 (unaudited)	31 December 2016
Equity securities	19.1	21.2
Reverse sale and repurchase agreements to maturity	18.1	19.3
Debt securities		
· Bonds and eurobonds of foreign companies and banks	0.4	0.5
Total debt securities	0.4	0.5
Total financial assets designated as at fair value through profit or loss	**37.6**	**41.0**

At 31 March 2017 equity securities are represented mostly by securities issued by Russian retail and finance companies.

Losses net of gains arising from financial assets designated as at fair value through profit or loss

	For the three-month period ended 31 March (unaudited)	
	2017	2016
Equity securities	(0.5)	(0.8)
Total losses net of gains arising from financial assets designated as at fair value through profit or loss	**(0.5)**	**(0.8)**

13. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange and other financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions.

The table below includes derivative contracts outstanding at 31 March 2017 and 31 December 2016:

	31 March 2017 (unaudited)		31 December 2016	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Derivative financial assets and liabilities at fair value through profit or loss held for trading				
Foreign exchange and precious metals contracts				
· forwards	7.9	(2.1)	5.4	(3.3)
· futures	–	(0.2)	0.3	–
· swaps	17.2	(15.6)	9.2	(19.8)
· options	2.9	(3.4)	3.6	(5.5)
Contracts with securities				
· forwards on equity securities	9.9	–	11.8	–
· futures on equity securities	–	–	–	(0.1)
· options	3.0	(3.2)	3.2	(3.4)
Interest rate contracts				
· single currency interest rate swaps	21.4	(22.3)	22.6	(22.6)
· cross currency interest rate swaps	90.9	(75.0)	105.1	(97.1)
· cap/floor	1.6	(0.7)	0.2	(0.4)
Contracts with other underlyings				
· CDS protection sold	0.8	(0.5)	0.8	(0.7)
· CDS protection purchased	0.2	(0.5)	0.1	(0.5)
· futures on indexes	0.1	–	0.1	(0.2)
· options on indexes	1.9	(0.7)	1.8	(1.1)
· commodity swaps	1.2	(0.4)	2.2	(0.8)
· commodity futures	1.4	(1.7)	0.2	(2.3)
· commodity options	4.8	(4.2)	4.8	(3.5)
· commodity forwards	1.3	(0.4)	1.3	(0.9)
Embedded derivatives on structured instruments				
· embedded derivatives on foreign exchange instruments	4.1	(0.5)	5.4	(1.9)
· embedded derivatives on commodity instruments	2.0	–	2.3	–
Total derivative financial assets and liabilities at fair value through profit or loss held for trading	**172.6**	**(131.4)**	**180.4**	**(164.1)**
Derivative financial assets and liabilities designated as hedging instruments				
Derivatives held as cash flow hedges				
· interest rate swaps	0.5	(0.7)	–	–
· foreign exchange swaps	–	(0.6)	–	(0.9)
· foreign exchange forwards	–	(0.1)	0.1	–
Total derivative financial assets and liabilities designated as hedging instruments	**0.5**	**(1.4)**	**0.1**	**(0.9)**
Total derivative financial assets and liabilities	**173.1**	**(132.8)**	**180.5**	**(165.0)**

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The table below includes gains net of losses / (losses net of gains) arising from derivative financial instruments held for trading other than foreign exchange and precious metals derivative contracts**:**

	For the three-month period ended 31 March (unaudited)	
	2017	2016
Contracts with securities	(0.4)	(0.4)
Interest rate contracts	1.8	3.2
Contracts with other underlyings	(1.6)	(1.0)
Embedded derivatives on structured instruments	0.9	–
Total gains net of losses arising from derivative financial instruments held for trading (Note 6)	**0.7**	**1.8**

The table below includes gains net of losses / (losses net of gains) arising from foreign exchange and precious metals derivative contracts held for trading:

	For the three-month period ended 31 March (unaudited)	
	2017	2016
Foreign exchange and precious metals contracts	9.5	(36.9)
Contracts with securities	(0.2)	2.0
Foreign currency component of interest rate swaps	(9.1)	(6.5)
Contracts with other underlyings	3.3	(0.3)
Embedded derivatives on foreign exchange instruments	(0.8)	(1.5)
Total gains net of losses / (losses net of gains) arising from foreign exchange and precious metals derivative contracts held for trading (Note 7)	**2.7**	**(43.2)**

14. DUE FROM OTHER BANKS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS

	31 March 2017 (unaudited)	31 December 2016
Due from other banks		
· Russia	497.4	565.0
· OECD	105.4	92.3
· Other countries	352.6	382.0
Total gross due from other banks	**955.4**	**1,039.3**
Less: Allowance for impairment	(1.9)	(1.9)
Total net due from other banks	**953.5**	**1,037.4**
Due from other banks pledged under repurchase agreements		
· Russia	0.5	13.8
Total gross due from other banks, pledged under repurchase agreements	**0.5**	**13.8**
Total due from other banks, including pledged under repurchase agreements	**954.0**	**1,051.2**

The movements in allowances for impairment of due from other banks, including pledged under repurchase agreements, by classes were as follows:

	Russia	OECD	Other	Total
1 January 2016	**1.8**	**0.1**	**1.2**	**3.1**
Effect of translation	–	–	(0.2)	**(0.2)**
31 March 2016 (unaudited)	**1.8**	**0.1**	**1.0**	**2.9**
1 January 2017	**1.1**	**0.1**	**0.7**	**1.9**
Provision for impairment / (reversal of provision) during the period	0.2	–	(0.1)	**0.1**
Write-offs	–	–	(0.1)	**(0.1)**
31 March 2017 (unaudited)	**1.3**	**0.1**	**0.5**	**1.9**

15. LOANS AND ADVANCES TO CUSTOMERS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS

	31 March 2017 (unaudited)	31 December 2016
Loans to legal entities		
· Current activity financing	4,959.3	4,957.2
· Project finance and other	1,496.2	1,553.0
· Reverse sale and repurchase agreements	428.8	369.4
· Finance leases	208.4	241.7
Total gross loans to legal entities	**7,092.7**	**7,121.3**
Less: Allowance for impairment	(455.9)	(446.5)
Net loans to legal entities	**6,636.8**	**6,674.8**
Loans to individuals		
· Mortgages	1,015.6	997.7
· Consumer loans and other	985.9	955.0
· Credit cards	130.8	127.6
· Car loans	87.9	89.5
· Reverse sale and repurchase agreements	8.4	5.8
Total gross loans to individuals	**2,228.6**	**2,175.6**
Less: Allowance for impairment	(196.7)	(185.6)
Net loans to individuals	**2,031.9**	**1,990.0**
Loans and advances to customers pledged under repurchase agreements		
· Current activity financing	12.5	190.1
Total gross loans and advances to customers pledged under repurchase agreements	**12.5**	**190.1**
Less: Allowance for impairment	–	(0.4)
Net loans and advances pledged under repurchase agreements	**12.5**	**189.7**
Total loans and advances to customers, including pledged under repurchase agreements	**8,681.2**	**8,854.5**

Finance leases represent loans to leasing companies and net investment in leases. As at 31 March 2017, included in gross loans are finance lease receivables of RUR 146.1 billion (31 December 2016: RUR 152.0 billion), equal to the net investment in lease before allowance for impairment.

As at 31 March 2017, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprises RUR 2,269.2 billion, or 24.3% of the gross loan portfolio, including loans pledged under repurchase agreements (31 December 2016: RUR 2,328.2 billion or 24.5%).

As at 31 March 2017, the gross amount of non-performing loans which the Group defines as impaired loans with repayments overdue by over 90 days was RUR 603.5 billion or 6.5% of the aggregate of the gross loan portfolio, including loans pledged under repurchase agreements (31 December 2016: RUR 604.4 billion or 6.4%).

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

	31 March 2017 (unaudited)		31 December 2016	
	Amount	%	Amount	%
Individuals	2,228.6	23.9	2,175.6	22.9
Oil and gas	996.2	10.7	1,101.7	11.6
Building construction	975.5	10.5	978.0	10.3
Metals	731.0	7.8	812.5	8.6
Government bodies	715.1	7.7	787.2	8.3
Manufacturing	640.9	6.8	597.8	6.3
Energy	495.6	5.3	469.0	4.9
Transport	485.5	5.2	427.6	4.5
Trade and commerce	477.1	5.1	482.3	5.1
Finance	410.4	4.4	443.4	4.7
Chemical	387.8	4.2	417.5	4.4
Telecommunications and media	305.5	3.3	303.7	3.2
Food and agriculture	210.7	2.3	211.8	2.2
Coal mining	151.6	1.6	157.9	1.7
Other	122.3	1.2	121.0	1.3
Total gross loans and advances to customers, including pledged under repurchase agreements	**9,333.8**	**100.0**	**9,487.0**	**100.0**

Finance industry includes loans issued to holding companies of industrial groups, mergers and acquisitions financing, and loans to leasing, insurance and other non-bank financial companies.

15. LOANS AND ADVANCES TO CUSTOMERS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS (CONTINUED)

The movements in allowances for impairment of loans and advances to legal entities, including pledged under repurchase agreements, by class were as follows:

	Current activity financing	Project finance and other	Reverse sale and repurchase agreements with legal entities	Finance leases	Loans and advances under repurchase agreements	Total
1 January 2016	**286.1**	**158.2**	**0.1**	**34.4**	**0.5**	**479.3**
Provision / (reversal of provision) for impairment during the period	18.8	(0.8)	–	(0.2)	–	**17.8**
Write-offs	(3.0)	(5.7)	–	–	–	**(8.7)**
Recoveries of amounts written-off in previous period	0.7	0.1	–	–	–	**0.8**
Effect of translation	(10.0)	(5.3)	–	(2.1)	(0.1)	**(17.5)**
31 March 2016 (unaudited)	**292.6**	**146.5**	**0.1**	**32.1**	**0.4**	**471.7**
1 January 2017	**310.6**	**109.6**	**0.1**	**26.2**	**0.4**	**446.9**
Provision / (reversal of provision) for impairment during the period	29.1	(0.2)	0.1	(1.0)	(0.4)	**27.6**
Write-offs	(2.9)	(3.7)	–	–	–	**(6.6)**
Recoveries of amounts written-off in previous period	0.5	0.1	–	–	–	**0.6**
Effect of translation	(8.3)	(3.2)	–	(1.1)	–	**(12.6)**
31 March 2017 (unaudited)	**329.0**	**102.6**	**0.2**	**24.1**	**–**	**455.9**

Allowance for finance leases represents allowances for loans to leasing companies and net investment in leases.

The movements in allowances for impairment of loans and advances to individuals by class were as follows:

	Mortgages	Consumer loans and other	Credit cards	Car loans	Total
1 January 2016	**17.2**	**145.4**	**21.1**	**9.5**	**193.2**
Provision for impairment during the period	1.7	13.1	2.4	0.6	**17.8**
Write-offs	(0.8)	(2.1)	(0.3)	(0.1)	**(3.3)**
Recoveries of amounts written-off in previous period	0.2	0.3	–	–	**0.5**
Effect of translation	(1.0)	(0.8)	0.1	(0.1)	**(1.8)**
31 March 2016 (unaudited)	**17.3**	**155.9**	**23.3**	**9.9**	**206.4**
1 January 2017	**16.0**	**136.9**	**22.6**	**10.1**	**185.6**
Provision for impairment during the period	0.8	12.9	2.1	–	**15.8**
Write-offs	(2.0)	(1.7)	(0.3)	(0.1)	**(4.1)**
Recoveries of amounts written-off in previous period	–	0.3	0.1	–	**0.4**
Effect of translation	(0.7)	(0.2)	(0.1)	–	**(1.0)**
31 March 2017 (unaudited)	**14.1**	**148.2**	**24.4**	**10.0**	**196.7**

16. INVESTMENT FINANCIAL ASSETS, INCLUDING PLEDGED UNDER REPURCHASE AGREEMENTS

	31 March 2017 (unaudited)	31 December 2016
Investment financial assets available-for-sale, including pledged under repurchase agreements	306.6	189.4
Investment financial assets held-to-maturity, including pledged under repurchase agreements	–	151.3
Total investment financial assets, including pledged under repurchase agreements	**306.6**	**340.7**

Investment financial assets available-for-sale, including pledged under repurchase agreements

	31 March 2017 (unaudited)	31 December 2016
Investment financial assets available-for-sale		
Debt securities		
· Bonds and eurobonds of the Russian Federation	123.4	71.3
· Bonds and eurobonds of foreign governments	54.5	56.0
· Bonds and eurobonds of Russian companies and banks	43.2	8.9
· Bonds and eurobonds of foreign companies and banks	9.3	16.1
· Russian municipal bonds	1.6	1.7
· Promissory notes of Russian companies and banks	0.2	0.2
Total debt securities	232.2	154.2
Equity securities	39.5	33.2
Total investment financial assets available-for-sale	**271.7**	**187.4**
Investment financial assets available-for-sale, pledged under repurchase agreements		
Debt securities		
· Bonds and eurobonds of the Russian Federation	31.4	–
· Bonds and eurobonds of Russian companies and banks	3.2	1.6
· Bonds and eurobonds of foreign governments	0.3	0.4
Total debt securities	34.9	2.0
Total investments financial assets available-for-sale, pledged under repurchase agreements	**34.9**	**2.0**
Total investment financial assets available-for-sale, including pledged under repurchase agreements	**306.6**	**189.4**

As at 31 March 2017, bonds and Eurobonds of foreign governments are mostly those issued by German and USA government and municipal bodies. As at 31 March 2017, bonds and eurobonds of Russian companies and banks are mostly those issued by companies from the gas and oil sectors and manufacturing companies; equity securities are mostly the shares of Russian metal, insurance and other finance companies.

During three-month period ended 31 March 2017, the Group recognised reversal of impairment loss of RUR 0.3 billion before tax, and the realised portion of positive revaluation of financial assets available-for-sale was reclassified to profit or loss due to the sale of financial assets available-for-sale with profit of RUR 4.9 billion before tax (three-month period ended 31 March 2016: RUR 0.7 billion of impairment and loss of RUR 1.1 billion respectively).

The movements in allowances for impairment of investment securities held-to-maturity, including those pledged under repurchase agreements, were as follows:

1 January 2016	0.1
Provision for impairment during the period	–
31 March 2016 (unaudited)	**0.1**
1 January 2017	**0.1**
Write-offs	(0.1)
31 March 2017 (unaudited)	**–**

Reclassifications

In March 2017, as a result of a change in intention to hold debt securities till maturity and planned purchase and sale transactions of these debt securities, the Group decided that it is no longer appropriate to classify these debt securities as held to maturity. The Group reclassified RUR 142.8 billion of the investment financial assets held-to-maturity into available-for-sale investment portfolio in the first quarter 2017.

17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 March 2017 (unaudited)	31 December 2016
Investments designated as at fair value through profit or loss		
· Investments in joint ventures	53.5	53.5
· Investments in associates	9.0	8.7
Investments accounted under equity method		
· Investments in associates	24.2	24.5
· Investments in joint ventures	3.6	3.9
Total investments in associates and joint ventures	**90.3**	**90.6**

18. DISPOSAL GROUPS AND NON-CURRENT ASSETS HELD FOR SALE

The Group has non-current assets and investments in the disposal groups held for sale, including subsidiaries acquired exclusively with a view to resale, accounted for in accordance with IFRS 5. The Management of the Group is committed to dispose of these non-current assets and investments in the near future, within one year from the initial classification as a disposal group.

		31 March 2017 (unaudited)	31 December 2016
Assets of disposal groups held for sale:			
Irrico Ltd.	65.80% owned subsidiary	3.2	3.1
Premises	non-current asset held for sale	0.4	1.3
Investment property	non-current asset held for sale	0.3	0.3
Hals-Invest-Development, LLC	100.00% owned subsidiary	n/a	9.1
Estonian Credit Bank, JSC	59.73% owned associate	n/a	0.9
Velozavodskii market, OJSC	100.00% owned subsidiary	n/a	0.6
Other	100.00% owned subsidiary	0.3	0.3
Total assets of disposal groups and non-current assets held for sale		**4.2**	**15.6**
Liabilities of disposal groups held for sale:			
Irrico Ltd.	65.80% owned subsidiary	0.9	0.7
Hals-Invest-Development, LLC	100.00% owned subsidiary	n/a	1.1
Velozavodskii market, OJSC	100.00% owned subsidiary	n/a	0.1
Other	100.00% owned subsidiary	0.2	0.3
Total liabilities of disposal groups held for sale		**1.1**	**2.2**

As at 31 March 2017 the Group accounted for investments in Irrico Ltd. as a disposal group held for sale under IFRS 5 presented in segment “CIB” and considered that sale was highly probable.

In January 2017 the Group sold 59.7% of shares in Estonian Credit Bank, JSC, classified as assets held for sale, to a non-related party for the total consideration of RUR 0.8 billion with RUR 0.1 billion loss recognised in Net gain from disposal of disposal groups held for sale attributed to segment “Treasury”.

In February 2017 the Group sold 100% of shares in Velozavodskii market, OJSC, classified as assets held for sale, to a non-related party for the total consideration of RUR 0.7 billion. The net assets of Velozavodskii market, OJSC as at the date of disposal amounted to RUR 0.4 billion. The gain from disposal of subsidiary amounted to RUR 0.3 billion and was recognised in Net gain from disposal of disposal groups held for sale and was attributed to segment “Other”.

In March 2017 the Group sold its ownership interest of 100.0% in Hals-Invest-Development, LLC to a non-related party for total consideration of RUR 9.2 billion. The net assets of Hals-Invest-Development, LLC as at the date of disposal amounted to RUR 8.6 billion. The gain from disposal amounted to RUR 0.6 billion and was recognised in Net gain from disposal of disposal groups held for sale and was attributed to segment “Other”.

19. DUE TO OTHER BANKS

	31 March 2017 (unaudited)	31 December 2016
Term loans and deposits	822.9	1,002.0
Correspondent accounts and overnight deposits of other banks	144.8	130.3
Sale and repurchase agreements	67.5	76.6
Total due to other banks	**1,035.2**	**1,208.9**

20. CUSTOMER DEPOSITS

	31 March 2017 (unaudited)	31 December 2016
Government bodies		
· Current / settlement deposits	68.0	54.6
· Term deposits	953.8	345.4
Other legal entities		
· Current / settlement deposits	1,254.6	1,007.2
· Term deposits	2,921.8	2,934.9
Individuals		
· Current / settlement deposits	608.8	627.9
· Term deposits	2,293.1	2,376.4
Sale and repurchase agreements	30.0	0.2
Total customer deposits	**8,130.1**	**7,346.6**

As at 31 March 2017, the Group's 10 largest customers had aggregated balances of RUR 2,623.6 billion or 32.3% of total customer deposits (see also Note 29) (31 December 2016: RUR 1,779.2 billion or 24.2%).

As at 31 March 2017, deposits of RUR 348.9 billion (31 December 2016: RUR 62.4 billion) were held as collateral against irrevocable commitments under import letters of credit and guarantees (Note 27).

21. OTHER BORROWED FUNDS

	31 March 2017 (unaudited)	31 December 2016
Funds from local central banks:	307.0	1,063.5
· Term deposits from local central banks	307.0	627.6
· Sale and Repurchase Agreements	–	435.9
Syndicated loans	15.4	16.9
Other borrowings	224.3	226.8
Total other borrowed funds	**546.7**	**1,307.2**

As at 31 March 2017, funds from local central banks contain the amount of RUR 273.0 billion (31 December 2016: RUR 585.4 billion) secured by pledged loans to customers in the amount of RUR 333.4 billion (31 December 2016: RUR 755.6 billion).

In September 2011, "Bank of Moscow", OJSC (currently "BM-Bank", JSC – Note 1) received a RUR 294.8 billion deposit from the related party DIA at 0.51% p.a. maturing in 10 years under the plan of support (the "Plan") of "Bank of Moscow", OJSC approved by the CBR and the DIA. During the fourth quarter 2014, the DIA agreed to the deposit extension due to adverse effects of the current political and macro-economic environment on "Bank of Moscow", OJSC and its clients, which in turn influenced the execution of the Plan. In December 2014, the CBR and the DIA approved the extension of the deposit until September 2026 at 0.51% p.a.

As at 31 March 2017, the carrying amount of the deposit amounted to RUR 83.6 billion (31 December 2016: RUR 81.3 billion) and was included in Other Borrowings. The contractual amount of the deposit was RUR 266.2 billion at 31 March 2017 (31 December 2016: RUR 266.3 billion). The deposit was collateralised by loans and advances to customers with the carrying amount of RUR 25.9 billion at 31 March 2017 (31 December 2016: RUR 27.2 billion).

Under the terms of the deposit agreement, if certain reference distressed assets perform better than originally anticipated, the Group is required to repay a corresponding part of the deposit. For the three-month period ended 31 March 2017, the Group recognised losses from early repayment of deposit in the amount of RUR 0.02 billion (for the year ended 31 December 2016: RUR 1.9 billion) included in (Losses net of gains) / gains net of losses arising from extinguishment of liability in the accompanying interim consolidated income statement.

22. DEBT SECURITIES ISSUED

	31 March 2017 (unaudited)	31 December 2016
Bonds	356.8	345.7
Promissory notes	66.8	47.5
Deposit certificates	6.2	6.4
Total debt securities issued	**429.8**	**399.6**

Promissory notes represent notes primarily issued in the local market as an alternative to customer/bank deposits. As at 31 March 2017 promissory notes issued included both discount and interest bearing promissory notes denominated mainly in RUR with maturity ranging from demand to December 2044 (31 December 2016: from demand to December 2044).

The bonds represent eurobonds issued mostly under EMTN and ECP programmes and local bonds (including overnight bond programme on the Moscow Stock Exchange) issued by VTB and other Group members with the carrying amounts at the end of the reporting periods as follows:

	Rates, p.a.	Maturity	31 March 2017 (unaudited)	31 December 2016
USD Eurobonds (EMTN)	6.00% to 6.88%	2017-2035	240.5	255.5
Local bonds	3.00% to 10.75%	2017-2046	91.2	64.7
CHF Eurobonds (EMTN)	2.90%	2018	8.9	9.3
Other Eurobonds	7.50%	2017	16.2	16.2
Total bonds			**356.8**	**345.7**

23. OTHER RESERVES

Movements in other reserves were as follows:

	Unrealised gain/(loss) on financial assets available-for-sale and cash flow hedge	Assets of disposal groups held for sale revaluation reserve	Land and premises revaluation reserve	Currency translation difference	Total
1 January 2016	**(5.3)**	–	**22.2**	**55.3**	**72.2**
Total comprehensive (loss)/income for the period	4.3	–	–	(13.3)	**(9.0)**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	(0.6)	–	**(0.6)**
31 March 2016 (unaudited)	**(1.0)**	–	**21.6**	**42.0**	**62.6**
1 January 2017	**3.7**	**0.8**	**19.7**	**20.6**	**44.8**
Total comprehensive (loss)/income for the period	5.2	0.1	–	(8.0)	**(2.7)**
Transfer of premises revaluation reserve upon disposal or depreciation	–	(0.8)	(1.4)	–	**(2.2)**
31 March 2017 (unaudited)	**8.9**	**0.1**	**18.3**	**12.6**	**39.9**

RISK

24. OPERATING ENVIRONMENT OF THE GROUP

The Russian Federation

The Group conducts the majority of its operations in the Russian Federation (Russia). The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Its economy is particularly sensitive to oil and gas prices. The Russian economy is susceptible also to the ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

These matters may have significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations. Additionally, certain economic factors, including contraction of real incomes of households, reduced corporate liquidity and profitability and increased corporate and personal insolvencies, may affect the Group's borrowers' ability to repay the amounts due to the Group.

Adverse changes in economic conditions may result in deterioration in the value of collateral held against loans and other obligations. The Group considered available current macro-economic information in its impairment assessments.

As of 31 March 2017 and 31 December 2016, select Russian macro-economic indicators were as follows:

(1) the CBR key interest rate was 9.75 p.a. and 10.0% p.a., respectively;

(2) the CBR foreign exchange rate was RUR 56.3779 per USD 1 and RUR 60.6569 per USD 1, respectively;

(3) the RTS stock exchange index was 1,113.8 points and 1,152.3 points, respectively.

Ukraine

In 2014 and 2015, the economic and political situation in Ukraine deteriorated significantly. As a result, Ukraine has experienced a fall in gross domestic product, a significant negative balance of payments and a sharp reduction in foreign currency reserves. The National Bank of Ukraine imposed certain restrictions on foreign currency operations. Restrictions have also been introduced for certain cross-border settlements, including payments of dividends. International rating agencies have downgraded sovereign debt ratings for Ukraine.

While the monetary restrictions are being phased out gradually and the gross domestic product trends stabilised recently, the aforementioned factors still impacted the operating environment in 2017 to a considerable degree.

Effective March 2017, the Group's Ukraine-based two subsidiary banks (PJSC VTB Bank and PJSC BM) are subject to special targeted sanctions which were imposed for a one-year period and prohibit capital transfers outside the territory of Ukraine for the benefit of any affiliated entities, including loans and deposits to and repayment of loans and deposits from affiliated entities, acquisition of securities, dividend and interest payments, profit distribution and return of capital. As at 31 March 2017, the Group's exposure to its Ukraine-based subsidiary banks included RUR 13.5 billion of the net assets of these subsidiary banks, excluding intergroup loans, deposits and other receivables from these subsidiary banks to other Group entities, and RUR 16.7 billion of net negative currency translation balances related to the operations of these subsidiaries and recorded in the Group's equity.

The combination of the above events has resulted in tighter credit conditions and deterioration of asset quality. Further significant negative developments in Ukraine could adversely impact the results and financial position of the Group and of the Group's Ukrainian subsidiaries in a manner not currently determinable.

Other jurisdictions

In addition to Russia, the Group conducts operations in Belarus, Kazakhstan, Azerbaijan, Armenia and Georgia, certain European countries (Austria, Germany, France, Great Britain and Serbia) and several other countries. Difficult economic and financial market situation in certain of these jurisdictions led to a decrease or negative growth of GDP, currency devaluation, reduced consumption, as well as a decline in investment activities.

Since the second half of 2014 the Group operates under limited sectorial sanctions imposed by several countries on the Group. The Group considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Group's financial position and its financial performance.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

25. FAIR VALUE MEASUREMENT

Fair value of financial instruments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 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 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement of a financial instrument in its entirety.

25. FAIR VALUE MEASUREMENT (CONTINUED)

Assets and liabilities measured at fair value

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy as at 31 March 2017:

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets measured at fair value				
Non-derivative financial assets at fair value through profit or loss, including pledged under repurchase agreements				
Financial assets held for trading				
· Debt securities	149.1	86.1	4.8	**240.0**
· Equity securities	5.3	–	0.1	**5.4**
Financial assets held for trading, pledged under repurchase agreements				
· Debt securities	10.7	–	–	**10.7**
· Equity securities	4.3	–	–	**4.3**
Financial assets designated as at fair value through profit or loss				
· Equity securities	8.1	–	11.0	**19.1**
· Reverse sale and repurchase agreements to maturity	–	18.1	–	**18.1**
· Debt securities	–	–	0.4	**0.4**
Derivative financial assets at fair value through profit or loss				
Derivative financial assets at fair value through profit or loss held for trading				
· Interest rate contracts	–	102.0	11.9	**113.9**
· Foreign exchange and precious metals contracts	–	28.0	–	**28.0**
· Contracts with securities	–	3.0	9.9	**12.9**
· Other basic assets contracts	–	11.1	0.6	**11.7**
· Embedded derivatives on structured instruments	–	–	6.1	**6.1**
Derivative financial liabilities designated as hedging instruments				
· Derivatives held as cash flow hedges	–	0.5	–	**0.5**
Investment financial assets available-for-sale, including pledged under repurchase agreements				
Investment financial assets available-for-sale				
· Debt securities	162.9	67.9	1.4	**232.2**
· Equity securities	16.1	2.1	21.3	**39.5**
Investment financial assets available-for-sale, pledged under repurchase agreements				
· Debt securities	34.6	0.3	–	**34.9**
Investments in associates and joint ventures designated as at fair value through profit or loss	–	5.4	57.1	**62.5**
Other financial assets				
Amounts in course of settlement related to regular way transactions with financial instruments	–	0.5	–	**0.5**
Other financial assets accounted at fair value	–	0.1	–	**0.1**
Financial liabilities measured at fair value				
Derivative financial liabilities				
Derivative financial liabilities at fair value through profit or loss held for trading				
· Interest rate contracts	–	98.0	–	**98.0**
· Foreign exchange and precious metals contracts	–	21.3	–	**21.3**
· Other basic assets contracts	–	8.4	–	**8.4**
· Contracts with securities	–	3.2	–	**3.2**
· Embedded derivatives on structured instruments	–	–	0.5	**0.5**
Derivative financial liabilities designated as hedging instruments				
· Derivatives held as cash flow hedges	–	1.4	–	**1.4**
Other financial liabilities				
Obligation to deliver securities	44.3	4.5	0.1	**48.9**
Non-controlling interests in consolidated mutual funds	–	–	3.4	**3.4**
Amounts in course of settlement related to regular way transactions with financial instruments	–	0.4	–	**0.4**
Other financial liabilities accounted at fair value	–	2.7	1.1	**3.8**

25. FAIR VALUE MEASUREMENT (CONTINUED)

Assets and liabilities measured at fair value (continued)

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy as at 31 December 2016:

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets measured at fair value				
Non-derivative financial assets at fair value through profit or loss, including pledged under repurchase agreements				
Financial assets held for trading				
· Debt securities	114.8	69.1	4.7	**188.6**
· Equity securities	7.6	–	–	**7.6**
· Trading credit products	–	–	3.5	**3.5**
Financial assets held for trading, pledged under repurchase agreements				
· Debt securities	25.4	0.9	–	**26.3**
· Equity securities	0.1	–	–	**0.1**
Financial assets designated as at fair value through profit or loss				
· Equity securities	9.9	–	11.3	**21.2**
· Reverse sale and repurchase agreements to maturity	–	19.3	–	**19.3**
· Debt securities	–	–	0.5	**0.5**
Derivative financial assets at fair value through profit or loss				
Derivative financial assets at fair value through profit or loss held for trading				
· Interest rate contracts	–	111.6	16.3	**127.9**
· Foreign exchange and precious metals contracts	–	18.5	–	**18.5**
· Contracts with securities	–	3.2	11.8	**15.0**
· Other basic assets contracts	–	10.8	0.5	**11.3**
· Embedded derivatives on structured instruments	–	1.2	6.5	**7.7**
Derivative financial liabilities designated as hedging instruments				
· Derivatives held as cash flow hedges	–	0.1	–	**0.1**
Investment financial assets available-for-sale, including pledged under repurchase agreements				
Investment financial assets available-for-sale				
· Debt securities	72.3	77.0	4.9	**154.2**
· Equity securities	10.9	–	22.3	**33.2**
Investment financial assets available-for-sale, pledged under repurchase agreements				
· Debt securities	1.6	0.4	–	**2.0**
Investments in associates and joint ventures designated as at fair value through profit or loss	–	5.9	56.3	**62.2**
Other financial assets				
Amounts in course of settlement related to regular way transactions with financial instruments	–	0.2	–	**0.2**
Other financial assets accounted at fair value	–	0.1	–	**0.1**
Financial liabilities measured at fair value				
Derivative financial liabilities				
Derivative financial liabilities at fair value through profit or loss held for trading				
· Interest rate contracts	–	120.0	0.1	**120.1**
· Foreign exchange and precious metals contracts	–	28.6	–	**28.6**
· Other basic assets contracts	–	10.0	–	**10.0**
· Contracts with securities	–	3.4	0.1	**3.5**
· Embedded derivatives on structured instruments	–	–	1.9	**1.9**
Derivative financial liabilities designated as hedging instruments				
· Derivatives held as cash flow hedges	–	0.9	–	**0.9**
Other financial liabilities				
Obligation to deliver securities	44.2	0.4	–	**44.6**
Non-controlling interests in consolidated mutual funds	–	–	2.6	**2.6**
Amounts in course of settlement related to regular way transactions with financial instruments	–	0.1	–	**0.1**
Other financial liabilities accounted at fair value	–	3.1	1.1	**4.2**

25. FAIR VALUE MEASUREMENT (CONTINUED)

Assets and liabilities measured at fair value (continued)

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

A significant portion of the available-for-sale financial assets in Level 3 is invested in shares of non-listed companies which are valued based on non-market observable information. Changes in assumptions can lead to adjustments in the fair value of these investments.

Movement in Level 3 financial instruments measured at fair value

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the three-month period ended 31 March 2017 is as follows:

	Non-derivative financial assets at fair value through profit or loss					Other financial liabilities		
	Financial assets held for trading including pledged under repurchase agreements	Financial assets designated as at fair value through profit or loss	Investment financial assets available-for-sale including pledged under repurchase agreements	Investments in associates and joint ventures at fair value through profit or loss	Derivative financial assets and liabilities held for trading (net)	Obligation to deliver securities	Non-controlling interests in consolidated mutual funds	Other financial liabilities accounted at fair value
Fair value at 1 January 2017	**8.2**	**11.8**	**27.2**	**56.3**	**33.0**	**–**	**(2.6)**	**(1.1)**
Gains or (losses) recognised in income statement	(0.9)	(0.3)	–	1.2	(6.3)	–	(0.8)	–
· of which unrealised gains or (losses)	(0.9)	(0.3)	–	1.2	(6.3)	–	(0.8)	–
Gains or (losses) recognised in other comprehensive income	–	–	(0.3)	(0.1)	–	–	–	–
Purchase	0.6	–	0.6	–	0.2	–	–	–
Sale	(0.1)	(0.1)	(1.9)	–	–	(0.1)	–	–
Settlement	(0.3)	–	(3.2)	(0.3)	1.0	–	–	–
Transfers into Level 3	1.3	–	–	–	–	–	–	–
Transfers out of Level 3	(0.4)	–	–	–	0.1	–	–	–
Transfer out of Level 3 into categories not measured at fair value	(3.5)	–	–	–	–	–	–	–
Transfers into Level 3 from categories not measured at fair value	–	–	0.3	–	–	–	–	–
Fair value at 31 March 2017 (unaudited)	**4.9**	**11.4**	**22.7**	**57.1**	**28.0**	**(0.1)**	**(3.4)**	**(1.1)**

25. FAIR VALUE MEASUREMENT (CONTINUED)

Movement in Level 3 financial instruments measured at fair value (continued)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the three-month period ended 31 March 2016 is as follows:

	Non-derivative financial assets at fair value through profit or loss					Other financial liabilities	
	Financial assets held for trading, including pledged under repurchase agreements	Financial assets designated as at fair value through profit or loss	Investment financial assets available-for-sale, including pledged under repurchase agreements	Investments in associates and joint ventures at fair value through profit or loss	Trading derivative financial assets and liabilities (net)	Non-controlling interests in consolidated mutual funds	Other financial liabilities accounted at fair value
Fair value at 1 January 2016	**22.5**	**6.1**	**36.2**	**63.5**	**70.0**	**(2.7)**	**(4.2)**
Gains/(losses) recognised in income statement	(1.0)	(0.1)	0.9	(0.5)	(10.6)	(0.1)	0.4
· of which unrealised gains or (losses)	(0.6)	(0.1)	0.9	(0.5)	(11.7)	(0.1)	0.4
Losses recognised in other comprehensive income	–	–	(0.6)	–	(0.4)	–	–
Purchase	5.0	–	5.8	–	–	–	–
Sale	(1.1)	–	(0.2)	–	–	–	–
Settlement	(2.8)	–	(1.6)	–	(4.7)	–	–
Transfers into Level 3	5.1	–	0.7	–	–	–	–
Transfers out of Level 3	(4.1)	–	(0.3)	–	–	–	–
Transfers into categories not measured at fair value	–	–	(12.4)	–	–	–	–
Fair value at 31 March 2016 (unaudited)	**23.6**	**6.0**	**28.5**	**63.0**	**54.3**	**(2.8)**	**(3.8)**

Transfers between levels

For the three-month period ended 31 March 2017 (unaudited)	Reason for transfer (valuation at the reporting date)	Non-derivative financial assets held for trading including pledged under repurchase agreements	Investments financial assets available-for-sale including pledged under repurchase agreements	Total
From Level 1:				
- to Level 2	valuation models with market observable inputs	13.0	0.3	**13.3**
- to Level 3	valuation models with non-market-observable inputs	0.3	–	**0.3**
From Level 2:				
- to Level 1	active market quotes	8.4	22.5	**30.9**
- to Level 3	valuation models with non-market-observable inputs	1.0	–	**1.0**
From Level 3:				
- to Level 2	valuation models with market observable inputs	0.4	–	**0.4**
Total		**23.1**	**22.8**	**45.9**

For the three-month period ended 31 March 2016 (unaudited)	Reason for transfer (valuation at the reporting date)	Non-derivative financial assets held for trading, including pledged under repurchase agreements	Investments financial assets available-for-sale, including pledged under repurchase agreements	Total
From Level 1:				
- to Level 2	valuation models with market observable inputs	17.9	0.8	**18.7**
- to Level 3	valuation models with non-market-observable inputs	1.3	0.7	**2.0**
From Level 2:				
- to Level 1	active market quotes	16.3	0.4	**16.7**
- to Level 3	valuation models with non-market-observable inputs	3.8	–	**3.8**
From Level 3:				
- to Level 1	active market quotes	3.6	0.3	**3.9**
- to Level 2	valuation models with market observable inputs	0.5	–	**0.5**
Total		**43.4**	**2.2**	**45.6**

25. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions

The following table shows the quantitative information as at 31 March 2017 (unaudited) about significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy:

	Fair value	Valuation techniques	Unobservable input description	Reasonable range (values used)
Non-derivative financial assets at fair value through profit or loss				
Financial instruments held for trading, including pledged under repurchase agreements				
Debt securities				
Finance companies and banks	0.7	Discounted Cash flow	Uncertainty factor	-8.3%-8.3% (0.0%)
	0.3	Other	n/a	n/a
Finance companies servicing mortgage and real estate debts	2.1	Other	n/a	n/a
Oil	0.5	Other	n/a	n/a
Government bodies	0.2	Other	n/a	n/a
Other economic sectors	1.0	Other	n/a	n/a
Equity securities				
Other economic sectors	0.1	Other	n/a	n/a
Financial assets designated as at fair value through profit or loss				
Equity securities				
Finance companies	3.0	Gordon and Comparable method	Cost of Equity	23.8%-25.8% (24.8%)
			Terminal growth	2.0%-6.0% (4.0%)
			Terminal ROE	13.2%-15.2% (14.2%)
Retail	5.0	Gordon and Comparable method	Weighted average cost of capital	12.5%-14.5% (13.5%)
			Weight of DCF and multiple valuations	0%-100.0% (50.0%-50.0%)
			Terminal growth rate	3.0%-5.0% (4.0%)
			Gross margin (total sales)	34.1%-36.1% (35.1%)
Other economic sectors	3.0	Other	n/a	n/a
Debt securities				
Other economic sectors	0.4	Other	n/a	n/a
Trading derivative financial instruments				
Equity derivatives	9.9	Discounted Cash flow	Credit Spread	4.5%-6.5% (5.5%)
Index derivatives	0.6	Other	n/a	n/a
Embedded derivatives on structured instruments	4.1	Discounted Cash flow	Credit spread	1.1%-3.1% (2.1%)
	(0.5)	Black model	Implied volatility	10.4%-18.6% (14.6%)
	2.0	Other	n/a	n/a
Interest rate derivatives	11.9	Discounted Cash flow	Credit spread	0.4%-2.4% (1.4%)
Investment financial assets available-for-sale, including pledged under repurchase agreements				
Debt securities				
Finance companies and banks	0.8	Other	n/a	n/a
Other economic sectors	0.6	Other	n/a	n/a
Equity securities				
Finance companies and banks	1.8	Discounted Cash flow	Discount rate	10.2%-14.2% (12.2%)
			exit multiple	0.5-0.9 (0.7)
	5.0	Gordon and Comparable method	Cost of Equity	23.8%-25.8% (24.8%)
			Terminal growth	2.0%-6.0% (4.0%)
			Terminal ROE	13.2%-15.2% (14.2%)
	0.7	Other	n/a	n/a
Non-ferrous metals	12.6	Discounted Cash flow	Weighted average cost of capital	13.2%-14.8% (14.0%)
			Terminal growth	4.0%-4.0% (4.0%)
Other economic sectors	1.2	Other	n/a	n/a

25. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)

	Fair value	Valuation techniques	Unobservable input description	Reasonable range (values used)
Investments in associates and joint ventures designated as at fair value through profit or loss				
Telecommunication	53.5	Discounted Cash flow	Weighted average cost of capital	12.0%-15.0% (12.0%)
			Terminal growth	1.5%-3.5% (2.5%)
			CAGR 2017-2021 of subscriber base	2.3%-2.7% (2.5%)
			CAGR 2017-2021 of ARPU	3.3%-3.7% (3.5%)
			CAPEX/Revenue	14.0%-16.0% (14.0%)
			Weight of core and strategic value	70.0%/30.0% (50.0%/50.0%)
			Maximum EBITDA	30.0%-35.0% (32.5%)
	2.1	Discounted Cash flow	WACC	8.6%-9.6% (8.6%)
			Weight of DCF and multiple valuations	0%-100.0% (50.0%-50.0%)
			Special situation discount	66.0%-25.0% (40.0%)
Other economic sectors	1.5	Discounted Cash flow; EV/EBITDA multiple	Change in Growth of Cards Sold (%)	-2.0%-2.0% (0.0%)
			Change in Card price growth (%)	2.0%-6.0% (4.0%)
			WACC	12.4%-14.4% (13.4%)
			Weight of DCF and multiple valuations	0%-100.0% (50.0%-50.0%)
Non-derivative financial liabilities measured at fair value				
Obligation to deliver securities	(0.1)	Other	n/a	n/a
Non-controlling interests in consolidated mutual funds	(3.4)	Net asset value	n/a	n/a
Other financial liabilities accounted at fair value	(1.1)	Discounted Cash flow	Discount rate	22.5%-24.0% (23.2%)
			Other	n/a

25. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)

The following table shows the quantitative information as at 31 December 2016 about significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy:

	Fair value	Valuation techniques	Unobservable input description	Reasonable range (values used)
Non-derivative financial assets at fair value through profit or loss				
Financial instruments held for trading, including pledged under repurchase agreements				
Debt securities				
Finance companies and banks	1.5	Discounted Cash flow	Uncertainty factor	-8.3%-8.3% (0.0%)
	0.6	Other	n/a	n/a
Finance Companies Servicing Mortgage And Real Estate Debts	1.6	Other	n/a	n/a
Oil	0.3	Other	n/a	n/a
Government bodies	0.5	Other	n/a	n/a
Other economic sectors	0.2	Other	n/a	n/a
Trading credit products				
Railway transportation	3.5	Discounted Cash flow	Uncertainty factor	-8.3%-8.3% (0.0%)
Financial assets designated as at fair value through profit or loss				
Equity securities				
Finance companies	3.4	Gordon and Comparable method	Cost of Equity	22.8%-24.8% (23.8%)
			Terminal growth	2.0%-6.0% (4.0%)
			Terminal ROE	12.0%-14.0% (13.0%)
Retail	5.0	Gordon and Comparable method	Weighted average cost of capital	12.9%-14.9% (13.9%)
			Weight of DCF and multiple valuations	0%-100.0% (50.0%-50.0%)
			Terminal growth rate	3.0%-5.0% (4.0%)
			Gross margin (total sales)	34.1%-36.1% (35.1%)
Other economic sectors	2.9	Other	n/a	n/a
Debt securities				
Other economic sectors	0.5	Other	n/a	n/a
Trading derivative financial instruments				
Equity derivatives	11.8	Discounted Cash flow	Credit Spread	4.5%-6.5% (5.5%)
Index derivatives	0.4	Other	n/a	n/a
Embedded derivatives on structured instruments	5.3	Discounted Cash flow	Credit spread	2.5%-4.5% (3.5%)
	(1.9)	Black model	Implied volatility	16.0%-28.6% (22.3%)
	1.2	Other	n/a	n/a
Interest rate derivatives	16.3	Discounted Cash flow	Credit spread	0.8%-2.8% (1.8%)
	(0.1)	Other	n/a	n/a
Investment financial assets available-for-sale, including pledged under repurchase agreements				
Debt securities				
Finance companies and banks	1.3	Discounted Cash flow	Uncertainty factor	-8.3%-8.3% (0.0%)
	0.2	Other	n/a	n/a
Other economic sectors	3.4	Other	n/a	n/a
Equity securities				
Finance companies and banks	1.8	Discounted Cash flow	Discount rate that can be changed based on changes in macroeconomic backdrop	10.2%-14.2% (12.2%)
			exit multiple	0.5-0.9 (0.7)
	5.6	Gordon and Comparable method	Cost of Equity	22.8%-24.8% (23.8%)
			Terminal growth	2.0%-6.0% (4.0%)
			Terminal ROE	12.0%-14.0% (13.0%)
	0.8	Other	n/a	n/a
Non-ferrous metals	12.3	Discounted Cash flow	Weighted average cost of capital	13.2%-14.8% (14.0%)
			Terminal growth	4.0%-4.0% (4.0%)
Other economic sectors	1.8	Other	n/a	n/a

25. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)

	Fair value	Valuation techniques	Unobservable input description	Reasonable range (values used)
Investments in associates and joint ventures designated as at fair value through profit or loss				
Telecommunication	53.5	Discounted Cash flow	Weighted average cost of capital	12.0%-15.0% (12.0%)
			Terminal growth	1.5%-3.5% (2.5%)
			CAGR 2017-2021 of subscriber base	2.3%-2.7% (2.5%)
			CAGR 2017-2021 of ARPU	3.3%-3.7% (3.5%)
			CAPEX/Revenue	14.0%-16.0% (14.0%)
			Weight of core and strategic value	70.0%/30.0% (50.0%/50.0%)
			Maximum EBITDA	30.0%-35.0% (32.5%)
	1.3	Discounted Cash flow	WACC	-9.1%-11.1% (10.1%)
			Weight of DCF and multiple valuations	0%-100.0% (50.0%-50.0%)
			Special situation discount	80.0%-50.0% (66.0%)
Other economic sectors	1.5	Discounted Cash flow; EV/EBITDA multiple	Change in Growth of Cards Sold (%)	-2.0%-2.0% (0.0%)
			Change in PT Growth per Client (%)	2.0%-6.0% (4.0%)
			WACC	12.6%-14.6% (13.6%)
			Weight of DCF and multiple valuations	0%-100.0% (50.0%-50.0%)
Non-derivative financial liabilities measured at fair value				
Non-controlling interests in consolidated mutual funds	(2.6)	Net asset value	n/a	n/a
Other financial liabilities accounted at fair value	(1.1)	Discounted Cash flow	Discount rate	22.5%-24.0% (23.2%)
			Other	n/a

For financial instruments which fair value is estimated using significant unobservable inputs, parameters and assumptions, the exact value of such inputs at the reporting date might be drawn from a range of reasonably possible alternatives. For each unobservable input to which the fair value is most sensitive, the Group calculates its impact on valuation by taking each individual input to the extreme point of its reasonably possible range, while keeping other inputs unchanged. The table below presents the range of fair value of the respective class of financial instruments calculated using the approach discussed above. Should all the parameters be changed simultaneously to the extreme points of their reasonable ranges, the impact on the fair value would be more significant than disclosed in the table, however, the Group considers that it is unlikely that all parameters and assumptions will be simultaneously at their extreme points.

This disclosure is intended to illustrate the magnitude of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable parameters, however, the disclosure is not indicative of future movements in fair value.

The following table shows the quantitative information about sensitivity of the fair value measurement categorised within Level 3 of the fair value hierarchy to changes in significant unobservable inputs:

	31 March 2017 (unaudited)		31 December 2016	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Non-derivative financial assets held for trading, including pledged under repurchase agreements	4.9	4.9-5.0	8.2	7.9-8.8
Derivative financial instruments held for trading	28.0	23.4-28.4	33.0	28.5-33.7
Financial assets designated as at fair value through profit or loss	11.4	10.6-12.3	11.8	11.1-12.8
Investment financial assets available-for-sale, including pledged under repurchase agreements	22.7	22.1-28.1	27.2	26.3-32.6
Investments in associates and joint ventures designated as at fair value through profit or loss	57.1	44.1-58.3	56.3	43.6-57.2
Obligation to deliver securities	(0.1)	(0.1)-(0.1)	–	–
Non-controlling interests in consolidated mutual funds	(3.4)	(3.1)-(3.7)	(2.6)	(2.3)-(2.9)
Other financial liabilities accounted at fair value	(1.1)	(1.0)-(1.1)	(1.1)	(1.0)-(1.1)

25. FAIR VALUE MEASUREMENT (CONTINUED)

Methods and assumptions for Level 2 financial instruments

The fair value of financial assets at fair value through profit or loss, available for sale and derivative financial instruments valued according to Level 2 models was estimated based on DCF (projected cash flows) method using the assumption of future coupon payment, recent transactions prices and the quotes of non-active markets if based on the Group's analysis such quotes represent the best estimate of the fair value of the financial instrument as at the reporting date. Probability models were calibrated using market indicators (currency forward, ITRAX Index).

Valuation methods for level 3 fair value measurements

In order to value Level 3 equity investments, the Group utilizes comparable trading multiples. Management (if deemed necessary based on external valuators' reports) determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortization (EBITDA). The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

Internal valuation of the fair value of joint ventures and associates designated as at fair value is performed at the time of commencing the project. Internal valuations of the fair value are performed on the quarterly basis, which are reviewed by business owners of the portfolio on at least a quarterly basis to make decisions on the best timing to exit the investment according to the investment strategy.

The Level 3 debt instruments are valued at the net present value of estimated future cash flows. The Group also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

Fair value of financial assets and liabilities not carried at fair value

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

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

Assets for which fair value approximates carrying value. For financial assets and financial liabilities that are liquid or having a short term maturity it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to customer current/settlement deposits without a specific maturity.

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

25. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value of financial assets and liabilities not carried at fair value (continued)

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

	31 March 2017 (unaudited)		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets for which fair values are disclosed				
Cash and short-term funds	640.8	640.8	452.9	452.9
Mandatory cash balances with central banks	98.9	98.9	95.1	95.1
Due from other banks, including pledged under repurchase agreements	954.0	953.4	1,051.2	1,063.9
· Russia	496.6	501.1	577.7	591.6
· OECD	105.3	99.7	92.2	90.5
· Other countries	352.1	352.6	381.3	381.8
Loans and advances to customers, including pledged under repurchase agreements	8,681.2	8,804.7	8,854.5	8,977.1
· Loans to legal entities	6,649.3	6,715.2	6,864.5	6,930.5
· Loans to individuals	2,031.9	2,089.5	1,990.0	2,046.6
Investment securities held-to-maturity, including pledged under repurchase agreements	–	–	151.3	160.4
Financial assets within assets of disposal groups held for sale	–	–	0.8	0.8
Other financial assets	59.8	59.8	54.0	54.0
Financial liabilities for which fair values are disclosed				
Due to other banks	1,035.2	1,059.4	1,208.9	1,247.6
Customer deposits	8,130.1	8,045.9	7,346.6	7,326.5
· Deposits of legal entities	5,228.2	5,180.4	4,342.3	4,330.6
· Deposits of individuals	2,901.9	2,865.5	3,004.3	2,995.9
Other borrowed funds	546.7	592.9	1,307.2	1,351.1
Debt securities issued	429.8	442.6	399.6	414.2
Financial liabilities within liabilities of disposal groups held for sale	0.5	0.5	0.4	0.4
Other financial liabilities	54.4	54.4	50.3	50.3
Subordinated debt	214.7	222.3	224.1	231.6

26. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

Capital adequacy ratio in accordance with CBR requirements

The CBR requires Russian banks to maintain a minimum capital adequacy ratios in percentage of risk-weighted assets, determined in accordance with CBR's requirements by following categories of capital: common equity adequacy ratio (N 1.1); core capital adequacy ratio (N 1.2) and total capital adequacy ratio (N 1.0). As at 31 March 2017 the minimum required was 4.5% for base capital adequacy ratio (N 1.1); 6.0% for core capital adequacy ratio (N 1.2) and 8.0% for total capital adequacy ratio (N 1.0) (31 December 2016: 4.5%, 6.0% and 8.0%, respectively). In other countries the Group members comply with the regulatory capital requirements of the local central banks or other supervisory authorities.

During the three-month period ended 31 March 2017 the Bank's capital adequacy ratios in accordance with CBR requirements exceeded the minimum level and as at 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017 (unaudited)	31 December 2016
Capital	1,043.2	1,017.8
Risk-weighted assets	9,033.3	9,162.0
Common equity adequacy ratio (N 1.1)	10.3%	9.6%
Core capital adequacy ratio (N 1.2)	10.5%	9.7%
Total capital adequacy ratio (N1.0)	11.5%	11.1%

Capital adequacy ratio in accordance with the Basel Accord

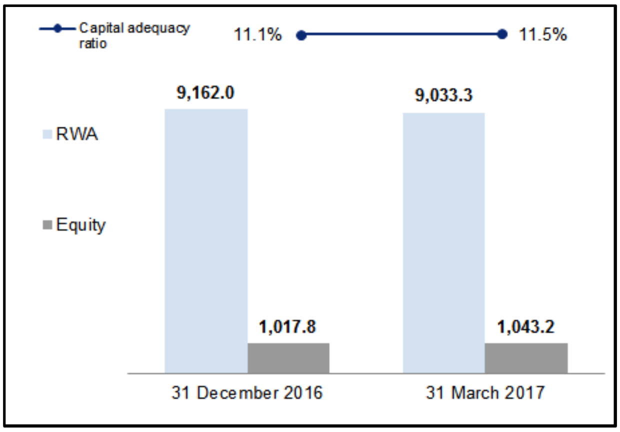
The Group's international risk based capital adequacy ratio is computed in accordance with the Basel Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks.

These ratios exceeded the minimum ratio of 8.0% recommended by the Basel Accord as disclosed below:

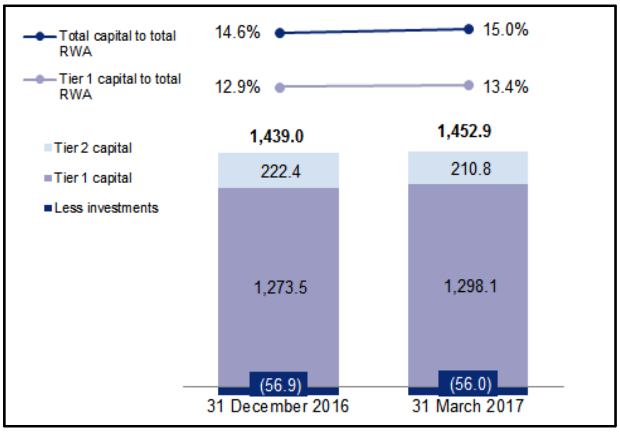
	31 March 2017 (unaudited)	31 December 2016
Tier 1 capital		
Share capital	659.5	659.5
Share premium	433.8	433.8
Treasury shares	(2.2)	(2.2)
Perpetual loan participation notes excluding bought back	126.7	136.2
Retained earnings	166.1	128.4
Unrealised gain on financial assets available-for-sale and cash flow hedge	8.9	3.7
Currency translation difference	12.6	20.6
Non-controlling interests	9.2	9.7
Deducted: Goodwill	(116.5)	(116.2)
Total Tier 1 capital	**1,298.1**	**1,273.5**
Tier 2 capital		
Land and premises revaluation reserve	18.3	19.7
Assets of disposal groups held for sale revaluation reserve	0.1	0.8
Subordinated debt	192.4	201.9
Total Tier 2 capital	**210.8**	**222.4**
Total capital before deductions	**1,508.9**	**1,495.9**
Deducted: equity investments in financial institutions and subordinated debt provided	(56.0)	(56.9)
Total capital after deductions	**1,452.9**	**1,439.0**
Risk-weighted assets		
Credit risk	9,046.8	9,364.2
Market risks	646.0	508.5
Total risk-weighted assets	**9,692.8**	**9,872.7**
Tier 1 capital ratio to total risk-weighted assets	**13.4%**	**12.9%**
Total capital ratio to total risk-weighted assets	**15.0%**	**14.6%**

26. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (CONTINUED)

Capital adequacy ratio in accordance with CBR requirements



Group equity, calculated in accordance with the Basel Accord



27. CONTINGENCIES AND COMMITMENTS

LEGAL PROCEEDINGS

From time to time and in the normal course of business, claims against the Group are received. As at the reporting date the Group had several unresolved legal claims. Management assessed probable outflow of resources and the respective provision has been made as at 31 March 2017 and 31 December 2016.

The movements in provisions for legal claims recorded in liabilities were as follows:

1 January 2016	**0.4**
Provision during the period	(0.1)
Effect of translation	0.1
31 March 2016 (unaudited)	**0.4**
1 January 2017	**0.5**
Provision during the period	0.1
31 March 2017 (unaudited)	**0.6**

TAX CONTINGENCIES

Major part of the Group's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant state authorities.

The Russian transfer pricing legislation as currently in effect allows the Russian tax authorities to apply transfer pricing adjustments and impose additional profits tax and VAT liabilities in respect of all "controlled" transactions if the transaction price differs from the market level of prices unless the Group is able to demonstrate the use of market prices with respect to the "controlled" transactions supported by appropriate transfer pricing documentation and proper reporting to the Russian tax authorities. For the three-month periods ended 31 March 2017 and 31 March 2016 the Group determined its tax liabilities arising from "controlled" transactions using actual transaction prices.

Apart from the Russian Federation, the Group also operates in a number of foreign jurisdictions. The Group includes companies incorporated outside of Russia that are taxed pursuant to the provisions of the tax legislation of the jurisdictions of incorporation of the respective companies. Tax liabilities of the Group are determined on the basis that non-Russian companies of the Group do not have a permanent establishment in Russia, do not qualify as Russian tax residents and hence are not subject to Russian profits tax except for Russian tax withheld at source (i.e. dividend, interest, certain capital gains, etc.).

Russian tax laws that were in effect before 1 January 2015 did not contain detailed rules on taxation of foreign companies. It is possible that with the evolution of these rules and changes in the approach of the Russian tax authorities and courts as to their interpretation and application, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged, in which case the foreign companies may be taxed according to the rules similar to the rules applicable to the Russian entities.

27. CONTINGENCIES AND COMMITMENTS (CONTINUED)

TAX CONTINGENCIES (CONTINUED)

Effective 1 January 2015 the concepts of “tax residency” for foreign legal entities, “beneficial ownership” and rules for taxation of undistributed profit of controlled foreign companies in Russia were introduced into the Russian tax legislation. The introduction of these concepts generally leads to an increase in the administrative (including tax) burden for the Russian entities that have subsidiary structures incorporated outside of Russia.

Interpretation of the above provisions of the Russian tax legislation in conjunction with the recent trends in law enforcement practice in taxation suggest that the tax authorities and courts are taking more assertive positions in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged in the future. As such, significant additional taxes, penalties and late payment interest may be assessed by the relevant authorities.

Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

As at 31 March 2017 and 31 December 2016, management believes that its interpretation of the relevant legislation is appropriate and that the Group’s tax, currency and customs positions should be sustained vis-a-vis tax authorities and courts.

CREDIT RELATED COMMITMENTS

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, that 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 (L/Cs), which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by cash deposits and therefore carry less risk than direct borrowings.

Commitments to extend credit represent unused portions of authorizations 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 and/or the Bank confirming its willingness to extend a loan.

The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The total outstanding contractual amount of irrevocable 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.

Outstanding credit related commitments are as follows:

	31 March 2017 (unaudited)	31 December 2016
Guarantees issued	866.7	671.1
Letters of credit	57.2	61.5
Undrawn credit lines	13.0	16.1
Commitments to extend credit	4.8	6.6
Less: provision for credit related commitments	(20.4)	(19.4)
Total credit related commitments	**921.3**	**735.9**

The Bank has received export letters of credit for further advising to its customers. The total amount of received letters of credit as at 31 March 2017 is RUR 226.6 billion (31 December 2016: RUR 210.4 billion).

Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 348.9 billion (31 December 2016: RUR 62.5 billion) (Note 20).

As at 31 March 2017, the 10 largest groups of customers accounted for RUR 509.6 billion or 58.8% of the guarantees issued (see also Note 29) (31 December 2016: RUR 288.3 billion or 43% of the guarantees issued).

The movements in provisions for credit related commitments were as follows:

1 January 2016	**14.3**
Provision during the period	4.1
Effect of translation	(0.2)
31 March 2016 (unaudited)	**18.2**
1 January 2017	**19.4**
Provision during the period	2.3
Write-offs due to execution	(1.2)
Effect of translation	(0.1)
31 March 2017 (unaudited)	**20.4**

Provisions for credit-related commitments are recorded within other liabilities.

27. CONTINGENCIES AND COMMITMENTS (CONTINUED)

PURCHASE COMMITMENTS

As at 31 March 2017 the Group had RUR 129.6 billion of outstanding commitments for the purchase of precious metals (31 December 2016: RUR 70.1 billion). As the price of these contracts is linked to the fair value of precious metals at the date of delivery, no gain or loss is recognised on these contracts.

28. SUBSEQUENT EVENTS

In April 2017, Annual General Meeting of VTB shareholders declared dividends for 2016 for ordinary shares in the total amount of RUR 15.2 billion (RUR 0.00117 per ordinary share); for Type 1 preference shares in the total amount of RUR 11.1 billion (RUR 0,00052 per Type 1 preference share); for Type 2 preference shares in the total amount of RUR 18.1 billion (RUR 0.00588849 per Type 2 preference share).

In April 2017, VTB redeemed bonds under EMTN program in the total amount of USD 1.5 billion (RUR 88.9 billion) upon maturity.

In April 2017 as a result of RUR 26.8 billion loan debt settlement the Group acquired 49% of shares in JSC "Moscovsky Metrostroy". The Group exercises significant influence over the investee and accounts it as investments in an associate.

In May 2017, VTB redeemed subordinated Eurobonds in the total amount of USD 0.4 billion (RUR 23.4 billion) upon maturity.

29. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24, *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

Transactions and balances with related parties comprise transactions and balances with Russian government-related entities and associates and joint ventures and are stated in the tables below:

Statement of financial position

	31 March 2017 (unaudited)			31 December 2016		
	Government-related entities	Associates	Joint ventures	Government-related entities	Associates	Joint ventures
Assets						
Cash and short-term funds	408.6	1.2	–	126.2	1.3	–
Mandatory cash balances with central banks	89.5	–	–	85.7	–	–
Non-derivative financial assets at fair value through profit or loss, including pledged under repurchase agreements	154.4	–	–	107.6	–	–
Derivative financial assets	72.4	–	–	72.3	0.2	–
Due from other banks, including pledged under repurchase agreements	383.3	304.3	–	448.5	326.0	–
Loans and advances to customers, including pledged under repurchase agreements	2,133.0	160.6	90.4	2,225.7	164.9	81.1
Allowance for loan impairment	(17.4)	(5.5)	(0.9)	(18.2)	(5.8)	(0.8)
Investment financial assets, including pledged under repurchase agreements	193.7	–	–	213.3	–	–
Other assets	12.5	0.1	–	22.1	0.1	–
Liabilities						
Due to other banks	443.0	299.9	0.2	523.6	330.3	0.5
Customer deposits	3,081.0	46.5	–	2,132.2	50.9	–
Derivatives financial liabilities	23.7	0.5	–	26.9	0.5	–
Other borrowed funds	394.0	–	–	1,141.7	0.1	–
Other liabilities	56.0	3.2	–	43.9	3.4	–
Subordinated debt	102.1	–	–	105.1	–	–
Credit related commitments						
Guarantees issued	261.7	24.3	–	303.7	23.9	–
Import letters of credit	2.5	–	–	1.8	–	–

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Guarantees issued to third parties for the amount of RUR 296.9 billion are collateralized by customer deposits of RUR 308.7 billion from a related party.

Income statement

	For the three-month period ended 31 March (unaudited)					
	2017			2016		
	Government-related entities	Associates	Joint ventures	Government-related entities	Associates	Joint ventures
Interest income						
Loans and advances to customers	67.6	4.4	2.1	62.3	2.2	1.9
Securities	5.9	–	–	5.9	–	–
Due from other banks	7.0	1.0	–	4.4	1.3	–
Interest expense						
Due to other banks and other borrowed funds	(19.6)	(4.3)	–	(31.0)	(6.1)	–
Customer deposits	(40.1)	(0.4)	–	(42.0)	(0.8)	–
Subordinated debt	(3.0)	–	–	(3.1)	–	–
(Provision charge)/reversal of provision for impairment of debt financial assets	0.5	0.2	(0.1)	(0.8)	0.2	(0.3)
(Provision charge)/reversal of provision for credit related commitments	(1.0)	0.3	–	(1.5)	–	–

The key management personnel remuneration for the three-month period ended 31 March 2017 amounted to RUR 1.0 billion (for the three-month period ended 31 March 2016: RUR 0.6 billion). Compensation of key management personnel consists primarily of short-term employee benefits, including pension contributions. Loans to the key management personnel as at 31 March 2017 amounted to RUR 0.1 billion (31 December 2016: RUR 0.1 billion).

30. SHARE-BASED PAYMENTS

As at 31 March 2017 the total value of the award granted under the Shares Plan was RUR 1.2 billion (31 December 2016: RUR 1.2 billion) represented by 18.7 billion shares of VTB (31 December 2016: 19.4 billion).

As at 31 March 2017 the total value of the award granted under the GDRs Plan was RUR 1.3 billion (31 December 2016: RUR 1.4 billion) represented by 10.3 million of GDRs of VTB (31 December 2016: 10.0 million). Each GDR contains 2,000 VTB shares.

For the three-month period ended 31 March 2017 the Group recognised in Staff costs the amount of RUR 0.4 billion (the three-month period ended 31 March 2016: RUR 0.2 billion) as expenses related to the above equity-settled share-based payment transactions.

For the three-month periods ended 31 March 2017 and 2016 quantity of units were determined as fixed monetary value communicated to employees on the grant date divided by a simple average of the daily weighted-average market price of shares/GDRs on the relevant stock exchange for the 30 business days before purchase and sale agreement execution or grant.

As at 31 March 2017 under the GDRs Plan 20.2 million GDRs were vested (31 December 2016: 16.2 million). As at 31 March 2017 the quantity of vested unexercised options comprised 4.5 million (31 December 2016: 1.6 million).

31. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share are equal to basic earnings per share.

	For the three-month period ended 31 March 2017 (unaudited)	For the three-month period ended 31 March 2016 (unaudited)
Weighted average number of ordinary shares in issue	12,919,170,516,537	12,915,543,882,335
Net profit attributable to shareholders of the parent	28.1	1.7
Basic and diluted earnings per share (expressed in Russian roubles per share)	**0.00218**	**0.00013**
Loss after tax from subsidiaries acquired exclusively with a view to resale	–	(4.1)
Basic and diluted earnings per share based on loss after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian roubles per share)	**–**	**(0.00032)**
Total net profit attributable to shareholders of the parent net of loss after tax from subsidiaries acquired exclusively with a view to resale	28.1	5.8
Basic and diluted earnings per share before loss after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian roubles per share)	**0.00218**	**0.00045**

32. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations as at 1 January 2017 noted below:

Amendments to IAS 12 Income Taxes issued on 19 January 2016 with the effective date of annual periods beginning on or after 1 January 2017, with early adoption permitted.

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value and the requirements on recognition of deferred tax assets for unrealised losses. These amendments do not have material impact on the Group.

Amendments to IAS 7 Statement of Cash Flow – ***Disclosure Initiative*** with the effective date of annual periods beginning on or after 1 January 2017. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Annual Improvements Cycle – 2014-2016. Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The Group has adopted the amendments retrospectively. As the disclosure requirements in IFRS 12 do not specifically apply to the interim condensed consolidated financial statements, the Group did not provide these disclosures for its interest in Estonian Credit Bank, JSC, a 59.73% owned associate that was classified as held for sale as at 31 December 2016 and that was sold prior to 31 March 2017 (see Note 18). The Group will disclose the required information in its annual consolidated financial statements for the year ended 31 December 2017.