

CREDIT BANK OF MOSCOW

**Explanatory Information
to the Annual Accounting (Financial) Statements
for 2018**

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1 Introduction

Material information about the credit institution.

CREDIT BANK OF MOSCOW has been operating in the financial and credit service market since 1992. Its operations are concentrated in Moscow and Moscow Region.

CREDIT BANK OF MOSCOW is a universal commercial bank providing a full range of services for corporate and retail customers and for financial and credit institutions. As of January 1, 2019, the Bank was ranked 7th among the Russia's major banks by the amount of assets according to Banki.ru.

Corporate business is the main area of the Bank's operations comprising 94% of its credit portfolio as of Q4 2018. Among the corporate customers of CREDIT BANK OF MOSCOW using the Bank's comprehensive services, there are the major companies representing such industries as oil and gas, petrochemistry, finance, retail, production and sale of food products, metallurgy, aluminum production, telecommunications, etc. The Bank is ranked 7th among credit institutions by the size of its comprehensive credit portfolio as of January 1, 2019.

The Bank is one of the leaders in the cash collection service market of Russia. As of the end of Q4 2018, there were over 3,608 customers using the Bank's services, including 164 credit institutions. Historically, the Bank works with the major wholesale and retail trading companies of Moscow that use the Bank's cash collection services due to a high intensity of use of cash funds in their business. The Bank also satisfies the demands for cash collection services of other banks and their customers.

As of January 1, 2019, the territorial network of CREDIT BANK OF MOSCOW comprised 132 branch offices and 29 cash offices, and its chain of payment banking devices includes over 7,020 payment terminals and 1,200 ATMs.

Since 2003, CREDIT BANK OF MOSCOW has been successfully conducting its international operations: the Bank is actively cooperating with the international financial institutions in financing its targeted projects. A high level of confidence in the Bank in the international market allows annual attraction of investments in the foreign market for the development of projects aimed at extending the business of the Bank and increasing the welfare of its customers. The Bank has successful track records in the international capital markets: the debut issue of Eurobonds took place in 2006.

Among the long-term partners of CREDIT BANK OF MOSCOW, there are the major international financial institutions and banks: European Bank for Reconstruction and Development (EBRD), Raiffeisen Bank International AG, VTB Bank (Europe) SE, Citibank N.A., ING Bank N.V., HSBC, The Export-Import Bank of Korea, China Development Bank, Industrial and Commercial Bank of China, Credit Agricole, Barclays bank plc, Bank of China, Deutsche Bank, Societe Generale, KBC Bank N.V., ODDO BHF Aktiengesellschaft, Commerzbank AG, Credit Suisse (Switzerland) Ltd, JP Morgan Chase Bank, UBS AG, Landesbank Baden-Wuerttemberg (LBBW) Bayerische Landesbank, Intesa Sanpaolo SpA, UBI Banca Group, UniCredit Group, and many others.

The Bank sees its mission in facilitating the economic development of the Russian Federation and in increasing people's welfare through the satisfaction of their demand for high-

quality financial services and for this purpose offers wide-scale and exclusive banking products developed on the basis of the best international and Russian experience.

The positions of CREDIT BANK OF MOSCOW in the Russian and international markets have been affirmed by the leading rating agencies:

Moody's: long-term local and foreign currency deposit rating Ba3/NP, Stable outlook

Standard & Poor's: long-term credit rating BB-, short-term rating B Stable outlook.

Fitch Ratings: long-term issuer default rating BB-, short-term rating B Stable outlook.

ACRA: credit rating A (RU), Stable outlook

Expert RA: credit worthiness rating ruA-, Stable outlook

The Bank conducts its operations on the basis of the following licenses:

- Bank of Russia's General License No. 1978 dated May 6, 2016, for banking transactions with funds in Russian rubles and in foreign currency
- Certificate on entry of the Bank into the register of the Mandatory Deposit Insurance System participants
- License for attraction and placement of precious metals on deposits No. 1978 of May 6, 2016

Licenses of the professional securities market:

- No. 177-03476-100000 dated December 7, 2000, for brokerage activities
- No. 177-03579-010000 dated December 7, 2000, for dealer's activities
- No. 177-04183-000100 dated December 20, 2000, for depository activities

Since 2004, the Bank has joined the Russian Deposit Insurance System.

The Bank is registered at the following address: 2/1 Lukov Pereulok, Moscow 107045, Russia.

Reporting period and units of measure in the quarterly statements

The explanatory information provides data in the form of analytical tables and text as of January 1, 2019, and the comparatives as of January 1, 2018.

The accounting statements are drafted in the currency of the Russian Federation and are represented in thousand rubles (RUB thou).

Information on the banking group

The Bank heads the banking group.

The structure of this banking group is given below:

- MKB Invest Limited Liability Company, a jointly controlled entity
- CBOM FINANCE PUBLIC LIMITED COMPANY, a structured entity
- MKB Mortgage Agent Closed Joint-Stock Company, a structured entity
- Atil Limited Liability Company, 100% owned by the Bank
- Non-banking credit organization «INKAKHRAN» (Joint-stock company), 100% owned by the Bank

- INKAKHRAN SERVICE Limited Liability Company: shareholding through NCO INKAKHRAN (JSC), ownership through subsidiary companies
- Mendeleyev Refinery Plant of Yaroslavl Open Joint-Stock Company, 88.7203% owned by the Bank
- Savings and Loan Services Bank (Limited Liability Company), 100% owned by the Bank
- MKB 2 Mortgage Agent Limited Liability Company, a structured entity
- Atil Klimovsky Limited Liability Company, 100% owned by the Bank

The consolidated financial statements of the banking group are published on the Bank's website at: www.mkb.ru.

2. Brief characteristic of the credit institution's operations

CREDIT BANK OF MOSCOW is a universal financial and credit institution that provides a full scope of services for its corporate and retail customers by offering universal products and services for a wide public and developing special programs to meet customers' individual demands and wishes.

Corporate customers are offered a wide range of credit products, including overdraft loans, credits secured with the collected revenues, as well as foreign trade transactions financing and investment banking services. The companies are also offered factoring services, acquiring, cash management and cash collection services.

CREDIT BANK OF MOSCOW offers its retail customers mortgage, car loans, credit cards and nontargeted loans, deposit programs, cash management services, and individual banking programs.

The key performance indicators and factors that affected financial results of the credit institution in the reporting period

Net profit as of year-end 2018 increased by 13.3% against 2017 (RUB 10.7 billion) and amounted to RUB 12.1 billion. Net interest income (before the deduction of reserves) amounted to RUB 46.4 billion, and net fee and commission income amounted to RUB 9.6 billion.

Cumulative assets of the Bank as of January 1, 2018, increased by 16.7%, or by RUB 306.2 billion, over the year and amounted to RUB 2,136.1 billion.

Over 2018, the cumulative portfolio of outstanding corporate and personal loans, including REPO transactions, grew by 13.9% to reach RUB 1,816.7 billion as of the reporting date, including RUB 1,706.8 billion, or 94.0%, of outstanding corporate loans and RUB 109.9 billion, or 6.0%, of outstanding personal loans. Lending to legal entities contributed to the growth of outstanding loans: the latter increased by 13.8% over the year.

Payables to customers grew by 37.5% over 2018 to reach RUB 1,425.0 billion as of the reporting date mostly due to the growth of payables to corporate customers, which grew by 40.6% to RUB 1,056.7 billion as of year-end 2018. Payables to retail customers grew by 29.2% and amounted to RUB 368.3 billion.

The Bank's capital adequacy ratios as of January 1, 2019, were as follows: N1.1: 8.1%, N1.2: 11.6%, N1.0: 20.1%, while the aggregate capital calculated under Basel III grew by 9.2% in 2018, from RUB 249.3 billion, and amounted to RUB 272.3 billion.

Decisions on the net profit distribution taken after the review of the annual statements

According to the decision of the General Shareholders' Meeting, no dividends were paid to the Bank shareholders for 2017, and profit was left at the Bank's disposal. A decision on the net profit distribution for 2018 will be taken at the annual General Shareholders' Meeting (Members) to be held on June 30, 2019, at the latest.

3. Most important provisions of the Bank's accounting policy for 2018

Methods for evaluating and recording material transactions and events and for recognizing proceeds, including methods used to determine the accomplishment degree of transactions that imply provision of services.

The principles for recognizing assets, liabilities, income, and expenses of the Bank are the same as those applicable in the annual statements of the Bank for 2017.

The Bank's accounting policy rests upon the following accounting principles:

1) Continuous operation

The Bank will conduct its operations in future on an on-going basis and has no intention and need for liquidation, considerable decrease in operations, or settlement of transactions on disadvantageous conditions.

2) Recognition of income and expenses based on the accrual method

Financial results of transactions (income and expenses) are recognized in the books against their settlement and not against receipt or payment of money (its equivalent).

Income and expenses are recognized in the books for the period they relate to.

3) Consistency principle in accounting rules

The Bank shall always abide by the same accounting rules, save for material changes in its operations or in the legislation of the Russian Federation affecting the credit institution's

operations. Otherwise, data comparability for the reporting and preceding periods shall be ensured.

4) Due circumspection

The value of assets and liabilities, income and expenses shall be measured and recognized in the books in a reasonable manner, with due circumspection, to avoid carry-over of current risks potentially threatening the financial position of the credit institution to the future periods.

The accounting policy of the credit institution enables higher readiness to recognize expenses and liabilities in the books rather than possible income and assets and does not allow for creation of any hidden reserves (intentional understatement of assets or income and intentional overstatement of liabilities or expenses).

5) Timely recognition of transactions

Transactions shall be recognized in the books on the day they are settled (documents are received), unless otherwise provided for by the regulations of the Bank of Russia.

6) Separate recognition of assets and liabilities

Accounts of assets and liabilities shall be evaluated and recognized separately.

7) Succession of the opening balance

The remaining sums on the balance and off-balance accounts as of the beginning of the current reporting period shall coincide with the remaining sums as of the end of the previous period.

8) Substance over form

Transactions shall be recognized according to their economic essence, not according to their legal form.

9) Transparency

Reports shall accurately display the credit institution's transactions, be understandable for an informed user, and avoid ambiguity in displaying the credit institution's position.

Property

Fixed assets

Fixed assets for the purposes of accounting shall mean an asset with a tangible physical form, which is intended for use by the Bank in the course of services or for administrative

purposes for more than 12 months, and which is not intended for further resale, subject to the following simultaneous conditions:

- The asset may bring economic benefits to the Bank in future.
- The initial cost of the asset may be measured in a reliable manner.
- The cost of the asset is significant, over RUB 100,000 excluding VAT.

The assets may be acquired to ensure safety and environmental protection and in the cases provided for by the sanitary and hygienic, performance, and other special technical standards and requirements.

Fixed assets of similar nature and use are arranged into similar groups:

- Real estate
- Territory improvement
- Works of art
- Specialized vehicles (armored cars)
- Cars for traveling
- Other vehicles (buses, small buses, tractors)
- Computing equipment
- Furniture
- Security
- Software and hardware (ATMs and payment terminals)
- Equipment
- Equipment for safeguarding items of value (safety deposit boxes)
- Other assets

Fixed assets, before they are ready to be used—that is, when their location and condition allow their operation as intended by the management, shall be recorded on balance account No. 60415 "Investments into erection (construction), creation (production), and acquisition of fixed assets and intangible assets" at their initial cost, including VAT. After the asset is ready to be used, fixed assets shall be recorded on balance account No. 60401, excluding VAT. VAT shall be posted to the Bank's expenses in a lump sum in full after the asset is ready to be used.

For the purpose of further appraisal of fixed assets, the Bank will choose, as applicable to real estate, the model of accounting at revalued cost, and for all other groups of fixed assets, the model of accounting at initial cost less accumulated depreciation and accumulated impairment loss.

Revaluation of fixed assets accounted at their revalued cost shall be performed on a regular basis as of the end of the reporting year.

Revaluation of real estate shall be performed by way of proportional recalculation of the cost of the asset recognized on the balance account for fixed assets as of the revaluation date and depreciation accumulated for the asset using the recalculation ratio obtained by dividing the fair value of the asset by its value recognized on the balance account for fixed assets as of the revaluation date less depreciation accumulated for the asset as of the same revaluation date. When using this method, the difference between the cost of the asset recognized on the balance account for fixed assets after revaluation and depreciation recalculated using the recalculation ratio equals its fair value.

Fixed assets, regardless of the selected model of accounting, shall be subject to impairment test as of the end of each reporting year and upon occurrence of any events that significantly influence their valuation.

An intangible asset is an asset that meets simultaneously the following criteria:

- The asset may bring economic benefits to the Bank in future, in particular, the asset is intended for use in the course of works, services, or for administrative needs.
- Access of other persons to economic benefits from using the asset is limited (the credit institution controls the asset).
- The asset may be identified (may be segregated or separated from other assets).
- The asset is intended for use for more than 12 months.
- There are no plans to sell the asset within 12 months.
- The asset has no tangible physical form.
- The initial cost of the asset may be measured in a reliable manner.
- The cost of the asset is significant, over RUB 100,000 excluding VAT.

Intangible assets of similar type and use may be consolidated by the Bank into the following similar groups:

- Software
- Trademarks
- Websites

An intangible asset shall be recognized in the books at its initial cost measured as of the date of its recognition.

For further valuation of intangible assets, the Bank accounts all groups of homogeneous intangible assets at their initial cost less accumulated depreciation and accumulated impairment loss.

Real estate temporarily unused in the core operations shall mean an asset that simultaneously meets the following criteria:

- The asset is owned by the Bank.
- The asset is intended for receiving rental payments (except leasing) and/or income from an increase in the cost of such property, but not for use as labor tools for providing services/for management of the Bank, as well as in the cases provided for by the sanitary and hygienic, performance, and other special technical standards and requirements.
- There are no plans to sell the asset within the next year from the date of the decision made in relation to the status of the real estate.
- Subject to the following conditions:
 - The asset may bring economic benefits to the credit institution in the future.
 - The cost of the asset may be measured in a reliable manner.

Real estate temporarily unused in the core operations shall be recognized in the books at its fair value.

Long-term assets intended for sale are:

- Fixed assets
- Intangible assets
- Assets that meet the recognition criteria established for fixed assets and intangible assets and are accounted as labor tools received under settlement and pledge agreements, the intended use of which has not been identified

If their cost is to be reimbursed as a result of sale within 12 months from the date of their recognition as long-term assets intended for sale, and not by means of their continued use, subject to the following simultaneous conditions:

The long-term asset is ready for immediate sale in its current condition, on conditions corresponding to the market conditions for selling such assets.

The authorized body/authorized officer of the Bank made a decision to sell the asset.

The Bank is searching for a buyer of the long-term asset based on the price that is comparable to its fair value.

Actions of the Bank required to fulfill the decision to sell (sale plan) show that no changes in such decision (sale plan) are expected.

Inventories shall mean assets in the form of spare parts, materials, tools and accessories (excluding those accounted as fixed assets according to this Accounting Policy), publications, which will be used in the course of works, services, during the ordinary operations of the Bank, or in erection (construction), creation (production), restoration of fixed assets, or in erection (construction), restoration of real estate that is temporarily unused in the core operations.

Labor tools, materials, and supplies received under settlement and pledge agreements, the intended use of which has not been identified

An initial cost of labor tools (excluding real estate, including land) and materials and supplies received under settlement and pledge agreements, the intended use of which has not been identified, shall be their fair value as of the date of their recognition. If the fair value of items received under settlement and pledge agreements cannot be measured in a reliable manner, their value shall be measured under:

- Settlement agreements, in the amount of the borrower's (debtor's) terminated obligations under the money lending (deposit) agreement
- Pledge agreements, in the amount determined with due regard to the requirements of the legislation of the Russian Federation and the Bank of Russia regulations

Financial investments

A. Investments into securities of third-party issuers

Shares and bonds of third-party issuers shall be recognized on the respective balance accounts for investments into securities, depending on the purpose of their acquisition:

Types of securities	Accounting principles
Securities traded in an active stock market, the fair value of which can be measured in a reliable manner as of the initial recognition date, including securities purchased for sale in the short-term prospect*	Accounted at fair value. Revaluation is recorded to income/expense accounts. No loss provisions are created. During revaluation for the purpose of fair value measurement, the fair value measurement methods of all hierarchy levels (I–III) shall be used.
Debt instruments that the credit institution intends to hold to maturity (regardless of the period between the acquisition date and the maturity date)	Debt instruments held to maturity are not subject to revaluation at fair value. Loss provisions are formed for investments into the said securities
Voting shares acquired in the amount that provides for control over the issuing organization or significant influence on it	Securities are disclosed in the books only at the acquisition price (book value, if transferred from other categories).
Securities not referred to the above categories upon acquisition will be recorded in the books as "available for sale" (inter alia, if there is an intention to sell them in the short-term prospect*).	These securities are subject to revaluation at fair value if it can be measured in a reliable manner.** Fair value shall be deemed measured in a reliable manner upon availability of the data of hierarchy level I. Loss provisions for investments into securities are formed if fair value of such securities cannot be measured in a reliable manner, and if such securities have signs of impairment.
Debt instruments not redeemed on time	Debt instruments that have not been redeemed on time are not subject to revaluation. Loss provisions are formed for investments into the said securities

* Short-term prospect shall mean a period of 12 months after the expiration of the reporting period, provided that the reporting period means a calendar month of securities acquisition.

** If securities of one issue/with the same ISIN are accounted in the Bank's books as "measured at fair value through profit or loss" and "available for sale" at the same time, the Bank will measure the fair value of such securities using the methods established for the securities "measured at fair value through profit or loss."

The fair value of securities is measured in accordance with the IFRS requirements.

The hierarchy of methods used by the Bank to measure the fair value of securities is as follows:

Level I: reliable price indicators of the securities value, including quotations of active markets for similar securities that may be accessed by the Bank as of the valuation date (used for fair value measurement without adjustment every time when they are available):

1) If the security is traded on the active stock market and has a weighted average price, the fair value shall be a weighted average price calculated by the market operator for the current trading day.

2) If there is no weighted average price during the trading day on the active stock market, the fair value shall be the last weighted average price of the security in the active stock market during the previous 30 calendar days.

3) If the security is not traded on the Russian organized market, the fair value shall be the price of the current trading day on the active OTC market, which is disclosed by the sources of quotations in the priority order established by the Bank of Russia. The list of quotation sources is given above in the definition of an OTC active market. If there are no quotations for the current trading day on the active OTC market, the fair value shall be the last quotation of the security on the active OTC market during the previous 30 calendar days.

4) The fair value of securities acquired during the placement, the issuance of which is not finished yet (inter alia, a report on the issue results is not registered, if registration of a report on the issue results is required in accordance with the legislation of the Russian Federation), shall be measured as follows:

- As an offering price of the security issue, until the issuance/placement is finished
- Upon completion of the issuance/placement and beginning of trading, the fair value shall be calculated in the same way as for securities admitted to trading via market operators

5) If the conditions of the issuance and trading of the security traded on the active market provide for its redemption, the fair value of the security as of the date preceding the scheduled redemption date shall be the acquisition price plus recognized interest yield.

6) In the event of reorganization of a joint-stock company that issued equity securities, when there is no fair value of equity securities received by the Bank as a result of reorganization, the following shall apply as the fair value until such fair value is received:

- The fair value of the principal issue of equity securities received by the Bank (if additional issues of equity securities pass to the Bank as a result of the issuer reorganization, and the fair value of their principal issue may be measured in a reliable manner)

- The fair value of equity securities written off from the balance of the Bank as a result of reorganization, taking into account the conversion ratio

- A face value of equity securities received by the Bank

Level II: quotations on the inactive markets or of identical (similar) securities on the active markets, other source data observed with respect to securities:

1) If there has been no weighted average price of the appraised security calculated by the market operator in the active stock market within 30 calendar days, the fair value shall be a weighted average price of the appraised security calculated by the market operator for the period of up to 90 calendar days.

2) If there has been no weighted average price of the appraised security calculated by the market operator in the inactive market within 90 calendar days, the fair value shall be the last market price of the appraised security calculated by the market operator on the inactive market for the period of up to 90 calendar days.

3) If there has been no market price of the appraised security calculated by the market operator within 90 calendar days, the fair value shall be a price disclosed by the sources of quotations on the OTC market for 90 calendar days.

4) If there has been no information on the quotation (fair value) of the appraised security obtained in the manner described in clauses 1)–3), the following shall be used to measure the fair value of the appraised securities:

- A weighted average price calculated by the market operator on the active stock market for an identical (similar) security within 30 calendar days

- Polling survey with at least three market participants (in the trading systems such as Reuters, Bloomberg, etc.) on the prices (quotations) and cost of identical (similar) securities

- An expert appraisal based on the models using data observed on the market

Level III: fair value measurement using nonobserved source data (to be used in the absence of observed data set out in the description of Levels I and II of the fair value hierarchy):

An expert appraisal based on using data that are not observed in the market

If the terms of the securities issue provide for the payment of coupon yield on them, the fair value shall be measured taking into account the coupon yield calculated as of the valuation date.

The cost of equity securities being disposed (sold) and/or securities with the international security identification number (ISIN) shall be determined based on the cost of the securities that have been purchased first (FIFO).

Upon returning securities that have been previously transferred under REPO transactions or pledged without derecognition, the date of their initial recognition shall be taken into account for the purpose of measuring the value of disposed securities using the FIFO method.

The cost of securities that are not classified as equity securities or do not have the international security identification number (ISIN) shall be determined for each security or for a batch of securities.

With respect to securities placed under quality category I–III according to Bank of Russia Regulation No. 611-P and securities accounted at fair value, which are subject to revaluation, income acquisition is considered to be certain (the probability of income is absolute and/or high).

With respect to securities placed under quality category IV–V according to Bank of Russia Regulation No. 611-P, income acquisition is considered to be uncertain (income acquisition is problematic or bad).

Upon decreasing the quality of an asset and reclassifying the quality category of securities from I–III to IV–V, the amounts that have not been actually received as of the reclassification date shall not be written off from income accounts.

Upon increasing the quality of an asset and reclassifying the quality category of securities from IV–V to I–III, all amounts to be received as of the reclassification date (inclusive) shall be posted to income.

The Bank as a professional participant of the securities market writes off the costs of acquisition and sale of securities measured at fair value through profit or loss directly to expenses on a monthly basis ("in aggregate for the portfolio") and recognizes them at "Expenses of professional participants of the securities market on the acquisition and sale of securities (excluding expenses on consultancy and information services)."

Debt instruments that have not been redeemed on time are not subject to revaluation. Loss provisions are formed for investments into the said securities.

Securities and bills and notes received by the Bank as the collateral for loans granted and deposits shall be entered in the books in the amount of the collateral accepted.

B. Outstanding loans

The outstanding loans in the currency of the Russian Federation shall be entered in the books in rubles in the amount of an actual debt, and those in foreign currency, in ruble equivalent of the debt amount in foreign currency based on the official exchange rate as of the date of entering the debt in the books (followed by revaluation in accordance with the established procedure).

The aim of the Bank's credit policy is to create a high-yield credit portfolio based on a sufficient amount of solvent customers, subject to credit risk mitigation and satisfaction of the customers' demands for various credit products to the fullest extent.

The Bank performs credit risk assessment and forms a loan loss provision with respect to all loans and for a full amount of customers' similar debts, in Russian rubles, foreign currency, and precious metals in accordance with Bank of Russia Regulation No. 590-P "On the Procedure for Making Loss Provisions by Credit Institutions for Loans, Loan and Similar Debts."

Classification of loans by quality categories is performed by the business units in accordance with their authority defined in the Bank's internal regulations on a comprehensive basis according to the Bank of Russia regulations and internal documents of the Bank.

Loan loss provision is used only to cover principal loan debt that has not been paid by the customers.

A decision by the competent body of the Bank to write off unrecoverable debt at the expense of the loss provision shall be supported with the documents attesting the borrower's default in relation to its obligations to the Bank within the period of at least one year before the date of the decision to write off the loan or with the respective documents of the competent bodies (judicial acts, acts of bailiffs and other persons with similar authority, acts of state registration agencies, and other acts proving the impossibility to recover the loan).

Accounting of outstanding loans on principal debt and interest accrued thereto, written off from the balance accounts, shall be maintained on the off-balance accounts in the currency of the loan for five years in order to monitor its possible recovery in case of changes in the debtor's financial situation. Further on, the interest on outstanding loans (bills) written off under the decision of the Bank's competent body will not be accrued in the balance sheet of the Bank.

C. Accounts receivable

The accounts receivable in the currency of the Russian Federation shall be entered in the books in rubles in the amount of an actual debt, and those in foreign currency, in ruble equivalent

of the amount of accounts receivable in foreign currency based on the official exchange rate as of the date of entering the debt in the books (followed by revaluation in accordance with the established procedure).

The amounts of advances issued and prepayments for goods supplied, work performed, and services provided under business agreements with nonresidents shall be accounted in the currency of their payment, with the recognition in the balance sheet of the ruble equivalent of such amounts as of the date of payment; such amounts are not subject to further revaluation.

D. Financial claims

Financial claims of the Bank may occur in cash form (in the currency of the Russian Federation or in foreign currency) and/or in the form of claims for delivery of securities or precious metals.

Claims in cash form in the currency of the Russian Federation shall be entered in the books in the amount of actually arising claims, those in foreign currency, in their ruble equivalent at the official exchange rate as of the date of entering foreign exchange claims in the books (subject to further revaluation in accordance with the established procedure).

Claims for delivery of publicly traded securities shall be recognized in the books at their market price (subject to further revaluation in accordance with the established procedure), and for other securities, at their acquisition price.

Claims for delivery of precious metals shall be recognized in the books at their official prices (subject to further revaluation in accordance with the established procedure due to a change of official prices).

E. Derivative financial instruments

Derivative financial instruments (DFIs) are contracts recognized as DFI under Federal Law No. 39-FZ dated April 22, 1996, "On the Securities Market" and contracts recognized as derivative financial instruments by virtue of the law of a foreign state, rules of an international treaty, or customary business practices, which are subject to judicial protection in accordance with the law of a foreign state or rules of an international treaty as well as agreements for sale of foreign currency, precious metals, and securities that are non-DFIs, which provide for an obligation of one party to transfer foreign currency, precious metals, and securities into ownership of the other party not earlier than on the third business day after the day of the agreement and an obligation of the other party to accept and pay for such property.

Nondeliverable and deliverable DFIs shall be accounted at their fair value in the currency of the Russian Federation.

A DFI active market is the market where transactions with such DFI are settled on a regular basis, and information on the current prices of the active market is publicly available.

A DFI stock market is deemed active for a given DFI if within the last 30 calendar days:

- there have been at least five days when transactions were settled in the primary course of trading with the appraised instrument,
- at least 10 transactions have been settled with a given DFI with the minimum trading

volume of RUB 1,000,000 during the said period,

- there has been no major increase (over 20%) in the difference between the demand and supply prices within five trading days.

If these requirements are not met or are partially met for a given DFI, this DFI market is considered to be inactive.

An OTC market for DFIs (excluding option contracts) may be recognized as active subject to availability of information on one of the following quotations:

- Quotation of a comparable DFI in the information systems such as Reuters, Bloomberg, etc. during the last 30 calendar days, subject to the absence of any major increase (over 20%) in the difference between the demand and supply prices and/or any major change in price (over 25%) within five trading days

- Quotation of comparable DFIs in stock markets, if such DFI market is active

An OTC market for option contracts shall be considered inactive. In exceptional cases, the market may be considered active on the basis of an economically justified professional judgment prepared by a designated employee of the Bank.

Fair value measurement of a DFI is carried out in accordance with the following hierarchy:

Level I: reliable price indicators of the DFI value, including quotations of active markets for comparable DFIs, which may be accessed by the Bank as of the valuation date (used for fair value measurement without adjustment every time when they are available):

- 1) If a DFI is traded on the active stock market and has a weighted average price, the fair value shall be a weighted average price of this DFI (for futures, settlement price) calculated by the market operator as of the end of the trading day.

- 2) For a DFI acquired on the OTC market, the fair value shall be the average closing market price published by the respective information systems (such as Reuters, Bloomberg, etc.), and if no quotations have been on that day, on the nearest date in the past when such quotations were available, but not more than within 30 calendar days.

Level II: a price of the appraised DFI in the inactive markets or a price of comparable DFIs in the active markets, other source data observed with respect to the appraised DFI:

- 1) If there is no weighted average price of the appraised DFI (for futures, settlement price) calculated by the market operator as of the end of the trading day, the fair value shall be a weighted average price of a comparable DFI (for futures, settlement price) calculated by the market operator as of the end of the trading day.

- 2) For a DFI acquired on the OTC market and in the absence of quotations as per clause 2) of Level I, the fair value is defined as a weighted average price of a comparable DFI calculated by the market operator as of the end of the trading day, and in the absence of such price, the last weighted average price of a comparable DFI for the last 30 calendar days.

- 3) In the absence of information about the price (fair value) of a DFI, the following methods shall be used to measure the fair value of the appraised DFI (in priority sequence):

- Polling survey with at least three market participants (in the trading systems such as Reuters, Bloomberg, etc.) on the prices (quotations) and cost of DFIs comparable to the appraised DFI
- An expert appraisal performed on the basis of the models described in the fair value measurement methodology for securities and derivative financial instruments of the Bank

Level III: fair value measurement using nonobserved source data (to be used in the absence of observed data set out in the description of Levels I and II of the fair value hierarchy): An expert appraisal on the basis of the models described in the fair value measurement methodology for securities and derivative financial instruments of the Bank.

For FOREX transactions, DFIs fair value measurement on the date of DFIs derecognition shall be performed on the basis of the official exchange rate of the foreign currency established by the Bank of Russia for the next date after the derecognition date.

Liabilities of the Bank

A. Securities issued

All securities issued by the Bank shall be accounted at their face value.

B. Accounts payable

Accounts payable in the currency of the Russian Federation shall be entered in the books in rubles in the amount of an actual debt, and those in foreign currency, in ruble equivalent of the amount of accounts payable in foreign currency based on the official exchange rate as of the date of entering the debt in the books (followed by revaluation in accordance with the established procedure).

The amounts of advances received and prepayment under business agreements with nonresidents shall be accounted in the currency of their receipt, with the recognition in the balance sheet of the ruble equivalent of such amounts as of the date of receipt; such amounts are not subject to further revaluation.

C. Financial liabilities

Financial liabilities of the Bank may occur in cash form (in the currency of the Russian Federation or in foreign currency) and/or in the form of liabilities for delivery of securities or precious metals.

Liabilities in cash form in the currency of the Russian Federation shall be entered in the books in the amount of actually arising liabilities, those in foreign currency, in their ruble equivalent at the official exchange rate as of the date of entering foreign exchange liabilities in the books (subject to further revaluation in accordance with the established procedure).

Liabilities on delivery of publicly traded securities shall be recognized in the books at their market price (subject to further revaluation in accordance with the established procedure), and for other securities, at their acquisition price.

Liabilities on delivery of precious metals shall be recognized in the books at their official prices (subject to further revaluation in accordance with the established procedure due to a change of official prices).

Income recognition methods used to determine the completion degree of operations that imply provision of services

The Bank recognizes in its accounting records income from operations that imply provision of services in accordance with the principles of income recognition and definition set out in the Bank's accounting policy according to Bank of Russia Regulation No. 446-P dated December 22, 2014, "On the Procedure to Determine Credit Institutions' Revenues, Expenditures, and Other Aggregate Income," subject to the following simultaneous conditions:

1) The right of the Bank to receive this income arises out of a specific contract or is otherwise attested in a proper way.

2) The amount of income can be measured.

3) There is no uncertainty as to income receipt.

4) As a result of asset delivery (sale), work performance, or service provision, the Bank has transferred to the buyer the risks and benefits associated with the ownership of such asset, no longer controls and participates in control over the asset being delivered (sold), or the work has been accepted by the customer, or the service has been provided.

Criteria used to write off the amounts of loss provisions. Criteria used by the Bank to establish the presence of objective evidence of the occurrence of financial assets impairment loss

Signs of assets impairment

Fixed assets shall be subject to impairment test if there are any signs of their possible impairment. Upon detecting any sign of possible impairment of the asset that is subject to impairment test, the replacement cost of the asset shall be determined. The replacement cost of the asset that is subject to impairment test is defined as its fair value less expenses on sale or as its value in use, whichever is higher. Fixed assets accounted at revalued cost, whose value in use cannot be determined, are not subject to impairment if the amount of expenses on sale is insignificant: less than 5% of the revalued cost of the asset.

Intangible assets with an indefinite useful life and intangible assets that have not been made ready for use as planned shall be subject to impairment test regardless of whether there are any signs of their possible impairment.

Real estate temporarily unused in the core operations shall be recognized in the books at its fair value. Real estate temporarily unused in the core operations and accounted at its fair value shall not be subject to impairment test.

Signs of securities impairment

1) For the issuers of debt securities that are credit institutions, the impairment signs are:

- Breach of the time frames of settlement transactions with the Bank in the correspondent

account for over 30 calendar days

- Revocation of a banking license of the issuing credit institution
- Failure of the issuing credit institution to perform its obligations to the Bank, which is not associated with the settlement transactions in the correspondent account (subaccounts) for over 30 calendar days
- Blocking of accounts of the issuing credit institution
- Information on the existing overdue claims against the issuing credit institution from tax authorities regarding payments to the budgets of all budget system levels of the Russian Federation and to the budgets of the state off-budgetary funds
- Appointment of a provisional administration for the management of the issuing credit institution

2) For the issuers of debt securities other than credit institutions, the impairment signs are:

- Information on judicial acts
- Receiving information from public sources on possible bankruptcy or other financial reorganization of the issuer
- Information on considerable (over 30 calendar days) defaults on supplies or payments by the issuer
- Information on significant financial problems of the issuer

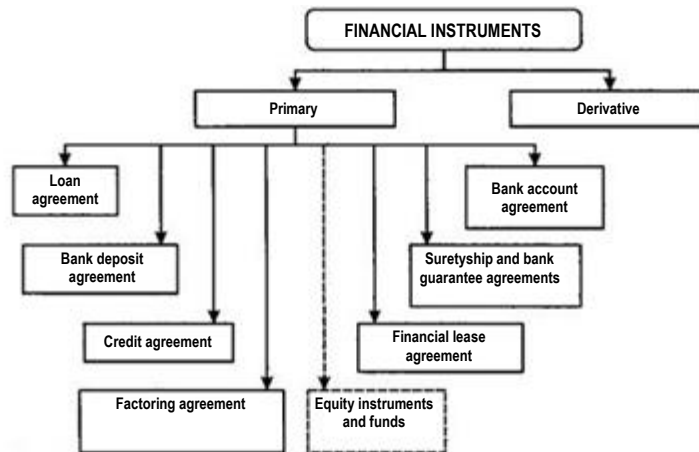
At least on a monthly basis, the Bank shall test securities that have no reliable fair value for the signs of impairment of securities issuers. If there are any signs of securities impairment or any prerequisites for their occurrence, decreasing factors shall apply to the fair value of such securities.

Upon decision of the Bank's Management Board, the bad debt on financial assets shall be written off at the expense of loss provisions, provided that all necessary and adequate legal and actual actions have been taken to recover debt. Upon receipt by the Bank of a court resolution on cancellation of a loan debt of an individual bankrupt, and if such resolution contains a requirement for its immediate enforcement, such debt shall be written off against an official memo of an authorized person of the Bank.

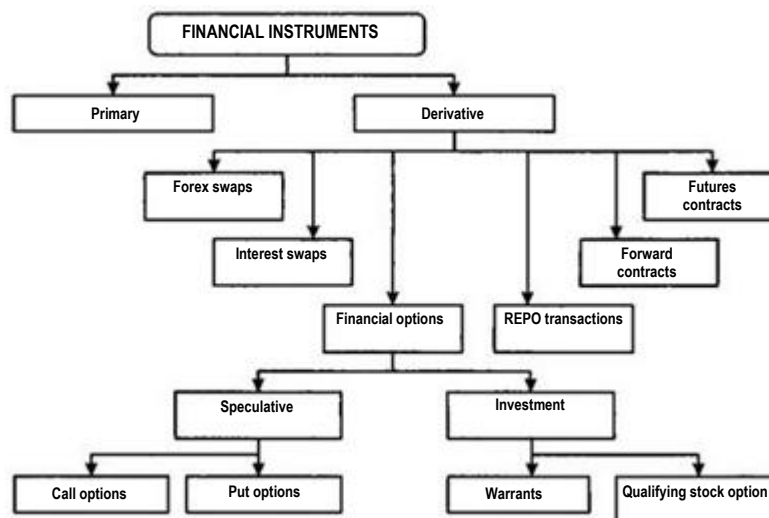
Measurement of net profit (loss) on financial instruments

Financial instruments can be primary and derivative.

Classification of financial instruments: Primary instruments



Classification of financial instruments: Derivative instruments



Net profit on financial instruments is determined on the basis of income under the contract, considering revaluation or provision made.

Description of the accounting policy with respect to financial assets whose contract terms and conditions have been revised and that would have otherwise been overdue or impaired.

Restructured financial assets are recognized in the Bank's balance sheet according to new restructuring conditions.

If the period for raising and placement of funds established earlier has been changed, the new period shall be calculated by adding (deducting) the days of contract period increase (reduction) to (from) the period established before. Furthermore, the balance of the subledger account with the period established before shall be carried over to the subledger account with the new period.

Description of the Bank's accounting policy adopted for accounting of state subsidies and methods used for their disclosure in the annual statements

The Bank recognizes state subsidies to be received as a compensation for the loss of profit as operating profit of the period in which they have been received.

Description of each significant provision of the accounting policy, including information on the judgments drafted in the course of accounting policy application, which had a significant impact on the amounts recognized in the annual statements, excluding judgments related to estimates

The significant provisions of the accounting policy and approaches toward identification of materiality are set out in the respective sections of the Accounting Policy dedicated to mistakes, events after reporting date, accounting of property, securities, provisions – estimated noncredit liabilities, and remunerations to employees.

Information on the nature of assumptions and on the main sources of uncertainty in estimates as of the end of the reporting period

The Bank's statements for 12 months of 2018 was drawn up on the basis of an assumption that the Bank would conduct its operations in future on an on-going basis and had no intention and need for liquidation, considerable decrease in operations, or settlement of transactions on disadvantageous conditions.

Information on amendments in the accounting policy for the next reporting year, including information on termination of application of the underlying assumption (principle) of going concern.

Since there have been no significant amendments to the Bank's accounting policy during the reporting period, which would affect the comparability of individual performance indicators of the credit institution, the Bank did not calculate any adjustments associated with the amendments in the accounting policy affecting the comparability of its individual performance indicators.

No significant mistakes were found in the Bank's accounting (financial) statements in the reporting and preceding period.

The Bank's accounting policy for 2019 was amended due to amendments made by the Bank of Russia in its regulations in accordance with IFRS 9 "Financial Instruments," which changed the procedure for accounting short financial derivatives. The Bank's accounting policy preserves the key principles applied by the Bank in 2018.

Significant categories of nonadjusting events after the reporting date

The Bank had no significant and insignificant nonadjusting events after the reporting date.

4. Supporting information to the balance sheet items

4.1. Cash and cash equivalents

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Cash	13,264,425	16,475,695
Due to the credit institution from the Bank of Russia (excluding required reserves)	56,013,111	69,983,671
Cash and cash equivalents	69,277,536	86,459,366

Cash and cash equivalents are neither impaired nor overdue.

4.2. Amounts due from credit institutions

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Accounts with the credit institutions of the Russian Federation	5,335,835	3,567,714
Accounts with nonresident credit institutions	4,829,665	4,170,705
Total accounts and deposits with banks	10,165,500	7,738,419

Accounts and deposits with banks are neither impaired nor overdue.

As of January 1, 2019, this balance-sheet item recognizes the amounts due from clearing organizations, which are intended for collective clearing collateral in the amount of RUB 30,000,000; as of January 1, 2018, this balance-sheet item recognizes the amounts due from clearing organizations, which are intended for collective clearing collateral in the amount of RUB 30,000,000.

Analysis of amounts due from credit institutions by the structure of currencies and geographic concentration is set out in Note 8 to the Explanatory Information.

4.3. Investments into financial assets measured at fair value through profit or loss

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Owned by the Bank		
Federal loan bonds of the Russian Federation	26,339,224	22,387,130
Bonds of local authorities and municipal bonds	1,437,070	1,072,951
Bonds of resident credit institutions	1,427,822	8,128,218
Bonds of resident legal entities	41,213,955	18,735,656
Bonds of international development banks	123,222	124,117
Bonds of nonresident legal entities	8,755,983	20,362,195
Total, owned by the Bank	79,297,276	70,810,267
Encumbered with pledge under REPO transactions		
Federal loan bonds of the Russian Federation	54,848,086	14,746,757
Bonds of resident legal entities	27,322,432	70,677
Bonds of nonresident legal entities	2,000,165	1,197,225
Total, encumbered with pledge under REPO transactions	84,170,683	16,014,659
Derivative financial instruments	4,665,275	8,630,589
Total financial instruments measured at fair value through profit or loss	168,133,234	95,455,515

Financial instruments measured at fair value, the changes in which are recognized in profit or loss of the period, are neither impaired nor overdue.

Debt securities broken down by types and currencies and time left to expiry of their circulation period as of January 1, 2019, and January 1, 2018, are distributed as follows:

	December 31, 2018, RUB thou	Currency type	Circulation period	Coupon yield
Federal loan bonds of the Russian Federation (FLB)	25,307,241	RUB	2022–2034	6.50%–8.80%
Federal loan bonds of the Russian Federation (MF, RUSSIA)	55,880,069	USD	2028–2047	5.25%–12.75%
Bonds of local authorities and municipal bonds	1,437,070	RUB	2020–2025	7.70%–9.15%
Bonds of resident credit institutions	1,427,822	RUB	2020–2022	8.65%–9.00%
Bonds of resident legal entities	68,536,387	RUB	2019–2048	5.6%–14.25%
Bonds of international development banks	123,222	RUB	2027	8.75%
Bonds of nonresident legal entities	9,868,895	USD	2020–2027	3.95%–7.5%
Bonds of nonresident legal entities	887,253	other currencies	2023	2.1%
Total debt securities measured at fair value through profit or loss	163,467,959			

	December 31, 2017, RUB thou	Currency type	Circulation period	Coupon yield
Federal loan bonds of the Russian Federation (FLB)	16,999,666	RUB	2018–2033	7.05%–10.61%
Federal loan bonds of the Russian Federation (MF, RUSSIA)	20,134,221	USD	2028–2047	5.25%–12.75%
Bonds of local authorities and municipal bonds	1,072,951	RUB	2018–2024	7.27%–11.5%
Bonds of resident credit institutions	8,128,218	RUB	2018–2027	4.9%–12.1%
Bonds of resident legal entities	18,806,333	RUB	2018–2031	4.5%–17.0%
Bonds of international development banks	124,117	RUB	2027	8.75%
Bonds of nonresident legal entities	76,299	RUB	2024	7.9%
Bonds of nonresident legal entities	19,427,549	USD	2018–2023	3.95%–8.7%
Bonds of nonresident legal entities	553,424	EUR	2024	2.25%
Bonds of nonresident legal entities	1,502,148	other currencies	2022–2023	2.1%–2.25%
Total debt securities measured at fair value through profit or loss	86,824,926			

The table below shows the analysis of financial derivatives as of January 1, 2019.

RUB thou	Amount of claims	Amount of liabilities	Amount of positive fair value	Amount of negative fair value	Credit risk
Swap with an FX underlying asset	323,631,563	324,379,094	2,282,951	5,762,888	990,321
Forward with an FX underlying asset	280,146,728	279,295,626	2,177,826	229,593	7,204,789
Swap with an FX and interest rate underlying asset	7,397,829	7,363,254	203,693	169,801	418,608
Forward with an FX underlying asset	16,307	16,229	805	0	697

The table below shows the analysis of financial derivatives as of January 1, 2018.

RUB thou	Amount of claims	Amount of liabilities	Amount of positive fair value	Amount of negative fair value	Credit risk
Swap with an FX and interest rate underlying asset	6,955,547	6,612,056	592,392	0	685,335
Swap with an FX underlying asset	256,188,486	254,036,544	4,344,419	1,276,705	6,752,983
Forward with an FX underlying asset	500,495,624	503,887,344	3,693,778	20,725	12,976,678

4.4. Information on the scope and structure of loans, loan and similar debts

Information in this article is broken down by types of borrowers and types of loans issued. The table below shows the information on loans, loan and similar debts:

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Net loan debt of credit institutions:		
Interbank credits and deposits	12,815,527	45,374,159
Discounted bills	—	—
Claims for money submitted under the transactions settled with securities on a repayable basis without recognition of securities received	7,688,678	23,700,754
Other assets recognized as loans	7,893,228	3,763,294
Total net loan debt of credit institutions	28,397,433	72,838,207
Net corporate loan debt:		
Loans issued, deposits placed	510,948,071	638,723,644
Claims related to alienation of financial assets by the credit institution with simultaneous payment deferral	14,591,892	133,186
Discounted bills	—	—
Claims for money submitted under the transactions settled with securities on a repayable basis without recognition of securities received	1,053,836,638	767,010,775
Other assets recognized as loans	69,252,272	18,316,900
Total net corporate loan debt	1,648,628,873	1,424,184,505
Net retail loan debt:		
Mortgage loans	13,584,807	12,478,686
Car loans	112,258	387,514
Other consumer loans	73,736,392	63,132,796
Other assets recognized as loans	—	30,773
Total net retail loan debt	87,433,457	76,029,769
Total loan debt	1,764,459,761	1,573,052,481

Credit portfolio concentration by economy sectors for resident legal entities, by loans to small and medium businesses, including individual entrepreneurs, is disclosed on the basis of Form 0409302 "Information on placed and raised funds."

	December 31, 2018, RUB thou	December 31, 2017, RUB thou
Mineral production	51,552,437	61,745,448
Manufacturing	47,992,300	85,788,111
Electricity, gas, and water generation and distribution	392,600	814,400
Agriculture, hunting, and forest management	3,502,614	3,266,467
Construction	5,979,162	17,431,227
Transport and communications	25,919,797	11,662,123
Wholesale and retail trade, repair of motor vehicles, motorcycles, household appliances, and personal hygiene items	95,335,805	151,174,669
Operations with real estate, lease and provision of services	18,529,193	38,046,040
Other activities	139,413,313	189,207,394
Loans for completion of settlements	520,769	1,705,717
total loans	389,137,990	560,841,596
Including:		
Loans to small and medium businesses, including:	29,952,677	16,118,694
to individual entrepreneurs	—	—

Breakdown of loans by types of counterparties depending on time left to complete loan repayment as of January 1, 2019:

Loans issued, broken down by borrowers	up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	over 1 year	total
legal entities	17,567,839	34,650,419	112,147,082	110,714,827	367,421,934	642,502,101
individuals	4,991,065	617,278	1,401,720	5,344,795	97,533,686	109,888,544
total loans	22,558,904	35,267,697	113,548,802	116,059,622	464,955,620	752,390,645

Breakdown of loans by types of counterparties depending on time left to complete loan repayment as of January 1, 2018:

Loans issued, broken down by borrowers	up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	over 1 year	total
legal entities	72,237,788	56,403,078	47,623,495	118,136,177	426,385,167	720,785,705
individuals	2,984,541	1,176,216	1,570,728	5,383,801	84,067,301	95,182,587
total loans	75,222,329	57,579,294	49,194,223	123,519,978	510,452,468	815,968,292

Analysis of outstanding loans by the structure of currencies and geographic concentration is set out in Note 8 to the Explanatory Information.

4.5. Net investments into securities and other financial assets available for sale

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Owned by the Bank		
Federal loan bonds of the Russian Federation (FLB)	1,843,044	1,887,023
Bonds of local authorities and municipal bonds	19,708	501,966
Bonds of resident credit institutions	39,251	85,519
Bonds of resident legal entities	4,006,497	12,097,116
Bonds of nonresident legal entities	19,623,631	5,750,523
Shares of resident legal entities	111,112	111,112
Total, owned by the Bank	25,643,243	20,433,259
Encumbered with pledge under REPO transactions		
Federal loan bonds of the Russian Federation (FLB)	12,367,101	3,214,880
Bonds of resident legal entities	931,689	–
Bonds of nonresident legal entities	9,393,039	4,597,507
Total, encumbered with pledge under REPO transactions	22,691,829	7,812,387
Investments into subsidiaries	5,369,710	3,662,149
Total financial instruments available for sale	53,704,782	31,907,795

As of January 1, 2019, and January 1, 2018, the balance sheet of the Bank recognizes investments into shares of ACRA JSC for an amount of RUB 111,112,000.

Debt securities broken down by types and currencies and time left to expiry of their circulation period as of January 1, 2019, and January 1, 2018, are distributed as follows:

	December 31, 2018, RUB thou	Currency type	Circulation period	Coupon yield
Federal loan bonds of the Russian Federation (MF, RUSSIA)	13,812,943	USD	2022–2047	4.25%–5.25%
Federal loan bonds of the Russian Federation (RUSSIA)	397,202	EUR	2019	2.875%
Bonds of local authorities and municipal bonds	19,708	RUB	2020	8.4%
Bonds of resident credit institutions	39,251	RUB	–	0.51%
Bonds of resident legal entities	4,938,186	RUB	2019–2033	5.6%–14.25%
Bonds of nonresident legal entities	1,390,348	RUB	2019–2024	7.4%–9.25%
Bonds of nonresident legal entities	26,716,829	USD	2019–2111	3.949%–11.5%
Bonds of nonresident legal entities	715,591	EUR	2024	2.949%
Bonds of nonresident legal entities	193,902	other currencies	2019	2.25%
Total debt securities available for sale	48,223,960			

	December 31, 2017, RUB thou	Currency type	Circulation period	Coupon yield
Federal loan bonds of the Russian Federation (FLB)	5,101,903	RUB	2026–2027	4.25%–4.75%
Bonds of local authorities and municipal bonds	501,966	RUB	2018–2021	7.27%–11.5%
Bonds of resident credit institutions	85,519	RUB	2018–2032	0.51%–9.9%
Bonds of resident legal entities	12,097,116	RUB	2018–2026	4.5%–14.25%
Bonds of nonresident legal entities	675,031	RUB	2019	8.3%–8.446%
Bonds of nonresident legal entities	9,672,999	USD	2018–2023	3.723%–11.0%
Total debt securities available for sale	28,134,534			

The structure of investments into securities issued by resident legal entities, broken down by types of issuers' economic activities:

	December 31, 2018, RUB thou	December 31, 2017, RUB thou
Oil and gas industry	318,474	946,167
Chemical industry	–	57,118
Construction and development	6,375	1,078,010
Provision of financial services	3,101,538	8,282,347
Transport services	684,084	–
Production	589,002	312,473
Other	238,713	1,421,001
Total	4,938,186	12,097,116

4.6. Information on the scope and structure of financial investments into subsidiaries and affiliated companies and other shareholdings

As of January 1, 2019, investments of the Bank are represented as follows:

	Shareholding, %	Amount of investments, RUB thou
Atil LLC	100.00	316,179
NCO Inkakhran JSC	100.00	1,811,000
NCO Inkakhran-Service JSC	99.6	15
Savings and Loan Services Bank LLC	100.00	560,000
Mendeleyev Refinery Plant of Yaroslavl OJSC	88.72	395
Atil Klimovsky LLC	100.00	628,877
Elecsnet Holding Limited	49.78	2,274,851
total investments		5,591,317
total provisions made		(221,607)
total		5,369,710

As of January 1, 2018, investments of the Bank are represented as follows:

	Shareholding, %	Amount of investments, RUB thou
Atil LLC	100.00	316,179
Atil Kharitonyevsky LLC	100.00	925,620
NCO Inkakhran JSC	100.00	1,811,000
MKB-leasing LLC	100.00	310,097
M-leasing* LLC	0.01	31
Savings and Loan Services Bank LLC	100.00	560,000
Mendeleyev Refinery Plant of Yaroslavl OJSC	88.72	395
total investments		3,923,322
total provisions made		(261,173)
total		3,662,149

* The Bank exercises 100% indirect control by way of 100% control over MKB-leasing LLC, a member of M-leasing holding a 99.99% share.

The Bank is not a direct or indirect shareholder of any companies of the banking group: CBOM Finance p.l.c., MKB-Invest LLC, and Mortgage Agent MKB-2 LLC. Furthermore, CBOM Finance p.l.c. is a special-purpose vehicle incorporated for the purpose of attracting capital by means of issuing debt securities and using proceeds from such securities issues for

granting loans to the Bank. MKB-Invest LLC is controlled by the group through option agreements for the purchase of shares.

MKB 2 Mortgage Agent LLC was incorporated for the purpose of the mortgage loan securitization program launched by the Bank in 2016. The Mortgage Agent was incorporated for funding the Bank by way of issuing bonds of class A (rating Baa3) and their market offering to investors. Mortgage-backed bonds were issued in accordance with Federal laws No. 152-FZ dated November 11, 2003, "On Mortgage Securities" and No. 379-FZ dated December 21, 2013, "On Amending Certain Legislative Acts of the Russian Federation" (Securitization Law). The Bank as the Service Agent assumed obligations under the agreement to control Mortgage Agent's operations (MKB 2 Mortgage Agent LLC), which implies support of all financial flows, settlements with investors, control and safety of mortgage coverage under the transaction settled.

Previous MKB Mortgage Agent CJSC that had been incorporated in 2014 for the purpose of settling the first securitization transaction with the Bank's mortgage assets redeemed the issue of bonds of class A and B ahead of time on the coupon date of December 7, 2018. The transaction has been closed, and at the moment MKB Mortgage Agent CJSC is going through the winding-up procedure (H2 2019).

No financial support was provided in the reporting period.

4.7. Information on the valuation methods after initial recognition

Information on the valuation methods for assets and liabilities after their initial recognition is set out in Note 3.

	2018, RUB thou		2017, RUB thou	
	Level I	Level II	Level I	Level II
Securities appraised through profit or loss	118,542,839	44,925,120	46,552,496	40,272,430
Securities available for sale	27,568,766	20,665,194	12,844,512	15,290,022
Total	146,111,605	65,590,314	59,397,008	55,562,452

The table below shows the transfers of financial assets between the categories of Level I and Level II of the fair value hierarchy as of January 1, 2019.

	Transfer from Level II to Level I	Transfer from Level I to Level II
Securities appraised through profit or loss	52,370,805	3,180,144
Securities available for sale	2,088,994	118,761

For the purpose of measuring the fair value of DFIs that provide for future payments and/or future delivery of assets, the method of adjusted (discounted) value is used generally. The adjusted value of the cash flow is calculated by multiplying its nominal value by the discount factor corresponding to the currency, asset, and term of payment. The source data of Level II of the hierarchy were used to measure the fair value of derivative financial instruments settled as of January 1, 2019, and January 1, 2018. The source data include interest rates and yield curves on standard times (LIBOR, MOSPRIME, and others), implied volatility and volatility surface on standard times and strikes, credit spreads, etc.

4.8. Net investments into securities held to maturity

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Owned by the Bank		
Bonds of resident legal entities	–	974,273
Bonds of resident credit institutions	4,127,859	–
Bonds of nonresident legal entities	4,336,292	–
Total, owned by the Bank	8,464,151	974,273
Encumbered with pledge under REPO transactions		
Bonds of nonresident legal entities	24,019,476	–
Bonds of resident credit institutions	3,088,446	–
Total, encumbered with pledge under REPO transactions	27,107,922	–
Total financial instruments held to maturity	35,572,073	974,273

In Q3, the Bank continued to increase its investment portfolio of Eurobonds of high-quality issuers amidst increased volatility in the debt markets as a result of the progressive US sanctions.

4.9. Change in the loss provision for impaired financial assets

As of January 1, 2019, the Bank made the following provisions: for equity securities related to Category 5 for the amount of RUB 50,000; for debt instruments of legal entities related to Category 5 for the amount of RUB 1,172,561,000; for debt instruments of nonresident legal entities related to Category 2 for the amount of RUB 27,092,000.

As of January 1, 2018, the Bank made the following provisions: for equity securities related to Category 5 for the amount of RUB 50,000; for debt instruments of legal entities related to Category 5 for the amount of RUB 1,051,720,000; for debt instruments of legal entities related to Category 2 for the amount of RUB 9,841,000.

4.10. Information on financial assets and financial liabilities that are subject to set-off

Transactions with derivative financial instruments, which are not settled on the stock market, shall be settled in accordance with the general set-off agreements of the International Swaps and Derivatives Association (ISDA). In accordance with those agreements, the amounts to be paid by each counterparty on a certain day with respect to unfinished transactions in the same currency shall make a single net amount to be paid by one party to the other party. Under certain circumstances, such as default, all unfinished transactions in accordance with the agreement shall be terminated, the value at the moment of termination is measured, and only a single net amount is paid or is subject to payment in the settlement transactions.

REPO transactions and reverse REPO transactions, agreements on securities borrowing and securities lending shall be the subject matter of general agreements with the set-off conditions similar to the set-off agreements of the International Swaps and Derivatives Association (ISDA).

The Bank receives and accepts the collateral in the form of cash funds and securities traded in the market under REPO and reverse REPO transactions. Such securities received as the collateral/transferred in pledge may be pledged or sold during the period of the transaction but shall be returned before its maturity. The terms of the transaction also entitle each counterparty to terminate respective transactions as a result of the counterparty's failure to provide the collateral.

The information on financial assets and financial liabilities that are subject to set-off as of January 1, 2019, and January 1, 2018, is set out below.

Types of financial assets/liabilities, RUB thou	Amounts of recognized financial assets/liabilities	Gross set-off amounts recognized in the Statement of Financial Position	Net amount after set-off	2018, RUB thou	
				Amounts covered by the general set-off agreement or other similar agreements	
Assets					
Reverse REPO transactions	1,061,750,074	–	1,061,750,074	1,061,750,074	
Fair value of derivative financial instruments	4,665,275		4,665,275	4,665,275	
total assets covered by the general set-off agreement or other similar agreements	1,066,415,349	–	1,066,415,349	1,066,415,349	
Liabilities					
REPO transactions	515,056,715	–	515,056,715	515,056,715	
Fair value of derivative financial instruments	6,162,282		6,162,282	6,162,282	
total liabilities covered by the general set-off agreement or other similar agreements	521,218,997	–	521,218,997	521,218,997	

Types of financial assets/liabilities, RUB thou	Amounts of recognized financial assets/liabilities	Gross set-off amounts recognized in the Statement of Financial Position	Net amount after set-off	2017, RUB thou
				Amounts covered by the general set-off agreement or other similar agreements
Assets				
Reverse REPO transactions	790,843,452	–	790,843,452	790,843,452
Fair value of derivative financial instruments	8,630,589		8,630,589	8,630,589
total assets covered by the general set-off agreement or other similar agreements	799,474,041	–	799,474,041	799,474,041
Liabilities				
REPO transactions	557,813,839	–	557,813,839	557,813,839
Fair value of derivative financial instruments	1,297,430		1,297,430	1,297,430
total liabilities covered by the general set-off agreement or other similar agreements	559,111,269	–	559,111,269	559,111,269

4.11. Financial assets transferred without derecognition

The amount of the Bank's assets transferred without derecognition was RUB 133,970,433,000 as of January 1, 2019; the amount of corresponding liabilities was RUB 115,913,565,000. The amount of financial assets received earlier under reverse REPO transactions and transferred without derecognition was RUB 448,215,483,000; the amount of corresponding liabilities was RUB 399,143,150,000.

The amount of the Bank's assets transferred without derecognition was RUB 23,827,046,000 as of January 1, 2018; the amount of corresponding liabilities was RUB 19,645,901,000. The amount of financial assets received earlier under reverse REPO transactions and transferred without derecognition was RUB 635,679,357,000; the amount of corresponding liabilities was RUB 538,167,938,000.

4.12. Information on financial assets received as the collateral

As of January 1, 2019, the Bank received financial assets in the amount of RUB 1,179,297,438,000 as the collateral under reverse REPO transactions with the right of sale or subsequent pledge; as of January 1, 2018, in the amount of RUB 883,064,503,000.

Information on the amount of assets received as the collateral under reverse REPO transactions and transferred without derecognition is set out in Note 4.11 of the Explanatory Information.

4.13. Information on financial instruments reclassified from one category to another

In 2018, financial assets were reclassified from the category of available for sale to the category of held to maturity in the amount of RUB 1,874,145,000. The issuer was classified to Category 2, and a provision in the amount of RUB 18,741,000 was made.

Reclassification was performed due to a change of the business model for these assets for the strategy of holding "to maturity."

4.14. Information on the scope and structure of fixed assets and intangible assets

Appraisal bases used to determine the book value

When determining the book value of fixed assets, the Bank complies with the International Financial Reporting Standard (IAS) 16 "Fixed Assets" and Regulation No. 448-P "On Accounting by Credit Institutions of Fixed Assets, Intangible Assets, Real Estate Temporarily Unused in the Core Operations, Long-Term Assets Intended for Sale, Inventories, Labor Tools, Materials and Supplies of Undetermined Purpose Received under Settlement and Pledge Agreements."

The book value is the amount in which the asset is recognized after deducting the amounts of accumulated depreciation and accumulated impairment loss.

Methods of fixed assets depreciation

Depreciation is accrued for all groups (classes) of fixed assets on a straight-line basis.

Useful life or depreciation rates

Useful life is the period of time during which the asset will be available for use by the Bank for the purpose of gaining economic benefits.

Useful life of a fixed asset is determined by the Bank upon its recognition on the basis of:

- The expected useful life of this asset according to the expected productivity or capacity
- The expected deterioration of this asset that depends on the operation mode, natural conditions, and impact of aggressive medium, repair system
- Regulatory and other restrictions on the use of this asset
- Obsolescence of this asset as a result of alternation or improvement of the production process or as a result of changes in the market demand for the services rendered with the use of such fixed asset

The table below displays the information on gross value and accumulated depreciation of fixed assets:

Name of the class of fixed assets (group)	Gross book value of the class as of January 1, 2018	Gross book value of the class as of January 1, 2019	Accumulated depreciation of the class as of January 1, 2018	Accumulated depreciation of the class as of January 1, 2019	Receipts for the reporting period	Disposals for the reporting period		Depreciation for the period
						transfer to long-term assets held for sale	other disposals	
Real estate	5,369,607	4,693,769	782,207	813,469	3,320	0	453,981	121,730
Computing equipment	925,650	1,390,837	562,254	847,361	466,610	0	1,423	286,530
Furniture	106,136	117,137	76,818	86,256	12,153	0	1,152	10,578
Equipment	622,074	634,301	413,012	465,044	33,301	0	21,074	72,498
Equipment for safeguarding items of value	29,703	33,671	6,142	7,770	4,027	0	59	1,687
Security	129,811	160,527	59,828	82,517	34,199	0	3,483	25,682
Software and hardware (ATMs and payment terminals)	1,440,360	1,587,984	877,866	1,032,031	155,422	0	6,954	161,017
Other vehicles (buses, small buses, tractors)	12,497	12,497	8,053	8,837	0	0	0	784
Cars for traveling	19,543	28,014	14,804	16,897	8,471	0	0	2,093
Specialized vehicles (armored cars)	478,995	487,511	244,778	276,013	27,884	17,707	485	46,779
Other fixed assets	57,768	56,781	32,110	33,189	6,381	0	7,147	7,611
Improvement of the territory at 11 Elevatornaya St.	311	311	0	96	0	0	0	96
Works of art	341	341	0	0	0	0	0	0
Total:	9,192,796	9,203,681	3,077,872	3,669,480	751,768	17,707	495,758	737,085

The Bank has no restrictions on ownership rights to fixed assets and real estate.

An increase (decrease) in the value as a result of revaluation or impairment loss recognized or recovered in other comprehensive income:

An increase in the value as a result of real estate revaluation: RUB 259,000.
A decrease in the value as a result of real estate revaluation: RUB 145,221,000.

Real estate revaluation loss recognized in profit or loss: RUB 37,567,000.

Income from an increase in the value of real estate after their markdown, recognized in profit or loss: RUB 277,000.

Impairment loss recognized in profit or loss: RUB 2,242,000.

Impairment of fixed assets has been carried out in the following groups:
Software and hardware (ATMs and payment terminals): RUB 844,000.
Specialized vehicles (armored cars): RUB 1,177,000.
Other fixed assets: RUB 221,000.

Recovery of impairment loss was not carried out.

Amount of contractual obligations to acquire fixed assets

As of January 1, 2019, the amount of obligations to the Bank to acquire fixed asset was RUB 22,080,000; the amount of the Bank's obligations to acquire fixed assets was RUB 0 thousand.

The degree of influence of changes in the estimates on the reporting period figures

In accordance with Regulation No. 448-P "On Accounting by Credit Institutions of Fixed Assets, Intangible Assets, Real Estate Temporarily Unused in the Core Operations, Long-Term Assets Intended for Sale, Inventories, Labor Tools, Materials and Supplies of Undetermined Purpose Received under Settlement and Pledge Agreements," the following shall be revised at the end of each reporting year to decide whether they should be updated: estimated disposal value, future expenses on fulfilling obligations to dismantle, remove the facility, and restore the environment on the facility site, useful life of a fixed asset, and its depreciation accrual method. At the end of 2018, these figures were reviewed. No material changes were found.

Information on revaluation, engagement of an independent appraiser in valuation

Revaluation of fixed assets accounted at their revalued cost shall be performed on a regular basis at the end of the reporting year. A revalued cost reflects the fair value as of the end of the reporting year and is determined on the basis of the professional appraisal data.

The last revaluation was carried out as of December 31, 2018. Valuation was performed by an independent appraiser, LL-Consult LLC, in compliance with the requirements of Federal Law No. 135-FZ dated July 29, 1998, "On Valuation Activity in the Russian Federation," Federal Valuation Standards, Regulations of the competent federal body performing functions of legal regulation of valuation activity, Valuation standards and rules established by the self-regulated organization whose member the appraiser, LL-Consult LLC, is.

Real estate is accounted at revalued cost.

An increase in the value as a result of revaluation amounted to RUB 535,000.

A decrease in the value as a result of revaluation amounted to RUB 182,788,000.

In general, the revaluation decreased the cost of real estate by RUB 182,253,000.

Before revaluation, the book value of real estate amounted to RUB 4,066,044,000.

After revaluation, the book value of real estate amounted to RUB 3,883,791,000.

The book value of this group (class) that would have been subject to recognition if assets had been accounted at their initial cost is RUB 3,082,026,000.

Items of the Statement of Comprehensive Income reflecting the amount of impairment loss or the amount of impairment loss recovery, which has been recognized as part of profit or loss during the reporting period.

During 2018, impairment of fixed assets amounted to RUB 2,242,000, expenses were posted to item 48204 "Fixed assets impairment expenses." Recovery of fixed assets impairment loss was not performed in the reporting period.

Information on real estate temporarily unused in the core operations.

The Bank uses the model of accounting real estate temporarily unused in the core operations at its fair value.

The criteria for distinction between real estate temporarily unused in the core operations and fixed assets intended for sale are compiled of goals of using real estate and the period of their implementation.

The fair value of real estate temporarily unused in the core operations is determined by the Bank, or, when the fair value of the asset cannot be measured by the Bank, independent appraisers may be engaged for valuation.

As of January 1, 2018, the Bank had no investments in real estate temporarily unused in the core operations. The book value as of January 1, 2019, is RUB 428,482,000. During the reporting period, the amount of proceeds as a result of acquisition is RUB 418,045,000.

Income from the change in the fair value of real estate temporarily unused in the core operations is RUB 22,272,000.

Expenses from the change in the fair value of real estate temporarily unused in the core operations are RUB 15,326,000.

Rental income from real estate temporarily unused in the core operations for the reporting period is RUB 13,000.

Expenses on the maintenance of real estate temporarily unused in the core operations for the reporting period is RUB 1,547,000. These expenses are not generating rental income or a comprehensive change in the fair value recognized as part of profit or loss during the sale.

No repair expenses were incurred.

Information on lease operations

The amount of rental payments under operational lease agreements recognized as expenses in 2018 was RUB 988,572,000.

The amount of rent recognized as income in 2018 (net of rental income from real estate temporarily unused in the core operations) was RUB 17,169,000.

The Bank as the lessee and the lessor of fixed assets has lease agreements mostly settled for the lease of real estate, and an insignificant portion of lease agreements was concluded for cars and equipment. When concluding all lease agreements, the Bank considers market prices for determining the rent, and rental payments are usually made on a monthly basis. Lease agreements of the Bank (both as the lessee and the lessor) are the agreements with the right for early termination.

Information on each class of intangible assets

The useful life of intangible assets is determined by the Bank as of the recognition date of the intangible asset (transfer of the intangible asset for use according to intentions of the Bank management) on the basis of:

- The effective period of the Bank's rights to the result of intellectual activity or the means of individualization and the period of control over the intangible asset

- The expected period of use of the intangible asset during which the Bank expects to receive economic benefits

Intangible assets whose useful life cannot be determined in a reliable manner are considered to be intangible assets with undetermined useful life. No amortization is accrued for intangible assets with undetermined useful life.

Amortization methods used for intangible assets with determined useful life.

Amortization is accrued on a straight-line basis for all groups of intangible assets.

The table below shows the book value, accumulated amortization, and impairment loss:

Class of intangible assets (group)	Gross book value of the class as of January 1, 2018	Gross book value of the class as of January 1, 2019	Accumulated amortization of the class as of January 1, 2018	Accumulated amortization of the class as of January 1, 2019	Receipts for the reporting period	Disposals for the reporting period		Amortization for the period
						transfer to long-term assets held for sale	other disposals	
Intangible assets.	341,812	282,213	118,778	212,990	35,869	0	1,255	94,282
Software								
Intangible assets.	2,535	2,210	705	1,030	0	0	0	325
Websites								
Intangible assets.	861	731	256	386	0	0	0	130
Trademarks								
Total:	345,208	285,154	119,739	214,406	35,869	0	1,255	94,737

Useful life, disposal value, and a method for amortization accrual on the intangible asset shall be revised at the end of each reporting year. At the end of 2018, these figures were reviewed. No changes were found.

Item of the Statement of Comprehensive Income that includes amortization of intangible assets

Expenses from amortization of intangible assets are posted to item 48303 "Amortization of intangible assets."

The methods for accounting intangible assets, which are used for further valuation of intangible assets, at the initial cost or at the revalued cost

An intangible asset shall be recognized in the books at its initial cost measured as of the date of its recognition.

The initial cost of an intangible asset is the amount in cash terms that equals the amount of payment in cash or other form or the amount of payables, which has been paid or accrued by the Bank upon acquisition, creation of an intangible asset and upon providing the necessary conditions for using the intangible asset in accordance with the intentions of the management.

For further valuation of intangible assets, the Bank accounts all groups of homogeneous intangible assets at their initial cost less accumulated amortization and accumulated impairment loss.

Amount of recognized contractual obligations to acquire intangible assets

The amount of obligations to the Bank to acquire intangible assets is RUB 5,256,000.

The amount of the Bank's obligations to acquire intangible assets is RUB 0 thousand.

4.15. Information on the scope and structure of other assets

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Financial assets		
Outstanding settlements	2,316,199	2,356,441
Settlements on brokerage service	62	1,865
Accounts receivable	2,175,837	1,674,999
Interest accrued on financial assets	5,373,878	8,498,144
Total financial assets	9,865,976	12,531,449
Nonfinancial assets		
Down payment for goods and services	192,091	143,470
Advance tax payments	95,752	88,270
Deferred expenses	54,332	75,257
Other	45,840	7,029
Total nonfinancial assets	388,015	314,026
Total other assets	10,253,991	12,845,475

As of January 1, 2019, the outstanding interest maturing in 12 months after the reporting date amounted to RUB 21,274,000. As of January 1, 2018, the outstanding interest maturing in 12 months after the reporting date amounted to RUB 42,611,000.

Analysis of other assets by the structure of currencies, geographic concentration, and maturity is set out in Note 8 to the Explanatory Information.

Loans, deposits, and other funds of the Central Bank of the Russian Federation.

As of January 1, 2019, and January 1, 2018, the Bank had no funds raised from the Central Bank of the Russian Federation.

4.16. Information on the balance of accounts with credit institutions

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Correspondent accounts of resident credit institutions	21,934,929	13,987,310
Correspondent accounts of nonresident credit institutions	151,973	98,143
Residents' interbank credits and deposits received	437,970,128	593,144,084
Nonresidents' interbank credits and deposits received	73,660,342	22,254,037
Outstanding transfers received from payment systems to the correspondent accounts	1,792	5,842
Due to customers under brokerage operations	1	—
Total funds of credit institutions	533,719,165	629,489,416

As of January 1, 2019, the Bank raised a syndicated loan in the amount of RUB 21,569,984,000 maturing on March 21, 2019.

As of January 1, 2018, the Bank raised a syndicated loan in the amount of RUB 22,238,092,000 maturing on March 27, 2018.

4.17. Information on the balance of customers' accounts

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Legal entities:		
Current accounts and demand deposits	59,484,547	111,005,191
Fixed-term deposits	998,649,326	641,522,415
Total corporate current accounts and deposits	1,058,133,873	752,527,606
Individuals:		
Current accounts and demand deposits	19,756,132	14,082,415
Fixed-term deposits	347,065,699	269,709,864
Total retail current accounts and deposits	366,821,831	283,792,279
Total current accounts and deposits of customers	1,424,955,704	1,036,319,885

Due to customers other than credit institutions broken down by types of economic activities:

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Financial activity	249,563,412	260,589,761
Mineral production	216,135,469	130,681,122
Wholesale and retail trade	23,014,924	15,489,241
Operations with real estate, lease	344,925,839	269,706,654
Construction	16,251,470	10,651,486
Electricity transfer and distribution	874,475	80,959
Public administration	164,217,701	21,902,570
Production	7,130,549	11,240,721
Agriculture	576,861	207,228
Transport and communications	1,660,894	6,433,288
Other	33,782,279	25,544,576
Individuals	366,821,831	283,792,279
Total funds due to customers other than credit institutions	1,424,955,704	1,036,319,885

Analysis of customer account balances by the structure of currencies, geographic concentration, and maturity is set out in Note 4 to the Explanatory Information.

4.18. Information on the scope and structure of debt securities issued

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Bills issued	663,761	437,543
Subordinated bonds	5,000,000	5,000,000
Bonds	11,388,044	21,513,467
Total debt securities issued	17,051,805	26,951,010

The information on bills and notes issued by the credit institution as of January 1, 2019, is set out below:

		Amount of sales,	Face value,	Amount of remaining
	Currency type	RUB thou	RUB thou	discount/interest accrued
				RUB thou
Nonincome producing note:	Rub	4,173	4,173	–
	EUR	366,586	366,586	–
Interest-bearing note:	Rub	5,000	5,000	69
	USD	173,677	173,677	2,465
	EUR	114,325	114,325	202
Total		663,761	663,761	2,736

The information on bills and notes issued by the credit institution as of January 1, 2018, is set out below:

		Amount of sales,	Face value,	Amount of remaining discount/interest accrued
	Currency type	RUB thou	RUB thou	RUB thou
Nonincome producing note:	Rub	15,591	15,591	—
	USD	4,032	4,032	—
Noninterest bearing note:	Rub	6,669	5,150	211
Interest-bearing note:	Rub	139,913	139,913	7,610
	USD	156,425	156,425	2,228
	EUR	114,913	114,913	232
Total		437,543	436,024	10,281

A special-purpose vehicle made five issues of Eurobonds denominated in USD and RUB:

	Amount of issue	Date of issue	Redemption date	Coupon rate
Issue of Eurobonds 2025 (RUR) denominated in RUB	RUB 5,000,000,000	November 21, 2014	May 26, 2025	16.50%
Issue of Eurobonds 2021 (LPN) denominated in USD	USD 500,000,000	October 27, 2016	November 7, 2021	5.875%
Issue of Eurobonds 2027 (LPN) denominated in USD	USD 600,000,000	March 29, 2017	October 5, 2027	7.50%
Issue of termless Eurobonds (LPN) denominated in USD	USD 700,000,000	April 26, 2017	—	8.875%
Issue of Eurobonds 2023 (LPN) denominated in USD	USD 500,000,000	February 7, 2018	February 14, 2023	5.55%

During 2018, the Bank redeemed four bonds denominated in RUB for a total amount of RUB 11,491,472,000 (bonds series 11, 12, BO-06, BO-07) and two issues of Eurobonds for the amount of USD 1,000,000,000. The Bank also successfully offered the issue of bonds denominated in RUB series BO-10 for a total amount of RUB 3,876,193,000. The comprehensive coupon income paid on all domestic bonds for 2018 amounted to RUB 2,368,675,000 and on Eurobonds, USD 178,074,000 and RUB 825,000,000. All liabilities were discharged in due time and to a full extent.

In 2018, the Bank placed the issue of Eurobonds denominated in USD maturing in February 2023, the amount of issue was USD 500 million. Coupon rate was set at 5.55%.

In Q2, the Bank closed the tender for the repurchase of two 5-year Eurobonds issues with the total nominal volume of USD 1,000,000,000 maturing in 2021 and 2023 for a total amount of USD 12,839,000 and USD 43,005,000, respectively.

In Q3, the Bank closed the tender for the repurchase of two issues of Eurobond loans: USD 600,000,000 at 7.500% per annum maturing in 2027, and termless loan participation notes for an amount of USD 700,000,000 at 8.875% per annum in the total amount of USD 21,328,000 and USD 28,672,000, respectively.

In July 2018, the Bank placed the issue of termless subordinated bonds series 15 for an amount of RUB 5 billion, the proceeds from which were included in the surplus capital. The coupon rate for the first coupon period was 12.00% per annum. The rates from the 2nd to the 11th coupon periods equal the rate of the 1st coupon period.

In October 2018, as part of optimization of the capital structure, subordinated Eurobonds repurchased for a total amount of USD 70 million (loan participation bonds for an amount of USD 600,000,000 at 7.500% per annum maturing in 2027 and termless loan participation bonds for an amount of USD 700,000,000 at 8.875% per annum) were partially early redeemed.

Housing bonds of MKB 2 Mortgage Agent LLC with the mortgage coverage are also in circulation under securitization of the Bank's mortgage portfolio maturing on December 7, 2043, at a rate of 10.15%. The amount of the nonredeemed issue was RUB 1,372,859,000.

Information on the terms of issue of the securities containing the conditions for early redemption of securities upon request of investors

All issues of the Bank's bonds, excluding the subordinated ones, contain a condition on the creditor's possibility to request early redemption of securities and payment of accumulated coupon yield as of the date of early performance in the following cases:

- Delisting of the securities issue in all stock markets that admitted such securities to exchange trading
- Exclusion of the securities issue from the quotation lists in all stock markets that included the issue in the quotation lists earlier

Information on the obligations not discharged by the credit institution

The Bank has no outstanding obligations to the creditors.

4.19. Information on the scope and structure of other liabilities

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Financial liabilities		
Accounts payable	3,891,468	3,136,049
Other outstanding settlements	774,704	169,296
Interest accrued on financial liabilities	22,700,913	17,562,105
Total financial liabilities	27,367,085	20,867,450
Nonfinancial liabilities		
Debt on settlements with personnel	618,766	506,773
Taxes payable	627,515	355,543
Deferred income	719,846	1,374,224
Other	121,647	53,473
Total nonfinancial liabilities	2,087,774	2,290,013
Total other liabilities	29,454,859	23,157,463

4.20. Information on reserves: estimated liabilities, contingent liabilities, and contingent assets

Reserves that are estimated noncredit liabilities are made subject to the following simultaneous conditions:

- The Bank has an obligation resulting out of any past event in its financial and economic activities (the "obligation"), performance of which the Bank cannot avoid, or the probability of occurrence of this obligation is higher than the probability of its nonoccurrence (i.e., the probability of its occurrence exceeds 50%).

- Possible reduction of the Bank's economic benefits, as may be necessary to discharge a noncredit liability.

- The amount of the provision – estimated liability can be appraised in a reasonable manner.

Subject to compliance with the above conditions, the Bank makes reserves – estimated liabilities in the amount of 100%.

Contingent liabilities are recognized in the books subject to the following simultaneous conditions:

- The Bank incurred a possible liability as a result of any past event.

- The outflow of the Bank resources as a result of the liability being settled is unlikely.

- The liability can be measured.
- The amount of the liability calculated as a result of its valuation is significant.

Claims filed against the Bank are classified as a contingent or estimated liability of the Bank depending on the degree of probability of the outflow of the Bank's resources as a result of discharge of this liability by the Bank. The estimated liability is recognized for the purpose of accounting if the probability of the outflow of the Bank's resources as a result of discharge of the liability is $> 50\%$. If the probability of the outflow of resources as a result of discharge of the liability by the Bank is $\leq 50\%$, and the amount of such liability is significant, a contingent liability is recognized for the purpose of accounting.

The book value of reserves – estimated liabilities:

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Book value	30,750	53,473

The amount of reserves – estimated liabilities recognized in 2018 is RUB 937,939,000. The amount of reserves – estimated liabilities recovered in 2018 is RUB 900,999,000. The amount of reserves – estimated liabilities written off in 2018 is RUB 59,663,000.

The amount of contingent liabilities as of January 1, 2019, is RUB 450,015,000, as of January 1, 2018, RUB 309,894,000.

4.21. Information on the value of the authorized capital

The number of authorized shares of the Bank under the Articles of Association is 172,920,290,134 ordinary registered uncertificated shares, with a face value of RUB 1 each.

The total number of outstanding and paid shares is 27,079,709,866, with a face value of RUB 1 each.

Each ordinary share of the Bank grants the same scope of rights to its shareholder.

The shareholders holding ordinary shares are entitled to:

- Participate in the General Shareholders' Meeting of the Bank with the right to vote on all issues within its competence (participate in the management of the Bank affairs)
- Receive dividends (take part in the distribution of the Bank's profit)

- In the event of liquidation of the Bank, receive a part of property left after settlements with the creditors or its value

- Receive information on the Bank's operations and study its accounting and other information in the cases and in the manner established by the legislation of the Russian Federation and the Articles of Association

- Appeal against decisions of the Bank's bodies entailing civil consequences in the cases and in the manner established by the legislation of the Russian Federation

- Demand on behalf of the Bank that the loss inflicted to the Bank be reimbursed

- In the cases and in the manner established by the legislation of the Russian Federation, dispute on behalf of the Bank the transactions settled by the latter on the grounds established by the legislation of the Russian Federation and request enforcement of the consequences of their invalidity and enforcement of the consequences of invalidity of the Bank's void transactions

- Request access to the Bank's documents in the cases and in the manner established by the legislation of the Russian Federation

- Other rights granted to the Bank's shareholders under the legislation of the Russian Federation and these Articles of Association

The Articles of Association of the Bank do not establish any different, as compared to the current legislation of the Russian Federation, limitations on dividend payment, limitations on the amount of shares held by one shareholder and their cumulative face value, or on the maximum number of votes granted to one shareholder.

There are no shares owning by the Bank since all shares have been distributed among the shareholders.

In 2018, the authorized capital was not increased.

5. Supporting information to the Statement of Financial Results

5.1. Interest income and expenses

	12 months 2018	12 months 2017
Interest income		
from placement of funds with credit organizations	1,060,955	4,492,341
from loans issued to customers	128,079,678	110,404,768
from investments into securities measured at fair value through profit or loss	8,238,900	5,719,325
from investments into securities available for sale	3,265,142	3,545,221
from investments into securities held to maturity	988,417	197,895
Total interest income	141,633,092	124,359,550
Interest expenses		
on funds raised from credit institutions	31,727,358	23,403,642
on funds raised from customers	61,135,833	54,105,165
on debt instruments issued	2,332,023	3,409,148
Total interest expenses	95,195,214	80,917,955
Net interest income	46,437,878	43,441,595

5.2. Fee and commission income and expenses

	12 months 2018	12 months 2017
Fee and commission income		
from cash management and payment services	3,818,286	4,216,258
from money transfers	2,812,893	2,338,046
from issuance of bank guarantees and suretyships	2,191,773	2,256,561
from opening and maintaining bank accounts	569,080	532,464
from providing intermediary services under brokerage and similar contracts	407,669	855,374
from operations with currency valuables	343,341	344,657
other income	2,394,904	2,006,719
Total fee and commission income	12,537,946	12,550,079
Fee and commission expenses		
expenses on money transfers, including services of payment and settlement systems	2,569,102	2,359,740
expenses on bank guarantees and suretyships received	66,476	48,635
expenses on cash management and payment services	47,594	10,760
expenses on opening and maintaining bank accounts	12,510	12,533
fee and commission expenses on operations with currency valuables	11,972	18,095
other expenses	205,850	1,838,871
Total fee and commission expenses	2,913,504	4,288,634
Net fee and commission income	9,624,442	8,261,445

5.3. Administrative and other operating expenses

	12 months 2018	12 months 2017
Staff costs	9,259,446	7,542,123
General and administrative costs	5,497,169	4,502,358
Costs of operations with loans and other funds	4,878,010	13,696,592
Depreciation of fixed assets and amortization of intangible assets	831,822	742,661
Costs of operations with fixed assets and intangible assets:	798,355	1,567,357
Costs of operations with long-term assets intended for sale	113,980	147,557
Other costs of supporting the credit institution's operations	76,771	86,223
Costs of operations with real estate temporarily unused in the core operations	16,872	–
other expenses	813,853	768,762
Total administrative and other operating expenses	22,286,278	29,053,633

5.4. Information on loss and recovery amounts for each type of assets

	2018		2017	
	Amount of loss from making of reserves	Amount of income from recovery of reserves	Amount of loss from making of reserves	Amount of income from recovery of reserves
Loan and similar debts, funds placed on correspondent accounts, interest income accrued, including interest income accrued	(162,957,363)	149,321,973	(114,119,828)	97,969,157
Securities available for sale	–	–	–	–
Securities held to maturity	(96,989)	80,453	–	–
Other	(115,457,709)	113,686,000	(108,729,634)	106,747,727
Total	(278,512,061)	263,088,426	(222,849,462)	204,716,884

5.5. Net profit (loss) from transactions with foreign currency

	12 months 2018	12 months 2017
	RUB thou	RUB thou
Income from transactions with foreign currency	158,231,272	84,239,347
Expenses from transactions with foreign currency	(142,656,662)	(79,276,144)
Net income from transactions with foreign currency	15,574,610	4,963,203
Income from foreign currency revaluation	1,192,731,854	840,501,942
Expenses from foreign currency revaluation	(1,214,753,302)	(854,425,750)
Net income from foreign currency revaluation	(22,021,448)	(13,923,808)
Total net profit (loss) from transactions with foreign currency	(6,446,838)	(8,960,605)

5.6. Information on tax expense (income) components

The table below shows the information on the net profit, expenses (income) on tax:

	12 months 2018	12 months 2017
	RUB thou	RUB thou
Profit before tax	15,233,111	13,215,374
Expenses on the current profit tax	(2,010,753)	(2,369,691)
Deferred profit tax refund	(421,486)	524,837
Taxes and charges recognized as expenses under the legislation of the Russian Federation	(675,959)	(670,660)
Total tax expense	(3,108,198)	(2,514,514)
Profit after tax	12,124,913	10,699,860

Main components of the profit tax expense:

	December 31, 2018		December 31, 2017	
	RUB thou	Share, %	RUB thou	Share, %
Profit tax expense (current tax), total, including:	2,004,897	100%	2,369,692	100%
at the rate of 20% of the taxable profit	1,242,081	62%	2,093,169	88%
at the rate of 15% on income from government securities, securities issued after January 1, 2017, and mortgage bonds	762,775	38%	276,375	12%
at the rate of 13% on dividends received from foreign companies	41	0%	148	0%

Deferred tax expenses (income) for 2018:

	RUB thou
Opening balance	(1,400,000)
Deferred tax (DTA) posted to financial results (reduction of DTA)	421,486
Deferred tax posted to surplus capital:	
DTA on revaluation of securities	(462,660)
DTL on revaluation of fixed assets (reduction of DTL)	(28,992)
Closing balance	(1,470,166)

Deferred tax expenses (income) for 2017:	RUB thou
Opening balance	(872,407)
Deferred tax (DTA) posted to financial results	(524,837)
Deferred tax posted to surplus capital:	
DTL on revaluation of securities	29,653
DTL on revaluation of fixed assets	(32,409)
Closing balance	(1,400,000)

Amounts of expenses on paying remunerations to the staff:

	12 months 2018	12 months 2017
Short-term remunerations	9,097,907	7,401,708
Long-term remunerations	152,436	132,773
Other	5,168	5,887
Total	9,255,511	7,540,368

6. Supporting information to the items of the Statement of Changes in Capital

Total comprehensive income as of January 1, 2019, amounted to RUB 119,050,289,000, which is RUB 10,966,829,000, or 10.1%, more as compared to the same period of the past year.

During 12 months 2018, an increase in the capital was recorded in the item "Retailed profit (loss)" in the amount of RUB 12,124,913,000; during 12 months 2017, in the amount of RUB 10,699,861,000. During 2017, the item "Issuance of shares" increased by RUB 14,400,000,000 as a result of additional issuance of shares.

During 2018, the capital was reduced due to the item "Other comprehensive income" from revaluation at fair value of securities available for sale by RUB 1,042,113,000, and during 2017, by RUB 465,869,000.

There are no dividends recognized as payments to shareholders (members) for 12 months 2018 and 12 months 2017.

7. Supporting information to the statement of cash flows

There have been no considerable balances not available for use in the reporting period, excluding funds deposited with the Bank of Russia (Required Reserves Fund).

No significant investment and financial transactions that did not require the use of cash funds were settled in the reporting period.

The Bank, being a participant of the Bank of Russia's refinancing system, has various tools for raising credit resources from the Bank of Russia, including credit facilities opened by the latter.

The Bank, being a participant of the financial market with a positive business reputation, has credit facilities opened by other financial market participants.

In the reporting period (year), all credit resources were used for the purpose of management of the Bank's payment position or to finance active transactions. There were no credit funds that had not been used due to restrictions on their use.

Cash and cash equivalents represented in the Statement of Cash Flow include the following components:

	December 31, 2017	December 31, 2017
	RUB thou	RUB thou
Cash funds	13,264,425	16,475,695
Due from the Central Bank of the Russian Federation	56,013,111	69,983,671
Amounts due from credit institutions	10,061,945	4,538,597
Total cash and cash equivalents	79,339,481	93,997,540

An increase in cash funds earned from operating activities in 2018 amounted to RUB 53,030,015,000, including interest received in the amount of RUB 138,910,555,000, interest paid in the amount of RUB 90,120,155,000; fee and commission received in the amount of RUB 12,537,946,000, and fee and commission paid in the amount of RUB 2,913,504,000. Use of cash funds: RUB 14,658,059,000.

An increase in cash funds earned from operating activities in 2017 amounted to RUB 43,764,869,000, including interest received in the amount of RUB 122,719,255,000, interest paid in the amount of RUB 75,764,253,000; fee and commission received in the amount of RUB 12,550,079,000, and fee and commission paid in the amount of RUB 4,288,634,000. Use of cash funds: RUB 20,027,812,000.

The Bank does not analyze the cash flows broken down by business segments and geographic zones; the cash flow is controlled by the Treasury Department and other competent bodies.

8. Information on risk management goals and policy

The Bank distinguishes the following significant risks faced by the Bank in the course of its operations: credit risk; market risk, liquidity risk; interest rate risk of the balance sheet; currency risk of the balance sheet; concentration risk; operational risk (including legal risk and compliance (regulatory) risk); strategic risk; reputational risk.

Credit risk

This risk arises out of possibility that the Bank may incur loss as a result of the debtor's default on or late or incomplete performance of its financial obligations to the credit institution under the contract as well as consequences associated with the deterioration of the borrower, the counterparty to the transaction, or the securities issuer.

Credit risk includes:

1) *Credit risk of default*: the possibility that the Bank may incur loss as a result of the debtor's default due to its failure to perform under the contract concluded with the Bank as well as the possibility of the consequences associated with the deterioration of the borrower, the counterparty to the transaction, or the securities issuer. Deterioration includes both deterioration of the financial position and deterioration of other quantitative and qualitative indicators (business reputation, positions among the competitors, industry, state of regional economy, etc.)—that is, all factors that may affect the solvency of the borrower, the counterparty to the transaction, or the securities issuer.

Since the Bank settles transactions with derivative financial instruments, REPO transactions, and other similar transactions where the possibility and the scope of the credit risk depend on the financial market factors, the Bank singles out the following risk as part of the credit risk:

2) *Counterparty credit risk*: the risk of the counterparty's default on its contractual obligations before the finalization of settlements under the said transactions. Furthermore, transactions with the counterparties are not settled without the preliminary evaluation of the counterparty's financial position and evaluation of the possibility of the counterparty credit risk materialization, both before the finalization of settlements and in the course of settlements under the transaction.

Credit risk management includes measurement (assessment) and limitation (control) of credit risk inherent in the individual borrowers of the Bank and in the groups of related borrowers. Credit risk is measured using the assessment system that implies analysis of an individual set of counterparty's risk factors on the basis of its type and specific aspects of its operations. Credit risk limitation (control) is carried out using the multitier system of limits pertaining both to an individual counterparty/credit claim and to the portfolio of credit claims grouped by a certain principle (industry limits, limits by types of operations and by types of financing, limits on the concentration of the largest borrowers, etc.). The quantitative assessment of credit risk (in cost terms) is performed by calculating the amount of expected losses (EL). The quantitative assessment of the demand for capital to cover credit risk (amount of economic capital) is performed by calculating the amount of unexpected losses (UL).

Calculation of EL and UL and risk-weighted assets (RWA) shall be performed depending on the class of credit claims on the basis of duly approved internal documents of the Bank.

The Bank makes reserves for its credit operations adequately to the risk accepted by the Bank, in strict compliance with the recommendations and requirements of the Bank of Russia.

The Bank has a multitier comprehensive system of credit risk management that mitigates the risk of possible loss during commercial lending.

The Bank carries out a thorough and weighted analysis of potential and existing borrowers in terms of economic safety, evaluation of the security accepted in pledge for the borrowers' obligations to the Bank, and subsequent control at all stages of the credit product life. All credit documents undergo thorough legal due diligence.

Credit activity coordination and decision making on lending issues shall be performed by the Credit Committee of the Bank consisting of the representatives of all designated business units, including risk management. Some of the Credit Committee's decision-making authorities may be delegated to the authorized persons. Coordination of the credit risk management activities shall be carried out by the Risk Committee, the specialized management body accountable to the Bank's Management Board.

The principle of the division of responsibilities in credit risk management is reflected in the Risk Management Policy and the Credit Policy of the Bank as well as in the procedures for making decision on granting loans.

Key elements of credit risk management:

The Risk Management Policy approved by the Bank's Supervisory Board is an underlying document of the Bank in the field of risk management, which sets out goals, principles, and instruments of risk management.

The Credit Policy of the Bank updated on a regular basis according to the market conditions, the Bank's lending strategy, and existing risks.

Improvement of the principles and methods of formal borrower evaluation (rating models for corporate borrowers, scoring systems for retail business), application of the general principles of pricing, security, and provisioning with due regard to the risk amount. During the reporting period, the Bank performed validation and revision of the internal rating and scoring models aimed at meeting the advanced standards of credit risk qualitative assessment.

Control over limits per borrowers, groups of related borrowers, industry concentration, concentration of major borrowers.

Credit risk on DFIs is defined as the sum of the current and potential risks. Current credit risk is defined as the replacement cost of a financial instrument reflecting as of the reporting date the amount of loss in the event of counterparty's default on its obligations. Potential credit risk is defined as the risk of counterparty's default on its obligations during the period from the reporting date to the value date due to an unfavorable change in the cost of a basis (underlying) asset.

Information on the results of assets classification by quality categories, on the amounts of estimated and actually made loss provisions

December 31, 2018, RUB thou

Scope of assets	Total amount of claim	Quality category I	Quality category II	Quality category III	Quality category IV	Quality category V	Estimated provision	Total provision made	Provision made for assets II	Provision made for assets III	Provision made for assets IV	Provision made for assets V
Loans, loan and similar debts	1,874,994,817	1,167,827,022	399,072,395	197,926,165	74,044,660	36,124,575	131,540,917	110,535,058	11,313,088	30,584,015	33,134,205	35,503,750
including Individual basis	1,789,283,733	1,167,827,022	344,179,420	176,524,532	73,273,965	27,478,794	120,947,457	99,941,598	10,075,875	29,729,996	32,865,438	27,270,289
including Grouped into portfolios of similar loans	85,711,084	0	54,892,975	21,401,633	770,695	8,645,781	10,593,460	10,593,460	1,237,213	854,019	268,767	8,233,461
securities	104,579,753	92,267,647	4,019,782	4,168,881	0	1,123,443	2,039,106	2,039,106	40,198	875,465	0	1,123,443
other assets	25,083,697	18,683,500	2,415,742	965,480	494,986	2,523,989	2,997,264	2,997,264	24,508	202,812	246,006	2,523,938
including Individual basis	24,819,436	18,683,500	2,415,465	965,475	494,977	2,260,019	2,733,289	2,733,289	24,505	202,812	246,003	2,259,969
including Grouped into portfolios of similar loans	264,261	0	277	5	9	263,970	263,975	263,975	3	0	3	263,969
Claims for interest income	8,819,098	2,463,941	1,981,573	924,099	1,433,883	2,015,602	2,984,871	2,978,402	100,798	157,319	728,900	1,991,385
including Individual basis	7,361,663	2,463,941	1,494,638	636,800	1,387,132	1,379,152	2,331,047	2,324,578	88,812	143,028	711,916	1,380,822
including Grouped into portfolios of similar loans	1,457,435	0	486,935	287,299	46,751	636,450	653,824	653,824	11,986	14,291	16,984	610,563

Assets measured for the purpose of making provisions, including	2,013,477,365	1,284,242,110	407,489,492	203,984,625	75,973,529	41,787,609	139,562,158	118,549,830	11,478,592	31,819,611	34,109,111	41,142,516
including Individual basis	1,926,044,585	1,284,242,110	352,109,305	182,295,688	75,156,074	32,241,408	128,050,899	107,038,571	10,229,390	30,951,301	33,823,357	32,034,523
including Grouped into portfolios of similar loans	87,432,780	0	55,380,187	21,688,937	817,455	9,546,201	11,511,259	11,511,259	1,249,202	868,310	285,754	9,107,993

December 31, 2017, RUB thou

Scope of assets	Total amount of claim	Quality category I	Quality category II	Quality category III	Quality category IV	Quality category V	Estimated provision	Total provision made	Provision made for assets II	Provision made for assets III	Provision made for assets IV	Provision made for assets V
Loans, loan and similar debts	1,650,679,928	1,068,184,383	365,752,953	159,532,416	25,319,031	31,891,145	107,148,651	97,627,445	16,467,835	35,712,009	13,926,581	31,521,019
including Individual basis	1,569,956,561	1,068,184,383	299,272,460	156,473,193	24,527,728	21,498,797	94,750,790	85,229,584	14,919,300	35,231,595	13,534,987	21,543,702
including Grouped into portfolios of similar loans	80,723,367	0	66,480,493	3,059,223	791,303	10,392,348	12,397,861	12,397,861	1,548,535	480,414	391,594	9,977,317
securities	103,792,530	101,800,499	984,114	3,178	0	1,004,739	1,015,248	1,015,248	9,841	668	0	1,004,739
other assets	18,103,946	14,118,107	296,714	1,995,130	306,889	1,387,106	1,995,814	1,995,814	5,283	449,196	154,317	1,387,018
including Individual basis	17,836,416	14,118,107	296,708	1,995,116	306,857	1,119,628	1,728,326	1,728,326	5,283	449,195	154,306	1,119,542
including Grouped into portfolios of similar loans	267,530	0	6	14	32	267,478	267,488	267,488	0	1	11	267,476
Claims for interest income	13,081,669	2,251,095	2,389,196	3,962,754	2,464,074	2,014,550	X	4,661,854	197,315	1,179,023	1,300,298	1,985,218
including Individual basis	11,374,460	2,251,095	1,635,784	3,861,882	2,397,026	1,228,673	X	3,841,928	178,204	1,163,729	1,267,124	1,232,871
including Grouped into portfolios of similar loans	1,707,209	0	753,412	100,872	67,048	785,877	X	819,926	19,111	15,294	33,174	752,347
Assets measured for the purpose of making	1,785,658,073	1,186,354,084	369,422,977	165,493,478	28,089,994	36,297,540	110,159,713	105,300,361	16,680,274	37,340,896	15,381,196	35,897,994

provisions, including												
including												
Individual basis	1,702,959,967	1,186,354,084	302,189,066	162,333,369	27,231,611	24,851,837	97,494,364	91,815,086	15,112,628	36,845,187	14,956,417	24,900,854
including												
Grouped into	82,698,106	0	67,233,911	3,160,109	858,383	11,445,703	12,665,349	13,485,275	1,567,646	495,709	424,779	10,997,140
portfolios of												
similar loans												

Information on the volumes and periods of overdue debt

December 31, 2018, RUB thou

Asset type	Amount of overdue debt	Amount of provision made	Overdue debt up to 30 days, RUB thou	Provision made for group 4, RUB thou	Overdue debt for 31 to 90 days, RUB thou	Provision made for group 6, RUB thou	Overdue debt for 91 to 180 days, RUB thou	Provision made for group 8, RUB thou	Overdue debt for over 180 days, RUB thou	Provision made for group 10, RUB thou
Loans, loan and similar debts	56,080,792	39,738,011	12,294,603	2,483,626	7,423,980	1,979,373	3,291,462	2,643,312	33,070,747	32,631,700
- including credit institutions	20,000	20,000	0	0	0	0	20,000	20,000	0	0
- including legal entities	33,956,837	20,169,688	10,947,408	2,369,801	6,659,367	1,806,986	2,389,270	2,093,038	13,960,792	13,899,863
- including individuals	22,103,955	19,548,323	1,347,195	113,825	764,613	172,387	882,192	530,274	19,109,955	18,731,837
Investments into securities	1,123,393	1,121,393	0	0	0	0	0	0	1,123,393	1,123,393
Other claims	1,691,755	1,691,742	2	0	207	202	2,575	2,569	1,688,971	1,688,971
including Legal entities	1,044,500	1,044,500	0	0	0	0	0	0	1,044,500	1,044,500
including individuals	647,255	647,242	2	0	207	202	2,575	2,569	644,471	644,471
Total overdue debt	58,895,940	42,553,146	12,294,605	2,483,626	7,424,187	1,979,575	3,294,037	2,645,881	35,883,111	35,444,064
share of overdue debt in the Bank's assets, %	2.93									

December 31, 2017, RUB thou

Asset type	Amount of overdue debt	Amount of provision made	Overdue debt up to 30 days, RUB thou	Provision made for group 4, RUB thou	Overdue debt for 31 to 90 days, RUB thou	Provision made for group 6, RUB thou	Overdue debt for 91 to 180 days, RUB thou	Provision made for group 8, RUB thou	Overdue debt for over 180 days, RUB thou	Provision made for group 10, RUB thou
Loans, loan and similar debts	44,531,807	37,422,531	2,547,573	734,249	4,839,942	3,239,179	7,090,025	3,863,243	30,054,267	29,585,860
- including credit institutions	0	0	0	0	0	0	0	0	0	0
- including legal entities	24,397,658	20,158,673	1,285,081	635,792	3,856,436	3,043,140	6,170,000	3,393,600	13,086,141	13,086,141
- including individuals	20,134,149	17,263,858	1,262,492	98,457	983,506	196,039	920,025	469,643	16,968,126	16,499,719
Investments into securities	1,004,689	1,004,689	0	0	0	0	0	0	1,004,689	1,004,689
Other claims	620,185	618,172	88	42	20	4	965	650	619,112	617,476
including Legal entities	212,675	210,701	85	42	0	0	604	308	211,986	210,351
including individuals	407,510	407,471	3	0	20	4	361	342	407,126	407,125
Total overdue debt	46,156,681	39,045,392	2,547,661	734,291	4,839,962	3,239,183	7,090,990	3,863,893	31,678,068	31,208,025
share of overdue debt in the Bank's assets, %	2.58									

Description of security received

The Bank makes a provision for loans issued to Bank borrowers of quality category II–V with due regard to the collateral for quality category I and II. The procedure for evaluating the collateral to classify it to quality category I or II is established by the internal documents of the Bank that are in line with the Bank of Russia regulations. These documents establish the amounts of applicable discounts and set out the time frames of physical and cost monitoring. The amounts of discounts and the monitoring time frames are established based on the collateral type. The cost of the collateral is calculated by independent valuation companies or by the Collateral Division of the Bank.

The fair value of the pledged collateral of quality category I and II is measured by the Bank on a permanent basis in compliance with requirements of the Bank of Russia. A change in the fair value of the pledge is taken into account for the purpose of calculating the cost of the collateral and the provision amount.

The table below shows the pledged collateral of quality category I and II that is included in the calculation of provisions for corporate customers. The collateral of quality category II is represented in the amount of 50% of its cost.

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Collateral of category I:		
Securities	3,911,716	4,559,155
Guarantee deposits	715,146	68,866,800
Guarantees/suretyships	–	9,953,262
Collateral of category II:		
Real estate	45,863,274	30,430,075
Stock-in-trade	234,275	229,815
Motor transport	3,543,433	61,361
Equipment, property	1,474,452	7,083,745
Other	2,373,191	4,602,769
Total	58,115,487	125,786,982

Information on the types and concentration degree of risks associated with various banking transactions broken down by geographic zones, currencies, borrowers and their operations, markets, and description of methods that are used to determine risk concentration

The main method to reduce the concentration of risks associated with the Bank's operations is to set limits on various operations, economy sectors, security types, credit products, borrowers' liabilities, etc. Along with the limitation of transactions, the reduction of risk concentration is achieved through the credit portfolio diversification by distributing the cumulative risk by sources to prevent risk concentration on an individual source. Depending on the risk type, its concentration volumes are recorded in the internal documents of the Bank.

Geographic concentration

Information on the geographic concentration of balance sheet assets and liabilities of the Bank according to customers' location as of January 1, 2019, is shown in the table below (in RUB thou):

	Russian Federation	OECD member states	Countries other than OECD member states	International organizations	Total
Assets					
Cash	13,264,425	–	–	–	13,264,425
Due from the Central Bank of the Russian Federation	69,075,120	–	–	–	69,075,120
Amounts due from credit institutions	5,335,836	4,814,160	15,504	–	10,165,500
Financial assets measured at fair value through profit or loss	157,527,043	10,483,069	–	123,122	168,133,234
Net outstanding loans	1,470,280,095	120,400,924	173,778,744	–	1,764,459,763
Net investments into securities and other financial assets available for sale	22,436,010	28,315,896	2,952,876	–	53,704,782
Net investments into securities held to maturity	7,216,304	28,355,769	–	–	35,572,073
Current profit tax claims	2,339,206	–	–	–	2,339,206
Deferred tax asset (DTA)	1,697,194	–	–	–	1,697,194
Fixed assets, intangible assets, and material inventory	6,337,005	–	–	–	6,337,005
Long-term assets intended for sale	1,133,116				1,133,116
Other assets	2,077,431	5,598,882	2,577,678	–	10,253,991
Total assets	1,758,718,785	197,968,700	179,324,802	123,122	2,136,135,409
Liabilities					
Loans, deposits, and other funds of the Central Bank of the Russian Federation	–	–	–	–	–
Due to credit institutions	460,266,850	49,077,264	2,781,355	21,593,696	533,719,165
Due to customers other than credit institutions	1,247,427,900	173,559,594	3,968,210	–	1,424,955,704
Financial liabilities measured at fair value through profit or loss	4,065,098	2,097,184	–	–	6,162,282
Debt instruments issued	16,587,886	463,919	–	–	17,051,805
Current profit tax liabilities	3,690	–	–	–	3,690
Deferred tax liability (DTL)	227,027	–	–	–	227,027
Other liabilities	26,394,078	2,994,501	58,108	8,172	29,454,859
Loss provisions for credit contingent liabilities and for other possible loss and transactions with the residents of offshore territories	5,510,588	–	–	–	5,510,588

Total liabilities	1,760,483,117	228,192,462	6,807,673	21,601,868	2,017,085,120
Off-balance liabilities					
Irrevocable liabilities of the credit institution	2,140,831,898	129,588,788	3,032,185	–	2,273,452,871
Guarantees and suretyships issued by the credit institution	148,875,628	3,055,994	1,348,482	–	153,280,104
Noncredit contingent liabilities	450,015	–	–	–	450,015

Information on the geographic concentration of balance sheet assets and liabilities of the Bank according to customers' location as of January 1, 2018, is shown in the table below (in RUB thou):

	Russian Federation	OECD member states	Countries other than OECD member states	International organizations	Total
Assets					
Cash	16,475,695	–	–	–	16,475,695
Due from the Central Bank of the Russian Federation	78,839,104	–	–	–	78,839,104
Amounts due from credit institutions	3,567,714	4,169,270	1,435	–	7,738,419
Financial assets measured at fair value through profit or loss	68,700,055	25,533,222	1,098,121	124,117	95,455,515
Net outstanding loans	1,397,807,309	113,845,171	61,400,001	–	1,573,052,481
Net investments into securities and other financial assets available for sale	21,559,764	9,256,718	1,091,313	–	31,907,795
Net investments into securities held to maturity	974,273	–	–	–	974,273
Current profit tax claims	3,123,672	–	–	–	3,123,672
Deferred tax asset (DTA)	1,879,319	–	–	–	1,879,319
Fixed assets, intangible assets, and material inventory	6,590,909	–	–	–	6,590,909
Long-term assets intended for sale	1,010,356				1,010,356
Other assets	12,453,713	50,455	341,307	–	12,845,475
Total assets	1,612,981,883	152,854,836	63,932,177	124,117	1,829,893,013
Liabilities					
Loans, deposits, and other funds of the Central Bank of the Russian Federation	–	–	–	–	–
Due to credit institutions	604,382,564	19,201,226	3,150,954	2,754,672	629,489,416
Due to customers other than credit institutions	874,038,835	157,690,499	4,590,551	–	1,036,319,885
Financial liabilities	576,950	720,480	–	–	1,297,430

measured at fair value through profit or loss					
Debt instruments issued	26,860,322	90,688	–	–	26,951,010
Current profit tax liabilities	916,807	–	–	–	916,807
Deferred tax liability (DTL)	479,319	–	–	–	479,319
Other liabilities	19,995,465	2,840,319	310,890	10,789	23,157,463
Loss provisions for credit contingent liabilities and for other possible loss and transactions with the residents of offshore territories	3,198,223	–	–	–	3,198,223
Total liabilities	1,530,448,485	180,543,212	8,052,395	2,765,461	1,721,809,553
Off-balance liabilities					
Irrevocable liabilities of the credit institution	1,759,143,977	232,467,181	34,609,216	–	2,026,220,374
Guarantees and suretyships issued by the credit institution	88,751,843	1,262,194	1,264,625	–	91,278,662
Noncredit contingent liabilities	309,894	–	–	–	309,894

Market risk

This risk arises out of possibility that the credit institution may incur loss and face adverse consequences as a result of any unfavorable change in the market value of financial instruments in the trading portfolio and in the exchange rates of foreign currencies and/or precious metals.

Market risk includes stock market risk, interest rate risk of the instrument, and currency risk of the instrument. When conducting its operations on the financial market, the Bank assumes risks under the instruments in the Bank's trading portfolio (risks associated with the adverse changes in prices for equity instruments, change in the interest rates on fixed-income debt instruments, and change in the foreign exchange rates and respective negative revaluation of the trading portfolio).

The Bank is rather conservative about formation of the trading portfolio, which allows the Bank to avoid significant losses that may have an adverse impact on the financial stability of the Bank. Thus, the Bank conducts its operations in the stock market mostly with the bonds of Russian issuers from the Bank of Russia Lombard List, which have low duration.

To evaluate the Bank's exposure to the market risk, the calculation of the maximum possible loss on each instrument and the calculation of the Value-at-Risk (VaR) ratio for the whole portfolio is provided.

The VaR calculation results for the securities portfolio with 99% confidence within a one-day interval as of January 1, 2019, and January 1, 2018, is set out below:

	December 31, 2018	December 31, 2017
Portfolio VaR (RUB thou)	102,234	11,144
VaR (% of the securities portfolio)	0,43%	0,35%
VaR (% of capital)	0,04%	0,00%

The Bank controls its market risk by setting the limits on open positions of financial instruments, interest rates, terms and currencies, and stop-loss limits. Limits and positions are monitored on a regular basis and are revised and approved by the Bank's Management Board. Besides, the Bank uses stress tests for simulating the influence of various market scenarios.

The stress testing results of the Bank's securities portfolio made on the basis of the assumptions on the change of profitability calculated for shifting the yield curve by 400 and 600 basis points (b.p.) as of January 1, 2019, are set out below:

	Yield curve shift by 400 b.p.	Yield curve shift by 600 b.p.
Revaluation amount, RUB thou	3,707,868	5,561,802
Impact on capital adequacy ratio, %	0,22%	0,33%
The level of equity (capital) adequacy ratio (N1.0) as a result of stress testing	19,96%	19,85%

The stress testing results of the Bank's securities portfolio made on the basis of the assumptions on the change of profitability calculated for shifting the yield curve by 400 and 600 basis points (b.p.) as of January 1, 2018, are set out below:

	Yield curve shift by 400 b.p.	Yield curve shift by 600 b.p.
Revaluation amount, RUB thou	1,293,735	1,940,602
Impact on capital adequacy ratio, %	0,08%	0,11%
The level of equity (capital) adequacy ratio (N1.0) as a result of stress testing	20,42%	20,38%

In market risk management, the Bank complies with the requirements established by the Bank of Russia regulations and uses internal guidelines that correspond to the recommendations of the Basel Committee on Banking Supervision.

The market risk amount used to calculate capital adequacy ratios was calculated in compliance with Bank of Russia Regulation No. 511-P and was as of January 1, 2019, RUB 29,573,600,000 and as of January 1, 2018, RUB 63,875,850,000.

Currency risk

The risk arises out of possibility that the Bank may incur potential loss as a result of changes in the foreign exchange rates and prices for precious metals for which there are net FX positions at the level of the Bank's banking book.

The main currency risk factors are administrative and political, macroeconomic and financial changes. The Bank conducts daily monitoring and forecasting of trends in the Bank's net FX position broken down by currencies and in aggregate for the FX position. Based on these data and on the data on the state of the Russian economy and changes in the international financial markets, decisions on the amount of the Bank's net FX positions are taken under the statutory requirements of the Bank of Russia.

The Bank implements the following measures to control its currency risk: The Bank's compliance with Bank of Russia Instruction No. 178-I is controlled on a daily basis: the Bank's designated business units control that the net FX position on individual foreign currencies and precious metals does not exceed 10% of the Bank's equity (capital). Apart from limitations established by the regulations of the Bank of Russia, the Bank establishes more conservative administrative limits on the size of the Bank's net FX position in each currency.

Implementation of the above measures in combination with the automated control system of the net FX position size allows the Bank to mitigate the influence of currency risk on the results of its operations.

The table below shows the general analysis of the Bank's currency risk as of January 1, 2019:

	RUB	USD	EUR	Other currencies	Total
Assets					
Cash	8,985,744	2,446,834	1,711,797	120,050	13,264,425
Due from the Central Bank of the Russian Federation	69,075,120	–	–	–	69,075,120
Amounts due from credit institutions	3,628,461	5,547,375	813,018	176,646	10,165,500
Financial assets measured at fair value through profit or loss	101,497,017	65,748,964	–	887,253	168,133,234
Net outstanding loans	973,819,765	720,110,433	70,520,294	9,271	1,764,459,763
Net investments into securities and other financial assets available for sale	11,868,315	40,529,771	1,112,794	193,902	53,704,782
Net investments into securities held to maturity	7,216,304	19,278,245	9,077,524	–	35,572,073
Current profit tax claims	2,339,206	–	–	–	2,339,206
Deferred tax asset (DTA)	1,697,194	–	–	–	1,697,194
Fixed assets, intangible assets, and material inventory	6,337,005	–	–	–	6,337,005
Long-term assets intended for sale	1,133,116				1,133,116
Other assets	7,757,508	2,285,792	207,773	2,918	10,253,991
Total assets	1,195,354,755	855,947,414	83,443,200	1,390,040	2,136,135,409

Liabilities

Loans, deposits, and
other funds of the Central
Bank of the Russian
Federation

	—	—	—	—	—
Due to credit institutions	218,694,929	292,994,463	21,027,405	1,002,368	533,719,165
Due to customers other than credit institutions	688,021,422	671,918,492	64,950,974	64,816	1,424,955,704
Financial liabilities measured at fair value through profit or loss	6,162,282	—	—	—	6,162,282
Debt instruments issued	16,397,217	173,677	480,911	—	17,051,805
Current profit tax liabilities	3,690	—	—	—	3,690
Deferred tax liability (DTL)	227,027	—	—	—	227,027
Other liabilities	17,639,395	11,590,832	224,261	371	29,454,859
Loss provisions for credit contingent liabilities and for other possible loss and transactions with the residents of offshore territories	5,510,588	—	—	—	5,510,588
Total liabilities	952,656,550	976,677,464	86,683,551	1,067,555	2,017,085,120
Net position	242,698,205	(120,730,050)	(3,240,351)	322,485	119,050,289
Net off-balance position (for DFIs and spot transactions)	(112,619,347)	110,546,093	2,130,561	(149,650)	(92,343)
Reference: Off-balance liabilities					
Irrevocable liabilities of the credit institution	1,885,300,516	351,498,277	28,896,368	7,757,710	2,273,452,871
Guarantees and suretyships issued by the credit institution	138,219,026	7,799,918	7,261,160	—	153,280,104
Noncredit contingent liabilities	—	—	—	—	450,015

General analysis of the Bank's credit risk as of January 1, 2018:

	RUB	USD	EUR	Other currencies	Total
Assets					
Cash	13,554,639	1,610,789	1,238,297	71,970	16,475,695
Due from the Central Bank of the Russian Federation	78,839,104	—	—	—	78,839,104
Amounts due from credit institutions	3,218,417	2,870,618	1,521,804	127,580	7,738,419
Financial assets measured at fair value through profit or loss	53,838,172	39,561,771	553,424	1,502,148	95,455,515
Net outstanding loans	1,207,161,277	214,122,849	151,414,556	353,799	1,573,052,481
Net investments into securities and other financial assets available for sale	17,132,893	14,774,902	—	—	31,907,795
Net investments into securities held to maturity	974,273	—	—	—	974,273
Current profit tax claims	3,123,672	—	—	—	3,123,672
Deferred tax asset (DTA)	1,879,319	—	—	—	1,879,319
Fixed assets, intangible assets, and material inventory	6,590,909	—	—	—	6,590,909
Long-term assets intended for sale	1,010,356				1,010,356
Other assets	11,393,884	770,156	678,213	3,222	12,845,475
Total assets	1,398,716,915	273,711,085	155,406,294	2,058,719	1,829,893,013
Liabilities					
Loans, deposits, and other funds of the Central Bank of the Russian Federation	—	—	—	—	—
Due to credit institutions	357,676,344	259,473,830	12,336,130	3,112	629,489,416
Due to customers other than credit institutions	484,918,707	330,001,980	221,383,921	15,277	1,036,319,885
Financial liabilities measured at fair value through profit or loss	1,297,430	—	—	—	1,297,430
Debt instruments issued	26,675,639	160,457	114,914	—	26,951,010
Current profit tax liabilities	916,807	—	—	—	916,807
Deferred tax liability (DTL)	479,319	—	—	—	479,319
Other liabilities	16,613,795	3,976,734	2,566,934	—	23,157,463
Loss provisions for credit contingent liabilities and for other possible loss and transactions with the residents of offshore territories	3,198,223	—	—	—	3,198,223
Total liabilities	891,776,264	593,613,001	236,401,899	18,389	1,721,809,553
Net position	506,940,651	(319,901,916)	(80,995,605)	2,040,330	108,083,460
Net off-balance position (for DFIs and spot transactions)	(387,045,244)	307,431,072	80,607,715	(1,905,049)	(911,506)
Reference: Off-balance liabilities					
Irevocable liabilities of the credit institution	1,682,724,979	282,694,838	55,227,513	5,573,044	2,026,220,374
Guarantees and suretyships issued by the credit institution	83,638,750	4,145,706	3,452,216	41,990	91,278,662
Noncredit contingent liabilities	137,258	170,914	1,722	—	309,894

Liquidity risk

This risk arises out of possibility that the Bank may face adverse consequences as a result of failure by the Bank to finance its operations—that is, to ensure the growth of assets and to discharge liabilities in full upon their maturity without incurring loss in the amount that threatens financial stability of the Bank.

The Bank distinguishes the following forms of liquidity risk:

The risk of nonconformance of the amounts and dates of money crediting and debiting (incoming and outgoing cash flows)

The risk of unforeseen liquidity claims—that is, the risk of consequences of unforeseen events requiring more resources in future than planned

Market liquidity risk—that is, the risk of possible loss during the sale of assets or due to a failure to close the existing position because of the lack of market liquidity or insufficient trading volume (Materialization of this form of risk may be taken into account in market risk assessment.)

Funding risk—that is, the risk associated with the potential changes in the funding cost (own and market credit spread) affecting future income of the Bank

The Bank exercises strict control on a daily basis over the compliance with the required liquidity ratios established by the Bank of Russia (quick ratio (N2), current liquidity ratio (N3), short-term liquidity ratio (N26), net stable funding ratio (N28)). Risks associated with the funding sources are controlled in accordance with the capital adequacy (N1.0, N1.1, N1.2, N1.4) and long-term liquidity ratios (N4).

Liquidity risk management in the Bank is based on continuous monitoring of the structure of assets and liabilities and on forecasting their future trends.

Risk analysis includes several stages:

- A chart of resources inflow/outflow broken down by groups of assets and liabilities is built on the basis of the forecast data provided by the relevant business units.
- The necessary ratios of quick and short-term liquidity reserves are calculated on the basis of statistical analysis methods.
- Reserves for high-liquid and liquid assets necessary for supporting the Bank's liquidity in stress situations are calculated using the scenario analysis.
- At the last stage, the surplus/shortage of high-liquid and liquid assets is identified throughout the forecast period, and possible options of their placement (for surplus) or sources of attraction (for shortage) are worked out.

A final decision on the level of liquidity risk is taken by the collective body, the Assets and Liabilities Management Committee, which ensures comprehensive effective control over liquidity risk.

The Bank distinguishes between current and forecast liquidity risk management.

Current liquidity management is the main task addressed by the Bank in the field of operational management of assets and liabilities, which consists in short-term forecasting and management of cash flows broken down by currencies and periods to secure fulfillment of

obligations by the Bank, settlements under the customers' orders, and funding of active transactions. Current liquidity management is carried out by means of prompt (during the day) identification of the current payment position of the Bank and formation of the forecast of changes in the payment position with due regard to the payment schedule and various development scenarios.

The main task of forecast (mid-term and long-term) liquidity management is to develop and implement scope of assets and liabilities management measures aimed at supporting the Bank's solvency and at planned increasing of the assets portfolio subject to the optimal ratio of liquid assets and profitability of transactions. Implementation of this task in the Bank is achieved by building long-term liquidity forecasts and establishing internal liquidity ratios (liquid and high-liquid asset ratios, liquid securities portfolio ratio). The results of the long-term liquidity forecast are submitted to the Bank's Assets and Liabilities Management Committee.

Besides, stress testing is performed with due regard to risk factors affecting the change in the predicted state of liquidity, and with due regard to the Bank's possibility to mobilize its liquid assets in case of lack of liquidity. Such method eliminates significant "liquidity gaps" and ensures continuous performance as well as reduces costs of unplanned attraction of additional liabilities in case of emergency and increases yield on active transactions by means of making a correct choice of instruments for placement.

The breakdown of assets and liabilities by their maturity is set out below:

							December 31, 2018
							RUB thou
	Less than 1 month	1 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	No definite maturity	Total
Assets							
Cash	13,264,425	—	—	—	—	—	13,264,425
Due from the Central Bank of the Russian Federation	69,075,120	—	—	—	—	—	69,075,120
Amounts due from credit institutions	10,165,500	—	—	—	—	—	10,165,500
Financial assets measured at fair value through profit or loss	168,133,234	—	—	—	—	—	168,133,234
Net outstanding loans	1,085,331,862	175,810,593	125,337,014	195,733,897	182,246,397	—	1,764,459,763
Net investments into securities and other financial assets available for sale	53,704,782	—	—	—	—	—	53,704,782
Net investments into securities held to maturity	165,708	210,734	17,245	9,081,949	26,096,437	—	35,572,073
Current profit tax claims	—	2,339,206	—	—	—	—	2,339,206
Deferred tax asset (DTA)	1,697,194	—	—	—	—	—	1,697,194
Fixed assets, intangible assets, and material inventory	—	—	—	—	6,337,005	—	6,337,005
Long-term assets intended for sale	—	—	—	—	1,133,116	—	1,133,116
Other assets	7,092,452	2,868,262	207,671	—	31,274	54,332	10,253,991
Total assets	1,408,630,277	181,228,795	125,561,930	204,815,846	215,844,229	54,332	2,136,135,409
Liabilities							
Loans, deposits, and other funds of the Central Bank of the Russian Federation	—	—	—	—	—	—	—
Due to credit institutions	404,909,634	127,159,712	758,273	628,606	262,940	—	533,719,165

Due to customers other than credit institutions	397,004,200	423,657,739	218,457,674	103,986,978	281,849,113		1,424,955,704
Financial liabilities measured at fair value through profit or loss	6,162,282	–	–	–	–		6,162,282
Debt instruments issued	296,675	190,669	8,518,572	3,045,889	5,000,000		17,051,805
Current profit tax liabilities	–	3,690	–	–	–		3,690
Deferred tax liability (DTL)	227,027	–	–	–	–		227,027
Other liabilities	11,034,210	12,863,816	4,275,874	378,508	182,605	719,846	29,454,859
Loss provisions for credit contingent liabilities and for other possible loss and transactions with the residents of offshore territories	5,510,588	–	–	–	–		5,510,588
Total liabilities	825,144,616	563,875,626	232,010,393	108,039,981	287,294,658	719,846	2,017,085,120

							December 31, 2017
							RUB thou
	Less than 1 month	1 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	No definite maturity	Total
Assets							
Cash	16,475,695	—	—	—	—	—	16,475,695
Due from the Central Bank of the Russian Federation	78,839,104	—	—	—	—	—	78,839,104
Amounts due from credit institutions	7,738,419	—	—	—	—	—	7,738,419
Financial assets measured at fair value through profit or loss	95,455,515	—	—	—	—	—	95,455,515
Net outstanding loans	896,320,102	123,896,978	127,495,890	210,308,079	215,031,432	—	1,573,052,481
Net investments into securities and other financial assets available for sale	31,907,795	—	—	—	—	—	31,907,795
Net investments into securities held to maturity	—	—	—	—	974,273	—	974,273
Current profit tax claims	—	3,123,672	—	—	—	—	3,123,672
Deferred tax asset (DTA)	1,879,319	—	—	—	—	—	1,879,319
Fixed assets, intangible assets, and material inventory	—	—	—	—	6,590,909	—	6,590,909
Long-term assets intended for sale					1,010,356	—	1,010,356
Other assets	9,684,918	2,819,100	191,112	75,022	66	75,257	12,845,475
Total assets	1,138,300,867	129,839,750	127,687,002	210,383,101	223,607,036	75,257	1,829,893,013
Liabilities							
Loans, deposits, and other funds of the Central Bank of the Russian Federation	—	—	—	—	—	—	—

Due to credit institutions	463,990,336	146,985,804	17,381,147	321,964	810,165		629,489,416
Due to customers other than credit institutions	222,826,673	460,433,249	100,370,002	17,462,333	235,227,628		1,036,319,885
Financial liabilities measured at fair value through profit or loss	1,297,430	–	–	–	–		1,297,430
Debt instruments issued	130,194	3,202,054	8,372,819	15,245,943	–		26,951,010
Current profit tax liabilities	–	916,807	–	–	–		916,807
Deferred tax liability (DTL)	479,319	–	–	–	–		479,319
Other liabilities	8,531,607	10,679,025	1,732,221	226,620	613,766	1,374,224	23,157,463
Loss provisions for credit contingent liabilities and for other possible loss and transactions with the residents of offshore territories	3,198,223	–	–	–	–		3,198,223
Total liabilities	700,453,782	622,216,939	127,856,189	33,256,860	236,651,559	1,374,224	1,721,809,553

Concentration risk

This risk arises out of the possibility that the Bank may incur significant loss that may threaten the Bank's solvency and its ability to continue its operations due to the Bank's exposure to major risks.

The Bank recognizes the following types of concentration as significant ones:

- A significant scope of claims to one counterparty or group of counterparties
- Credit claims to counterparties within the same economy sector (conducting the same operations or selling the same goods and services)
- Indirect exposure to concentration risk, which arises upon implementation of credit risk mitigation measures by the Bank (use of the same forms of the collateral, independent guarantees provided by one counterparty) (collateral concentration risk)
- Dependence of the Bank on individual liquidity sources

Procedures for management of concentration risk provide for the following elements:

- The procedure for identifying and measuring concentration risk
- The list of concentration limits on the existing structure of risk-bearing assets of the Bank grouped into portfolios by different attributes as well as the aggregate indicators of the Bank's transactions. These limits minimize the loss caused by excessive risk concentration on individual counterparties, groups of counterparties, and groups of the Bank's assets.
- Determining the methods of control over compliance with the said limits, including control over the portfolios of the Bank's instruments to identify new risk concentration forms for the Bank, which are not covered by the system of concentration limits, and notifying the management bodies of the Bank about the violations of the limits and the procedure for their elimination.

Interest rate risk of the balance sheet

The risk of deterioration of the Bank's financial position as a result of a reduction of the capital amount, income level, cost of assets as a result of changes in the interest rates in the market affecting claims and liabilities of the Bank that are not related to the Bank's trading portfolio. Interest rate risk of the balance sheet arises as a result of the noncoincidence of the call (maturity) date and/or the periods of revision of the interest rate on claims and liabilities and due to a different degree of interest rate change on claims and liabilities.

Procedures for management of interest rate risk of the balance sheet provide for the following elements:

- Gap analysis using stress tests for a change of the interest rate level
- Identification of the significant sources of interest rate risk of the balance sheet—that is, inherent to the transactions (deals) settled by the credit institutions, which are sensitive to a change of interest rates
- Assumptions used to determine the time of maturity (discharge) of assets (liabilities) and their cost
- List of limits on interest rate risk of the balance sheet and definition of the methods to control compliance with the said limits, notification of the management bodies of the credit institution about the violations of the limits and the procedure for their elimination
- Measures to mitigate interest rate risk that are taken upon reaching its maximum level

A final decision on the level of interest rate risk of the balance sheet is taken by the collective body, the Assets and Liabilities Management Committee, which ensures comprehensive effective control over interest rate risk of the balance sheet.

The Bank establishes and controls on a regular basis the limits on this risk that minimize both the efficiency indicators of the utilization of borrowings and business profitability and the maximum level of the interest rate gap at different time horizons.

The Bank also performs regular optimization of interest rates on the allocated and attracted resources in accordance with the current market situation and the tariff policy of the major counterparties.

The table below shows the information on the Bank's financial instruments sensitive to a change of the interest rate broken down by time left to call (maturity) as of January 1, 2019:

Indicator	Up to 30 days	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years
BALANCE SHEET						
ASSETS						
Cash and cash equivalents, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
Funds on correspondent accounts with credit institutions, including:	5,069,775	—	—	—	—	—
in RUB	128,460	—	—	—	—	—
in USD	4,935,600	—	—	—	—	—
Outstanding loans, including:	1,089,005,328	56,591,272	146,538,512	137,367,915	228,910,368	165,196,577
in RUB	591,490,520	37,797,482	87,329,639	93,339,823	117,247,092	95,274,904
in USD	497,207,685	15,360,417	50,950,439	33,202,428	65,972,354	63,814,987
Investments in debt instruments, including:	366,402	7,701,635	30,781,943	29,966,773	48,458,873	151,322,215
in RUB	342,714	5,238,159	29,466,484	26,321,168	21,907,320	20,579,153
in USD	10,409	2,434,021	1,315,459	3,471,369	25,185,304	120,903,907
Investments in equity securities, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
Other assets, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
Fixed assets and intangible assets, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
OFF-BALANCE CLAIMS, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
BALANCE SHEET LIABILITIES						
Due to credit institutions, including:	406,194,447	91,264,413	38,758,039	26,930	507,348	281,015

in RUB	176,832,989	13,732,422	9,367	26,930	507,348	281,015
in USD	215,647,270	40,905,564	38,658,258	—	—	—
Due to customers other than credit institutions, including:	347,219,393	336,094,817	109,135,616	237,341,179	139,049,511	432,617,897
in RUB	262,561,536	142,264,396	97,282,340	113,449,891	36,832,192	118,891,240
in USD	51,704,127	190,835,509	8,451,108	120,369,997	100,791,889	296,970,348
Debt instruments issued, including:	689,031	166,287	177,150	9,352,720	4,392,736	6,819,760
in RUB	689,031	149,124	0	9,288,406	4,280,532	6,819,760
in USD	—	—	177,150	—	—	—
Other borrowings, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
Sources of equity (capital), including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
OFF-BALANCE LIABILITIES, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—

The results of the evaluation of a change in the net interest income made on the basis of the assumptions of a change in the interest rate level by 200 basis points within one-year horizon are set out below:

Change in net interest income:	Up to 30 days	1 to 3 months	3 to 6 months	6 months to 1 year
+ 200 basis points	6,522,930	(6,053,635)	365,621	(396,931)
in RUB	2,910,896	(1,885,096)	243,805	(15,521)
in USD	4,500,221	(3,565,635)	62,242	(418,481)
- 200 basis points	(6,522,930)	6,053,635	(365,621)	396,931
in RUB	(2,910,896)	1,885,096	(243,805)	15,521
in USD	(4,500,221)	3,565,635	(62,242)	418,481

The table below shows the information on the Bank's financial instruments sensitive to a change of the interest rate broken down by time left to call (maturity) as of January 1, 2018:

Indicator	Up to 30 days	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years
BALANCE SHEET						
ASSETS						
Cash and cash equivalents, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
Funds on correspondent accounts with credit	2,950,262	—	—	—	—	—

institutions, including:						
in RUB	126,148	—	—	—	—	—
in USD	2,823,889	—	—	—	—	—
Outstanding loans, including:	905,180,830	73,268,970	72,775,308	149,077,179	256,987,992	242,804,516
in RUB	799,690,943	39,648,533	54,760,531	101,910,239	162,923,795	126,676,691
in USD	83,657,266	14,561,746	14,907,986	43,956,665	29,304,487	43,063,405
Investments in debt instruments, including:	2,182,890	15,682,209	19,650,233	5,867,486	9,133,671	30,268,579
in RUB	1,266,664	5,363,685	18,540,685	2,736,594	5,614,078	10,034,856
in USD	916,226	10,318,524	1,109,548	3,130,892	3,519,593	20,233,723
Investments in equity securities, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
Other assets, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
Fixed assets and intangible assets, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
OFF-BALANCE CLAIMS, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
BALANCE SHEET LIABILITIES						
Due to credit institutions, including:	453,806,530	112,020,200	37,297,937	17,831,959	237,824	792,361
in RUB	303,329,847	30,860,056	16,454	56,802	237,824	792,361
in USD	138,881,106	53,415,954	37,156,460	17,775,157	—	—
Due to customers other than credit institutions, including:	181,206,973	146,635,884	334,520,943	112,685,690	44,341,861	364,370,919
in RUB	129,972,278	108,510,514	121,771,966	83,094,935	11,034,851	125,703,664
in USD	49,701,956	35,552,143	86,685,660	25,574,774	30,080,403	152,283,009
Debt instruments issued, including:	638,760	330,230	3,653,318	9,494,239	16,789,994	—
in RUB	638,530	317,618	3,506,437	9,478,863	16,705,551	—
in USD	—	12,612	146,881	—	—	—
Other borrowings, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
Sources of equity (capital), including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—
OFF-BALANCE LIABILITIES, including:	—	—	—	—	—	—
in RUB	—	—	—	—	—	—
in USD	—	—	—	—	—	—

The results of the evaluation of a change in the net interest income made on the basis of the assumptions of a change in the interest rate level by 200 basis points within one-year horizon are set out below:

Change in net interest income:	Up to 30 days	1 to 3 months	3 to 6 months	6 months to 1 year
+ 200 basis points	5,264,167	(2,833,806)	(3,538,083)	74,664
in RUB	7,036,665	(1,577,870)	(649,921)	60,081
in USD	(1,939,325)	(1,068,298)	(1,349,643)	18,688
- 200 basis points	(5,264,167)	2,833,806	3,538,083	(74,664)
in RUB	(7,036,665)	1,577,870	649,921	(60,081)
in USD	1,939,325	1,068,298	1,349,643	(18,688)

Operational risk (including legal risk and compliance (regulatory) risk)

This risk arises out of possibility that the Bank may incur loss (inter alia, as a result of application of sanctions and/or other punitive measures by supervisory bodies) or face any adverse consequences resulting from the breach of contracts by the Bank or its counterparties; legal mistakes in the course of business activity; imperfection of the legal system (inconsistency of the legislation, absence of legal rules governing certain issues arising in the course of the Bank's operations); breach of regulatory legal acts by the counterparties; the Bank's branches and legal entities, over which the Bank exercises control or significant influence, or the Bank's counterparties being under the jurisdiction of different states; inconsistency with the nature and scale of credit institution's operations and/or with the requirements of the current legislation and a failure to comply with it, with internal procedures and procedures for settling banking transactions and other deals, or their violation by the credit institution's officers and/or other persons (as a result of unintentional or purposeful actions or omission); disproportion (lack) of functional opportunities (characteristics) of the information, technology, and other systems applicable by the credit institution and/or their failures (disturbance); and also resulting from the impact of external events.

The specific aspect of operational risks is that this type of risk is inherent in almost all operations of the Bank and not in the individual products/processes.

Operational risk includes:

Personnel risk: the risk of loss associated with mistakes and illegal actions of the Bank's employees, lack of their expertise, excessive load, inefficient labor organization in the Bank, etc.

Process risk: the risk of loss associated with mistakes in the processes of settling transactions and payments on them, recording such transactions, and in the reporting and pricing processes, etc.

System risk: the risk of loss caused by the imperfection of technologies used in the Bank: lack of system capacity, system inadequacy in relation to transactions settled, roughness or poor quality of data processing methods, inadequacy of data in use, etc.

Environment risks: the risks of loss associated with changes in the environment where the Bank operates: changes in the legislation, policy, economy, etc., risks of external physical interference with operations of the organization

Legal risk: the risk of loss that the Bank may incur as a result of the breach of contracts

by the Bank and/or its counterparties; legal mistakes committed by the Bank in the course of its operations (e.g., wrong legal consultations or wrong execution of documents, inter alia, when considering disputes in judicial bodies); imperfection of the legal system (inconsistency of the legislation; absence of legal rules governing certain issues arising in the course of the Bank's (Banking Group's) operations); breach of regulatory legal acts by the counterparties; the Bank's branches and legal entities, over which the Bank exercises control or significant influence, or the Bank's counterparties being under the jurisdiction of different states.

Compliance (regulatory) risk: the risk of adverse consequences that the Bank may face as a result of a failure to comply with the legislation of the Russian Federation; obligations assumed by the Bank to shareholders and third parties; internal documents of the Bank; standards of self-regulated organizations (if such standards are binding upon the Bank); and as a result of sanctions and/or other punitive measures applied by supervisory bodies.

For the purpose of operational risk management, the Bank collects real-time and objective information on the state and size of risk, carries out its qualitative and quantitative assessment (measurement), identifies risks upon occurrence of a negative trend, and implements response measures not to allow operational risk to reach a size significant for the Bank.

The principles and procedure for managing this risk are set out in the document "Regulation on Operational Risks Management in CREDIT BANK OF MOSCOW." The Regulation has been developed in compliance with the requirements of the Risk Management Policy of the Bank, current legislation of the Russian Federation, and with due regard to the recommendations of the Bank of Russia, the Basel Committee on Banking Supervision, and internationally recognized principles of operational risk management.

Management of this risk in the Bank is carried out with the help of a comprehensive approach, including quantitative and qualitative tools aimed at risk identification, assessment, monitoring, and mitigation. The Bank organized collection of information on the cases of operational risk materialization, controls the risk level on a routine basis using the key risk indicators, and implements independent risk assessment by the Bank's business units with the subsequent drafting of the Bank's operational risk chart. Furthermore, the purpose of operational risk management is to maintain the assumed risk at the level determined in accordance with the Bank's strategic objectives. Assurance of the maximum safety of assets and capital by reducing (excluding) possible loss is a top-priority goal.

The quantitative assessment of operational risk for the purpose of calculating capital adequacy ratios is performed under the methodology proposed by the Bank of Russia (Bank of Russia Regulation No. 652-P dated September 3, 2018, "On the Procedure of Operational Risk Calculation") and using the Base Indicator approach, where the average gross revenue of the Bank for the last three years is used as the quantitative indicator.

The quantitative assessment of operational risk and the demand for capital for the purpose of ICAAP (Bank of Russia Ordinance No. 3624-U dated April 15, 2015, "On the Requirements to the Risk and Capital Management System of the Credit Institution and the Banking Group") shall be performed in compliance with the Standardized Approach proposed by the Basel Committee on Banking Supervision.

For the purpose of operational risk mitigation, the Bank hires competent staff, implements advanced training programs, upgrades its operational procedures, and increases the level of safety and fail-safe behavior of the information systems and performance reliability of the infrastructure systems. Besides, operational risk of the Bank is reduced by means of assets insurance.

Control over the efficiency of the adopted measures is exercised under the existing internal control systems that meet the requirements of the Bank of Russia and recommendations of the Basel Committee on Banking Supervision.

Strategic risk

This risk arises out of possibility of unfavorable change in the performance results of the Bank due to erroneous decisions in the course of management of the Bank, inter alia, during the work out, approval, and implementation of the Bank's development strategy, improper fulfillment of the decisions, and inability of the Bank's management bodies to respond adequately to the changes in the external factors.

Procedures for management of strategic risk provide for the following elements:

- Regular revision of the Bank's development strategy
- Planning the development of new business areas, new products, and services and the extension of the existing services and strengthening of the Bank's infrastructure
- Analysis of the competition reflecting the identification of strategic risks, such as a threat of new competitors in the market, a threat of product substitution, continuous evolution of strategic risk factors during the life cycle of the services provided

The key strategic risk indicators are limited in accordance with the procedures established in the Bank. Information on the results of control over the limits of this type, on the violations and proposals for their elimination shall be sent regularly to the Bank's management bodies for the purpose of prompt control to ensure achievement of strategic goals of the Bank's operations.

Reputational risk

The reputational risk of the credit institution means the risk of loss that the Bank may incur as a result of negative perception of the Bank by the Banking Group participants, counterparties, supervisory bodies and other stakeholders, which may negatively affect the Bank's ability to maintain the existing and/or to establish new business relations and to maintain access to the sources of financing on a permanent basis.

The possibility to incur loss and its amount upon materialization of this risk greatly depend on the level of this risk within the Russian banking sector in general.

Procedures for management of reputational risk provide for the following elements:

- The procedures/instruments/mechanisms of effective interaction with all key categories of counterparties

- Compliance with the ethical standards in the course of the Bank's services
- Continuous monitoring of reputational threats of the Bank, both internal and external
- Understanding expectations of the shareholders and investors regarding requirements for their notification
- Compliance with the code of professional ethics and culture
- Transparent and progressive system of remunerations and incentives for the staff

At present, there are no factors that could cause harm to the Bank's business reputation. The Bank discharges all its obligations in due time and in full. The credit history of the Bank includes large loans from the world's leading credit institutions, syndicated loans, and issuance of bonds. The Bank also has sustainable business reputation among retail customers.

The Bank makes significant efforts to form a positive image for its customers and the wide public by way of increasing its information transparency. Management of reputational risk is a part of the risk management system and is carried out with the direct engagement of the Bank management.

Information on the structure and organization of work of the business units engaged in risk management

Risk management is performed by the following collective bodies and business units of the Bank under their functions:

- The Supervisory Board of the Bank is a management body accountable to the General Shareholders' Meeting.
- The Management Board of the Bank is an executive body in charge of the Bank's operation and fulfillment of decisions of the General Shareholders' Meeting and the Supervisory Board. The Management Board is responsible for the general management of the Bank's operations and takes decisions on its current transactions.
- The Corporate Credit Committee is a body accountable to the Management Board and responsible for the implementation of the Bank's credit policy in the field of corporate lending.
- The Retail Credit Committee is a body accountable to the Management Board and responsible for the implementation of the Bank's credit policy in the field of retail lending.
- The Corporate Customer Committee of the Bank is a body accountable to the Management Board and responsible for the implementation of the Bank's customer policy in the field of corporate lending.
- The Assets and Liabilities Management Committee is a body accountable to the Management Board and responsible for establishing the strategy for funds raising and placement, for strategic and operational management of risks associated with the deterioration of capital and liquidity indicators as well as currency and interest rate risks.
- The Risk Committee is a body accountable to the Management Board and responsible for the implementation of the Bank's risk management policy.
- The Risk Directorate is a dedicated and independent business unit of the Bank whose activities cover all significant types of risks. The Risk Directorate identifies, assesses banking

risks and controls them, works out, implements, supports, and improves the risk management system of the Bank, and coordinates operations of the business units and the management bodies of the Bank in the field of functioning and development of the risk management system.

- The Internal Control Unit The Internal Control Unit identifies, monitors, and keeps records of operational risk (including legal and compliance risks) and reputational risk and implements activities aimed at complying with the rules of corporate conduct and standards of professional ethics.

- The Financial Department The Financial Department works out the Bank's development strategy, plans and controls the achievement of the Bank's key operational performance indicators, controls regulatory standards of the Bank's operations, plans capital and monitors the conformance of capital allocation indicators to target values, controls the predicted liquidity level and maturity, and assesses and monitors risk indicators and controls compliance with limits on liquidity risk, interest rate risk, and strategic risk.

- Other business units of the Bank engaged in risk management under their functions

The Internal Audit Department The Internal Audit Department carries out internal audit of the Bank's operations and issues independent and unbiased recommendations aimed at increasing efficiency of the internal control, risk management, and corporate governance systems.

Procedures for risk management of and methods for risk assessment and information on changes therein during the reporting period

Risk management is performed by the Bank in compliance with the following procedures and stages:

Risk description. In its internal documents, the Bank describes a wide range of risks the Bank may be exposed to during its operations and the procedure for distinguishing significant risks in this range, determining the nature of their occurrence and the list of products, processes, and transactions exposed to this risk.

Determining risk appetite. The Bank determines an acceptable risk level for the significant types of risk. The procedure and algorithms (for estimated figures) for determining risk appetite indicators are described in the Bank's internal documents.

Risk identification. When settling transactions and offering products, the Bank implements measures to identify risks inherent in a certain transaction or product. Procedures for risk identification are described in the internal documents of the Bank.

Risk assessment. The Bank carries out qualitative and quantitative risk assessment. The assessment algorithms are recorded in the internal documents of the Bank and are subject to regular testing for their relevance and efficiency.

Choosing the ways to respond to risks and risk events. Based on risk assessment, the Bank assumes, limits, reallocates, or excludes the risk using risk management instruments. The choice of the way to respond to a risk event is determined with due regard to the efficiency criterion.

Risk monitoring. The Bank monitors assumed risks and implements additional ways to respond to them in case of a significant increase in the risk level or a change in its profile. The monitoring procedures are set out in the internal documents of the Bank. The monitoring results are disclosed in the internal statements of the Bank.

Control over the risk level and compliance with the risk management procedures. The Bank controls the compliance with the established limits, risk appetite, and other limitations. There are three types of control: preliminary, current, and follow-up. The Bank also controls the compliance with the risk management procedures. The control (including remote control) procedures are described in the internal documents of the Bank.

Risk mitigation policy

The Bank uses a number of instruments in the course of risk management, inter alia, for risk mitigation:

The transaction collateral. The Bank accepts the collateral (e.g., in the form of pledge and/or guarantees and suretyships) in the amount enough for full or partial coverage of loss caused by the occurrence of any unfavorable events, which allows receiving the compensation of loss upon occurrence of any unfavorable events.

Limitation system. The Bank limits the level of assumed risks by means of the limitation system, which includes: procedures for calculating, setting, revising, using, and controlling the observance of the limits. The limitation system is a multitier system. The limitation principles and procedures as well as the types and the list of limits used in the Bank are set out in its internal documents;

Structuring of transactions. The Bank develops detailed plans and procedures for a specific transaction to mitigate risks associated therewith.

Securitization. The Bank spreads the risk by way of its full or partial transfer to the financial markets through the issuance of securities the risk on which includes the distributed risk.

Risk-oriented pricing. The Bank includes a risk fee in the cost terms of the products offered, which allows risk distribution between the Bank and the counterparties under the transactions.

Insurance. This instrument provides for external compensation of loss in the event of risk materialization.

Provisioning. This instrument implies making of internal provisions of the organization for the compensation of loss in the event of risk materialization.

Diversification. The Bank mitigates risk by distributing the cumulative risk by sources to prevent its concentration on an individual source.

Hedging. The Bank mitigates and spreads risk by settling other transactions for the purpose of compensation of possible loss.

Gap analysis. The Bank analyzes strategic gaps between the maturity of assets and liabilities within a certain time interval subject to a certain change of interest rates.

Stress testing. An instrument for evaluating potential impact on the financial condition of the Bank by a number of preset changes in the factors of risks identified by the Bank as significant, which correspond to the exclusive but possible events.

Stress-testing procedures are implemented by the Bank with a certain frequency (at least once a year) broken down by each significant type of risk in accordance with algorithms and on the basis of the basic scenarios recorded in the internal documents of the Bank.

Information on the scope and frequency of internal risk reporting of the credit institution

For the purpose of taking administrative decisions, various forms of internal banking reports shall be submitted to the executive management bodies of the Bank and to the heads of the designated business units within the frame of the risk management system. The main reporting forms broken down by risk types are:

Credit risk:

- On the overdue and impaired loans
- On the granting of loans
- On the credit portfolio of the Bank
- On restructured loans
- On the credit risk concentration
- On major defaulted borrowers

Liquidity risk:

- Predicted payment position of the Bank for the nearest day
- Daily data on currency transactions with the calculation of the remaining net FX position broken down by currencies
- Daily data on REPO transactions and IBL with the calculation of their balance
- Predicted payment position of the Bank (GAP) for all periods of time on the basis of the contractual maturity of assets and liabilities broken down by their periods
- Predicted payment position of the Bank (GAP) for all periods of time with due regard to different scenarios (extremely pessimistic, pessimistic, realistic)
- Calculation of required liquidity ratios (statement form 0409135 for ratios N2, N3, and N4)
- Statement form 0409125 "Information on assets and liabilities by their maturity and redemption period"

Market risk (interest rate, currency, stock market risk):

- A report on the securities portfolio
- A report on the average interest rates on assets and liabilities

- A report with VaR calculation for the securities portfolio
- A report on the general FX position
- Calculation of the net FX position according to the statement form 0409634 "Report on Net FX Positions"

Operational risk:

- A report on the key risk indicators
- A newsletter of internal events
- A newsletter of external operational risk events
- An operational risk chart
- A consolidated operational risk report

Reports on the fulfillment of requirements of the internal procedures for capital adequacy assessment:

- A report on the efficiency of the Bank's risk and capital management
- A report on the Bank's ratios and capital
- A report on the Bank's risk management quality
- A report on the conflict of interest in risk assumption and management (as part of the annual report of the ICS)

Apart from the aforesaid reporting forms, the Bank carries out comprehensive and regular monitoring of assumed risks and implements additional response measures in the event of a significant increase in the risk level or any change in its profile based on the monitoring results.

9. Information on capital management

The Bank applies internal procedures for capital adequacy assessment, as recorded in the Risk and Capital Management Strategy of the Bank.

The purpose of risk management and capital adequacy assessment is to ensure stability and reliability of the Bank in the course of its core operations and to achieve its targets, inter alia, by performing the following tasks:

1. Ensuring maximum safety of own funds of the Bank, its depositors, creditors, and investors during the mitigation of the adverse impact of external and internal risk factors
2. Compliance with the Bank's Strategy aimed at improving the range of the Bank's products and services to ensure the maximum conformance to the customers' demands
3. Increasing the capitalization and profitability of the Bank by means of solutions balanced by risk yield to achieve the target figures
4. Supporting high financial stability of the Bank by means of:
 - 4.1. Fulfilling the requirements of the Bank of Russia for the necessary level of the Bank's capital adequacy and making the necessary capital reserve to ensure active growth of the Bank under its financial development model stipulated by the Bank's Strategy
 - 4.2. Ensuring growth and high quality of the Bank's assets by virtue of the balanced risk policy

5. Minimizing the Bank's costs by means of effective management and reduction of costs on the infrastructure development

6. Preserving high business reputation, increasing the level of confidence of customers, shareholders, and investors and growth of the investment attractiveness of the Bank

To achieve the indicators of the financial development model according to the Bank's Strategy, the Bank settles transactions on the open market and strives to mitigate the risks of external and internal environment through the development of the risk management system on the basis of the following standards:

- Compliance with the recommendations and the best international risk management practice (including documents of the Basel Committee on Banking Supervision of the Bank for International Settlements ("Basel II–III") and requirements of the Bank of Russia)
- Classification of risk areas and types
- Disclosure of information about risks

One of the Bank's main goals in the field of capital management is to ensure that the capitalization level of the Bank meets the requirements of the Central Bank of the Russian Federation. The Central Bank of the Russian Federation establishes and controls the fulfillment of the Bank's capital requirements. Since January 1, 2014, Russian banks calculate their capital adequacy ratio in compliance with Basel III standards, according to which the minimum tier I capital adequacy ratio (N1.1) shall be not less than 4.5%; tier II capital adequacy ratio (N1.2), 6%; and the general equity (capital) adequacy ratio (N 1.0), 8%.

The Bank calculates its equity (capital) in accordance with Bank of Russia Regulation No. 395-P dated December 28, 2012, "On the Methodology for Determining the Amount of Equity (Capital) of Credit Institutions (Basel III)." Equity (capital) adequacy ratios are calculated in accordance with Bank of Russia Instruction No. 180-I dated June 28, 2017 "On Banks' Required Ratios."

The Bank submits to the territorial office of the Central Bank of the Russian Federation supervising the Bank's operations the information on the calculation of required ratios according to a standard form.

Financial Department controls compliance with the capital adequacy ratios on a daily basis.

If the values of the capital ratios are close to threshold values established by the requirements of the Central Bank of the Russian Federation and the internal policy of the Bank, this information shall be communicated to the Management Board and the Supervisory Board.

According to Bank of Russia Ordinance No. 3624-U dated April 15, 2016, "On the Requirements to the Risk and Capital Management System of the Credit Institution and the Banking Group," the Bank has developed and approved with the Supervisory Board the risk and capital management strategy that sets out the principles and approaches toward capital management within the frame of the internal capital adequacy assessment procedures (ICAAP), including the demand for capital on the basis of the planned development indicators of the Bank and stress testing results. Under this strategy, the demand for capital is expressed through proportional division of this demand by risk types and internal business units and establishment

of risk limitations controlled by the Bank on a monthly basis. A report on compliance with the risk limitations under ICAAP shall be submitted to the Management Board and the Supervisory Board of the Bank.

In 2018 and 2017, the Bank's capital adequacy ratio of each tier met the level established by laws.

Capital adequacy ratios are set out as follows:

	Minimum permissible value, %	December 31, 2018	December 31, 2017
The Bank's tier I capital adequacy ratio (N1.1)	4.5	8.1	8.2
The Bank's tier II capital adequacy ratio (N1.2)	6	11.6	11.4
Equity (capital) adequacy ratio (N1.0)	8	20.1	20.0

The table below shows the analysis of the structure of capital calculated in compliance with the requirements of the Central Bank of the Russian Federation.

	December 31, 2018 RUB thou	December 31, 2017 RUB thou
Authorized capital	27,079,710	27,079,710
Share premium	46,247,463	46,247,463
Reserve fund	4,313,214	4,313,214
Retained profit	32,562,954	25,291,203
Indicators reducing tier I capital	285,154	282,568
Tier I capital	109,918,187	102,649,022
Subordinated loan	46,690,280	40,320,140
Indicators reducing tier II capital	—	606,862
Capital surplus	46,690,280	39,713,278
Tier II capital	156,608,467	142,362,300
Profit of the current year	8,589,496	5,386,126
Profit of the past years before the auditor's confirmation	—	—
Increase in the cost of assets due to revaluation	901,245	1,019,584
Subordinated loan	106,635,518	100,606,273
Indicators reducing the additional capital	439,251	43,558
Additional capital	115,687,008	106,968,425
Equity (capital)	272,295,475	249,330,725

The requirements of Basel III establish three capital tiers: tier I, tier II, and common.

The key sources of the Bank's tier I capital are the authorized capital formed with ordinary shares (RUB 73,327,173,000) and retained profit of the past years (RUB 32,562,954,000). The authorized capital consists of ordinary shares. The face value of each share is RUB 1.

As of January 1, 2019, the Bank's capital surplus in the amount of RUB 46,690,280,000 included:

- A termless subordinated bond-secured loan in the amount of RUB 41,690,280,000 (CBOM Finance PLC)

- A termless subordinated bond-secured loan of CREDIT BANK OF MOSCOW in the amount of RUB 5,000,000,000

As of January 1, 2019, the Bank's additional capital was mostly formed with subordinated loans in the total amount of RUB 106,635,518,000:

- Subordinated bond-secured loans (CBOM Finance PLC) maturing on May 26, 2025, and October 5, 2027, in the total amount of RUB 43,563,338,000

- Subordinated deposit of Rosneft Oil Company OJSC maturing on December 24, 2025, in the amount of RUB 20,841,180,000

- Subordinated loan from Deposit Insurance Agency (under FLB) with the bond issues maturing on January 22, 2025, February 24, 2027, September 26, 2029, April 28, 2032, and November 29, 2034, in the total amount of RUB 20,231,000,000

- Subordinated deposit of Samotlorneftegaz JSC maturing on September 29, 2066, in the amount of RUB 11,000,000,000

- Subordinated deposit of RN-Nyaganneftegaz JSC maturing on September 29, 2066, in the amount of RUB 11,000,000,000

As of January 1, 2018, the Bank's additional capital was mostly formed with subordinated loans in the total amount of RUB 106,606,273,000:

- Subordinated bond-secured loans (CBOM Finance PLC) maturing on November 13, 2028, May 26, 2025, and October 5, 2027, in the total amount of RUB 40,495,213,000

- Subordinated bonds maturing on June 5, 2018, and August 22, 2018, in the total amount of RUB 600,000,000

- Subordinated deposit of Rosneft Oil Company OJSC maturing on December 24, 2025, in the amount of RUB 17,280,060,000

- Subordinated loan from Deposit Insurance Agency (under FLB) with the bond issues maturing on January 22, 2025, February 24, 2027, September 26, 2029, April 28, 2032, and November 29, 2034, in the total amount of RUB 20,231,000,000

- Subordinated deposit of Samotlorneftegaz JSC maturing on September 29, 2066, in the amount of RUB 11,000,000,000

- Subordinated deposit of RN-Nyaganneftegaz JSC maturing on September 29, 2066, in the amount of RUB 11,000,000,000

During the reporting period, there were no dividends recognized as payments in favor of the shareholders.

From July 1, 2015, for the purpose of credit risk mitigation under credit claims and claims for interest accrued (accumulated) and under derivative financial instruments, which are secured with the respective ways of borrower's (counterparty's) performance, the Bank has been using the approach set out in clause 2.6 of Bank of Russia Instruction No. 180-I dated June 28, 2017, "On Banks' Required Ratios."

10. Information broken down by segments of the credit institution's operations

The Bank has four main reporting segments that, as described below, are strategic business units of the Bank. Strategic business units offer various products and services and are controlled separately since they require different technology and market strategy to be used. The Chairman of the Management Board studies internal reports on each strategic business unit at least on a quarterly basis. The brief description of transactions for each of reporting segments is set out below:

- **Corporate banking transactions:** granting of loans and provision of overdrafts, loans secured with sales revenues, loans on overdraft, loans to replenish working capital and short-term loans, long-term financing of investments in fixed assets, leasing, factoring, trade financing instruments, such as guarantees and letters of credit
- **Retail banking transactions:** opening of current and fixed-term retail deposits, granting of retail loans (including car loans, mortgage and consumer loans), money transfers and private banking services, transactions with plastic cards, cash transfers, foreign exchange transactions
- **Treasury transactions:** granting and receipt of interbank loans, settlement of trading transactions with securities, settlement of REPO transactions, foreign exchange transactions, issuance of debt securities (Treasury transactions also include transactions in the international markets—namely, the origination of loans in the international financial institutions and trade finance transactions.)
- **Cash transactions and cash collection:** all transactions with cash funds and transactions of cash funds acceptance, counting, and transportation

A breakdown of assets and liabilities by segments is set out as follows:

	December 31, 2018	December 31, 2017
	RUB thou	RUB thou
Assets		
Corporate banking transactions	593,951,758	658,164,902
Retail banking transactions	87,437,357	76,033,476
Treasury	1,419,721,357	1,053,769,209
Cash transactions and cash collection	13,264,425	16,475,695
Other assets	21,760,512	25,449,731
Total assets	1,136,135,409	1,829,893,013
Liabilities		
Corporate banking transactions	1,014,181,965	725,250,880
Retail banking transactions	368,276,208	284,994,388
Treasury	599,430,783	683,812,473
Other liabilities	35,196,164	27,751,812
Total liabilities	2,017,085,120	1,721,809,553

The information on income and expenses broken down by segments for 12 months of 2018 and a similar period of the past year is set out below.

						12 months 2018, RUB thou
	Corporate banking transactions	Retail banking transactions	Treasury	Cash transactions and cash collection	Other transactions	Total
Net interest income	24,267,349	(6,887,815)	29,058,345	–	–	46,437,879
Net fee and commission income	5,505,132	138,682	209,914	3,770,691	22	9,624,441
Provisions	(7,679,858)	(3,823,848)	(1,055,524)	–	(2,864,405)	(15,423,635)
Other operating income	(4,681,052)	333,172	33,044	–	(15,078,982)	(19,393,818)
Net income from transactions with securities	–	–	435,084	–	–	435,084
Other income/expenses	(10,712,595)	3,047,236	(3,508,760)	(1,576,289)	6,303,568	(6,446,840)
Total profit before tax	6,698,976	(7,192,573)	25,172,104	2,194,402	(11,639,797)	15,233,111
Profit tax						(3,108,198)
Profit after tax						12,124,913

						12 months 2017, RUB thou
	Corporate banking transactions	Retail banking transactions	Treasury	Cash transactions and cash collection	Other transactions	Total
Net interest income	33,497,618	(3,578,223)	13,522,200	–	–	43,441,595
Net fee and commission income	3,444,058	(117,072)	728,949	4,205,498	12	8,261,445
Provisions	(15,956,055)	104,181	(74,099)	–	(2,206,605)	(18,132,578)
Other operating income	(10,590,488)	(2,484,267)	(2,608)	–	(14,504,079)	(27,581,442)
Net income from transactions with securities	–	–	16,186,959	–	–	16,186,959
Other income/expenses	(7,865,750)	2,116,993	(6,379,282)	(1,293,445)	4,460,879	(8,960,605)
Total profit before tax	2,529,383	(3,958,388)	23,982,119	2,912,053	(12,249,793)	13,215,374
Profit tax						(2,515,514)
Profit after tax						10,699,860

11. Information on transactions with the credit institution's related parties

The information on transactions with the Bank's related parties as of January 1, 2019 (in RUB thou), is set out below:

	Ultimate beneficiary	Parent company	Companies controlled by ultimate beneficiary	Structured enterprises	Key management staff	Other related parties
Loans granted	–	–	32,796,717	772,615	373,318	660,391
Subordinated loans granted	–	–	400,000			
Nostro accounts	–	–	3,297,719	–	–	–
Investments into securities	–	–	–	21,689,200	–	–
Other assets	–	4	2,507,261	5,359	5,749	2,780
Provisions made	15	4	7,971,405	9,368	2,632	3,495
Funds on customers' accounts	1,120,344	10,021,046	10,907,984	69,472,218	159,954	19,141
Subordinated loans received	–	–	–	90,240,426	–	–
Other liabilities	6,305	5,031	1,423,935	2,398,449	443	52
Guarantees issued	–	–	1,274,128	5,544	–	–
Outstanding credit facility limits	500	–	–	–	109,531	1,036

The information on derivative financial instruments with the Bank's related parties as of January 1, 2019, is set out below:

RUB thou	Amount of claims	Amount of liabilities	Amount of positive fair value	Amount of negative fair value	Credit risk
Swap with an FX underlying asset	27,560,175	27,788,240	–	797,358	165,361
Forward with an FX underlying asset	695,279	697,520	698	–	11,510

The information on derivative financial instruments with the Bank's related parties as of January 1, 2018, is set out below:

RUB thou	Amount of claims	Amount of liabilities	Amount of positive fair value	Amount of negative fair value	Credit risk
Swap with an FX underlying asset	57,555,570	55,008,191	1,450,982	–	3,039,806
Forward with an FX underlying asset	501,755	507,034	–	1,186	7,606

The total remuneration for the Members of the Supervisory Board and the Management Board for 2018 and 2017 is set out as follows:

	2018, RUB thou	2017, RUB thou
Members of the Management Board	543,213	452,920
Members of the Supervisory Board	93,238	71,867
	636,451	524,787

The items of income and expenses on transactions with the Bank's related parties for 2018 and 2017 (in RUB thou) are set out below:

	12 months 2018					
	Ultimate beneficiary	Parent company	Companies controlled by ultimate beneficiary	Structured enterprises	Key management staff	Other related parties
Interest income		40,940	4,167,740	1,505,829	16,573	77,134
Interest expenses	46,611	106,817	399,028	11,710,229	8,548	1,105
Fee and commission income	59	45,097	434,307	16,137	406	161
Fee and commission expenses	–	–	322	3,791	–	–
Net income from transactions with securities and financial assets measured through profit or loss	–	698	(8,860,432)	17,260	–	–
Net income from transactions with financial liabilities measured through profit or loss	–	–	–	–	–	–
Net income from transactions with securities available for sale	–	6,384	139,446	(142,352)	–	–
Net income from participation in the capital of other legal entities	–	–	215,146	–	–	–
Net income from transactions with foreign currency	11,441	(24,165)	(297,693)	(5)	896	206
Other income/expenses	(26,946)	(4,648)	(1,198,164)	(25,324,949)	(10,280)	88,387

	12 months 2017					
	Ultimate beneficiary	Parent company	Companies controlled by ultimate beneficiary	Structured enterprises	Key management staff	Other related parties
Interest income	–	276,596	5,138,756	1,011,159	13,956	3,695
Interest expenses	42,397	44,224	167,275	10,521,467	12,916	2,239
Fee and commission income	58	39,379	312,338	24,371	396	346
Fee and commission expenses	–	–	12	1,710,328	–	–
Net income from transactions with securities and financial assets measured through profit or loss	–	15,771	3,392,269	764	–	–
Net income from transactions with financial liabilities measured through profit or loss	–	–	(502)	–	–	–
Net income from transactions with securities available for sale	–	142	40,040	46,150	–	–
Net income from transactions with foreign currency	(38)	7,089	(468,352)		(195)	1,074
Other income/expenses	(10,635)	(11,207)	(126,356)	4,673,681	(2,720)	(1,078)

12. Information on long-term remunerations to the credit institution's employees

In accordance with Bank of Russia Instruction No. 154-I dated June 17, 2014, "On the Procedure for Assessing Remuneration Systems of Credit Institutions and the Procedure for Submitting to Credit Institutions Orders to Eliminate Violations in their Remuneration Systems," the Bank classifies a variable part of remuneration to the members of the executive bodies and other employees assuming risks as other long-term remunerations. There are no other long-term remunerations provided for the employees of the Bank.

There are no programs for paying remunerations to the employees upon their retirement.

13. Information on payments made under equity instruments

There are no agreements in the Bank that are based on payments made under equity instruments.

14. Earnings per share

Basic earnings per share are based on the earnings due to the owners of ordinary shares and on an average weighted number of ordinary shares that are in circulation during the year.

	2018	2017
Earnings for a year, RUB thou	12,124,913	10,699,860
Average weighted number of ordinary shares, pcs.	27,079,709,866	24,449,572,880
Basic earnings per share (RUB per share)	0.45	0.44

15. Additional information

Information on the assumed risks, procedures of their assessment, risk and capital management is published on the website www.mkb.ru in the Information disclosure for regulatory purposes section.

Chairman of the Management Board

V. A. Chubar

Chief Accountant

S. V. Sass

February 8, 2019

