CREDIT BANK OF MOSCOW
(public joint-stock company)

Consolidated Interim Condensed
Financial Statements
for the nine-month period ended
30 September 2020

Contents

Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Supervisory Board

CREDIT BANK OF MOSCOW (public joint-stock company)

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of CREDIT BANK OF MOSCOW (public joint-stock company) (the Bank) and its subsidiaries (the Group) as at 30 September 2020, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and nine-month periods ended 30 September 2020, and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2020, and notes to the consolidated interim condensed financial information (the consolidated interim condensed financial information). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Reviewed entity: CREDIT BANK OF MOSCOW (public joint-stock company).

Registration No. in the Unified State Register of Legal Entities 1027739555282.

Moscow, Russian Federation.

Audit Firm: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited ("KPMG International"), a private English company limited by guarantee.

Registration number in the Unified State Register of Legal Entities: No. 1027700125628.

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Principal registration number of the entry in the Register of Auditors and Audit Organizations: No. 12006020351.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 September 2020, and for the three- and nine-month periods ended 30 September 2020 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Tatarinova E.V.

JSC “KPMG”

Moscow, Russia

17 November 2020

(in millions of Russian Roubles unless otherwise stated)

	Notes	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)	Three-month period ended 30 September 2020 (Unaudited)	Three-month period ended 30 September 2019 (Unaudited)
Interest income calculated using the effective interest method	5	111 219	105 988	37 042	37 477
Other interest income	5	5 548	3 086	1 601	1 048
Interest expense	5	(74 226)	(76 945)	(23 601)	(25 433)
Net interest income	5	**42 541**	**32 129**	**15 042**	**13 092**
(Charge) recovery for credit losses on debt financial assets	11, 12, 14, 15	(15 844)	(2 978)	(2 903)	2 577
Net interest income after credit losses on debt financial assets		**26 697**	**29 151**	**12 139**	**15 669**
Fee and commission income	6	10 389	11 176	3 992	3 715
Fee and commission expense	6	(2 757)	(2 712)	(1 075)	(847)
Net gain or (loss) on loans to customers at FVTPL		1 009	(1 060)	307	(664)
Net gain or (loss) on financial assets at FVTPL		4 719	528	(38)	589
Net gain or (loss) from sale and redemption of Investment financial assets at FVOCI		804	(221)	(140)	(20)
Net realised gain or (loss) on Investment financial assets at amortised cost		139	199	3	(101)
Net gain or (loss) on Investment financial assets at FVTPL		2 642	256	(163)	142
Net foreign exchange (losses) gains	9	(2 325)	(8 531)	1 288	(680)
Net (loss) gain on change in financial liabilities measured at fair value through profit or loss		(58)	24	(292)	24
Impairment (loss) or gain on other non-financial assets, credit (loss) or gain on other financial assets and credit related commitments and other provisions	8	(108)	3 626	174	223
State deposit insurance scheme contributions		(1 633)	(1 944)	(285)	(729)
Operating lease income		25	34	13	14
Other net operating expense		(1 900)	(311)	(456)	(317)
Non-interest income		**10 946**	**1 064**	**3 328**	**1 349**
Operating income		**37 643**	**30 215**	**15 467**	**17 018**
Salaries and employment benefits	7	(10 625)	(10 994)	(3 190)	(3 227)
Administrative expenses	7	(3 659)	(3 357)	(1 418)	(1 339)
Depreciation of premises and equipment and right-of-use assets		(1 439)	(1 418)	(436)	(466)
Operating expense		**(15 723)**	**(15 769)**	**(5 044)**	**(5 032)**
Profit before income taxes		**21 920**	**14 446**	**10 423**	**11 986**
Income tax expense	10	(4 818)	(2 564)	(2 445)	(2 265)
Profit for the period		**17 102**	**11 882**	**7 978**	**9 721**

The consolidated interim condensed statement of financial position is to be read in conjunction with the Notes, forming an integral part of the consolidated interim condensed financial statements.

(in millions of Russian Roubles unless otherwise stated)

	Notes	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)	Three-month period ended 30 September 2020 (Unaudited)	Three-month period ended 30 September 2019 (Unaudited)
Profit for the period		**17 102**	**11 882**	**7 978**	**9 721**
Other comprehensive (loss) or income					
Items that are or may be reclassified subsequently to profit or loss:					
Movement in fair value reserve (debt instruments):					
- net change in fair value		(4 390)	3 029	(4 138)	466
- net amount transferred to profit or loss		(804)	231	140	19
- income tax related to movement in fair value reserve		1 038	(652)	800	(97)
Change in fair value of financial liability attributable to changes in credit risk		214	13	(18)	13
Income tax related to change in fair value of financial liability attributable to changes in credit risk		(43)	(3)	3	(3)
Other comprehensive (loss) or income for the period, net of income tax		(3 985)	2 618	(3 213)	398
Total comprehensive income for the period		13 117	14 500	4 765	10 119
Basic and diluted earnings per share (in RUB per share)	27	0,49	0,35	0,24	0,33

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

The consolidated interim condensed statement of financial position is to be read in conjunction with the Notes, forming an integral part of the consolidated interim condensed financial statements.

(in millions of Russian Roubles unless otherwise stated)

	Notes	30 September 2020 (Unaudited)	31 December 2019
ASSETS			
Cash and cash equivalents	11	753 922	953 645
Obligatory reserves with the Central bank of the Russian Federation		18 056	16 944
Due from credit and other financial organizations	12	725 702	348 794
Trading financial assets	13	98 823	38 550
- *held by the Group*	*13*	*89 315*	*37 920*
- *pledged under sale and repurchase agreements*	*13*	*9 508*	*630*
Loans to customers	14	958 994	788 655
- *loans to corporate clients*	*14*	*850 490*	*685 372*
- *loans to individuals*	*14*	*108 504*	*103 283*
Investment financial assets	15	378 015	258 168
- *held by the Group*	*15*	*321 662*	*206 844*
- *pledged under sale and repurchase agreements*	*15*	*56 353*	*51 324*
Investments in associates		2 436	2 350
Property and equipment		9 222	9 515
Deferred tax asset		90	113
Assets held for sale		924	1 177
Other assets		6 496	5 586
Total assets		**2 952 680**	**2 423 497**
LIABILITIES AND EQUITY			
Deposits by the Central Bank of the Russian Federation	17	10 060	-
Due to credit institutions	16	1 005 917	677 936
Due to customers	18	1 474 316	1 339 535
- *due to corporate customers*	*18*	*966 235*	*853 353*
- *due to individuals*	*18*	*508 081*	*486 182*
Financial liabilities measured at fair value through profit or loss	20	42 779	9 874
Debt securities issued	19	183 822	168 549
Deferred tax liability		2 315	3 370
Other liabilities		12 493	13 801
Total liabilities		**2 731 702**	**2 213 065**
Equity			
Share capital	21	30 692	30 692
Additional paid-in capital		58 210	58 210
Perpetual debt issued	21	44 944	37 871
Revaluation surplus for buildings		407	407
Fair value reserve for securities		(3 010)	1 146
Change in fair value of financial liability attributable to changes in the credit risk		235	64
Retained earnings		89 500	82 042
Total equity		**220 978**	**210 432**
Total liabilities and equity		**2 952 680**	**2 423 497**

Chairman of the Management Board — Vladimir A. Chubar

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The consolidated interim condensed statement of financial position is to be read in conjunction with the Notes, forming an integral part of the consolidated interim condensed financial statements.

(in millions of Russian Roubles unless otherwise stated)

	Notes	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		108 023	100 581
Interest payments		(81 230)	(69 161)
Fees and commission receipts		10 837	11 807
Fees and commission payments		(2 384)	(2 336)
Net receipts from operations with securities		6 191	310
Net receipts (payments) from foreign exchange		52 787	(18 807)
State deposit insurance scheme contributions payments		(1 794)	(1 795)
Net other operating expense		(1 529)	(599)
Salaries and employment benefits paid		(10 189)	(10 381)
Administrative expenses paid		(3 914)	(3 202)
Income tax paid		(3 857)	(1 028)
Operating cash flows before changes in operating assets and liabilities		**72 941**	**5 389**
(Increase) decrease in operating assets			
Obligatory reserves with the Central bank of the Russian Federation		(1 033)	(3 395)
Due from credit and other financial organizations		(308 958)	(342 392)
Trading financial assets		(23 918)	4 461
Loans to customers		(126 298)	(70 282)
Other assets		(1 760)	(858)
Increase (decrease) in operating liabilities			
Deposits by the Central Bank of the Russian Federation		10 006	-
Due to credit institutions except syndicated loans		255 625	4 802
Due to customers except subordinated loans		869	40 411
Other liabilities		(262)	(3 317)
Net cash used in operations		**(122 788)**	**(365 181)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment financial assets		(578 498)	(259 993)
Proceeds from disposal and redemption of investment financial assets		477 312	262 213
Net payment on acquisition of subsidiary		(105)	-
Net result on purchase and sale of property and equipment and intangible assets		(341)	(1 749)
Sale of investment property		-	90
Net cash (used in)/ from investing activities		**(101 632)**	**561**

The consolidated interim condensed financial statement of cash flows is to be read in conjunction with the Notes, forming an integral part of the consolidated interim condensed financial statement.

(in millions of Russian Roubles unless otherwise stated)

	Notes	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement and issuance of perpetual debt		3 073	338
Repayment and redemption of perpetual debt issued		(4 927)	(928)
Interest on perpetual debt paid		(3 117)	(2 920)
Proceeds from syndicated borrowings		17 653	28 120
Repayments of syndicated borrowings		(27 998)	(19 920)
Proceeds from placement and issuance of subordinated bonds		231	623
Partial redemption of subordinated bonds		(2 764)	(618)
Proceeds from placement and issuance of other bonds		97 808	94 390
Repayments of other bonds		(114 706)	(32 549)
Cash outflow from lease liabilities		(844)	(520)
Dividends paid	21	-	(2 979)
Net cash (used in)/ from financing activities		**(35 591)**	**63 037**
Effect of exchange rates changes on cash and cash equivalents		**59 347**	**(32 226)**
Effect of changes in ECL on cash and cash equivalents	11	941	643
Change in cash and cash equivalents		**(199 723)**	**(333 166)**
Cash and cash equivalents, beginning of the period		953 645	1 162 779
Cash and cash equivalents, end of the period	11	**753 922**	**829 613**

Chairman of the Management Board Vladimir A. Chubar

Chief Accountant Svetlana V. Sass

The consolidated interim condensed financial statement of cash flows is to be read in conjunction with the Notes, forming an integral part of the consolidated interim condensed financial statement.

(in millions of Russian Roubles unless otherwise stated)

	Share capital	Additional paid-in capital	Perpetual debt issued	Revaluation surplus for buildings	Fair value reserve for securities	Change in fair value of financial liability attributable to changes in the credit risk	Retained earnings	Total equity
Balance as at 1 January 2019	**27 942**	**46 247**	**46 691**	**490**	**(1 834)**	**-**	**71 637**	**191 173**
Total comprehensive income for the period (Unaudited)	-	-	-	-	2 608	10	11 882	**14 500**
Perpetual debt redemption (Unaudited)	-	-	(928)	-	-	-	-	**(928)**
Issuance of perpetual debt (Unaudited)	-	-	338	-	-	-	-	**338**
Interest paid on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(2 920)	**(2 920)**
Foreign exchange translation of perpetual debt issued (Unaudited)	-	-	(3 017)	-	-	-	3 017	**-**
Tax effect on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(113)	**(113)**
Dividends paid (Unaudited)	-	-	-	-	-	-	(2 979)	**(2 979)**
Balance as at 30 September 2019 (Unaudited)	**27 942**	**46 247**	**43 084**	**490**	**774**	**10**	**80 524**	**199 071**
Balance as at 31 December 2019	**30 692**	**58 210**	**37 871**	**407**	**1 146**	**64**	**82 042**	**210 432**
Balance as at 1 January 2020	**30 692**	**58 210**	**37 871**	**407**	**1 146**	**64**	**82 042**	**210 432**
Total comprehensive income for the period (Unaudited)	-	-	-	-	(4 156)	171	17 102	**13 117**
Perpetual debt redemption (Unaudited)	-	-	(4 927)	-	-	-	-	**(4 927)**
Issuance of perpetual debt (Unaudited)	-	-	3 073	-	-	-	-	**3 073**
Interest paid on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(3 117)	**(3 117)**
Foreign exchange translation of perpetual debt issued (Unaudited)	-	-	8 927	-	-	-	(8 927)	**-**
Tax effect on perpetual debt issued (Unaudited)	-	-	-	-	-	-	2 400	**2 400**
Balance as at 30 September 2020 (Unaudited)	**30 692**	**58 210**	**44 944**	**407**	**(3 010)**	**235**	**89 500**	**220 978**

Chairman of the Management Board Vladimir A. Chubar Chief Accountant Svetlana V. Sass

The consolidated interim condensed financial statement of changes in equity is to be read in conjunction with the Notes, forming an integral part of consolidated interim condensed financial statement.

(in millions of Russian Roubles unless otherwise stated)

1 Background

Principal activities

These consolidated interim condensed financial statements include the financial statements of CREDIT BANK OF MOSCOW (public joint-stock company) (the Bank) and its subsidiaries (together referred to as the Group).

The Bank was formed on 5 August 1992 as an open joint-stock company, then re-registered as a limited liability company under the legislation of the Russian Federation. On 18 August 1999 the Bank was reorganised as an open joint-stock company. On 16 May 2016 the Bank was re-registered as a public joint-stock company under the legislation of the Russian Federation. The Bank's registered legal address is 2 (bldg. 1), Lukov pereulok, Moscow, Russia. The Bank operates under a general banking license from the Central bank of the Russian Federation (the CBR), renewed on 21 January 2013. In December 2004 the Bank was admitted to the state program for individual deposit insurance.

The Bank is among the 10 largest banks in Russia by assets and conducts its business in Russia with a branch network comprising 132 branches, 1 001 ATMs and 6 531 payment terminals.

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Principal activities	Degree of control, %	
			30 September 2020	31 December 2019
"CBOM Finance p.l.c."	Ireland	Raising finance	100%	100%
JSC NCO "INKAKHRAN"	Russia	Cash handling	100%	100%
LLC "Inkakhran-Servis"	Russia	Cash handling	100%	100%
LLC "Bank SKS"	Russia	Investment banking	100%	100%
Investment Bank VESTA (LLC)	Russia	Investment banking	100%	0%
JSC "RUSNARBANK"	Russia	Investment banking	100%	0%
LLC "MKB-Invest"	Russia	Transactions with securities	0%	100%
LLC "Mortgage Agent MKB 2"	Russia	Raising finance	0%	100%

The Bank does not have any direct or indirect shareholdings in the subsidiaries "CBOM Finance p.l.c.", LLC "MKB Invest" and LLC "Mortgage Agent MKB 2". Herewith, "CBOM Finance p.l.c." is special purpose vehicle, which was established to raise capital by the issue of debt securities and to use the proceeds of each such issuance to advance loans to the Bank. LLC "Mortgage Agent MKB 2" was established for the purposes of the mortgage loans securitisation program launched by the Bank in 2016. LLC "MKB Invest" was controlled by the Group through the option agreement for the shares purchasing.

In September 2020 LLC "MKB-Invest"and LLC "Mortgage Agent MKB 2" were liquidated.

In May 2020 the Group acquired 100% of the equity interests of Investment Bank VESTA (LLC) and JSC RUSNARBANK, see Note 28.

Shareholders

The Bank's shareholders as at 30 September 2020 are:

- LLC Concern Rossium – 59,78%*
- Region FinanceResurs JSC – 8,56%
- LLC IC Algoritm – 6,64%
- Other shareholders – 25,02%

* The ownership share of CREDIT BANK OF MOSCOW (public joint-stock company), which includes the direct ownership share of LLC Concern Rossium for 56,07% and the ownership share of the Company's subsidiaries for 3,57%

The majority participant of LLC Concern Rossium, is Roman I. Avdeev, who is the ultimate controlling party of the Group.

Related party transactions are detailed in Note 23.

Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial risks in the markets of the Russian Federation, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities, including banks, may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine. Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

The first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Combined with other factors this led to sharp decline in oil prices and market indices and also devaluation of the Russian rouble.

In March 2020 the Russian Government announced a package of measures to support industries most heavily affected by the outbreak of COVID-19. The program included, among other, deferral of tax and fee payments for small and medium-sized businesses, postponement of loans repayment, suspension of lease payments on federal and municipal property, state support on loans refinancing and restructuring for businesses in hard-hit industries. Besides, social contribution tax rate was lowered for all small and medium-sized businesses.

The economic decline and business activity disruption in many industries as a result of the restrictions imposed by the Government due to the spreading of coronavirus, high volatility of prices for different stock market products, high volatility of market quotes and other changes in economic environment caused negative effect on the economy in general.

In those circumstances the Group introduced measures to support its clients. In particular, the Group restructured customer loans falling under state support programs and offered loan restructuring programs for customers not subject to the state support programs.

The CBR introduced different measures to support the banking system as a whole, aimed at helping the banks to comply with statutory requirements. The majority of measures supporting the banking system were introduced for the period till 30 September 2020. In August 2020 the CBR decided to prolong part of statutory indulgence, to introduce new countercyclical measures to support the economy and to terminate some temporary measures introduced due to spreading of coronavirus.

The Group's management takes all appropriate measures to support the economic stability of the Group in the current circumstances. Based on management assessment, there are no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern The Group also considers negative development scenarios and is ready to adapt its operational plans accordingly. Management continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

The consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(in millions of Russian Roubles unless otherwise stated)

2 Basis of preparation

Statement of compliance

The accompanying consolidated interim condensed financial statements are prepared in accordance with IAS 34 ‘Interim Financial Reporting’, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2019 (“last annual financial statements”). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

Basis of measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and through other comprehensive income are stated at fair value and buildings are stated at revalued amounts.

Functional and presentation currency

The functional currency of the Bank and the majority of its subsidiaries is the Russian Rouble (RUB) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of these consolidated interim condensed financial statements.

Financial information presented in RUB is rounded to the nearest million.

Foreign currencies, particularly USD, play significant role in determination of economic parameters for many business operations conducted in the Russian Federation. The table below sets out exchange rates for USD against RUB, defined by the CBR:

	30 September 2020	31 December 2019	30 September 2019
USD	79,6845	61,9057	64,4156

Use of estimates and judgments

The preparation of consolidated interim condensed financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing these consolidated interim condensed financial statements the critical judgments made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, except for those disclosed in below.

Following recent recommendations of the International Accounting Standards Board regarding the application of IFRS 9 'Financial Instruments' during the period of enhanced economic uncertainty arising from the COVID-19 pandemic the Group re-assessed ECLs by changing Macro-adjustment models in order to reflect the current economic conditions. ECLs on loans assessed on individual basis were also recalculated using the most recent information of the effect of current environment on clients’ business. The increase in average macro-adjustment is as follows:

- for due from credit and other financial institutions, investment financial assets and corporate loans - from 10,3% to 34,0%;
- for loans to individuals except for mortgage loans - from 4,5% to 17,9%;
- for mortgage loans - from 5,8% to 12,8%.

3 Significant accounting policies

The accounting policies applied in these consolidated interim condensed financial statements are the same as those applied in the last annual financial statements.

A number of new amendments to standards are effective from 1 January 2020 and they have no significant impact on the Group's consolidated interim condensed financial statements:

– Amendments to References to Conceptual Framework in IFRS Standards.
– Definition of a Business (Amendments to IFRS 3).
– Definition of Material (Amendments to IAS 1 and IAS 8).
– Interest rate benchmark reform" (Amendments to IFRS 9, IAS 39 and IFRS 7).

Standards issued but not yet effective.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. However, the Group has not early adopted them in preparing these consolidated interim condensed financial statements:

– IFRS 17, "Insurance contracts".

4 Financial risk review

This Note presents information about the Group's exposure to financial risks.

Credit risk - Amounts arising from ECL

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure	All exposures (corporate and retail exposures)
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections	• Payment record – this includes overdue status as well as a range of variables about payment ratios
• Data from credit reference agencies, press articles, changes in external credit ratings	• Requests for and granting of forbearance
• Quoted bond and credit default swap (CDS) prices for the borrower where available	• Existing and forecast changes in business, financial and economic conditions
• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicator is likely to be GDP growth.

The Group uses expert judgment in assessment of forward-looking information. This assessment is based also on external information (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Quantitative criteria for significant changes in credit risk includes rating downgrade of 3 or more notches in relation to the rating for this requirement on initial recognition, if the rating on initial recognition is higher than C1; rating downgrade by 2 or more notches in relation to the rating for this requirement on initial recognition, if the rating on initial recognition is lower or equal to C1.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined taking into account grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL (stage 1) and lifetime ECL measurements (stage 2).

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3)/in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporating of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group uses expert judgment in assessment of forward-looking information. This assessment is based also on external information.

The Group has identified and documented key drivers of credit risk and credit losses, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. This key driver is GDP forecasts.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- date of initial recognition;
- remaining term to maturity.

Credit quality analysis

Credit quality is based on the following scale developed internally by the Group:

- “Low credit risk” – assets with counterparties with low probability of default with high ability to fulfil financial obligations in time.
- “Moderate credit risk” – assets with counterparties with average probability of default and with moderate ability to fulfil financial obligations in time; more detailed consideration is required during monitoring.
- “High credit risk” – assets with higher probability of default; specific attention is required during monitoring.
- “Distressed assets” – assets that are qualified as defaulted considering all available signs of impairment.

(in millions of Russian Roubles unless otherwise stated)

5 Net interest income

	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)	Three-month period ended 30 September 2020 (Unaudited)	Three-month period ended 30 September 2019 (Unaudited)
Interest income calculated using the effective interest method				
Financial assets measured at amortised cost				
Due from credit and other financial organizations and the CBR	50 015	49 460	16 053	17 725
Loans to customers	47 850	46 209	15 816	16 123
Debt securities measured at amortised cost	1 504	1 202	635	342
	99 369	**96 871**	**32 504**	**34 190**
Debt financial assets measured at FVOCI	**11 850**	**9 117**	**4 538**	**3 287**
Interest income calculated using the effective interest method	**111 219**	**105 988**	**37 042**	**37 477**
Loans to customers at FVTPL	3 153	2 588	827	872
Other financial instruments at fair value through profit or loss	2 395	498	774	176
Other interest income	**5 548**	**3 086**	**1 601**	**1 048**
	116 767	**109 074**	**38 643**	**38 525**
Interest expense				
Due to customers	(46 799)	(49 931)	(14 233)	(17 590)
Due to credit institutions	(18 886)	(19 926)	(6 449)	(5 291)
Debt securities issued	(8 368)	(6 864)	(2 864)	(2 459)
Lease liabilities	(173)	(224)	(55)	(93)
	(74 226)	**(76 945)**	**(23 601)**	**(25 433)**
Net interest income	**42 541**	**32 129**	**15 042**	**13 092**

(in millions of Russian Roubles unless otherwise stated)

6 Net fee and commission income

	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)	Three-month period ended 30 September 2020 (Unaudited)	Three-month period ended 30 September 2019 (Unaudited)
Fee and commission income				
Guarantees and letters of credit	3 454	1 598	1 510	635
Plastic cards	1 808	2 015	662	697
Other cash operations	1 318	2 106	453	654
Settlements and wire transfers	1 027	1 382	376	314
Insurance contracts processing	937	1 564	349	595
Currency exchange and brokerahe commission	789	759	259	287
Cash handling	766	1 225	272	308
Opening and maintenance of bank accounts	252	399	88	128
Other	38	128	23	97
	10 389	**11 176**	**3 992**	**3 715**
Fee and commission expense				
Plastic cards	(1 659)	(2 130)	(628)	(671)
Settlements and wire transfers	(507)	(165)	(183)	(45)
Guarantees and other credit related facilities received	(347)	(260)	(106)	(71)
Other	(244)	(157)	(158)	(60)
	(2 757)	**(2 712)**	**(1 075)**	**(847)**
Net fee and commission income	**7 632**	**8 464**	**2 917**	**2 868**

Depending on the type of the service commission income when not an integral part of the effective interest rate on a financial asset or liability is recognized either at a point of time or over time according to the pattern the Group fulfills a performance obligation under the contract:

- commission fee for settlement transactions and wire transfers, cash operations, plastic cards, insurance contracts processing, cash handling, currency exchange and brokerage commission, opening and maintenance of bank accounts commission are charged for the execution of payment order in accordance with tariffs depending on the type of the transaction and recognised as income at the moment of the transaction execution;
- commission fee on guarantees and letters of credit issued is paid in advance and is recognized as income over the time of the relevant guarantee or letter of credit.

(in millions of Russian Roubles unless otherwise stated)

7 Salaries, employment benefits and administrative expenses

	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)	Three-month period ended 30 September 2020 (Unaudited)	Three-month period ended 30 September 2019 (Unaudited)
Salaries	8 950	9 049	2 688	2 681
Social security costs	1 675	1 945	502	546
Salaries and employment benefits	**10 625**	**10 994**	**3 190**	**3 227**
Advertising and business development	917	604	394	349
Operating taxes	591	565	237	214
Property maintenance	550	511	223	182
Computer maintenance and software expenses	290	150	95	67
Communications	279	255	126	93
Security	268	422	79	128
Write-off of low-value fixed assets	236	200	63	80
Insurance	210	113	110	37
Legal and consulting services	203	266	52	94
Occupancy	79	141	27	36
Other	36	130	12	59
Administrative expenses	**3 659**	**3 357**	**1 418**	**1 339**

The Group does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to profit or loss in the period the related compensation is earned by the employee.

8 Impairment (loss) or gain on other non-financial assets, credit (losses) or gain on other financial assets and credit related commitments and other provisions

Movements in the impairment allowance and credit loss allowance for the nine-month period ended 30 September 2020 are as follows:

	Other financial assets	Non-financial assets	Provisions for financial guarantees and credit related commitments	Provisions for claims and other provisions	Total
Balance at the beginning of the period	**761**	**210**	**601**	**1 481**	**3 053**
Net charge or (recovery) (Unaudited)	10	62	1 403	(1 367)	**108**
Net foreign exchange gain (Unaudited)	-	-	10	96	**106**
Write-offs (Unaudited)	-	(55)	-	(197)	**(252)**
Balance at the end of the period (Unaudited)	**771**	**217**	**2 014**	**13**	**3 015**

(in millions of Russian Roubles unless otherwise stated)

Movements in the impairment allowance for the nine-month period ended 30 September 2019 are as follows:

	Other financial assets	Non-financial assets	Provisions for financial guarantees and credit related commitments	Provisions for claims and other provisions	Total
Balance at the beginning of the period	**457**	**55**	**173**	**5 969**	**6 654**
Net charge or (recovery) (Unaudited)	272	301	30	(4 229)	**(3 626)**
Write-offs (Unaudited)	-	(168)	-	(51)	**(219)**
Balance at the end of the period (Unaudited)	**729**	**188**	**203**	**1 689**	**2 809**

9 Net foreign exchange (losses) or gains

	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)	Three-month period ended 30 September 2020 (Unaudited)	Three-month period ended 30 September 2019 (Unaudited)
Realized profit or (loss) from derivatives transactions	52 787	(18 287)	40 324	5 627
Unrealized profit from derivatives transactions	8 099	2 179	55	(7 244)
Loss from revaluation of foreign currency balances	(63 211)	7 577	(39 091)	937
	(2 325)	**(8 531)**	**1 288**	**(680)**

10 Income tax

	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)
Current tax charge	3 050	2 521
Deferred taxation	1 768	43
Income tax expense	**4 818**	**2 564**

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The statutory income tax rate is 20% in 2020 and 2019.

(in millions of Russian Roubles unless otherwise stated)

11 Cash and cash equivalents

	30 September 2020 (Unaudited)	31 December 2019
Cash on hand	16 059	17 478
Correspondent account with the Central bank of the Russian Federation	95 937	85 001
Nostro accounts with other banks		
rated from AA+ to AA-	10 874	5 289
rated from A+ to A-	7 369	1 529
rated from BBB+ to BBB-	19 582	3 006
rated from BB+ to BB-	150	515
rated from B+ to B-	7	-
not rated	1 971	1 093
Total nostro accounts with other banks	**39 953**	**11 432**
Deposits in credit and other financial organizations with maturity of less than 1 month		
Deposits with the Central bank of the Russian Federation	1 428	1 510
rated from AA+ to AA-	-	9 285
rated from BBB+ to BBB-	10 391	33 790
rated from BB+ to BB-	1 114	19 256
rated from B+ to B-	32 728	51 509
not rated	556 948	725 961
Total deposits in credit and other financial organizations with maturity of less than 1 month	**602 609**	**841 311**
Total gross cash and cash equivalents	**754 558**	**955 222**
Credit loss allowance	(636)	(1 577)
Total cash and cash equivalents	**753 922**	**953 645**

Ratings are based on Fitch, Moody’s and Standard & Poor’s rating system.

The correspondent account with the Central bank of the Russian Federation represents balances held with the Central bank of the Russian Federation related to settlement activity, and was available for withdrawal at the period end.

As at 30 September 2020, not rated Cash and cash equivalents include counterparties with ratings equivalent to Low credit risk for amount of RUB 1 932 million (31 December 2019: RUB 418 million), counterparties with ratings equivalent to Moderate credit risk for amount of RUB 556 987 million (31 December 2019: RUB 726 636 million).

As at 30 September 2020, deposits in not rated credit and other financial organizations with maturity of less than 1 month include term deposits in the amount of RUB 556 948 million secured by liquid securities under agreements to resell (reverse repo): bonds with rating from BBB- to BBB+ (97,9%) and stocks (2,1%).

As at 31 December 2019, deposits in not rated credit and other financial organizations with maturity of less than 1 month include term deposits in the amount of RUB 725 961 million secured by liquid securities under agreements to resell (reverse repo): bonds with rating from BB- to BBB (85,8%), stocks (10,7%), global depositary receipts (3,0%) and American depositary receipts (0,5%).

As at 30 September 2020, receivables under reverse sale and repurchase agreements included in cash and cash equivalents are RUB 598 844 million (31 December 2019: RUB 824 634 million).

As at 30 September 2020, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 640 604 million (31 December 2019: RUB 919 322 million).

As at 30 September 2020, Cash and cash equivalents for which external benchmark information represents a significant input into measurement of ECL are RUB 180 008 million (31 December 2019: RUB 189 185 million).

Movements in cash and cash equivalents credit loss allowance for the nine-month period ended 30 September 2020 and nine-month period ended 30 September 2019 are as follows:

(in millions of Russian Roubles unless otherwise stated)

	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)
Balance at the beginning of the period	**1 577**	**1 298**
Net recovery	(941)	(643)
Balance at the end of the period	**636**	**655**

As at 30 September 2020 and 30 September 2019 the Group recognises expected loss allowance in the amount of 12-month expected credit losses.

12 Due from credit and other financial organizations

	30 September 2020 (Unaudited)	31 December 2019
Term deposits		
rated from AA+ to AA-	3 338	73
rated from A+ to A-	1 066	670
rated from BBB+ to BBB-	20 441	2 816
rated from BB+ to BB-	25	1 965
rated from B+ to B-	6 463	2 304
not rated	695 668	341 274
Total gross due from credit and other financial organizations	**727 001**	**349 102**
Credit loss allowance	(1 299)	(308)
Total net due from credit and other financial organizations	**725 702**	**348 794**

Ratings are based on Fitch, Moody’s and Standard & Poor’s rating system.

As at 30 September 2020, not rated due from credit and other financial organizations include counterparties with ratings equivalent to Moderate credit risk for amount of RUB 695 668 million (31 December 2019: RUB 341 274 million).

As at 30 September 2020, deposits included in not rated credit and other financial organizations are receivables in the amount of RUB 695 668 million secured by liquid securities under agreements to resell (reverse repo): bonds (93,6%) with rating BBB- and stocks (6,4%).

As at 31 December 2019, deposits included in not rated credit and other financial organizations are receivables in the amount of RUB 341 274 million secured by liquid securities under agreements to resell (reverse repo): bonds with investment grade rating (95,9%), stocks (3,0%) and American depositary receipts (1,1%).

As at 30 September 2020, receivables under reverse sale and repurchase agreements included in due from credit and other financial organizations are RUB 699 750 million (31 December 2019: RUB 344 025 million).

As at 30 September 2020, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 748 461 million (31 December 2019: RUB 378 289 million).

As at 30 September 2020, Deposits from credit and other financial organizations for which external benchmark information represents a significant input into measurement of ECL are RUB 30 468 million (31 December 2019: RUB 7 155 million).

Movements in due from credit and other financial organizations credit loss allowance for the nine-month period ended 30 September 2020 and nine-month period ended 30 September 2019 are as follows:

	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)
Balance at the beginning of the period	**308**	**135**
Net charge	991	422
Balance at the end of the period	**1 299**	**557**

(in millions of Russian Roubles unless otherwise stated)

As at 30 September 2020 and 30 September 2019 the Group recognises expected loss allowance in the amount of 12-month expected credit losses.

13 Trading financial assets

	30 September 2020 (Unaudited)	31 December 2019
Held by the Group		
Government and municipal bonds		
Russian Government Federal bonds	7 214	-
Regional authorities and municipal bonds	-	205
Corporate bonds		
rated from A+ to A-	956	87
rated from AA+ to AA-	41	22
rated from BBB+ to BBB-	16 381	8 610
rated from BB+ to BB-	8 307	6 846
rated from B+ to B-	1 701	817
not rated	10 642	12 870
Equity investments		
rated from AA+ to AA-	-	704
rated from BBB+ to BBB-	893	-
Derivative financial instruments	43 180	7 759
Total held by the Group	**89 315**	**37 920**
Pledged under sale and repurchase agreements		
Corporate bonds		
rated from BBB+ to BBB-	7 066	547
rated from BB+ to BB-	2 442	83
Total pledged under sale and repurchase agreements	**9 508**	**630**
Total trading financial assets	**98 823**	**38 550**

Ratings are based on Fitch, Moody's and Standard & Poor's rating system.

As at 30 September 2020, trading financial assets in the amount of RUB 21 089 million (31 December 2019: RUB 1 399 million) are qualified to be pledged against borrowings from the Central bank of the Russian Federation.

(in millions of Russian Roubles unless otherwise stated)

14 Loans to customers

	30 September 2020 (Unaudited)	31 December 2019
Loans to customers at amortised cost		
Loans to corporate clients	802 706	642 179
Credit loss allowance	(40 243)	(33 982)
Total loans to corporate clients at amortised cost, net	**762 463**	**608 197**
Loans to individuals		
Cash loans	82 808	82 402
Mortgage loans	28 312	23 692
Credit card loans	3 452	3 713
Auto loans	4 674	34
Credit loss allowance	(12 436)	(6 558)
Total loans to individuals at amortised cost, net	**106 810**	**103 283**
Total gross loans to customers at amortised cost	**921 952**	**752 020**
Credit loss allowance	**(52 679)**	**(40 540)**
Total net loans to customers at amortised cost	**869 273**	**711 480**
Loans to customers at FVTPL		
Loans to corporate clients	88 027	77 175
Loans to individuals	1 694	-
Total loans to customers at amortised cost and FVTPL	**958 994**	**788 655**

Credit quality of loan portfolio

The following table provides information on credit quality of the loan portfolio as at 30 September 2020 and 31 December 2019:

	30 September 2020 (Unaudited)	31 December 2019
Loans to customers		
- Not past due	963 115	795 445
- Not past due but impaired	8 786	-
- Overdue less than 31 days	7 303	2 905
- Overdue 31-60 days	574	581
- Overdue 61-90 days	591	592
- Overdue 91-180 days	2 258	2 194
- Overdue 181-360 days	4 807	12 485
- Overdue more than 360 days	24 239	14 993
Total gross loans to customers	**1 011 673**	**829 195**
Credit loss allowance	**(52 679)**	**(40 540)**
Total net loans to customers	**958 994**	**788 655**

As at 30 September 2020, the gross amount of overdue loans with payments that are overdue at least for one day totals RUB 39 772 million, which represents 3,9 % of the gross loan portfolio (31 December 2019: RUB 33 750 million and 4,1 %, respectively).

As at 30 September 2020, non-performing loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 31 304 million or 3,1 % of the gross loan portfolio (31 December 2019: RUB 29 672 million and 3,6 %, respectively).

As at 30 September 2020, the ratio of total credit loss allowance to overdue loans equals 132,5 %, the ratio of total credit loss allowance to NPLs equals 168,3 % (31 December 2019: 120,1 %, 136,6 %, respectively).

(in millions of Russian Roubles unless otherwise stated)

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of loans to corporate clients as at 30 September 2020 and 31 December 2019:

	30 September 2020 (Unaudited)	31 December 2019
Loans to corporate clients		
- Not past due	852 684	693 660
- Not past due but impaired	8 786	-
- Overdue less than 31 days	5 866	-
- Overdue 31-60 days	-	-
- Overdue 61-90 days	122	-
- Overdue 91-180 days	-	1 195
- Overdue 181-360 days	246	10 425
- Overdue more than 360 days	23 029	14 074
Total gross loans to corporate clients	**890 733**	**719 354**
Credit loss allowance	**(40 243)**	**(33 982)**
Total net loans to corporate clients	**850 490**	**685 372**

Credit quality analysis

	30 September 2020 (Unaudited)				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Originated credit-impaired	Total
Loans to corporate clients at amortised cost					
Low credit risk	245 990	-	-	-	245 990
Moderate credit risk	455 546	286	-	-	455 832
High credit risk	25 234	42 413	49	1 172	68 868
Distressed assets	-	-	26 759	5 257	32 016
Total	**726 770**	**42 699**	**26 808**	**6 429**	**802 706**
Credit loss allowance	**(14 192)**	**(3 730)**	**(22 244)**	**(77)**	**(40 243)**
Carrying amount	**712 578**	**38 969**	**4 564**	**6 352**	**762 463**
Loan commitments					
Low credit risk	103	-	-	-	103
Undrawn loan commitments to individuals	9 266	86	2	-	9 354
Credit loss allowance	**(127)**	**(9)**	**(2)**	**-**	**(138)**
Carrying amount (allowance)	**(127)**	**(9)**	**(2)**	**-**	**(138)**
Financial guarantee contracts					
Low credit risk	29 461	-	-	-	29 461
Moderate credit risk	49 696	-	-	-	49 696
High credit risk	104	1 928	-	-	2 032
Total	**79 261**	**1 928**	**-**	**-**	**81 189**
Credit loss allowance	**(978)**	**(136)**	**-**	**-**	**(1 114)**
Carrying amount	**(1 552)**	**(140)**	**-**	**-**	**(1 692)**

(in millions of Russian Roubles unless otherwise stated)

	31 December 2019				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients at amortised cost					
Low credit risk	217 622	-	-	-	217 622
Moderate credit risk	327 506	-	-	-	327 506
High credit risk	48 312	13 722	-	-	62 034
Distressed assets	-	-	29 788	5 229	35 017
Total	**593 440**	**13 722**	**29 788**	**5 229**	**642 179**
Credit loss allowance	**(10 610)**	**(2 468)**	**(20 904)**	**-**	**(33 982)**
Carrying amount	**582 830**	**11 254**	**8 884**	**5 229**	**608 197**
Loan commitments					
Low credit risk	300	-	-	-	300
Undrawn loan commitments to individuals	8 362	104	-	-	8 466
Credit loss allowance	**(16)**	**-**	**-**	**-**	**(16)**
Carrying amount (allowance)	**(16)**	**-**	**-**	**-**	**(16)**
Financial guarantee contracts					**-**
Low credit risk	8 558	-	-	-	8 558
Moderate credit risk	18 653	-	6 416	-	25 069
High credit risk	2 131	70	175	-	2 376
Total	**29 342**	**70**	**6 591**	**-**	**36 003**
Credit loss allowance	**(442)**	**(20)**	**(105)**	**-**	**(567)**
Carrying amount	**(599)**	**(20)**	**(160)**	**-**	**(779)**

As at 30 September 2020, Loans to customers for which external benchmark information represents a significant input into measurement of ECL are RUB 33 199 million (31 December 2019: RUB 36 885 million).

Analysis of movements in the credit loss allowance

Movements in the credit loss allowance for loans to corporate clients by three ECL stages* for the nine-month period ended 30 September 2020 and 30 September 2019 are as follows:

	Nine-month period ended 30 September 2020 (Unaudited)				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients					
Balance at the beginning of the period	**10 610**	**2 468**	**20 904**	**-**	**33 982**
Transfer to 12-month ECL	347	(346)	(1)	-	-
Transfer to lifetime ECL not credit-impaired	(1 467)	1 467	-	-	-
Transfer to lifetime ECL credit-impaired	(35)	-	35	-	-
Net remeasurement of loss allowance	440	(89)	3 201	-	3 552
Financial assets originated or purchased	7 861	617	98	77	8 653
Financial assets that have been fully repaid	(4 285)	(183)	(347)	-	(4 815)

* The estimated amount of ECL allowance includes ECL on loan commitments for certain corporate clients.

(in millions of Russian Roubles unless otherwise stated)

	Nine-month period ended 30 September 2020 (Unaudited)				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Financial assets that have been derecognised due to modification	-	-	-	-	-
Write-offs and cessions	(321)	(310)	(3 162)	-	(3 793)
Recoveries of amounts previously written-off	-	-	557	-	557
Unwinding of discount	-	-	493	-	493
Acquisition of subsidiaries	129	3	112	-	244
Foreign exchange and other movements	913	103	354	-	1 370
Balance at the end of the period	**14 192**	**3 730**	**22 244**	**77**	**40 243**

During the nine-month period ended 30 September 2020 the Group recognised loss on initial recognition of purchased or originated credit impaired loans in the amount of RUB 116 million (30 September 2019 RUB 313 million).

The total amount of undiscounted ECL on initial recognition on purchased credit-impaired financial assets that were initially recognised during the nine-month period ended 30 September 2020 was RUB 116 million.

During the nine-month period ended 30 September 2020 the Group recognised loss on insignificant modification in the amount of RUB 249 million (30 September 2019 no such amounts).

	Nine-month period ended 30 September 2019 (Unaudited)				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients					
Balance at the beginning of the period	**10 289**	**5 937**	**9 392**	**-**	**25 618**
Transfer to 12-month ECL	39	(39)	-	-	-
Transfer to lifetime ECL not credit-impaired	(68)	68	-	-	-
Transfer to lifetime ECL credit-impaired	(94)	(3 307)	3 401	-	-
Net remeasurement of loss allowance	(776)	2 496	2 665	(7 633)	(3 248)
Financial assets originated or purchased	7 082	1 053	2	-	8 137
Financial assets that have been fully repaid	(3 666)	(639)	(19)	-	(4 324)
Financial assets that have been derecognised due to modification	(1 218)	-	-	-	(1 218)
Write-offs and cessions	(187)	(677)	(960)	-	(1 824)
Recoveries of amounts previously written-off	-	-	463	-	463
Unwinding of discount	-	-	779	-	779
Foreign exchange and other movements	(276)	-	(338)	-	(614)
Repayment of originated credit-impaired assets in the amount exceeding expected cash flows including ECL at origination	-	-	-	7 633	7 633
Balance at the end of the period	**11 125**	**4 892**	**15 385**	**-**	**31 402**

Changes in the gross carrying amount of loans to corporate clients, which resulted in a change in the allowance for ECL for the nine months ended 30 September 2020 are presented below:

(in millions of Russian Roubles unless otherwise stated)

	Nine-month period ended 30 September 2020 (Unaudited)				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients					
1 January 2020	**593 440**	**13 722**	**29 788**	**5 229**	**642 179**
Transfer to 12-month ECL	4 009	(4 008)	(1)	-	-
Transfer to lifetime ECL not credit-impaired	(29 083)	29 089	(6)	-	-
Transfer to lifetime ECL credit-impaired	(297)	(6)	303	-	-
Financial assets originated or purchased	381 868	10 246	112	1 173	393 399
Financial assets that have been fully repaid	(232 440)	(2 363)	(373)	-	(235 176)
Write-offs	-	-	(346)	-	(346)
Sales	(3 125)	-	(3 752)	-	(6 877)
Acquisition of subsidiaries	3 032	110	84	-	3 226
Partial repayment and other changes	9 366	(4 091)	999	27	6 301
30 September 2020	**726 770**	**42 699**	**26 808**	**6 429**	**802 706**

Changes in the gross carrying amount of loans to corporate clients, which resulted in a change in the allowance for ECL for the nine months ended 30 September 2019 are presented below:

	Nine-month period ended 30 September 2019 (Unaudited)				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients					
1 January 2019	**516 108**	**39 567**	**11 780**	**12 691**	**580 146**
Transfer to 12-month ECL	1 808	(1 808)	-	-	-
Transfer to lifetime ECL not credit-impaired	(3 112)	3 112	-	-	-
Transfer to lifetime ECL credit-impaired	(3 249)	(11 077)	14 326	-	-
Financial assets originated or purchased	323 785	3 511	2	5 062	332 360
Financial assets that have been fully repaid	(211 489)	(8 064)	(23)	(12 691)	(232 267)
Sales	(6 353)	(1 846)	(1 157)	-	(9 356)
Partial repayment and other changes	(52 006)	(8 564)	77	-	(60 493)
30 September 2019	**565 492**	**14 831**	**25 005**	**5 062**	**610 390**

Credit quality of loans to individuals

The following tables provide information on the credit quality of loans to individuals as at 30 September 2020:

	30 September 2020 (Unaudited)				
	Cash loans	**Mortgage loans**	**Credit card loans**	**Auto loans**	**Total**
Loans to individuals					
- Not past due	73 561	29 334	3 047	4 489	110 431
- Overdue less than 31 days	1 117	180	37	103	1 437
- Overdue 31-60 days	485	75	-	14	574
- Overdue 61-90 days	431	6	26	6	469
- Overdue 91-180 days	2 064	75	92	27	2 258
- Overdue 181-360 days	4 251	107	180	23	4 561
- Overdue more than 360 days	899	229	70	12	1 210
Gross loans to individuals	**82 808**	**30 006**	**3 452**	**4 674**	**120 940**
Credit loss allowance	**(11 523)**	**(328)**	**(522)**	**(63)**	**(12 436)**
Net loans to individuals	**71 285**	**29 678**	**2 930**	**4 611**	**108 504**

(in millions of Russian Roubles unless otherwise stated)

	30 September 2020 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Loans to individual clients at amortised cost				
- Not past due	103 811	4 153	783	108 747
- Overdue less than 31 days	533	885	18	1 436
- Overdue 31-60 days	-	529	45	574
- Overdue 61-90 days	-	411	58	469
- Overdue 91-180 days	-	2	2 248	2 250
- Overdue 181-360 days	-	1	4 559	4 560
- Overdue more than 360 days	-	-	1 210	1 210
Total loans to individual clients at amortised cost	**104 344**	**5 981**	**8 921**	**119 246**
Credit loss allowance	**(3 235)**	**(2 082)**	**(7 119)**	**(12 436)**
Total loans to individual clients at amortised cost, net	**101 109**	**3 899**	**1 802**	**106 810**

The following tables provide information on the credit quality of loans to individuals as at 31 December 2019:

	31 December 2019				
	Cash loans	**Mortgage loans**	**Credit card loans**	**Auto loans**	**Total**
Loans to individuals					
- Not past due	75 334	22 993	3 428	30	101 785
- Overdue less than 31 days	2 686	219	-	-	2 905
- Overdue 31-60 days	530	17	34	-	581
- Overdue 61-90 days	529	30	32	1	592
- Overdue 91-180 days	890	44	65	-	999
- Overdue 181-360 days	1 778	172	107	3	2 060
- Overdue more than 360 days	655	217	47	-	919
Gross loans to individuals	**82 402**	**23 692**	**3 713**	**34**	**109 841**
Credit loss allowance	**(6 030)**	**(219)**	**(307)**	**(2)**	**(6 558)**
Net loans to individuals	**76 372**	**23 473**	**3 406**	**32**	**103 283**

	31 December 2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Loans to individual clients at amortised cost				
- Not past due	97 923	3 721	141	101 785
- Overdue less than 31 days	802	2 103	-	2 905
- Overdue 31-60 days	-	581	-	581
- Overdue 61-90 days	-	555	37	592
- Overdue 91-180 days	-	-	999	999
- Overdue 181-360 days	-	-	2 060	2 060
- Overdue more than 360 days	-	-	919	919
Total loans to individual clients at amortised cost	**98 725**	**6 960**	**4 156**	**109 841**
Credit loss allowance	**(1 157)**	**(1 925)**	**(3 476)**	**(6 558)**
Total loans to individual clients at amortised cost, net	**97 568**	**5 035**	**680**	**103 283**

(in millions of Russian Roubles unless otherwise stated)

Analysis of movements in the credit loss allowance

Movements in the credit loss allowance by classes of loans to individuals and by three ECL stages for the nine-month period ended 30 September 2020 are as follows:

	Nine-month period ended 30 September 2020 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Cash loans				
Balance at the beginning of the period	**1 052**	**1 837**	**3 141**	**6 030**
Transfer to 12-month ECL	331	(295)	(36)	-
Transfer to lifetime ECL not credit-impaired	(110)	142	(32)	-
Transfer to lifetime ECL credit-impaired	(132)	(778)	910	-
Net remeasurement of loss allowance	1 070	1 378	4 207	6 655
Financial assets originated or purchased	912	176	375	1 463
Financial assets that have been fully repaid	(145)	(551)	(72)	(768)
Write-offs	(3)	-	(2 758)	(2 761)
Recoveries of amounts previously written-off	-	-	354	354
Unwinding of discount	-	-	521	521
Acquisition of subsidiary	4	-	19	23
Foreign exchange and other movements	6	-	-	6
Balance at the end of the period	**2 985**	**1 909**	**6 629**	**11 523**
Mortgage loans				
Balance at the beginning of the period	**57**	**20**	**142**	**219**
Transfer to 12-month ECL	20	(9)	(11)	-
Transfer to lifetime ECL credit-impaired	(2)	(3)	5	-
Net remeasurement of loss allowance	32	6	41	79
Financial assets originated or purchased	43	-	52	95
Financial assets that have been fully repaid	(7)	(6)	(22)	(35)
Write-offs	-	-	(250)	(250)
Recoveries of amounts previously written-off	-	-	183	183
Unwinding of discount	-	-	18	18
Acquisition of subsidiary	3	-	12	15
Foreign exchange and other movements	-	-	4	4
Balance at the end of the period	**146**	**8**	**174**	**328**

	Nine-month period ended 30 September 2020 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Credit card loans				
Balance at the beginning of the period	**48**	**67**	**192**	**307**
Transfer to 12-month ECL	6	(6)	-	-
Transfer to lifetime ECL not credit-impaired	(12)	12	-	-
Transfer to lifetime ECL credit-impaired	(3)	(25)	28	-
Net remeasurement of loss allowance	29	123	168	320
Financial assets originated or purchased	13	9	9	31
Financial assets that have been fully repaid	(11)	(22)	(8)	(41)
Write-offs	-	-	(169)	(169)
Recoveries of amounts previously written-off	-	-	35	35
Unwinding of discount	-	-	36	36
Foreign exchange and other movements	-	-	3	3
Balance at the end of the period	**70**	**158**	**294**	**522**

(in millions of Russian Roubles unless otherwise stated)

	Nine-month period ended 30 September 2020 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Auto loans				
Balance at the beginning of the period	**-**	**1**	**1**	**2**
Transfer to 12-month ECL	1	(1)	-	-
Transfer to lifetime ECL not credit-impaired	(1)	1	-	-
Transfer to lifetime ECL credit-impaired	(1)	(3)	4	-
Net remeasurement of loss allowance	(4)	4	12	12
Financial assets originated or purchased	14	1	-	15
Financial assets that have been fully repaid	(7)	-	-	(7)
Write-offs	-	-	(14)	(14)
Recoveries of amounts previously written-off	-	-	7	7
Acquisition of subsidiary	32	4	12	48
Balance at the end of the period	**34**	**7**	**22**	**63**

Movements in the credit loss allowance by classes of loans to individuals and by three ECL stages for the nine-month period ended 30 September 2019 are as follows:

	Nine-month period ended 30 September 2019 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Cash loans				
Balance at the beginning of the period	**1 011**	**884**	**3 032**	**4 927**
Transfer to 12-month ECL	202	(136)	(66)	-
Transfer to lifetime ECL not credit-impaired	(81)	118	(37)	-
Transfer to lifetime ECL credit-impaired	(74)	(383)	457	-
Net remeasurement of loss allowance	(270)	601	2 144	2 475
Financial assets originated or purchased	341	253	140	734
Financial assets that have been fully repaid	(132)	(62)	(318)	(512)
Write-offs	-	-	(3 509)	(3 509)
Recoveries of amounts previously written-off	14	5	804	823
Unwinding of discount	-	-	289	289
Foreign exchange and other movements	(2)	-	-	(2)
Balance at the end of the period	**1 009**	**1 280**	**2 936**	**5 225**
Mortgage loans				
Balance at the beginning of the period	**52**	**15**	**227**	**294**
Transfer to 12-month ECL	25	(3)	(22)	-
Transfer to lifetime ECL not credit-impaired	(2)	2	-	-
Transfer to lifetime ECL credit-impaired	-	(6)	6	-
Net remeasurement of loss allowance	(38)	(17)	(30)	(85)
Financial assets originated or purchased	11	6	15	32
Financial assets that have been fully repaid	(5)	(2)	(34)	(41)
Write-offs	-	-	(224)	(224)
Recoveries of amounts previously written-off	-	30	192	222
Unwinding of discount	-	-	9	9
Foreign exchange and other movements	(1)	-	(1)	(2)
Balance at the end of the period	**42**	**25**	**138**	**205**

(in millions of Russian Roubles unless otherwise stated)

	Nine-month period ended 30 September 2019 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Credit card loans				
Balance at the beginning of the period	**40**	**50**	**153**	**243**
Transfer to 12-month ECL	8	(8)	-	-
Transfer to lifetime ECL not credit-impaired	(5)	5	-	-
Transfer to lifetime ECL credit-impaired	-	(19)	19	-
Net remeasurement of loss allowance	5	59	114	178
Financial assets originated or purchased	9	8	5	22
Financial assets that have been fully repaid	(7)	(15)	(16)	(38)
Write-offs	-	-	(162)	(162)
Recoveries of amounts previously written-off	-	-	43	43
Unwinding of discount	-	-	23	23
Foreign exchange and other movements	-	(1)	-	(1)
Balance at the end of the period	**50**	**79**	**179**	**308**
Auto loans				
Balance at the beginning of the period	**-**	**1**	**3**	**4**
Net remeasurement of loss allowance	-	-	(12)	(12)
Write-offs	-	-	(5)	(5)
Recoveries of amounts previously written-off	-	-	17	17
Balance at the end of the period	**-**	**1**	**3**	**4**

Changes in the gross carrying amount

Changes in the gross carrying amount of loans to individuals by three ECL stages for the nine-month period ended 30 September 2020 are as follows:

	Nine-month period ended 30 September 2020 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Gross loans to individuals at amortised cost				
Balance at the beginning of the period	98 725	6 960	4 156	109 841
Transfer to 12-month ECL	1 585	(1 462)	(123)	-
Transfer to lifetime ECL not credit-impaired	(4 743)	4 781	(38)	-
Transfer to lifetime ECL credit-impaired	(3 754)	(2 822)	6 576	-
New financial assets originated or purchased	35 795	404	634	36 833
Financial assets that have been fully repaid	(18 189)	(1 619)	(157)	(19 965)
Write-offs	-	-	(3 194)	(3 194)
Partial repayment and other changes	(9 060)	(279)	991	(8 348)
Acquisition of subsidiary	3 985	18	76	4 079
Balance at the end of the period	**104 344**	**5 981**	**8 921**	**119 246**

(in millions of Russian Roubles unless otherwise stated)

Changes in the gross carrying amount of loans to individuals by three ECL stages for the nine-month period ended 30 September 2019 are as follows:

	Nine-month period ended 30 September 2019 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Gross loans to individuals at amortised cost				
Balance at the beginning of the period	88 079	4 116	4 407	96 602
Transfer to 12-month ECL	1 120	(974)	(146)	-
Transfer to lifetime ECL not credit-impaired	(3 068)	3 114	(46)	-
Transfer to lifetime ECL credit-impaired	(1 424)	(1 120)	2 544	-
New financial assets originated or purchased	35 069	841	223	36 133
Financial assets that have been fully repaid	(14 865)	(360)	(534)	(15 759)
Write-offs	-	-	(3 899)	(3 899)
Partial repayment and other changes	(9 462)	(292)	1 516	(8 238)
Balance at the end of the period	**95 449**	**5 325**	**4 065**	**104 839**

Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation, who operate in the following economic sectors:

	30 September 2020 (Unaudited)	**31 December 2019**
Loans to individuals	120 940	109 841
Crude oil production and trading	334 599	246 425
Petroleum refining / production and trading	126 666	104 248
Property rental	93 643	67 161
Residential and commercial construction and development	65 980	67 131
Finance	46 946	24 009
Automotive, motorcycles and spare parts	43 605	54 948
Services	41 544	18 270
Equipment leasing	30 930	37 224
Metallurgical	24 910	16 949
Food and farm products	19 054	18 889
Electric utility	16 399	13 217
Industrial equipment and machinery	11 138	7 078
Products for home, gifts, jewelry and business accessories	6 932	-
Clothing, shoes, textiles and sporting goods	6 896	4 967
Consumer electronics, appliances and computers	5 536	6 044
Industrial and infrastructure construction	3 229	1 898
Consumer chemicals, perfumes and hygiene products	3 201	1 669
Industrial chemicals	3 098	24 393
Construction and decorative materials, furniture	2 732	1 649
Paper, stationery and packaging products	1 303	914
Transport infrastructure contractors	859	2 148
Pharmaceutical and medical products	336	-
Government and municipal bodies	300	-
Telecommunications	236	-
Books, video, print and copy	98	95
Banking	-	1
Other	563	27
Total gross loans to customers	**1 011 673**	**829 195**
Credit loss allowance	(52 679)	(40 540)
Net loans to customers	**958 994**	**788 655**

(in millions of Russian Roubles unless otherwise stated)

15 Investment financial assets

	30 September 2020 (Unaudited)	31 December 2019
Investment financial assets measured at fair value through other comprehensive income – debt instruments, including pledged under repurchase agreements	316 101	207 785
Investment financial assets measured at amortized cost, including pledged under repurchase agreements	43 124	34 235
Investment financial assets at fair value through profit or loss	18 790	16 148
Total investment financial assets	**378 015**	**258 168**

As at 30 September 2020, Investment financial assets in the amount of RUB 297 885 million are qualified to be pledged against borrowings from the Central bank of the Russian Federation (31 December 2019: RUB 195 333 million).

Investment financial assets measured at fair value through other comprehensive income - debt instruments

	30 September 2020 (Unaudited)	31 December 2019
Held by the Group		
Russian Government Federal bonds (OFZ)	216 327	20 718
Russian Government eurobonds	4 906	16 984
Central Bank of the Russian Federation bonds	9 052	106 896
Corporate bonds	45 435	37 627
Corporate eurobonds	2 968	873
Total held by the Group	**278 688**	**183 098**
Pledged under sale and repurchase agreements		
Russian Government Federal bonds (OFZ)	4 876	3 355
Corporate bonds	29 295	18 881
Corporate eurobonds	3 242	2 451
Total pledged under sale and repurchase agreements	**37 413**	**24 687**
Total investment financial assets measured at fair value through other comprehensive income – debt instruments	**316 101**	**207 785**

Investment financial assets measured at amortised cost

	30 September 2020 (Unaudited)	31 December 2019
Held by the Group		
Corporate eurobonds	24 282	7 255
Corporate bonds	29	387
Promissory notes	450	450
Total held by the Group	**24 761**	**8 092**
Pledged under sale and repurchase agreements		
Corporate eurobonds	10 825	20 612
Corporate bonds	8 174	6 111
Total pledged under sale and repurchase agreements	**18 999**	**26 723**
Credit loss allowance	(636)	(580)
Investment financial assets measured at amortized cost	**43 124**	**34 235**

(in millions of Russian Roubles unless otherwise stated)

Investment financial assets as at fair value through profit or loss

	30 September 2020 (Unaudited)	31 December 2019
Equity investments	18 790	16 148
Total investment financial assets as at fair value through profit or loss	**18 790**	**16 148**

During nine-month period ended 30 September 2020 there is no acquisition of shares at FVTPL, which are a non-monetary transaction (31 December 2019: RUB 15 875 million).

Movements in the credit loss allowance of investment financial assets measured at fair value through other comprehensive income by three ECL stages for the nine-month period ended 30 September 2020 and 30 September 2019 are as follows:

	Nine-month period ended 30 September 2020 (Unaudited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impairec	Total
Investment financial assets measured at fair value through other comprehensive income - debt instruments				
Balance at the beginning of the period	**379**	**-**	**-**	**379**
Net charge	411	6	-	417
Balance at the end of the period	**790**	**6**	**-**	**796**

	Nine-month period ended 30 September 2019 (Unaudited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Investment financial assets measured at fair value through other comprehensive income - debt instruments				
Balance at the beginning of the period	**618**	**-**	**-**	**618**
Net recovery	(277)	-	-	(277)
Balance at the end of the period	**341**	**-**	**-**	**341**

Movements in the credit loss allowance of investment financial assets measured at amortised cost by three ECL stages for the nine-month period ended 30 September 2020 and 30 September 2019 are as follows:

	Nine-month period ended 30 September 2020 (Unaudited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Investment financial assets measured at amortized cost				
Balance at the beginning of the period	**130**	**-**	**450**	**580**
Net charge	56	-	-	56
Balance at the end of the period	**186**	**-**	**450**	**636**

	Nine-month period ended 30 September 2019 (Unaudited)			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Investment financial assets measured at amortized cost				
Balance at the beginning of the period	**175**	**-**	**270**	**445**
Net charge (recovery)	(41)	-	180	139
Balance at the end of the period	**134**	**-**	**450**	**584**

(in millions of Russian Roubles unless otherwise stated)

Transfers from 12-month ECL to lifetime ECL on non-credit-impaired assets during nine-month period ended 30 September 2020 in the amount of RUB 317 million (30 September 2019: none) resulted in increase of ECL allowance in the amount of RUB 4 million (30 September 2019: none).

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt instruments as at 30 September 2020:

	30 September 2020 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Debt investment securities at amortised cost				
rated from BBB+ to BBB-	32 038	-	-	32 038
rated from BB+ to BB-	11 272	-	-	11 272
not rated	-	-	450	450
Total	**43 310**	**-**	**450**	**43 760**
Credit loss allowance	**(186)**	**-**	**(450)**	**(636)**
Carrying amount	**43 124**	**-**	**-**	**43 124**
Debt investment securities at FVOCI				
rated from A+ to A-	201	-	-	201
rated from BBB+ to BBB-	283 352	-	-	283 352
rated from BB+ to BB-	12 060	-	-	12 060
rated from B+ to B-	756	-	-	756
not rated	19 421	311	-	19 732
Total	**315 790**	**311**	**-**	**316 101**
Credit loss allowance	**(790)**	**(6)**	**-**	**(796)**
Carrying amount – fair value	**315 790**	**311**	**-**	**316 101**

	31 December 2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Debt investment securities at amortised cost				
rated from BBB+ to BBB-	24 585	-	-	24 585
rated from BB+ to BB-	9 724	-	-	9 724
rated from B+ to B-	56	-	-	56
not rated	-	-	450	450
Total	**34 365**	**-**	**450**	**34 815**
Credit loss allowance	**(130)**	**-**	**(450)**	**(580)**
Carrying amount	**34 235**	**-**	**-**	**34 235**
Debt investment securities at FVOCI				
rated from BBB+ to BBB-	176 313	-	-	176 313
rated from BB+ to BB-	15 938	-	-	15 938
rated from B+ to B-	1 702	-	-	1 702
not rated	13 832	-	-	13 832
Total	**207 785**	**-**	**-**	**207 785**
Credit loss allowance	**(379)**	**-**	**-**	**(379)**
Carrying amount – fair value	**207 785**	**-**	**-**	**207 785**

(in millions of Russian Roubles unless otherwise stated)

Ratings are based on Fitch, Moody's and Standard & Poor's rating system.

As at 30 September 2020 included in not rated Debt investment securities at FVOCI are counterparties with credit ratings equivalent to Low credit risk category in the amount of RUB 7 065 million (31 December 2019: RUB 4 153 million), to Moderate credit risk category RUB 12 667 million (31 December 2019: RUB 9 679 million).

As at 30 September 2020 Investment financial assets balances for ECL calculation for which external benchmark information represents a significant input into measurement of ECL are RUB 242 267 million (31 December 2019: RUB 154 694 million).

16 Due to credit institutions

	30 September 2020 (Unaudited)	31 December 2019
Payables under repurchase agreements	940 600	629 853
Term deposits	7 541	10 005
Syndicated debt	25 357	26 783
Current accounts	32 419	11 295
Total due to credit institutions	**1 005 917**	**677 936**

As at 30 September 2020, the fair value of securities that serve as collateral under sale and repurchase agreements is RUB 1 015 719 million (31 December 2019: RUB 705 617 million).

As at 30 September 2020, the fair value of securities received as collateral under reverse repo deals being pledged for direct repo deals is RUB 946 296 million (31 December 2019: RUB 651 008 million).

17 Deposits by the Central bank of the Russian Federation

	30 September 2020 (Unaudited)	31 December 2019
Term deposits	10 060	-
Total deposits by the Central bank of the Russian Federation	**10 060**	**-**

18 Due to customers

	30 September 2020 (Unaudited)	31 December 2019
Corporate customers		
Term and demand deposits	793 572	711 043
Current accounts	125 799	99 426
Subordinated debt	46 454	41 292
Term notes	410	1 592
Total corporate customers	**966 235**	**853 353**
Individuals		
Term and demand deposits	422 338	425 737
Current accounts	85 743	60 445
Total individuals	**508 081**	**486 182**
Total due to customers	**1 474 316**	**1 339 535**

(in millions of Russian Roubles unless otherwise stated)

19 Debt securities issued

	30 September 2020 (Unaudited)	31 December 2019
Bonds	145 385	136 013
Subordinated bonds	38 437	32 536
Total debt securities issued	**183 822**	**168 549**

20 Financial liabilities measured at fair value through profit or loss

	30 September 2020 (Unaudited)	31 December 2019
Structured bonds issued designated at FVTPL	10 259	3 487
Other financial liabilities (derivatives)	32 520	6 387
Total financial liabilities measured at fair value through profit or loss	**42 779**	**9 874**

21 Share capital

Share capital consists of ordinary shares and was contributed by the shareholders in Roubles. The shareholders are entitled to dividends and capital distributions. Issued, outstanding and paid share capital at 30 September 2020 comprises 29 829 709 866 shares (31 December 2019: 29 829 709 866 shares) with par value of 1 RUB per share. In addition, at 30 September 2020 the Bank has 170 170 290 134 authorised but unissued ordinary shares with an aggregate nominal value of RUB 170 170 million. The total hyperinflation adjustment related to equity as at 31 December 2002 was RUB 862 million.

In July 2018 the Bank issued domestic perpetual subordinated bonds in the total amount of RUB 5 billion and a coupon rate of 12,00% per annum during the 1-11 coupon periods. The bonds are callable after 5,5 years of the placement date and then every 5 years. The coupon is paid on semi-year basis and the coupon rate is fixed. Coupon rate is reset every 10 coupon periods. The coupon payment is not cumulative and may be cancelled at the discretion of the Group.

In October 2018 the Group optimised its capital structure with a partial redemption of USD 700 million 8,875% per annum subordinated perpetual Eurobonds at par. Upon the partial redemption of this subordinated perpetual Eurobonds and cancellation of equivalent amounts USD 670 million of the subordinated perpetual Eurobonds remained outstanding.

In October 2019 the Bank issued 2 750 000 000 additional ordinary shares with a par value of 1 RUB per share under secondary public offering. The Bank raised RUB 14 713 million during this offering. In December 2019 the CBR registered the Bank`s share capital increase.

As the Group has discretion in relation to coupon and principal repayment, the Group classified subordinated perpetual Eurobonds and bonds as equity instruments in the consolidated statement of financial position. The CBR approved the inclusion of the perpetual subordinated Eurobonds and bonds in the calculation of statutory capital adequacy ratio. The Eurobonds and bonds are Basel-III compliant and eligible for inclusion into the Group's Additional Tier 1 capital upon receiving approval from the CBR (Note 24).

The USD denominated subordinated perpetual Eurobonds are translated to its RUB equivalent at the period-end exchange rate with exchange differences recorded in retained earnings when incurred. Issuance costs are also recorded in retained earnings when incurred.

22 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances, a tax year may remain open for a longer period. Recent events in the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Starting from 1 January 2012 new transfer pricing rules came into force in Russia. These provide the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions if their prices deviate from the market range or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply five market price determination methods prescribed by the Tax Code.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Since the current Russian transfer pricing rules became effective relatively recently, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

(in millions of Russian Roubles unless otherwise stated)

23 Related party transactions

The outstanding balances with related parties and related average interest rates as at 30 September 2020 are as follows:

(Unaudited)	**Parent company**		**Management**		**Associated company**		**Under control of principal beneficiary**		**TOTAL**
	Amount	**AER, %**	**Amount**	**AER, %**	**Amount**	**AER, %**	**Amount**	**AER, %**	
Cash and cash equivalents	-		-		20		-		**20**
Due from credit and other financial organizations	-		-		-		2 060		**2 060**
Trading financial assets	-		-		-		7 300		**7 300**
Loans to customers, gross	-		305	8,9%	775	7,7%	14 279	8,3%	**15 359**
Allowance for credit losses	-		(10)		(11)		(301)		**(322)**
Other assets	1		5		25		25		**56**
Due to credit imstitutions	-		-		550		3 977	2,0%	**4 527**
Due to customers									
Term deposits by customers	21 100	3,9%	734	3,4%	-	0,0%	14 158	6,6%	**35 992**
Demand deposits by customers	18		291		3		1 229		**1 541**
Financial liabilities measured at fair value through profit or loss	-		-		-		2 171		**2 171**
Debt securities issued	-		-		-		5 703	15,5%	**5 703**
Guarantees issued	-		-		50		91		**141**

The outstanding balances with related parties and related average interest rates as at 31 December 2019 are as follows:

	Parent company		**Management**		**Associated company**		**Under control of principal beneficiary**		**TOTAL**
	Amount	**AER, %**	**Amount**	**AER, %**	**Amount**	**AER, %**	**Amount**	**AER, %**	
Cash and cash equivalents	-		-		585		-		**585**
Due from credit and other financial organizations	-		-		-		3 618		**3 618**
Trading financial assets	-		-		-		6 100		**6 100**
Loans to customers, gross	-		615	8,0%	775	9,8%	15 875	10,1%	**17 265**
Allowance for credit losses	-		(4)		(27)		(183)		**(214)**
Other assets	-		6		5		28		**39**
Due to credit imstitutions	-		-		1 297		1 029	0,6%	**2 326**
Due to customers									
Term deposits by customers	-		571	5,3%	-		15 929	6,3%	**16 500**
Demand deposits by customers	10 210		1 504		6		802		**12 522**
Financial liabilities measured at fair value through profit or loss	-		-		-		39		**39**
Debt securities issued	-		-		-		15 359	9,9%	**15 359**
Guarantees issued	-		-		55		91		**146**

As at 30 September 2020, the company under control of principal beneficiary have an investment in perpetual debt issued in the amount of RUB 10 025 million (31 December 2019: RUB 9 072 million).

During the nine-month period ended 30 September 2020 the company under control of principal beneficiary received coupon payments on perpetual debt issued from the Group in the amount of RUB 1 213 million (nine-month period ended 30 September 2019: RUB 126 million).

(in millions of Russian Roubles unless otherwise stated)

As at 30 September 2020, the undrawn loan commitments under credit line agreements for principal beneficiary and for management are RUB 78 million (31 December 2019: RUB 30 million).

Amounts included in profit or loss and other comprehensive income for the nine-month period ended 30 September 2020 in relation to transactions with related parties are as follows:

(Unaudited)	Parent company	Management	Associated company	Under control of principal beneficiary	TOTAL
Interest income to customers	-	22	51	1 038	**1 111**
Interest expense by customers	(63)	(40)	(22)	(1 519)	**(1 644)**
Commission income	10	-	108	190	**308**
Commission expense	-	(1)	(351)	-	**(352)**
Net foreign exchange gains or (loss)	-	-	-	(2 924)	**(2 924)**

Amounts included in profit or loss and other comprehensive income for the nine-month period ended 30 September 2019 in relation to transactions with related parties are as follows:

(Unaudited)	Parent company	Management	Associated company	Under control of principal beneficiary	TOTAL
Interest income to customers	-	38	55	2 650	**2 743**
Interest expense by customers	(285)	(38)	-	(1 598)	**(1 921)**
Commission income	34	-	24	157	**215**
Net foreign exchange gains or (loss)	(68)	-	-	4 997	**4 929**

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the year ended 30 September 2020 and 30 September 2019 (refer to Note 7) is as follows:

	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)
Board Members of the Management Board	(587)	(669)
Members of the Supervisory Board	(89)	(74)
	(676)	**(743)**

24 Capital management

The CBR sets and monitors capital requirements for the Group.

The Group defines as capital those items defined by statutory regulation as capital for banking groups. Since 1 January 2016 the Group calculated amount of capital in accordance with Provision of the CBR dated 3 December 2016 No. 509-P '*On Calculation of Amount of Own Funds (Capital), Economic Ratios and Amounts (Limits) of Open Currency Positions of Banking Groups'*. As at 30 September 2020 and 31 December 2019, minimum levels of basic capital ratio (ratio N20.1), main capital ratio (ratio N20.2), own funds (capital) ratio (ratio N20.0) are 4,5%, 6,0% and 8,0%, accordingly.

Starting from 1 January 2016 the Group should comply with capital mark-ups: capital conservation mark-up, countercycle mark-up and mark-up for systematical importance. Management believes that the Group maintains capital adequacy at the level appropriate to the nature and volume of its operations.

The Group provides the territorial CBR office that supervises the Bank with information on mandatory ratios in accordance with regulatory requirements. The Accounting Department controls on a daily basis compliance with capital adequacy ratios.

In case capital adequacy ratios become close to limits set by the CBR and the Group's internal limits this information is communicated to the Management Board and the Supervisory Board. The Group is in compliance with the statutory capital ratios as at 30 September 2020 (unaudited) and 31 December 2019.

(in millions of Russian Roubles unless otherwise stated)

The capital adequacy ratio of the Group calculated in accordance with the Basel III requirements as adopted in the Russian Federation, based on the IFRS financial statements as at 30 September 2020 and 31 December 2019 is as follows:

	30 September 2020 (Unaudited)	**31 December 2019**
Tier 1 capital		
Share capital and additional paid-in capital	88 902	88 902
Retained earnings	89 500	82 042
Intangible assets	(1 240)	(750)
Core tier 1 capital	**177 162**	**170 194**
Additional capital		
Perpetual debt issued	44 944	37 871
Total tier 1 capital	**222 106**	**208 065**
Tier 2 capital		
Revaluation surplus for buildings	407	407
Fair value reserve for securities	(3 010)	1 146
Subordinated debt		
Subordinated loans	65 529	61 154
Subordinated bonds	36 744	32 112
Total tier 2 capital	**99 670**	**94 819**
Total capital	**321 776**	**302 884**
Risk-weighted assets		
Banking book	1 224 595	1 063 429
Trading book	435 153	262 540
Operational risk	105 231	105 231
Total risk weighted assets	**1 764 979**	**1 431 200**
Total core tier 1 capital expressed as a percentage of risk-weighted assets (core tier 1 capital ratio) (%)	**10,0**	**11,9**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio) (%)	**12,6**	**14,5**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio) (%)	**18,2**	**21,2**

In June 2015 the State Corporation "Deposit Insurance Agency" provided a subordinated loan of RUB 20 231 million to the Bank in a form of federal loan bonds (OFZ). The Bank has an obligation to return securities received back to the lender at the maturity of the agreement. The Bank pays charges equal to coupons on the bonds transferred plus a fixed margin. The contract also includes certain restrictions on ability of the Bank to sell or pledge securities received. The arrangement is a securities lending transaction.

The Group does not recognise securities received and a subordinated obligation to return them to the lender in the consolidated statement of financial position of the Group. The obligation to return securities received to the State Corporation "Deposit Insurance Agency" is subordinated to other ordinary obligations of the Group and the terms of the loan satisfy the criteria for inclusion of the loan into the regulatory capital of the Bank in accordance with Russian banking legislation. As such, the Bank includes the amount of the subordinated loan described above into its tier 2 capital for the purpose of statutory regulatory capital and capital calculated for capital management purposes in accordance with Basel III.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees.

(in millions of Russian Roubles unless otherwise stated)

25 Analysis by segment

The Group has five reportable segments, as described below, which are strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chairman of the Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Corporate business comprises corporate lending, overdraft lending, factoring, financial and operating leasing, letters of credit, guarantees, corporate deposit services, settlements and money transfers
- Retail banking comprises retail demand and term deposit services; retail lending, including cashloans, car loans and mortgages, money transfers and private banking services; banking card products, settlements and money transfers
- Investment comprises securities trading and brokerage in securities, repo transactions, foreign exchange services
- Treasury comprises interbank lending and borrowings from banks, issuance of domestic bonds and promissory notes
- Cash operations comprises all operations connected with cash, cash handling, calculation and transportation.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, which is calculated based on consolidated financial information prepared in accordance with IFRS, as included in the internal management reports that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

In 2019 the Group revised its approach to allocation of assets, liabilities and financial results between reportable segments. Comparative information was revised accordingly.

The segment breakdown of assets and liabilities is set out below:

	30 September 2020 (Unaudited)	**31 December 2019**
ASSETS		
Corporate banking	894 589	728 691
Retail banking	122 509	123 809
Investment	1 751 023	1 430 515
Treasury	139 065	129 354
Cash operations	9 685	11 112
Subsidiary banks	35 809	16
Total assets	**2 952 680**	**2 423 497**
LIABILITIES		
Corporate banking	968 332	861 222
Retail banking	503 845	488 852
Investment	952 860	648 607
Treasury	272 156	208 229
Cash operations	4 155	6 140
Subsidiary banks	30 354	15
Total liabilities	**2 731 702**	**2 213 065**

(in millions of Russian Roubles unless otherwise stated)

Segment information for the main reportable segments for the nine-month period ended 30 September 2020 (unaudited) is set below:

	Corporate banking	**Retail banking**	**Investment**	**Treasury**	**Cash operations**	**Subsidiary banks**	**Total**
Interest income	39 664	11 248	59 564	5 064	26	1 201	116 767
Interest expense	(25 799)	(21 120)	(17 601)	(9 153)	(8)	(545)	(74 226)
Transfer (expense) income	(2 576)	21 927	(33 027)	13 676	-	-	(0)
Net interest income	**11 289**	**12 055**	**8 936**	**9 587**	**18**	**656**	**42 541**
Charge for credit losses on debt financial assets	(7 534)	(7 796)	144	(646)	3	(15)	(15 844)
Net interest income after credit losses on debt financial assets	**3 755**	**4 259**	**9 080**	**8 941**	**21**	**641**	**26 697**
Fee and commission income	4 852	3 340	(200)	(89)	1 841	645	10 389
Fee and commission expense	(20)	(1 700)	-	(845)	(23)	(169)	(2 757)
Net gain on loans to customers at FVTPL	1 003	-	-	-	-	6	1 009
Net gain on financial assets at FVTPL	32	1	1 723	2 963	-	-	4 719
Net gain from sale and redemption of Investment financial assets at FVOCI	-	-	777	27	-	-	804
Net gain on Investment financial assets at FVTPL	2 642	-	-	-	-	-	2 642
Net realized gain on Investment financial assets at amortised cost	-	-	139	-	-	-	139
Net foreign exchange (losses) or gains	(2 314)	(201)	2 555	(2 382)	-	17	(2 325)
Net gain on change in financial liabilities measured at fair value through profit or loss	-	-	-	(58)	-	-	(58)
Impairment gain or (loss) on other non-financial assets, credit gain or (losses) on other financial assets and credit related commitments and other provisions	23	(32)	-	(125)	45	(19)	(108)
State deposit insurance scheme contributions	(95)	(1 531)	-	-	-	(7)	(1 633)
Other net operating (expense) or income	(345)	(382)	(763)	(363)	(26)	4	(1 875)
Operating income	**9 533**	**3 754**	**13 311**	**8 069**	**1 858**	**1 118**	**37 643**
General administrative and other expenses	(5 011)	(5 013)	(2 012)	(455)	(2 429)	(803)	(15 723)
Segment result before income taxes	**4 522**	**(1 259)**	**11 299**	**7 614**	**(571)**	**315**	**21 920**

(in millions of Russian Roubles unless otherwise stated)

Segment information for the main reportable segments for the nine-month period ended 30 September 2019 (unaudited) is set below:

	Corporate banking	**Retail banking**	**Investment**	**Treasury**	**Cash operations**	**Subsidiary banks**	**Total**
Interest income	37 507	11 301	59 460	336	91	379	**109 074**
Interest expense	(29 850)	(20 349)	(17 741)	(8 800)	(20)	(185)	**(76 945)**
Transfer income / (expense)	3 791	19 204	(18 000)	(5 332)	337	-	**-**
Net interest income / (expense)	**11 448**	**10 156**	**23 719**	**(13 796)**	**408**	**194**	**32 129**
Charge for credit losses on debt financial assets	(537)	(2 752)	190	122	(1)	-	**(2 978)**
Net interest income after credit losses on debt financial assets	**10 911**	**7 404**	**23 909**	**(13 674)**	**407**	**194**	**29 151**
Fee and commission income	3 357	3 995	-	209	3 531	84	**11 176**
Fee and commission expense	(4)	(2 183)	-	(499)	(25)	(1)	**(2 712)**
Net loss on loans to customers at FVTPL	(1 060)	-	-	-	-	-	**(1 060)**
Net gain or (loss) on financial assets at FVTPL	-	-	936	(408)	-	-	**528**
Net loss from sale and redemption of Investment financial assets at FVOCI	-	-	(221)	-	-	-	**(221)**
Net gain on Investment financial assets at FVTPL	256	-	-	-	-	-	**256**
Net loss on change in financial liabilities measured at fair value through profit or loss	-	-	-	24	-	-	**24**
Net realised gain on Investment financial assets at amortised cost	-	-	199	-	-	-	**199**
Net foreign exchange losses	(2 238)	-	-	(6 295)	-	2	**(8 531)**
Impairment gain or (loss) on other non-financial assets, credit gain or (losses) on other financial assets and credit related commitments and other provisions	3 851	(221)	-	29	(33)	-	**3 626**
Other net operating (expense) or income	(34)	195	(35)	(291)	(115)	3	**(277)**
Operating income	**15 039**	**9 190**	**24 788**	**(20 905)**	**3 765**	**282**	**32 159**
General administrative and other expenses	(3 969)	(7 580)	(911)	(1 189)	(3 804)	(260)	**(17 713)**
Segment result before income taxes	**11 070**	**1 610**	**23 877**	**(22 094)**	**(39)**	**22**	**14 446**

(in millions of Russian Roubles unless otherwise stated)

26 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 September 2020:

	FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	-	753 922	-	753 922	753 922
Obligatory reserves with the CBR	-	18 056	-	18 056	18 056
Due from credit and other financial	-	725 702	-	725 702	725 702
Trading financial assets	98 823	-	-	98 823	98 823
Loans to customers	89 721	869 273	-	958 994	1 001 354
Investment financial assets	18 790	43 124	316 101	378 015	380 044
Other financial assets	-	2 029	-	2 029	2 029
	207 334	**2 412 106**	**316 101**	**2 935 541**	**2 979 930**
Due to credit institutions	-	1 005 917	-	1 005 917	1 005 917
Due to customers	-	1 474 316	-	1 474 316	1 477 299
Debt securities issued	-	183 822	-	183 822	189 541
Financial liabilities measured at fair value through profit or loss	42 779	-	-	42 779	42 779
Other financial liabilities	-	6 332	-	6 332	6 332
	42 779	**2 670 387**	**-**	**2 713 166**	**2 721 868**

The main assumptions used by management to estimate the fair values of financial instruments as at 30 September 2020 are:

- discount rates from 4,2% to 15,8% (roubles) and from 2,0% to 6,4% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 7,7% to 23,9% (roubles) and from 4,5% to 6,6% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 3,9% to 4,5% (roubles) and from 0,1% to 2,3% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 3,4% to 4,8% (roubles) and from 0,5% to 0,9% (foreign currency) are used for discounting future cash flows from retail deposits.

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2019:

	FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	-	953 645	-	953 645	953 645
Obligatory reserves with the CBR	-	16 944	-	16 944	16 944
Due from credit and other financial organizations	-	348 794	-	348 794	348 794
Trading financial assets	38 550	-	-	38 550	38 550
Loans to customers	77 175	711 480	-	788 655	807 888
Investment financial assets	16 148	34 235	207 785	258 168	260 371
Other financial assets	-	1 883	-	1 883	1 883
	131 873	**2 066 981**	**207 785**	**2 406 639**	**2 428 075**
Due to credit institutions	-	677 936	-	677 936	677 936
Due to customers	-	1 339 535	-	1 339 535	1 374 091
Debt securities issued	-	168 549	-	168 549	174 850
Financial liabilities measured at fair value through profit or loss	9 874	-	-	9 874	9 874
Other financial liabilities	-	5 770	-	5 770	5 770
	9 874	**2 191 790**	**-**	**2 201 664**	**2 242 521**

The main assumptions used by management to estimate the fair values of financial instruments as at 31 December 2019 are:

- discount rates from 6,9% to 11,9% (roubles) and from 3,0% to 7,1% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 9,2% to 25,3% (roubles) and from 5,8% to 10,3% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 5,8% to 6,1% (roubles) and from 1,3% to 2,1% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 4,7% to 6,3% (roubles) and from 0,8% to 1,3%(foreign currency) are used for discounting future cash flows from retail deposits.

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist, Monte Carlo and polynomial-option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models to determine the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives such as interest rate swaps.

There is no active market for loans to customers. The estimation of fair value for loans to customers is based on management's assumptions.

Fair value hierarchy

The Group measures fair values for financial instruments recorded in the consolidated interim condensed financial statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following tables show an analysis of financial instruments recorded at fair value and financial instruments recorded at amortised cost for which fair value does not approximate their carrying amount as at 30 September 2020 and 31 December 2019:

(in millions of Russian Roubles unless otherwise stated)

30 September 2020	Level 1	Level 2	Level 3	Total
Trading financial assets	48 450	50 373		**98 823**
Loans to customers	-		1 001 354	**1 001 354**
Investment financial assets	371 397	8 536	111	**380 044**
Due to customers	-	1 477 299		**1 477 299**
Financial liabilities measured at fair value through profit or loss	-	42 779	-	**42 779**
Debt securities issued	189 541			**189 541**

31 December 2019	Level 1	Level 2	Level 3	Total
Trading financial assets	21 837	16 713	-	**38 550**
Loans to customers	-	-	807 888	**807 888**
Investment financial assets	256 290	3 970	111	**260 371**
Due to customers	-	1 374 091	-	**1 374 091**
Financial liabilities measured at fair value through profit or loss	-	9 874	-	**9 874**
Debt securities issued	174 851	-	-	**174 851**

A reconciliation of movements in fair value of loans to customers at FVTPL for the nine-month period ended 30 September 2020 and 30 September 2019 is as follows:

	Loans to individuals	Corporate loans	
	30 September 2020 (Unaudited)	**30 September 2020 (Unaudited)**	**30 September 2019 (Unaudited)**
Fair value as at 1 January	-	77 175	63 383
Loan issues	1 813	59 622	2 059
Loan repayments	(1 415)	(60 395)	(2 021)
Interest income recognised	83	3 070	1 716
Changes in fair value measurement	6	1 003	(396)
Acquisition of subsidiary	1 207	-	-
Write-offs and cessions	-	(7 904)	-
Net foreign exchange (loss) gain	-	15 456	(5 536)
Fair value as at 30 September	**1 694**	**88 027**	**59 205**

The table below sets out information about significant unobservable inputs used in the measuring of financial instruments categorised as Level 3 in the fair value hierarchy as at 30 September 2020:

Type of instrument	Fair values	Valuation technique	Significant unobservable input	Unobservable inputs used
Loans to customers at FVTPL	89 721	Discounted cash flow from operating activities	Risk-adjusted discount rate	RUB: 5,8% - 9,2% USD: 6,7% EUR: 2,9%

The table below sets out information about significant unobservable inputs used in the measuring of financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2019:

Type of instrument	Fair values	Valuation technique	Significant unobservable input	Unobservable inputs used
Loans to customers at FVTPL	77 175	Discounted cash flow from operating activities	Risk-adjusted discount rate	RUB: 6,5% - 29,7% USD: 4,5% - 7,1% EUR: 2,7%

If discount rates differ by plus/minus one percent, fair values of these instruments would be RUB 83 289 million and RUB 88 874 million respectively (31 December 2019: RUB 76 822 million – RUB 78 150 million).

(in millions of Russian Roubles unless otherwise stated)

27 Earnings per share

Basic earnings per share are calculated by dividing (loss) profit for the nine-month period ended 30 September 2020 by the weighted average number of ordinary shares in issue during the period.

Basic earnings per share are calculated as follows:

	Nine-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2019 (Unaudited)	Three-month period ended 30 September 2020 (Unaudited)	Three-month period ended 30 September 2019 (Unaudited)
Profit for the period	17 102	11 882	7 978	9 721
Interest paid on perpetual debt issue, net of tax	(2 493)	(2 336)	(939)	(775)
Total profit for the period	14 609	9 546	7 039	8 946
Weighted average number of ordinary shares in issue	29 829 709 866	27 079 709 866	29 829 709 866	27 079 709 866
Basic and diluted earnings per share (in RUB per share)	**0,49**	**0,35**	**0,24**	**0,33**

28 Acquisition of subsidiaries

In May 2020 the Group acquired 100% of the equity interests of Investment Bank VESTA (LLC) and JSC RUSNARBANK.

For the purpose of determining goodwill on acquisition the fair values of identifiable assets and liabilities of Investment Bank VESTA (LLC) were as follows:

	Amounts on acquisition
ASSETS	
Cash and cash equivalents	1 518
Obligatory reserves with the Central bank of the Russian Federation	23
Due from credit and other financial organizations	13
Investment financial assets	2 336
Loans to customers	1 915
Property and equipment	147
Other assets	35
LIABILITIES	
Due to credit institutions	1 996
Due to customers	2 881
Other liabilities	176
Identifiable net assets acquired	**934**
Consideration given	1 082
less fair value of identifiable net assets acquired	(934)
Excess of consideration given over fair value of acquired net assets	**148**

The excess of fair value of acquired net assets over cost was written off to profit or loss for the period and presented within the line Other net operating income or (expense).

The amount of net loss of Investment Bank VESTA (LLC) since the acquisition date included in consolidated interim condensed statement of profit or loss is RUB 35 million.

For the purpose of determining goodwill on acquisition the fair values of identifiable assets and liabilities of JSC RUSNARBANK were as follows:

(in millions of Russian Roubles unless otherwise stated)

	Amounts on acquisition
ASSETS	
Cash and cash equivalents	2 426
Obligatory reserves with the Central bank of the Russian Federation	56
Investment financial assets	1 594
Loans to customers	6 416
Property and equipment	166
Other assets	876
LIABILITIES	
Deposits by the Central Bank of the Russian Federation	54
Due to credit institutions	14
Due to customers	7 690
Other liabilities	916
Identifiable net assets acquired	**2 860**
Consideration given	2 971
less fair value of identifiable net assets acquired	(2 860)
Excess of consideration given over fair value of acquired net assets	**111**

The excess of fair value of acquired net assets over cost was written off to profit or loss for the period and presented within the line Other net operating income or (expense).

The amount of net profit of JSC RUSNARBANK since the acquisition date included in consolidated interim condensed statement of profit or loss is RUB 267 million.

29 Events subsequent to the reporting date

In October 2020, the Bank paid out the 2nd coupon in the amount of RUB 416,4 million or RUB 41,64 per bond on domestic bonds series 001P-01. The issue was originally placed on 4 October 2019 (additional issue – 31 October 2019). The nominal value of the issue is RUB 10 billion.

In October 2020, the Group paid out the coupon in the amount of USD 16,5 million on 10,5-year 7,5% subordinated Eurobonds due 2027 with the nominal value of USD 600 million.

In October 2020, Fitch Ratings affirmed MKB's rating at "BB".

In October 2020, the Bank paid out the 2nd coupon in the amount of RUB 11,4 million or RUB 32,59 per bond and the upside return in the amount of RUB 12,3 million or RUB 35,00 per bond on domestic bonds series BSO-P05. The issue was originally placed on 10 October 2019. The nominal value of the issue is RUB 350 million.

In October 2020, MKB placed in full bond issue series BSO-P20 worth RUB 800 million. The bonds were placed by public subscription and have six semi-annual coupons, each paying 0,01% per annum. The nominal value of one bond is RUB 1 000.

In October 2020, MKB's Supervisory Board made a decision to increase the Bank's charter capital by RUB 3,6 billion by placing 3,6 billion additional ordinary shares of RUB 1 par value each by public subscription.

In November 2020, the Group paid out the coupon in the amount of USD 8,2 million on the senior 5-year 5,875% Eurobonds due 2021 with the nominal value of USD 500 million.

In November 2020, the Group paid out the coupon in the amount of USD 12,0 million on perpetual subordinated Loan Participation Notes with the nominal value of USD 700 million.

In November 2020, the Bank paid out the 1st coupon in the amount of RUB 15,0 million or RUB 30,08 per bond and the upside return in the amount of RUB 18,0 million or RUB 36,0 per bond on domestic bonds series BSO-P07. The issue was originally placed on 13 November 2019. The nominal value of the issue is RUB 500 million.