

ROSBANK Group

**Interim condensed consolidated
financial statements**

*9 months ended 30 September 2017
(unaudited)*

ROSBANK GROUP

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ROSBANK GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2017

Management is responsible for the preparation of the interim condensed consolidated financial statements that present fairly the financial position of PJSC ROSBANK and its subsidiaries (the "Group") as at 30 September 2017, and the results of its operations for 9 months then ended, cash flows and changes in equity for 9 months then ended, in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34").

In preparing the interim condensed consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with the Russian Federation ("RF") legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial statements of the Group for 9 months ended 30 September 2017 were authorized for issue on 3 November 2017 by the Management Board of PJSC ROSBANK.

On behalf of the Board:


Chairman of the Management Board

3 November 2017
Moscow

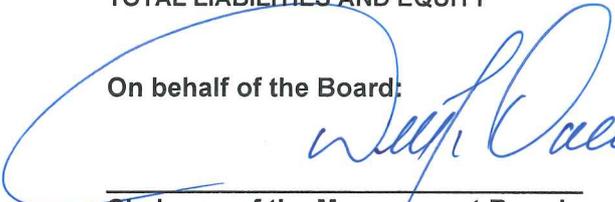


ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2017 (UNAUDITED) (in millions of Russian Roubles)

	Notes	30 September 2017 (unaudited)	31 December 2016
ASSETS			
Cash and balances with the Central Bank of the Russian Federation	6	113,063	48,499
Financial assets at fair value through profit or loss	7, 9, 28	33,198	37,152
Due from banks	8, 28	86,972	86,126
Loans to customers	10	618,317	587,810
Investments available-for-sale	11, 28	6,334	8,237
Investments held to maturity	12	70,645	72,912
Property and equipment		19,189	19,675
Intangible assets		2,189	2,008
Current income tax assets		75	48
Deferred income tax assets		2,483	3,086
Other assets	28	12,602	15,153
Total assets		965,067	880,706
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	9, 13, 28	32,999	35,982
Due to the Central Bank of the Russian Federation		285	190
Due to banks and international financial institutions	14, 28	54,164	47,993
Customer accounts	15, 28	551,735	461,893
Debt securities issued	16	148,149	158,133
Other provisions	20	1,162	1,545
Current income tax liabilities		701	382
Deferred income tax liabilities		1,376	1,409
Other liabilities	28	8,885	9,749
Subordinated debt	17, 28	34,683	39,872
Total liabilities		834,139	757,148
EQUITY:			
Share capital	18	17,587	17,587
Share premium	18	59,707	59,707
Cumulative translation reserve		1,712	1,684
Property and equipment revaluation reserve		5,627	5,952
Investments available-for-sale fair value reserve		(1,141)	(1,309)
Cash flow hedge		1	(156)
Retained earnings		47,435	40,093
Total equity		130,928	123,558
TOTAL LIABILITIES AND EQUITY		965,067	880,706

On behalf of the Board:


Chairman of the Management Board

3 November 2017
Moscow



The notes on pages 9-37 form an integral part of these interim condensed consolidated financial statements.

ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 9 AND 3 MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)

(in millions of Russian Roubles, except for earnings per share which are in Roubles)

	Notes	9 months ended		3 months ended	
		30 September (unaudited)		30 September (unaudited)	
		2017	2016	2017	2016
Interest income	19, 28	61,192	65,762	21,035	21,443
Interest expense	19, 28	(32,703)	(36,785)	(10,930)	(11,829)
Net interest income before provision for impairment losses on interest bearing assets		28,489	28,977	10,105	9,614
Provision for impairment losses on interest bearing assets	20, 28	(2,712)	(11,578)	(706)	(3,831)
Net interest income		25,777	17,399	9,399	5,783
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	21, 28	(1,185)	(536)	(316)	(326)
Net gain/(loss) on foreign exchange operations	22	2,805	1,138	673	442
Net gain/(loss) on precious metals operations		14	84	-	10
Fee and commission income	23, 28	9,014	8,000	3,331	2,734
Fee and commission expense	23, 28	(2,304)	(2,020)	(820)	(681)
Other provisions	20, 28	150	(727)	(22)	339
Dividend income		328	347	-	-
Other income		726	820	223	231
Net non-interest income		9,548	7,106	3,069	2,749
Operating income		35,325	24,505	12,468	8,532
Operating expenses	24, 28	(25,797)	(24,843)	(8,438)	(8,322)
Other non-operating income/(expense)		(117)	631	(34)	533
Profit/(loss) before income tax		9,411	293	3,996	743
Income tax credit/(expense)	25	(2,394)	(30)	(839)	(18)
Net profit/(loss) for the period		7,017	263	3,157	725
EARNINGS PER SHARE					
Basic and diluted (in RUB)	26	4.52	0.17	2.03	0.47

On behalf of the Board:

Chairman of the Management Board



3 November 2017
Moscow

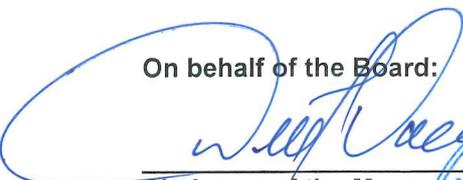
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ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 9 AND 3 MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED) (in millions of Russian Rubles)

	9 months ended 30 September (unaudited)		3 months ended 30 September (unaudited)	
	2017	2016	2017	2016
Net profit/(loss) for the period	7,017	263	3,157	725
Other comprehensive income/(expense)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	35	(443)	(83)	(17)
Income tax on translating foreign operations	(7)	(447)	17	2
Cash flow hedge	190	573	146	108
Income tax on cash flow hedge	(33)	(116)	(27)	(19)
Net profit/(loss) resulting on revaluation of available-for-sale financial assets during period	28	135	5	41
Amounts recycled to profit and loss relating to available-for-sale financial assets	182	179	60	61
Income tax on available-for-sale financial assets during the period	(42)	(63)	(13)	(21)
Other comprehensive income/(expense) after income tax	353	(182)	105	155
Total comprehensive income/(expense)	7,370	81	3,262	880

On behalf of the Board:


Chairman of the Management Board

3 November 2017
Moscow



The notes on pages 9-37 form an integral part of these interim condensed consolidated financial statements.

ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 9 MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED) (in millions of Russian Roubles)

	Share capital	Share premium	Cumulative translation reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value reserve	Cash flow hedge	Retained earnings	Total equity
31 December 2015	17,587	59,707	2,771	6,834	(1,616)	(889)	36,107	120,501
Net profit/(loss) for the period	-	-	-	-	-	-	263	263
Other comprehensive income/(expense) for the period	-	-	(890)	-	251	457	-	(182)
Total comprehensive income/(expense) for the period	-	-	(890)	-	251	457	263	81
Property and equipment disposal (net of deferred tax of RUB 185 millions)	-	-	-	(738)	-	-	738	-
30 September 2016 (unaudited)	17,587	59,707	1,881	6,096	(1,365)	(432)	37,108	120,582
31 December 2016	17,587	59,707	1,684	5,952	(1,309)	(156)	40,093	123,558
Net profit/(loss) for the period	-	-	-	-	-	-	7,017	7,017
Other comprehensive income/(expense) for the period	-	-	28	-	168	157	-	353
Total comprehensive income/(expense) for the period	-	-	28	-	168	157	7,017	7,370
Property and equipment disposal (net of deferred tax of RUB 81 millions)	-	-	-	(325)	-	-	325	-
30 September 2017 (unaudited)	17,587	59,707	1,712	5,627	(1,141)	1	47,435	130,928

Property and equipment disposal
(net of deferred tax of RUB 81 millions)

30 September 2017 (unaudited)

On behalf of the Board:

Chairman of the Management Board

3 November 2017

Moscow

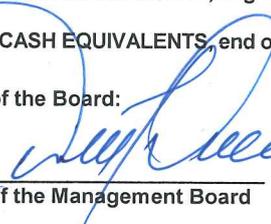
The notes on pages 9-37 form an integral part of these interim condensed consolidated financial statements.

ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR 9 MONTHS ENDED 30 SEPTEMBER 2017 (in millions of Russian Roubles)

	Notes	9 months ended 30 September (unaudited) 2017	2016
Cash flows from operating activities:			
Interest received		62,357	67,376
Interest paid		(30,663)	(36,366)
Fees and commissions received		8,989	7,938
Fees and commissions paid		(2,289)	(2,132)
Receipts from/(payment for) financial assets at fair value through profit or loss		(773)	(333)
Receipts from/(payment for) trading in foreign currencies		1,607	(4,042)
Other operating income received		682	820
Receipts from/(payment for) precious metals operations		94	143
Administrative and other operating expenses paid		(23,903)	(23,448)
Income tax received/(paid)		(1,614)	(677)
Cash flows from operating activities before changes in operating assets and liabilities		14,488	9,279
Changes in operating assets and liabilities			
Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation		(1,371)	(1,213)
Net (increase)/decrease in financial assets at fair value through profit or loss		(1,734)	1,062
Net (increase)/decrease in due from banks		8,581	(15,229)
Net (increase)/decrease in loans to customers		(36,042)	1,586
Net (increase)/decrease in other assets		2,354	(537)
Net increase/(decrease) in financial liabilities at fair value through profit or loss		1,336	(300)
Net increase/(decrease) in due to the Central Bank of the Russian Federation		117	(18,720)
Net increase/(decrease) in due to banks and international financial institutions		5,634	(21,494)
Net increase/(decrease) in customer accounts		95,587	2,245
Net increase/(decrease) in debt securities issued, other than bonds issued		1,205	(1,273)
Net increase/(decrease) in other liabilities		(1,132)	(1,757)
Net increase/(decrease) in other liabilities on law cases		(31)	(20)
Net cash from/(used in) operating activities		88,992	(46,371)
Cash flows from investing activities			
Purchase of available for sale financial assets		-	(3,436)
Proceeds from disposal and redemption of available for sale financial assets		1,694	830
Proceeds from redemption of held to maturity financial assets		624	10,272
Purchase of held to maturity financial assets		-	(11,788)
Purchase of property and equipment		(1,758)	(2,115)
Proceeds from disposal of property and equipment		395	1,685
Dividend income received		328	347
Net cash from/(used in) investing activities		1,283	(4,205)
Cash flows from financing activities			
Redemption of bonds issued by the Group		(1,450)	(32,180)
Issue of bonds		11,000	36,989
Proceeds from sale of previously bought back bonds issued		1,273	4,036
Buy back of bonds issued		(31,989)	(18,773)
Issue of promissory notes		9,961	-
Repayment of subordinated debt		(3,550)	(1,250)
Net cash from/(used in) financing activities		(14,755)	(11,178)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(2,218)	(1,976)
Net increase/(decrease) in cash and cash equivalents		73,302	(63,730)
CASH AND CASH EQUIVALENTS, beginning of the period	6	112,992	175,232
CASH AND CASH EQUIVALENTS, end of the period	6	186,294	111,502

On behalf of the Board:


Chairman of the Management Board

3 November 2017
Moscow



The notes on pages 9-37 form an integral part of these interim condensed consolidated financial statements.

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2017

1. Organization

ROSBANK (initially named “Nezavisimost”) is a joint stock bank which was incorporated in the Russian Federation in 1993. Over the subsequent five years, ROSBANK customers were mainly comprised of medium-sized trade, finance and technology companies, for which it conducted a variety of activities, including corporate lending, settlement, government bond trading, foreign exchange and money market transactions. In 1998 ROSBANK was acquired by the Interros Group with the initial purpose of providing banking services to Interros Group companies. In 2000 ROSBANK acquired Uneximbank which was merged into ROSBANK and ceased to exist as a legal entity. In 2002 the businesses of ROSBANK and Commercial Bank “MFK Bank”, specializing in investment banking, were consolidated. In 2003 the Interros Group acquired OVK group – one of Russia’s largest retail banking institutions. The integration of OVK with ROSBANK has transformed ROSBANK into a financial institution capable of offering universal services.

Societe Generale became the owner of 20% minus 1 share of Rosbank in 2006. In February 2008 Societe Generale became the owner of Rosbank controlling stock interest by exercising the option for acquisition of 30% stocks. In March 2008 Societe Generale offered to buy the stakes of minority shareholders at 194.09 roubles per share. Having performed the buy-out Societe Generale raised its interest in Rosbank to 57.57%. On 23 March 2009 ROSBANK issued 26,665,928 shares by way of public subscription. The issue was bought by Societe Generale and PHARANCO HOLDINGS CO. LIMITED in the proportion 60.6786% and 39.3214%, respectively. On 27 May 2009 Societe Generale increased its share in Rosbank by 7% after the purchase of this share from PHARANCO HOLDINGS CO. LIMITED.

In February 2010, Societe Generale with the consent of other shareholders of Rosbank Group took the decision to reorganize the legal structure of its Russian subsidiaries in order to build a major financial group.

The first step was achieved in January 2011 with the acquisition of 100% of the share capital of Rusfinance and Delta Credit. The two companies kept acting as separate entities, Rusfinance being mainly dedicated to consumer credit and Delta Credit to mortgages.

The second step was achieved in July 2011 with the merger of the two universal banks ROSBANK and BSGV into a single and unified company ultimately operating under a single brand. Benefiting from their differentiated positioning on both corporate and retail segments, the new structure aims at improving its financial performance by increasing revenues through cross-selling strategy and developing synergies in order to reduce operational costs.

During 2013, Societe Generale further consolidated its positions in Russian market by acquiring in December 2013 an additional 10% stake in ROSBANK equity from VTB Group, increasing it up to 92.4%. As part of the agreement ROSBANK sold to VTB Group certain Russian assets: shares listed on Moscow Exchange as well as some loans and real-estate assets.

In April 2015 Societe Generale acquired further 7% of ROSBANK’s share capital from Interros group, raising its stake to 99.4%, in line with its strategy of building up the Group’s stake in ROSBANK.

ROSBANK is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under license number 2272. ROSBANK is engaged in a full range of banking activities, including commercial and investment banking and custodial services.

The registered office of ROSBANK is located at 34, Masha Poryvaeva Street, Moscow, 107078, Russian Federation.

As of 30 September 2017 and 31 December 2016 ROSBANK had 8 branches operating in the Russian Federation.

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2017

ROSBANK (“the Bank”) is the parent company of a banking group (the “Group”) which consists of the following material enterprises as of 30 September 2017, 31 December 2016 and 30 September 2016:

Name	Country of incorporation	Group's ownership interest / voting rights, %			Type of operations
		30 September 2017	31 December 2016	30 September 2016	
Delta Credit Bank JSC (previous name – Delta Credit Bank CJSC)	Russia	100/100	100/100	100/100	Banking
Rusfinance Bank LLC	Russia	100/100	100/100	100/100	Banking
Rusfinance LLC	Russia	100/100	100/100	100/100	Commerce
RB Factoring LLC	Russia	100/100	100/100	100/100	Factoring
Rosbank (Switzerland) SA	Switzerland	100/100	100/100	100/100	In liquidation
RB LEASING LLC	Russia	100/100	100/100	100/100	Leasing
ORS JSC (previous name – ORS OJSC)	Russia	100/100	100/100	100/100	Processing
RB Specialized Depository LLC (previous name – RB Securities LLC)	Russia	100/100	100/100	100/100	Depository services
Valmont LLC	Russia	Liquidated	100/100	100/100	Asset holding company
RB Service LLC (previous name – RBS Avto LLC)	Russia	100/100	100/100	100/100	Service company
Telsikom CJSC	Russia	100/100	100/100	100/100	Telecommunication services

On 14 July 2010 the Group took decision to close its foreign subsidiary in Switzerland – Rosbank (Switzerland) SA. In May 2017 the licence for banking activities was withdrawn. The Group does not anticipate any substantial impact on its financial results nor its financial position as a result of the aforementioned liquidation.

In June 2017 Valmont LLC was liquidated.

As of 30 September 2017 and 31 December 2016, the controlling shareholder of ROSBANK is Societe Generale S.A. with share more than 99%.

2. Going concern

These interim condensed consolidated financial statements have been prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. Management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio and based on historical experience that short-term obligations will be refinanced in the normal course of business.

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2017

3. Basis of presentation

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for 2016 prepared in accordance with IFRS. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the information presented not misleading if these financial statements are read in conjunction with the Group's annual consolidated financial statements for 2016 prepared in accordance with IFRS. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in equity and cash flows for the interim reporting periods.

Since the results of the Group's operations closely relate to and depend on changing market conditions, the results of the Group's operations for the interim period are not necessarily indicative of the results for the full year.

Other basis of presentation criteria

These interim condensed consolidated financial statements have been prepared assuming that the Group is a going concern and will continue operation for the foreseeable future.

These interim condensed consolidated financial statements are presented in millions of Russian Roubles ("mRUB"), unless otherwise indicated.

These interim condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values, and certain land and buildings that are measured at revalued amounts according to International Accounting Standard 16 *Property, Plant and Equipment* ("IAS 16"). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these interim condensed consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2017

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS), foreign consolidated companies of the Group maintain their accounting records in accordance with the law of the countries, in which they operate. These interim condensed consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent of the Group is the Russian rouble (RUB). The presentation currency of the interim condensed consolidated financial statements of the Group is the RUB. All values are rounded to the nearest million RUB, except when otherwise indicated.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the interim condensed consolidated statement of financial position only when there is a currently legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the interim condensed consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation permitted by any IFRS, and as specifically disclosed in the accounting policies of the Group.

4. Significant accounting policies

The same accounting policies, presentation and methods of computation have been followed in these interim condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2016, except for the accounting policies and impact of the adoption of the Standards and Interpretations described below.

Rates of exchange and commodity prices

The exchange rates and commodity prices at period-end used by the Group in the preparation of the interim condensed consolidated financial statements are as follows:

	30 September 2017	31 December 2016
RUB/1 US Dollar	58.4255	60.6569
RUB/1 Euro	68.6441	63.8111
RUB/Gold (1 ounce)	74,965.76	70,307.41
RUB/Platinum (1 ounce)	53,751.46	55,015.81
RUB/Palladium (1 ounce)	54,627.84	41,004.06
RUB/Silver (1 ounce)	985.05	985.07

Critical accounting judgements and key sources of estimation uncertainty

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for 2016 prepared in accordance with IFRS.

The Group adopted new Standards effective as of 1 January 2017 as described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5. Application of new and revised International Financial Reporting Standards (IFRS)

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 consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

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

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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 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. These amendments do not have any impact on the Group.

The above mentioned amended standards effective for the Group from 1 January 2017 did not have a material impact on the accounting policies, financial position or performance of the Group.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2017

6. Cash and balances with the Central Bank of the Russian Federation

	30 September 2017 mRUB (unaudited)	31 December 2016 mRUB
Cash	12,154	20,057
Balances with the Central Bank of the Russian Federation	<u>100,909</u>	<u>28,442</u>
Total cash and balances with the Central Bank of the Russian Federation	<u>113,063</u>	<u>48,499</u>

As of 30 September 2017 and 31 December 2016 included in the balances with the Central Bank of the Russian Federation are RUB 6,240 million and RUB 4,869 million, respectively, which represent the minimum reserve deposits calculated as a percentage of customers accounts balance required by the Central Bank of the Russian Federation. The Group is required to maintain the reserve balances with Central Bank of the Russian Federation at all times.

Cash and cash equivalents for the purposes of the interim condensed consolidated statement of cash flows are comprised of the following:

	30 September 2017 mRUB (unaudited)	31 December 2016 mRUB	30 September 2016 mRUB (unaudited)
Cash and balances with the Central Bank of the Russian Federation	113,063	48,499	53,746
Due from banks with original maturity within 90 days	<u>79,471</u>	<u>69,362</u>	<u>62,868</u>
	192,534	117,861	116,614
Less minimum reserve deposits	<u>(6,240)</u>	<u>(4,869)</u>	<u>(5,112)</u>
Total cash and cash equivalents	<u>186,294</u>	<u>112,992</u>	<u>111,502</u>

7. Financial assets at fair value through profit or loss

	30 September 2017 mRUB (unaudited)	31 December 2016 mRUB
Debt securities	2,410	1,589
Financial assets at fair value through profit or loss pledged under repurchases agreements	-	470
Derivative financial instruments (Note 9)	<u>30,788</u>	<u>35,093</u>
Total financial assets at fair value through profit or loss	<u>33,198</u>	<u>37,152</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2017

The debt securities included in financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

	30 September 2017 (unaudited)		31 December 2016	
	Nominal interest rate %	Amount mRUB	Nominal interest rate %	Amount mRUB
Debt securities:				
Debt securities of Russian banks	8.9 - 10.75 %	247	–	–
Debt securities of the Russian Federation	4.25 - 7.75 %	634	4.75-8.5%	1,343
Debt securities of Russian companies	4.0 - 12.1 %	1,529	3.8-10.25%	716
		<u>2,410</u>		<u>2,059</u>

8. Due from banks

	30 September 2017 mRUB (unaudited)	31 December 2016 mRUB
Demand deposits in banks	23,577	28,631
Term deposits in banks	25,406	32,628
Loans under reverse repurchase agreements	<u>37,989</u>	<u>24,867</u>
	86,972	86,126
Less allowance for impairment losses	-	-
Total due from banks	<u>86,972</u>	<u>86,126</u>

As of 30 September 2017 the Group had loans and advances to one bank totaling RUB 29,375 million, which individually exceeded 10% of the Group's equity. As of 31 December 2016 the Group had loans and advances to two banks totaling RUB 30,744 million which individually exceeded 10% of the Group's equity.

Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 30 September 2017 and 31 December 2016 comprise:

	30 September 2017 (unaudited) mRUB		31 December 2016 mRUB	
	Carrying value of loan	Fair value of collateral	Carrying value of loan	Fair value of collateral
Bonds of Russian companies	31,365	36,545	13,528	16,683
Bonds of the Russian Federation	4,701	5,120	4,582	5,549
Bonds of local authorities of Russian Federation	1,119	1,324	-	-
Bonds of the Russian banks	804	958	3,336	4,038
Shares of Russian companies	-	-	3,421	5,246
Total loans under reverse repurchase agreements	<u>37,989</u>	<u>43,947</u>	<u>24,867</u>	<u>31,516</u>

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9. Derivative financial instruments

Derivative financial instruments comprise:

	30 September 2017 (unaudited)			31 December 2016		
	Nominal value	Fair value Assets	Fair value Liabilities mRUB	Nominal value	Fair value Assets	Fair value Liabilities mRUB
Derivative financial instruments:						
Foreign exchange contracts						
Swaps	54,006	996	(3,422)	74,541	1,029	(4,164)
Forwards	52,442	2,185	(462)	24,046	2,166	(72)
IRS/CIRS	352,994	26,988	(26,182)	314,988	30,138	(29,652)
Cash flow and NIFE hedge	2,828	54	(35)	2,984	304	–
Fair value hedge	2,450	–	(243)	2,450	95	–
Foreign exchange options	5,833	237	(237)	12	–	–
Total foreign exchange contracts		30,460	(30,581)		33,732	(33,888)
Contracts on precious metals and commodities						
Forwards	5,508	314	(314)	4,783	365	(365)
Swaps	567	3	(12)	507	12	–
Options	28,526	11	(11)	43,992	984	(984)
Total contracts on precious metals and commodities		328	(337)		1,361	(1,349)
Total		30,788	(30,918)		35,093	(35,237)

Cash Flow Hedge and Hedge of Net Investment in Foreign Entity (NIFE)

As of 30 September 2017 and 31 December 2016 the Group's cash flow hedge was related to its exposure to the variability in the anticipated future cash flows on its financial liabilities related to Société Générale Group share-based payment program announced in May 2017 and in April 2016 for the total amount equivalent to 58,362 and 60,185 shares respectively to be paid during 2016-2022 subject to the satisfaction of certain underlying conditions.

The Group measures the fair value of its derivative financial instruments based on quoted prices or valuations derived from observable market prices.

To hedge against the variability in the cash flows on financial liabilities due to the share price risk, as of 30 September 2017 the Group used forward contracts at a fixed price of EUR 44.0984 and EUR 32.9154 per share (as of 31 December 2016 – 32.9154 per share). As such the Group minimizes the effect of changes in market prices for SG shares on its future cash flows.

Another part of the Cash flow hedge is related to the swap (hedging instrument), which enables the Group to protect itself against negative variations in future cash flows on the variable-rate loans to customers due to a fall in interest rates. This part of the Group's cash flow hedge is related to variable-rate loans to customers for the principal as at 31 December 2016 of RUB 393 million.

The Group's hedge of Net Investment in Foreign Entity is related to the variability of the net assets of its subsidiary (Rosbank (Switzerland) SA) nominated in CHF.

Fair Value Hedge

The Group's fair value hedge is related to its exposure to the variability in changes of fair value of available-for-sale securities for the nominal amount as of 30 September 2017 and 31 December 2016 of RUB 2,500 million and RUB 2,500 million, respectively.

The Group measures the fair value of its derivative financial instruments based on quoted prices or valuations derived from observable market prices.

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Embedded derivatives

The Group issued structural bonds with embedded derivatives included in financial assets at fair value through profit and loss in amount RUB 2,747 million as at 30 September 2017 and in financial liabilities at fair value through profit and loss in amount RUB 269 million as at 31 December 2016, respectively. Simultaneously the Group entered into interest rate swap contracts to compensate future cash flows to be paid on structural bonds issued. The fair value of interest rate swaps included in financial liabilities at fair value through profit and loss amounted to RUB 3,041 million as at 30 September 2017 and in financial liabilities at fair value through profit and loss amounted to RUB 205 million as at 31 December 2016, respectively.

10. Loans to customers

	30 September 2017 mRUB (unaudited)	31 December 2016 mRUB
Loans to legal entities	251,764	244,399
Loans to individuals	396,802	380,757
Net investments in finance lease	15,001	13,047
Account receivable from RF Government on financed loans	4,243	3,344
Total loans to customers before impairment	667,810	641,547
Less allowance for impairment losses	(49,493)	(53,737)
Total loans to customers	618,317	587,810

As of 30 September 2017 the Group had loans to one group of customers which individually exceeded 10% of the Group's equity.

As of 31 December 2016 the Group had loans to two groups of customers which individually exceeded 10% of the Group's equity.

As of 30 September 2017 the amount receivable from RF Government on the financed car loan program amounted to RUB 4,243 million (as of 31 December 2016 – to RUB 3,205 million).

As of 30 September 2017 the amount receivable from RF Government on the financed mortgage program amounted to RUB #ССЫЛКА! million (as of 31 December 2016 - to RUB 139 million).

As of 30 September 2017 and 31 December 2016 a substantial amount of loans is granted to companies operating in the Russian Federation, which represents a significant geographical concentration in one region.

11. Investments available-for-sale

	30 September 2017 mRUB (unaudited)	31 December 2016 mRUB
Debt securities	6,143	8,033
Equity investments	191	204
Total investments available-for-sale	6,334	8,237

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	30 September 2017 (unaudited)		31 December 2016	
	Nominal interest rate %	Amount mRUB	Nominal interest rate %	Amount mRUB
Debt securities:				
Bonds of the Russian Federation	6.5% - 7.5%	5,754	6.5-7.5%	5,790
Eurobonds of Russian companies	5.13% - 6.7%	389	3.15-6.7%	2,243
		<u>6,143</u>		<u>8,033</u>

	30 September 2017 (unaudited) Amount mRUB	31 December 2016 Amount mRUB
Equity investments:		
Shares of Russian companies	190	203
Shares of international clearing companies	1	1
	<u>191</u>	<u>204</u>

12. Investments held to maturity

	30 September 2017 (unaudited)		31 December 2016	
	Nominal annual interest rate	Amount mRUB	Nominal annual interest rate	Amount mRUB
Eurobonds of the Russian Federation	3.5 -11.0%	47,352	3.5-11.0%	42,741
Bonds of the Russian Federation	7.6 -7.6%	16,327	7.0-7.6%	22,966
Eurobonds of Russian companies	3.37 -9.13%	6,966	3.37-9.13%	7,205
Total investments held to maturity		<u>70,645</u>		<u>72,912</u>

13. Financial liabilities at fair value through profit or loss

	30 September 2017 mRUB (unaudited)	31 December 2016 mRUB
Derivative financial instruments	30,918	35,237
Short position on securities purchased	2,081	745
Total financial liabilities at fair value through profit or loss	<u>32,999</u>	<u>35,982</u>

Derivative financial instruments are disclosed in Note 9.

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14. Due to banks and international financial institutions

	30 September 2017 mRUB (unaudited)	31 December 2016 mRUB
Time deposits	27,279	14,119
Demand accounts	25,142	30,102
Loans under repurchase agreements	1,743	3,772
Total due to banks and international financial institutions	54,164	47,993

The Group is obligated to comply with financial covenants in relation to certain balances deposited by banks and international financial institutions deposits. These covenants include various financial performance ratios. As of 30 September 2017 and 31 December 2016 the Group has not breached any of these covenants.

As at 30 September 2017 and 31 December 2016 included in due to banks and international financial institutions are RUB 16,600 million and RUB 13,610 million (13% and 11% of Group equity), respectively, that were due to two and three banks, respectively, which represents a significant concentration.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 30 September 2017 comprise:

	30 September 2017 (unaudited)		31 December 2016	
	Carrying value of loans mRUB	Fair value of collateral mRUB	Carrying value of loans mRUB	Fair value of collateral mRUB
Bonds of the Russian Federation purchased by reverse repurchases agreements	1,743	1,774	3,303	3,440
Bonds of the Russian Federation	-	-	469	470
Total	1,743	1,774	3,772	3,910

15. Customer accounts

	30 September 2017 mRUB (unaudited)	31 December 2016 mRUB
Corporate		
Time deposits	171,898	165,315
Repayable on demand	135,142	87,171
Total corporate	307,040	252,486
Individuals		
Time deposits	156,751	144,321
Repayable on demand	87,944	65,086
Total individuals	244,695	209,407
Total customer accounts	551,735	461,893

Customer accounts which were held as security against letters of credit and guarantees issued and other transaction related contingent obligations of the Group are presented in Note 27.

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16. Debt securities issued

	Annual coupon rates %	30 September 2017 mRUB (unaudited)	Annual coupon rates %	31 December 2016 mRUB
Bonds of Deltacredit due in 2017-2026	8.00%-12.50%	74,875	8.00%-12.50%	71,230
Bonds of Rosbank due in 2020-2026	7.50%-10.40%	28,519	9.35%-11.60%	38,008
Bonds of Rusfinancebank due in 2018-2026	8.75%-13.90%	23,035	9.95%-13.90%	36,295
Exchange structural bonds of Rosbank due in 2017-2025	9.89%-11.52%	10,000	9.31%-14.32%	11,450
Discount bearing promissory notes	0.00%-8.55%	11,720	0.00%-8.37%	1,150
Total debt securities issued		148,149		158,133

During the period January - September 2017 new bonds were issued:

Issuer	Issue date	Maturity date	Debt volume, mRUB	Annual coupon rate, %
Rusfinance Bank	3/21/2017	3/23/2020	4,000	9.6%
DeltaCredit Bank	9/28/2017	9/30/2020	7,000	8.4%

During the period January - September 2017 the following bonds were redeemed:

Issuer	Issue Date	Maturity Date	Debt Volume, mRUB	Annual coupon rate, %
Rosbank	2/26/2014	2/26/2017	800	9.3%
Rosbank	2/26/2015	2/26/2017	650	14.3%

In February 2017 JSC ROSBANK issued discount promissory notes with maturity in January - February 2020 in amount of RUB 12 738 million.

During the period January-September 2017 the following bonds were bought back in oferta date:

Issuer	Issue Date	Oferta date	Maturity Date	Volume of buyback, mRUB	Annual coupon rate at oferta date, %
Rosbank	30.09.2014	07.04.2017	07.10.2024	9,378	11.6%
Rusfinance Bank	24.07.2013	25.01.2017	18.07.2018	1,015	11.9%
Rusfinance Bank	24.04.2013	26.04.2017	24.04.2018	3,105	13.9%
Rusfinance Bank	30.06.2015	10.01.2017	30.06.2020	1,345	10.0%
Rusfinance Bank	29.09.2015	31.03.2017	29.09.2020	3,800	12.1%
Rusfinance Bank	26.02.2016	01.03.2017	26.02.2021	4,113	11.65%

Changes in the balances for the 9 months ended 30 September 2017 were also due to a partial buyback of the bonds and operations with the bonds issued by its subsidiaries.

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17. Subordinated debt

	<u>Currency</u>	<u>Interest Rate %</u>	<u>30 September 2017 mRUB (unaudited)</u>	<u>Interest Rate, %</u>	<u>31 December 2016 mRUB</u>
Societe Generale S.A. due in 2020-2023	USD	6.5 - 9.3%	34,683	6.5-9.3%	36,207
Societe Generale S.A. due in 2017	RUB			8.00-8.5%	3,665
Total subordinated debt			<u>34,683</u>		<u>39,872</u>

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

In January 2017 the Group redeemed subordinated debt in amount RUB 2,800 million received from Societe Generale S.A.

In May 2017 the Group redeemed subordinated debt in amount RUB 750 million received from Societe Generale S.A.

18. Share capital

As of 30 September 2017 and 31 December 2016 the nominal share capital totaling RUB 17,587 million issued and fully paid comprised 1,551,401,853 ordinary shares with par value of RUB 10 each. All shares are ranked equally and carry one vote. The hyperinflation effect has been recorded in the amount of RUB 2,073 million.

As of 30 September 2017 and 31 December 2016 share premium totaling RUB 59,707 million represents an excess of contributions received in share capital over the nominal value of shares issued.

As at 30 September 2017 and 31 December 2016 the Group's share capital comprised the following number of shares of RUB 10 each:

	Share capital authorized	Share capital authorized but not issued	Share capital repurchased	Share capital issued and paid in
Number of ordinary shares	1,846,461,466	295,059,613	-	1,551,401,853

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19. Net interest income before provision for impairment losses on interest bearing assets

	9 months ended 30 September (Unaudited) mRUB		3 months ended 30 September (Unaudited) mRUB	
	2017	2016	2017	2016
Interest income comprises:				
Interest income on financial assets recorded at amortized cost	60,580	65,044	20,956	21,244
Interest income on financial assets recorded at fair value	612	718	79	199
Total interest income	61,192	65,762	21,035	21,443
Interest income on financial assets recorded at amortized cost comprises:				
Interest on loans to individuals	38,492	40,760	13,012	13,397
Interest on loans to corporate customers	16,206	18,198	5,480	5,965
Interest on due from banks	3,107	2,780	1,531	849
Interest on investments held to maturity	2,775	3,306	933	1,033
Total interest income on financial assets recorded at amortized cost	60,580	65,044	20,956	21,244
Interest income on financial assets recorded at fair value comprises:				
Interest income on investments available-for-sale	352	350	114	120
Interest income on financial assets at fair value through profit and loss	260	368	(35)	79
Total interest income on financial assets recorded at fair value	612	718	79	199
Interest expense comprises:				
Interest on financial liabilities recorded at amortized cost	32,703	36,785	10,930	11,829
Total interest expense	32,703	36,785	10,930	11,829
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest on corporate customer accounts	10,035	11,514	3,440	3,477
Interest on debt securities issued	10,946	11,153	3,415	3,918
Interest on deposits from individuals	7,910	7,988	2,819	2,593
Interest on deposits from banks	1,729	2,601	553	797
Interest on subordinated debt	2,070	3,123	697	988
Interest on deposits of the Central Bank of the Russian Federation	13	406	6	56
Total interest expense on financial liabilities recorded at amortized cost	32,703	36,785	10,930	11,829
Net interest income before provision for impairment losses on interest bearing assets	28,489	28,977	10,105	9,614

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20. Allowance for impairment losses and other provisions

For 9 months and 3 months ended 30 September 2017 and 2016 the amount of provision for impairment losses on interest bearing assets in the interim condensed consolidated statement of profit or loss comprises:

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2017	2016	2017	2016
Net allocations	2,857	10,199	795	3,652
Recoveries of loans written off	(177)	(99)	(100)	(53)
Write offs not covered by provisions	32	1,478	11	232
Provision for impairment losses on interest bearing assets	2,712	11,578	706	3,831

Write-offs not covered by provision in the amount of RUB 32 million and RUB 1,478 million for 9 months ended 30 September 2017 and 2016, respectively, represent losses incurred by the Group from refinancing of US dollar denominated mortgage loans to individuals at a decreased interest rate. The difference between the fair value at initial recognition of new loan and the carrying value of the previous loan is recognized as provision for impairment losses on interest bearing assets in the interim condensed consolidated statement of profit or loss.

The movements in allowance for impairment losses on interest-bearing assets were as follows:

	Due from banks mRUB	Loans to customers mRUB	Total mRUB
31 December 2015	-	63,488	63,488
Net allocations	-	10,199	10,199
Forex effect on provision revaluation	-	(1,281)	(1,281)
Sales and write-offs of loans	-	(13,168)	(13,168)
30 September 2016 (unaudited)	-	59,238	59,238
31 December 2016	-	53,737	53,737
Net allocations	263	2,594	2,857
Forex effect on provision revaluation	(3)	(206)	(209)
Sales and write-offs of loans	(260)	(6,632)	(6,892)
30 September 2017 (unaudited)	-	49,493	49,493

For 9 months ended 30 September 2017 and 2016 and for 3 months ended 30 September 2017 and 2016 the amount of other provision comprises:

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2017	2016	2017	2016
Net allocations	(51)	725	50	(286)
Recoveries of debtors receivables written off	(121)	(87)	(29)	(87)
Write offs not covered by provisions	22	89	1	34
Other provisions	(150)	727	22	(339)

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The movements in other provisions were as follows:

	Other assets mRUB	Provisions for financial guarantees issued, claims and other commitments mRUB	Total mRUB
31 December 2015	2,088	1,315	3,403
Provision	199	526	725
Write-offs	(207)	(20)	(227)
Forex effect on provision revaluation	-	(60)	(60)
30 September 2016 (unaudited)	2,080	1,761	3,841
31 December 2016	1,922	1,545	3,467
Provision	250	(301)	(51)
Write-offs	(1,094)	(89)	(1,183)
Forex effect on provision revaluation	-	7	7
30 September 2017 (unaudited)	1,078	1,162	2,240

The information about other provisions of the Group is disclosed in Note 27.

Allowance for impairment losses on assets is deducted from the respective assets. Provision for impairment losses on financial guarantees issued, claims and other commitments is presented in liabilities.

21. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards

Net loss on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards comprises:

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2017	2016	2017	2016
Net gain/(loss) on operations with financial assets and liabilities held-for-trading comprise:				
Realized gain/(loss) on trading operations	(11)	186	17	40
Unrealized revaluation of securities at fair value through profit or loss	64	(27)	36	(52)
Net gain/(loss) on operations with derivative financial instruments, except forex swaps and forwards	(1,238)	(695)	(369)	(314)
Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	(1,185)	(536)	(316)	(326)

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22. Net gain/(loss) on foreign exchange operations

	9 months ended 30 September		3 months ended 30 September	
	mRUB (unaudited)		mRUB (unaudited)	
	2017	2016	2017	2016
Net gain/(loss) on foreign exchange operations	2,302	2,012	739	673
Exchange differences	(258)	111	(178)	96
Effect of foreign currency swap instruments	761	(985)	112	(327)
Total net gain/(loss) on foreign exchange operations	2,805	1,138	673	442

During 9 months ended 2017 and 2016, the Bank used foreign currency swaps to manage its liquidity between currencies.

23. Fee and commission income and expense

	9 months ended 30 September		3 months ended 30 September	
	mRUB (unaudited)		mRUB (unaudited)	
	2017	2016	2017	2016
Fee and commission income:				
Plastic cards operations	2,547	2,325	932	824
Agency operations	2,339	1,691	891	662
Settlements	1,428	1,704	455	505
Cash operations	976	616	453	218
Documentary operations	733	768	255	247
Other operations	991	896	345	278
Total fee and commission income	9,014	8,000	3,331	2,734
Fee and commission expense:				
Plastic cards operations	1,289	968	526	349
Cash operations	408	405	99	130
Settlements	244	291	97	97
Documentary operations	45	118	14	31
Other operations	318	238	84	74
Total fee and commission expense	2,304	2,020	820	681

24. Operating expenses

	9 months ended 30 September		3 months ended 30 September	
	mRUB (unaudited)		mRUB (unaudited)	
	2017	2016	2017	2016
Salary and bonuses	12,295	11,726	3,962	3,819
Unified social tax contribution	2,981	2,742	958	842
Operating lease expense	1,874	1,914	626	639
Repairs and maintenance expense	1,651	1,556	498	518
Depreciation charge on property and equipment	1,552	1,814	552	599
Professional services	1,200	915	398	448
Deposit insurance charge	807	587	295	198
Communications	605	600	220	214
Advertising and marketing expenses	603	526	219	190
Security	223	252	72	81
Transportation expenses	127	206	47	74
Other	1,879	2,005	591	700
Total operating expenses	25,797	24,843	8,438	8,322

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25. Income tax

The Group measures and records its current income tax payable in its assets and liabilities in accordance with the tax regulations of RF and countries where the Group and its subsidiaries operate, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 30 September 2017 and 31 December 2016 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax - book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits (as defined) under tax law in that jurisdiction.

Based on semi-annual tax business planning exercise, the Group believes that it will generate sufficient taxable profits to recover the deferred tax assets recognized as of 30 September 2017.

Income tax (credit)/expense for 9 and for 3 months ended 30 September 2017 and 2016 comprise:

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2017	2016	2017	2016
Current tax charge	1,906	751	854	378
Deferred tax (credit)/charge- origination and reversal of temporary differences and tax loss carried forward	570	(96)	8	(324)
Less: deferred tax recognized directly in other comprehensive income	(82)	(625)	(23)	(36)
Income tax (credit)/expense	2,394	30	839	18

26. Earnings per share attributable to equity holders of the parent

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2017	2016	2017	2016
Profit/(loss)				
Net profit/(loss) attributable to equity holders of the parent for the period (mRUB)	7,017	263	3,157	725
Weighted average number of ordinary shares				
For basic and diluted earnings per share	1,551,401,853	1,551,401,853	1,551,401,853	1,551,401,853
Earnings per share - basic and diluted (RUB)	4.52	0.17	2.03	0.47

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27. Commitments and contingencies

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations. Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

	30 September 2017 mRUB (unaudited)	31 December 2016 mRUB
Litigations and other provisions	282	387
Provision for losses on letters of credit and guarantees	880	1,158
Total other provisions	1,162	1,545

As of 30 September 2017 and 31 December 2016, letters of credit and other transactions related to contingent obligations covered by cash on customers' accounts amounted to RUB 2 million and RUB 82 million, respectively and guarantees issued covered by cash amounted to RUB 191 million and RUB 86 million, respectively.

As of 30 September 2017 and 31 December 2016, the nominal or contract amounts were:

	30 September 2017 (unaudited) Nominal amount mRUB	31 December 2016 Nominal amount mRUB
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	108,355	97,847
Letters of credit and other transaction related contingent obligations	8,199	9,542
Commitments on loans and unused credit lines	69,762	98,534
Total contingent liabilities and credit commitments	186,316	205,923

The Group has commitments to provide funds under credit lines facilities. However, the Group has a right not to exercise such commitments due to certain conditions.

Commitments on lease activities – As of 30 September 2017 and 31 December 2016 the Group has commitments for capital expenditure on finance lease outstanding amounting to RUB 567 million and RUB 193 million, respectively.

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Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases of buildings and equipment are as follows:

	30 September 2017 mRUB (unaudited)	31 December 2016 mRUB
Not later than 1 year	1,999	2,153
Later than 1 year and not later than 5 years	3,122	3,232
Later than 5 years	<u>2,294</u>	<u>2,517</u>
Total operating lease commitments	<u>7,415</u>	<u>7,902</u>

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred.

Taxation – the current provisions of Russian laws and regulations affecting business continue to change rapidly. The implementation of the Russian tax laws and regulations is often unclear or inconsistent. Historically, the system of tax collection in Russia has been relatively ineffective, resulting in the continual changes to the tax legislation, some of which apply retroactively and occur with little notice, as well as in interpretation of the existing laws and regulations by various authorities. Recently, the approach of the Russian tax authorities has become tougher in the interpretation of tax legislation. As a result, previously uncontested approaches to the tax calculations could be challenged in the course of future tax audits.

Starting from 2012, additional obligations were imposed on the companies of the Group by Russian tax legislation concerning preparation of reports and documentation on transfer pricing. The Russian tax authorities could challenge the amount of taxable income or expenses in case of prices in controlled transactions (both domestic and cross-border) are not at arm's length. There is a potential tax risk that tax authorities could accrue additional tax liabilities in case of the Group are not in position to demonstrate the application of market prices in "controlled" transactions. The amount of potential tax risks of the Group's transfer pricing position could not be estimated.

Loan financing is one of the major parts Group's transactions. Management supposes that control procedure applied in the Group with respect to interest rates applied in intragroup loan financing mitigates potential transfer pricing tax risk.

Starting from January 1, 2015, new rules on taxation of controlled foreign companies were introduced into the Russian tax legislation, as well as the concept of tax residency for legal entities and the beneficial ownership concept. These implementations generally lead to increase in the administrative and tax burden on the Russian taxpayers engaged in transactions with foreign companies.

In 2017 the Group did not have foreign subsidiaries, in respect of which the Group could have significant tax liabilities in accordance with the rules on taxation of controlled foreign companies.

Since January 1, 2017, the Russian Tax Code establishes the obligation of the Russian companies to confirm that the recipient of income is a beneficial owner (applicable for types of income with respect to which double tax treaties provides tax benefits). The Groups' management has taken into account these changes in tax legislation and implemented the respective additional procedures to minimise tax risks related to the Russian withholding income tax.

In 2017 the Russian tax law was supplemented by new tax privilege with respect to personal income tax on income received by the Bank's clients in the course of banking cards loyalty campaigns. Introduction of this privilege was important for the Group because banking cards bonus programs and

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additional discounts for settlements via banking cards is considered as competitive advantage on the Russian market.

Also Starting from January 1, 2017 “losses carried forward” tax rule has been amended. In particular, the Group may reduce its profits tax base of the current period by the amount of losses carried forward limited to 50% of profits tax base of the current period. This limitation is applicable till year 2021. Such tax law amendment leads to increase of tax payments of the Group.

Since July 18, 2017 the Russian Tax Code contains new article with definition of unjustified tax benefit. Previously unjustified tax benefit concept was introduced only in the Russian court practice. The provisions of this article establish limits for possibility to qualify the transactions of taxpayers as transactions aimed at unjustified decrease of tax obligations. The introduction of this article, inter alia, may protect the Group from unreasonable and unproven claims from the tax authorities.

The introduction of these laws, as well as the interpretation of certain provisions of the Russian tax legislation in combination with the latest trends in law enforcement indicate the potential tax risks due to the fact that the Russian tax authorities and courts could become tougher in the interpretation of tax legislation and assessments of the amount of tax liabilities. At the same time the potential impact could not be estimated, as well as the probability of an unfavorable outcome in the case of claims of the Russian tax authorities.

Management supposes that in 2017 the provisions of the tax legislation were applicable to the Group correctly.

Operating environment – Emerging markets such as Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2015 and showed limited signs of recovery over the course of 2016 and 2017. Management is unable to reliably estimate the effects of any further price fluctuations on the Group’s financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In August 2017, US President signed bill on a new set of sanctions. Ratings of Russia’s sovereign debt from Moody’s and S&P agencies remain at a below investment-grade level following a series of downgrades over 2014-2015.

At the same time, the US Federal Reserve System has accelerated the pace of interest rates hikes which should affect flows of capital to/from emerging economies such as Russian Federation. Global geopolitical landscape remains complicated due to stress around numerous regions, including areas where the Russian forces are involved (such as Syria). These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, weakening of the Russian Rouble and other negative economic consequences.

The impact of further political and economic developments in Russian Federation on future operations and financial position of the Group is at this stage difficult to determine.

Share-based payments – The Group engages in cash settled share-based payment transactions in respect of services received from certain employees. The fair value of the services received is measured by reference to the fair value of the shares initially on the date of the grant and then subsequently at each reporting date. The cost of the employee services received in respect of the shares granted is recognized in the interim condensed consolidated statement of profit or loss within administrative expenses, over the period that the services are received, which is the vesting period. A liability equal to the portion of the goods and services received is recognized at the current fair value determined at each balance sheet date for cash settled payments.

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28. Transactions with related parties

Transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	30 September 2017		31 December 2016	
	Related party transactions	Total category as per financial statement caption mRUB (unaudited)	Related party transactions	Total category as per financial statement caption mRUB
Financial assets at fair value through profit or loss				
- shareholders	13,095	33,198	16,914	37,152
- related parties under common control with the Group	13,085		16,914	
	10		–	
Due from banks	4,233	86,972	20,565	86,126
- shareholders	1,420		17,686	
- related parties under common control with the Group	2,813		2,879	
Loans to customers, gross	1,374	667,810	1,913	641,547
- key management personnel of the Group	1		11	
- related parties under common control with the Group	1,373		1,902	
Investments available-for-sale	79	6,334	79	8,237
- related parties under common control with the Group	79		79	
Other assets	68	12,602	46	15,153
- shareholders	11		13	
- related parties under common control with the Group	57		33	
Financial liabilities at fair value through profit or loss				
- shareholders	19,603	32,999	21,022	35,982
- related parties under common control with the Group	19,584		21,022	
	19		–	
Due to banks and international financial institutions	4,039	54,164	8,580	47,993
- shareholders	3,249		6,591	
- related parties under common control with the Group	790		1,989	
Customer accounts	5,237	551,735	3,741	461,893
- key management personnel of the Group	463		284	
- related parties under common control with the Group	4,774		3,457	
Debt securities issued	123	148,149	132	158,133
- related parties under common control with the Group	123		132	
Other liabilities	560	8,885	378	9,749
- shareholders	551		378	
- related parties under common control with the Group	9		–	
Subordinated debt	34,683	34,683	39,872	39,872
- shareholders	34,683		39,872	

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	30 September 2017		31 December 2016	
	Related party transactions	Total category as per financial statement caption mRUB (unaudited)	Related party transactions	Total category as per financial statement caption mRUB
Guarantees issued and similar commitments	-	108,355	1,301	97,847
- shareholders	-		1,297	
- related parties under common control with the Group	-		4	
Commitments on loans and unused credit lines	10,933	69,762	13,507	98,534
- shareholders	5,000		3,976	
- key management personnel of the Group	8		9	
- related parties under common control with the Group	5,925		9,522	
Guarantees received	5,795	270,157	17,720	242,804
- shareholders	5,334		17,249	
- related parties under common control with the Group	461		471	

Included in the interim condensed consolidated statements of profit or loss for the 9 months ended 30 September 2017 and 2016 are the following amounts which arose due to transactions with related parties:

	9 months ended 30 September 2017		9 months ended 30 September 2016	
	Related party transactions	Total category as per financial statements caption mRUB (unaudited)	Related party transactions	Total category as per financial statements caption mRUB (unaudited)
Interest income	347	61,192	258	65,762
- shareholders	269		197	
- key management personnel of the Group	1		2	
- related parties controlled by, or under common control with the Group	77		59	
Interest expense	(2,581)	(32,703)	(3,741)	(36,785)
- shareholders	(2,287)		(3,282)	
- key management personnel of the Group	(12)		(7)	
- related parties under common control with the Group	(282)		(452)	
Provision for impairment losses on interest bearing assets	-	(2,712)	51	(11,578)
- related parties under common control with the Group	-		51	

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	9 months ended	30 September	9 months ended	30 September
	Related party	Total category	Related party	Total category
	transactions	as per financial	transactions	as per financial
		statements		statements
		caption		caption
		2017		2016
		mRUB		mRUB
		(unaudited)		(unaudited)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	(2,885)	(1,185)	(821)	(536)
- shareholders	(3,128)		(821)	
- related parties under common control with the Group	243		-	
Net gain/(loss) on foreign exchange operations and on precious metals operations	(128)	2,819	524	1,222
- shareholders	(145)		537	
- related parties under common control with the Group	17		(13)	
Fee and commission income	1,758	9,014	1,203	8,000
- shareholders	129		208	
- related parties under common control with the Group	1,629		995	
Fee and commission expense	(51)	(2,304)	(123)	(2,020)
- shareholders	(49)		(121)	
- related parties under common control with the Group	(2)		(2)	
Operating expense (other than compensation)	(284)	(10,521)	(426)	(10,375)
- shareholders	(260)		(413)	
- related parties under common control with the Group	(24)		(13)	
Dividend income	328	328	347	347
- related parties under common control with the Group	328		347	
Other income	37	726	41	820
- shareholders	29		17	
- related parties under common control with the Group	8		24	

For the 9 months ended 30 September 2017 and 2016 total remuneration of the key management amounted to RUB 626 million and RUB 709 million, respectively.

29. Fair value of financial instruments

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IFRS 13 "Fair Value Measurement". Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of financial assets and financial liabilities are determined as follows.

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- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.
- For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at variable rates management believes that carrying value may be assumed to be fair value.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at fixed rates fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the interim condensed consolidated statement of financial position of the Group is presented below:

	30 September 2017 (unaudited)		31 December 2016	
	Carrying value, mRUB	Fair value, mRUB	Carrying value, mRUB	Fair value, mRUB
Cash and balances with the Central Bank of the Russian Federation	113,063	113,063	48,499	48,499
Financial assets at fair value through profit or loss				
- <i>Derivative financial instruments</i>	30,788	30,788	35,093	35,093
- <i>Debt securities</i>	2,410	2,410	2,059	2,059
Due from banks	86,972	86,985	86,126	86,225
Loans to customers	618,317	639,191	587,810	591,567
Investments available-for-sale	6,334	6,334	8,237	8,237
Investments held to maturity	70,645	74,168	72,912	75,988
Other financial assets	2,370	2,370	3,414	3,414
Financial liabilities at fair value through profit or loss	32,999	32,999	35,982	35,982
Due to the Central Bank of the Russian Federation	285	285	190	190
Due to banks and international financial institutions	54,164	55,313	47,993	49,540
Customer accounts	551,735	552,357	461,893	462,073
Debt securities issued	148,149	147,954	158,133	161,712
Other financial liabilities	6,921	6,921	7,239	7,239
Subordinated debt	34,683	35,210	39,872	39,383

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Assets and liabilities for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts.

Fair value measurements recognised in the interim condensed consolidated statement of financial position

For the purpose of fair value hierarchy disclosure as at 30 September 2017 and 31 December 2016, the Group has categorized classes of assets and liabilities at fair value into Level 1 to 3 based on the degree to which their fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Balance Sheet Category	30 September 2017, mRUB (unaudited)			31 December 2016, mRUB		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss						
- <i>Derivative financial instruments</i>	-	30,788	-	-	35,093	-
- <i>Debt securities</i>	2,410	-	-	2,059	-	-
Investments available-for-sale	6,143	191	-	8,033	204	-
Financial liabilities at fair value through profit or loss	2,081	30,918	-	745	35,237	-

Possibility of transfer from Level 1 to Level 2 category is assessed as low, as liquidity control is performed by Market Risk Department. Control period of liquidity assessment is 90 days from position opening. Market risk department performs liquidity analysis using position turnover, volumes of exchange trades, availability of exchange and brokers quotations. In case of position assessment as insufficiently liquid the necessary actions to close position are taken.

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

Level 3 fair values of land and office buildings have been generally derived using the adjusted sales comparison approach, the income-based approach and the costs method. Unobservable inputs included in the calculations for sales comparison approach represent various adjustments considered to account for the difference between the compared properties in terms of size, location, bargain prices to which sellers are willing to go (ranging from 0% to -15%). The unobservable inputs included in the income-based approach calculations represent mainly the adjustments considered to account for the discounting rates (ranging from 10% to 12%) and capitalization rates (from 9% to 12.5%).

The sensitivity of the fair value measurement to changes in those unobservable inputs indicated above does not result in a significantly higher or lower fair value measurement.

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30. Segment reporting

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 “Operating segments” and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Treasury and Financial institutions – representing all trading financial instruments recognized and measured at fair value through profit and loss as well as loans and borrowings initiated through interbank transactions.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between the operating segments consist only of reallocating of funds. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's marginal funding price. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The main business activity of the Group is concentrated in RF, thus no geographical segmentation is reported.

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Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Treasury and Financial institutions	Unallocated	9 months ended 30 September 2017 (unaudited)
Net interest margin	19,198	6,071	311	2,909	28,489
Provisions for impairment losses on interest bearing assets	(2,431)	(301)	-	20	(2,712)
Net gain/(loss) on financial transactions	78	14	1,622	(80)	1,634
Net fee and commission income	5,015	1,477	335	(117)	6,710
Other provisions	123	147	(3)	(117)	150
Dividend income	139	189	-	-	328
Other income	168	-	35	523	726
(Expense)/income from other segments	1,342	1,790	6	(3,138)	-
Total operating income	23,632	9,387	2,306	-	35,325
Operating expenses	(20,733)	(3,076)	(1,507)	(481)	(25,797)
(Expense)/income from other segments	(326)	(106)	(49)	481	-
Other non-operating income/(expense)	(26)	(83)	(8)	-	(117)
Profit before income tax	2,547	6,122	742	-	9,411
Income tax expense	(533)	(1,701)	(160)	-	(2,394)
Net profit/(loss) for the period	2,014	4,421	582	-	7,017
Segment assets as at 30 September 2017 (unaudited)	462,821	377,572	111,919	12,755	965,067
Segment liabilities as at 30 September 2017 (unaudited)	384,320	381,067	59,666	9,086	834,139

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Segment information for 9 months ended 30 September 2016 is presented below:

	Retail banking	Corporate banking	Treasury and Financial institutions	Unallocated	9 months ended 30 September 2016 (unaudited)
Net interest margin	20,336	6,124	1,367	1,150	28,977
Provisions for impairment losses on interest bearing assets	(11,812)	234	-	-	(11,578)
Net gain/(loss) on financial transactions	68	-	1,096	(478)	686
Net fee and commission income	4,295	1,525	301	(141)	5,980
Other provisions	-	(861)	(4)	138	(727)
Dividend income	161	129	57	-	347
Other income	207	36	36	541	820
Intersegment allocation operating income	780	664	(234)	(1,210)	-
Total operating income	14,035	7,851	2,619	-	24,505
Operating expenses	(21,387)	(3,080)	(1,431)	1,055	(24,843)
Intersegment allocation operating expenses	879	644	163	(1,686)	-
Other non-operating income	-	-	-	631	631
Profit/(loss) before income tax	(6,473)	5,415	1,351	-	293
Income tax credit/(expense)	(12)	(13)	(5)	-	(30)
Net profit/(loss)	(6,485)	5,402	1,346	-	263
Segment assets as at 31 December 2016	419,060	313,323	132,375	15,948	880,706
Segment liabilities as at 31 December 2016	372,295	308,278	65,986	10,589	757,148

For the purpose of the segment reporting disclosure the category "Net gain/(loss) on financial transactions" includes the following categories:

- Net (loss)/gain on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards;
- Net gain/(loss) on foreign exchange operations;
- Net gain/(loss) on precious metals operations.

31. Subsequent events

On 10th of October 2017 JSC "Rusfinance Bank" executed the offer on bonds series 15 at par for the total amount of RUB 2,452 million with maturity date 2 October 2018 and coupon rate 8.05%.

On 30th of October 2017 the Joint Stock Company "Rating Agency" Expert RA" assigned the highest credit rating at the ruAAA level to the PJSC ROSBANK with a "stable" outlook.