CREDIT BANK OF MOSCOW
(public joint-stock company)

Consolidated Interim Condensed
Financial Statements
for the nine-month period
ended 30 September 2019

Contents

KPMG

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) and its subsidiaries (the Group) as at 30 September 2019, 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 2019, and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2019, 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 network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

Member of the Self-regulated organisation of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.

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 2019, and for the three- and nine-month periods ended 30 September 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Акционерное общество ОГРН 1027700125628 КПМГ KPMG Москва

Tatarinova E.V.

Director

JSC "KPMG"

Moscow, Russia

26 November 2019

(in millions of Russian Roubles unless otherwise stated)

	Notes	Nine-Month Period Ended 30 September 2019 (Unaudited)	Nine-Month Period Ended 30 September 2018 (Unaudited)	Three-Month Period Ended 30 September 2019 (Unaudited)	Three-Month Period Ended 30 September 2018 (Unaudited)
Interest income calculated using the effective interest method	4	105 988	99 271	37 477	33 770
Other interest income	4	3 086	3 249	1 048	1 260
Interest expense	4	(76 945)	(65 927)	(25 433)	(22 265)
Net interest income	4	**32 129**	**36 593**	**13 092**	**12 765**
(Charge for) recovery of credit losses on debt financial assets	9,10, 12,13	(2 978)	(4 408)	2 577	(4 377)
Net interest income after credit losses on debt financial assets		**29 151**	**32 185**	**15 669**	**8 388**
Fee and commission income	5	11 176	11 403	3 715	4 141
Fee and commission expense	5	(2 712)	(2 500)	(847)	(951)
Net (loss) gain on loans to customers at FVTPL		(1 060)	(3 224)	(664)	615
Net gain (loss) on financial assets at FVTPL		784	(180)	731	(193)
Net loss from sale and redemption of Investment financial assets at FVOCI		(221)	(71)	(20)	(830)
Net realised gain (loss) on Investment financial assets at amortised cost		199	-	(101)	-
Net foreign exchange (losses) gains		(8 531)	173	(680)	1 481
Net gain on change in financial liabilities measured at fair value through profit or loss		24	-	24	-
Impairment gain (losses) on other non-financial assets, credit gain (losses) on other financial assets and credit related commitments and other provisions	7	3 626	(1 906)	223	(461)
State deposit insurance scheme contributions		(1 944)	(1 363)	(729)	(534)
Operating lease income		34	68	14	14
Net gain from disposal of subsidiaries		-	637	-	-
Other net operating (expense) income		(311)	2 024	(317)	1 739
Non-interest income		**1 064**	**5 061**	**1 349**	**5 021**
Operating income		**30 215**	**37 246**	**17 018**	**13 409**
Salaries and employment benefits	6	(10 994)	(8 620)	(3 227)	(2 517)
Administrative expenses	6	(3 357)	(3 856)	(1 339)	(1 334)
Depreciation of premises and equipment and right-of-use assets		(1 418)	(768)	(466)	(280)
Operating expense		**(15 769)**	**(13 244)**	**(5 032)**	**(4 131)**
Profit before income taxes		**14 446**	**24 002**	**11 986**	**9 278**
Income tax	8	(2 564)	(5 647)	(2 265)	(1 927)
Profit for the period		**11 882**	**18 355**	**9 721**	**7 351**

The consolidated interim condensed statements of profit or loss and other comprehensive income are 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 2019 (Unaudited)	Nine-Month Period Ended 30 September 2018 (Unaudited)	Three-Month Period Ended 30 September 2019 (Unaudited)	Three-Month Period Ended 30 September 2018 (Unaudited)
Profit for the period		**11 882**	**18 355**	**9 721**	**7 351**
Other comprehensive income (loss)					
Items that are or may be reclassified subsequently to profit or loss:					
Movement in fair value reserve (debt instruments):					
- net change in fair value		3 029	(4 067)	466	(788)
- net amount transferred to profit or loss		231	(100)	19	7
Income tax related to items that are or may be reclassified subsequently to profit or loss		(652)	834	(97)	156
Change in fair value of financial liability attributable to changes in credit risk		10	-	10	-
Other comprehensive income (loss) for the period, net of income tax		**2 618**	**(3 333)**	**398**	**(625)**
Total comprehensive income for the period		**14 500**	**15 022**	**10 119**	**6 726**
Basic and diluted earnings per share (in RUB per share)	24	**0,35**	**0,59**	**0,33**	**0,24**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

The consolidated interim condensed statements of profit or loss and other comprehensive income are 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 2019 (Unaudited)	31 December 2018
ASSETS			
Cash and cash equivalents	9	829 613	1 162 779
Obligatory reserves with the Central bank of the Russian Federation		16 460	13 065
Due from credit and other financial institutions	10	346 349	13 183
Trading financial assets	11	13 029	15 665
- held by the Group	*11*	*12 271*	*12 909*
- pledged under sale and repurchase agreements	*11*	*758*	*2 756*
Loans to customers	12	735 468	709 045
- loans to corporate clients	*12*	*636 371*	*617 911*
- loans to individuals	*12*	*99 097*	*91 134*
Investment financial assets	13	223 415	214 481
- held by the Group		*175 789*	*84 703*
- pledged under sale and repurchase agreements		*47 626*	*129 778*
Investments in associates		2 350	2 275
Property and equipment		9 860	7 182
Deferred tax asset		71	113
Other assets		7 584	8 139
Total assets		**2 184 199**	**2 145 927**
LIABILITIES AND EQUITY			
Due to credit institutions	14	535 202	552 930
Due to customers	15	1 269 029	1 272 175
- due to corporate customers	*15*	*809 787*	*897 099*
- due to individuals	*15*	*459 242*	*375 076*
Financial liabilities measured at fair value through profit or loss	17	5 237	6 253
Debt securities issued	16	159 794	105 305
Deferred tax liability		5 505	4 248
Other liabilities		10 361	13 843
Total liabilities		**1 985 128**	**1 954 754**
Equity			
Share capital	18	27 942	27 942
Additional paid-in capital		46 247	46 247
Perpetual debt issued	18	43 084	46 691
Revaluation surplus for buildings		490	490
Fair value reserve for securities		774	(1 834)
Change in fair value of financial liability attributable to changes in the credit risk		10	-
Retained earnings		80 524	71 637
Total equity		**199 071**	**191 173**
Total liabilities and equity		**2 184 199**	**2 145 927**

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	Nine-Month Period Ended 30 September 2019 (Unaudited)	Nine-Month Period Ended 30 September 2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		100 581	102 426
Interest payments		(69 161)	(64 378)
Fees and commission receipts		11 807	11 172
Fees and commission payments		(2 336)	(2 285)
Net receipts from operations with securities		310	11
Net (payments) receipts from foreign exchange		(18 807)	20 198
State deposit insurance scheme contributions payments		(1 795)	(1 232)
Net other operating (expense) income (payments) receipts		(633)	2 357
Operating leases income receipts		34	68
Salaries and employment benefits paid		(10 381)	(8 224)
Administrative expenses paid		(3 202)	(3 627)
Income tax paid		(1 028)	(1 802)
Operating cash flows before changes in operating assets and liabilities		**5 389**	**54 684**
(Increase) decrease in operating assets			
Obligatory reserves with the Central bank of the Russian Federation		(3 395)	(2 613)
Due from credit and other financial institutions		(342 392)	5 647
Trading financial assets		4 461	(8 897)
Loans to customers		(70 282)	98 418
Assets held for sale		-	98
Other assets		(858)	(6 042)
Increase (decrease) in operating liabilities			
Due to credit institutions except syndicated and subordinated loans		4 802	(105 077)
Due to customers except subordinated loans		40 411	123 444
Other liabilities		(3 317)	465
Net cash (used in) from operations		**(365 181)**	**160 127**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment financial assets		(259 993)	(232 182)
Proceeds from disposal and redemption of investment financial assets		262 213	149 791
Net disposal of subsidiary		-	847
Purchase of property and equipment and intangible assets		(1 926)	(1 123)
Sale of property and equipment and intangible assets		177	-
Sale of investment property		90	-
Net cash from (used in) investing activities		**561**	**(82 667)**

The consolidated interim condensed statement of cash flows 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 2019 (Unaudited)	Nine-Month Period Ended 30 September 2018 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement and issuance of perpetual debt		338	4 946
Repayment of perpetual debt issued		(928)	(5 053)
Interest on perpetual debt paid		(2 920)	(2 857)
Proceeds from syndicated borrowings		28 120	376
Repayments of syndicated borrowings		(19 920)	(11 452)
Proceeds from placement and issuance of subordinated bonds		623	347
Partial redemption of subordinated bonds		(618)	(7 423)
Proceeds from placement and issuance of other bonds		94 390	32 626
Repayments of other bonds		(32 549)	(36 625)
Cash outflow from lease liabilities		(520)	-
Dividends paid	18	(2 979)	-
Net cash from (used in) financing activities		**63 037**	**(25 115)**
Effect of exchange rates changes on cash and cash equivalents		**(32 226)**	**46 736**
Effect of changes in ECL on cash and cash equivalents		643	(239)
Change in cash and cash equivalents		**(333 166)**	**98 842**
Cash and cash equivalents, beginning of the period		1 162 779	933 360
Cash and cash equivalents, end of the period	9	**829 613**	**1 032 202**

Chairman of the Management Board — Vladimir A. Chubar

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The consolidated interim condensed statement of cash flows 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)

	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 2018	**27 942**	**46 247**	**40 320**	**582**	**1 348**	**-**	**53 431**	**169 870**
Total comprehensive income for the period (Unaudited)	-	-	-	-	(3 333)	-	18 355	**15 022**
Perpetual debt redemption (Unaudited)	-	-	(5 053)	-	-	-	-	**(5 053)**
Issuance of perpetual debt (Unaudited)	-	-	5 000	-	-	-	-	**5 000**
Interest paid on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(2 857)	**(2 857)**
Foreign exchange translation of perpetual debt issued (Unaudited)	-	-	4 985	-	-	-	(4 985)	**-**
Transaction costs on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(54)	**(54)**
Tax effect on perpetual debt issued (Unaudited)	-	-	-	-	-	-	1 580	**1 580**
Balance as at 30 September 2018 (Unaudited)	**27 942**	**46 247**	**45 252**	**582**	**(1 985)**	**-**	**65 470**	**183 508**
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)**
Interest paid on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(2 920)	**(2 920)**
Perpetual debt issued (Unaudited)	-	-	338	-	-	-	-	**338**
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**

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

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

(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 131 branches, 1 153 ATMs and 6 827 payment terminals.

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Principal activities	Degree of control, %	
			30 September 2019	31 December 2018
"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 "MKB-Invest"	Russia	Transactions with securities	100%	100%
LLC "Bank SKS"	Russia	Investment banking	100%	100%
CJSC "Mortgage Agent MKB"	Russia	Raising finance	100%	100%
LLC "Mortgage Agent MKB 2"	Russia	Raising finance	100%	100%

The Bank does not have any direct or indirect shareholdings in the subsidiaries "CBOM Finance p.l.c.", LLC "MKB Invest", CJSC "Mortgage Agent MKB" and LLC "Mortgage Agent MKB 2". "CBOM Finance p.l.c." 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. "MKB Invest" is controlled by the Group through an option agreement. CJSC "Mortgage Agent MKB" was established for the purposes of the mortgage loans securitisation program launched by the Bank in 2014. LLC "Mortgage Agent MKB 2" was established for the purposes of the mortgage loans securitisation program launched by the Bank in 2016.

Shareholders

The Bank's shareholders as at 30 September 2019 are:

- LLC «Concern Rossium"– 60,00%[*]
- Region FinanceResurs JSC – 9,43%
- LLC IC Algoritm – 6,34%
- Other shareholders – 24,23%.

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 20.

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.

[*] The ownership share of PJSC "CREDIT BANK OF MOSCOW", which includes the direct ownership share of LLC Concern Rossium for 56,07% and the ownership share of the Company's subsidiaries for 3,93%

(in millions of Russian Roubles unless otherwise stated)

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 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.

Seasonality of operations

The Group operates in industry where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

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 2018 ("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 and EUR, 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 and EUR against RUB, defined by the CBR:

	30 September 2019	31 December 2018	30 September 2018
USD	64,4156	69,4706	65,5906
EUR	70,3161	79,4605	76,2294

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 2018.

Changes in accounting policies and presentation

Except as described below, the accounting policies applied in these consolidated interim condensed financial statements are the same as those applied in the last annual financial statements. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019. The Group has initially adopted IFRS 16 *'Leases'* from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's Consolidated Interim Condensed financial statements.

IFRS 16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The Group has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *'Determining Whether an Arrangement Contains a Lease'*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

As a lessee

The Group leases many assets, including properties and vehicles. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

(in millions of Russian Roubles unless otherwise stated)

(Unaudited)	**Property**	**Vehicles**
Balance at 1 January 2019	2 999	48
Balance at 30 September 2019	2 829	32

The Group presents lease liabilities in 'other liabilities' in the consolidated interim condensed statement of financial position.

i.Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Group classified property leases as operating leases under IAS 17. At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of items of vehicles. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

As a lessor

The Group does not lease out any investment property, including right-of-use assets.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component. The Group sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. The sub-lease contracts are classified as operating leases under IFRS 16.

(in millions of Russian Roubles unless otherwise stated)

Impacts on financial statements

i.Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities with no impact on retained earnings. The impact on transition is summarised below.

	1 January 2019 (Unaudited)
Right-of-use assets presented in property and equipment	2 999
Lease liabilities presented in other liabilities	2 911

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 8,86%.

	1 January 2019 (Unaudited)
Operating lease commitments as at 31 December 2018 as disclosed in the consolidated financial statements of the Group	3 508
Discounted using the incremental borrowing rate at 1 January 2019	2 261
Finance lease liabilities recognised as at 31 December 2018	31
Recognition exemption for leases of low-value assets, for leases with less than 12 month lease term at transition and other contracts	(131)
Extension options reasonably certain to be exercised	781
Lease liabilities recognised at 1 January 2019	**2 942**

ii. Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RUB 2 999 million of right-of-use assets and RUB 2 911 million of lease liabilities as at 1 January 2019. Also in relation to those leases under IFRS 16, the Group recognised depreciation and interest costs, instead of operating lease expense. During the nine-month period ended 30 September 2019, the Group recognised RUB 639 million of depreciation charges and RUB 224million of interest costs from these leases. For the impact of IFRS 16 on segment information see Note 21.

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, except those related to the Group's adoption of IFRS 16 (Note 2), which are applicable from 1 January 2019.

(in millions of Russian Roubles unless otherwise stated)

4 Net interest income

	Nine-Month Period Ended 30 September 2019 (Unaudited)	Nine-Month Period Ended 30 September 2018 (Unaudited)	Three-Month Period Ended 30 September 2019 (Unaudited)	Three-Month Period Ended 30 September 2018 (Unaudited)
Interest income calculated using the effective interest method				
Financial assets measured at amortised cost				
Loans to customers	46 209	49 824	16 123	16 357
Due from credit and other financial institutions and the CBR	49 460	42 885	17 725	14 483
Other financial assets	1 202	518	342	295
Debt financial assets measured at FVOCI	9 117	6 044	3 287	2 635
Interest income calculated using the effective interest method	**105 988**	**99 271**	**37 477**	**33 770**
Loans to customers at FVTPL	2 588	2 474	872	940
Other financial instruments at fair value through profit or loss	498	775	176	320
Other interest income	**3 086**	**3 249**	**1 048**	**1 260**
	109 074	**102 520**	**38 525**	**35 030**
Interest expense				
Due to customers	(49 931)	(33 840)	(17 590)	(12 346)
Due to credit institutions	(19 926)	(25 259)	(5 291)	(7 677)
Debt securities issued	(6 864)	(6 822)	(2 459)	(2 240)
Lease liabilities	(224)	(6)	(93)	(2)
	(76 945)	**(65 927)**	**(25 433)**	**(22 265)**
Net interest income	**32 129**	**36 593**	**13 092**	**12 765**

5 Net fee and commission income

	Nine-Month Period Ended 30 September 2019 (Unaudited)	Nine-Month Period Ended 30 September 2018 (Unaudited)	Three-Month Period Ended 30 September 2019 (Unaudited)	Three-Month Period Ended 30 September 2018 (Unaudited)
Fee and commission income				
Other cash operations	2 222	1 792	694	679
Plastic cards	1 656	1 752	569	587
Settlements and wire transfers	1 625	1 884	402	656
Guarantees and letters of credit	1 598	1 554	635	587
Insurance contracts processing	1 564	1 673	595	623
Cash handling	1 225	1 430	308	514
Currency exchange and brokerage commission	759	682	287	222
Opening and maintenance of bank accounts	399	423	128	147
Other	128	213	97	126
	11 176	**11 403**	**3 715**	**4 141**
Fee and commission expense				
Plastic cards	(2 130)	(2 056)	(671)	(686)
Guarantees and other credit related facilities received	(260)	(28)	(71)	(10)
Settlements and wire transfers	(165)	(93)	(45)	(38)
Other	(157)	(323)	(60)	(217)
	(2 712)	**(2 500)**	**(847)**	**(951)**
Net fee and commission income	**8 464**	**8 903**	**2 868**	**3 190**

(in millions of Russian Roubles unless otherwise stated)

6 Salaries, employment benefits and administrative expenses

	Nine-Month Period Ended 30 September 2019 (Unaudited)	Nine-Month Period Ended 30 September 2018 (Unaudited)	Three-Month Period Ended 30 September 2019 (Unaudited)	Three-Month Period Ended 30 September 2018 (Unaudited)
Salaries	9 049	6 876	2 681	2 023
Social security costs	1 945	1 744	546	494
Salaries and employment benefits	**10 994**	**8 620**	**3 227**	**2 517**
Advertising and business development	604	762	349	217
Operating taxes	565	416	214	160
Property maintenance	511	478	182	162
Security	422	405	128	144
Legal and consulting services	266	226	94	99
Communications	255	203	93	82
Write-off of low-value fixed assets	200	166	80	54
Computer maintenance and software expenses	150	121	67	46
Occupancy	141	857	36	288
Insurance	113	103	37	36
Transport	107	95	52	38
Other	23	24	7	8
Administrative expenses	**3 357**	**3 856**	**1 339**	**1 334**

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.

7 Allowances on other non-financial assets, 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 2019 are as follows:

(Unaudited)	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 (recovery)	272	301	30	(4 229)	**(3 626)**
Write-offs	-	(168)	-	(51)	**(219)**
Balance at the end of the period	**729**	**188**	**203**	**1 689**	**2 809**

The Group revised historical losses for non-financial guarantees and adjusted provision rate accordingly during three-month period ended 31 March 2019. The Group also obtained collateral for significant non-financial guarantee in 2019. Provisions for claims and other provisions as at nine-month period ended 30 September 2019 would be RUB 3 225 million higher without the described changes.

(in millions of Russian Roubles unless otherwise stated)

Movements in the impairment allowance for the nine-month period ended 30 September 2018 are as follows:

(Unaudited)	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	**514**	**231**	**3 175**	**247**	**4 167**
Net charge (recovery)	71	(121)	(2 979)	4 935	**1 906**
Write-offs	(2)	(29)	-	(56)	**(87)**
Disposal of subsidiary	(42)	(35)	-	-	**(77)**
Balance at the end of the period	**541**	**46**	**196**	**5 126**	**5 909**

8 Income tax

	Nine-Month Period Ended 30 September 2019 (Unaudited)	Nine-Month Period Ended 30 September 2018 (Unaudited)
Current tax charge	2 521	2 739
Deferred taxation	43	2 908
Income tax (recovery) expense	**2 564**	**5 647**

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The statutory income tax rate is 20% in 2019 and 2018.

9 Cash and cash equivalents

	30 September 2019 (Unaudited)	31 December 2018
Cash on hand	19 979	18 655
Correspondent account with the Central bank of the Russian Federation	99 289	56 103
Nostro accounts with other banks		
rated from AA+ to AA-	3 317	7 562
rated from A+ to A-	1 004	1 467
rated from BBB+ to BBB-	5 618	3 291
rated from BB+ to BB-	184	853
rated from B+ to B-	-	109
not rated	157	983
Total nostro accounts with other banks	**10 280**	**14 265**
Deposits in credit and other financial institutions with maturity of less than 1 month		
Deposits with the Central bank of the Russian Federation	1 712	2 219
rated from AA+ to AA-	7	-
rated from A+ to A-	-	12 416
rated from BBB+ to BBB-	11 539	6 520
rated from B+ to B-	53 310	49 560
not rated	634 152	1 004 339
Total deposits in credit and other financial institutions with maturity of less than 1 month	**700 720**	**1 075 054**
Total gross cash and cash equivalents	**830 268**	**1 164 077**
Credit loss allowance	(655)	(1 298)
Total net cash and cash equivalents	**829 613**	**1 162 779**

(in millions of Russian Roubles unless otherwise stated)

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 2019, not rated Cash and cash equivalents include counterparties with ratings equivalent to Low credit risk for amount of RUB 113 million, counterparties with ratings equivalent to Moderate credit risk for amount of RUB 634 196 million.

As at 30 September 2019, deposits in not rated credit and other financial institutions with maturity of less than 1 month include term deposits secured by liquid securities under agreements to resell (reverse repo) in the amount of RUB 634 152 million with rating BBB- (31 December 2018: RUB 1 004 339 million from which 99,02% have rating from B to BBB-).

As at 30 September 2019, receivables under reverse sale and repurchase agreements included in cash and cash equivalents are RUB 698 999 million (31 December 2018: 1 058 970 RUB million).

As at 30 September 2019, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 761 682 million (31 December 2018: RUB 1 152 996 million).

As at 30 September 2019, Cash and cash equivalents for which external benchmark information represents a significant input into measurement of ECL are RUB 172 770 million (31 December 2018: RUB 137 689 million).

Movements in cash and cash equivalents credit loss allowance for the nine-month period ended 30 September 2019 and nine-month period ended 30 September 2018 are as follows:

	Nine-Month Period Ended 30 September 2019 (Unaudited)	Nine-Month Period Ended 30 September 2018 (Unaudited)
Balance at the beginning of the period	**1 298**	**673**
Net (recovery) charge	(643)	239
Balance at the end of the period	**655**	**912**

As at 30 September 2019 and 30 September 2018 the Group recognises expected loss allowance in the amount of 12-month expected credit losses except for distressed credit impaired assets which are recognised in the amount of lifetime expected credit losses.

10 Due from credit and other financial institutions

	30 September 2019 (Unaudited)	31 December 2018
Term deposits		
rated from AA+ to AA-	7 251	-
rated from A+ to A-	695	-
rated from BBB+ to BBB-	4 169	2 619
rated from BB+ to BB-	1 897	-
rated from B+ to B-	15	4 047
not rated	332 879	6 652
Total gross due from credit and other financial institutions	**346 906**	**13 318**
Credit loss allowance	(557)	(135)
Total net due from credit and other financial institutions	**346 349**	**13 183**

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

As at 30 September 2019, not rated Deposits in credit and other financial institutions measured at amortised cost include counterparties with ratings equivalent to Moderate credit risk for amount of RUB 332 851 million and Distressed assets for amount of RUB 28 million.

As at 30 September 2019, deposits included in not rated credit and other financial institutions are receivables in the amount of RUB 332 851 million (31 December 2018: RUB 3 679 million) secured by liquid securities under agreements to resell (reverse repo).

(in millions of Russian Roubles unless otherwise stated)

As at 30 September 2019, receivables under reverse sale and repurchase agreements included in due from credit and other financial institutions are RUB 333 266 million (31 December 2018: RUB 7 762 million).

As at 30 September 2019, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 372 880 million (31 December 2018: RUB 10 417 million).

As at 30 September 2019, Deposits in credit and other financial institutions for which external benchmark information represents a significant input into measurement of ECL are RUB 13 330 million (31 December 2018: RUB 6 669 million).

Movements in due from credit and other financial institutions credit loss allowance for the nine-month period ended 30 September 2019 and nine-month period ended 30 September 2018 are as follows:

	Nine-Month Period Ended 30 September 2019 (Unaudited)	Nine-Month Period Ended 30 September 2018 (Unaudited)
Balance at the beginning of the period	**135**	**166**
Net charge (recovery)	422	(94)
Balance at the end of the period	**557**	**72**

As at 30 September 2019 and 30 September 2018 the Group recognises expected loss allowance in the amount of 12-month expected credit losses except for distressed credit impaired assets which are recognised in the amount of lifetime expected credit losses.

11 Trading financial assets

	30 September 2019 (Unaudited)	31 December 2018
<u>**Held by the Group**</u>		
Government and municipal bonds		
Russian Government Federal bonds	-	1 418
Russian Government Eurobonds	511	470
Regional authorities and municipal bonds	-	65
Corporate bonds		
rated from A+ to A-	65	-
rated from BBB+ to BBB-	1 558	3 109
rated from BB+ to BB-	1 969	2 955
rated from B+ to B-	56	127
not rated	1 592	129
Derivative financial instruments	**6 520**	**4 636**
Total held by the Group	**12 271**	**12 909**
<u>**Pledged under sale and repurchase agreements**</u>		
Corporate bonds		
rated from BBB+ to BBB-	758	2 606
rated from BB+ to BB-	-	150
Total pledged under sale and repurchase agreements	**758**	**2 756**
Total trading financial assets	**13 029**	**15 665**

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

As at 30 September 2019, trading financial assets in the amount of RUB 2 442 million (31 December 2018: RUB 5 639 million) are qualified to be pledged against borrowings from the Central bank of the Russian Federation.

(in millions of Russian Roubles unless otherwise stated)

12 Loans to customers

	30 September 2019 (Unaudited)	31 December 2018
Loans to customers at amortised cost		
Loans to corporate clients	610 390	580 146
Credit loss allowance	(31 402)	(25 618)
Total loans to corporate clients at amortised cost, net	**578 988**	**554 528**
Loans to individuals		
Cash loans	77 694	72 219
Mortgage loans	23 367	20 679
Credit card loans	3 729	3 585
Auto loans	49	119
Credit loss allowance	(5 742)	(5 468)
Total loans to individuals, net	**99 097**	**91 134**
Total gross loans to customers at amortised cost	**715 229**	**676 748**
Credit loss allowance	**(37 144)**	**(31 086)**
Total net loans to customers at amortised cost	**678 085**	**645 662**
Loans to customers at FVTPL		
Loans to corporate clients	57 383	63 383
Total loans to customers at amortised cost and FVTPL	**735 468**	**709 045**

Credit quality of loan portfolio

The following table provides information on credit quality of the loan portfolio as at 30 September 2019 and 31 December 2018:

	30 September 2019 (Unaudited)	31 December 2018
Loans to customers		
- Not past due	740 108	705 067
- Overdue less than 31 days	1 463	18 257
- Overdue 31-60 days	578	3 614
- Overdue 61-90 days	1 968	1 239
- Overdue 91-180 days	3 109	2 793
- Overdue 181-360 days	16 190	4 803
- Overdue more than 360 days	9 196	4 358
Total gross loans to customers	**772 612**	**740 131**
Credit loss allowance	**(37 144)**	**(31 086)**
Total net loans to customers	**735 468**	**709 045**

As at 30 September 2019, the gross amount of overdue loans with payments that are overdue at least for one day totals RUB 32 504 million, which represents 4,2% of the gross loan portfolio (31 December 2018: RUB 35 064 million and 4,7%, respectively).

As at 30 September 2019, non-performing loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 28 495 million or 3,7% of the gross loan portfolio (31 December 2018: RUB 11 954 million and 1,6%, respectively).

As at 30 September 2019, the ratio of total credit loss allowance to overdue loans equals 114,3 %, the ratio of total credit loss allowance to NPLs equals 130,4% (31 December 2018: 88,7%, 260,0%, 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 2019 and 31 December 2018:

	30 September 2019 (Unaudited)	31 December 2018
Loans to corporate clients		
- Not past due	641 634	614 542
- Overdue less than 31 days	-	17 149
- Overdue 31-60 days	-	3 131
- Overdue 61-90 days	1 532	901
- Overdue 91-180 days	1 993	1 811
- Overdue 181-360 days	14 410	2 912
- Overdue more than 360 days	8 204	3 083
Total gross loans to corporate clients	**667 773**	**643 529**
Credit loss allowance	**(31 402)**	**(25 618)**
Total net loans to corporate clients	**636 371**	**617 911**

Credit quality analysis

	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 at amortised cost					
Low credit risk	185 500	-	-	-	185 500
Moderate credit risk	320 565	-	-	-	320 565
High credit risk	59 427	14 831	-	-	74 258
Distressed assets	-	-	25 005	5 062	30 067
Total	**565 492**	**14 831**	**25 005**	**5 062**	**610 390**
Credit loss allowance	**(11 125)**	**(4 893)**	**(15 385)**	**-**	**(31 402)**
Carrying amount	**554 368**	**9 939**	**9 620**	**5 062**	**578 988**
Loan commitments	**8 785**	**46**	**-**	**-**	**8 831**
Credit loss allowance	**(14)**	**-**	**-**	**-**	**(14)**
Carrying amount	**(14)**	**-**	**-**	**-**	**(14)**
Financial guarantee contracts	**16 474**	**-**	**4 980**	**-**	**21 454**
Credit loss allowance	**(189)**	**-**	**-**	**-**	**(189)**
Carrying amount	**(288)**	**-**	**(42)**	**-**	**(330)**

	31 December 2018				
	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	141 051	-	-	-	141 051
Moderate credit risk	347 017	25 732	-	5 348	378 097
High credit risk	28 040	13 835	-	7 343	49 218
Distressed assets	-	-	11 780	-	11 780
Total	**516 108**	**39 567**	**11 780**	**12 691**	**580 146**
Credit loss allowance	**(10 289)**	**(5 937)**	**(9 392)**	-	**(25 618)**
Carrying amount	**505 819**	**33 630**	**2 388**	**12 691**	**554 528**
Loan commitments	**59 544**	**15**	**-**	-	**59 559**
Credit loss allowance	**(46)**	**-**	**-**	-	**(46)**

(in millions of Russian Roubles unless otherwise stated)

	31 December 2018				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Carrying amount	**(46)**	**-**	**-**	**-**	**(46)**
Financial guarantee contracts	**3 787**	**500**	**15**	-	**4 302**
Credit loss allowance	**(85)**	**(40)**	**(2)**	-	**(127)**
Carrying amount	**(109)**	**(40)**	**(2)**	-	**(151)**

As at 30 September 2019, Loans to customers for which external benchmark information represents a significant input into measurement of ECL are RUB 37 123 million (31 December 2018: RUB 36 763 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 2019 and 30 September 2018 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**	**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)
New 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	(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**

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

During the nine-month period ended 30 September 2019 the Group recognized loss on significant modification in amount of RUB 2 210 million and gain on significant modification in amount of RUB 2 504 million.

ECL recovery on repayment of purchased or originated credit impaired loans is RUB 7 633 million.

* 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 2018 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Loans to corporate clients				
Balance at the beginning of the period	**7 796**	**1 285**	**35 318**	**44 399**
Transfer to 12-month ECL	207	(207)	-	-
Transfer to lifetime ECL not credit-	(9)	9	-	-
Transfer to lifetime ECL credit-impaired	(96)	(5)	101	-
Net remeasurement of loss allowance	73	482	4 250	4 805
New financial assets originated or purchased	4 516	763	1 321	6 600
Financial assets that have been derecognised (full repayment)	(3 297)	(235)	(4 783)	(8 315)
Transfer to assets held for sale	-	-	(7 700)	(7 700)
Write-offs	-	-	(4 115)	(4 115)
Recoveries of amounts previously written-off	-	-	294	294
Unwinding of discount	-	-	593	593
Disposal of subsidiary	(93)	(103)	(572)	(768)
Foreign exchange and other movements	362	-	41	403
Balance at the end of the period	**9 459**	**1 989**	**24 748**	**36 196**

Significant changes in the gross carrying amount of loans to corporate clients during the year that contributed to changes in loss allowance were as follows:

Repayment of loans to corporate clients in the amount of RUB 245 481 million during nine-month period ended 30 September 2019 (30 September 2018: RUB 308 117 million) resulted in decrease of ECL in the amount of RUB 4 323 million (30 September 2018: RUB 8 315 million).

Write-offs and sale of loans to corporate clients in the amount of RUB 10 221 million during nine-month period ended 30 September 2019 (30 September 2018: RUB 69 220 million) resulted in decrease of ECL in the amount of RUB 1 824 million (30 September 2018: RUB 11 815 million).

Transfers from 12-month ECL to lifetime ECL not credit-impaired and to lifetime ECL credit-impaired in the amount of RUB 6 315 million during nine-month period ended 30 September 2019 (30 September 2018: RUB 2 427 million) resulted in increase of ECL in the amount of RUB 3 103 million (30 September 2018: RUB 1 667 million).

Transfers from lifetime ECL not credit-impaired to lifetime ECL credit-impaired in the amount of RUB 11 077 million during nine-month period ended 30 September 2019 (30 September 2018: no such amounts) resulted in increase of ECL in the amount of RUB 777 million (30 September 2018: no such amounts).

Issuance of corporate loans in the amount of RUB 345 576 million during nine-month period ended 30 September 2019 (30 September 2018: RUB 272 478 million) during the year resulted in increase of ECL in the amount of RUB 8 137 million (30 September 2018: RUB 6 600 million).

(in millions of Russian Roubles unless otherwise stated)

Credit quality of loans to individuals

The following tables provide information on the credit quality of loans to individuals as at 30 September 2019:

	30 September 2019 (Unaudited)				
	Cash loans	**Mortgage loans**	**Credit card loans**	**Auto loans**	**Total**
Loans to individuals					
- Not past due	72 352	22 630	3 450	42	98 474
- Overdue less than 31 days	1 277	143	43	-	1 463
- Overdue 31-60 days	508	70	-	-	578
- Overdue 61-90 days	373	31	31	1	436
- Overdue 91-180 days	958	94	62	2	1 116
- Overdue 181-360 days	1 557	124	98	1	1 780
- Overdue more than 360 days	669	275	45	3	992
Gross loans to individuals	**77 694**	**23 367**	**3 729**	**49**	**104 839**
Credit loss allowance	**(5 225)**	**(205)**	**(308)**	**(4)**	**(5 742)**
Net loans to individuals	**72 469**	**23 162**	**3 421**	**45**	**99 097**

	30 September 2019 (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	95 291	3 054	130	98 475
- Overdue less than 31 days	159	1 291	13	1 463
- Overdue 31-60 days	-	576	2	578
- Overdue 61-90 days	-	405	31	436
- Overdue 91-180 days	-	-	1 115	1 115
- Overdue 181-360 days	-	-	1 780	1 780
- Overdue more than 360 days	-	-	992	992
Total	**95 450**	**5 326**	**4 063**	**104 839**
Credit loss allowance	**(1 101)**	**(1 384)**	**(3 257)**	**(5 742)**
Carrying amount	**94 349**	**3 942**	**806**	**99 097**

The following tables provide information on the credit quality of loans to individuals as at 31 December 2018:

	31 December 2018				
	Cash loans	**Mortgage loans**	**Credit card loans**	**Auto loans**	**Total**
Loans to individuals					
- Not past due	67 455	19 605	3 356	109	90 525
- Overdue less than 31 days	883	222	-	3	1 108
- Overdue 31-60 days	400	54	28	1	483
- Overdue 61-90 days	295	18	25	-	338
- Overdue 91-180 days	722	208	49	3	982
- Overdue 181-360 days	1 646	160	83	2	1 891
- Overdue more than 360 days	818	412	44	1	1 275
Gross loans to individuals	**72 219**	**20 679**	**3 585**	**119**	**96 602**
Credit loss allowance	**(4 927)**	**(294)**	**(243)**	**(4)**	**(5 468)**
Net loans to individuals	**67 292**	**20 385**	**3 342**	**115**	**91 134**

(in millions of Russian Roubles unless otherwise stated)

	31 December 2018			
	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	87 898	2 454	172	90 524
- Overdue less than 31 days	181	890	37	1 108
- Overdue 31-60 days	-	465	18	483
- Overdue 61-90 days	-	307	31	338
- Overdue 91-180 days	-	-	981	981
- Overdue 181-360 days	-	-	1 891	1 891
- Overdue more than 360 days	-	-	1 277	1 277
Total	**88 079**	**4 116**	**4 407**	**96 602**
Credit loss allowance	**(1 102)**	**(950)**	**(3 416)**	**(5 468)**
Carrying amount	**86 977**	**3 166**	**991**	**91 134**

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 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	**1 010**	**884**	**3 032**	**4 926**
Transfer to 12-month ECL	202	(136)	(64)	2
Transfer to lifetime ECL not credit-impaired	(81)	118	(37)	-
Transfer to lifetime ECL credit-impaired	(74)	(383)	457	-
Net remeasurement of loss allowance	(269)	601	2 143	2 475
New financial assets originated or purchased	341	253	140	734
Financial assets that have been fully repaid	(132)	(62)	(318)	(512)
Write-offs	-	-	(3 510)	(3 510)
Recoveries of amounts previously written-	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	**51**	**15**	**228**	**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	(37)	(17)	(31)	(85)
New 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-	-	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**	**154**	**244**
Transfer to 12-month ECL	8	(9)	-	(1)
Transfer to lifetime ECL not credit-impaired	(5)	5	-	-
Transfer to lifetime ECL credit-impaired	(2)	(19)	19	(2)
Net remeasurement of loss allowance	7	60	111	178
New financial assets originated or purchased	9	8	5	22
Financial assets that have been fully repaid	(7)	(15)	(16)	(38)
Write-offs	-	-	(160)	(160)
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)
Financial assets that have been fully repaid	-	-	-	-
Write-offs	-	-	(5)	(5)
Recoveries of amounts previously written-off	-	-	17	17
Balance at the end of the period	**-**	**1**	**3**	**4**

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 2018 are as follows:

	Nine-month period ended 30 September 2018 (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	**1 294**	**933**	**3 880**	**6 107**
Transfer to 12-month ECL	517	(180)	(337)	-
Transfer to lifetime ECL not credit-impaired	(94)	191	(97)	-
Transfer to lifetime ECL credit-impaired	(119)	(509)	628	-
Net remeasurement of loss allowance	(643)	593	1 184	1 134
New financial assets originated or purchased	411	179	120	710
Financial assets that have been derecognised (full repayment)	(211)	(117)	(169)	(497)
Write-offs	-	-	(2 556)	(2 556)
Recoveries of amounts previously written-off	-	-	189	189
Unwinding of discount	-	-	438	438
Foreign exchange and other movements	5	1	1	7
Balance at the end of the period	**1 160**	**1 091**	**3 281**	**5 532**
Mortgage loans				
Balance at the beginning of the period	**79**	**39**	**565**	**683**
Transfer to 12-month ECL	25	(9)	(16)	-
Transfer to lifetime ECL not credit-impaired	(2)	8	(6)	-
Transfer to lifetime ECL credit-impaired	(1)	(15)	16	-
Net remeasurement of loss allowance	(52)	20	(39)	(71)
New financial assets originated or purchased	20	15	21	56

(in millions of Russian Roubles unless otherwise stated)

	Nine-month period ended 30 September 2018 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Financial assets that have been derecognised (full repayment)	(8)	(13)	(49)	(70)
Write-offs	-	-	(272)	(272)
Recoveries of amounts previously written-off	-	-	245	245
Unwinding of discount	-	-	18	18
Foreign exchange and other movements	3	-	43	46
Balance at the end of the period	**64**	**45**	**526**	**635**

	Nine-month period ended 30 September 2018 (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	**51**	**82**	**177**	**310**
Transfer to 12-month ECL	18	(18)	-	-
Transfer to lifetime ECL not credit-impaired	(4)	4	-	-
Transfer to lifetime ECL credit-impaired	(2)	(21)	23	-
Net remeasurement of loss allowance	(17)	66	52	101
New financial assets originated or purchased	10	16	6	32
Financial assets that have been derecognised (full repayment)	(10)	(31)	(14)	(55)
Write-offs	-	-	(124)	(124)
Recoveries of amounts previously written-off	-	-	14	14
Unwinding of discount	-	-	28	28
Balance at the end of the period	**46**	**98**	**162**	**306**
Auto loans				
Balance at the beginning of the period	**2**	**1**	**19**	**22**
Net remeasurement of loss allowance	-	(1)	(5)	(6)
Financial assets that have been derecognised	(1)	-	(4)	(5)
Write-offs	-	-	(17)	(17)
Recoveries of amounts previously written-off	-	-	15	15
Balance at the end of the period	**1**	**-**	**8**	**9**

(in millions of Russian Roubles unless otherwise stated)

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 2019 (Unaudited)	31 December 2018
Loans to individuals	104 839	96 602
Crude oil production and trading	211 693	175 881
Petroleum refining / production and trading	111 422	140 819
Property rental	64 575	50 961
Automotive, motorcycles and spare parts	53 604	51 457
Residential and commercial construction and development	59 819	55 230
Equipment leasing	35 392	33 360
Industrial chemicals	22 793	30 558
Metallurgical	21 623	24 783
Food and farm products	15 527	18 567
Financial companies	25 359	17 920
Services	16 482	13 739
Consumer electronics, appliances and computers	6 109	8 424
Industrial equipment and machinery	7 085	7 023
Clothing, shoes, textiles and sporting goods	5 494	5 268
Telecommunications	264	69
Consumer chemicals, perfumes and hygiene products	3 568	3 485
Transport infrastructure contractors	2 377	1 968
Industrial and infrastructure construction	2 272	1 271
Construction and decorative materials, furniture	1 372	1 492
Paper, stationery and packaging products	914	915
Government and municipal bodies	-	90
Books, video, print and copy	11	32
Pharmaceutical and medical products	-	35
Products for home, gifts, jewelry and business accessories	-	57
Other	19	124
Total gross loans to customers	**772 613**	**740 130**
Credit loss allowance	(37 144)	(31 086)
Net loans to customers	**735 469**	**709 044**

13 Investment financial assets

	30 September 2019 (Unaudited)	31 December 2018
Investment financial assets measured at fair value through other comprehensive income – debt instruments, including pledged under repurchase agreements	171 524	174 960
Investment financial assets measured at amortized cost, including pledged under repurchase agreements	35 648	39 401
Investment financial assets at fair value through profit or loss	16 243	120
Total investment financial assets	**223 415**	**214 481**

As at 30 September 2019, Investment financial assets in the amount of RUB 170 456 million are qualified to be pledged against borrowings from the Central bank of the Russian Federation (31 December 2018: Investment financial assets in the amount of RUB 166 447 million are qualified to be pledged against borrowings from the Central bank of the Russian Federation).

(in millions of Russian Roubles unless otherwise stated)

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

	30 September 2019 (Unaudited)	31 December 2018
Held by the Group		
Russian Government Federal bonds (OFZ)	20 839	18 891
Russian Government eurobonds	18 614	7 671
Regional authorities and municipal bonds	-	1 367
Central Bank of the Russian Federation bonds	76 451	-
Corporate bonds	27 239	41 825
Corporate eurobonds	1 457	2 525
Total held by the Group	**144 600**	**72 279**
Pledged under sale and repurchase agreements		
Russian Government Federal bonds (OFZ)	3 391	5 374
Russian Government eurobonds	-	61 112
Corporate bonds	20 666	27 103
Corporate eurobonds	2 867	9 092
Total pledged under sale and repurchase agreements	**26 924**	**102 681**
Total investment financial assets measured at fair value through other comprehensive income – debt instruments	**171 524**	**174 960**

Investment financial assets measured at amortised cost

	30 September 2019 (Unaudited)	31 December 2018
Held by the Group		
Corporate eurobonds	14 190	7 885
Corporate bonds	826	4 337
Promissory notes	450	450
Total held by the Group	**15 466**	**12 672**
Pledged under sale and repurchase agreements		
Corporate eurobonds	14 875	24 086
Corporate bonds	5 891	3 088
Total pledged under sale and repurchase agreements	**20 766**	**27 174**
Credit loss allowance	(584)	(445)
Investment financial assets measured at amortized cost	**35 648**	**39 401**

Investment financial assets designated as at fair value through profit or loss

	30 September 2019 (Unaudited)	31 December 2018
Equity investments	16 243	120
Total investment financial assets designated as at fair value through profit or loss	**16 243**	**120**

During 9 months ended 30 September 2019 the acquisition of shares designated at FVTPL in the amount of RUB 15 875 million was a non-monetary transaction.

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 2019 and 30 September 2018 are as follows:

(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**
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**

	Nine-Month Period Ended 30 September 2018 (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	**805**	**-**	**-**	**805**
Net recovery	(277)	-	-	(277)
Balance at the end of the period	**528**	**-**	**-**	**528**

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 2019 and 30 September 2018 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**
Investment financial assets measured at amortized cost				
Balance at the beginning of the period	**175**	**-**	**270**	**445**
Net recovery	(41)	-	180	139
Balance at the end of the period	**134**	**-**	**450**	**584**

	Nine-Month Period Ended 30 September 2018 (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	**21**	**7**	**270**	**298**
Net charge (recovery)	128	(7)	-	121
Balance at the end of the period	**149**	**-**	**270**	**419**

(in millions of Russian Roubles unless otherwise stated)

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 2019.

	30 September 2019 (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-	25 503	-	-	25 503
rated from BB+ to BB-	10 180	-	-	10 180
rated from B+ to B-	83	-	-	83
not rated	16	-	450	466
Total	**35 782**	**-**	**450**	**36 232**
Credit loss allowance	**(134)**	**-**	**(450)**	**(584)**
Carrying amount	**35 648**	**-**	**-**	**35 648**
Debt investment securities at FVOCI				
rated from BBB+ to BBB-	144 121	-	-	144 121
rated from BB+ to BB-	13 860	-	-	13 860
rated from B+ to B-	2 016	-	-	2 016
not rated	11 527	-	-	11 527
Total	**171 524**	**-**	**-**	**171 524**
Credit loss allowance	**(341)**	-	-	**(341)**
Gross carrying amount	**170 898**	**-**	**-**	**170 898**
Carrying amount – fair value	**171 524**	**-**	**-**	**171 524**

	31 December 2018			
	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-	30 435	-	-	30 435
rated from BB+ to BB-	2 525	-	-	2 525
rated from B+ to B-	165	-	-	165
not rated	6 271	-	450	6 721
Total	**39 396**	**-**	**450**	**39 846**
Credit loss allowance	**(175)**	**-**	**(270)**	**(445)**
Carrying amount	**39 221**	**-**	**180**	**39 401**
Debt investment securities at FVOCI				
rated from A+ to A-	123	-	-	123
rated from BBB+ to BBB-	133 775	-	-	133 775
rated from BB+ to BB-	16 170	-	-	16 170
rated from B+ to B-	8 241	-	-	8 241
from CCC+ to CCC-	258	-	-	258
not rated	16 393	-	-	16 393
Total	**174 960**	**-**	**-**	**174 960**
Credit loss allowance	**(618)**	**-**	**-**	**(618)**
Gross carrying amount	**177 870**	**-**	**-**	**177 870**
Carrying amount – fair value	**174 960**	**-**	**-**	**174 960**

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

(in millions of Russian Roubles unless otherwise stated)

As at 30 September 2019 included in not rated Debt investment securities at amortised cost are counterparties with credit ratings equivalent to Moderate credit risk category in the amount of RUB 15 million (31 December 2018: Moderate credit risk category RUB 3 516 million, Low credit risk category RUB 2 755 million).

As at 30 September 2019 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 3 788 million (31 December 2018: RUB 2 058 million), to Moderate credit risk category RUB 7 739 million (31 December 2018: RUB 14 335 million).

As at 30 September 2019 Investment financial assets balances for ECL calculation for which external benchmark information represents a significant input into measurement of ECL are RUB 126 259 million (31 December 2018: RUB 96 429 million).

14 Due to credit institutions

	30 September 2019 (Unaudited)	31 December 2018
Payables under repurchase agreements	472 380	487 959
Term deposits	8 487	15 827
Syndicated debt	27 729	21 799
Current accounts	26 606	27 345
Total due to credit institutions	**535 202**	**552 930**

As at 30 September 2019, the fair value of securities that serve as collateral under sale and repurchase agreements is RUB 529 390 million (31 December 2018: RUB 551 204 million).

As at 30 September 2019, the fair value of securities received as collateral under reverse repo deals being pledged for direct repo deals is RUB 480 838 million (31 December 2018: RUB 429 174 million).

15 Due to customers

	30 September 2019 (Unaudited)	31 December 2018
Corporate customers		
Term and demand deposits	694 125	789 711
Current accounts	73 321	33 086
Subordinated debt	41 799	43 571
Payables under repurchase agreements	-	30 065
Term notes	542	666
Total corporate customers	**809 787**	**897 099**
Individuals		
Term and demand deposits	406 949	355 277
Current accounts	52 293	19 799
Total individuals	**459 242**	**375 076**
Total due to customers	**1 269 029**	**1 272 175**

As at 30 September 2019, there are no sale and repurchase agreements (31 December 2018: the fair value of securities that serve as collateral under sale and repurchase agreements is RUB 33 838 million).

As at 30 September 2019, there are no securities received as collateral under reverse repo deals being pledged for direct repo deals (31 December 2018: RUB 23 334 million).

(in millions of Russian Roubles unless otherwise stated)

16 Debt securities issued

	30 September 2019 (Unaudited)	31 December 2018
Bonds	117 646	61 134
Subordinated bonds	42 148	44 171
Total debt securities issued	**159 794**	**105 305**

17 Financial liabilities measured at fair value through profit or loss

	30 September 2019 (Unaudited)	31 December 2018
Structured bonds issued	1 223	-
Other financial liabilities	4 014	6 253
Total financial liabilities measured at fair value through profit or loss	**5 237**	**6 253**

18 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 2019 comprises 27 079 709 866 shares (31 December 2018: 27 079 709 866 shares) with par value of 1 RUB per share. In addition, at 30 September 2019 the Bank has 9 196 448 142 authorised but unissued ordinary shares with an aggregate nominal value of RUB 9 196 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.

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 20).

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.

19 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)

20 Related party transactions

The outstanding balances with related parties and related average interest rates as at 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019 (Unaudited)		31 December 2018	
	Amount	**Average effective interest rate**	**Amount**	**Average effective interest rate**
Cash and cash equivalents				
Asociated company	28		-	
Total cash and cash equivalents	**28**		**-**	
Due from credit and other financial institutions				
Under control of principal beneficiary	-		814	0,1%
Total due from credit and other financial institutions	**-**		**814**	
Trading financial assets				
Under control of principal beneficiary	344		23	
Total trading financial assets	**344**		**23**	
Loans to customers				
Under control of principal beneficiary	24 314	11,3%	24 314	12,2%
Asociated company	748	10,6%	-	
Management	724	8,1%	686	8,5%
Total loans to customers	**25 786**		**25 000**	
Due to credit institutions				
Under control of principal beneficiary	1 210	0,9%	-	
Total due to credit institutions	**1 210**		**-**	
Due to customers				
Term deposits by customers				
Under control of majority shareholder	20 359	6,8%	9 277	7,3%
Parent company	653	6,3%	388	5,4%
Majority shareholder	537	2,0%	1 122	2,9%
Management	262	3,4%	9 999	6,7%
Total term deposits by customers	**21 811**		**20 786**	
Current accounts by customers				
Parent company	2 918		26	
Under control of principal beneficiary	600		1 840	
Management	156		42	
Asociated company	14		-	
Principal beneficiary	1		4	
Total current accounts by customers	**3 689**		**1 912**	
Total due to customers	**25 500**		**22 698**	
Financial liabilities measured at fair value through profit or loss				
Under control of principal beneficiary	78		802	
Total financial liabilities measured at fair value through profit or loss	**78**		**802**	
Debt securities issued				
Under control of principal beneficiary	2 085	10,1%	5 712	9,5%
Parent company	1 887	13,2%	-	
Total debts securities issued	**3 972**		**5 712**	
Guarantees issued				
Under control of principal beneficiary	193		90	
Asociated company	55		-	
Total guarantees issued	**248**		**90**	

(in millions of Russian Roubles unless otherwise stated)

As at 30 September 2019, the company under control of principal beneficiary has an investment in perpetual debt issued in the amount of RUB 1 661 million (31 December 2018: RUB 4 458 million). During the nine-month period ended 30 September 2019 the company under control of principal beneficiary received coupon payments on perpetual debt issued from the Group in the amount of RUB 126 million (nine-month period ended 30 September 2018: 323 million).

As at 30 September 2019, the undrawn loan commitments under credit line agreements for principal beneficiary and for management are RUB 72 million (31 December 2018: RUB 111 million).

Amounts included in profit or loss and other comprehensive income for the nine-month period ended 30 September 2019 and 30 September 2018 in relation to transactions with related parties are as follows:

	Nine-Month Period Ended 30 September 2019 (Unaudited)	**Nine-Month Period Ended 30 September 2018 (Unaudited)**
Interest income		
Under control of principal beneficiary	2 650	2 220
Asociated company	55	-
Management	38	20
Parent company	-	41
Principal beneficiary	-	2
Total interest income	**2 743**	**2 283**
Interest expense		
Under control of principal beneficiary	(1 598)	(1 375)
Parent company	(285)	(37)
Principal beneficiary	(22)	(121)
Management	(16)	(13)
Total interest expense	**(1 921)**	**(1 546)**
Commission income		
Under control of principal beneficiary	157	249
Parent company	34	21
Asociated company	24	-
Total commission income	**215**	**270**
Net foreign exchange gain (loss)		
Under control of principal beneficiary	4 997	(7 278)
Parent company	(68)	-
Total net foreign exchange gain (loss)	**4 929**	**(7 278)**

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the six-month periods ended 30 September 2019 and 30 September 2018 (refer to Note 6) is as follows:

	Nine-Month Period Ended 30 September 2019 (Unaudited)	**Nine-Month Period Ended 30 September 2018 (Unaudited)**
Board Members of the Management Board	(669)	(472)
Members of the Supervisory Board	(74)	(64)
	(743)	**(536)**

(in millions of Russian Roubles unless otherwise stated)

21 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 2019 and 31 December 2018, 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 2019 and 31 December 2018.

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 2019 and 31 December 2018 is as follows:

	30 September 2019 (Unaudited)	31 December 2018
Tier 1 capital		
Share capital and additional paid-in capital	74 189	74 189
Retained earnings	80 526	71 637
Intangible assets	(630)	(417)
Core tier 1 capital	**154 085**	**145 409**
Additional capital		
Perpetual debt issued	43 084	46 691
Total tier 1 capital	**197 169**	**192 100**
Tier 2 capital		
Revaluation surplus for buildings	490	490
Fair value reserve for securities	774	(1 834)
Subordinated debt		
Subordinated loans	61 154	63 072
Subordinated bonds	40 695	43 563
Total tier 2 capital	**103 113**	**105 291**
Total capital	**300 282**	**297 391**
Risk-weighted assets		
Banking book	961 877	922 193
Trading book	411 638	322 582
Operational risk	113 602	113 602
Total risk weighted assets	**1 487 117**	**1 358 377**
Total core tier 1 capital expressed as a percentage of risk-weighted assets (core tier 1 capital ratio) (%)	**10,4**	**10,7**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio) (%)	**13,3**	**14,1**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio) (%)	**20,2**	**21,9**

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.

22 Analysis by segment

The Group has four 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
- Treasury comprises interbank lending and borrowings from banks, securities trading and brokerage in securities, repo transactions, foreign exchange services, 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.

(in millions of Russian Roubles unless otherwise stated)

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

	30 September 2019 (Unaudited)	31 December 2018
ASSETS		
Corporate banking	655 346	635 368
Retail banking	110 733	100 208
Treasury	1 392 744	1 386 574
Cash operations	25 376	23 777
Total assets	**2 184 199**	**2 145 927**
LIABILITIES		
Corporate banking	818 184	909 275
Retail banking	464 399	377 747
Treasury	697 231	661 347
Cash operations	5 314	6 385
Total liabilities	**1 985 128**	**1 954 754**

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

(Unaudited)	Corporate banking	Retail banking	Treasury	Cash operations	Total
External interest income	37 507	11 301	60 175	91	109 074
Fee and commission income	3 357	3 995	293	3 531	11 176
Net loss from sale and redemption of Investment financial assets at FVOCI	-	-	(221)	-	(221)
Net gain on financial assets at FVTPL	-	-	784	-	784
Net realised gain on Investment financial assets at amortised cost	-	-	199	-	199
Net foreign exchange losses	(2 238)	-	(6 293)	-	(8 531)
Net gain on change in financial liabilities measured at fair value through profit or loss	-	-	24	-	24
Other operating (expenses) income, net	(34)	195	(323)	(115)	(277)
Revenue (expenses) from other segments	3 791	19 204	(23 332)	337	-
Revenue	**42 383**	**34 695**	**31 306**	**3 844**	**112 228**
(Charge for) recovery of credit losses on debt financial assets	(537)	(2 752)	312	(1)	(2 978)
Interest expense	(29 850)	(20 349)	(26 726)	(20)	(76 945)
Fee and commission expense	(4)	(2 183)	(500)	(25)	(2 712)
Net loss on loans to customers at FVTPL	(1 060)	-	-	-	(1 060)
Impairment recoveries (losses) on other non-financial assets, credit recoveries (losses) on other financial assets and credit related commitments and other provisions	3 851	(221)	29	(33)	3 626
General administrative and other expenses	(3 969)	(7 580)	(2 360)	(3 804)	(17 713)
Expense	**(31 569)**	**(33 085)**	**(29 245)**	**(3 883)**	**(97 782)**
Segment result	**10 814**	**1 610**	**2 061**	**(39)**	**14 446**

(in millions of Russian Roubles unless otherwise stated)

Segment information for the main reportable segments for the 31 December 2018 is set below:

(Unaudited)	**Corporate banking**	**Retail banking**	**Treasury**	**Cash operations**	**Total**
External interest income	42 126	10 200	50 128	66	102 520
Fee and commission income	3 140	4 590	426	3 247	11 403
Net loss on other financial instruments at fair value through profit or loss	-	-	(180)	-	(180)
Net loss from sale and redemption of financial assets at FVOCI	-	-	(71)	-	(71)
Net foreign exchange gains (losses)	709	-	(536)	-	173
Other operating income (expenses), net	983	(13)	1 789	(30)	2 729
(Expenses) revenue from other segments	(5 749)	11 553	(6 264)	460	-
Revenue	**41 209**	**26 330**	**45 292**	**3 743**	**116 574**
Reversal of (charge for) credit loss on debt financial assets	(3 089)	(1 329)	8	2	(4 408)
Interest expense	(18 556)	(15 558)	(31 812)	(1)	(65 927)
Fee and commission expense	(2)	(2 113)	(371)	(14)	(2 500)
Net loss on loans to customers at fair value through profit or loss	(3 224)	-	-	-	(3 224)
Impairment (losses) recoveries on other non-financial assets, credit (losses) recoveries on other financial assets and credit related commitments and other provisions	(1 710)	(8)	(119)	(69)	(1 906)
General administrative and other expenses	(3 133)	(7 118)	(1 062)	(3 294)	(14 607)
Expense	**(29 714)**	**(26 126)**	**(33 356)**	**(3 376)**	**(92 572)**
Segment result	**11 495**	**204**	**11 936**	**367**	**24 002**

Impact IFRS 16

The impact of the first application of IFRS 16 as at 30 September 2019 and during the nine-month period ended 30 September 2019:

(Unaudited)	**Corporate business**	**Retail banking**	**Treasury**	**Cash operations**	**Total**
ASSETS and LIABILITIES					
Right-of-use assets	540	2 309	60	90	2 999
Lease liabilities presented in other liabilities	524	2 242	58	87	2 911
Statement of profit or loss and other comprehensive income					
Depreciation charges	(118)	(504)	(13)	(20)	(655)
Interest expenses	(40)	(173)	(4)	(7)	(224)
Profit before income taxes	**(158)**	**(677)**	**(17)**	**(27)**	**(879)**

(in millions of Russian Roubles unless otherwise stated)

23 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 2019:

(Unaudited)	FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	-	829 613	-	829 613	829 613
Obligatory reserves with the CBR	-	16 460	-	16 460	16 460
Due from credit and other financial institutions	-	346 349	-	346 349	346 349
Trading financial assets	13 029	-	-	13 029	13 029
Loans to customers	57 383	678 085	-	735 468	740 814
Investment financial assets	16 243	35 648	171 524	223 415	225 463
Other financial assets	-	3 146	-	3 146	3 146
	86 655	**1 909 301**	**171 524**	**2 167 480**	**2 174 874**
Due to credit institutions	-	535 202	-	535 202	535 202
Due to customers	-	1 269 029	-	1 269 029	1 280 092
Debt securities issued		159 794	-	159 794	160 315
Financial liabilities measured at fair value through profit or loss	5 237	-	-	5 237	5 237
Other financial liabilities	-	5 874	-	5 874	5 874
	5 237	**1 969 899**	**-**	**1 975 136**	**1 986 720**

The main assumptions used by management to estimate the fair values of financial instruments as at 30 September 2019 are:

- discount rates from 8,6% to 12,0% (roubles) and from 2,4% to 8,2% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 9,9% to 25,6% (roubles) and from 5,8% to 9,9% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 6,4% to 7,5% (roubles) and from 1,4% to 2,3% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 5,1% to7,0% (roubles) and from 1,0% to 1,8% (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 2018:

	FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	-	1 162 779	-	1 162 779	1 162 779
Obligatory reserves with the CBR	-	13 065	-	13 065	13 065
Due from credit and other financial institutions	-	13 183	-	13 183	13 183
Trading financial assets	15 665	-	-	15 665	15 665
Loans to customers	63 383	645 662	-	709 045	717 280
Investment financial assets	120	39 401	174 960	214 481	213 148
Assets for sale	-	609	-	609	609
Other financial assets	-	2 883	-	2 883	2 883
	79 168	**1 877 582**	**174 960**	**2 131 710**	**2 138 612**
Due to credit institutions	-	552 930	-	552 930	552 930
Due to customers	-	1 272 175	-	1 272 175	1 281 946
Debt securities issued	-	105 305	-	105 305	95 046
Financial liabilities measured at fair value through profit or loss	6 329	-	-	6 329	6 329
Other financial liabilities	-	5 589	-	5 589	5 589
	6 329	**1 935 999**	**-**	**1 942 328**	**1 941 840**

The main assumptions used by management to estimate the fair values of financial instruments as at 31 December 2018 are:

- discount rates from 9,9% to 12,8% (roubles) and from 4,0% to 8,2% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 9,8% to 26,2% (roubles) and from 6,5% to 9,9% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 6,0% to 7,3% (roubles) and from 1,7% to 3,3% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 5,8% to 6,1% (roubles) and from 1,5% to 2,8% (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 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.

(in millions of Russian Roubles unless otherwise stated)

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 2019 and 31 December 2018:

30 September 2019 (Unaudited)	Level 1	Level 2	Level 3	Total
Trading financial assets	6 509	6 520	-	**13 029**
Loans to customers	-	-	740 814	**740 814**
Investment financial assets	209 220	16 243	-	**225 463**
Due to customers	-	1 280 092	-	**1 280 092**
Financial liabilities measured at	-	5 237	-	**5 237**
Debt securities issued	160 315	-	-	**160 315**

31 December 2018	Level 1	Level 2	Level 3	Total
Trading financial assets	11 029	4 636	-	**15 665**
Loans to customers	-	-	717 280	**717 280**
Investment financial assets	212 848	120	180	**213 148**
Due to customers	-	1 281 946	-	**1 281 946**
Financial liabilities measured at	-	6 239	-	**6 239**

During the nine-month period ended 30 September 2019 there was no transfer of assets between Level 1 and Level 3 (31 December 2018: RUB 180 million).

A reconciliation of movements in fair value of loans to customers at FVTPL for the nine-month period ended 30 September 2019 and 30 September 2018 is as follows:

	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)
Fair value as at 1 January	63 383	32 714
Loan issues	2 257	39 701
Loan repayments	(4 163)	(10 765)
Interest income recognised	2 587	2 474
Changes in fair value measurement	(1 060)	(3 224)
Write-offs	(291)	(1 909)
Net foreign exchange (loss) gain	(5 329)	4 583
Fair value as at 30 September	**57 383**	**63 574**

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 2019:

Type of instrument (Unaudited)	Fair values	Valuation technique	Significant unobservable input	Unobservable inputs used
Loans to customers at FVTPL	57 383	Discounted cash flow from operating activities	Risk-adjusted discount rate	RUB: 7.0% - 30.1% USD: 3.8% - 7.1% EUR: 4.8%

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 2018:

Type of instrument	Fair values	Valuation technique	Significant unobservable input	Unobservable inputs used
Loans to customers at FVTPL	63 383	Discounted cash flow from operating activities	Risk-adjusted discount rate	RUB: 8.43% - 33.8% USD: 5.2% - 7.1% EUR: 3.7%

(in millions of Russian Roubles unless otherwise stated)

If discount rates differ by plus/minus one percent, fair values of these instruments would be RUB 56 342 million and RUB 58 179 million respectively (31 December 2018: RUB 61 531 million – RUB 64 358 million).

24 Earnings per share

Basic earnings per share are calculated by dividing (loss) profit for the nine-month period ended 30 September 2019 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 2019 (Unaudited)	**Nine-Month Period Ended 30 September 2018 (Unaudited)**	**Three-Month Period Ended 30 September 2019 (Unaudited)**	**Three-Month Period Ended 30 September 2018 (Unaudited)**
Profit for the period	11 882	18 355	9 721	7 351
Interest paid on perpetual debt issue, net of tax	(2 336)	(2 286)	(775)	(790)
Total profit for the period	9 546	16 069	8 948	6 561
Weighted average number of ordinary shares in issue	27 079 709 866	27 079 709 866	27 079 709 866	27 079 709 866
Basic and diluted earnings per share (in RUB per share)	**0,35**	**0,59**	**0,33**	**0,24**

25 Events subsequent to the reporting date

In October 2019 Sergey N. Sudarikov, the controlling shareholder of REGION Group, was appointed CEO (General Director) of LLC Concern Rossium.

In October 2019 the Bank paid out the coupon in the amount of USD 20.9 million on 10.5-year 7.5% subordinated Eurobonds due 2027 with the nominal value of USD 600 million.

In October 2019, CBM placed in full bond issue series 001P-01 worth RUB5 billion. The bonds were placed by public subscription and have six semi-annual coupons, each paying 8.35% per annum. The nominal value of one bond is RUB 1,000.

In October 2019, CBM placed in full bond issue series BSO-P05 worth RUB350 million. The bonds were placed by public subscription and have three annual coupons, each paying 3.25% per annum. The nominal value of one bond is RUB 1,000.

In October 2019 Rating-Agentur Expert RA GmbH assigned a “BBB” ESG rating to the Bank.

In November 2019 the Group placed an additional share issue on Moscow Exchange. A total volume of the offering comprised 2.75 billion shares and the offer price was set at RUB 5.35 per share. Proceeds from the Offering in the amount of RUB 14.7 billion will be included to the Group’s core tier 1 capital.

In November 2019 the Group paid out the coupon in the amount of USD 14.7 million on the senior 5-year 5.875% Eurobonds due 2021 with the nominal value of USD 500 million.

In November 2019 the Group paid out the coupon in the amount of USD 14.9 million on perpetual subordinated Loan Participation Notes with the nominal value of USD 700 million.

In November 2019 the Bank optimized its capital structure with a partial redemption of USD 600 million 7,500% p. a. Subordinated Loan Participation Notes due 2027 and USD 700 million 8,875% p. a. perpetual callable Loan Participation Notes. As a result of the partial redemption of the Loan Participation Notes and cancellation of equivalent amounts of the Loan Participation Notes, USD 440 million of the CBOM’27 bonds and USD 540 million of the perpetual bonds remained outstanding.

In November 2019 China Lianhe Credit Rating Co., Ltd assigned “AA+” credit rating on Chinese national scale to the Bank.

In November 2019 the Group paid out the coupon in the amount of RUB 412.5 million on 10.5-year 16.5% subordinated Eurobonds due 2025 with the nominal value of RUB 5 billion.