

CREDIT BANK OF MOSCOW
Explanatory Information
to the Annual Accounting (Financial) Statements
for 2019.

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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 mainly 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, 2020, the Bank was ranked 8th 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 96% of its loan portfolio as of January 1, 2020. 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, construction, finance, retail, production and sale of food products, metallurgy, aluminium production, telecommunications, etc. The Bank is ranked 6th among credit institutions by the size of its comprehensive credit portfolio as of January 1, 2020.

As of January 1, 2020, the territorial network of CREDIT BANK OF MOSCOW comprised 130 branches and 28 cash offices, and its chain of payment banking devices included over 6,800 payment terminals and 1,130 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), Citibank N.A., J.P. Morgan Chase & Co., The Bank of New York Mellon, ING Bank N.V., Barclays Bank Plc, Industrial and Commercial Bank of China, Bank of China, Harbin Bank Co. Ltd., The Export-Import Bank of Korea, Societe Generale S.A., Credit Agricole CIB, Commerzbank AG, Raiffeisen Bank International AG, Deutsche Bank, UniCredit Group, Credit Suisse, UBS AG, Landesbank Baden-Wuerttemberg (LBBW), Bayerische Landesbank (BayernLB), Intesa Sanpaolo SpA, ODDO BHF Aktiengesellschaft, AKA Ausfuhrkredit-Gesellschaft mbH, HSBC, The National Bank of Ras Al-Khaimah, Credit Europe Bank N.V. 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.

ESG Ratings: "BBB".

Lianhe Ratings – long-term credit rating "AA+".

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 roubles 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, Russian Federation.

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, 2020, and the comparatives as of January 1, 2019.

The accounting statements are drafted in the currency of the Russian Federation and are represented in thousand roubles (RUB '000).

Information on the banking group.

The Bank heads a 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;
- 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, 99.72% ownership share of the Bank;

- Savings and Loan Services Bank (Limited Liability Company), 100% owned by the Bank;
- Mortgage Agent MKB 2 Limited Liability Company, a structured entity;
- ELECSNET HOLDING LIMITED, 49.78% ownership share of the Bank;
- Elecsnet Joint-Stock Company, 49.78% ownership share through dependent companies;
- NCO ELECSNET Joint-Stock Company, 49.78% ownership share through dependent companies;
- Arenda-Elecsnet Limited Liability Company, 49.78% ownership share through dependent companies;
- Elecsnet SPb Joint-Stock Company, 35.84% ownership share through dependent companies;
- Elecsnet-Regiony Joint-Stock Company, 49.78% ownership share through dependent companies;
- Elecsnet-Kazan Joint-Stock Company, 49.78% ownership share through dependent companies;
- Elecsnet SPB Limited Liability Company, 37.34% ownership share through dependent companies;
- CENTR-GOROD Limited Liability Company, 49.78% ownership share through dependent companies;
- Centr-Processing Limited Liability Company, 49.78% ownership share through dependent companies;

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 non-targeted loans, deposit programs, cash management services, and individual banking programs.

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

Net profit based on the results of 2019 amounted to RUB 41.0 billion. Net interest income (before the deduction of reserves) amounted to RUB 41.6 billion, and net fee and commission income amounted to RUB 8.3 billion.

Aggregate assets of the Bank increased by 14.0% compared to the level of the end of 2018 and as of January 1, 2020 amounted to RUB 2,435.5 billion.

Since the beginning of 2019, the cumulative portfolio of outstanding corporate and personal loans, including REPO transactions, expanded by 8.8% to reach RUB 1,926.1 billion as of the reporting date, including RUB 1,851.0 billion, or 96.1%, of outstanding corporate loans and RUB 125.1 billion, or 3.9% of outstanding personal loans.

Customer deposits increased by 8.2% in 2019 and amounted to RUB 1,542.1 bln as at the reporting date, with retail deposits rising by 29.5% ytd to RUB 476.8 bln. Corporate deposits increased by 0.8% to RUB 1,065.4 bln.

Capital adequacy ratios as of January 1, 2020 amounted to: N1.1 — 8.7%, N1.2 — 11.1%, N1.0 — 16.6%. The aggregate capital calculated pursuant to Basel III standard amounted to RUB 264.8 billion.

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

The Annual General Shareholders' Meeting resolved to pay dividends for 2018. Dividends paid amounted to 2,978,768,000 roubles.

3 Brief review of the principal provisions of the accounting policy for 2019.

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 2018.

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 recorded 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 Bank 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) Priority of content over form

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

9) Transparency

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

Methods for assessment of financial assets and liabilities.

During initial recognition, financial assets, financial liabilities, liabilities with respect to bank guarantees issued and advances of funds are evaluated at the fair value as of the date of original recognition to be determined pursuant to IFRS 13, IFRS 9, and methodologies for determination of the fair value of financial instruments approved by the Bank.

After initial recognition, financial assets depending on the business model and characteristics of cash flows are recorded in the books pursuant to IFRS 9:

- at amortized cost,
- at the fair value through other comprehensive income,
- at the fair value through profit or loss.

When assessing, whether cash flows stipulated by the agreement on a financial asset represent only payments of the principal amount and interest on the outstanding principal amount, the Bank analyzes contractual terms of a financial asset pursuant to the methodology approved by the Bank.

Financial assets are evaluated by the Bank at the amortized cost (AC), if both of the following terms are met:

- management of financial assets is performed under the business model aimed at the receipt of cash flows stipulated by the terms of a financial asset;
- contractual terms of a financial asset provide for the receipt of cash flows representing only payments of the principal amount and interest on the outstanding principal amount, on the specified dates.

Financial assets are evaluated by the Bank at the fair value through other comprehensive income (FV OCI), if both of the following terms are met:

- management of financial assets is performed under the business model aimed at the receipt of cash flows stipulated by the terms of a financial asset and the sale of a financial asset;
- contractual terms of a financial asset provide for the receipt of cash flows representing only payments of the principal amount and interest on the outstanding principal amount, on the specified dates.

Financial assets are evaluated by the Bank at the fair value through profit or loss (FV TPL), except for the cases when they are assessed at AC or at FV OCI.

The amortized cost of a financial asset may be determined with the use of the method of cash flow discounting at the effective interest rate (hereinafter, EIR) or the linear method pursuant to IFRS 9 and Regulations 605-P, 606-P.

AC of a financial asset shall be determined at least once per month as of the last calendar day of a month, and as of the dates of the full or partial repayment (return), including early repayment of the financial asset.

The fair value of a financial asset classified during initial recognition as to be evaluated thereafter at FV TPL is determined at least once per month as of the last calendar day of the month, and in case of a material change of the fair value of a financial asset during a month, at the date of the full or partial repayment (return), including early repayment of the financial asset.

The value of a financial asset classified during original recognition as to be evaluated thereafter at AC and at FV OCI is increased by costs directly related to funds placement, acquisition of the right of claim (hereinafter, "transaction costs").

After initial recognition, liabilities with respect to bank guarantees are evaluated at the biggest of two values: allowance for expected credit losses to be calculated pursuant to IFRS 9 (hereinafter, "loss allowance") or the amount of remuneration for a bank guarantee issued.

After initial recognition, financial liabilities are recorded in the books at AC to be determined pursuant to IFRS 9 the Bank's methodology for classification of financial liabilities, except for the cases provided for by Clause 4.2.1 of IFRS 9. AC of a financial liability shall be determined at least once per month as of the last calendar day of the month, and as of the dates of the full or partial repayment (return), including early repayment of the financial liability. AC of a financial liability is determined with the use of the linear method or EIR method pursuant to IFRS 9 and Regulation 604-P.

Financial liabilities shall not be reclassified.

Provisions.

Provisions for possible losses are formed pursuant to the requirements of internal statutory documents of the Bank, Regulations 590-P, 611-P.

Clarification of the provision amount by elements of the calculation base due to a change of the credit risk level, a change of the value of elements of the calculation base (including a change resulting from change of the official rate of a foreign currency, in which elements of the calculation base are denominated, with respect to RUB established by the Bank of Russia) shall be performed at least once per month as of the first day of the month, following the reporting month. Clarification of the provision amount by elements of the calculation base shall be performed on an intra-month date (-s), if pursuant to Clause 11.3 of Instruction of the Bank of Russia No. 180-I dated June 28, 2017 "On

Statutory Bank Ratios" the Bank of Russia (a territorial branch of the Bank of Russia) requires to provide calculation of statutory ratios as of an intra-month date(-s).

If the end of the reporting period falls on a weekend or public holiday, clarification of the amount of the earlier formed provision elements of the calculation base denominated in a foreign currency shall be performed at the official rate of a foreign currency with respect to RUB established by the Bank of Russia as of the date of preparation of the last daily balance sheet in the reporting month (including a weekend or public holiday).

Allowance for expected credit losses is recorded in the books for financial assets to be evaluated at the amortized cost, at the fair value through other comprehensive income, for liabilities with respect to bank guarantees issued and provision of funds pursuant to Clause 5.5.1 of IFRS 9.

Impairment of credits and expected credit losses are determined pursuant to Appendix A to IFRS 9, and the credit risk is determined pursuant to Clause 5.5.9 of IFRS 9. Methods for evaluation of expected credit losses and the procedure for calculation of allowance shall be approved by an intra-bank statutory document.

Calculation and adjustment of the value of allowance for expected credit losses shall be performed by the Bank at least once per month.

Allowance is recorded in the books by adjustments of regulatory provisions to the value of allowance. Adjustments increasing interest income / expenses by the difference between provisions for possible losses and allowances for expected credit losses are recorded pursuant to Regulations 605-P, 606-P in correspondence on accounts for adjustments of provisions for possible losses.

Modification of terms of financial assets / liabilities.

A modification of a financial asset / liability shall mean a change of contractual cash flows caused by:

- a change of the interest rate on the FI;
- a change of the maturity period of the FI;
- a change of the schedule of payments related to the FI.

If a modification of cash flows from a FA is caused by a change of the interest rate, the Bank recalculates EIR as of the cash flow modification date. In that case, if a change of the interest rate is stipulated by initial terms of the contract, the EIR is not compared with the market interest rate as of the cash flow modification date. If a change of the interest rate is not stipulated by initial terms of the contract, the EIR is compared with the market interest rate as of the cash flow modification date.

If a modification of cash flows from a FA is caused by a change of the maturity period of the FA or the schedule of payments related to the FA, the EIR from the FA is not recalculated.

If a modification of cash flows from a FL is caused by a change of the interest rate, the Bank recalculates the EIR as of the cash flow modification date. In that case, if a change of the interest rate is stipulated by initial terms of the contract, the EIR is not compared with the market interest rate as of the cash flow modification date.

If a change of the interest rate is not stipulated by initial terms of the contract, the EIR is compared with the market interest rate as of the cash flow modification date. The Bank compares the value of cash flows under the new terms discounted at the initial EIR with the present value of remaining cash flows from the initial liability. If the difference between modified cash flows and initial

cash flows exceeds 10%, the Bank pursuant to IFRS 9 ceases recognition of the initial FL. In that case, the Bank recalculates the EIR and compares it to the market interest rate at the modification date. Then, the FL is recorded pursuant to the requirements of IFRS 9 and 604-P.

Core principles of recognition and classification of income and expenses.

The Bank recognizes income and expenses as interest-bearing or operational proceeding from their nature and types of transactions subject to the requirements of Regulation 446-P.

Income and expenses are recorded in the books using the accrual method, i.e. financial results of transactions (income and expenses) are recorded in the books when they are incurred (recognized), and not when funds (their equivalents) are received or paid.

Income and expenses are recorded in the books for the period they relate to. Analytical accounting on income and expense accounts is performed in the currency of the Russian Federation.

Interest income and interest expenses related to funds placed and attracted are accrued pursuant to the procedure and in the amount stipulated by the respective agreement, on the outstanding principal debt recorded on the respective personal account at the beginning of the banking day.

During accrual of interest income and interest expenses, the interest rate value (in percent per annum) and the actual number of calendar days, for which funds are attracted or placed, are taken into account. In that case, the actual number of calendar days in a year – 365 or 366 days, depending on the situation, – is taken as the basis, unless otherwise is stipulated by agreement of the parties.

The procedure for accrual and recording of commission interest income (expenses) is analogous to the procedure for accrual of interest income (expenses) and their recording in the books.

Income is recognized in the books subject to the following terms:

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 the result of the transaction related to supply (disposal) of an asset, performance of works, provision of services, the Bank ceded to a customer control over the supplied (disposed) asset to be determined pursuant to Clause 33 of IFRS 15, the work was accepted by the customer, the service was provided.

If any of the above specified terms is not met with respect to funds or other assets actually received by the Bank or the term of recognition is not met with respect to interest income, a liability, including the liability in the form of accounts payable, rather than income, is recognized in the books.

Amounts received (recovered) that are subject to subsequent transfer in favour of third parties are not recognized as income.

For recognition in the books of interest income from transactions of placement (provision) of funds and precious metals, debt obligations assumed (including bills of third parties), borrowing of securities, and income from provision of other assets for temporary use (possession and use) for a fee, the terms specified in sub-clauses 1)–3) of this Sub-Section shall all be met.

Income from transactions of supply (disposal) of assets, performance of works, provision of services is recognized subject to simultaneous compliance with the terms specified in sub-clauses 1)–4) of this Sub-Section. Amounts received (recovered) that are subject to subsequent transfer in favour of third parties are not recognized as income.

Expense is recognized in the books subject to the following terms:

1) Expense is incurred (arises) under a particular agreement, requirements of legislative and other statutory regulations, customary business practices;

2) The amount of expense can be measured;

3) There is no uncertainty with respect to recognition of expense.

With respect to works and services, a customer (recipient, consumer, buyer) of which is the Bank, there is no uncertainty from the date of acceptance of the work, provision of the service.

If any of the terms specified in this clause is not met with respect to any actually paid funds or supplied assets, the respective asset, including the asset in the form of accounts receivable, rather than expense, is recognized in the books.

Reimbursable costs and charges are not recognized as expenses, and are recorded in the books as accounts receivable.

Income received by the Bank in a foreign currency are recalculated in RUB at the official rate of the Bank of Russia effective as at the income recognition date. Expenses paid in a foreign currency are recalculated in RUB at the official rate of the Bank of Russia effective as at the payment date.

Special features of income and expense accounting to meet the requirements of IFRS 9.

Interest income and expenses are recorded in the composition of profit or loss with the use of EIR method or the linear method.

Differences arising between interest income for the reporting period calculated with the use of the EIR and interest income accrued with the use of the linear method stipulated by an agreement are recorded in the Profit and Loss Statement (PLS) with respective PLS symbols "Adjustments increasing/decreasing interest income by the difference between interest income for the reporting period calculated with the use of the effective interest rate and interest income accrued without the use of the effective interest rate".

Differences arising between interest expenses for the reporting period calculated with the use of the EIR and interest expenses accrued with the use of the linear method are recorded in the PLS in respective PLS symbols "Adjustments increasing/decreasing interest expenses by the difference between interest expenses for the reporting period calculated with the use of the effective interest rate and interest expenses accrued without the use of the effective interest rate".

If for determination of the fair value of a financial instrument (FI) on the initial recognition date observable inputs are used, and the EIR for the FI materially differs from the market interest rate, the fair value of the FI on the initial recognition date is determined with the use of the EIR method at the market interest rate. The difference between the fair value as of the initial recognition date and the amount of funds placed/attracted for the FI (adjustment for non-arm's length nature) is recorded with respective PLS symbols of income/expenses (except for interest income/expenses) from transactions with a respective type of FI.

The amortized cost of the FI may be determined using AC LM method or AC EIR method. If AC EIR method is used, the adjustment of the book value of the FI is performed that is recorded on accounts of adjustments increasing or decreasing the value of funds placed/attracted in correspondence with income/expense accounts with respective PLS symbols "Adjustments increasing/decreasing interest income/expenses by the difference between interest income/expenses for the reporting period calculated with the use of the EIR and interest income/expenses accrued without the use of the EIR.

Transaction costs.

Pursuant to IFRS 9, the Bank allocates additional costs directly related to acquisition, issue or disposal of a financial asset or financial liability, i.e. costs that would not arise if the Bank has not acquired, issued or disposed of a financial instrument, to transaction costs.

Transaction costs include, without limitations, dues, commission fees, remuneration paid or payable under a commission fee agreement, assignment agreement, agency or brokerage agreement, and other analogous costs. Pursuant to Clause B5.4.8 of IFRS 9, transaction costs do not include premiums and discounts on debt instruments, financing costs, internal administrative expenses or storage costs.

Transaction costs recognized by the Bank as non-material are recorded on the balance expense account in a lump sum in a month, in which a financial instrument was recognized. Transaction costs recognized by the Bank as material are recorded on the balance expense account by or before the last business day of the month, and as a lump sum on the financial instrument disposal date.

Other income from financial assets.

The Bank allocates income directly related to acquisition or disposal of a financial asset, including remuneration, commission fees, premiums, surcharges, to other income from a financial asset.

Other income from a financial income is amortized (evenly recognized in the Bank's income) during the expected period of repayment (return) of a financial asset or a shorter period.

Other income is recorded on the balance income account on the scheduled date stipulated by an agreement, and:

- on the last business day of a month;
- on the date of disposal of a financial asset.

Other income recognized as non-material are recorded on the balance income account as a lump sum.

The criterion of materiality of costs and other income is set by the Bank in the accounting policy for the entire calendar year subject to the requirements set by Clause 7 of IFRS 1.

Bank's assets.

Principles for accounting of investments in securities of third-party issuers.

Accounting of transactions with securities is performed pursuant to the Rules for Maintaining Accounting Records, Regulations 606-P, 604-P, 590-P, 611-P, other statutory documents of the Bank of Russia, requirements of IFRS 9, particular accounting schemes approved by the Bank.

During initial recognition, securities are evaluated at the fair value increased, in case of securities evaluated not at the fair value through profit or loss, by the amount of costs for a transaction related to acquisition of securities.

After initial recognition, securities are recorded in books on respective balance accounts for investments in securities at the amortized cost, at the fair value through other comprehensive income or at the fair value through profit or loss depending on:

- the business model used by the Bank for securities management;
- the characteristics of securities related to cash flows stipulated by the terms of the securities issue.

In the accounting policy, the Bank has set the following materiality criteria with respect to the following parameters:

- difference between the amortized cost of securities determined with the use of the EIR method (AC EIR) and the amortized cost of securities determined with the use of the linear method (AC LM);

- change of the fair value (FV) of securities being acquired from the date of entering into an agreement, the subject to which is acquisition of securities, till the reporting date (during the period of recording on accounts of Chapter D);

- transaction costs;

- difference between FV during initial recognition and the acquisition price.

Fair value evaluation models, the hierarchy of methods for determination of the fair value used by the Bank were developed by the Methodology for Determining the Fair Value of Securities and Derivatives approved by the Bank.

The Bank recognizes securities in its balance sheet only when the Bank becomes a party under an agreement with respect to those securities.

When receiving securities, the Bank evaluates the degree of receiving risks and benefits associated with the ownership of those securities:

a) If an organization does not receive a material portion of all risks and benefits associated with the ownership of securities, such an organization shall not recognize those securities and shall separately recognize any rights and liabilities that arose or were kept during the transfer as assets or liabilities;

b) if an organization receives a material portion of all risks and benefits associated with the ownership of securities, such an organization shall recognize those securities.

When transferring securities, the Bank evaluates the degree of reserving risks and benefits associated with the ownership of those securities: In that case:

a) If an organization transfers a material portion of all risks and benefits associated with the ownership of securities, such an organization shall cease recognition of those securities and separately recognize any rights and liabilities that arose or were kept during the transfer as assets or liabilities.

b) if an organization reserves a material portion of all risks and benefits associated with the ownership of securities, such an organization shall continue recognizing those securities.

Criteria for transfer of all risks and benefits (or a material portion thereof) are determined pursuant to IFRS 9.

Reclassification of securities is recorded in the books upon the resolution of the Management Board or another body of the Bank authorized to adopt that resolution.

The value 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).

Securities revaluation accounting is performed in the currency of the Russian Federation based on state registration numbers or identification numbers of equity securities issues or international security identification numbers (ISIN). Revaluation of securities not related to equity securities or not having the international security identification number (ISIN) is performed by issuers.

On the last business day of a month all securities being evaluated at the fair value through profit or loss, and securities being evaluated at the fair value through other comprehensive income, the fair value of which may be determined reliably (securities being evaluated pursuant to quotations of the I hierarchy level) are evaluated (reevaluated) at the fair value through the automated revaluation procedure.

On the last business day of a month reevaluation at the fair value of debt securities being evaluated at the fair value through profit or loss, and reevaluation of securities being evaluated at the fair value through other comprehensive income, the fair value of which is determined pursuant to quotations of the II and III hierarchy levels, is performed subject to the provisions of the Methodology for Determining the Fair Value of Securities and Derivatives approved by the Bank.

In case of conducting transactions with securities of a respective issue (issuer) during a month, including payment of a coupon on debt securities, all securities of that issue (issuer) being evaluated at the fair value through profit or loss shall be subject to revaluation. Revaluation of the security is performed also on the date preceding the date of its redemption on the issue terms.

If since the last revaluation the fair value of securities of the respective issue (issuer) has materially changed (over 20 % – for debt securities, and over 40 % – for equity securities), all securities of that issue (issuer) being evaluated at the fair value through profit or loss shall be subject to revaluation.

Securities transferred in connection with direct REPO transactions (including securities received under a loan agreement) are reevaluated on a daily basis.

If necessary, the Bank may perform revaluation of securities being evaluated at the fair value, in addition to the above specified dates.

Accounting of securities value adjustment calculated with the use of the EIR method is performed in the currency of the Russian Federation based on state registration numbers or identification numbers of equity securities issues or international security identification numbers (ISIN). Adjustment of securities not related to equity securities or not having the international security identification number (ISIN) is performed by issuers.

Positive adjustment is determined as the excess of the value calculated with the use of the EIR method of that issue (issuer) over their value calculated with the use of the linear method.

Negative adjustment is determined as the excess of the value calculated with the use of the linear method over their value calculated with the use of the EIR method.

On the last business day of a month all securities being evaluated at the value with the use of the EIR method are adjusted by the automated adjustment procedure.

In case of conducting transactions with securities of the respective issue (issuer) during a month, including payment of a coupon on debt securities, all securities of that issue being evaluated at the value with the use of the EIR method shall be subject to revaluation.

If necessary, the Bank may perform adjustment of securities being evaluated at the fair value, in addition to the above specified dates.

Bills acquired by the Bank (except for overdue bills) are recorded in the balance sheet at the amortized cost. Overdue bills are recorded in the amount payable (including interest arrears).

The accounting policy with respect to active transactions of the Bank with bills is based on characteristics of bill accounts set out in Part 2 of the Rules for Maintaining Accounting Records, general principles set out in Regulation 606-P, and Regulation 446-P.

Principles of accounting of transactions related to provision (placement) of funds.

The Bank performs accounting of transactions related to provision (placement) of funds pursuant to the Rules for Maintaining Accounting Records, Regulations 605-P, 590-P, 611-P, requirements of IFRS 9, particular accounting schemes and the Bank's Credit Policy.

If for determination of the fair value of a credit/acquired rights of claims (hereinafter, ARC) on the initial recognition date observable or not observable inputs are used, and the EIR on the credit/ARS does not differ materially from the market interest rate, the fair value of the credit/ARC on the initial recognition date shall be the amount of funds placed. In that case, to determine the AC, the EIR to be used is the rate stipulated by the agreement.

On the initial recognition date, when determining the fair value of the credit/ARC, the Bank applies the criterion of materiality (range) of the EUR deviation from the market interest rate set by the Accounting Policy. If the EIR falls within the range of arm's length nature, the transaction is recognized as a market transaction, and the market interest rate is equal to the EIR. If the EIR is beyond that range, materiality of the EIR deviation from the nearest border of the range of the market interest rate shall be checked.

If for determination of the fair value of a credit/ARC on the initial recognition date observable inputs are used, and the EIR on the credit/ARC materially differs from the market interest rate, the fair value of the credit/ARC on the initial recognition date is determined with the use of the method of discounting expected cash flows from the credit/ARC at the market interest rate. Difference between the fair value on the date of initial recognition and the amount of cash placed on the credit/ARC is booked by SFR. In that case, after initial recognition of the credit/ARC classified as being evaluated thereafter at the AC, to determine the AC, the EIR to be used is the market interest rate on the credit/ARC on the initial recognition date.

If the fair value of the credit/ARC on the initial recognition date is not based on the evaluation model, for which only data of the observable market are used, and the EIR on the credit/ARC materially differs from the market interest rate, the fair value of the credit/ARC on the initial recognition date shall be determined with the use of the calculation method. A positive or negative difference between the amount of cash placed on the credit/ARC and the fair value as at the date of initial recognition is not booked in the book records, because a deferred difference is applied to this difference. After initial recognition, the deferred difference is booked by SFR on the dates on which interest income on the loan/ARC is booked.

The Bank applies the terms "observable inputs" and "non-observable inputs" pursuant to Appendix A to IFRS 13 and the Methodology for Evaluation of the Fair Value of Financial Assets and Liabilities.

When granting credits, for which subsidies are provided from the federal budget, the budgets of constituent entities of the Russian Federation or local budgets within the framework of state support programs, the Bank is guided by IFRS 20. When determining the market interest rate, the Bank proceeds on the basis that subsidized credits are granted within the framework of a state support program, the rate for such credits is determined by the state subsidizing program within distinct limits, applies for any bank and shall not deviate from those limits. Consequently, the Bank deems that rate to be a market rate.

The subsidized portion of the interest rate on the credit is not included in calculation of the EIR and is classified by the Bank as operating income since it is impossible to predict cash inflow dates within the framework of a subsidy and, consequently, to form correct cash flows.

After initial recognition, the Bank accounts all credits/AIR in the accounting category at the AC to be determined pursuant to IFRS 9.

If during initial recognition it is impossible to plot for the credit/AIR the schedule of cash flows representing only payments related to the principal amount and interest on the outstanding principal amount, the Bank accounts that asset in the category at the FV TPL. The Bank does not apply the accounting category at the FV TPL for credits/AIR.

If the right of claim is acquired at a price below the face value, the difference between the face value and the acquisition price (the discount amount) accrues on symbols of interest income during the period set by the terms of the initial agreement.

If the right of claim is acquired at a price above the face value, the difference between the acquisition price and the face value (premium) is accounted at accrual of interest during the period set by the terms of the initial agreement, on symbols of interest expenses.

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 his/her/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.

Principles for accounting of accounts receivable

Accounts receivable in the currency of the Russian Federation shall be entered in the books in rubles in the amount of the 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 non-residents shall be accounted in the currency of

their payment, with the recognition in the balance sheet of the ruble equivalent of such amounts calculated using the rate of the Bank of Russia as of the date of payment and shall not be subject to further revaluation.

Uncollectable accounts receivable may be written off in the cases and pursuant to the procedure established by the laws of the Russian Federation, at the cost of provisions formed by the decision of the Management Board of the Bank.

Principles of accounting of derivatives.

Accounting of transactions with derivative financial instruments (DFIs) is performed pursuant to the Rules for Maintaining Accounting Records, Regulation 446-P, Regulation 606-P, Regulation 372-P, Federal Law No. 39-FZ "On Securities Market", IFRS 9, particular accounting schemes approved by the Bank.

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

Since the date of a DFI agreement, accounting of claims and liabilities is performed on accounts of Chapter D of the Chart of Accounts.

For non-deliverable DFIs, claims and liabilities with respect to an underlying (basic) asset and payments made by parties of an agreement on the terms determined by them (except for variable margin amounts) are recorded on accounts for claims and liabilities in Chapter D.

Interest payments are recorded on separate personal accounts as claims and liabilities in correspondence with accounts No. 99997 and No. 99996. So far as variable rates or other variables are changed, those amounts are recalculated at least once per month on the reporting date. Upon the interest payment date, accounting of respective claims and liabilities ceases.

As of the date of an agreement (transaction), claims or liabilities are recorded at the official rate, book price of precious metals, market price (fair value) or at the price (rate) determined by the agreement (transaction), if the fair value may not be determined.

Claims and liabilities with respect to supply of an underlying (basic) asset or receipt of funds exposed to risks associated with a change of the official rate, book price of precious metals, market price (fair value), fluctuation of rates, indices or other variables shall be subject to revaluation.

With respect to agreements providing for supply of an underlying (basic) asset, accounting of claims and liabilities on accounts of Chapter D ceases upon the earlier date of settlements or supply. Claims and liabilities with respect to non-deliverable DFIs are recorded on accounts of Chapter D till the DFI recognition cessation date.

Fair value evaluation models, definitions of the active and dormant markets, the hierarchy of methods for determination of the fair value used by the Bank are developed by the Bank and approved by the Methodology for Determining the Fair Value of Securities and Derivatives.

Evaluation of the fair value of DFIs and its recording in the books are performed:

- 1) on the initial recognition date;
- 2) on the last business day of a month;
- 3) on the DFI recognition cessation date;

4) on the date of occurrence of claims and/or liabilities with respect to payment pursuant to the agreement on interim payments for DFIs being made during the effective period of the agreement towards fulfillment of obligations thereunder.

Principles of property accounting.

Fixed assets

A fixed asset 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 the future.
- the initial cost of the asset may be measured in a reliable manner;
- the cost of the asset is significant, over RUB 100 thousand 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 in 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 the revalued cost, and for all other groups of fixed assets, the model of accounting at the 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 the 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 thousand excluding VAT.

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

- software;
- trademarks;
- websites.

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

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

Real estate temporarily unused in the core activity shall mean an asset that meets the following criteria at the same time:

- 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 the Bank's 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

The 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.

Liabilities of the Bank.

Principles of accounting of taking funds on deposits.

Accounting of customers' funds taken on deposits (hereinafter referred to as "financial liabilities") is performed by the Bank pursuant to the Rules for Maintaining Accounting Records, Regulation 604-P, requirements of IFRS 9, particular accounting schemes.

For determination of the fair value of a financial liability on the initial recognition date, the Bank uses observable or non-observable inputs. The terms "observable inputs" and "non-observable inputs" apply pursuant to Appendix A to IFRS 13 and the Methodology for Evaluation of the Fair Value of Financial Assets and Liabilities.

Criteria of arm's length nature and observability of inputs of a financial liability are set out in an intra-bank statutory document.

If for determination of the fair value of a financial liability on the initial recognition date observable or non-observable inputs are used, and the EIR on the financial liability does not differ materially from the market interest rate, the fair value of the financial liability on the initial recognition date shall be the amount of funds raised.

The criterion of materiality (range) of the EIR deviation from the market interest rate is determined in the Bank's accounting policy. If the EIR falls within the range of arm's length nature, the transaction is recognized as a market transaction, and the market interest rate is equal to the EIR. If the EIR is beyond that range, materiality of the EIR deviation from the nearest border of the range of the market interest rate shall be checked.

If for determination of the fair value of a financial liability on the initial recognition date observable inputs are used, and the EIR on the financial liability materially differs from the market interest rate, the fair value of the financial liability on the initial recognition date is determined with the use of the method of discounting expected cash flows from the financial liability at the market interest rate.

If for determination of the fair value of a financial liability on the initial recognition date non-observable inputs are used, and the EIR on the financial liability materially differs from the market interest rate, the fair value of the financial liability on the initial recognition date is determined with the use of the calculation method. In that case, after initial recognition of the financial liability, the EIR is used for determination of the amortized cost.

For attracted funds of legal entities and interbank credits (IBC), criteria of marketability and observability of inputs are set in an intra-bank statutory document.

After initial recognition, the Bank accounts financial liabilities using the AC EIR method or the AC LM method.

The criterion of materiality of AC EIR deviation from AC LM is set in the Bank's accounting policy.

The Bank applies the AC LM method to deposits with the repayment period of over one year due to immateriality of AC EIR deviation from AC LM.

When accruing interest expenses for financial liabilities with the "on demand" period, the EIR method shall not apply. When prolonging the deposit with the "on demand" rate, that deposit is deemed to be a financial liability with the "on demand" period.

The AC of a deposit shall be determined as of the last calendar day of the month, and as of the dates of its full or partial repayment (return), including early repayment of the financial liability.

Principles of accounting of transactions with bank guarantees issued.

The Bank performs accounting of transactions with bank guarantees issued pursuant to the Rules for Maintaining Accounting Records, Regulations 605-P, 590-P, 611-P, requirements of IFRS 9, and the accounting scheme approved. The list of commission fees for issued bank guarantees/counter guarantees, stand-by letters of credits, being and not being included in calculation of the value of a bank guarantee/letter of credit is set out in the accounting scheme.

The commission fee being included in calculation of the value of a bank guarantee/letter of credit is allocated to income evenly: on the last business day of a month and on the guarantee release date. The commission fee not being included in calculation of the value of a bank guarantee/letter of credit is allocated to income as a lump sum.

During initial recognition, liabilities with respect to bank guarantees issued and provision of funds are evaluated at the fair value pursuant to IFRS 13. When entering into a bank guarantee agreement with a non-related party within the framework of a separate transaction between independent parties, the fair value of the bank guarantee agreement as of its effective date is equal to the value of a commission fee received for issue of the bank guarantee. When entering into a bank guarantee agreement with a related party, the fair value of the bank guarantee agreement is equal to the value of a commission fee received for issue of the bank guarantee unless otherwise is verified by a professional judgment of a responsible business unit of the Bank.

After initial recognition, liabilities with respect to bank guarantees issued are evaluated at the biggest of two values: allowance or commission fee for the bank guarantee issued with the deduction of the total income recognized pursuant to the principles of IFRS 15.

Adjustment of the value of a bank guarantee agreement at the biggest of two values is performed in accounting on the last business day of a month, and on the following dates:

- the date of issue of the bank guarantee;
- the date of change of the value of the provision for possible losses;
- the date of change of the allowance;
- dates of other events resulting in a change of the balance on balance account No. 47501.

Guarantees and stand-by letters of credit are provided by the Bank as follows:

- issue of a non-recurrent guarantee/stand-by letter of credit for a principal/ordering customer,
- provision of several guarantees/stand-by letters of credit to a principal/ordering customer within the limits for issue of guarantees/stand-by letters of credit during the specified period, subject to compliance with any of the following terms:

a) total amount of guarantees/stand-by letters of credit provided to a principal/ordering customer does not exceed the maximum amount (limit) determined in an agreement;

b) during the effective period of the agreement, the amount of simultaneously available guarantees/stand-by letters of credit issued to a principal/ordering customer shall not exceed the limit set by that agreement.

In that case, the Bank has the right to set limits on the amount of guarantees/stand-by letters of credit provided to a principal/ordering customer within the limit for issue of guarantees/stand-by letters of credit by simultaneous inclusion of both above specified terms in the respective agreement, and using any additional terms for that purpose.

The amount of fee accrued for a bank guarantee issued is recorded on balance account 47501 "Settlements for bank guarantees issued" by particular guarantees.

Sureties received under guarantees and stand-by letters of credit issued are recorded in the books based on effective surety agreements in the amount of the guarantee/stand-by letter of credit. If terms of a guarantee/stand-by letter of credit are changed, that will not result in adjustment of the value of surety recorded on the balance sheet due to immateriality of those values for the Bank's reporting and ratios.

Securities issued

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

Accounting of own securities is performed pursuant to Regulation 604-P and accounting schemes approved by the Bank.

Debt securities with the expired circulation period issued by the Bank are carried-over to accounts for liabilities with respect to securities issued for execution at the end of the last business day preceding the circulation expiry date or the established period for redemption of security. For securities issued with coupon (interest) income, the Bank performs accrual of funds payable in the form of interest-bearing (coupon) income (liabilities with respect to interest and coupons for securities issued) in correspondence with the expense account. When making accrual, the value of the interest rate (coupon yield) and the actual number of calendar days in the period determined for accrual of interest (coupon) income pursuant to the requirements of the applicable laws, and pursuant to the terms of issue and circulation of the stated securities shall be taken into account.

After the expiry of the action limitation period, the amount of funds received from placement of own securities is allocated to income of the Bank by a decision of the Bank's authorized person.

Accounts payable

Accounts payable in the currency of the Russian Federation shall be entered in the books in rubles in the amount of the 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 and prepayments received under business agreements with non-residents shall be accounted in the currency of their receipt, with the recognition in the balance sheet of the ruble equivalent of such amounts calculated using the rate of the Bank of Russia as of the date of their receipt and shall not be subject to further revaluation.

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 Regulation of the Bank of Russia No. 446-P dated December 22, 2014 "On the Procedure to Determine Credit Institutions' Revenues, Expenditures, and Other Comprehensive 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;

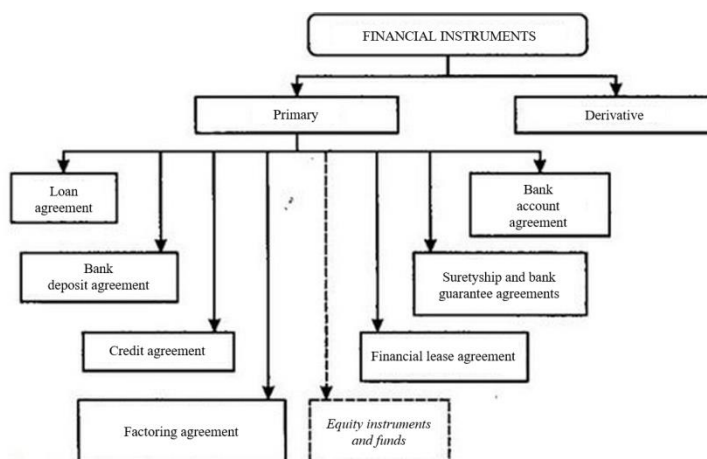
3) there is no uncertainty as to income receipt;

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 the asset delivered, no longer controls and participates in control over the asset delivered (sold), or the work has been accepted by the customer, or the service has been provided.

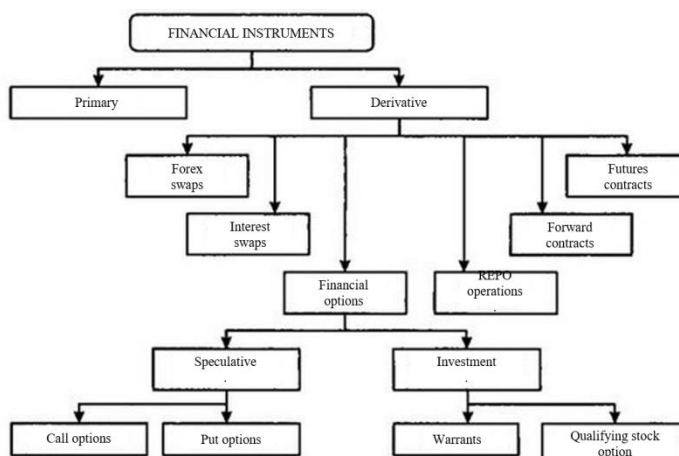
Measurement of net profit (loss) on financial instruments.

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 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 to identification of materiality are set out in the respective sections of the Bank's Accounting Policy dedicated to mistakes, events after the reporting date, accounting of property, securities, provisions – estimated non-credit 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 12M2019 were drawn up on the basis of an assumption that the Bank would conduct its operations in the 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.

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 for the reporting period, which would affect the comparability of specific performance indicators of the credit institution, the Bank did not calculate any adjustments associated with the amendments to the accounting policy affecting the comparability of its specific performance indicators.

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

The Bank's accounting policy 2020 reflects the introduction of IFRS 16 "Leases" and related changes to the Bank of Russia's regulations.

E.g.:

- leases taken by the Bank (other than short-term ones and those of low value assets) are recognised on the balance sheet as the right to use the underlying asset and future rentals liability;
- leases given by the Bank are recognised on the balance sheet as receivables in the amount of the net investment therein.

The Bank's accounting policy 2020 keeps the main principles applied by it in 2019.

4. Supporting information to the balance sheet items.

4.1. Cash and cash equivalents.

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Cash	8,561,777	13,264,425
Due to the credit institution from the Bank of Russia (excluding required reserves)	84,836,330	56,013,111
Cash and cash equivalents	93,398,107	69,277,536

Cash and cash equivalents are neither impaired nor overdue.

4.2 Amounts due from credit institutions.

	December 31, 2019,	December 31, 2018,
	RUB thousand	RUB thousand
Accounts with credit institutions of the Russian Federation	11,612,267	5,335,835
Accounts with non-resident credit institutions	11,821,928	4,829,665
Total accounts and deposits with banks	23,434,195	10,165,500

Accounts and deposits with banks are neither impaired nor overdue.

As of January 1, 2020, this balance-sheet item recognized the amounts due from clearing organizations, which are intended for collective clearing collateral in the amount of RUB 40,000 thousand; as of January 1, 2019, this balance-sheet item recognized the amounts due from clearing organizations, which are intended for collective clearing collateral in the amount of RUB 30,000 thousand.

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 in financial assets evaluated at the fair value through profit or loss.

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Owned by the Bank		
Federal loan bonds of the Russian Federation (RUSSIA)	-	26,339,224
Bonds of local authorities and municipal bonds	205,284	1,437,070
Bonds of resident credit institutions	3,472,335	1,427,822
Bonds of non-resident credit institutions	22,342	-
Bonds of resident legal entities	23,737,472	41,213,955
Bonds of international development banks	-	123,222
Bonds of non-resident legal entities	5,139,127	8,755,983
Shares of resident legal entities	16,148,188	-
Shares of non-resident legal entities	704,041	-
Total, owned by the Bank	49,428,789	79,297,276
Encumbered with pledge under REPO transactions		
Federal loan bonds of the Russian Federation	-	54,848,086
Bonds of resident legal entities	306,135	27,322,432
Bonds of non-resident legal entities	323,934	2,000,165
Total, encumbered with pledge under REPO transactions	630,069	84,170,683
Derivative financial instruments	7,714,825	4,665,275
Loans, outstanding loans and similar debts	54,211,094	-
Total financial instruments evaluated at the fair value through profit or loss	111,984,777	168,133,234

Debt securities broken down by types and currencies with the time left to expiry of their circulation period as of January 1, 2020, and January 1, 2019, are distributed as follows:

	December 31, 2019, RUB thousand	Currency type	Circulation periods	Coupon yield
Bonds of local authorities and municipal bonds	205,284	RUB	2026	6.95%
Bonds of resident credit institutions	3,472,335	RUB	2022-2032	0.51%-8.4%
Bonds of non-resident credit institutions	22,342	USD	2022	0%
Bonds of resident legal entities	24,043,606	RUB	2021-2049	6.45%-10.95%
Bonds of non-resident legal entities	76,960	RUB	2022	9.35%
Bonds of non-resident legal entities	4,340,261	USD	2022-2111	0%-9.835%
Bonds of non-resident legal entities	1,045,841	other currencies	2024	5.15%
Total debt securities evaluated at the fair value through profit or loss	33,206,629			

	December 31, 2018, RUB thousand	Currency type	Circulation periods	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 non-resident legal entities	9,868,895	USD	2020–2027	3.95–7.5%
Bonds of non-resident legal entities	887,253	other currencies	2023	2.1%
Total debt securities evaluated at the fair value through profit or loss	163,467,959			

The table below shows the analysis of financial derivatives as of January 1, 2020

RUB thousand	Amount of claims	Amount of liabilities	Amount of positive fair value	Amount of negative fair value	Credit risk
Currency swap	255,161,140	249,508,371	4,722,528	395,351	2,125,874
Currency forward	296,309,334	296,387,352	852,884	360,922	4,400,020
Cross-currency interest rate swap	127,784,120	133,797,074	2,095,014	5,252,189	3,473,633
Securities forward	1,670	1,666	1	-	100
Option	1,742,589	1,354,821	44,398	-	250,446

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

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

The Bank has no investments in financial assets evaluated at the fair value through profit or loss pursuant to Clause 4.1.5 of IFRS 9.

As of January 1, 2020, for loans, outstanding loans and similar debts evaluated at the fair value through profit or loss in the amount of RUB 62,635,371,000, the provision for possible losses in the amount of RUB 21,209,874,000 was formed.

4.4 Net investments in financial assets evaluated at the fair value through other comprehensive income.

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Owned by the Bank		
Federal loan bonds of the Russian Federation (FLB, MF, RUSSIA)	37,410,163	1,843,044
Bonds of the Bank of Russia	97,264,839	-
Bonds of local authorities and municipal bonds	-	19,708
Bonds of resident credit institutions	617,708	39,251
Bonds of resident legal entities	36,979,384	4,006,497
Bonds of non-resident legal entities	11,573,129	19,623,631
Shares of resident legal entities	-	111,112
Total, owned by the Bank	183,845,223	25,643,243
Encumbered with pledge under REPO transactions		
Federal loan bonds of the Russian Federation (FLB, MF, RUSSIA)	3,355,008	12,367,101
Bonds of local authorities and municipal bonds	-	-
Bonds of resident legal entities	18,881,272	931,689
Bonds of non-resident legal entities	5,066,286	9,393,039
Total, encumbered with pledge under REPO transactions	27,302,566	22,691,829
Investments in subsidiaries	-	5,369,710
Total financial instruments available for sale	211,147,789	53,704,782

Debt securities broken down by types and currencies with the time left to expiry of their circulation period as of January 1, 2020, and January 1, 2019, are distributed as follows:

	December 31, 2019, RUB thousand	Currency type	Circulation periods	Coupon yield
Federal loan bonds of the Russian Federation (FLB)	23,780,815	RUB	2022-2034	6.50-8.74%
Federal loan bonds of the Russian Federation (MF, RUSSIA)	16,984,355	USD	2028-2030	7.5-12.75%
Bonds of the Bank of Russia	97,264,839	RUB	2020	6.25%
Bonds of resident credit institutions	617,708	RUB	2025	7.27-7.95%
Bonds of resident legal entities	55,860,657	RUB	2021-2034	6.45-14.25%
Bonds of non-resident legal entities	14,150,577	USD	2020-2024	3.95-7.121%
Bonds of non-resident legal entities	2,488,838	other currencies	2024	5.15%
Total debt securities available for sale	211,147,789			

	December 31, 2018, RUB thousand	Currency type	Circulation periods	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 non-resident legal entities	1,390,348	RUB	2019-2024	7.4-9.25%
Bonds of non-resident legal entities	26,716,829	USD	2019-2111	3.949-11.5%
Bonds of non-resident legal entities	908,793	other currencies	2019-2027	2.25-2.949%
Total debt securities evaluated at fair value through other comprehensive income	48,223,960			

As of January 1, 2020 financial assets evaluated at the fair value through other comprehensive income: in the amount of RUB 109,976,551,000 were evaluated as the 1st quality category, and the provision for possible losses in the amount of RUB 0 thousand was formed; in the amount of RUB 3,906,398,000 were evaluated in the 2nd quality category, and the provision for possible losses in the amount of RUB 39,714,000 was formed.

Breakdown of investments in domestic corporate securities by economic sectors of issuers:

	December 31, 2019, RUB thousand	December 31, 2018, RUB thousand
Oil and gas industry	1,295,526	318,474
Chemical industry	327,969	-
Construction and development	5,221,017	6,375
Financial services	26,675,392	3,101,538
Transportation services	20,214,169	684,084
Production	5,947,884	589,002
Other	12,818,115	238,713
Total	72,500,072	4,938,186

4.5 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.

	December 31, 2019, RUB thousand		December 31, 2018, RUB thousand	
	Level I	Level II	Level I	Level II
Securities evaluated through profit or loss	37,695,631	12,142,847	118,542,839	44,925,120
Securities evaluated at the fair value through other comprehensive income	190,725,599	20,422,189	27,568,766	20,665,194
Total	228,421,230	32,565,036	146,111,605	65,590,314

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, 2020

	Transfer from Level II to Level I	Transfer from Level I to Level II
Securities evaluated through profit or loss	531,051	36,376
Securities evaluated at the fair value through other comprehensive income	11,561,954	619,623

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 evaluated 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, generally, the method of adjusted (discounted) value is used. 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, 2020, and January 1, 2019. 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.

4.6 Information on the scope and structure of financial investments in subsidiaries and dependent companies and other shareholdings.

As of January 1, 2020, investments of the Bank are represented as follows:

	Shareholding, %	Amount of investments, RUB thousand
Atil LLC	100.00	316,179
NCO Inkakhran JSC	100.00	2,161,000
NCO Inkakhran-Service JSC	99.72	1,320,415
Savings and Loan Services Bank LLC	100.00	560,000
Elecsnet Holding Limited	49.78	2,274,851
total investments		6,632,445
total provisions made		-
total		6,632,445

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

	Shareholding, %	Amount of investments, RUB thousand
Atil LLC	100.00	316,179
NCO Inkakhran JSC	100.00	1,811,000
NCO Inkakhran-Service JSC	0.4	15
Savings and Loan Services Bank LLC	100.00	560,000
D. I. 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

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.

Mortgage Agent MKB 2 LLC was incorporated for the purpose of the mortgage loan securitization program launched by the Bank in 2016. 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 (Mortgage Agent MKB-2 LLC), which implies support of all financial flows, settlements with investors, control and safety of mortgage coverage under the transaction settled.

No financial support was provided in the reporting period.

4.7 Net investments in securities evaluated at the amortized cost.

	December 31, 2019 RUB thousand	December 31, 2018 RUB thousand
Owned by the Bank		
Bonds of resident legal entities	56,177	-
Bonds of resident credit institutions	330,409	4,127,859
Bonds of non-resident legal entities	7,154,833	4,336,292
Total, owned by the Bank	7,541,419	8,464,151
Encumbered with pledge under REPO transactions		
Bonds of non-resident legal entities	20,483,590	24,019,476
Bonds of resident credit institutions	6,107,203	3,088,446
Total, encumbered with pledge under REPO transactions	26,590,793	27,107,922
Total financial instruments evaluated at the amortized cost	34,132,212	35,572,073

Debt securities broken down by types and currencies with the time left to expiry of their circulation period as of January 1, 2020, and January 1, 2019, are distributed as follows:

	December 31, 2019, RUB thousand	Currency type	Circulation periods	Coupon yield
Bonds of resident credit institutions	6,437,612	USD	2021	4.9%
Bonds of resident legal entities	56,177	RUB	2020	13.5%
Bonds of non-resident legal entities	22,385,519	USD	2021-2024	3.949%-6.656%
Bonds of non-resident legal entities	5,252,904	other currencies	2021-2024	3.25%-3.6%
Total debt securities available for sale	34,132,212			

	December 31, 2019, RUB thousand	Currency type	Circulation periods	Coupon yield
Bonds of resident credit institutions	7,216,305	RUB	2021	4.9%
Bonds of non-resident legal entities	19,278,245	USD	2021-2024	3.95%-6.656%
Bonds of non-resident legal entities	9,077,523	other currencies	2021-2024	2.25%-3.6%
Total debt securities available for sale	35,572,073			

4.8 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 information on loans, loan and similar debts:

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Net outstanding loans of credit institutions:		
Interbank credits and deposits	25,328,175	12,815,527
Discounted bills	-	-
Claims under assignment of financial assets by the credit institution with payment deferral	51,356	-
Claims for money submitted under the transactions settled with securities on a repayable basis without recognition of securities received	31,608,560	7,688,678
Other assets recognized as loans	1,909,853	7,893,228
Interest income	190,139	-
Total net outstanding loans of credit institutions	59,088,083	28,397,433
Net corporate outstanding loans:		
Loans issued, deposits placed	547,163,386	510,948,071
Claims related to alienation of financial assets by the credit institution with simultaneous payment deferral	15,068,649	14,591,892
Discounted bills	-	-
Claims for money submitted under the transactions settled with securities on a repayable basis without recognition of securities received	1,129,805,545	1,053,836,638
Other assets recognized as loans	61,432,343	69,252,272
Interest income	11,062,563	-
Total net corporate outstanding loans	1,764,532,486	1,648,628,873
Net retail outstanding loans:		
Housing loans	55,686	-
Mortgage loans	16,744,925	13,584,807
Car loans	31,232	112,258
Other consumer loans	84,890,877	73,736,392
Other assets recognized as loans	-	-
Interest income	1,002,910	-
Total net retail outstanding loans	102,725,630	87,433,457
Total outstanding loans	1,926,346,199	1,764,459,761

Loan portfolio concentration by industries for legal entities-residents, by loans granted to small and medium businesses, including individual entrepreneurs. Information is provided without adjustment for formed provisions for possible losses and allowances.

	December 31, 2019, RUB thousand	December 31, 2018, RUB thousand
Mineral production	93,795,804	51,552,437
Manufacturing	49,611,761	47,992,300
Electricity, gas, and water generation and distribution	2,732,422	392,600
Agriculture, hunting, and forest management	1,465,366	3,502,614
Construction	12,991,028	5,979,162
Transport and communications	27,319,403	25,919,797
Wholesale and retail trade, repair of motor vehicles, motorcycles, household appliances, and personal hygiene items	108,945,453	95,335,805
Operations with real estate, lease and provision of services	23,023,698	18,529,193
Other activities	157,058,913	139,413,313
Loans for completion of settlements	887,348	520,769
total loans	477,831,196	389,137,990
Including:		
Loans to small and medium businesses, including:	47,932,532	29,952,677
to individual entrepreneurs	-	-

Breakdown of loans by types of counterparties depending on the time left to complete loan repayment as of January 1, 2020. Information is provided without adjustment for formed provisions for possible losses and allowances.

Loans issued, broken down by borrowers	up to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 days to 1 year	over 1 year	total
legal entities	22,550,631	93,495,590	78,264,817	83,317,688	433,304,383	710,933,109
individuals	6,788,886	615,177	1,897,866	5,185,210	110,635,063	125,122,202
total loans	29,339,517	94,110,767	80,162,683	88,502,898	543,939,446	836,055,311

Breakdown of loans by types of counterparties depending on the time left to complete loan repayment as of January 1, 2019. Information is provided without adjustment for formed provisions for possible losses.

Loans issued, broken down by borrowers	up to 30 days	from 31 to 90 days	from 91 to 180 days	from 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

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

4.9 Change of allowance and the provision for possible losses.

The table below shows information on the value of formed allowance and the provision for possible losses as of January 1, 2020 and January 1, 2019.

	December 31, 2019, RUB thousand		December 31, 2018, RUB thousand	
	provisions for possible losses	Adjustment before allowances	provisions for possible losses	Adjustment before allowances
Financial assets evaluated at the fair value through other comprehensive income	1,416,468	414,695	1,172,611	-
Securities evaluated at the amortized cost	-	128,667	27,092	-
Subsidiaries and dependent companies	155,167	(155 167)	221,607	-
Requirements to credit institutions	119,802	225,061	122,732	-
Claims to legal entities	100,576,331	(52,401 553)	92,588,295	-
Claims to individuals	35,776,896	(1,433 504)	24,597,545	-
Off-balance liabilities	4,826,491	(1,580 231)	3,384,126	-
Total provisions	142,871,155	(54,802 032)	122,114,008	-

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 shall be measured, and only a single net amount shall be 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 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.

Information on financial assets and financial liabilities that are subject to set-off as of January 1, 2020 and January 1, 2019 is set out below.

Types of financial assets/liabilities, RUB thousand	Amounts of recognized financial assets/liabilities	Gross set-off amounts recognized in the Statement of Financial Position	Net amount after set-off	December 31, 2019, RUB thousand
				Amounts covered by the general set-off agreement or other similar agreements
Assets				
Reverse REPO transactions	1,163,206,507	-	1,163,206,507	1,163,206,507
Fair value of derivative financial instruments	7,714,825		7,714,825	7,714,825
total assets covered by the general set-off agreement or other similar agreements	1,170,921,332	-	1,170,921,332	1,170,921,332
Liabilities				
REPO transactions	626,274,173	-	626,274,173	626,274,173
Fair value of derivative financial instruments	2,678,809		2,678,809	2,678,809
total liabilities covered by the general set-off agreement or other similar agreements	628,952,982	-	628,952,982	628,952,982

Types of financial assets/liabilities, RUB thousand	Amounts of recognized financial assets/liabilities	Gross set-off amounts recognized in the Statement of Financial Position	Net amount after set-off	December 31, 2018, RUB thousand
				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

4.11 Financial assets transferred without derecognition.

The amount of the Bank's assets transferred without derecognition was RUB 54,608,965,000 as of January 1, 2020; the amount of corresponding liabilities was RUB 48,057,244,000. The amount of financial assets received earlier under reverse REPO transactions and transferred without derecognition was RUB 651,008,197,000; the amount of corresponding liabilities was RUB 578,216,928,000.

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.

4.12 Information on financial assets received as the collateral.

As of January 1, 2020, the Bank received financial assets in the amount of RUB 1,293,972,399,000 as the collateral under reverse REPO transactions with the right of sale or subsequent pledge; as of January 1, 2019 — in the amount of RUB 1,179,297,438,000.

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.

On January 1, 2019 the Bank reclassified the assets.

Securities were reclassified within the framework of preparatory measures due to the necessity to ensure, since January 1, 2019, compliance with the requirements set by Regulation of the Bank of Russia No. 606-P dated October 2, 2017 "On the Procedure for Recording Transactions with Securities on Bookkeeping Accounts by Credit Institutions" (hereinafter referred to as "Regulation No. 606-P").

The value of financial assets reclassified from the category of assets evaluated at the fair value through other comprehensive income to the category of assets evaluated at the fair value through profit

or loss amounted to RUB 10,725,196 thousand and the value of interest income recognized amounted to RUB 111,482 thousand.

The value of financial assets reclassified from the category of assets evaluated at the fair value through profit or loss to the category of assets evaluated at the fair value through other comprehensive income amounted to RUB 155,936,536 thousand and the value of interest income recognized amounted to RUB 2,398,717 thousand.

The value of financial assets reclassified from the category of assets evaluated at the fair value through other comprehensive income to the category of assets evaluated at the amortized cost amounted to RUB 136,209 thousand and the value of interest income recognized amounted to RUB 19,614 thousand.

The value of financial assets reclassified from the category of assets evaluated at the fair value through profit or loss to the category of assets evaluated at the amortized cost amounted to RUB 3,351,179 thousand and the value of interest income recognized amounted to RUB 29,246 thousand.

In 2018, financial assets were reclassified from the category of assets available for sale to the category of assets held to maturity in the amount of RUB 1,874,145 thousand. The issuer was classified to Category 2, and a provision in the amount of RUB 18,741 thousand 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 Accounting Standard (IAS) 16 "Property, Plant and Equipment" 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 with the use of the linear method.

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 shows 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, 2019	Gross book value of the class as of January 1, 2020	Accumulated depreciation of the class as of January 1, 2019	Accumulated depreciation of the class as of January 1, 2020	Proceeds 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	4,693,769	4,327,774	813,469	850,469	8,820	0	143,553	101,941
Computing equipment	1,390,837	1,421,889	847,361	1,083,572	41,895	0	10,843	247,054
Furniture	117,137	118,872	86,256	94,871	5,191	0	1,753	10,368
Equipment	634,301	672,441	465,044	467,020	106,146	0	68,006	64,861
Equipment for safeguarding items of value	33,671	33,781	7,770	9,391	2,722	0	1,150	1,840
Security	160,527	162,688	82,517	103,442	14,151	0	11,990	29,563
Software and hardware (ATMs and payment terminals)	1,587,984	1,570,501	1,032,031	1,150,866	1,449	6,941	11,707	136,187
Other vehicles (buses, small buses, tractors)	12,497	15,083	8,837	9,427	2,586	0	0	590
Cars for travelling	28,014	28,014	16,897	19,016	0	0	0	2,119
Special-purpose vehicles (armoured cars)	487,511	124,072	276,013	96,490	0	0	363,356	22,090
Other fixed assets	56,781	54,296	33,189	32,498	12,961	0	13,423	9,047
Improvement of the territory at 11 Elevatornaya St.	311	311	96	106	0	0	0	10
Works of art	341	341	0	0	0	0	0	0
Total:	9,203,681	8,530,063	3,669,480	3,917,168	195,921	6,941	625,781	625,670

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

Amount of contractual obligations to acquire fixed assets

As of January 1, 2020, the amount of obligations to the Bank to acquire fixed asset was RUB 1,248,000; the amount of the Bank's obligations to acquire fixed assets was RUB 0.

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 reviewed: 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 2019, those values were revised. There were no material changes.

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 a reporting year. The 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, 2019. 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 appraiser's self-regulatory organisation.

Real estate is accounted at revalued cost. Revaluation gains amounted to RUB 33,967,000, of which RUB 12,532,000 was booked as other comprehensive income, and RUB 21,435,000 in profits and losses (reversal of negative valuation of properties). Revaluation loss was RUB 219,595,000 booked as other comprehensive income. The group of properties on the whole was revaluated downwards by RUB 185,628,000. Before the revaluation, its book value was RUB 3,662,933,000. After the revaluation, its book value was RUB 3,477,305,000. The book value of this group (class) that would have been recognised if it had been booked at initial cost is RUB 2,883,752,000.

Fixed assets (other than real property) depreciated by RUB 5,555,000 for 2019. This expense is booked in profit/loss article 48204 "Expenses from depreciation of fixed assets". No such loss was reversed in the reporting period.

Fixed assets in the following groups impaired:

ATMs and payment terminals – RUB 284,000.

Special-purpose vehicles (armoured cars) – RUB 83,000.

Equipment to storage valuables – RUB 1,462,000.

Furniture – RUB 1,703,000.

Other fixed assets – RUB 2,023,000.

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.

Additions resulting from acquisition and recognition of subsequent costs as assets: RUB 428,482,000 in book value as at 01.01.2019; RUB 278,598,000 in book value as at 01.01.2020. There were no additions in 12M2019. A disposal of RUB 118,832,000 took place in 12M2019.

Rental income from real estate temporarily unused in the core operations for the reporting period is RUB 4,520,000.

Expenses for the maintenance of real estate temporarily unused in the core operations for the reporting period is RUB 16,486,000. 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.

Gain on changes in fair value of temporarily idle real property is RUB 1,208,000.

Loss from changes in fair value of temporarily idle real property is RUB 32,260,000.

Information on lease operations.

The amount of rental payments under operational lease agreements recognized as expenses in the reporting period was RUB 1,107,427,000.

The amount of rent recognized as income in the reporting period (net of rental income from real estate temporarily unused in the core operations) was RUB 16,613,000.

The Bank as the lessee and the lessor of fixed assets has lease agreements mostly concluded for the lease of real estate, and an insignificant portion of lease agreements was concluded for the lease of 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 of 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 for all groups of intangible assets with the use of the linear method.

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, 2019	Gross book value of the class as of January 1, 2020	Accumulated depreciation of the class as of January 1, 2019	Accumulated depreciation of the class as of January 1, 2020	Proceeds for the reporting period	<u>Disposals for the reporting period</u>		Depreciation for the period
						transfer to long- term assets held for sale	other disposals	

Intangible assets. Software	282,213	577,155	212,990	322,479	405,408	0	978	109,806
Intangible assets. Websites	2,210	1,884	1,030	1,355	0	0	0	325
Intangible assets. Trademarks	731	602	386	515	0	0	0	130
Total:	285,154	579,641	214,406	324,349	405,408	0	978	110,261

Useful life, disposal value, and a method for amortization accrual on the intangible asset are revised at the end of each reporting year. At the end of 2019, those values were revised. No changes were made.

4.15 Information on the scope and structure of other assets.

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Financial assets		
Outstanding settlements	1,123,534	2,316,199
Settlements on brokerage service	-	62
Accounts receivable	1,720,923	2,175,837
Interest accrued on financial assets	-	5,373,878
Total financial assets	2,844,457	9,865,976
Non-financial assets		
Down payment for goods and services	286,739	192,091
Advance tax payments	58,787	95,752
Deferred expenses	-	54,332
Other	12,518	45,840
Total non-financial assets	358,044	388,015
Total other assets	3,202,501	10,253,991

As of January 1, 2020, the outstanding interest maturing in 12 months after the reporting date amounted to RUB 0. As of January 1, 2019, the outstanding interest maturing in 12 months after the reporting date amounted to RUB 21,274 thousand.

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

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

As of January 1, 2020 and January 1, 2019, the Bank had no funds raised from the Central Bank of the Russian Federation.

4.17 Information on the balance of accounts with credit institutions.

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Correspondent accounts of resident credit institutions	4,267,932	21,934,929
Correspondent accounts of non-resident credit institutions	6,942	151,973
Residents' interbank credits and deposits received	632,822,670	437,970,128
Non-residents' interbank credits and deposits received	27,017,253	73,660,342
Outstanding transfers received from payment systems to the correspondent accounts	4,903	1,792
Due to customers under brokerage operations	2	1

Interest liabilities	2,771,307	-
Transaction costs	(23,868)	-
Total funds of credit institutions	666,867 14	533,719,165

As of January 1, 2020, the Bank raised a syndicated loan in the amount of RUB 26,590,644,000 maturing on March 27, 2020 and April 1, 2021.

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.

4.18 Information on the balance of customers' accounts.

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Legal entities:		
Current accounts and demand deposits	199,770,336	59,484,547
Fixed-term deposits	838,585,996	998,649,326
Interest liabilities	21,987,350	-
Transaction costs	(115 422)	-
Total corporate current accounts and deposits	1,060,228,260	1,058,133,873
Individuals:		
Current accounts and demand deposits	59,357,181	19,756,132
Fixed-term deposits	415,601,924	347,065,699
Interest liabilities	6,955,530	-
Total retail current accounts and deposits	481,914,635	366,821,831
Total current accounts and deposits of customers	1,542,142,895	1,424,955,704

Due to customers other than credit institutions by economic sectors:

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Finance	312,231,738	249,563,412
Mining	127,042,098	216,135,469
Wholesaling and retailing	146,441,000	23,014,924
Real estate activities, rental business	286,247,600	344,925,839
Construction	19,399,089	16,251,470
Generation and distribution of electricity	5,170,084	874,475
Public administration	6,786,551	164,217,701
Production	19,413,249	7,130,549
Agriculture	4,922,470	576,861
Transport and communication	11,267,115	1,660,894
Other	99,319,916	33,782,279
Individuals	474,959,105	366,821,831
Interest payable	28,942,880	-
Total due to customers other than credit institutions	1,542,142,895	1,424,955,704

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

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

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Bills issued	1,597,568	663,761
Subordinated bonds	5,000,000	5,000,000
Bonds	23,422,394	11,388,044
Interest liabilities	619,139	-
Transaction costs	(275)	-
Total debt securities issued	30,638,826	17,051,805

The table below details bills issued as at 01.01.2020:

	Currency	Sale amount, RUB thousand	Face value, RUB thousand	Outstanding discount /accrued interest RUB thousand
Non-interest-bearing bills:	RUB	570	570	-
	EUR	696,299	696,299	-
	USD	1,079	1,079	-
Interest-bearing bills:	RUB	744,856	744,856	631
	USD	154,764	154,764	2,188
Total		1,597,568	1,597,568	2,819

The table below details bills issued as at 01.01.2019:

	Currency	Sale amount, RUB thousand	Face value, RUB thousand	Outstanding discount /accrued interest RUB thousand
Non-interest-bearing bills:	RUB	4,173	4,173	-
	EUR	366,586	366,586	-
Interest-bearing bills:	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

A special-purpose vehicle made seven issues of Eurobonds denominated in USD, Euro and RUB:

	Amount of issue	Date of issue	Redemption date	Coupon rate
Issue of Eurobonds 2025 (RUR) denominated in RUB	RUB 5,000,000 thousand	November 21, 2014	May 26, 2025	16.50%

Issue of Eurobonds 2021 (LPN) denominated in USD	USD 500,000 thousand .	October 27, 2016	November 7, 2021	5.875%
Issue of Eurobonds 2027 (LPN) denominated in USD	USD 600,000 thousand .	March 29, 2017	October 5, 2027	7.50%
Issue of perpetual Eurobonds (LPN) denominated in USD	USD 700,000 thousand .	April 26, 2017	—	8.875%
Issue of Eurobonds 2023 (LPN) denominated in USD	USD 500,000 thousand .	February 7, 2018	February 14, 2023	5.55%
Issue of Eurobonds 2024 (LPN) denominated in EUR	EUR 500,000	February 12, 2019	February 20, 2024	5.15%
Issue of Eurobonds 2024 (LPN) denominated in USD	USD 500,000 thousand .	March 18, 2019	June 25, 2024	7.121%

In November 2019, the Bank bought back USD 100 mln 7.5% subordinated Eurobonds due 2027 (CBOM-27) and USD 50 mln 8.875% perpetual bonds (CBOM-perp) and cancelled them in part. After the partial cancellation, USD 440 mln of CBOM'27 and USD 540 mln of CBOM-perp remain outstanding.

In 4Q2019, the Bank placed 1 issue of exchange-traded bonds series 001P-02 due 2021 and 6 issues of exchange-traded bonds series 001R-01, BSO-P05, BSO-P07, BSO-P08, BSO-P09 and BSO-P10 due 2022:

- RUB 7 bln 7.75% issue series 001R-02;
- RUB 10 bln 8.35% issue series 001R-01;
- RUB 350 mln 3.25% issue series BSO-P05;
- RUB 500 mln 3.0% issue series BSO-P07;
- RUB 600 mln 2.55% issue series BSO-P08;
- RUB 900 mln 1.55% issue series BSO-P09;
- RUB 100 mln 0.01% issue series BSO-P10.

USD 68,243,000 and RUB 412,500,000 was paid in total as interest on Eurobonds in 4Q2019. USD 1,079,000 was paid on Eurobonds in November. No interest was paid on domestic bonds. All obligations were performed in full and in due time.

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.

4.20 Information on the scope and structure of other liabilities.

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Financial liabilities		
Accounts payable	687,722	3,891,468
Other outstanding settlements	4,443,891	774,704
Interest accrued on financial liabilities	-	22,700,913
Revaluation of claims for supply of financial assets	344,141	-
Total financial liabilities	5,475,754	27,367,085
Non-financial liabilities		
Debt on settlements with personnel	758,342	618,766
Taxes payable	355,614	627,515
Deferred income	-	719,846
Other	100,454	121,647
Total non-financial liabilities	1,214,410	2,087,774
Total other liabilities	6,690,164	29,454,859

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

Reserves that are estimated non-credit 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 non-occurrence (i.e., the probability of its occurrence exceeds 50%);

- possible reduction of the Bank's economic benefits, as may be necessary to discharge a non-credit liability;

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

Subject to 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, 2019 RUB thousand	December 31, 2018 RUB thousand
Book value	100,454	30,750

The amount of reserves – estimated liabilities recognized in 12M2019 is RUB 100,696,000. The amount of reserves – estimated liabilities recovered in 2019 is RUB 24,672,000. The amount of reserves – estimated liabilities written off in 2019 is RUB 6,320,000.

The amount of contingent liabilities as of January 1, 2020, is RUB 8,094,076,000, and as of January 1, 2019 is RUB 450,015,000.

4.22 Information on the value of the authorized capital.

The number of authorized shares of the Bank under the Articles of Association is 170,170,290,134 ordinary registered uncertificated shares, with a face value of RUB 1 each.

The total number of outstanding and paid shares is 29,829,709,866, 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 Meeting of Shareholders 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 the 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 owned by the Bank since all shares have been distributed among the shareholders.

On 06.11.2019, the Bank closed the placement of its seventeenth additional share issue, increasing its charter capital from 27,079,709,866 ordinary registered shares to 29,829,709,866 ordinary registered shares. On 13.01.2020, Amendment No. 03 to the Bank's Charter was registered and the change in its charter capital was recorded in the Unified State Register of Legal Entities.

5. Supporting information to the Statement of Financial Results.

5.1 Interest income and expense:

	12 months of 2019	12 months of 2018
Interest income		
from placement of funds with credit institutions	1,057,071	1,060,955
from loans issued to customers	132,376,002	128,079,678
from investments in securities evaluated at the fair value through profit or loss	1,633,755	8,238,900
from investments in securities evaluated at the fair value through other comprehensive income	13,561,480	3,265,142
from investments in securities evaluated at the amortized cost	1,797,185	988,417
Total interest income	150,425,493	141,633,092
Interest expense		
on funds raised from credit institutions	24,456,027	31,727,358
on funds raised from customers	82,732,623	61,135,833
on debt instruments issued	1,567,413	2,332,023
Total interest expense	108,756,063	95,195,214
Net interest income	41,669,430	46,437,878

5.2 Fee and commission income and expense:

	12M2019	12M2018
Fee and commission income		
settlements and cash operations	3,284,271	3,818,286
money transfers	2,402,335	2,812,893
bank guarantees and suretyships	2,358,580	2,191,773
opening and maintenance of bank accounts	667,707	569,080
intermediary services under brokerage and similar agreements	209,091	407,669
currency exchange	231,298	343,341
other income	2,870,352	2,394,904
Total fee and commission income	12,023,634	12,537,946

Fee and commission expense

money transfers, including commissions to payment and settlement systems	2,604,928	2,569,102
bank guarantees and suretyships	50,661	66,476
settlements and cash operations	379,589	47,594
opening and maintenance of bank accounts	15,223	12,510
currency exchange	5,397	11,972
other expenses	632,526	205,850
Total fee and commission expense	3,688,324	2,913,504
Net fee and commission income	8,335,310	9,624,442

5.3 Administrative and other operating expenses:

	12M2019	12M2018
Salaries and employment benefits	10,649,479	9,259,446
Organisational and administrative expenses	6,889,973	5,497,169
Operations with loans and other assets	25,876,759	4,878,010
Amortisation of fixed assets and intangible assets	735,931	831,822
Operations with fixed assets and intangible assets:	555,890	798,355
Operations with long-term assets held for sale	95,063	113,980
Other maintenance expenses	173,392	76,771
Operations with property currently non-used for core activity	73,225	16,872
other expenses	988,590	813,853
Total administrative and other operating expenses	46,038,302	22,286,278

5.4 Losses and reversals for each assets class:

	2019		2018	
	Loss from creation of loss provisions/ allowances	Income from reversal of loss provisions/ allowances	Loss from creation of provisions	Income from reversal of provisions
Loans and loan equivalents, correspondent accounts, accrued interest income, of which:	(344,427 453)	384,128,611	(162,957 363)	149,321,973
accrued interest income	(33,635 434)	23,123,691	(6,670 060)	7,202,675
Securities at fair value through other comprehensive income	(39,275 496)	38,919,108	-	-
Securities at amortised value	(2,205 311)	2,106,198	(96 989)	80,453
Other	(336,311,530)	337,226,655	(115,457,709)	113,686,000
Total	(722,219,790)	762,380,572	(278,512,061)	263,088,426

5.5 Net income (loss) from foreign exchange operations:

	12M 2019	12M2018
	RUB thousand	RUB thousand
Income from foreign exchange operations	147,534,569	158,231,272
Expense from foreign exchange operations	(168,464,322)	(142,656,662)
Net income from foreign exchange operations	(20,929,753)	15,574,610
Income from foreign currency revaluation	835,710,461	1,192,731,854
Expense from foreign currency revaluation	(816,700,950)	(1,214,753,302)
Net income from foreign currency revaluation	19,009,511	(22,021,448)
Total net income (loss) from foreign exchange operations	(1,920,242)	(6,446,838)

5.6 Components of tax expense (income)

Net income, tax expense (income) is given in the table below:

	12M2019	12M2018
	RUB thousand	RUB thousand
Pre-tax income	51,068,676	15,233,111
Current income tax expense	(5,253,463)	(2,010,753)
Deferred income tax refund	(4,050,124)	(421,486)
Taxes and charges recognised as costs under Russian laws	(765,336)	(675,959)
Total tax expense	(10,068,923)	(3,108,198)
Income after taxation	40,999,753	12,124,913

Major components of tax expense (income):

	RUB thousand	December 31, 2019 Share, %	RUB thousand	December 31, 2018 Share, %
Total income tax expense (current tax), of which:	6,771,898	100%	2,004,897	100%
at 20% of taxable income	5,227,462	70%	1,242,081	62%
at 15% of income from sovereign securities, securities issued after 01 01 2017 and mortgage bonds	1,544,053	30%	762,775	38%
at 13% of dividends from foreign companies	383	0%	41	0%

Deferred tax expense (income) in 2019:

	RUB thousand
Incoming balance	(1,470,166)
Deferred taxes (DTL) applied to financial results	4,050,124

Deferred taxes applied to capital surplus:	
Securities revaluation DTL	724,281
Fixed assets revaluation DTA	(41,413)
Outgoing balance	3,262,826

Deferred tax expense (income) in 2018:

	RUB thousand
Incoming balance	(1,400,000)
Deferred taxes (DTA) applied to financial results (decreasing DTA)	421,486
Deferred taxes applied to capital surplus:	
Securities revaluation DTA	(462,660)
Fixed assets revaluation DTL (decreasing DTL)	(28,992)
Outgoing balance	(1,470,166)

Remunerations to employees:

	12 months 2019	12 months 2018
Short-term remunerations	10,332,909	9,097,907
Long-term remunerations	302,400	152,436
Other	4,944	5,168
Total	10,640,253	9,255,511

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

Total comprehensive income as of January 1, 2020 amounted to RUB 174,101,735,000, which is RUB 55,051,446,000, or 46.2%, more as compared to the same period of the past year.

During 2019, an increase in the capital was recorded in the item "Retained profit (loss)" in the amount of RUB 40,999,753,000; during 2018, in the amount of RUB 12,124,913,000. Material change of retained profit for 1H2019 as compared to the analogous period of the last year is related to the beginning of applying IFRS 9 by the Bank and forming allowances pursuant to that standard.

During 2019 the capital increased through item "Other comprehensive income" due to a RUB 1,937,549,000 revaluation of FVOCI securities, the creation of loss provisions and allowances for them in the amount of RUB 454,410,000 and a RUB 91,650,000 credit risk-driven change in the fair value of a financial obligation through items "Charter capital" and "Share premium" due to a RUB 14,712,500,000 additional issue of shares. During 2018, a decrease in the capital was recorded in the item "Other comprehensive income" from revaluation at the fair value of securities evaluated through other comprehensive income in the amount of RUB 1,042,113,000.

Dividends recognized as payments to shareholders (members) for 2019 amounted to RUB 2,978,768,000; there were no dividends recognized as payments to shareholders (members) for 2018.

7. Supporting information to the statement of cash flows

There have been no considerable balances not available for use for 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.

During the reporting 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 presented in the Cash Flow Statement include the following:

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Physical cash	8,561,777	13,264,425
Due from the Central bank of the Russian Federation	84,836,330	56,013,111
Due from credit institutions	23,327,348	10,061,945
Total cash and cash equivalents	116,725,455	79,339,481

Cash outflow from operating activities in 2019 was RUB 141,473,975,000, with interest received of RUB 139,734,353,000, interest paid of RUB 99,131,019,000; fees received of RUB 12,023,634,000 and fees paid of RUB 3,688,324,000. Cash inflow was RUB 37,385,974,000.

Cash inflow from operating activities in 2018 was RUB 53,030,015,000, with interest received of RUB 138,910,555,000, interest paid of RUB 90,120,155,000; fees received of RUB 12,537,946,000 and fees paid of RUB 2,913,504,000. Cash outflow was RUB 14,658,059,000.

The Bank does not analyse its cash flow by business segments, the cash flow is overseen by the Treasury Division and other authorised bodies.

8. Information on risk management goals and policy

The risk management in the Bank is designed to ensure stability, safety of the Bank, and protection of interests of shareholders and customers in the course of conducting the primary activity by the Bank, and achievement of results stipulated by the Bank's strategy.

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

Risk management in the Bank may be divided in the following phases:

Identifying (determining) the risk

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 detection

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/or 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 indicators (key risk indicators), 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 management is performed with the use of the following primary tools and methods:

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

Limitation system. Limiting the level of assumed risks by the limitation system that comprises the procedures for calculation, setting, review, use and control of limit observance. 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. Applying the tool provides for a detailed development of the scheme and the procedure for a specific transaction to mitigate risks associated therewith.

Securitization. The tool provides for distribution of the existing 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. This tool provides for inclusion of a risk fee in the cost terms of the products offered, which allows to distribute the risk between a credit institution and a counterparty under transactions.

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

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

Diversification. The tool for mitigating the risk by distributing the cumulative risk by sources to prevent its concentration on an individual source.

Hedging. The tool for mitigating and distributing risk associated with transactions by settling other transactions for the purpose of compensation of possible loss.

Gap analysis. The tool for analysing a strategic gap between the maturity of assets and liabilities within a certain time interval subject to a certain change of interest rates.

Stress testing. The tool 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 Group members 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.

The choice of one or several methods or tools used for limitation, mitigation and management of each significant risk type depends on a type of the transaction(s) made by the Bank.

The above specified list of methods and tools for limitation, mitigation and management of risks is not exhaustive. In addition to those methods, other tools and methods described in the respective internal statutory documents of the Bank may be used.

Credit risk

This risk arises out of the possibility that the Bank may incur loss as a result of the debtor's default on or late or incomplete performance of its financial liabilities 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) *Default credit risk:* the possibility that the Bank may incur loss as a result of the debtor's default due to its failure to perform its obligations 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.

For credit transactions, the Bank forms provisions adequate to the risk assumed by the Bank pursuant to Regulations of the Bank of Russia No. 590-P and No. 611-P and Ordinances of the Bank of Russia No. 2732-U and No. 1584-U. When calculating statutory ratios and determining its equity (capital), the Bank takes into account the amount of provisions formed.

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 is performed by the Credit Committee of the Bank consisting of 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 is 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. In 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, 2019, RUB thousand												
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, outstanding loans and similar debts	2,051,786,847	1,348,531,069	369,453,926	237,400,709	50,508,671	45,892,472	141,764,453	117,622,003	16,740,844	30,163,136	25,786,992	44,931,031
including Individual basis	1,958,409,761	1,348,531,069	307,909,936	210,429,043	49,531,646	42,008,067	135,585,665	111,443,215	15,357,863	29,091,494	25,456,935	41,536,923
including Grouped into portfolios of similar loans	93,377,086	0	61,543,990	26,971,666	977,025	3,884,405	6,178,788	6,178,788	1,382,981	1,071,642	330,057	3,394,108
securities	219,567,014	214,602,898	3,916,372	0	0	1,047,744	1,086,908	1,086,908	39,164	0	0	1,047,744
other assets	44,701,886	37,155,572	3,643,187	406,119	732,686	2,764,322	3,312,982	3,312,982	89,625	85,342	373,694	2,764,321
including Individual basis	44,701,773	37,155,572	3,643,187	406,119	732,686	2,764,209	3,312,870	3,312,870	89,625	85,342	373,694	2,764,209
including Grouped into portfolios of similar loans	113	0	0	0	0	113	112	112	0	0	0	112
Claims for interest income	26,058,222	4,833,038	4,360,688	2,256,272	2,838,029	13,155,680	15,588,928	15,577,381	451,413	520,299	1,514,871	13,090,798
including Individual basis	24,550,222	4,833,038	3,913,525	1,953,258	2,772,704	11,077,697	13,525,987	13,514,440	440,711	505,201	1,490,885	11,077,643
including Grouped into portfolios of similar loans	2,893,485	0	447,163	303,014	65,325	2,077,983	2,062,941	2,062,941	10,702	15,098	23,986	2,013,155
Assets measured for the purpose of making provisions, including	2,343,499,454	1,605,122,577	381,374,173	240,063,100	54,079,386	62,860,218	161,753,271	137,599,274	17,321,046	30,768,777	27,675,557	61,833,894
including Individual basis	2,247,228,770	1,605,122,577	319,383,020	212,788,420	53,037,036	56,897,717	153,511,430	129,357,433	15,927,363	29,682,037	27,321,514	56,426,519
including Grouped into portfolios of similar loans	96,270,684	0	61,991,153	27,274,680	1,042,350	5,962,501	8,241,841	8,241,841	1,393,683	1,086,740	354,043	5,407,375

December 31, 2018, RUB thousand

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, outstanding loans 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

Information on the volumes and periods of overdue debt

December 31, 2019, RUB thousand

Asset type	Amount of overdue debt	Amount of provision made	Overdue debt up to 30 days, RUB thousand	Provision made for group 4, RUB thousand	Overdue debt for 31 to 90 days, RUB thousand	Provision made for group 6, RUB thousand	Overdue debt for 91 to 180 days, RUB thousand	Provision made for group 8, RUB thousand	Overdue debt for over 180 days, RUB thousand	Provision made for group 10, RUB thousand
Loans, outstanding loans and similar debts	58,637,762	49,512,032	3,175,324	593,347	1,241,485	419,146	5,168,876	4,777,911	49,052,077	43,721,628
- including credit institutions	20,000	20,000	0	0	0	0	0	0	20,000	20,000
- including legal entities	33,035,305	28,003,199	19,138	11,069	139,037	77,697	4,199,341	4,199,109	28,677,789	23,715,324
- including individuals	25,582,457	21,488,833	3,156,186	582,278	1,102,448	341,449	969,535	578,802	20,354,288	19,986,304
Investments in securities	1,047,744	1,047,744	0	0	0	0	0	0	1,047,744	1,047,744
Other claims	923,598	923,598	2,337	2,337	2,240	2,240	2,776	2,776	916,245	916,245
including credit institutions	3,785	3,785	0	0	13	13	0	0	3,772	3,772
including Legal entities	188,084	188,084	1,968	1,968	1,675	1,675	416	416	184,025	184,025
including individuals	731,729	731,729	369	369	552	552	2,360	2,360	728,448	728,448
Total overdue debt	60,609,104	51,483,374	3,177,661	595,684	1,243,725	421,386	5,171,652	4,780,687	51,016,066	45,685,617
share of overdue debt in the Bank's assets, %	2.59									

December 31, 2018, RUB thousand

Asset type	Amount of overdue debt	Amount of provision made	Overdue debt up to 30 days, RUB thousand	Provision made for group 4, RUB thousand	Overdue debt for 31 to 90 days, RUB thousand	Provision made for group 6, RUB thousand	Overdue debt for 91 to 180 days, RUB thousand	Provision made for group 8, RUB thousand	Overdue debt for over 180 days, RUB thousand	Provision made for group 10, RUB thousand
Loans, outstanding loans 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 in 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									

To determine a default, the Bank uses the event types described below.

For the corporate business, the following default classification is used:

- existence of an outstanding credit claim of a customer overdue for over ninety (90) calendar days (with respect to the principal amount and/or interest). The overdue debt is taken into account subject to the criterion of materiality of its amount: over RUB 100 (one hundred);
- forced prolongation of a credit claim for over ninety (90) calendar days, i.e. prolongation made due to the inability of a customer to redeem a claim within the initial time limit;
- forced refinancing of a credit claim, i.e. presentation of a new credit claim instead of the existing one due to the inability of a customer to redeem the existing claim within the initial time limit;
- decision of a competent body of the Bank to recognize a credit claim of a customer to be problematic or assignment of PV-3 level to a customer due to revelation of facts evidencing the inability of a customer to redeem a claim within the initial time limit, and its submission to a business unit specializing on the work with problematic debts;
- assigning the "default" rating (D) to a customer by independent rating agencies, e.g. Moody's, S&P, Fitch, Rating Agency Expert RA (RAEX), Rating Agency Analysis, Advices and Marketing, National Rating Agency, Rus-Rating, AKRA;
- declaring a customer insolvent (bankrupt) by a court verified by information from public sources and/or information from field-specific business units of the Bank;
- revocation of the license for the primary activity (only for credit institutions of the segment "Credit claims to financial institutions");
- assignment of a credit claim (or the aggregate of credit claims), including a security claim, with the discount exceeding a defined value. The sale discount value, with which a default is declared, shall exceed the amount of expected losses as of the date of a cession agreement determined pursuant to Clause 8 (expected losses quantification) of CREDIT BANK OF MOSCOW'S Credit Risk Quantification Regulation subject to the permissible error. The permissible error shall mean the difference between the discount and expected losses from a credit claim within 10% of expected losses;
- filing of a bankruptcy petition by the customer.

For the retail business, the following default classification is used:

- principal and/or interest is overdue by more than 90 calendar days subject to a RUB 1,000 materiality threshold;
- forced extension of a credit claim for over ninety (90) calendar days, i.e. due to the customer's inability to repay the same at the initial maturity;
- further extension of a credit claim or deferral of all payments for more than 90 calendar days, i.e. debt restructuring due to the customer's inability to repay the same at the initial maturity;
- forced refinancing of a credit claim, i.e. replacement of the existing credit claim by a new one due to the customer's inability to repay the existing claim at the initial maturity;

– declaring a customer insolvent (bankrupt) by a court verified by information from public sources and/or information from core business units of the Bank.

Description of security received

The policy with respect to assets used as pledge collateral that may not be freely turned into cash, are subject to disposal or use in its activity shall be as follows.

The principal purpose of the work with non-core assets is their disposal within the shortest possible time at the greatest possible market price subject to the condition of an asset. Non-core assets of the Bank may be presented by the following categories: residential premises, commercial real estate, movable property (vehicles). In some cases, the lease is applicable to commercial real estate. After entering the property on the balance sheet and registration of the title (if an asset falls within the "real estate" category), the Bank performs pre-sale preparation, maintenance and servicing (payment of operating costs, preservation of communications, etc.), followed by the subsequent exhibiting of an asset and search for a buyer/lessee for the subsequent sale.

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.

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Collateral of category I:		
Securities	6,400	3,911,716
Guarantee deposits	10,001,470	715,146
Guarantees/suretyships	2,732,422	-
Collateral of category II:		
Real estate	48,360,360	45,863,274
Stock-in-trade	190,602	234,275
Motor transport	2,990,359	3,543,433
Equipment, property	144,671	1,474,452
Other	4,462,916	2,373,191
Total	68,899,200	58,115,487

Information on the geographic concentration of balance sheet assets and liabilities of the Bank according to customers' location as of January 1, 2020, is shown in the table below (in RUB thousand):

	Russian Federation	OECD member states	Countries other than OECD member states	International organizations	Allowances	Total
Assets						
Cash	8,561,777	-	-	-	-	8,561,777
Due from the Central Bank of the Russian Federation	101,767,678	-	-	-	-	101,767,678
Amounts due from credit institutions	11,689,989	11,818,336	6,560	-	-80,690	23,434,195
Financial assets measured at fair value through profit or loss	17,267,397	47,220,815	47,496,565	-	-	111,984,777
Net outstanding loans	1,651,820,838	66,896,074	153,867,042	-	53,762,245	1,926,346,199
Net investments in financial assets evaluated at the fair value through other comprehensive income	194,508,374	16,639,415	-	-	-	211,147,789
Net investments in securities evaluated at the amortized cost	6,498,417	27,762,462	-	-	-128,667	34,132,212
Investments in subsidiaries and dependent companies	4,225,176	-	2,252,102	-	155,167	6,632,445
Current profit tax claims	1,424,418	-	-	-	-	1,424,418
Deferred tax asset (DTA)	0	-	-	-	-	0
Fixed assets, intangible assets, and material inventory	5,639,113	-	-	-	-	5,639,113
Long-term assets intended for sale	1,214,388	-	-	-	-	1,214,388
Other assets	3,204,672	5,945	4,909		-13,025	3,202,501
Total assets	2,007,822,237	170,343,047	203,627,178	-	53,695,030	2,435,487,492
Liabilities						
Loans, deposits, and other funds of the Central Bank of the Russian Federation	-	-	-	-	-	-
Due to credit institutions	639,729,779	17,392,294	4,740,639	5,004,429	-	666,867,141
Due to customers other than credit institutions	1,309,957,431	219,379,900	12,805,564	-	-	1,542,142,895
Financial liabilities measured at fair value through profit or loss	4,139,149	1,798,241	71,072	-	-	6,008,462

Debt instruments issued	29,941,447	697,379	-	-	-	30,638,826
Current profit tax liabilities	3,103,689	-	-	-	-	3,103,689
Deferred tax liability (DTL)	3,262,826	-	-	-	-	3,262,826
Other liabilities	269,451	6,416,427	4,205	81	-	6,690,164
Loss provisions for credit contingent liabilities and for other possible loss and transactions with residents of offshore territories	4,193,451	-	-	-	-1,521,697	2,671,754
Total liabilities	1,994,597,223	245,684,241	17,621,480	5,004,510	-1,521,697	2,261,385,757
Off-balance liabilities						
Irrevocable liabilities of the credit institution	2,247,258,142	193,791,121	21,465,357	-		2,462,514,620
Guarantees and suretyships issued by the credit institution	198,771,687	17,675,488	561,347	12,829		217,021,351
Non-credit contingent liabilities	8,094,076	-	-	-		8,094,076

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 thousand):

	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 in securities and other financial assets available for sale	22,436,010	28,315,896	2,952,876	—	53,704,782
Net investments in 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 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
Non-credit contingent liabilities	450,015	—	—	—	450,015

Market risk

This risk arises out of the 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 market risk value used to calculate capital adequacy ratios was calculated in compliance with Regulation of the Bank of Russia No. 511-P and as of January 1, 2020 amounted to RUB 58,195,976,000, and as of January 1, 2019 it amounted to RUB 28,859,190,000.

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, 2020, and January 1, 2019, is set out below:

	January 1, 2020	January 1, 2019
Portfolio VaR (RUB thousand)	148,142	102,234
VaR (% of the securities portfolio)	0.46%	0.43%
VaR (% of capital)	0.06%	0.04%

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 results of the Bank's securities portfolio sensitivity analysis made on the basis of the assumptions on the change of profitability calculated for shifting the yield curve by 400 and 600 basis points (bps) as of January 1, 2020, are set out below:

	Yield curve shift by 400 bps	Yield curve shift by 600 bps
Revaluation amount, RUB thousand	4,163,994	6,245,900
Impact on capital adequacy ratio, %	0.21%	0.31%
The level of equity (capital) adequacy ratio (N1.0) as a result of stress testing	16.82%	16.71%

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

	Yield curve shift by 400 bps	Yield curve shift by 600 bps
Revaluation amount, RUB thousand	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%

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 results of the analysis of the Bank's sensitivity to the currency risk for major currency positions are set out below:

Currency	in thousand items Open foreign exchange position (OFEP)	in RUB thousand RUB equivalent	Effect on the financial result	
			RUB strengthening by 10%	RUB weakening by 10%
USD	-6 209.91	-384 428.97	38 442.90	-38 442.90
EUR	-31 470.90	-2,182 211.05	218 221.11	-218 221.11

The table below shows the general analysis of the Bank's currency risk as of January 1, 2020:

	RUB	USD	EUR	Other currencies	Allowances	Total
Assets						
Cash	7,206,459	813,196	403,188	138,934	-	8,561,777
Due from the Central Bank of the Russian Federation	101,767,678	-	-	-	-	101,767,678
Amounts due from credit institutions	6,915,874	13,914,531	2,450,092	234,388	-80,690	23,434,195
Financial assets measured at fair value through profit or loss	94,031,356	15,888,273	2,065,148	-	-	111,984,777
Net outstanding loans	1,229,583,809	598,620,685	44,366,231	13,229	53,762,245	1,926,346,199
Net investments in financial assets evaluated at the fair value through other comprehensive income	177,524,019	31,134,932	2,488,838	-	-	211,147,789
Net investments in securities evaluated at the amortized cost	56,360	28,939,568	5,264,951	-	-128,667	34,132,212
Investments in subsidiaries and dependent companies	6,477,278	-	-	-	155,167	6,632,445
Current profit tax claims	1,424,418	-	-	-	-	1,424,418
Deferred tax asset (DTA)	0	-	-	-	-	0
Fixed assets, intangible assets, and material inventory	5,639,113	-	-	-	-	5,639,113
Long-term assets intended for sale	1,214,388	-	-	-	-	1,214,388
Other assets	3,102,081	112,419	112	914	-13,025	3,202,501
Total assets	1,634,942,833	689,423,604	57,038,560	387,465	53,695,030	2,435,487,492
Liabilities						
Loans, deposits, and other funds of the Central Bank of the Russian Federation	-	-	-	-	-	-
Due to credit institutions	306,399,784	342,228,982	18,035,868	202,507	-	666,867,141
Due to customers other than credit institutions	848,976,638	625,057,365	68,062,067	46,825	-	1,542,142,895
Financial liabilities measured at fair value through profit or loss	6,008,462	-	-	-	-	6,008,462
Debt instruments issued	29,784,495	158,031	696,300	-	-	30,638,826
Current profit tax liabilities	3,103,689	-	-	-	-	3,103,689
Deferred tax liability (DTL)	3,262,826	-	-	-	-	3,262,826
Other liabilities	-452	6,079,751	609,389	1,476	-	6,690,164
Loss provisions for credit contingent liabilities and for other possible loss and transactions with residents of offshore territories	4,193,451	-	-	-	-1,521,697	2,671,754
Total liabilities	1,201,728,893	973,524,129	87,403,624	250,808	-1,521,697	2,261,385,757
Net position	433,213,940	-284,100,525	-30,365,064	136,657	55,216,727	174,101,735
Net off-balance	-275,465,305	252,278,405	22,856,958	-64,629	-	-394,571

position (for DFIs and spot transactions)

Reference: Off-balance liabilities

Irrevocable liabilities of the credit institution	2,103,196,952	262,314,370	63,967,930	33,035,368	-	2,462,514,620
Guarantees and suretyships issued by the credit institution	189,597,966	7,904,836	19,518,549	-	-	217,021,351
Non-credit contingent liabilities	8,094,022	54	-	-	-	8,094,076

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 in securities and other financial assets available for sale	11,868,315	40,529,771	1,112,794	193,902	53,704,782
Net investments in 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	5,510,588	-	-	-	5,510,588

residents of offshore territories

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
Non-credit contingent liabilities	—	—	—	—	450,015

Liquidity risk

This risk arises out of the 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 non-conformance 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 the 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 liquidity ratio (N2), current liquidity ratio (N3), short-term liquidity ratio (N26), long-term liquidity ration (N4) and net stable funding ratio (N28)).

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 quick, current, mid-term and long-term liquidity risk management.

Quick and 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 tables below show the breakdown of assets and liabilities by contractual periods remaining before redemption, and cash flows specifying gaps representing the difference between cash inflows and cash outflows during a specific time frame, and accumulated gaps.

As follows from the analysis conducted, the scope of assets held for liquidity risk management (easily marketable financial assets and assets, from which inflow is expected within one (1) month) significantly exceeds the scope of short-term liabilities of the Bank. Moreover, the own portfolio of the Bank's securities consists mainly of assets that are acceptable as collateral for direct REPO transactions (securities included in the Lombard List of the Bank of Russia) which enables the Bank to use that tool for compensation of unscheduled cash outflows.

The main task of mid-term and long-term liquidity management is to develop and implement the scope of assets and liabilities management measures aimed at supporting the Bank's solvency and at planned increasing 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.

The Bank performs stress testing 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 table of cash flows below shows that the current structure of the Bank's balance ensures the presence of positive accumulated gaps at each of the time intervals. Moreover, the access to some deposit auctions conducted by state authorities and major corporations provides the additional source of financing for management of negative gaps of the mid-term liquidity.

To analyze the need in funding and planning/diversification of the structure of liabilities by tools and currencies within the framework of the annual budgetary process, the relevant plans of funding with the horizon till the end of the next year are developed.

The liquidity risk concentration is evenly distributed among the main sources of financing, i.e.:

- funds of banks: IBC, REPO, correspondent loro accounts of corresponding banks, receivables;
- funds of legal entities: on demand, fixed-term deposits;
- funds of individuals: on demand, fixed-term deposits;
- securities: bills issued, bonds;
- international financing.

Liquidity maintenance measures provide for necessary actions and procedures that the Bank shall follow in case of significant deterioration of liquidity due to the following reasons:

- deterioration of the situation with liquidity in the Bank;
- absence of liquidity in the financial system in general.

The Bank regularly performs development and subsequent review of the Financial Recovery Plan to overcome crisis situations related to significant deterioration of the Bank's financial condition.

The Financial Recovery Plan determines the list of financial stability loss criteria, one of which is realization of the liquidity risk, and measures for recovery of financial stability.

Within the framework of the Financial Recovery Plan, measures for management of assets and liabilities that allow to eliminate the liquidity crisis are determined and serve as the basis for determination of the duties and actions of respective employees and business units of the Bank.

The Bank takes the following measures to overcome the liquidity crisis:

- organizational measures;
- measures for management of funds (assets) placed;
- measures for management of borrowings (liabilities).

The list and consequence of application of all three above specified measures will depend on the level of shortage of funds and the possibility to satisfy that growing need at the time of crisis occurrence.

The decision about the Bank's transfer to the work in the high alert regime/anti-crisis management in case of occurrence of events threatening the Bank's liquidity, inter alia, shall be taken by the Bank's Management Board in accordance with the Financial Recovery Plan.

When the decision is taken about the Bank's transfer to the work in the high alert regime/anti-crisis management, an authorized business units execute:

- determination of factors that caused the crisis situation with liquidity;
- detailed analysis of the structure of assets and liabilities broken down by different indicators, where the main attention is paid to the forecast of the resource outflow from the Bank in the nearest 3 months;
- recommendations for recovery of liquidity indicators.

Based on that report, the Management Board approved the action plan aimed at recovery of the Bank's liquidity compulsory for performance by all business units of the Bank within the framework of their tasks and powers.

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

							December 31, 2019 RUB thousand
	Less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 1 to 3 years	Over 3 years	Adjustment before allowances	Total
Assets							
Cash	8,561,777	-	-	-	-	-	8,561,777
Due from the Central Bank of the Russian Federation	101,767,678	-	-	-	-	-	101,767,678
Amounts due from credit institutions	23,514,885	-	-	-	-	-80,690	23,434,195
Financial assets measured at fair value through profit or loss	58,807,512	611,536	2,277,941	8,151,488	42,136,300	-	111,984,777
Net outstanding loans	864,345,853	530,601,005	112,523,554	169,900,615	195,212,927	53,762,245	1,926,346,199
Net investments in financial assets evaluated at the fair value through other comprehensive income	211,147,789	-	-	-	-	-	211,147,789
Net investments in securities evaluated at the amortized cost	173,713	272,277	13,678	16,480,519	17,320,692	-128,667	34,132,212
Investments in subsidiaries and dependent companies	6,477,278					155,167	6,632,445
Current profit tax claims	-	1,424,418	-	-	-	-	1,424,418
Deferred tax asset (DTA)	0	-	-	-	-	-	0
Fixed assets, intangible assets, and material inventory	-	-	-	-	5,639,113	-	5,639,113
Long-term assets intended for sale					1,214,388	-	1,214,388
Other assets	1,646,511	941,352	627,620	0	43	-13,025	3,202,501
Total assets	1,276,442,996	533,850,588	115,442,793	194,532,622	261,523,463	53,695,030	2,435,487,492

Liabilities

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

	-	-	-	-	-	-	-
Due to credit institutions	296,511,964	364,542,505	932,776	4,879,560	336		666,867,141
Due to customers other than credit institutions	439,683,897	269,670,022	159,556,136	176,328,947	496,903,893		1,542,142,895
Financial liabilities measured at fair value through profit or loss	6,008,462	-	-	-	-		6,008,462
Debt instruments issued	334,555	3,551,499	605,269	21,147,503	5,000,000		30,638,826
Current profit tax liabilities	-	3,103,689	-	-	-		3,103,689
Deferred tax liability (DTL)	-	3,262,826	-	-	-		3,262,826
Other liabilities	4,422,673	1,265,317	643,531	0	358,643	-	6,690,164
Loss provisions for credit contingent liabilities and for other possible loss and transactions with residents of offshore territories	4,193,451	-	-	-	-	-1,521,697	2,671,754
Total liabilities	751,155,002	645,395,858	161,737,712	202,356,010	502,262,872	-1,521,697	2,261,385,757

							December 31, 2018 RUB thousand
	Less than 1 month	From 1 to 6 months	From 6 months to 1 year	From 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 in securities and other financial assets available for sale	53,704,782	–	–	–	–	–	53,704,782
Net investments in 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 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

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 (hereinafter, "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) shall be not less than 6%; and the general equity (capital) adequacy ratio (N 1.0) shall be not less than 8%.

The Bank calculates its equity (capital) in accordance with Regulation of the Bank of Russia 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 Instruction of the Bank of Russia 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.

The 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 Ordinance of the Bank of Russia No. 3624-U dated April 15, 2016, "On the Requirements for the Risk and Capital Management System of a Credit Institution and a Banking Group," the Bank has developed and approved with the Supervisory Board the risk and capital management strategy that sets out the principles of and approaches to 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, business areas 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 the ICAAP shall be submitted to the Management Board and the Supervisory Board of the Bank.

In 2019 and in 2018, the Bank's capital adequacy ratio of each tier met the level established by the laws.

Capital adequacy ratios are set out as follows:

	Minimum permissible value, %	December 31, 2019	December 31, 2018
The Bank's tier I capital adequacy ratio (N1.1)	4.5	8.7	8.1
The Bank's tier II capital adequacy ratio (N1.2)	6	11.1	11.6
Equity (capital) adequacy ratio (N1.0)	8	16.6	20.1

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, 2019	December 31, 2018
	RUB thousand	RUB thousand
Authorized capital	29,829,710	27,079,710
Share premium	58,209,963	46,247,463
Reserve fund	4,313,214	4,313,214
Retained profit	46,779,141	32,562,954
Indicators reducing tier I capital	588,935	285,154
Tier I capital	138,543,093	109,918,187
Subordinated loan	37,870,750	46,690,280
Indicators reducing tier II capital	-	-
Capital surplus	37,870,750	46,690,280
Tier II capital	176,413,843	156,608,467
Profit of the current year	-	8,589,496
Profit of the past years before the auditor's confirmation	-	-
Increase in the cost of assets due to revaluation	727,836	901,245
Subordinated loan	88,080,921	106,635,518
Indicators reducing the additional capital	426,201	439,251
Additional capital	88,382,556	115,687,008
Equity (capital)	264,796,399	272,295,475

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

The key sources of the Bank's tier I capital are the authorized capital formed with ordinary shares (RUB 88,039,673,000), retained profit of the past years (RUB 38,531,574,000) and retained profit of the current year (RUB 8,247,567,000). The authorized capital consists of ordinary shares. The face value of each share is RUB 1.

As of January 1, 2020 the Bank's capital surplus in the amount of RUB 37,870,750,000 included:

- a perpetual subordinated bond-secured loan in the amount of RUB 32,870,750,000 (CBOM Finance PLC);

- a perpetual subordinated bond-secured loan of CREDIT BANK OF MOSCOW in the amount of RUB 5,000,000,000.

As of January 1, 2020 the Bank's additional capital was mostly formed with subordinated loans in the total amount of RUB 88,080,921,000:

- subordinated bond-secured loans (CBOM Finance PLC) maturing on May 26, 2025, and October 5, 2027, in the total amount of RUB 27,278,211,000;

- subordinated deposit of Rosneft Oil Company OJSC maturing on December 24, 2025, in the amount of RUB 18,571,710,000;

- 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 thousand;

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

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

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

- a perpetual subordinated bond-secured loan in the amount of RUB 41,690,280 thousand (CBOM Finance PLC);

- a perpetual subordinated bond-secured loan of CREDIT BANK OF MOSCOW in the amount of RUB 5,000,000 thousand.

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 thousand:

- 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 thousand;

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

- 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 thousand;

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

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

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 Instruction of the Bank of Russia 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 reporting segments that are strategic business units. 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: corporate lending, overdraft lending, factoring operations, financial and operational leasing, guarantees and letters of credit, deposit-taking, settlement and money transfers;
- retail banking: retail demand and term deposits; retail lending (including car, mortgage and other retail loans), private banking services; bank card products, money transfer;
- investment business: trading in securities and brokerage services, repo transactions, foreign exchange services;
- treasury: interbank lending/borrowing, issuance of debt securities;
- cash collection and cash operations: all operations with physical cash, such as acceptance, counting and transportation.

In 2019, the Bank revised its approach to distributing assets, liabilities, and financial results across the reporting segments. The comparative data were adjusted accordingly.

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

	December 31, 2019	December 31, 2018
	RUB thousand	RUB thousand
Assets		
Corporate banking	732,296,271	632,563,463
Retail banking	124,421,557	113,720,728
Investment business	1,437,592,615	1,285,732,475
Treasury	130,010,071	94,514,764
Cash collection and cash operations	11,166,978	9,603,977
Total assets	2,435,487,492	2,136,135,409
Liabilities		
Corporate banking	880,026,192	907,426,927
Retail banking	499,525,748	389,792,195
Investment business	662,768,889	552,096,660
Treasury	212,790,865	161,362,352
Cash collection and cash operations	6,274,063	6,406,986
Total liabilities	2,261,385,757	2,017,085,120

The table below shows income and expenses by segments for 12 months of 2019 and 2018.

					12M2019, RUB thousand	
	Corporate banking	Retail banking	Investment business	Treasury	Cash collection and cash operations	Total
Net interest income	78,723,148	-25,220,674	50,902,875	-23,220,934	186,174	81,370,588
Net fee and commission income	4,104,782	1,936,764	-	-307,136	2,600,900	8,335,310
Net loss from foreign exchange operations	-	81,704	1,181,676	-11,288,713	-	-10,025,333
Net gains on securities	1,921,494	-	3,615,940	-1,265,579	-	4,271,855
Other income/expense	-2,625,244	-16,786,687	-2,211,466	-3,496,193	-7,764,153	-32,883,744
Total income before taxation	82,124,179	-39,988,894	53,489,025	-39,578,555	-4,977,079	51,068,676
Transfer income/expense	-56,208,341	61,198,431	-44,693,724	35,535,676	4,167,958	-
Income tax						10,068,923
Income after taxation						40,999,753

					12M2018, RUB thousand	
	Corporate banking	Retail banking	Investment business	Treasury	Cash collection and cash operations	Total
Net interest income	18,995,249	-5,954,212	25,249,125	-5,546,613	58,939	32,802,488
Net fee and commission income	4,486,365	2,602,949	-	103,681	2,431,446	9,624,442
Net loss from foreign exchange operations	-1,328,515	-	-2,484,642	-1,289,166	-	-5,102,323
Net gains on securities	-	-	-1,599,347	673,409	-	-925,938
Other income/expense	-5,210,736	-10,447,741	-953,042	652,524	-5,206,533	-21,165,528
Total income before taxation	16,942,363	-13,799,003	20,212,093	-5,406,164	-2,716,148	15,233,141
Transfer income/expense	-8,080,071	15,922,000	-14,396,093	5,587,164	967,000	-
Income tax						3,108,198
Income after taxation						12,124,943

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, 2020 (in RUB thousand), is set out below:

	Ultimate beneficial owner (UBO)	Parent company	Companies controlled by the UBO	Structured entities	Key managerial personnel	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 in securities	-	-	-	21,689,200	-	-
Other assets	-	4	2,507,261	5,359	5,749	2780
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

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

	Ultimate beneficial owner (UBO)	Parent company	Companies controlled by the UBO	Structured entities	Key managerial personnel	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 in 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, 2020, is set out below:

RUB thousand	Amount of claims	Amount of liabilities	Amount of positive fair value	Amount of negative fair value	Credit risk
Currency swap	25,364,954	25,280,219	44,721	3,359	403,580
Option	1,395,886	991,071	44,398	-	244,990

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

RUB thousand	Amount of claims	Amount of liabilities	Amount of positive fair value	Amount of negative fair value	Credit risk
Currency swap	27,560,175	27,788,240	–	797,358	165,361
Currency forward	695,279	697,520	698	–	11,510

Income and expense items under related party transactions in:

	12M2019					
	Ultimate beneficial owner (UBO)	Parent company	Companies controlled by the UBO	Structured entities	Key managerial personnel	Other related parties
Interest income		-	3,934,525	2,495,889	23,375	37,231
Interest expense	44,742	159,961	819,432	14,371,864	11,721	2,457
Fee and commission income	59	41,177	249,239	5,424	355	219
Fee expense	-	-	261,422	-	-	-
Net gains on securities and financial assets measured through profit or loss	-	-68,227	6,992,320	682,423	-	-
Net gains on financial liabilities measured through profit or loss	-	-	-	1,129,165	-	-
Net gains on securities available for sale	-	-	23,979	-	-	-
Net income from shareholding in other legal entities	-	-	-	-	-	-
Net income from foreign exchange operations	1,760	-122	7,398	-4	1,609	-204
Other income/expense	69,028	41,138	-282,399	17,192,222	-34,795	-58,697

	12M2018					
	Ultimate beneficial owner (UBO)	Parent company	Companies controlled by the UBO	Structured entities	Key managerial personnel	Other related parties
Interest income		40,940	4,167,740	1,505,829	16,573	77,134
Interest expense	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 expense	-	-	322	3,791	-	-
Net gains on securities and financial assets measured through profit or loss	-	698	(8,860,432)	17,260	-	-
Net gains on financial liabilities measured through profit or loss	-	-	-	-	-	-
Net gains on securities available for sale	-	6,384	139,446	(142 352)	-	-
Net income from shareholding in other legal entities	-	-	215,146	-	-	-
Net income from foreign exchange operations	11,441	(24,165)	(297,693)	(5)	896	206
Other income/expense	(26,946)	(4,648)	(1,198,164)	(25,324,949)	(10,280)	88,387

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

In accordance with of the Bank of Russia's 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 considers the non-fixed deferrable and adjustable part of remuneration for members of the executive bodies and other risk takers as other long-term remunerations based on the timescale of financial results to be achieved (at least for 3 years save for operations whose final financial results can be measured earlier). 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 calculated by dividing profit for the period by the weighted average number of ordinary shares in issue during the period.

	2019	2018
Profit for the year, RUB thousand	40,999,753	12,124,913
Weighted average number of ordinary shares, units	27,486,559,181	27,079,709,866
Basic earnings per share (in RUB per share)	1.49	0.45

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 section "Information disclosure for regulatory purposes".

Chairman of the Management Board V.A.Chubar

Chief Accountant S.V. Sass

25 February 2020

