CREDIT BANK OF MOSCOW
(public joint-stock company)

Consolidated Interim Condensed
Financial Statements
for the three-month period
ended 31 March 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 31 March 2019, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, 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.

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 31 March 2019, and for the three-

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

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

Moscow, Russian Federation

Independent auditor: 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

month period then ended is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Lukashova N.V.

Director

JSC "KPMG"

Moscow, Russia

29 May 2019

(in millions of Russian Roubles unless otherwise stated)

	Notes	Three-Month Period Ended 31 March 2019 (Unaudited)	Three-Month Period Ended 31 March 2018 (Unaudited)
Interest income calculated using the effective interest method	4	34 182	33 765
Other interest income	4	1 024	1 109
Interest expense	4	(25 559)	(21 863)
Net interest income	4	**9 647**	**13 011**
(Charge for) recovery of credit losses on debt financial assets	9,10, 12,13	(5 220)	236
Net interest income after credit losses on debt financial assets		**4 427**	**13 247**
Fee and commission income	5	3 445	3 390
Fee and commission expense	5	(954)	(610)
Net loss on loans to customers at FVTPL		-	(1 528)
Net (loss) gain on trading financial assets		(537)	41
Net gain from sale and redemption of investment financial assets at FVOCI		258	335
Net realised gain on investment financial assets at amortised cost		10	-
Net foreign exchange losses		(4 739)	(6 182)
Impairment (losses) recoveries on other non-financial assets, (charge for) recovery of credit losses on other financial assets and credit related commitments and other provisions	7	3 121	(768)
State deposit insurance scheme contributions		(549)	(334)
Operating lease income		11	30
Other net operating expense		(80)	(114)
Non-interest expense		**(14)**	**(5 740)**
Operating income		**4 413**	**7 507**
Salaries and employment benefits	6	(3 052)	(2 513)
Administrative expenses	6	(708)	(1 125)
Depreciation of premises and equipment and right-of-use assets		(470)	(240)
Operating expense		**(4 230)**	**(3 878)**
Profit before income taxes		**183**	**3 629**
Income tax	8	55	(1 336)
Profit for the period		**238**	**2 293**

The consolidated interim condensed statement of profit or loss and other comprehensive income 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	Three-Month Period Ended 31 March 2019 (Unaudited)	Three-Month Period Ended 31 March 2018 (Unaudited)
Profit for the period		**238**	**2 293**
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		3 083	(1 026)
- net amount transferred to profit or loss		(493)	(102)
Income tax related to items that are or may be reclassified subsequently to profit or loss		(518)	226
Other comprehensive income (loss) for the period, net of income tax		**2 072**	**(902)**
Total comprehensive income for the period		**2 310**	**1 391**
Basic and diluted (loss) earnings per share (in RUB per share)	22	**(0.02)**	**0.06**

Acting Chairman of the Management Board — Mikhail V. Polunin

Chief Accountant — Svetlana V. Sass

The consolidated interim condensed statement of profit or loss and other comprehensive income 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	31 March 2019 (Unaudited)	31 December 2018
ASSETS			
Cash and cash equivalents	9	544 631	1 162 779
Obligatory reserves with the Central bank of the Russian Federation		12 908	13 065
Due from credit and other financial institutions	10	603 091	13 183
Trading financial assets	11	15 963	15 665
- *held by the Group*	*11*	*14 634*	*12 909*
- *pledged under sale and repurchase agreements*	*11*	*1 329*	*2 756*
Loans to customers	12	696 089	709 045
- *loans to corporate clients*	*12*	*603 874*	*617 911*
- *loans to individuals*	*12*	*92 215*	*91 134*
Investment financial assets	13	226 014	214 481
- *held by the Group*		*133 477*	*84 703*
- *pledged under sale and repurchase agreements*		*92 537*	*129 778*
Investments in associates		2 275	2 275
Property and equipment		9 973	7 182
Deferred tax asset		71	113
Other assets		7 672	8 139
Total assets		**2 118 687**	**2 145 927**
LIABILITIES AND EQUITY			
Due to credit institutions	14	599 253	552 930
Due to customers		1 142 600	1 272 175
- *due to corporate customers*		*728 063*	*897 099*
- *due to individuals*		*414 537*	*375 076*
Debt securities issued	15	168 026	105 305
Deferred tax liability		5 140	4 248
Other liabilities		12 061	20 096
Total liabilities		**1 927 080**	**1 954 754**
Equity			
Share capital	16	27 942	27 942
Additional paid-in capital		46 247	46 247
Perpetual debt issued	16	43 343	46 691
Revaluation surplus for buildings		490	490
Fair value reserve for securities		238	(1 834)
Retained earnings		73 347	71 637
Total equity		**191 607**	**191 173**
Total liabilities and equity		**2 118 687**	**2 145 927**

Acting Chairman of the Management Board — Mikhail V. Polunin

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	Three-Month Period Ended 31 March 2019 (Unaudited)	Three -Month Period Ended 31 March 2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		32 998	34 097
Interest payments		(28 328)	(24 330)
Fees and commission receipts		3 525	3 410
Fees and commission payments		(829)	(605)
Net (payments) receipts from operations with securities		(472)	382
Net (payments) receipts from foreign exchange		(7 685)	5 481
State deposit insurance scheme contributions payments		(522)	(328)
Net other operating (expense) income (payments) receipts		(255)	119
Salaries and employment benefits paid		(2 675)	(2 192)
Administrative expenses paid		(827)	(1 064)
Income tax paid		(321)	(111)
Operating cash flows before changes in operating assets and liabilities		**(5 391)**	**14 859**
(Increase) decrease in operating assets			
Obligatory reserves with the Central bank of the Russian Federation		157	(529)
Due from credit and other financial institutions		(603 952)	2 319
Trading financial assets		3 502	(2 035)
Loans to customers		(19 400)	112 070
Other assets		968	(2 237)
Increase (decrease) in operating liabilities			
Due to credit institutions except syndicated and subordinated loans		96 490	(5 430)
Due to customers except subordinated loans		(85 457)	(3 418)
Other liabilities		(1 996)	(91)
Net cash (used in) from operations		**(615 079)**	**115 508**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment financial assets		(79 142)	(91 482)
Proceeds from disposal and redemption of investment financial assets		61 979	36 867
Purchase of property and equipment and intangible assets		(920)	(233)
Net cash used in investing activities		**(18 083)**	**(54 848)**

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	Three-Month Period Ended 31 March 2019 (Unaudited)	Three -Month Period Ended 31 March 2018 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement and issuance of perpetual debt		99	-
Repayment of perpetual debt issued		(615)	-
Interest on perpetual debt paid		(982)	(896)
Repayment of syndicated borrowings		(19 920)	(11 452)
Proceeds from placement and issuance of subordinated bonds		263	-
Partial redemption of subordinated bonds		(171)	-
Proceeds from placement and issuance of other bonds		81 011	38 173
Repayments of other bonds		(13 026)	(33 397)
Cash outflow from lease liabilities		(172)	-
Net cash from (used in) financing activities		**46 487**	**(7 572)**
Effect of exchange rates changes on cash and cash equivalents		**(32 475)**	**1 742**
Effect of changes in ECL on cash and cash equivalents		1 002	(143)
Change in cash and cash equivalents		**(618 148)**	**54 687**
Cash and cash equivalents, beginning of the period		1 162 779	933 360
Cash and cash equivalents, end of the period	9	**544 631**	**988 047**

Acting Chairman of the Management Board — Mikhail V. Polunin

Chief Accountant — Svetlana V. Sass

ПУБЛИЧНОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «МОСКОВСКИЙ КРЕДИТНЫЙ БАНК» СВ. БАНКА РОССИИ № 1978 107045, г. Москва, Луков переулок, д.2, стр. 1

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	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)	-	-	-	-	(902)	2 293	**1 391**
Interest paid on perpetual debt issued (Unaudited)	-	-	-	-	-	(896)	**(896)**
Foreign exchange translation of perpetual debt issued (Unaudited)	-	-	(234)	-	-	234	-
Tax effect on perpetual debt issued (Unaudited)	-	-	-	-	-	133	**133**
Balance as at 31 March 2018 (Unaudited)	**27 942**	**46 247**	**40 086**	**582**	**446**	**55 195**	**170 498**
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)	-	-	-	-	2 072	238	**2 310**
Perpetual debt redemption (Unaudited)	-	-	(615)	-	-	-	**(615)**
Interest paid on perpetual debt issued (Unaudited)	-	-	-	-	-	(982)	**(982)**
Perpetual debt issued (Unaudited)	-	-	99	-	-	-	**99**
Foreign exchange translation of perpetual debt issued (Unaudited)	-	-	(2 832)	-	-	2 832	-
Tax effect on perpetual debt issued (Unaudited)	-	-	-	-	-	(378)	**(378)**
Balance as at 31 March 2019 (Unaudited)	**27 942**	**46 247**	**43 343**	**490**	**238**	**73 347**	**191 607**

Acting Chairman of the Management Board — Mikhail V. Polunin

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 Moscow and the Moscow region with a branch network comprising 132 branches, 1 192 ATMs and 6 942 payment terminals.

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Principal activities	Degree of control, %	
			31 March 2019	31 December 2018
"CBOM Finance p.l.c."	Ireland	Raising finance	100%	100%
"INKAKHRAN" Group	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 31 March 2019 are:

- LLC Concern Rossium – 60.01%*
- RegionFinanceResurs JSC – 9.43%
- LLC IC Algoritm – 6.34%
- Other shareholders – 24.22%.

* The ownership share of PJSC "CREDIT BANK OF MOSCOW", which includes the direct ownership share of LLC Concern Rossium for 56.08% and the ownership share of the Company's subsidiaries for 3.93%

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 18.

Russian business environment

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

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

The 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.

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.

(in millions of Russian Roubles unless otherwise stated)

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:

	31 March 2019	**31 December 2018**	**31 March 2018**
USD	64.7347	69.4706	57.2649
EUR	72.7230	79.4605	70.5618

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 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.

(in millions of Russian Roubles unless otherwise stated)

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.

(Unaudited)	**Property**	**Vehicles**
Balance at 1 January 2019	2 999	48
Balance at 31 March 2019	2 840	43

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.

(in millions of Russian Roubles unless otherwise stated)

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.

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%.

(in millions of Russian Roubles unless otherwise stated)

	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 three months ended 31 March 2019, the Group recognised RUB 195 million of depreciation charges and RUB 59 million of interest costs from these leases. For the impact of IFRS 16 on segment information see Note 20.

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

	Three-Month Period Ended 31 March 2019 (Unaudited)	**Three-Month Period Ended 31 March 2018 (Unaudited)**
Interest income calculated using the effective interest method		
Financial assets measured at amortised cost		
Loans to customers	14 943	17 303
Due from credit and other financial institutions and the CBR	16 029	14 602
Other financial assets	454	50
Debt financial assets measured at FVOCI	**2 756**	**1 810**
Interest income calculated using the effective interest method	**34 182**	**33 765**
Loans to customers at FVTPL	861	794
Other financial instruments at fair value through profit or loss	163	315
Other interest income	**1 024**	**1 109**
	35 206	**34 874**
Interest expense		
Due to customers	(15 470)	(10 320)
Due to credit institutions and the CBR	(7 782)	(9 292)
Debt securities issued	(2 243)	(2 249)
Lease liabilities	(64)	(2)
	(25 559)	**(21 863)**
Net interest income	**9 647**	**13 011**

(in millions of Russian Roubles unless otherwise stated)

5 Net fee and commission income

	Three-Month Period Ended 31 March 2019 (Unaudited)	Three-Month Period Ended 31 March 2018 (Unaudited)
Fee and commission income		
Other cash operations	697	496
Settlements and wire transfers	527	566
Plastic cards	518	546
Cash handling	498	435
Guarantees and letters of credit	469	440
Insurance contracts processing	409	385
Currency exchange and brokerage commission	184	212
Opening and maintenance of bank accounts	139	262
Other	4	48
	3 445	**3 390**
Fee and commission expense		
Settlements, wire transfers	(806)	(539)
Other	(148)	(71)
	(954)	**(610)**
Net fee and commission income	**2 491**	**2 780**

6 Salaries, employment benefits and administrative expenses

	Three-month period ended 31 March 2019 (Unaudited)	Three-month period ended 31 March 2018 (Unaudited)
Salaries	2 335	1 930
Social security costs	717	583
Salaries and employment benefits	**3 052**	**2 513**
Security	143	126
Property maintenance	139	128
Operating taxes	106	108
Communications	64	41
Legal and consulting services	51	55
Occupancy	45	279
Write-off of low-value fixed assets	42	45
Transport	39	21
Insurance	38	33
Computer maintenance and software expenses	26	36
Advertising and business development	8	249
Other	7	4
Administrative expenses	**708**	**1 125**

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.

(in millions of Russian Roubles unless otherwise stated)

7 Impairment (losses) recoveries on other non-financial assets, (charge for) recovery of credit losses on other financial assets and credit related commitments and other provisions

Movements in the impairment allowance and credit loss allowance for the three-month period ended 31 March 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)	238	89	(18)	(3 430)	**(3 121)**
Write-offs	-	(85)	-	(2)	**(87)**
Balance at the end of the period	**695**	**59**	**155**	**2 537**	**3 446**

The Group revised historical losses for non-financial guarantees and adjusted provision rate accordingly. The Group also obtained collateral for significant non-financial guarantee in 2019. This resulted in recovery of other provisions for amount of RUB 3 162 million during the three-month period ended 31 March 2019.

Movements in the impairment allowance for the three-month ended 31 March 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 (recovery) charge	(70)	42	153	643	**768**
Write-offs	(1)	(7)	-	(43)	**(51)**
Balance at the end of the period	**443**	**266**	**3 328**	**847**	**4 884**

8 Income tax

	Three-Month Period Ended 31 March 2019 (Unaudited)	Three-Month Period Ended 31 March 2018 (Unaudited)
Current tax charge	93	2 131
Deferred taxation	(148)	(795)
Income tax (recovery) expense	**(55)**	**1 336**

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.

(in millions of Russian Roubles unless otherwise stated)

9 Cash and cash equivalents

	31 March 2019 (Unaudited)	31 December 2018
Cash on hand	25 656	18 655
Correspondent account with the Central bank of the Russian Federation	64 150	56 103
Nostro accounts with other banks		
rated from AA+ to AA-	3 437	7 562
rated from A+ to A-	325	1 467
rated from BBB+ to BBB-	3 115	3 291
rated from BB+ to BB-	266	853
rated from B+ to B-	15	109
not rated	450	983
Total nostro accounts with other banks	**7 608**	**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	2 362	2 219
rated from AA+ to AA-	5 044	-
rated from A+ to A-	-	12 416
rated from BBB+ to BBB-	4 034	6 520
rated from B+ to B-	56 104	49 560
not rated	379 969	1 004 339
Total deposits in credit and other financial institutions with maturity of less than 1 month	**447 513**	**1 075 054**
Total gross cash and cash equivalents	**544 927**	**1 164 077**
Credit loss allowance	(296)	(1 298)
Total net cash and cash equivalents	**544 631**	**1 162 779**

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 31 March 2019, not rated Cash and cash equivalents include counterparties with ratings equivalent to Low credit risk for amount of RUB 375 million, counterparties with ratings equivalent to Moderate credit risk for amount of RUB 380 044 million.

As at 31 March 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 379 969 million (31 December 2018: RUB 1 004 339 million).

As at 31 March 2019, receivables under reverse sale and repurchase agreements included in cash and cash equivalents are RUB 440 107 million (31 December 2018: RUB 1 058 970 million).

As at 31 March 2019, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 500 243 million (31 December 2018: RUB 1 152 996 million).

As at 31 March 2019, the total gross amount of cash and cash equivalents of the top twenty counterparties (or groups of related counterparties) was RUB 518 573 million (31 December 2018: RUB 1 143 863 million) or 95.2% (31 December 2018: or 98.3%) of the Group's total gross amount of cash and cash equivalents.

(in millions of Russian Roubles unless otherwise stated)

As at 31 March 2019, Cash and cash equivalents balances for ECL calculation for which external benchmark information represents a significant input into measurement of ECL are RUB 135 762 million (31 December 2018: RUB 137 689 million).

Movements in cash and cash equivalents credit loss allowance for the three-month period ended 31 March 2019 and 31 March 2018 are as follows:

	Three-month period ended 31 March 2019 (Unaudited)	Three-month period ended 31 March 2018 (Unaudited)
Balance at the beginning of the period	**1 298**	**673**
Net (recovery) charge	(1 002)	143
Balance at the end of the period	**296**	**816**

As at 31 March 2019 and 31 March 2018, the Group recognises expected loss allowance in the amount of 12-month expected credit loss.

10 Due from credit and other financial institutions

	31 March 2019 (Unaudited)	31 December 2018
Term deposits		
rated from BBB+ to BBB-	1 526	2 619
rated from BB+ to BB-	1 513	-
rated from B+ to B-	3 004	4 047
not rated	597 786	6 652
Total gross due from credit and other financial institutions	**603 829**	**13 318**
Credit loss allowance	(738)	(135)
Total net due from credit and other financial institutions	**603 091**	**13 183**

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

As at 31 March 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 597 761 million and Disstressed assets for amount of RUB 25 million.

As at 31 March 2019, deposits included in not rated credit and other financial institutions are receivables in the amount of RUB 597 761 million (31 December 2018: RUB 3 679 million) secured by liquid securities under agreements to resell (reverse repo).

As at 31 March 2019, receivables under reverse sale and repurchase agreements included in due from credit and other financial institutions are RUB 602 057 million (31 December 2018: RUB 7 762 million).

As at 31 March 2019, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 646 501 million (31 December 2018: RUB 10 417 million).

As at 31 March 2019, the total amount of due from credit and other financial institutions was attributable to seven counterparties (31 December 2018: seven counterparties) or groups of related counterparties.

As at 31 March 2019, Deposits in credit and other financial institutions balances for ECL calculation for which external benchmark information represents a significant input into measurement of ECL are RUB

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6 047 million (31 December 2018: RUB 6 669 million).

Movements in due from credit and other financial institutions credit loss allowance for the three-month period ended 31 March 2019 and 31 March 2018 are as follows:

	Three-month period ended 31 March 2019 (Unaudited)	Three-month period ended 31 March 2018 (Unaudited)
Balance at the beginning of the period	**135**	**166**
Net charge (recovery)	603	(31)
Balance at the end of the period	**738**	**135**

As at 31 March 2019 and 31 March 2018 the Group recognises expected loss allowance in the amount of 12-month expected credit loss.

11 Trading financial assets

	31 March 2019 (Unaudited)	31 December 2018
<u>**Held by the Group**</u>		
Government and municipal bonds		
Russian Government Federal bonds	651	1 418
Russian Government Eurobonds	2 663	470
Regional authorities and municipal bonds	2	65
Corporate bonds		
rated from BBB+ to BBB-	1 015	3 109
rated from BB+ to BB-	664	2 955
rated from B+ to B-	130	127
not rated	868	129
Derivative financial instruments	**8 641**	**4 636**
Total held by the Group	**14 634**	**12 909**
<u>**Pledged under sale and repurchase agreements**</u>		
Corporate bonds		
rated from BBB+ to BBB-	752	2 606
rated from BB+ to BB-	577	150
Total pledged under sale and repurchase agreements	**1 329**	**2 756**
Total trading financial assets	**15 963**	**15 665**

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

As at 31 March 2019, trading financial assets in the amount of RUB 5 109 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

	31 March 2019 (Unaudited)	31 December 2018
Loans to customers at amortised cost		
Loans to corporate clients	574 339	580 146
Credit loss allowance	(29 448)	(25 618)
Total loans to corporate clients at amortised cost, net	**544 891**	**554 528**
Loans to individuals		
Cash loans	71 809	72 219
Mortgage loans	22 190	20 679
Credit card loans	3 562	3 585
Auto loans	89	119
Credit loss allowance	(5 435)	(5 468)
Total loans to individuals, net	**92 215**	**91 134**
Total gross loans to customers at amortised cost	**671 989**	**676 748**
Credit loss allowance	**(34 883)**	**(31 086)**
Total net loans to customers at amortised cost	**637 106**	**645 662**
Loans to customers at FVTPL		
Loans to corporate clients	58 983	63 383
Total loans to customers at amortised cost and FVTPL	**696 089**	**709 045**

Credit quality of loan portfolio

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

	31 March 2019 (Unaudited)	31 December 2018
Loans to customers		
- Not past due	701 500	705 067
- Overdue less than 31 days	2 167	18 257
- Overdue 31-60 days	1 455	3 614
- Overdue 61-90 days	7 445	1 239
- Overdue 91-180 days	7 482	2 793
- Overdue 181-360 days	3 701	4 803
- Overdue more than 360 days	7 222	4 358
Total gross loans to customers	**730 972**	**740 131**
Credit loss allowance	**(34 883)**	**(31 086)**
Total net loans to customers	**696 089**	**709 045**

As at 31 March 2019, the gross amount of overdue loans with payments that are overdue at least for one day totals RUB 29 472 million, which represents 4.0% of the gross loan portfolio (31 December 2018: RUB 35 064 million and 4.7%, respectively).

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As at 31 March 2019, non-performing loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 18 405 million or 2.5% of the gross loan portfolio (31 December 2018: RUB 11 954 million and 1.6%, respectively).

As at 31 March 2019, the ratio of total credit loss allowance to overdue loans equals 118.4%, the ratio of total credit loss allowance to NPLs equals 189.5% (31 December 2018: 88.7%, 260.0%, respectively).

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of loans to corporate clients as at 31 March 2019 and 31 December 2018:

	31 March 2019 (Unaudited)	31 December 2018
Loans to corporate clients		
- Not past due	609 971	614 542
- Overdue less than 31 days	958	17 149
- Overdue 31-60 days	776	3 131
- Overdue 61-90 days	7 075	901
- Overdue 91-180 days	6 650	1 811
- Overdue 181-360 days	2 064	2 912
- Overdue more than 360 days	5 828	3 083
Total gross loans to corporate clients	**633 322**	**643 529**
Credit loss allowance	**(29 448)**	**(25 618)**
Total net loans to corporate clients	**603 874**	**617 911**

Credit quality analysis

	31 March 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	133 110	-	-	-	133 110
Moderate credit risk	348 987	26 363	-	5 503	380 853
High credit risk	28 361	2 027	-	7 575	37 963
Distressed assets	-	-	22 413	-	22 413
Total	**510 458**	**28 390**	**22 413**	**13 078**	**574 339**
Credit loss allowance	**(9 739)**	**(2 486)**	**(17 679)**	**456**	**(29 448)**
Carrying amount	**500 719**	**25 904**	**4 734**	**13 534**	**544 891**
Loan commitments	**58 078**	**35**	**-**	**-**	**58 113**
Credit loss allowance	**(50)**	**-**	**-**	**-**	**(50)**
Carrying amount	**(50)**	**-**	**-**	**-**	**(50)**
Financial guarantee contracts	**4 095**	**500**	**1 438**	**-**	**6 033**
Credit loss allowance	**(65)**	**(40)**	**-**	**-**	**(105)**
Carrying amount	**(102)**	**(40)**	**(17)**	**-**	**(159)**

(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**
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)**
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)**

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 three-month periods ended 31 March 2019 and 31 March 2018 are as follows:

	Three-month period ended 31 March 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 lifetime ECL not credit-impaired	(52)	52	-	-	-
Transfer to lifetime ECL credit-impaired	-	(3 307)	3 307	-	-
Net remeasurement of loss allowance	(478)	(676)	5 257	(456)	3 647
New financial assets originated or purchased	3 634	514	-	-	4 148
Financial assets that have been fully repaid	(3 328)	(5)	(19)	-	(3 352)

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

(in millions of Russian Roubles unless otherwise stated)

	Three-month period ended 31 March 2019 (Unaudited)*				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Write-offs	-	-	(29)	-	(29)
Recoveries of amounts previously written-off	-	-	19	-	19
Unwinding of discount	-	-	228	-	228
Foreign exchange and other movements	(326)	(29)	(476)	-	(831)
Balance at the end of the period	**9 739**	**2 486**	**17 679**	**(456)**	**29 448**

During the three-month period ended 31 March 2019 the Bank recognised loss on significant modification in amount of RUB 413 million.

	Three-month period ended 31 March 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	2 357	-	(2 357)	-
Transfer to lifetime ECL not credit-impaired	(33)	33	-	-
Transfer to lifetime ECL credit-impaired	-	(6)	6	-
Net remeasurement of loss allowance	(2 295)	51	971	(1 273)
New financial assets originated or purchased	2 077	214	1 369	3 660
Financial assets that have been fully repaid	(1 889)	(138)	(1 241)	(3 268)
Write-offs	-	-	(3 787)	(3 787)
Recoveries of amounts previously written-off	-	-	257	257
Unwinding of discount	-	-	440	440
Balance at the end of the period	**8 013**	**1 439**	**30 976**	**40 428**

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 208 449 million during three-month period ended 31 March 2019 (31 March 2018: RUB 215 559 million) resulted in decrease of ECL in amount of RUB 3 352 million (31 March 2018: RUB 3 268 million).

Write-offs and sale of loans to corporate clients in the amount of RUB 5 039 million during three-month period ended 31 March 2019 (31 March 2018: RUB 34 647 million) resulted in decrease of ECL in the amount of RUB 29 million (31 March 2018: RUB 3 786 million).

Transfers from 12-month ECL to lifetime ECL not credit-impaired and to lifetime ECL credit-impaired in the amount of RUB 1 214 million during three-month period ended 31 March 2019 (31 March 2018: RUB 715 million) resulted in increase of ECL in the amount of RUB 372 million (31 March 2018: RUB 21 million).

(in millions of Russian Roubles unless otherwise stated)

Transfers from lifetime ECL not credit-impaired to lifetime ECL credit-impaired in the amount of RUB 10 630 million during three-month period ended 31 March 2019 (31 March 2018: RUB 41 million) resulted in increase of ECL in the amount of RUB 4 825 million (31 March 2018: RUB 10 million).

Issuance of corporate loans in the amount of RUB 228 324 million during three-month period ended 31 March 2019 (31 March 2018: RUB 139 095 million) during the year resulted in increase of ECL in the amount of RUB 4 148 million (31 March 2018: RUB 3 660 million).

Credit quality of loans to individuals

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

	31 March 2019 (Unaudited)				
	Cash loans	**Mortgage loans**	**Credit card loans**	**Auto loans**	**Total**
Loans to individuals					
- Not past due	66 855	21 261	3 333	80	91 529
- Overdue less than 31 days	1 056	151	-	2	1 209
- Overdue 31-60 days	483	144	50	2	679
- Overdue 61-90 days	318	33	18	1	370
- Overdue 91-180 days	759	40	33	-	832
- Overdue 181-360 days	1 310	241	83	3	1 637
- Overdue more than 360 days	1 028	320	45	1	1 394
Gross loans to individuals	**71 809**	**22 190**	**3 562**	**89**	**97 650**
Credit loss allowance	**(4 888)**	**(282)**	**(261)**	**(4)**	**(5 435)**
Net loans to individuals	**66 921**	**21 908**	**3 301**	**85**	**92 215**

	31 March 2019 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Loans to individuals				
- Not past due	88 482	2 917	130	91 529
- Overdue less than 31 days	180	1 010	19	1 209
- Overdue 31-60 days	-	673	6	679
- Overdue 61-90 days	-	351	19	370
- Overdue 91-180 days	-	-	832	832
- Overdue 181-360 days	-	-	1 637	1 637
- Overdue more than 360 days	-	-	1 394	1 394
Total	**88 662**	**4 951**	**4 037**	**97 650**
Credit loss allowance	**(1 070)**	**(1 124)**	**(3 241)**	**(5 435)**
Carrying amount	**87 592**	**3 827**	**796**	**92 215**

(in millions of Russian Roubles unless otherwise stated)

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**

	31 December 2018			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Loans to individuals				
- Not past due	87 898	2 454	173	90 525
- 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	-	-	982	982
- Overdue 181-360 days	-	-	1 891	1 891
- Overdue more than 360 days	-	-	1 275	1 275
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**

(in millions of Russian Roubles unless otherwise stated)

Analysis of movements in the credit loss allowance

Movements in the credit loss allowance by classes of loans to individuals and by three ECL stages for the three months ended 31 March 2019 are as follows:

	Three-month period ended 31 March 2019 (Unaudited)*			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Cash loans				
Balance at the beginning of the period	**1 011**	**884**	**3 032**	**4 927**
Transfer to 12-month ECL	197	(144)	(53)	-
Transfer to lifetime ECL not credit-impaired	(88)	149	(61)	-
Transfer to lifetime ECL credit-impaired	(20)	(298)	318	-
Net remeasurement of loss allowance	(207)	454	652	899
New financial assets originated or purchased	111	4	1	116
Financial assets that have been fully repaid	(37)	(31)	(45)	(113)
Write-offs	-	-	(1 390)	(1 390)
Recoveries of amounts previously written-off	7	14	333	354
Unwinding of discount	-	-	98	98
Foreign exchange and other movements	(2)	(1)	-	(3)
Balance at the end of the period	**972**	**1 031**	**2 885**	**4 888**
Mortgage loans				
Balance at the beginning of the period	**51**	**15**	**228**	**294**
Transfer to 12-month ECL	19	(2)	(17)	-
Transfer to lifetime ECL not credit-impaired	(2)	15	(13)	-
Transfer to lifetime ECL credit-impaired	-	(2)	2	-
Net remeasurement of loss allowance	(29)	8	-	(21)
New financial assets originated or purchased	16	-	10	26
Financial assets that have been fully repaid	(1)	(2)	(15)	(18)
Write-offs	-	-	(143)	(143)
Recoveries of amounts previously written-off	-	-	143	143
Unwinding of discount	-	-	3	3
Foreign exchange and other movements	(1)	-	(1)	(2)
Balance at the end of the period	**53**	**32**	**197**	**282**

* The loss allowance in these tables includes ECL on loan commitments for certain retail products such as credit cards and overdrafts.

(in millions of Russian Roubles unless otherwise stated)

	Three-month period ended 31 March 2019 (Unaudited)*			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Credit card loans				
Balance at the beginning of the period	**40**	**50**	**153**	**243**
Transfer to 12-month ECL	12	(12)	-	-
Transfer to lifetime ECL not credit-impaired	(5)	5	-	-
Transfer to lifetime ECL credit-impaired	-	(17)	17	-
Net remeasurement of loss allowance	(1)	42	31	72
New financial assets originated or purchased	1	-	7	8
Financial assets that have been fully repaid	(2)	(8)	(6)	(16)
Write-offs	-	-	(67)	(67)
Recoveries of amounts previously written-off	-	-	14	14
Unwinding of discount	-	-	7	7
Balance at the end of the period	**45**	**60**	**156**	**261**
Auto loans				
Balance at the beginning of the period	**-**	**1**	**3**	**4**
Net remeasurement of loss allowance	-	-	(8)	(8)
Financial assets that have been fully repaid	-	-	-	-
Write-offs	-	-	-	-
Recoveries of amounts previously written-off	-	-	8	8
Balance at the end of the period	**-**	**1**	**3**	**4**

* The loss allowance in these tables includes ECL on loan commitments for certain retail products such as credit cards and overdrafts.

(in millions of Russian Roubles unless otherwise stated)

	Three-month period ended 31 March 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	345	(182)	(163)	-
Transfer to lifetime ECL not credit-impaired	(111)	158	(47)	-
Transfer to lifetime ECL credit-impaired	(40)	(459)	499	-
Net remeasurement of loss allowance	(349)	554	325	530
New financial assets originated or purchased	127	10	10	147
Financial assets that have been fully repaid	(82)	(48)	(59)	(189)
Write-offs	(9)	(1)	-	(10)
Recoveries of amounts previously written-off	-	-	60	60
Unwinding of discount	-	-	171	171
Balance at the end of the period	**1 175**	**965**	**4 676**	**6 816**
Mortgage loans				
Balance at the beginning of the period	**79**	**39**	**565**	**683**
Transfer to 12-month ECL	14	(8)	(6)	-
Transfer to lifetime ECL not credit-impaired	(3)	6	(3)	-
Transfer to lifetime ECL credit-impaired	(1)	(26)	27	-
Net remeasurement of loss allowance	(35)	26	(103)	(112)
New financial assets originated or purchased	10	12	1	23
Financial assets that have been fully repaid	(1)	(1)	(26)	(28)
Write-offs	-	-	(2)	(2)
Recoveries of amounts previously written-off	-	-	190	190
Unwinding of discount	-	-	5	5
Balance at the end of the period	**63**	**48**	**648**	**759**

* The loss allowance in these tables includes ECL on loan commitments for certain retail products such as credit cards and overdrafts.

(in millions of Russian Roubles unless otherwise stated)

	Three-month period ended 31 March 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	20	(20)	-	-
Transfer to lifetime ECL not credit-impaired	(6)	6	-	-
Transfer to lifetime ECL credit-impaired	-	(21)	21	-
Net remeasurement of loss allowance	(12)	76	17	81
New financial assets originated or purchased	2	-	-	2
Financial assets that have been fully repaid	(3)	(12)	(6)	(21)
Write-offs	-	(1)	-	(1)
Recoveries of amounts previously written-off	-	-	4	4
Unwinding of discount	-	-	11	11
Balance at the end of the period	**52**	**110**	**224**	**386**
Auto loans				
Balance at the beginning of the period	**2**	**1**	**19**	**22**
Net remeasurement of loss allowance	-	1	(3)	(2)
Financial assets that have been fully repaid	-	-	(1)	(1)
Recoveries of amounts previously written-off	-	-	7	7
Balance at the end of the period	**2**	**2**	**22**	**26**

As at 31 March 2019, the total gross amount of loans to the top ten borrowers (or groups of related borrowers) was RUB 326 190 million (2018: RUB 335 850 million) or 44.6% (2018: 45.4%) of the Group's total gross amount of loans to customers.

* The loss allowance in these tables includes ECL on loan commitments for certain retail products such as credit cards and overdrafts.

(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:

	31 March 2019 (Unaudited)	31 December 2018
Loans to individuals	97 650	96 602
Crude oil production and trading	158 105	175 881
Petroleum refining / production and trading	140 256	140 819
Property rental	62 432	50 961
Automotive, motorcycles and spare parts	50 185	51 457
Residential and commercial construction and development	46 524	55 230
Equipment leasing	32 578	33 360
Industrial chemicals	28 765	30 558
Metallurgical	23 698	24 783
Food and farm products	23 355	18 567
Financial companies	20 302	17 920
Services	14 207	13 739
Consumer electronics, appliances and computers	8 268	8 424
Industrial equipment and machinery	7 018	7 023
Clothing, shoes, textiles and sporting goods	5 324	5 268
Telecommunications	2 908	69
Consumer chemicals, perfumes and hygiene products	2 735	3 485
Transport infrastructure contractors	1 975	1 968
Industrial and infrastructure construction	1 701	1 271
Construction and decorative materials, furniture	1 583	1 492
Paper, stationery and packaging products	915	915
Government and municipal bodies	379	90
Books, video, print and copy	32	32
Pharmaceutical and medical products	11	35
Products for home, gifts, jewelry and business accessories	-	57
Other	63	125
Total gross loans to customers	**730 972**	**740 131**
Credit loss allowance	(34 883)	(31 086)
Net loans to customers	**696 089**	**709 045**

(in millions of Russian Roubles unless otherwise stated)

13 Investment financial assets

	31 March 2019 (Unaudited)	31 December 2018
Investment financial assets measured at fair value through other comprehensive income – debt instruments, including pledged under repurchase agreements	186 176	174 960
Investment financial assets measured at amortized cost, including pledged under repurchase agreements	39 718	39 401
Investment financial assets at fair value through profit or loss	120	120
Total investment financial assets	**226 014**	**214 481**

As at 31 March 2019, Investment financial assets in the amount of RUB 192 267 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).

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

	31 March 2019 (Unaudited)	31 December 2018
Held by the Group		
Russian Government Federal bonds (OFZ)	27 853	18 891
Russian Government eurobonds	8 803	7 671
Regional authorities and municipal bonds	601	1 367
Central Bank of Russian Federation bonds	40 236	-
Corporate bonds	40 947	41 825
Corporate eurobonds	3 486	2 525
Total held by the Group	**121 926**	**72 279**
Pledged under sale and repurchase agreements		
Russian Government Federal bonds (OFZ)	3 334	5 374
Russian Government eurobonds	40 459	61 112
Regional authorities and municipal bonds	776	-
Corporate bonds	16 441	27 103
Corporate eurobonds	3 240	9 092
Total pledged under sale and repurchase agreements	**64 250**	**102 681**
Total investment financial assets measured at fair value through other comprehensive income – debt instruments	**186 176**	**174 960**

(in millions of Russian Roubles unless otherwise stated)

Investment financial assets measured at amortised cost

	31 March 2019 (Unaudited)	31 December 2018
Held by the Group		
Corporate eurobonds	10 463	7 885
Corporate bonds	791	4 337
Promissory notes	499	450
Total held by the Group	**11 753**	**12 672**
Pledged under sale and repurchase agreements		
Corporate eurobonds	22 357	24 086
Corporate bonds	6 022	3 088
Total pledged under sale and repurchase agreements	**28 379**	**27 174**
Credit loss allowance	(414)	(445)
Investment financial assets measured at amortized cost	**39 718**	**39 401**

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

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

Movements in the credit loss allowance of investment financial assets measured at fair value through other comprehensive income by three ECL stages for the three-month period ended 31 March 2019 and 31 March 2018 are as follows:

	Three-month period ended 31 March 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	(151)	-	-	(151)
Balance at the end of the period	**467**	**-**	**-**	**467**

(in millions of Russian Roubles unless otherwise stated)

	Three-month period ended 31 March 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 charge	97	-	-	97
Balance at the end of the period	**902**	**-**	**-**	**902**

Movements in the credit loss allowance of investment financial assets measured at amortised cost by three ECL stages for the three-month periods ended 31 March 2019 and 31 March 2018 are as follows:

	Three-month period ended 31 March 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	(31)	-	-	(31)
Balance at the end of the period	**144**	**-**	**270**	**414**

	Three-month period ended 31 March 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 amortised cost				
Balance at the beginning of the period	**21**	**7**	**270**	**298**
Net charge (recovery)	9	(3)	-	6
Balance at the end of the period	**30**	**4**	**270**	**304**

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 31 March 2019.

(in millions of Russian Roubles unless otherwise stated)

	31 March 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-	29 197	-	-	29 197
rated from BB+ to BB-	10 317	-	-	10 317
rated from B+ to B-	137	-	-	137
not rated	31	-	450	481
Total	**39 682**	**-**	**450**	**40 132**
Credit loss allowance	**(144)**	**-**	**(270)**	**(414)**
Carrying amount	**39 538**	**-**	**180**	**39 718**
Debt investment securities at FVOCI				
rated from BBB+ to BBB-	155 032	-	-	155 032
rated from BB+ to BB-	10 694	-	-	10 694
rated from B+ to B-	7 073	-	-	7 073
from CCC+ to CCC-	263	-	-	263
not rated	13 114	-	-	13 114
Total	**186 176**	**-**	**-**	**186 176**
Credit loss allowance	**(467)**	**-**	**-**	**(467)**
Gross carrying amount	**186 346**	**-**	**-**	**186 346**
Carrying amount – fair value	**186 176**	**-**	**-**	**186 176**

	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**

(in millions of Russian Roubles unless otherwise stated)

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

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

As at 31 March 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 2 020 million (31 December 2018: RUB 2 058 million), to Moderate credit risk category RUB 11 095 million (31 December 2018: RUB 14 335 million).

As at 31 March 2019, Investment financial assets balances for ECL calculation for which external benchmark information represents a significant input into measurement of ECL are RUB 120 124 million (31 December 2018: RUB 96 429 million).

14 Due to credit institutions

	31 March 2019 (Unaudited)	31 December 2018
Payables under repurchase agreements	557 197	487 959
Term deposits	12 173	15 827
Syndicated debt	-	21 799
Current accounts	29 883	27 345
Total due to credit institutions	**599 253**	**552 930**

As at 31 March 2019, the fair value of securities that serve as collateral under sale and repurchase agreements is RUB 605 510 million (31 December 2018: RUB 551 204 million).

As at 31 March 2019, the fair value of securities received as collateral under reverse repo deals being pledged for direct repo deals is RUB 503 515 million (31 December 2018: RUB 429 174 million).

As at 31 March 2019, the total gross amount of due to the top twenty counterparties (or groups of related counterparties) was RUB 595 347 million (31 December 2018: RUB 539 015 million) or 99.3% (31 December 2018: 97.5%) of the Group's total amount of due to credit institutions.

15 Debt securities issued

	31 March 2019 (Unaudited)	31 December 2018
Bonds	125 519	61 134
Subordinated bonds	42 507	44 171
Total debt securities issued	**168 026**	**105 305**

16 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 31 March 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 31 March 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 interim condensed 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 19).

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.

17 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)

18 Related party transactions

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

	31 March 2019 (Unaudited)		31 December 2018	
	Amount	**Average effective interest rate**	**Amount**	**Average effective interest rate**
Due from credit and other financial institutions				
Under control of principal beneficiary	-	-	814	0.1%
Total due from credit and other financial institutions	**-**		**814**	
Deposits by credit institutions				
Under control of principal beneficiary	46	5.2%	-	-
Total deposits by credit institutions	**46**		**-**	
Trading financial assets				
Under control of principal beneficiary	1 018		23	
Total trading financial assets	**1 018**		**23**	
Loans to customers				
Under control of principal beneficiary	24 769	12.2%	24 314	12.2%
Management	683	8.6%	686	8.5%
Total loans to customers	**25 452**		**25 000**	
Due to customers				
Term deposits by customers				
Under control of principal beneficiary	12 780	6.9%	9 277	7.3%
Parent company	9 694	6.8%	9 999	6.7%
Principal beneficiary	1 066	3.8%	1 122	2.9%
Management	331	5.1%	388	5.4%
Total term deposits by customers	**23 871**		**20 786**	
Current accounts by customers				
Under control of principal beneficiary	27 756		1 840	
Management	33		42	
Parent company	23		26	
Principal beneficiary	1		4	
Total current accounts by customers	**27 813**		**1 912**	
Total due to customers	**51 684**		**22 698**	
Debt securities issued				
Under control of principal beneficiary	5 757	9.4%	5 712	9.5%
Total debts securities issued	**5 757**		**5 712**	
Other liabilities				
Under control of principal beneficiary	131		802	
Total other liabilities	**131**		**802**	
Guarantees issued				
Under control of principal beneficiary	90		90	
Total guarantees issued	**90**		**90**	

(in millions of Russian Roubles unless otherwise stated)

As at 31 March 2019, the companies under control of principal beneficiary have an investment in perpetual debt issued in amount of RUB 724 million (31 December 2018: RUB 4 458 million). During the three-month period ended 31 March 2019 the company under control of principal beneficiary received coupon payments on perpetual debt issued from the Group in the amount of RUB 60 million.

As at 31 March 2019, the undrawn loan commitments under credit line agreements for principal beneficiary and for management are RUB 89 million (31 December 2018: RUB 111 million).

Amounts included in profit or loss and other comprehensive income for the three-month periods ended 31 March 2019 and 31 March 2018 in relation to transactions with related parties are as follows:

	Three-Month Period Ended 31 March 2019 (Unaudited)	**Three-Month Period Ended 31 March 2018 (Unaudited)**
Interest income calculated using the effective interest method		
Under control of principal beneficiary	1 016	1 087
Management	14	4
Parent company	-	39
Principal beneficiary	-	2
Total interest income calculated using the effective interest method	**1 030**	**1 132**
Interest expense		
Under control of principal beneficiary	(402)	(368)
Parent company	(71)	(9)
Principal beneficiary	(8)	(5)
Management	(5)	(2)
Total interest expense	**(486)**	**(384)**
Commission income		
Under control of principal beneficiary	32	79
Parent company	9	7
Total commission income	**41**	**86**
Net foreign exchange gain (loss)		
Under control of principal beneficiary	3 593	2 371
Parent company	(67)	-
Total net foreign exchange gain	**3 526**	**2 371**

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the three-month periods ended 31 March 2019 and 31 March 2018 (refer to Note 6) is as follows:

	Three-Month Period Ended 31 March 2019 (Unaudited)	**Three-Month Period Ended 31 March 2018 (Unaudited)**
Board Members of the Management Board	(63)	(70)
Members of the Supervisory Board	(25)	(18)
	(88)	**(88)**

(in millions of Russian Roubles unless otherwise stated)

19 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 31 March 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 31 March 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 consolidated interim condensed financial statements as at 31 March 2019 and 31 December 2018 is as follows:

	31 March 2019 (Unaudited)	31 December 2018
Tier 1 capital		
Share capital and additional paid-in capital	74 189	74 189
Retained earnings	73 347	71 637
Intangible assets	(480)	(417)
Core tier 1 capital	**147 056**	**145 409**
Additional capital		
Perpetual debt issued	43 343	46 691
Total tier 1 capital	**190 399**	**192 100**
Tier 2 capital		
Revaluation surplus for buildings	490	490
Fair value reserve for securities	238	(1 834)
Subordinated debt		
Subordinated loans	61 651	63 072
Subordinated bonds	41 057	43 563
Total tier 2 capital	**103 436**	**105 291**
Total capital	**293 835**	**297 391**
Risk-weighted assets		
Banking book	872 695	922 193
Trading book	271 987	322 582
Operational risk	113 602	113 602
Total risk weighted assets	**1 258 284**	**1 358 377**
Total core tier 1 capital expressed as a percentage of risk-weighted assets (core tier 1 capital ratio) (%)	**11.7**	**10.7**

(in millions of Russian Roubles unless otherwise stated)

	31 March 2019 (Unaudited)	31 December 2018
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio) (%)	**15.1**	**14.1**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio) (%)	**23.4**	**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 interim condensed 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.

20 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 interim condensed 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 millions of Russian Roubles unless otherwise stated)

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

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

	31 March 2019 (Unaudited)	31 December 2018
ASSETS		
Corporate banking	616 271	635 368
Retail banking	112 338	100 208
Treasury	1 358 450	1 386 574
Cash operations	31 628	23 777
Total assets	**2 118 687**	**2 145 927**
LIABILITIES		
Corporate banking	726 065	909 275
Retail banking	437 942	377 747
Treasury	755 910	661 347
Cash operations	7 163	6 385
Total liabilities	**1 927 080**	**1 954 754**

Segment information for the main reportable segments for the three-month ended 31 March 2019 is set below:

(Unaudited)	Corporate banking	Retail banking	Treasury	Cash operations	Total
External interest income	11 997	3 812	19 372	25	35 206
Fee and commission income	956	1 234	45	1 210	3 445
Net loss on other financial instruments at fair value through profit or loss	-	-	(537)	-	(537)
Net gain from sale and redemption of financial assets at FVOCI	-	-	258	-	258
Net realised gain on available-for-sale assets	-	-	10	-	10
Net foreign exchange losses	-	-	(4 739)	-	(4 739)
Other operating (expenses) income, net	(125)	140	(72)	(12)	(69)
(Expenses) revenue from other segments	(1 028)	5 508	(4 453)	(27)	-
Revenue	**11 800**	**10 694**	**9 884**	**1 196**	**33 574**
(Charge for) recovery of credit losses on debt financial assets	(4 824)	(945)	549	-	(5 220)
Interest expense	(9 389)	(6 163)	(10 000)	(7)	(25 559)
Fee and commission expense	(1)	(774)	(173)	(6)	(954)
Impairment (losses) recoveries on other non-financial assets, (charge for) recovery of credit losses on other financial assets and credit related commitments and other provisions	3 098	(89)	127	(15)	3 121
General administrative and other expenses	(858)	(2 098)	(642)	(1 181)	(4 779)
Expense	(11 974)	(10 069)	(10 139)	(1 209)	(33 391)
Segment result	**(174)**	**625**	**(255)**	**(13)**	**183**

(in millions of Russian Roubles unless otherwise stated)

Segment information for the main reportable segments for the three-month period ended 31 March 2018 is set below:

(Unaudited)	Corporate business	Retail banking	Treasury	Cash operations	Total
External interest income	14 588	3 519	16 740	27	34 874
Fee and commission income	895	1 440	115	940	3 390
Net gain on other financial instruments at fair value	-	-	41	-	41
Net gain from sale and redemption of financial assets at FVOCI	-	-	335	-	335
Net foreign exchange gains	-	-	(6 182)	-	(6 182)
(Expenses) revenue from other segments	(4 540)	3 847	482	211	-
Revenue	**10 943**	**8 806**	**11 531**	**1 178**	**32 458**
Reversal of (charge for) impairment on debt financial assets	881	(429)	(217)	1	236
Interest expense	(5 344)	(5 092)	(11 427)	-	(21 863)
Fee and commission expense	(4)	(552)	(52)	(2)	(610)
Net loss on financial instruments at fair value through profit or loss	(1 528)	-	-	-	(1 528)
Other operating (expenses)/ income, net	(23)	(7)	(56)	2	(84)
General administrative and other expenses	(914)	(2 215)	(659)	(1 192)	(4 980)
Expense	**(6 932)**	**(8 295)**	**(12 411)**	**(1 191)**	**(28 829)**
Segment result	**4 011**	**511**	**(880)**	**(13)**	**3 629**

Information about geographical areas

The majority of revenues from external customers relate to residents of the Russian Federation. There is 1 external customer (groups of related customers) in Treasury segment with individual income from operations which exceed 10% of total income from operations. The majority of non-current assets are located in Russian Federation.

Impact IFRS 16

The impact of the first application of IFRS 16 as at 31 March 2019 and during the three months ended 31 March 2019:

(Unaudited)	Corporate business	Retail banking	Treasury	Cash operations	Total
ASSETS and LIABILITIES					
Right-of-use assets	531	2 318	66	84	2 999
Lease liabilities presented in other liabilities	516	2 250	64	81	2 911
Statement of Profit or Loss and Other Comprehensive Income					
Depreciation charges	(35)	(151)	(4)	(5)	(195)
Interest expenses	(10)	(46)	(1)	(2)	(59)
Profit before income taxes	**(45)**	**(197)**	**(5)**	**(7)**	**(254)**

(in millions of Russian Roubles unless otherwise stated)

21 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 31 March 2019:

(Unaudited)	FVTPL	Amortized cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	-	544 631	-	544 631	544 631
Obligatory reserves with the CBR	-	12 908	-	12 908	12 908
Due from credit and other financial institutions	-	603 091	-	603 091	603 091
Trading financial assets	15 963	-	-	15 963	15 963
Loans to customers	58 983	637 106	-	696 089	703 771
Investment financial assets	120	39 718	186 176	226 014	226 459
Other financial assets	-	1 505	-	1 505	1 505
	75 066	**1 838 959**	**186 176**	**2 100 201**	**2 108 328**
Due to credit institutions	-	599 253	-	599 253	599 253
Due to customers	-	1 142 600	-	1 142 600	1 238 962
Debt securities issued	-	168 026	-	168 026	162 433
Other financial liabilities	763	6 760	-	7 523	7 523
	763	**1 916 639**	**-**	**1 917 402**	**2 008 171**

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

- discount rates from 9.4% to 12.8% (roubles) and from 3.9% to 8.2% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 9.7% to 26.1% (roubles) and from 6.3% to 9.7% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 6.3% to 7.9% (roubles) and from 1.4% to 4.5% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 5.2% to 7.6% (roubles) and from 1.6% to 2.4% (foreign currency) are used for discounting future cash flows from retail deposits.

(in millions of Russian Roubles unless otherwise stated)

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 held 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
Other financial liabilities	6 329	5 589	-	11 918	11 918
	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.

(in millions of Russian Roubles unless otherwise stated)

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.

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 31 March 2019 and 31 December 2018:

31 March 2019 (unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading financial assets	7 322	8 641	-	**15 963**
Loans to customers	-	-	703 771	**703 771**
Investment financial assets	226 110	120	229	**226 459**
Due to customers	-	1 238 962	-	**1 238 962**
Debt securities issued	162 433	-	-	**162 433**
Other financial liabilities	-	7 523	-	**7 523**

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**
Debt securities issued	95 046	-	-	**95 046**
Other financial liabilities	-	11 918	-	**11 918**

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

(in millions of Russian Roubles unless otherwise stated)

A reconciliation of movements in fair value of loans to customers at FVTPL for the three-month period ended 31 March 2019 and 31 March 2018 is as follows:

	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Fair value as at 1 January	63 383	32 714
Loan issues	-	5 691
Loan repayments	(1 146)	(1 632)
Interest income recognised	861	794
Changes in fair value measurement	-	(1 528)
Net foreign exchange gain	(4 115)	42
Fair value as at 31 March	**58 983**	**36 081**

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 March 2019 (unaudited):

Type of instrument	Fair values	Valuation technique	Significant unobservable input	Unobservable inputs used
Loans to customers at FVTPL	58 983	Discounted cash flow from operating activities	Risk-adjusted discount rate	RUB: 8,7% - 28,2% USD: 5,0% - 7,1% EUR: 3,4%

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: 8,4% - 33,8% USD: 5,2% - 7,1% EUR: 3,7%

If discount rates differ by plus/minus one percent, fair values of these instruments would be RUB 57 646 million and RUB 59 739 million respectively (31 December 2018: RUB 61 531 million – RUB 64 358 million).

22 (Loss) Earnings per share

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

Basic (loss) earnings per share are calculated as follows:

	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Profit for the period	238	2 293
Interest paid on perpetual debt securities issued, net of tax	(786)	(717)
Total (loss) profit for the period	(548)	1 576
Weighted average number of ordinary shares in issue	27 079 709 866	27 079 709 866
Basic and diluted (loss) earnings per share (in RUB per share)	**(0.02)**	**0.06**

23 Events subsequent to the reporting date

In April 2019 the Bank signed a syndicated loan facilities agreement for amount of up to USD 500 million. The tranches have one- and two-year maturities.

In April 2019 Alexey A. Stepanenko, previously Member of the Management Board, left the Management Board.

In April 2019 the Group 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 April 2019 “Expert RA” rating agency has upgraded the Bank’s credit rating to ruA, stable outlook.

In May 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 May 2019 the Group paid out the coupon in the amount of USD 14.9 million on perpetual subordinated Eurobonds with the nominal value of USD 670 million.

In May 2019 the Group paid out the coupon in the amount of RUB 412.5 million on subordinated Eurobonds due 2025 with the nominal value RUB 5 billion.

In May 2019 under the annual General Shareholders’ Meeting it was decided to distribute 24.6% of the net income of the Bank for 2018 under Russian Accounting Principles as dividends to shareholders. The total amount of dividends will reach RUB 2,978,768,085.26 or RUB 0.11 per one ordinary registered share of the Bank.