CREDIT BANK OF MOSCOW
(public joint-stock company)

Consolidated Interim Condensed
Financial Statements
for the nine-month period
ended 30 September 2018

Contents

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

To the Shareholders and Supervisory Board

CREDIT BANK OF MOSCOW (public joint-stock company)

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of CREDIT BANK OF MOSCOW (public joint-stock company) and its subsidiaries (the Group) as at 30 September 2018, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and nine-month periods ended 30 September 2018, and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2018, 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 30 September 2018, and for the three- and nine-month periods ended 30 September 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

АКЦИОНЕРНОЕ ОБЩЕСТВО ОГРН 1027700125628
КПМГ
KPMG
МОСКВА

Lukashova N.V.

Director

JSC "KPMG"

Moscow, Russia

21 November 2018

(in millions of Russian Roubles unless otherwise stated)

	Notes	Nine-Month Period Ended 30 September 2018 (Unaudited)	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2018 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)
Interest income calculated using the effective interest method	6	99 271	88 509	33 770	30 830
Other interest income	6	3 249	3 676	1 260	1 063
Interest expense	6	(65 927)	(60 608)	(22 265)	(21 024)
Net interest income	6	**36 593**	**31 577**	**12 765**	**10 869**
Charge for credit losses on debt financial assets	11,12, 14,15	(4 408)	(10 414)	(4 377)	(3 037)
Net interest income after credit losses on debt financial assets		**32 185**	**21 163**	**8 388**	**7 832**
Fee and commission income	7	11 403	11 614	4 141	3 595
Fee and commission expense	7	(2 500)	(1 878)	(951)	(716)
Net (loss) gain on loans to customers at fair value through profit or loss		(3 224)	-	615	-
Net (loss) gain on other financial instruments at FVTPL		(180)	493	(193)	51
Net loss from sale and redemption of financial assets at FVOCI		(71)	-	(830)	-
Net realised gain on available-for sale assets		-	253	-	(33)
Net foreign exchange gains		173	1 976	1 481	741
Impairment (losses) recoveries on other non-financial assets, credit (losses) recoveries on other financial assets and credit related commitments and other provisions	9	(1 906)	177	(461)	135
State deposit insurance scheme contributions		(1 363)	(945)	(534)	(334)
Operating lease income		68	1 259	14	421
Net income from disposal of subsidiaries	25	637	-	-	-
Other net operating income (expense)		2 024	(979)	1 739	90
Non-interest income		**5 061**	**11 970**	**5 021**	**3 950**
Operating income		**37 246**	**33 133**	**13 409**	**11 782**
Salaries and employment benefits	8	(8 620)	(7 274)	(2 517)	(2 123)
Administrative expenses	8	(3 856)	(3 664)	(1 334)	(1 352)
Depreciation of property and equipment		(768)	(1 372)	(280)	(448)
Operating expense		**(13 244)**	**(12 310)**	**(4 131)**	**(3 923)**
Profit before income taxes		**24 002**	**20 823**	**9 278**	**7 859**
Income tax	10	(5 647)	(4 748)	(1 927)	(1 792)
Profit for the period		**18 355**	**16 075**	**7 351**	**6 067**

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	Nine-Month Period Ended 30 September 2018 (Unaudited)	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2018 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)
Profit for the period		**18 355**	**16 075**	**7 351**	**6 067**
Other comprehensive 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		(4 067)	151	(788)	(125)
- net amount transferred to profit or loss		(100)	(277)	7	(54)
Exchange differences on translation		-	8	-	7
Income tax related to other comprehensive income		834	21	156	35
Other comprehensive loss for the period, net of income tax		(3 333)	(97)	(625)	**(137)**
Total comprehensive income for the period		**15 022**	**15 978**	**6 726**	**5 930**
Basic and diluted earnings per share (in RUB per share)	24	**0.59**	**0.67**	**0.24**	**0.25**

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	30 September 2018 (Unaudited)	31 December 2017
ASSETS			
Cash and cash equivalents	11	1 032 202	934 033
Obligatory reserves with the Central bank of the Russian Federation		11 497	8 884
Due from credit and other financial institutions	12	11 067	16 369
Trading financial assets	13	13 655	117 282
- *held by the Group*	*13*	*9 435*	*95 519*
- *pledged under sale and repurchase agreements*	*13*	*4 220*	*21 763*
Loans to customers	14	660 860	768 676
- *loans to corporate clients*	*14*	*573 554*	*685 937*
- *loans to individuals*	*14*	*87 306*	*82 739*
Investment financial assets	15	187 180	25 066
- *held by the Group*	*15*	*80 446*	*23 273*
- *pledged under sale and repurchase agreements*	*15*	*106 734*	*1 793*
Assets held for sale		18 887	2 435
Property and equipment		8 057	7 866
Deferred tax asset		57	281
Other assets		5 391	7 299
Total assets		**1 948 853**	**1 888 191**
LIABILITIES AND EQUITY			
Due to credit institutions	16	547 489	639 861
Due to customers		1 084 315	941 724
- *due to corporate customers*		*732 382*	*650 507*
- *due to individuals*		*351 933*	*291 217*
Debt securities issued	17	114 020	116 280
Deferred tax liability		2 711	3 779
Other liabilities		16 810	8 958
Total liabilities		**1 765 345**	**1 710 602**
Equity			
Share capital	18	27 942	27 942
Additional paid-in capital		46 247	46 247
Perpetual debt issued	18	45 252	40 320
Revaluation surplus for buildings		582	582
Fair value reserve for securities		(1 985)	394
Retained earnings		65 470	62 104
Total equity		**183 508**	**177 589**
Total liabilities and equity		**1 948 853**	**1 888 191**

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

(in millions of Russian Roubles unless otherwise stated)

	Notes	Nine-Month Period Ended 30 September 2018 (Unaudited)	Nine-Month Period Ended 30 September 2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		102 426	86 100
Interest payments		(64 378)	(54 601)
Fees and commission receipts		11 172	11 554
Fees and commission payments		(2 285)	(1 869)
Net receipts from operations with securities		11	622
Net receipts from foreign exchange		20 198	13 000
State deposit insurance scheme contributions payments		(1 232)	(896)
Net other operating income receipts (payments)		2 357	(903)
Operating leases income receipts		68	1 259
Salaries and employment benefits paid		(8 224)	(6 847)
Administrative expenses paid		(3 627)	(3 479)
Income tax paid		(1 802)	(4 481)
Operating cash flows before changes in operating assets and liabilities		**54 684**	**39 459**
(Increase) decrease in operating assets			
Obligatory reserves with the Central bank of the Russian Federation		(2 613)	(2 129)
Due from credit and other financial institutions		5 647	5 251
Trading financial assets		(8 897)	17 524
Loans to customers		98 418	(166 398)
Assets held for sale		98	210
Other assets		(6 042)	(509)
Increase (decrease) in operating liabilities			
Due to the Central bank of the Russian Federation		-	(203 290)
Due to credit institutions except syndicated and subordinated loans		(105 077)	84 927
Due to customers except subordinated loans		123 444	215 029
Promissory notes issued		-	(1 113)
Other liabilities		465	(153)
Net cash from (used in) operations		**160 127**	**(11 192)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment financial assets		(232 182)	(46 144)
Proceeds from disposal and redemption of investment financial assets		149 791	54 420
Net disposal of subsidiary		847	-
Net purchase of property and equipment and intangible assets		(1 123)	(1 062)
Net cash (used in) from investing activities		**(82 667)**	**7 214**

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

(in millions of Russian Roubles unless otherwise stated)

	Notes	Nine-Month Period Ended 30 September 2018 (Unaudited)	Nine-Month Period Ended 30 September 2017 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement and issuance of perpetual debt		4 946	40 818
Repayments of perpetual debt issued		(5 053)	-
Interest on perpetual debt paid		(2 857)	(932)
Proceeds from syndicated borrowings		376	28 005
Repayment of syndicated borrowings		(11 452)	-
Proceeds from subordinated deposits		-	22 000
Repayment of subordinated deposits		-	(582)
Proceeds from placement and issuance of subordinated bonds		347	33 933
Partial redemption of subordinated bonds		(7 423)	(22 037)
Proceeds from placement and issuance of other bonds		32 626	12 683
Repayments of other bonds		(36 625)	(34 283)
Net cash (used in) from financing activities		**(25 115)**	**79 605**
Effect of exchange rates changes on cash and cash equivalents		**46 736**	**(11 660)**
Effect of changes in ECL on cash and cash equivalents		**(239)**	**-**
Change in cash and cash equivalents		**98 842**	**63 967**
Cash and cash equivalents, beginning of the period		933 360	373 327
Cash and cash equivalents, end of the period	11	**1 032 202**	**437 294**

Acting Chairman of the Management Board — Mikhail V. Polunin

Chief Accountant — Svetlana V. Sass

«МОСКОВСКИЙ КРЕДИТНЫЙ БАНК» ПУБЛИЧНОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО * 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	Currency translation reserve	Retained earnings	Total equity
Balance as at 1 January 2017	**24 742**	**35 047**	**-**	**688**	**451**	**39**	**42 434**	**103 401**
Total comprehensive income for the period (Unaudited)	-	-	-	-	(101)	4	16 075	**15 978**
Interest paid on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(932)	**(932)**
Issuance of perpetual debt (Unaudited)	-	-	40 977	-	-	-	-	**40 977**
Foreign exchange translation of perpetual debt issued (Unaudited)	-	-	(365)	-	-	-	365	**-**
Transaction costs on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(159)	**(159)**
Tax effect on perpetual debt issued (Unaudited)	-	-	-	-	-	-	145	**145**
Balance as at 30 September 2017 (Unaudited)	**24 742**	**35 047**	**40 612**	**688**	**350**	**43**	**57 928**	**159 410**
Balance as at 31 December 2017	**27 942**	**46 247**	**40 320**	**582**	**394**	**-**	**62 104**	**177 589**
Impact of adopting IFRS 9 as at 1 January 2018 (note 5, Unaudited)	-	-	-	-	954	-	(8 673)	(7 719)
Restated balance as at 1 January 2018	**27 942**	**46 247**	**40 320**	**582**	**1 348**	**-**	**53 431**	**169 870**
Total comprehensive income for the period (Unaudited)	-	-	-	-	(3 333)	-	18 355	**15 022**
Perpetual debt redemption (Unaudited)	-	-	(5 053)	-	-	-	-	**(5 053)**
Issuance of perpetual debt (Unaudited)	-	-	5 000	-	-	-	-	**5 000**
Interest paid on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(2 857)	**(2 857)**
Foreign exchange translation of perpetual debt issued (Unaudited)	-	-	4 985	-	-	-	(4 985)	**-**
Transaction costs on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(54)	**(54)**
Tax effect on perpetual debt issued (Unaudited)	-	-	-	-	-	-	1 580	**1 580**
Balance as at 30 September 2018 (Unaudited)	**27 942**	**46 247**	**45 252**	**582**	**(1 985)**	**-**	**65 470**	**183 508**

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 131 branches, 1 154 ATMs and 6 750 payment terminals.

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

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Principal activities	Degree of control, % 30 September 2018 (unaudited)	Degree of control, % 31 December 2017
"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%
"MKB-Leasing" Group	Russia	Finance leasing	-	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. In June 2018, the Group sold 100% share in its subsidiary "MKB-Leasing" Group – Note 25.

Shareholders

The Bank's shareholders as at 30 September 2018 are:

- LLC Concern Rossium – 56.07%
- RegionFinanceResurs JSC – 9.43%
- LLC IC Algoritm – 6.34%
- Other shareholders – 28.16%.

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

Related party transactions are detailed in Note 20.

Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial risks in the markets of the Russian Federation, which display emerging-market characteristics. 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 2017 ("last annual financial statements"). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

Basis of measurement

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

Functional and presentation currency

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

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

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

(in millions of Russian Roubles unless otherwise stated)

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

	30 September 2018	**31 December 2017**	**30 September 2017**
USD	65.5906	57.6002	58.0169
EUR	76.2294	68.8668	68.4483

Use of estimates and judgments

In preparing these consolidated interim condensed financial statements, management has made judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies are the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the period ended 31 December 2017, except for the areas described below.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated interim condensed financial statements is included in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(b)(i).

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ended 30 September 2018 is included in the following Notes:

- impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL – Note 4.

Changes in accounting policies and presentation

IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 '*Financial Instruments'*. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. It replaces IAS 39 '*Financial Instruments: Recognition and Measurement'*.

In October 2017, the IASB issued '*Prepayment Features with Negative Compensation' (Amendments to IFRS 9)*. The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group adopted IFRS 9 '*Financial Instruments'* issued in July 2014 with a date of initial application of 1 January 2018 and early adopted amendments to IFRS 9 on the same date. The requirements of IFRS 9 represent a significant change from IAS 39 '*Financial Instruments: Recognition and Measurement'*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Group classifies financial assets under IFRS 9, see Note 3(b)(i).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Group applies the impairment requirements of IFRS 9, see Note 3(b)(iv).

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for the three- and nine-month periods ended 30 September 2017 and as at 31 December 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented as at and for the three- and nine-month periods ended 30 September 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

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 as explained below, related to the Group's adoption of IFRS 9 (Note 2), which is applicable from 1 January 2018.

Explanation of how the Group applies changes in accounting policy is presented below.

(a) Interest

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired at initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see (b)(iv).

Presentation

Interest income and expense presented in the consolidated interim condensed statement of profit or loss and other comprehensive include:

- interest on financial assets and financial liabilities measured at amortised cost calculated using the effective interest method;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;

- interest on non-derivative debt financial instruments measured at FVTPL is presented separately as "other interest income". It is measured using the effective interest method, excluding transaction costs.

(b) Financial assets and financial liabilities

i. Classification

At initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

At initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

In addition, at initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (see (b)(v)).

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to revise the interest rate following the change of key rate set by the CBR. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding. Instead, the Group considers these loans as in essence floating rate loans.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The Group should reclassify financial assets if the Group changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the Group's senior management as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties. Accordingly, a change in the Group's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when the Group has acquired, disposed of or terminated a business line.

Financial liabilities are not reclassified subsequent to their initial recognition.

ii. Derecognition

Financial assets

From 1 January 2018 any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in (b)(i). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

iii. Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Group due to changes in the CBR key rate, if the loan contract entitles the Group to do so.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower (see (b)(iv)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income (see (a)).

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

As part of credit risk management activities, the Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities'). If the Group plans to modify a financial asset in a way that would result in forgiveness of part of the existing contractual cash flows, then a portion of the asset is written off (see (b)(iv)) before the modification takes place. This is likely to result in the remaining contractual cash flows that are still recognised as the original financial asset at the point of modification to be similar to the new modified contractual cash flows. If based on quantitative assessment the Group concludes that modification of financial assets modified as part of the Group's forbearance policy is not substantial, the Group performs qualitative evaluation of whether the modification is substantial.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

iv. Impairment

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (see Note 4).

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see (b)(iii)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market’s assessment of creditworthiness as reflected in the bond yields.
- The rating agencies’ assessments of creditworthiness.
- The country’s ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as ‘lender of last resort’ to that country, as well as the intention, reflected in public statements, of governments and

agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the consolidated interim condensed statement of financial position

Loss allowances for ECL are presented in the consolidated interim condensed statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the condensed consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

(c) Loans to customers

‘Loans to customers’ caption in the consolidated interim condensed statement of financial position include:

- loans to customers measured at amortised cost (see b(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans to customers mandatorily measured at FVTPL due to non-compliance with the SPPI-criterion (see b(i)); these are measured at fair value with changes recognised immediately in profit or loss; and
- finance lease receivables.

(d) Investment securities

The ‘investment securities’ caption in the consolidated interim condensed statement of financial position includes:

- debt investment securities measured at amortised cost (see b(i)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL (see b(i) and b(v)); these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI (see b(i)); and
- equity investment securities designated as at FVOCI (see b(i)).

(e) Financial guarantees and loan commitments

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance (see (b)(iv)).

The Group has issued no loan commitment that are measured at FVTPL.

For other loan commitments the Group recognises loss allowance (see (b)(iv)).

Liabilities arising from financial guarantees and loan commitments are included within provisions.

(f) Comparative information

As a result of adoption of IFRS 9 the Group changed presentation of certain captions in the primary forms of consolidated interim condensed financial statements. Comparative information is reclassified to conform to changes in presentation in the current period.

The effect of main changes in presentation of the consolidated interim condensed statement of financial position is disclosed in Note 5.

The effect of main changes in presentation of the consolidated interim condensed statement of financial position is as follows:

- ‘Available-for-sale financial assets‘ were presented within ‘Investment financial assets‘ line item.

The effect of main changes in presentation of the consolidated interim condensed statement of profit or loss and other comprehensive income is as follows:

- The presentation of interest income was amended to present interest on non-derivative financial assets measured at FVTPL separately under ‘Other interest income’ line item.

The effect of main changes in presentation of the consolidated interim condensed statement of cash flows is as follows:

- ‘Financial instruments at fair value through profit or loss’ were presented within ‘Trading financial assets’ line item;
- ‘Purchase of available-for-sale securities’ was presented within ‘Purchase of investment financial assets’ line item;
- ‘Proceeds from disposal and redemption of available-for-sale securities’ were presented within ‘Proceeds from disposal and redemption of investment financial assets’ line item.

(g) Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application if permitted; however, the Group has not early adopted new or amended standards in the preparing these consolidated interim condensed financial statements.

The Group has no updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group’s consolidated interim condensed financial statements.

4 Financial risk review

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

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(b)(iv).

Significant increase in credit risk

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

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

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

Credit risk grades

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

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

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

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

Generating the term structure of PD

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

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

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

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

Determining whether credit risk has increased significantly

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

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

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

Modified financial assets

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

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

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

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

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

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

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

Definition of default

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

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

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

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

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

Incorporating of forward-looking information

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

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

Measurement of ECL

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

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

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

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

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

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

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

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

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

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

	Exposure as at 30 September 2018 (Unaudited)	**Benchmarks used PD**
Cash and cash equivalents	126 929	
Due from credit and other financial institutions	6 658	Moody's default study/ Internal PD-model
Investment financial assets	89 750	

(in millions of Russian Roubles unless otherwise stated)

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt instruments, loan commitments and financial guarantee contracts as at 30 September 2018. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3(b)(iv).

	30 September 2018 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Cash equivalents				
rated from AA+ to AA-	1 429	-	-	1 429
rated from A+ to A-	1 102	-	-	1 102
rated from BBB+ to BBB-	84 324	-	-	84 324
rated from BB+ to BB-	1 158	-	-	1 158
rated from B+ to B-	40 653			40 653
not rated	885 040	-	-	885 040
Total	**1 013 706**	-	-	**1 013 706**
Credit loss allowance	**(912)**	-	-	**(912)**
Carrying amount	**1 012 794**	-	-	**1 012 794**
Due from credit and other financial institutions at amortised cost				
rated from A+ to A-	-	-	-	-
rated from BBB+ to BBB-	2 552	-	-	2 552
rated from BB+ to BB-	-	-	-	-
rated from B+ to B-	4 104	-	-	4 104
not rated:	4 483	-	-	4 483
Total	**11 139**	-	-	**11 139**
Credit loss allowance	**(72)**	-	-	**(72)**
Carrying amount	**11 067**	-	-	**11 067**
Loans to corporate clients at amortised cost				
not past due	475 713	27 412	34 113	537 238
overdue less than 31 days	6	-	2 035	2 041
overdue 61-90 days	-	-	896	896
overdue 91-180 days	-	-	119	119
overdue 181-360 days	-	-	4 574	4 574
overdue more than 360 days	-	-	1 308	1 308
Total	**475 719**	**27 412**	**43 045**	**546 176**
Credit loss allowance	**(9 459)**	**(1 989)**	**(24 748)**	**(36 196)**
Carrying amount	**466 260**	**25 423**	**18 297**	**509 980**

(in millions of Russian Roubles unless otherwise stated)

	30 September 2018 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Loans to individual clients at amortised cost				
not past due	84 018	2 112	315	86 445
overdue less than 31 days	714	896	33	1 643
overdue 31-60 days	-	605	31	636
overdue 61-90 days	-	426	52	478
overdue 91-180 days	-	-	841	841
overdue 181-360 days	-	-	2 223	2 223
overdue more than 360 days	-	-	1 522	1 522
Total	**84 732**	**4 039**	**5 017**	**93 788**
Credit loss allowance	**(1 271)**	**(1 234)**	**(3 977)**	**(6 482)**
Carrying amount	**83 461**	**2 805**	**1 040**	**87 306**
Debt investment securities at amortised cost				
rated from BBB+ to BBB-	22 140	-	-	22 140
rated from BB+ to BB-	2 332	-	-	2 332
rated from B+ to B-	192	-	-	192
not rated	5 968	-	450	6 418
Total	**30 632**	**-**	**450**	**31 082**
Credit loss allowance	**(149)**	**-**	**(270)**	**(419)**
Carrying amount	**30 483**	**-**	**180**	**30 663**
Debt investment securities at FVOCI				
rated from A+ to A-	120	-	-	120
rated from BBB+ to BBB-	116 634	-	-	116 634
rated from BB+ to BB-	12 810	-	-	12 810
rated from B+ to B-	12 041	-	-	12 041
from CCC+ to CCC-	268			268
not rated	14 524	-	-	14 524
Total	**156 397**	**-**	**-**	**156 397**
Credit loss allowance	**(528)**	**-**	**-**	**(528)**
Gross carrying amount	**159 406**	**-**	**-**	**159 406**
Carrying amount – fair value	**156 397**	**-**	**-**	**156 397**
Loan commitments	**52 657**	**78**	**-**	**52 735**
Credit loss allowance	**(37)**	**-**	**-**	**(37)**
Carrying amount (provision)	**(37)**	**-**	**-**	**(37)**
Financial guarantee contracts	**2 916**	**-**	**1 020**	**3 936**
Credit loss allowance	**(37)**	**-**	**(122)**	**(159)**
Carrying amount (provision)	**(53)**	**-**	**(137)**	**(190)**

(in millions of Russian Roubles unless otherwise stated)

5 Transition to IFRS 9

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

(Unaudited)	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Reclassi-fication	Remeasure-ment	New carrying amount under IFRS 9
Financial assets							
Cash and cash equivalents	11	Loans and receivables	Amortised cost	934 033	-	(673)	933 360
Trading financial assets	13	FVTPL	FVTPL (mandatory)	72 986	(71 133)	-	1 853
Derivative financial assets	13	FVTPL	FVTPL (mandatory)	44 296	-	-	44 296
Due from credit and other financial institutions	12	Loans and receivables	Amortised cost	16 369	-	(166)	16 203
Loans to customers	14	Loans and receivables	Amortised cost	768 676	(32 981)	(6 572)	729 123
Loans to customers [(a)]	14	Loans and receivables	FVTPL (mandatory)	-	32 981	(267)	32 714
Investment financial assets – debt [(c)]	15	Available for sale	FVOCI	24 946	(511)	-	24 435
Investment financial assets – debt [(d)]	15	FVTPL	FVOCI	-	68 070	-	68 070
Investment financial assets – debt [(b)]	15	Available for sale	Amortised cost	-	511	(60)	451
Investment financial assets – debt [(b)]	15	FVTPL	Amortised cost	-	3 063	(119)	2 944
Investment financial assets – equity	15	Available for sale	-	120	(120)	-	-
Investment securities – equity	15	Available for sale	FVTPL (mandatory)	-	120	-	120
Other financial assets		Loans and receivables	Amortised cost	1 500	-	(131)	1 369
Total financial assets				**1 862 926**	**-**	**(7 988)**	**1 854 938**

As a result of the adoption of IFRS 9 there were no reclassification or remeasurement of financial liabilities.

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 3(b)(i). The application of these policies resulted in the reclassifications set out in the table above and explained below.

a. Certain loans to customers held by the Group's investment banking business are classified under IFRS 9 as mandatorily measured at FVTPL due to non-compliance with the SPPI criterion.

b. Certain debt securities are held by the Group Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets are classified as measured at amortised cost under IFRS 9.

c. Certain debt securities are held by the Group Treasury in separate portfolios to meet everyday liquidity needs. The Group Treasury seeks to minimise the costs of managing those liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group considers that under IFRS 9 these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

(in millions of Russian Roubles unless otherwise stated)

d. Before the adoption of IFRS 9, certain debt securities were classified as FVTPL at initial recognition. Due to changes in intentions and managing these securities within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets by the Group Treasury, those securities are classified as measured at FVOCI category on the adoption of IFRS 9.

The following table shows the effects of the reclassification of financial assets and financial liabilities from IAS 39 categories into the amortised cost category under IFRS 9.

From financial instruments at fair value through profit or loss under IAS 39 (Unaudited)	
Fair value a 30 September 2018	2 443
Fair value loss that would have been recognised during nine-month period ended 30 September 2018 in profit and loss if the financial assets had not been reclassified	(906)

From available-for-sale securities under IAS 39 (Unaudited)	
Fair value a 30 September 2018	379
Fair value loss that would have been recognised during nine-month period ended 30 September 2018 in other comprehensive income if the financial assets had not been reclassified	7

The following table analyses the impact, net of tax, of transition to IFRS 9 on reserves and retained earnings. The impact relates to the fair value reserve and retained earnings. There is no impact on other components of equity.

(Unaudited)	**Impact of adopting IFRS 9 at 1 January 2018**
Fair value reserve – FVOCI debt (31 December 2017 – Fair value reserve – Available-for-sale)	
Closing balance under IAS 39 (31 December 2017)	394
Reclassification from financial instruments at fair value through profit or loss to debt investment securities at fair value through other comprehensive income	356
Reclassification of debt investment securities from available-for-sale to amortised cost	(10)
Reclassification of debt investment securities from available-for-sale to fair value through profit or loss	(36)
Recognition of expected credit losses under IFRS 9 for debt investment securities at fair value through other comprehensive income	644
Opening balance under IFRS 9 (1 January 2018)	**1 348**
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	62 104
Reclassifications under IFRS 9	(610)
Recognition of expected credit losses under IFRS 9 (including lease receivables, loan commitments and financial guarantee contracts)	(8 063)
Opening balance under IFRS 9 (1 January 2018)	**53 431**

(in millions of Russian Roubles unless otherwise stated)

The following table reconciles:

- the closing impairment allowance for financial assets in accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 as at 31 December 2017 to
- the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

For financial assets, this table is presented by the related financial assets' measurement categories in accordance with IAS 39 and IFRS 9, and shows separately the effect of the changes in the measurement category on the loss allowance at the date of initial application of IFRS 9, i.e. as at 1 January 2018.

	Impairment allowance and provisions			
(Unaudited)	**31 December 2017 (IAS 39/IAS 37)**	**Reclassification**	**Remeasurement**	**1 January 2018 (IFRS 9)**
Loans and receivables under IAS 39/financial assets at amortised cost under IFRS 9 (includes cash and cash equivalents, due from credit and other financial institutions and loans to customers)	44 949	-	7 411	52 360
Available-for-sale debt investment securities under IAS 39 reclassified to amortised cost under IFRS 9	-	225	73	298
Loans and receivables under IAS 39 reclassified to financial assets at FVTPL under IFRS 9 (includes loans to customers)	5 191	(5 191)	-	-
Total measured at amortised cost	**50 140**	**(4 966)**	**7 484**	**52 658**
Available-for-sale debt investment securities under IAS 39 reclassified to amortised cost under IFRS 9	225	(225)	-	-
Available-for-sale debt investment securities under IAS 39/debt investment securities at FVOCI under IFRS 9	-	-	805	805
Total measured at FVOCI	**225**	**(225)**	**805**	**805**
Loans and receivables under IAS 39 reclassified to financial assets at FVTPL under IFRS 9 (includes loans to customers)	-	5 191	(5 191)	-
Total measured at FVTPL	**-**	**5 191**	**(5 191)**	**-**
Loan commitments and financial guarantee contracts issued	1 516	-	1 659	3 175

(in millions of Russian Roubles unless otherwise stated)

6 Net interest income

	Nine-Month Period Ended 30 September 2018 (Unaudited)	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2018 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)
Interest income calculated using the effective interest method				
Financial assets measured at amortised cost				
Loans to customers	49 824	61 468	16 357	21 702
Due from credit and other financial institutions and the CBR	42 885	23 531	14 483	7 803
Other financial assets	518	3 510	295	1 325
Debt financial assets measured at FVOCI	6 044	-	2 635	-
Interest income calculated using the effective interest method	**99 271**	**88 509**	**33 770**	**30 830**
Loans to customers at FVTPL	2 474	-	940	-
Other financial instruments at fair value through profit or loss	775	3 676	320	1 063
Other interest income	**3 249**	**3 676**	**1 260**	**1 063**
	102 520	**92 185**	**35 030**	**31 893**
Interest expense				
Due to customers	(33 840)	(32 709)	(12 346)	(10 550)
Due to credit institutions and the CBR	(25 265)	(19 181)	(7 679)	(7 694)
Debt securities issued	(6 822)	(8 718)	(2 240)	(2 780)
	(65 927)	**(60 608)**	**(22 265)**	**(21 024)**
Net interest income	**36 593**	**31 577**	**12 765**	**10 869**

(in millions of Russian Roubles unless otherwise stated)

7 Net fee and commission income

	Nine-Month Period Ended 30 September 2018 (Unaudited)	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2018 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)
Fee and commission income				
Settlements and wire transfers	1 884	1 668	656	564
Other cash operations	1 792	1 521	679	519
Plastic cards	1 752	1 921	587	705
Insurance contracts processing	1 673	1 503	623	518
Guarantees and letters of credit	1 554	1 768	587	483
Cash handling	1 430	1 561	514	489
Currency exchange and brokerage commission	682	943	222	161
Opening and maintenance of bank accounts	423	455	147	99
Other	213	274	126	57
	11 403	**11 614**	**4 141**	**3 595**
Fee and commission expense				
Plastic cards	(2 056)	(1 646)	(686)	(631)
- Commissions to payment systems and other similar commissions	*(1 679)*	*(1 574)*	*(628)*	*(598)*
- Expenses under loyalty programs	*(377)*	*(72)*	*(58)*	*(33)*
Settlements, wire transfers and plastic cards	(93)	(77)	(38)	(30)
Other	(351)	(155)	(227)	(55)
	(2 500)	**(1 878)**	**(951)**	**(716)**
Net fee and commission income	**8 903**	**9 736**	**3 190**	**2 879**

(in millions of Russian Roubles unless otherwise stated)

8 Salaries, employment benefits and administrative expenses

	Nine-Month Period Ended 30 September 2018 (Unaudited)	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2018 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)
Salaries	6 876	5 793	2 023	1 708
Social security costs	1 744	1 481	494	415
Salaries and employment benefits	**8 620**	**7 274**	**2 517**	**2 123**
Occupancy	857	770	288	250
Advertising and business development	762	719	217	303
Property maintenance	478	489	162	182
Operating taxes	416	420	160	162
Security	405	440	144	140
Legal and consulting services	226	158	99	68
Communications	203	131	82	53
Write-off of low-value fixed assets	166	143	54	48
Computer maintenance and software expenses	121	120	46	46
Insurance	103	139	36	46
Transport	95	100	38	41
Other	24	35	8	13
Administrative expenses	**3 856**	**3 664**	**1 334**	**1 352**

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.

9 Impairment (losses) recoveries on other non-financial assets, credit (losses) recoveries on other financial assets and credit related commitments and other provisions

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

(Unaudited)	Other financial assets	Non-financial assets	Provisions for financial guarantees and credit related commitments	Provisions for claims and other provisions	Total
Balance at the beginning of the period	**514**	**231**	**3 175**	**247**	**4 167**
Net charge (recovery)	71	(121)	(2 979)	4 935	**1 906**
Write-offs	(2)	(29)	-	(56)	**(87)**
Disposal of subsidiary	(42)	(35)	-	-	**(77)**
Balance at the end of the period	**541**	**46**	**196**	**5 126**	**5 909**

Movements in the impairment allowance for the nine-month period ended 30 September 2017 are as follows:

(in millions of Russian Roubles unless otherwise stated)

(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	**438**	**61**	**1 510**	**144**	**2 153**
Net charge (recovery)	(100)	149	(174)	(52)	**(177)**
Write-offs	1	(138)	-	(5)	**(142)**
Balance at the end of the period	**339**	**72**	**1 336**	**87**	**1 834**

10 Income tax

	Nine-Month Period Ended 30 September 2018 (Unaudited)	Nine-Month Period Ended 30 September 2017 (Unaudited)
Current tax charge	2 739	1 284
Deferred taxation	2 908	3 464
Income tax expense	**5 647**	**4 748**

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The statutory income tax rate for the Bank is 20% in 2018 and 2017.

(in millions of Russian Roubles unless otherwise stated)

11 Cash and cash equivalents

	30 September 2018 (Unaudited)	31 December 2017
Cash on hand	19 408	19 732
Correspondent account with the Central bank of the Russian Federation	46 564	71 300
Nostro accounts with other banks		
rated from AA+ to AA-	1 159	3 754
rated from A+ to A-	532	5 439
rated from BBB+ to BBB-	931	3 029
rated from BB+ to BB-	1 158	1 246
rated from B+ to B-	200	12
not rated	2 005	842
Total nostro accounts with other banks	**5 985**	**14 322**
Deposits in credit and other financial institutions with maturity of less than 1 month		
Deposits with the Central bank of the Russian Federation	1 059	22 008
rated from AA+ to AA-	270	57
rated from A+ to A-	570	11 741
rated from BBB+ to BBB-	35 770	4 224
rated from BB+ to BB-	-	5 104
rated from B+ to B-	40 453	56 434
not rated	883 035	729 111
Total deposits in credit and other financial institutions with maturity of less than 1 month	**961 157**	**828 679**
Total gross cash and cash equivalents	**1 033 114**	**934 033**
Credit loss allowance	(912)	-
Total net cash and cash equivalents	**1 032 202**	**934 033**

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

No cash and cash equivalents are past due.

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

As at 30 September 2018, receivables under reverse sale and repurchase agreements included in cash and cash equivalents are RUB 958 298 million (31 December 2017: RUB 793 501 million).

As at 30 September 2018, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 1 061 824 million (31 December 2017: RUB 907 864 million).

As at 30 September 2018, 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 883 035 million (31 December 2017: RUB 729 111 million).

(in millions of Russian Roubles unless otherwise stated)

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

	Nine-month period ended 30 September 2018 (Unaudited)				Nine-month period ended 30 September 2017 (Unaudited)
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	Total
Balance at the beginning of the period	**673**	**-**	**-**	**673**	**-**
Net charge	239	-	-	239	-
Balance at the end of the period	**912**	**-**	**-**	**912**	**-**

Comparative amounts for the nine-month period ended 30 September 2017 represent impairment allowance and reflect measurement basis under IAS 39.

12 Due from credit and other financial institutions

	30 September 2018 (Unaudited)	31 December 2017
Term deposits		
rated from BBB+ to BBB-	2 552	-
rated from BB+ to BB-	-	5 556
rated from B+ to B-	4 104	1 044
not rated	4 483	9 769
Total gross due from credit and other financial institutions	**11 139**	**16 369**
Credit loss allowance	(72)	-
Total net due from credit and other financial institutions	**11 067**	**16 369**

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

No due from credit and other financial institutions are past due.

As at 30 September 2018, receivables under reverse sale and repurchase agreements included in due from credit and other financial institutions are RUB 4 047 million (31 December 2017: RUB 8 423 million).

As at 30 September 2018, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 4 202 million (31 December 2017: RUB 10 488 million).

As at 30 September 2018, balances included in not rated credit and other financial institutions are amounts due from foreign financial institutions. As at 31 December 2017, balances included in not rated credit and other financial institutions are receivables in the amount of RUB 6 319 million secured by liquid securities under agreements to resell (reverse repo).

(in millions of Russian Roubles unless otherwise stated)

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

	Nine-month period ended 30 September 2018 (Unaudited)				Nine-month period ended 30 September 2017 (Unaudited)
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	Total
Balance at the beginning of the period	**166**	**-**	**-**	**166**	**-**
Net recovery	(94)	-	-	(94)	-
Balance at the end of the period	**72**	**-**	**-**	**72**	**-**

Comparative amounts for the nine-month period ended 30 September 2017 represent impairment allowance and reflect measurement basis under IAS 39.

13 Trading financial assets

	30 September 2018 (Unaudited)	31 December 2017
Held by the Group		
Government and municipal bonds		
Russian Government Federal bonds	1 862	16 506
Russian Government Eurobonds	81	8 049
Regional authorities and municipal bonds	-	1 576
Corporate bonds		
rated from BBB+ to BBB-	2 398	17 226
rated from BB+ to BB-	1 378	5 507
rated from B+ to B-	126	1 641
not rated	789	718
Derivative financial instruments	**2 801**	**44 296**
Total held by the Group	**9 435**	**95 519**
Pledged under sale and repurchase agreements		
Government and municipal bonds		
Russian Government Federal bonds	-	840
Russian Government Eurobonds	114	16 850
Corporate bonds		
rated from BBB+ to BBB-	2 847	2 138
rated from BB+ to BB-	1 259	1 935
Total pledged under sale and repurchase agreements	**4 220**	**21 763**
Total trading financial assets	**13 655**	**117 282**

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

No trading financial assets are past due.

As at 30 September 2018, trading financial assets in the amount of RUB 5 000 million (31 December 2017: RUB 65 352 million) are qualified to be pledged against borrowings from the Central bank of the Russian Federation.

(in millions of Russian Roubles unless otherwise stated)

14 Loans to customers

	30 September 2018 (Unaudited)	31 December 2017
Loans to customers at amortised cost		
Loans to corporate clients	546 176	731 105
Credit loss allowance	(36 196)	(45 168)
Total loans to corporate clients, net	**509 980**	**685 937**
Loans to individuals		
Cash loans	70 102	63 256
Mortgage loans	19 845	20 319
Credit card loans	3 668	3 713
Auto loans	173	423
Credit loss allowance	(6 482)	(4 972)
Total loans to individuals, net	**87 306**	**82 739**
Total gross loans to customers at amortised cost	**639 964**	**818 816**
Credit loss allowance	**(42 678)**	**(50 140)**
Total net loans to customers at amortised cost	**597 286**	**768 676**
Loans to customers at FVTPL		
Loans to corporate clients	63 574	-
Total loans to customers at amortised cost and FVTPL	**660 860**	**768 676**

Credit quality of loan portfolio

The following table provides information on credit quality of the loan portfolio as at 30 September 2018 and 31 December 2017:

	30 September 2018 (Unaudited)	31 December 2017
Loans to customers		
- Not past due	687 257	789 661
- Overdue less than 31 days	3 684	4 805
- Overdue 31-60 days	636	3 255
- Overdue 61-90 days	1 374	1 334
- Overdue 91-180 days	960	8 905
- Overdue 181-360 days	6 797	5 334
- Overdue more than 360 days	2 830	5 522
Total gross loans to customers	**703 538**	**818 816**
Credit loss allowance	**(42 678)**	**(50 140)**
Total net loans to customers	**660 860**	**768 676**

(in millions of Russian Roubles unless otherwise stated)

As at 30 September 2018 , the gross amount of overdue loans with payments that are overdue at least for one day totals RUB 16 281 million, which represents 2.3% of the gross loan portfolio (31 December 2017: RUB 29 155 million and 3.6%, respectively).

Non-performing loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 10 587 million or 1.5% of the gross loan portfolio (31 December 2017: RUB 19 761 million and 2.4%, respectively).

As at 30 September 2018, the ratio of total credit loss allowance to overdue loans equals 262.1%, the ratio of total credit loss allowance to NPLs equals 403.1% (31 December 2017: 172.0%, 253.7%, respectively).

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of loans to corporate clients as at 30 September 2018 and 31 December 2017:

	30 September 2018 (Unaudited)	31 December 2017
Loans to corporate clients		
- Not past due	600 812	709 092
- Overdue less than 31 days	2 041	3 699
- Overdue 31-60 days	-	2 603
- Overdue 61-90 days	896	863
- Overdue 91-180 days	119	7 898
- Overdue 181-360 days	4 574	3 095
- Overdue more than 360 days	1 308	3 855
Total gross loans to corporate clients	**609 750**	**731 105**
Credit loss allowance	**(36 196)**	**(45 168)**
Total net loans to corporate clients	**573 554**	**685 937**

As at 31 December 2017, loans included in not past due category in amount of RUB 74 992 million are not past due but impaired.

(in millions of Russian Roubles unless otherwise stated)

Analysis of movements in the credit loss allowance

Movements in the credit loss allowance for loans to corporate clients by three ECL stages for the nine-month period ended 30 September 2018 are as follows:

	Nine-month period ended 30 September 2018 (Unaudited)*				Nine-month period ended 30 September 2017 (Unaudited)
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**	**Total**
Loans to corporate clients					
Balance at the beginning of the period	**7 796**	**1 285**	**35 318**	**44 399**	**32 698**
Transfer to 12-month ECL	207	(207)	-	-	-
Transfer to lifetime ECL not credit-impaired	(9)	9	-	-	-
Transfer to lifetime ECL credit-impaired	(96)	(5)	101	-	-
Net remeasurement of loss allowance	73	482	4 250	4 805	7 041
New financial assets originated or purchased	4 516	763	1 321	6 600	-
Financial assets that have been derecognised (full repayment)	(3 297)	(235)	(4 783)	(8 315)	-
Transfer to assets held for sale	-	-	(7 700)	(7 700)	-
Write-offs	-	-	(4 115)	(4 115)	(2 270)
Recoveries of amounts previously written-off	-	-	294	294	-
Unwinding of discount	-	-	593	593	-
Disposal of subsidiary	(93)	(103)	(572)	(768)	-
Foreign exchange and other movements	362	-	41	403	-
Balance at the end of the period	**9 459**	**1 989**	**24 748**	**36 196**	**37 469**

Comparative amounts for the nine-month period ended 30 September 2017 represent impairment allowance and reflect measurement basis under IAS 39.

* The loss allowance in these tables includes ECL on loan commitments for certain corporate products because the Group cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

(in millions of Russian Roubles unless otherwise stated)

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals as at 30 September 2018:

(Unaudited)	Cash loans	Mortgage loans	Credit card loans	Auto loans	Total
Loans to individuals					
- Not past due	64 501	18 367	3 421	156	86 445
- Overdue less than 31 days	1 389	205	44	5	1 643
- Overdue 31-60 days	524	111	1	-	636
- Overdue 61-90 days	345	115	18	-	478
- Overdue 91-180 days	694	103	44	-	841
- Overdue 181-360 days	1 895	237	89	2	2 223
- Overdue more than 360 days	754	707	51	10	1 522
Gross loans to individuals	**70 102**	**19 845**	**3 668**	**173**	**93 788**
Credit loss allowance	**(5 532)**	**(635)**	**(306)**	**(9)**	**(6 482)**
Net loans to individuals	**64 570**	**19 210**	**3 362**	**164**	**87 306**

The following table provides information on the credit quality of loans to individuals as at 31 December 2017:

	Cash loans	Mortgage loans	Credit card loans	Auto loans	Total
Loans to individuals					
- Not past due	57 997	18 705	3 479	388	80 569
- Overdue less than 31 days	919	185	-	2	1 106
- Overdue 31-60 days	542	75	33	2	652
- Overdue 61-90 days	371	81	18	1	471
- Overdue 91-180 days	818	128	52	9	1 007
- Overdue 181-360 days	1 751	383	93	12	2 239
- Overdue more than 360 days	858	762	38	9	1 667
Gross loans to individuals	**63 256**	**20 319**	**3 713**	**423**	**87 711**
Credit loss allowance	**(4 083)**	**(661)**	**(202)**	**(26)**	**(4 972)**
Net loans to individuals	**59 173**	**19 658**	**3 511**	**397**	**82 739**

Analysis of movements in the credit loss allowance

Movements in the credit loss allowance by classes of loans to individuals and by three ECL stages for the nine-month period ended 30 September 2018 are as follows:

(in millions of Russian Roubles unless otherwise stated)

	Nine-month period ended 30 September 2018 (Unaudited)*				Nine-month period ended 30 September 2017 (Unaudited)
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**	**Total**
Cash loans					
Balance at the beginning of the period	**1 294**	**933**	**3 880**	**6 107**	**6 085**
Transfer to 12-month ECL	517	(180)	(337)	-	-
Transfer to lifetime ECL not credit-impaired	(94)	191	(97)	-	-
Transfer to lifetime ECL credit-impaired	(119)	(509)	628	-	-
Net remeasurement of loss allowance	(643)	593	1 184	1 134	3 350
New financial assets originated or purchased	411	179	120	710	-
Financial assets that have been derecognised (full repayment)	(211)	(117)	(169)	(497)	-
Write-offs	-	-	(2 556)	(2 556)	(3 768)
Recoveries of amounts previously written-off	-	-	189	189	-
Unwinding of discount	-	-	438	438	-
Foreign exchange and other movements	5	1	1	7	-
Balance at the end of the period	**1 160**	**1 091**	**3 281**	**5 532**	**5 667**
Mortgage loans					
Balance at the beginning of the period	**79**	**39**	**565**	**683**	**1 127**
Transfer to 12-month ECL	25	(9)	(16)	-	-
Transfer to lifetime ECL not credit-impaired	(2)	8	(6)	-	-
Transfer to lifetime ECL credit-impaired	(1)	(15)	16	-	-
Net remeasurement of loss allowance	(52)	20	(39)	(71)	(95)
New financial assets originated or purchased	20	15	21	56	-
Financial assets that have been derecognised (full repayment)	(8)	(13)	(49)	(70)	-
Write-offs	-	-	(272)	(272)	(365)
Recoveries of amounts previously written-off	-	-	245	245	-
Unwinding of discount	-	-	18	18	-
Foreign exchange and other movements	3	-	43	46	-
Balance at the end of the period	**64**	**45**	**526**	**635**	**667**

* The loss allowance in these tables includes ECL on loan commitments for certain retail products such as credit cards and overdrafts, because the Group cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

(in millions of Russian Roubles unless otherwise stated)

	Nine-month period ended 30 September 2018 (Unaudited)*				Nine-month period ended 30 September 2017 (Unaudited)
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**	**Total**
Credit card loans					
Balance at the beginning of the period	**51**	**82**	**177**	**310**	**239**
Transfer to 12-month ECL	18	(18)	-	-	-
Transfer to lifetime ECL not credit-impaired	(4)	4	-	-	-
Transfer to lifetime ECL credit-impaired	(2)	(21)	23	-	-
Net remeasurement of loss allowance	(17)	66	52	101	116
New financial assets originated or purchased	10	16	6	32	-
Financial assets that have been derecognised (full repayment)	(10)	(31)	(14)	(55)	-
Write-offs	-	-	(124)	(124)	(154)
Recoveries of amounts previously written-off	-	-	14	14	-
Unwinding of discount	-	-	28	28	-
Balance at the end of the period	**46**	**98**	**162**	**306**	**201**
Auto loans					
Balance at the beginning of the period	**2**	**1**	**19**	**22**	**54**
Net remeasurement of loss allowance	-	(1)	(5)	(6)	2
Financial assets that have been derecognised (full repayment)	(1)	-	(4)	(5)	-
Write-offs	-	-	(17)	(17)	(28)
Recoveries of amounts previously written-off	-	-	15	15	-
Balance at the end of the period	**1**	**-**	**8**	**9**	**28**

Comparative amounts for the nine-month period ended 30 September 2017 represent impairment allowance and reflect measurement basis under IAS 39.

* The loss allowance in these tables includes ECL on loan commitments for certain retail products such as credit cards and overdrafts, because the Group cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

(in millions of Russian Roubles unless otherwise stated)

Industry and geographical analysis of the loan portfolio

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

	30 September 2018 (Unaudited)	31 December 2017
Loans to individuals	93 788	87 711
Petroleum refining / production and trading	131 419	132 982
Crude oil production and trading	100 410	182 716
Residential and commercial construction and development	54 905	55 611
Automotive, motorcycles and spare parts	52 654	53 294
Property rental	48 569	47 187
Pharmaceutical and medical products	31 164	32 526
Industrial chemicals	30 720	27 949
Services	29 843	32 229
Equipment leasing	28 856	5 147
Financial companies	24 518	8 350
Food and farm products	22 949	40 947
Metallurgical	19 737	35 726
Industrial equipment and machinery	10 337	25 649
Consumer electronics, appliances and computers	8 583	8 349
Clothing, shoes, textiles and sporting goods	6 020	6 467
Consumer chemicals, perfumes and hygiene products	2 786	2 299
Transport Infrastructure Contractors	2 061	1 092
Industrial and infrastructure construction	1 458	15 977
Construction and decorative materials, furniture	1 210	13 697
Paper, stationery and packaging products	1 052	1 718
Products for home, gifts, jewelry and business accessories	284	93
Electric utility	72	66
Government and municipal bodies	-	320
Other	143	714
Total gross loans to customers	**703 538**	**818 816**
Credit loss allowance	(42 678)	(50 140)
Net loans to customers	**660 860**	**768 676**

(in millions of Russian Roubles unless otherwise stated)

15 Investment financial assets

	30 September 2018 (Unaudited)	31 December 2017
Investment financial assets measured at fair value through other comprehensive income – debt instruments, including pledged under repurchase agreements	156 397	-
Investment financial assets measured at amortised cost, including pledged under repurchase agreements	30 663	-
Investment financial assets at fair value through profit or loss	120	-
Available-for-sale securities, including pledged under repurchase agreements	-	25 066
Total investment financial assets	**187 180**	**25 066**

No investment financial assets are past due.

As at 30 September 2018, debt instruments at fair value through other comprehensive income in the amount of RUB 140 591 million are qualified to be pledged against borrowings from the Central bank of the Russian Federation. (31 December 2017: debt instruments available-for-sale in the amount of RUB 7 201 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

	30 September 2018 (Unaudited)
Held by the Group	
Russian Government Federal bonds	21 875
Russian Government eurobonds	8 639
Regional authorities and municipal bonds	1 483
Corporate bonds	37 078
Corporate eurobonds	2 452
Total held by the Group	**71 527**
Pledged under sale and repurchase agreements	
Russian Government Federal bonds (OFZ)	2 120
Russian Government eurobonds	60 663
Corporate bonds	11 981
Corporate eurobonds	10 106
Total pledged under sale and repurchase agreements	**84 870**
Total investment financial assets measured at fair value through other comprehensive income – debt instruments	**156 397**

(in millions of Russian Roubles unless otherwise stated)

Investment financial assets measured at amortised cost

	30 September 2018 (Unaudited)
Held by the Group	
Corporate eurobonds	8 467
Corporate bonds	242
Promissory notes	450
Total held by the Group	**9 159**
Pledged under sale and repurchase agreements	
Corporate eurobonds	15 201
Corporate bonds	6 722
Total pledged under sale and repurchase agreements	**21 923**
Credit loss allowance	(419)
Investment financial assets measured at amortised cost	**30 663**

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

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

Available-for-sale securities

	31 December 2017
Held by the Group	
Corporate bonds	22 928
Promissory notes	225
Equity investments	120
Total held by the Group	**23 273**
Pledged under sale and repurchase agreements	
Corporate bonds	1 793
Total pledged under sale and repurchase agreements	**1 793**
Total available-for-sale securities	**25 066**

(in millions of Russian Roubles unless otherwise stated)

Movements in the credit loss allowance of investment financial assets measured at fair value through other comprehensive income by three ECL stages for the nine-month period ended 30 September 2018 are as follows:

	Nine-month period ended 30 September 2018 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL not credit-impaired	**Stage 3** Lifetime ECL credit-impaired	**Total**
Investment financial assets measured at fair value through other comprehensive income - debt instruments				
Balance at the beginning of the period	805	-	-	805
Net recovery	(277)	-	-	(277)
Balance at the end of the period	528	-	-	528

Movements in the credit loss allowance of investment financial assets measured at amortised cost by three ECL stages for the nine-month period ended 30 September 2018 are as follows:

	Nine-month period ended 30 September 2018 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL not credit-impaired	**Stage 3** Lifetime ECL credit-impaired	**Total**
Investment financial assets measured at amortised cost				
Balance at the beginning of the period	21	7	270	298
Net charge (recovery)	128	(7)	-	121
Balance at the end of the period	149	-	270	419

16 Due to credit institutions

	30 September 2018 (Unaudited)	31 December 2017
Payables under repurchase agreements	480 812	534 452
Term deposits	10 558	57 252
Syndicated debt	20 452	29 487
Current accounts	35 667	18 670
Total due to credit institutions	**547 489**	**639 861**

As at 30 September 2018, the fair value of securities that serve as collateral under sale and repurchase agreements is RUB 553 576 million (31 December 2017: RUB 630 957 million).

As at 30 September 2018, the fair value of securities received as collateral under reverse repo deals being pledged for direct repo deals is RUB 456 513 million (31 December 2017: RUB 612 596 million).

(in millions of Russian Roubles unless otherwise stated)

17 Debt securities issued

	30 September 2018 (Unaudited)	31 December 2017
Bonds	65 066	66 649
Subordinated bonds	48 954	49 631
Total debt securities issued	**114 020**	**116 280**

18 Share capital

Share capital consists of ordinary shares and was contributed by the shareholders in Roubles. The shareholders are entitled to dividends and capital distributions. Issued, outstanding and paid share capital at 30 September 2018 comprises 27 079 709 866 shares (31 December 2017: 27 079 709 866 shares) with par value of 1 RUB per share. In addition, at 30 September 2018 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 May 2017 the Group issued subordinated perpetual Eurobonds in the amount of USD 700 million at par with a coupon rate of 8.875% per annum. The Group has the right to call the Eurobonds in November 2022 or on any subsequent coupon payment date thereafter at the option of the Group. The coupon is paid on a quarterly basis and the coupon rate is fixed until the first call date after which it is reset every 5 years. The coupon payment is not cumulative and may be cancelled at the discretion of the Group.

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% p.a. 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.

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 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 21).

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

19 Contingencies

Insurance

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

Litigation

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

Taxation contingencies

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

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

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

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

(in millions of Russian Roubles unless otherwise stated)

20 Related party transactions

The outstanding balances with related parties and related average interest rates as at 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018 (Unaudited)		31 December 2017	
	Amount	**Average effective interest rate**	**Amount**	**Average effective interest rate**
Cash and cash equivalents				
Under control of principal beneficiary	-	-	4 114	6.2%
Total cash and cash equivalents	**-**		**4 114**	
Due from credit and other financial institutions				
Under control of principal beneficiary	635	0.5%	-	-
Total due from credit and other financial institutions	**635**		**-**	
Investment financial assets				
Under control of principal beneficiary	1 125	10,25%	-	
Total investment financial assets	**1 125**		**-**	
Trading financial assets				
Under control of principal beneficiary	81		1 451	
Total trading financial assets	**81**		**1 451**	
Loans to customers				
Under control of principal beneficiary	23 928	11.9%	22 600	12.7%
Management	643	8.2%	134	14.5%
Total loans to customers	**24 571**		**22 734**	
Due to customers				
Term deposits by customers				
Under control of principal beneficiary	9 143	5.6%	2 067	7.3%
Parent company	3 651	6.7%	-	-
Principal beneficiary	1 247	4.0%	174	7.4%
Management	772	6.2%	187	5.8%
Total term deposits by customers	**14 813**		**2 428**	
Current accounts by customers				
Under control of principal beneficiary	1 132		3 595	
Management	45		23	
Parent company	11		1 321	
Principal beneficiary	2		2	
Total current accounts by customers	**1 190**		**4 941**	
Term notes				
Under control of principal beneficiary	28	6.0%	-	-
Total term notes	**28**		**-**	
Total due to customers	**16 031**		**7 369**	
Debt securities issued				
Under control of principal beneficiary	5 996	9.5%	7 942	10.9%
Parent company	2 834	7.5%	-	-
Total debts securities issued	**8 830**		**7 942**	
Other liabilities				
Under control of principal beneficiary	680		1	
Total liabilities	**680**		**1**	
Guarantees issued				
Under control of principal beneficiary	-		201	
Total guarantees issued	**-**		**201**	

(in millions of Russian Roubles unless otherwise stated)

As at 30 September 2018, the undrawn loan commitments under credit line agreements for principal beneficiary and for management are RUB 894 million (31 December 2017: RUB 890 million).

Amounts included in profit or loss and other comprehensive income for the nine-month periods ended 30 September 2018 and 30 September 2017 in relation to transactions with related parties are as follows:

	Nine-Month Period Ended 30 September 2018 (Unaudited)	Nine-Month Period Ended 30 September 2017 (Unaudited)
Interest income		
Under control of principal beneficiary	2 220	2 628
Parent company	41	161
Management	20	10
Principal beneficiary	2	-
Total interest income	**2 283**	**2 799**
Interest expense		
Under control of principal beneficiary	(1 375)	(55)
Principal beneficiary	(121)	(41)
Parent company	(37)	(37)
Management	(13)	(11)
Total interest expense	**(1 546)**	**(144)**
Commission income		
Under control of principal beneficiary	249	46
Parent company	21	21
Total commission income	**270**	**67**
Net foreign exchange loss		
Under control of principal beneficiary	(7 278)	(1 061)
Total net foreign exchange loss	**(7 278)**	**(1 061)**

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the nine-month periods ended 30 September 2018 and 30 September 2017 (refer to Note 8) is as follows:

	Nine-Month Period Ended 30 September 2018 (Unaudited)	Nine-Month Period Ended 30 September 2017 (Unaudited)
Board Members of the Management Board	(472)	(382)
Members of the Supervisory Board	(64)	(52)
	(536)	**(434)**

(in millions of Russian Roubles unless otherwise stated)

21 Capital management

The CBR sets and monitors capital requirements for the Group.

The Group defines as capital those items defined by statutory regulation as capital for banking groups.Since 1 January 2016 the Group calculated amount of capital in accordance with Provision of the CBR dated 3 December 2016 No. 509-P '*On Calculation of Amount of Own Funds (Capital), Economic Ratios and Amounts (Limits) of Open Currency Positions of Banking Groups'.* As at 30 September 2018 and 31 December 2017, minimum levels of basic capital ratio (ratio N20.1), main capital ratio (ratio N20.2), own funds (capital) ratio (ratio N20.0) are 4.5%, 6.0% and 8.0%, accordingly. Starting from 1 January 2016 the Group should comply with capital mark-ups: capital conservation mark-up, countercycle mark-up and mark-up for systematical importance. Management believes that the Group maintains capital adequacy at the level appropriate to the nature and volume of its operations.

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

In case capital adequacy ratios become close to limits set by the CBR and the Group's internal limits this information is communicated to the Management Board and the Supervisory Board. The Group is in compliance with the statutory capital ratios as at 30 September 2018 (unaudited) and 31 December 2017.

The capital adequacy ratio of the Group calculated in accordance with the Basel III requirements as adopted in the Russian Federation, based on the IFRS financial statements as at 30 September 2018 and 31 December 2017 is as follows:

	30 September 2018 (Unaudited)	**31 December 2017**
Tier 1 capital		
Share capital and additional paid-in capital	74 189	74 189
Retained earnings	65 470	62 104
Intangible assets	(434)	(484)
Core tier 1 capital	**139 225**	**135 809**
Additional capital		
Perpetual debt issued	45 252	40 320
Total tier 1 capital	**184 477**	**176 129**
Tier 2 capital		
Revaluation surplus for buildings	582	582
Fair value reserve for securities	(1 985)	394
Subordinated debt		
Subordinated loans	61 908	56 055
Subordinated bonds	41 918	41 257
Total tier 2 capital	**102 423**	**98 288**
Total capital	**286 900**	**274 417**
Risk-weighted assets		
Banking book	836 213	943 174
Trading book	288 935	133 987
Operational risk	97 409	97 409
Total risk weighted assets	**1 222 557**	**1 174 570**
Total core tier 1 capital expressed as a percentage of risk-weighted assets (core tier 1 capital ratio) (%)	**11.4**	**11.6**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio) (%)	**15.1**	**15.0**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio) (%)	**23.5**	**23.4**

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.

22 Analysis by segment

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

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, which is calculated based on consolidated 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.

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

(in millions of Russian Roubles unless otherwise stated)

	30 September 2018 (Unaudited)	31 December 2017
ASSETS		
Corporate banking	599 325	695 723
Retail banking	91 033	86 294
Treasury	1 225 449	1 071 712
Cash operations	22 608	24 863
Unallocated assets	10 438	9 599
Total assets	**1 948 853**	**1 888 191**
LIABILITIES		
Corporate banking	741 765	653 110
Retail banking	354 120	294 736
Treasury	659 365	748 892
Cash operations	4 298	5 525
Unallocated liabilities	5 797	8 339
Total liabilities	**1 765 345**	**1 710 602**

Segment information for the main reportable segments for the nine-month period ended 30 September 2018 is set below:

(Unaudited)	Corporate banking	Retail banking	Treasury	Cash operations	Unallocated	Total
External interest income	42 126	10 200	50 128	66	-	102 520
Fee and commission income	3 140	4 590	426	3 247	-	11 403
Net loss on other financial instruments at fair value through profit or loss	-	-	(180)	-	-	(180)
Net loss from sale and redemption of financial assets at FVOCI	-	-	(71)	-	-	(71)
Net foreign exchange gains (losses)	709	-	(536)	-	-	173
Other operating income (expenses), net	983	(13)	1 789	(30)	-	2 729
(Expenses) revenue from other segments	(5 749)	11 553	(6 264)	460	-	-
Revenue	**41 209**	**26 330**	**45 292**	**3 743**	**-**	**116 574**
Reversal of (charge for) credit loss on debt financial assets	(3 089)	(1 329)	8	2	-	(4 408)
Interest expense	(18 556)	(15 558)	(31 812)	(1)	-	(65 927)
Fee and commission expense	(2)	(2 113)	(371)	(14)	-	(2 500)
Net loss on loans to customers at fair value through profit or loss	(3 224)	-	-	-	-	(3 224)
Impairment (losses) recoveries on other non-financial assets, credit (losses) recoveries on other financial assets and credit related commitments and other provisions	(1 710)	(8)	(119)	(69)	-	(1 906)
General administrative and other expenses	(2 159)	(5 977)	(776)	(3 523)	(2 172)	(14 607)
Expense	**(28 740)**	**(24 985)**	**(33 070)**	**(3 605)**	**(2 172)**	**(92 572)**
Segment result	**12 469**	**1 345**	**12 222**	**138**	**(2 172)**	**24 002**

Segment information for the main reportable segments for the nine-month period ended 30 September 2017 is set below:

(in millions of Russian Roubles unless otherwise stated)

(Unaudited)	Corporate banking	Retail banking	Treasury	Cash operations	Unallocated	Total
External interest income	49 338	12 174	30 640	33	-	92 185
Fee and commission income	3 211	4 546	747	3 110	-	11 614
Net gain on securities	-	-	746	-	-	746
Net foreign exchange gain	-	-	1 976	-	-	1 976
Other operating income (expenses), net	1 425	193	(1 321)	(17)	-	280
(Expenses) revenue from other segments	(6 864)	8 204	(1 864)	524	-	-
Revenue	**47 110**	**25 117**	**30 924**	**3 650**	**-**	**106 801**
Impairment losses on loans	(7 041)	(3 373)	-	-	-	(10 414)
Interest expense	(18 265)	(14 936)	(27 407)	-	-	(60 608)
Fee and commission expense	(5)	(1 688)	(170)	(15)	-	(1 878)
Provisions for impairment of other assets and credit related commitments	144	67	1	(35)	-	177
General administrative and other expenses	(2 195)	(4 023)	(317)	(3 234)	(3 486)	(13 255)
Expense	**(27 362)**	**(23 953)**	**(27 893)**	**(3 284)**	**(3 486)**	**(85 978)**
Segment result	**19 748**	**1 164**	**3 031**	**366**	**(3 486)**	**20 823**

Information about geographical areas

The majority of revenues from external customers relate to residents of the Russian Federation. The majority of non-current assets are located in the Russian Federation.

23 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 September 2018:

(Unaudited)	FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	-	1 032 202	-	1 032 202	1 032 202
Obligatory reserves with the CBR	-	11 497	-	11 497	11 497
Due from credit and other financial institutions	-	11 067	-	11 067	11 067
Trading financial assets	13 655	-	-	13 655	13 655
Loans to customers	63 574	597 286	-	660 860	671 194
Investment financial assets	120	30 663	156 397	187 180	185 382
Assets held for sale	-	16 379	-	16 379	16 986
Other financial assets	-	1 384	-	1 384	1 384
	77 349	**1 700 478**	**156 397**	**1 934 224**	**1 943 367**
Due to credit institutions	-	547 489	-	547 489	547 489
Due to customers	-	1 084 315	-	1 084 315	1 093 450
Debt securities issued	-	114 020	-	114 020	104 624
Other financial liabilities	2 446	7 416	-	9 862	9 862
	2 446	**1 753 240**	**-**	**1 755 686**	**1 755 425**

(in millions of Russian Roubles unless otherwise stated)

The main assumptions used by management to estimate the fair values of financial instruments as at 30 September 2018 are:

- discount rates from 8.9% to 12.5% (roubles) and from 2.3% to 6.1% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 9.7% to 26.2% (roubles) and from 6.0% to 11.9% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 6.55% to 6.92% (roubles) and from 1.30% to 3.09% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 5.5% to 6.4% (roubles) and from 1.3% to 1.9% (foreign currency) are used for discounting future cash flows from retail deposits.

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2017:

	Fair value through profit or loss	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	934 033	-	-	934 033	934 033
Obligatory reserves with the CBR	-	8 884	-	-	8 884	8 884
Due from credit and other financial institutions	-	16 369	-	-	16 369	16 369
Financial instruments at fair value through profit or loss	117 282	-	-	-	117 282	117 282
Available-for-sale securities	-	-	25 066	-	25 066	25 066
Loans to customers	-	768 676	-	-	768 676	770 867
Other financial assets	-	1 500	-	-	1 500	1 500
	117 282	**1 729 462**	**25 066**	**-**	**1 871 810**	**1 874 001**
Due to credit institutions	-	-	-	639 861	639 861	639 861
Due to customers	36 426	-	-	905 298	941 724	949 607
Debt securities issued	-	-	-	116 280	116 280	115 056
Other financial liabilities	1 551	-	-	2 571	4 122	4 122
	37 977	**-**	**-**	**1 664 010**	**1 701 987**	**1 708 646**

The main assumptions used by management to estimate the fair values of financial instruments as at 31 December 2017 are:

- discount rates from 9.0% to 15.4% (roubles) and from 3.2% to 8.3% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 10.9% to 26.4% (roubles) and from 9.0% to 10.9% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 5.2% to 8.9% (roubles) and from 0.1% to 2.7% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 5.5% to 8.5% (roubles) and from 0.9% to 1.4% (foreign currency) are used for discounting future cash flows from retail deposits.

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

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

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

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

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

Fair value hierarchy

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

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

The following tables show an analysis of financial instruments recorded at fair value and financial instruments recorded at amortised cost for which fair value does not approximate their carrying amount as at 30 September 2018 and 31 December 2017:

(in millions of Russian Roubles unless otherwise stated)

30 September 2018 (Unaudited)	Level 1	Level 2	Level 3	Total
Trading financial assets	10 854	2 801	-	**13 655**
Investment financial assets	185 262	120	-	**185 382**
Loans to customers	-	-	671 194	**671 194**
Assets held for sale	-	-	16 986	**16 986**
Due to customers	-	1 093 450	-	**1 093 450**
Debt securities issued	104 624	-	-	**104 624**
Other financial liabilities	-	9 862	-	**9 862**

31 December 2017	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss	72 986	44 296	-	**117 282**
Available-for-sale securities	23 191	1 755	-	**24 946**
Loans to customers	-	-	770 867	**770 867**
Due to customers	-	949 607	-	**949 607**
Debt securities issued	115 056	-	-	**115 056**
Other financial liabilities	-	4 122	-	**4 122**

During nine-month period ended 30 September 2018 there were no transfers of assets between Level 1 and Level 2.

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

	30 September 2018 (Unaudited)
Fair value at 1 January 2018	32 714
Loan issues	39 701
Loan repayments	(10 765)
Interest income recognised	2 474
Changes in fair value measurement	(3 224)
Write-offs	(1 909)
Net foreign exchange gain	4 583
Fair value at 30 September 2018	**63 574**

The table below sets out information about significant unobservable inputs used in the measuring of financial instruments categorised as Level 3 in the fair value hierarchy as at 30 September 2018:

Type of instrument	Fair values	Valuation technique	Significant unobservable input	Unobservable inputs used
Loans to customers at FVTPL	63 574	Discounted cash flow from operating activities	Risk-adjusted discount rate	RUB: 14,6% - 23,8% USD: 5,9% - 7,4% EUR: 4,5%

If discount rates differ by plus/minus one percent, fair values of these instruments would be RUB 61 279 million – RUB 66 081 million.

24 Earnings per share

Basic earnings per share are calculated by dividing profit for the period by the weighted average number of ordinary shares in issue during the period.

Basic earnings per share are calculated as follows:

(in millions of Russian Roubles unless otherwise stated)

	Nine-Month Period Ended 30 September 2018 (Unaudited)	Nine-Month Period Ended 30 September 2017 (Unaudited)	Three-Month Period Ended 30 September 2018 (Unaudited)	Three-Month Period Ended 30 September 2017 (Unaudited)
Profit for the period	18 355	16 075	7 351	6 067
Interest paid on perpetual debt securities issued, net of tax	(2 286)	(746)	(790)	(746)
Total profit for the period	16 069	15 329	6 561	5 321
Weighted average number of ordinary shares in issue	27 079 709 866	23 879 709 866	27 079 709 866	23 879 709 866
Basic and diluted earnings per share (in RUB per share)	**0.59**	**0.67**	**0.24**	**0.25**

25 Acquisition and disposal

Disposal of subsidiary

In June 2018, the Group sold 100% share in its subsidiary "MKB-Leasing" Group to a third party for a cash consideration of RUB 1 550 million. The Group recognized gain from disposal of a subsidiary in the amount of RUB 637 million. The financial result of a subsidiary for the period before disposal in amount of RUB 826 million (gain) is included in the consolidated interim condensed statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2018.

The disposal of a subsidiary had the following effect on assets and liabilities at the date of disposal as a result of the deconsolidation:

	Recognized amounts on disposal
ASSETS	
Cash and cash equivalents	703
Loans to customers	9 204
- loans to corporate clients	*9 204*
Property and equipment	19
Deferred tax asset	236
Other assets	4 015
LIABILITIES	
Due to credit institutions	9 118
Due to customers	20
- due to corporate customers	*20*
Debt securities issued	3 024
Deferred tax liability	230
Other liabilities	872
Net identifiable liabilities	**913**
Consideration received	1 550
Cash disposed of	(703)
Net cash inflow to be received	**847**

26 Events subsequent to the reporting date

In October 2018 the Group paid out the coupon in the amount of USD 22.4 million on 10.5-year 7.5% subordinated Eurobonds due 2027 with the nominal value of USD 600 million.

In October 2018 the Bank optimized its capital structure with a partial redemption of two subordinated loans from CBOM Finance p. l. c. in the amount of USD 600,000,000 7.500% p. a. Loan Participation Notes due 2027 and USD 700,000,000 8.875% p. a. perpetual callable Loan Participation Notes. Upon the partial redemption of these loans and cancellation of equivalent amounts of the Loan Participation Notes, USD 557,000,000 of the CBOM'27 bonds and USD 670,000,000 of the perpetual bonds remained outstanding.

In October 2018 the Bank paid out the 10th coupon in the amount of RUB 205.9 million or RUB 50.89 per bond on domestic bonds series BO-06 and fully redeemed them. The issue was originally placed on 24 October 2013 with a maturity of 5 years. The nominal value of the issue is RUB 5 billion.

In October 2018 the Bank paid out the 10th coupon in the amount of RUB 126.2 million or RUB 51.64 per bond on domestic bonds series BO-07 and fully redeemed them. The issue was originally placed on 30 October 2013 with a maturity of 5 years. The nominal value of the issue is RUB 7 billion.

In November 2018 the Group paid out the coupon in the amount of USD 14.7 million on the senior 5-year 5.875% Eurobonds due 2021 with the nominal value of USD 500 million.

In November 2018 the Group paid out the coupon in the amount of USD 14.9 million on perpetual subordinated Loan Participation Notes with the nominal value of USD 670 million.

In November 2018 the Group paid out the coupon in the amount of USD 4.6 million on 5,5-year 8.7% subordinated Eurobonds and redeemed them. The nominal value of redeemed Eurobonds amounted to USD 106,205,000 decreased from the initial volume of the issue according to the results of two tenders initiated by the Bank in 2018.