Group Expobank LLC

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2019

CONTENTS

Independent Auditor's Report

To the Participants and the Board of Directors of Expobank LLC:

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Expobank LLC (the "Bank") and its subsidiaries (together – the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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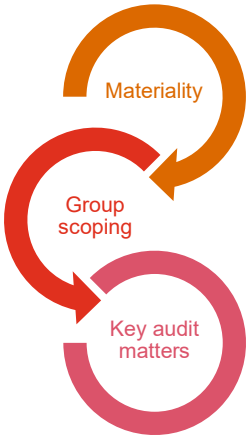
Our audit approach



Overall Group materiality: Russian Roubles ("RUB") 293 million, which represents 5% of profit before tax of the Group for the year, ended 31 December 2019

We determined the scope of our audit in order that the scope of work performed was sufficient to enable us to express an opinion on the consolidated financial statements as a whole, taking into consideration the Group's structure, accounting processes, and the specifics of the industries in which the Group operates.

- Expected credit loss allowance for loans to customers;
- Accounting for the acquisition of Kurskprombank

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RUB 293 million
How we determined it	5% of profit before tax of the Group for the year, ended 31 December 2019
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on loans to customers	
We focused on this matter due to the material amount of loans to customers, and material professional judgments and estimates required to calculate the expected credit loss alowance for loans to customers (the " ECL allowance"). The ECL allowance represents the management's estimate of expected credit losses on loans to customers in accordance with IFRS 9 “Financial instruments”. Collective measurement of the ECL allowance is based on models using risk metrics developed by the Group and assigned to individual balances. Individual measurement of the ECL allowance is based on models using expected future cash flows on individual balances in line with various scenarios. The design and inputs of such models are subject to management’s professional judgement. Note 3 "Significant Accounting Policies", note 4 "Critical Accounting Estimates, and Judgements in Applying Accounting Policies", note 10 "Loans to Customers", note 30 "Risk Management", and note 41 "Events After the End of the Reporting Period" included in the consolidated financial statements disclose detailed information on the ECL allowance for loans to customers.	We assessed the key techniques applied by the Group for calculating the ECL allowance for the consistency with the requirements of IFRS 9 "Financial instruments". We assessed and tested on a sample basis the organisation and operating effectiveness of key controls related to overdue loans to customers, including identification of overdue loans to customers. We tested on a sample basis loans to customers with individual assessment of the ECL allowance. We tested whether the default event had been identified in a timely manner, tested the discounted cash flow calculations, analyzed the expected future cash flows, challenged the assumptions applied by management, including the collateral valuation and timing of cash flows and compared management's estimates with external evidence (where available). We tested on a sample basis significant loans to customers which were not classified by management as requiring ECL allowance measurement on individual basis and made our own judgment as to whether such classification was appropriate. We tested on a sample basis the design and operation of the models and calculations used for collective and individual ECL allowance measurements, as well as inputs and assumptions applied, including statistics on probability of default (PD) and loss given default (LGD). Our work included reconciling key assumptions and estimates against available external information, our own knowledge of client specifics, industry practices and actual experience, as well as various analytical procedures designed to test the reasonableness of the allowance created. We reviewed the disclosure of the ECL allowance for loans to customers presented in the notes to the consolidated financial statements.

Accounting for the acquisition of Kurskprombank

We focused on this matter as the acquisition of Kurskprombank had a significant impact on the Group's consolidated financial statements. The business combination required the use of significant management judgements regarding the assessment of assets and liabilities of Kurskprombank at fair value at the date of the business combination. In addition to loans to customers, the major aquired assets subject to value judgments include premises and equipment.

Note 3 "Significant Accounting Policies", note 4 "Critical Accounting Estimates, and Judgements in Applying Accounting Policies", and note 36, "Business Combinations", included in the consolidated financial statements, provide detailed information about these matters.

In assessing the acquisition accounting of Kurskprombank we performed the following:

- reviewed the relevant agreements, contracts and board minutes to get an understanding of the transaction;
- assessed the appropriateness of the methodologies adopted by management for the determination of the purchase price consideration and the fair value of assets and liabilities acquired;
- validated and challenged management's key inputs, assumptions and data used in assessment of purchase price consideration and fair values of assets and liabilities acquired, including comparing these to market indicators;
- checked the consolidation entries;
- verified the recognition of the gain from a bargain purchase, taking into account information that existed at the date of acquisition and is available to the Bank's management at the date of issue of this report. During the verification of the gain from a bargain purchase, we repeatedly verified that all assets and liabilities acquired were identified and that the fair value was verified by us. We also reviewed the valuation processes applied by management, including, among other thing, verification of the amount of gain from a bargain purchase adjusted in the post-acquisition period, and made sure that the calculation methodology applied at the date of purchase does not need to be revised.

We engaged PwC valuation specialists (where applicable) to assess the appropriateness of the valuation models and independently check the valuations prepared by management and the underlying key assumptions used. We assessed the adequacy of the respective disclosures in these consolidated financial statements and also reviewed the information disclosure in the respective notes.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's consolidated financial statements include the financial information of Expobank LLC, Kurskprombank and other subsidiaries. We perfomed an audit of Expobank LLC and its significant component Kurskprombank. The Expobank LLC and Kurskprombank's balances cover more than 99% of the Group's net assets, total assets, revenue and profit before tax.

Other information

Management is responsible for the other information. The other information comprises the Annual report for 2019 and the Issuer's Report for the 2 Quarter 2020, but does not include the consolidated financial statements and our auditor's report thereon, which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report for 2019 and the Issuer's Report for the 2 Quarter 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the [consolidated] financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on theGroup's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on examination in accordance with Article No.42 of Federal Law of 2 December 1990 No.395-1 “On Banks and Banking Activity”

The management of the Bank is responsible for compliance of the Group with the statutory ratios set by the Bank of Russia and for compliance of internal control and organisation of risk management systems of the Group with the Bank of Russia's requirements for such systems.

In accordance with Article No.42 of Federal Law of 2 December 1990 No.395-1 “On Banks and Banking Activity”, we have examined the following during the audit of the consolidated financial statements of the Group for the year 2019:

- compliance of the Group as at 1 January 2020 with the statutory ratios set by the Bank of Russia;
- compliance of internal control and organisation of risk management systems of the Group with the requirements set by the Bank of Russia for such systems.

Our examination was limited to procedures selected based on our judgement, such as inquiries, analysis and examination of documents, comparison of requirements, procedures and methodologies adopted by the Group with the Bank of Russia’s requirements, as well as recalculation, comparison and reconciliation of figures and other information.

We have identified the following based on our examination:

1) as related to compliance of the Group with the statutory ratios set by the Bank of Russia:

   as at 1 January 2020 the Group’s statutory ratios set by the Bank of Russia were within the limits set by the Bank of Russia.

   We draw your attention to the fact that we have not performed any procedures related to the underlying accounting data of the Group other than the procedures we considered necessary to express our opinion on whether or not the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS.

2) as related to compliance of internal control and organisation of risk management systems of the Group with the Bank of Russia's requirements for such systems:

   a) in accordance with the Bank of Russia's requirements and recommendations, as at 1 January 2020 subdivisions of the Bank for managing significant risks of the Group were not subordinated or accountable to subdivisions assuming corresponding risks;

   b) internal documents of the Bank effective as at 1 January 2020 which set out the methodologies to identify and manage significant credit, operational, market, interest rate of bank portfolio and liquidity risks and the methodologies to carry out stress testing are duly approved by appropriate management bodies of the Bank in accordance with the Bank of Russia's requirements and recommendations;

   c) as at 1 January 2020 the Bank had in place a reporting system for significant credit, operational, market, interest rate of bank portfolio and liquidity risks and for equity (capital) of the Group;

d) the frequency and consistency of reports prepared by risk management subdivisions of the Bank and its internal audit function during 2019 as related to management of credit, operational, market, interest rate of bank portfolio and liquidity risks complied with internal documents of the Bank; those reports included observations made by risk management subdivisions of the Bank and its internal audit function as related to the assessment of the effectiveness of the respective procedures of the Group as well as recommendations on their improvement;

e) as at 1 January 2020 the authority of the Board of Directors of the Bank and its executive bodies included control over compliance of the Group with risk and equity (capital) adequacy limits set by internal documents of the Bank. To exercise control over the effectiveness of the risk management procedures applied in the Group and their consistent application in 2019, the Board of Directors of the Bank and its executive bodies regularly discussed the reports prepared by risk management subdivisions of the Bank and its internal audit function and considered proposed measures to eliminate weaknesses.

We have performed the above procedures related to internal control and organisation of risk management systems of the Group solely to examine compliance of internal control and risk management systems of the Group with the Bank of Russia's requirements for such systems.

The certified auditor responsible for the audit resulting in this independent auditor's report is Natalia Vladimirovna Kosova.

13 April 2020

Moscow, Russian Federation

N.V. Kosova, certified auditor (licence No.01-000396), AO PricewaterhouseCoopers Audit

Audited entity: Expobank Limited Liability Company

Record made in the Unified State Register of Legal Entities on 05.11.2002 under State Registration Number 1027739504760

Taxpayer Identification Number: 7729065633

107078, Moscow, Kalanchevskaya Str., 29, bldg.2

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

Translation note: This version of our report is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Expobank Group
Consolidated statement of financial position
31 December 2019

In thousands of Russian Roubles	Note	31 December 2019	31 December 2018 Restated
ASSETS			
Cash and cash equivalents	7	18 543 227	12 892 242
Mandatory cash balances with the Central Bank of the Russian Federation		765 050	666 999
Securities at fair value through profit or loss, including:	8	11 367 786	6 658 854
- not pledged securities		11 367 786	4 405 551
- pledged securities under direct repo agreements		–	2 253 303
Due from credit institutions	9	1 431 354	1 816 266
Loans to customers	10	60 267 319	40 403 823
Securities at fair value through other comprehensive income, including:	11	2 200 433	15 822 400
- not pledged securities		2 200 433	12 199 710
- pledged securities sold under direct repo agreements		–	3 622 690
Securities at amortised cost	12	518 554	–
- not pledged securities		518 554	–
Prepayment for current income tax liabilities		–	24 762
Investment property	13	462 034	593 936
Premises and equipment	14	1 942 345	1 488 117
Intangible assets	15	171 576	45 984
Right-of-use assets	16	217 363	–
Other assets	17	172 663	110 641
TOTAL ASSETS		**98 059 704**	**80 524 024**
LIABILITIES			
Due to credit institutions	18	615 591	3 575 570
Customer accounts	19	73 077 632	59 726 260
Debt securities in issue	21	1 565 622	405 012
Lease liabilities	16	224 308	–
Other liabilities	20	1 166 541	1 197 334
Current income tax liabilities		93 034	–
Deferred income tax liabilities	28	546 882	230 792
Subordinated Eurobonds in issue	22	1 244 569	1 398 052
TOTAL LIABILITIES		**78 534 179**	**66 533 020**
EQUITY			
Share capital	23	9 500 998	9 500 998
Share premium		548 256	548 256
Treasury shares	23	(178 377)	(128 470)
Retained earnings, including dividends paid		8 903 908	3 488 523
Unrealised gains from revaluation of securities at fair value through other comprehensive income		465 019	307 369
Revaluation reserve for premises and equipment		285 721	274 328
TOTAL EQUITY		**19 525 525**	**13 991 004**
TOTAL LIABILITIES AND EQUITY		**98 059 704**	**80 524 024**

Signed on behalf of the Management Board on 13 April 2020.

Nifontov K.V.
Chairman of the Management Board

Ulanova G.M.
Chief Accountant

In thousands of Russian Roubles	Note	2019	2018 Restated
Interest income calculated using the effective interest rate	24	8 683 504	5 152 500
Other interest income	24	950 435	1 077 032
Interest expense	24	(3 679 151)	(2 175 763)
Net interest income		**5 954 788**	**4 053 769**
Credit loss allowance for cash and cash equivalents, due from credit institutions and loans to customers	7, 9, 10	(1 017 545)	(140 559)
Net interest income after credit loss allowance for cash and cash equivalents, due from credit institutions and loans to customers		**4 937 243**	**3 913 210**
Fee and commission income	25	1 159 373	534 543
Fee and commission expense	25	(175 020)	(119 817)
(Losses less gains)/ gains less losses from securities at fair value through profit or loss		436 814	(303 736)
Gains less losses from loans to customers at fair value through profit or loss		36 957	34 372
Gains less losses from financial derivative instruments		(88 707)	5 036
Gains less losses from trading in foreign currencies		144 034	304 754
Foreign exchange translation (losses less gains)/ gains less losses		105 294	(94 372)
Gains less losses on derecognition of securities at fair value through other comprehensive income		90 809	17 373
Recovery of credit loss allowance / (credit loss allowance) for securities at fair value through other comprehensive income	11	73 323	(41 923)
(Credit loss allowance) / recovery of credit loss allowance for securities at amortised cost	12	(23)	544
Other operating income	26	495 542	322 090
Other income from recovery of provision and impairment	17, 20, 32	125 715	119 930
Administrative and other operating expenses	27	(3 720 880)	(2 684 414)
Excess of the acquirees' net assets over the value of investments	36	2 237 092	–
Profit before tax		**5 857 566**	**2 007 590**
Income tax	28	(726 278)	(368 604)
Profit for the reporting year		**5 131 288**	**1 638 986**
Profit / (loss) for the reporting period attributable to:			
Participants of the Bank		5 172 335	1 638 986
Non-controlling interest		(41 047)	–

In thousands of Russian Roubles	Note	2019	2018 Restated
Profit for the reporting year		**5 131 288**	**1 638 986**
Other comprehensive income / (loss)			
Other comprehensive (loss) / income to be subsequently reclassified to profit or loss			
Gains less losses / (losses less gains) from debt securities at fair value through other comprehensive income		389 245	(103 606)
Gains less losses reclassified to profit or loss on disposal of debt securities at fair value through other comprehensive income		(75 262)	–
Amount of change in the expected credit loss allowance for debt securities at fair value through other comprehensive income		(73 323)	41 923
Income tax effect	28	(48 132)	12 337
Other comprehensive income not to be subsequently reclassified to profit or loss			
Gains less losses from equity securities at fair value through other comprehensive income		(8 276)	25 949
Revaluation of premises and equipment	14	14 241	25 257
Income tax effect	28	(1 193)	(10 241)
Other comprehensive income / (loss) for the year		**197 300**	**(8 381)**
Total comprehensive income for the year		**5 328 588**	**1 630 605**
Comprehensive income/ (loss) attributable to:			
Participants of the Bank		5 369 635	1 630 605
Non-controlling interest		(41 047)	–

Expobank Group
Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

		Equity attributable to the Bank's participants								
In thousands of Russian Roubles	**Note**	**Share capital**	**Share premium**	**Treasury shares**	**Retained earnings**	**Unrealised gains from revaluation of investment securities**	**Revaluation reserve for premises and equipment**	**Total equity attributable to the Bank's participants**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2018, adjusted under IFRS 9 Restated		**10 413 412**	**548 256**	**(1 220 018)**	**2 157 141**	**335 956**	**254 122**	**12 488 869**	**–**	**12 488 869**
Profit for the year		–	–	–	1 638 986	–	–	1 638 986	–	1 638 986
Other comprehensive income / (loss) for the year		–	–	–	–	(28 587)	20 206	(8 381)	–	(8 381)
Total comprehensive (loss)/ income for the year Restated		**–**	**–**	**–**	**1 638 986**	**(28 587)**	**20 206**	**1 630 605**	**–**	**1 630 605**
Redemption of treasury shares upon reorganisation	23	(912 414)	–	1 220 018	(307 604)	–	–	–	–	–
Acquisition of treasury shares	21	–	–	(128 470)	–	–	–	(128 470)	–	(128 470)
Balance at 31 December 2018 Restated		**9 500 998**	**548 256**	**(128 470)**	**3 488 523**	**307 369**	**274 328**	**13 991 004**	**–**	**13 991 004**
Profit for the year		–	–	–	5 172 335	–	–	5 172 335	(41 047)	5 131 288
Other comprehensive income for the year		–	–	–	–	185 907	11 393	197 300	–	197 300
Total comprehensive (loss)/ income for the year		**–**	**–**	**–**	**5 172 335**	**185 907**	**11 393**	**5 369 635**	**(41 047)**	**5 328 588**
Acquisition of the subsidiary bank		–	–	–	–	–	–	–	829 174	829 174
Acquisition of non-controlling interest in subsidiaries		–	–	–	214 793	–	–	214 793	(788 127)	(573 334)
Acquisition of treasury shares	21	–	–	(49 907)	–	–	–	(49 907)	–	(49 907)
Disposal of revaluation reserve for securities at fair value through other comprehensive income		–	–	–	28 257	(28 257)	–	–	–	–
Balance at 31 December 2019		**9 500 998**	**548 256**	**(178 377)**	**8 903 908**	**465 019**	**285 721**	**19 525 525**	**–**	**19 525 525**

Expobank Group
Consolidated Statement of Cash Flows
For the year ended 31 December 2019

In thousands of Russian Roubles	**Note**	**2019**	**2018**
Cash flows from operating activities			
Interest received		10 062 177	5 877 912
Interest paid		(3 377 973)	(2 141 738)
Fees and commissions received		1 398 359	625 050
Fees and commissions paid		(175 020)	(119 817)
(Expenses paid) / income received from trading in securities at fair value through profit or loss		229 294	(24 419)
Income received from loans to customers at fair value through profit or loss		60 143	–
Income received from trading in foreign currencies		144 034	304 754
Other operating income received		605 917	132 555
Administrative and other operating expenses paid		(3 391 008)	(2 552 807)
Income tax paid		(854 606)	(53 849)
Cash flows from operating activities before changes in operating assets and liabilities		**4 701 317**	**2 047 641**
Net (increase)/decrease in operating assets			
Mandatory cash balances with the Central Bank of the Russian Federation		36 641	(172 590)
Securities at fair value through profit or loss		(4 658 322)	4 390 661
Due from credit institutions		262 625	(970 055)
Loans to customers		(7 333 611)	(12 472 636)
Other assets		(108 417)	199 765
Net (decrease)/ increase in operating liabilities			
Due to credit institutions		(2 755 722)	(100 927)
Customer accounts		(1 883 012)	13 502 050
Debt securities in issue		1 113 915	(109 290)
Other liabilities		(583 586)	555 277
Net cash from/(used in) operating activities		**(11 208 172)**	**6 869 896**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	36	4 559 697	–
Acquisition of securities at fair value through other comprehensive income		(1 761 887)	(13 819 019)
Proceeds from disposal and redemption of securities at fair value through other comprehensive income		14 633 358	9 577 791
Dividends from securities at fair value through other comprehensive income		18 076	186 166
Proceeds from redemption of securities at amortised cost		1 385 485	754 264
Acquisition of securities at amortised cost		(500 000)	–
Acquisition of premises and equipment	14	(23 875)	(27 054)
Proceeds from sale of premises and equipment		216 284	9 202
Proceeds from sale of investment property		38 290	–
Acquisition of intangible assets	15	(20 714)	(23 955)
Net cash (used in) / from investing activities		**18 544 714**	**(3 342 605)**
Cash flows from financing activities			
Acquisition of treasury shares	23	(49 907)	(128 470)
Cash outflows under lease liabilities		(108 258)	–
Acquisition of non-controlling interest in the subsidiary	36	(573 332)	–
Net cash used in financing activities		**(731 497)**	**(128 470)**
Effect of exchange rate changes on cash and cash equivalents		(953 228)	41 585
Effect of changes in the expected credit loss allowance for cash and cash equivalents		(832)	(1 054)
Net increase / (decrease) in cash and cash equivalents		**5 650 985**	**3 439 352**
Cash and cash equivalents at the beginning of the year	7	12 892 242	9 452 890
Cash and cash equivalents at the end of the year	7	**18 543 227**	**12 892 242**

The accompanying notes 1 to 41 are an integral part of these consolidated financial statements.

1 Introduction

These consolidated financial statements for Limited Liability Company Expobank (the "Bank"), its structured entity Expo Capital Designated Activity Company, which was incorporated to place the Bank's debt securities at the Vienna Stock Exchange, its subsidiary EXPOINVEST LLC and its subsidiary bank "Kurskprombank" have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2019.

The Bank is neither directly nor indirectly a shareholder of Expo Capital Designated Activity Company. However, Expo Capital Designated Activity Company is a special purpose entity established by the Bank solely to attract funds through the issue of the Bank's debt securities at the Stock Exchange in Vienna, and therefore shall be consolidated.

The Bank is a commercial bank owned by its participants whose liability is limited by shares, and was set up and operates in accordance with Russian law. Interests in share capital as at 31 December 2019 and 31 December 2018 are as follows:

Participant	2019 %	2018 %
Igor Vladimirovich Kim	75.5	75.5
German Alekseevich Tsoy	19.3	19.3
Kirill Vladimirovich Nifontov	2.0	2.0
MORELAM Limited Liability Company	2.0	2.0
Other	0.1	0.3
Treasury shares	1.1	0.9
Total	**100.0**	**100.0**

As at 31 December 2019, the Board of Directors and the Management Board control 96.9% of the Bank's interest (2018: 96.9%).

Principal activity

The Bank's priority business includes comprehensive services to corporate and private banking customers, issue of car loans, as well as acquisition and consolidation of banking assets. The Bank has operated under full banking licence No. 2998 of 6 February 2012 (re-issue of license No. 2998 of 2 December 2008) issued by the Central Bank of the Russian Federation (the "CBRF"). The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law No. 177-FZ "*Deposits of Individuals Insurance in the Russian Federation*" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in case the Bank's licence is revoked or the CBRF imposes moratorium on payments.

On 30 April 2019, "Kurskprombank" was included in the Group due to acquisition of 86.9% of the company's voting shares and control over its business and operating activities.

In June 2019, the Bank sent a mandatory offer to the shareholders of "Kurskprombank" on the acquisition of 100% shares in "Kurskprombank" in accordance with Federal Law No. 208-FZ of 26 December 1995 "On Joint Stock Companies". According to the mandatory offer, Expobank LLC acquired 4 617 750 shares in "Kurskprombank" from the shareholders of "Kurskprombank" in August 2019. As a result, the Group's interest in the share capital of "Kurskprombank" increased up to 97.9%.

In April 2018, EXPOINVEST LLC, whose sole participant is Expobank LLC, was established and included in the Group.

The Bank's head office is located in Moscow. As at 31 December 2019, the Bank had two branches (31 December 2018: five branches). All branches are located in the Russian Federation. The Bank's registered address is: Kalanchevskaya st., 29, bldg. 2, Moscow 107078, Russia.

In addition, the Bank carries out activities through additional and operational offices in the Russian Federation. As at 31 December 2019, the Bank had 17 offices (2018: 12 offices).

1 Introduction (continued)

Principal activity (continued)

The head office of “Kurskprombank” is located in Kursk. As at 31 December 2019, “Kurskprombank” had no branches. The registered address of “Kurskprombank” is: Lenina str., 13, Kursk, 305000, Russia. “Kurskprombank” also carries out activities through additional and operational offices, lending and cash service offices and operating cash desks outside the cash operating unit in the Russian Federation. As at 31 December 2019, “Kurskprombank” had 14 additional offices, 6 operating offices, 6 lending and cash service offices and 6 operating cash desks outside the cash operating unit.

At 31 December 2019, the Group had 1 311 employees (2018: 715 employees).

The Bank has credit ratings assigned by leading rating agencies. In September 2019, Fitch Ratings increased the Bank’s long-term international ratings from “B+” to “BB-” with a “stable” outlook. In May 2019, the rating agency Expert RA assigned the Bank a ruA- credit rating with a “stable” outlook. In March 2019, Russian Analytical Credit Rating Agency (ACRA) confirmed the Bank’s BBB+(RU) credit rating under the national scale and upgraded the outlook from “stable” to “positive”.

2 Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The Bank is required to maintain accounting and prepare financial statements under Russian laws and regulations on accounting and banking activities (hereinafter, “RAS”). These consolidated financial statements have been prepared on the basis of RAS subject to adjustments and reclassifications necessary to comply with IFRS.

These consolidated financial statements have been prepared under the historical cost convention, except for issues marked in “Significant Accounting Policies”. For example, securities at fair value through profit or loss, securities at fair value through other comprehensive income, derivative financial instruments, investment property, land and buildings were measured at fair value.

These consolidated financial statements are presented in thousands of Russian Roubles ("RR thousands"), unless otherwise stated.

As at 31 December 2019, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 61.9057 (31 December 2018: USD 1 = RR 69.4706) and EUR 1 = 69.3406 (31 December 2018: EUR 1 = 79.4605).

In accordance with Russian law, the consolidated financial statements are placed on the Bank’s web-site www.expobank.ru.

3 Significant Accounting Policies

Basis of consolidation

Subsidiaries, i.e. entities controlled by the Group, are consolidated. Control is exercised when the Group is exposed to risks, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- existence of power over the investee (i.e. rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

3 Significant Accounting Policies (continued)

Basis of consolidation (continued)

Generally, it is assumed that the majority of voting rights results in control. To support this assumption and when the Group has less than the majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the accounting policies of the Group.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. Losses of a subsidiary are attributed to non-controlling interests even if that results in a deficit balance.

If the Group ceases to have control over a subsidiary, it derecognises the assets and liabilities (including goodwill) of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Business combination

Business combinations are accounted for in accordance with the acquisition method of accounting. The cost of an acquisition is measured as the sum of the consideration transferred, measured at fair value at the acquisition date, and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree which provides its current owners the right to proportionate share in the acquiree's net assets in case of its liquidation either at fair value or at proportionate share in the acquiree's identifiable net assets. Other components of non-controlling interests are measured at fair value at the acquisition date. Acquisition costs incurred are expensed.

When the Group acquires a business, it appropriately classifies the financial assets acquired and liabilities assumed in accordance with contractual terms, economic circumstances and relevant conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If a business combination is achieved in stages, the equity interest in the acquiree previously held by the acquirer is remeasured at fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IFRS 9 *"Financial Instruments"* either in profit or loss or as a change in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Subsequently, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. In these circumstances goodwill disposed is measured based on the portion of the value of the disposed operation and the cost of the remaining cash-generating unit.

3 Significant Accounting Policies (continued)

Business combination (continued)

Acquisition of subsidiaries from parties under common control

Acquisition of subsidiaries from parties under common control is accounted for using the pooling of interests method without adjustment of opening balances.

The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the predecessor) at the date of the transfer. Related goodwill inherent in the predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total carrying amount of net assets, including the predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to the equity.

Financial instruments – key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value

The Group assesses financial instruments at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI), as well as non-financial assets, such as land and buildings, investment property, at fair value at each reporting date. Fair value of financial instruments at amortised cost are disclosed in Note 34.

Fair value is 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. Fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for this asset or liability; or
- in its absence, in the most advantageous market for this asset or liability.

The Group must have access to the principal or the most advantageous market. An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 Significant Accounting Policies (continued)

Financial instruments – key measurement terms (continued)

Financial instruments – initial recognition

Securities, derivatives and other financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Incremental costs are one those would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and liabilities – measurement categories

Financial instruments are classified at initial recognition depending on contractual terms and conditions and business model used to manage these instruments. The Group classifies its financial assets based on the business model used for managing the assets and on the assets' contractual terms and conditions at:

- amortised cost;
- FVOCI;
- FVTPL.

The Group classifies and measures derivatives and instruments held for trading at FVTPL. The Group may at its discretion classify financial instruments at FVTPL if such classification allows to eliminate or significantly reduce inconsistency in application of measurement and recognition principles.

Amounts due from credit institutions, loans to customers and securities measured at amortised cost

The Group measures amounts due from credit institutions, loans to customers, and other financial investments at amortised cost, only if both of the following conditions are met:

- the financial asset is held under a business model designed to hold financial assets in order to collect contractual cash flows;
- contractual conditions for a financial asset determine the collection of solely payments of principal and interest cash flows on specified dates.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on individual instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the company's key management personnel.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

3 Significant Accounting Policies (continued)

Financial instruments – key measurement terms (continued)

- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- the expected frequency, scope and timing of sales are also important factors in assessing the Group's business model.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If after initial recognition cash flows are realised in a way different from the Group's expectations, the Group does not change the classification of the remaining financial assets held within this business model, but subsequently incorporates such information when assessing newly originated or newly purchased financial assets.

The solely payments of principal and interest test (SPPI test)

As a second step of its classification process the Group assesses contractual terms of the financial asset to determine whether the contractual cash flows related to the asset are solely payments of principal and interest (also called the SPPI test).

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI test, the Group applies judgements and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

At the same time contractual terms and conditions that introduce more than minimal influence on exposure to risks or volatility in the contractual cash flows that are unrelated to a basic credit arrangement do not give rise to contractual cash flows that are solely payments of principal and interest. In such cases, the financial asset is required to be measured at FVTPL.

Debt instruments at FVOCI

The Group measures debt instruments at FVOCI when both of the following conditions are met:

the instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

the contractual terms of the financial asset meet the SPPI test.

Debt instruments at FVOCI are subsequently measured at fair value, with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income and foreign exchange gains and losses in exchange rates are recognised in profit or loss in the same manner as in case of financial assets at amortised cost. Upon derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

Expected credit losses (ECL) on debt instruments at FVOCI do not decrease the carrying amount of these financial assets in the statement of financial position that continue to be measured at fair value. Instead, an amount equal to the allowance for expected losses that would arise if the assets were measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in other comprehensive income is reclassified to profit or loss when the asset is derecognised.

Equity instruments at FVOCI

At initial recognition of certain investments in equity instruments, the Group periodically takes a decision to irrevocably classify them as equity instruments at FVOCI if they meet the definition of an equity instrument under IAS 32 *"Financial Instruments: Presentation"* and are not held for trading. A decision on such classification is taken separately for each instrument.

3 Significant Accounting Policies (continued)

Financial instruments – key measurement terms (continued)

Gains and losses on these equity instruments are never reclassified to profit or loss. Dividends are recognised in profit or loss as other income, when the right for dividends has been established, except where the Group benefits from such receipts as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees, letters of credit and loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, in the amount of the premium received. Subsequent to initial recognition, the Group measures its liability under each guarantee at the higher of the initially recognised amount less accumulated amortisation recognised in the consolidated statement of profit or loss, and an allowance for ECL.

Commitments to provide loans and letters of credit are contractual commitments, under the terms of which over the period of validity of commitment the Group undertakes to issue a loan to the client on previously specified terms. Similar to financial guarantees, requirements related to ECL measurement are applied to such commitments.

If the Group issues loan commitments at interest rates below the market rates, such commitments are recognised initially at fair value and subsequently are measured at the higher of the amount of the ELC allowance and the initially recognised amount less, if applicable, the cumulative amount of income recognised.

Financial asset and liabilities – reclassification

The Group does not reclassify financial assets after their initial recognition, apart from exceptional cases, when the Group changes the business model for managing the financial assets. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. Financial liabilities are never reclassified. In 2019, the Group did not reclassify financial assets and liabilities.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, placements with the CBRF, amounts due from credit institutions and other financial organisations with original maturities of less than three months. Funds with restricted use or placed for the period of more than three months are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost (Note 7).

Mandatory cash balances with the CBRF

Mandatory cash balances with the CBRF are carried at amortised cost and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repo agreements") are treated as secured financing transactions in the consolidated financial statements. Securities sold under the sale and repurchase agreements are retained in the consolidated statement of financial position and are reclassified as securities pledged under the sale and repurchase agreements if the counterparty has the right by contract or custom to sell or repledge them. The corresponding liabilities are presented within amounts due to credit institutions or customers. Securities purchased under the agreements to resell ("reverse repo agreements") are recorded as cash and cash equivalents, amounts due from credit institutions or loans to customers depending on the term or counterparty. The difference between sale and repurchase price is treated as interest revenue and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless they are sold to third parties, in which case the purchase and sale are recorded within gains less losses on dealing in trading securities in the consolidated statement of profit or loss. The obligation to return such securities is recorded at fair value within other liabilities.

3 Significant Accounting Policies (continued)

Financial derivative instruments

In the normal course of business, the Group enters into various derivative financial instruments, including futures, forwards, swaps and options, in the foreign exchange and capital markets. Such financial instruments are held for trading and are initially recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Financial derivative instruments are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses on transactions with these instruments are recorded within gains less losses from financial derivative instruments in the consolidated statement of profit or loss.

Promissory notes purchased

Promissory notes purchased are included in securities at FVTPL, securities at FVOCI, securities at amortised cost, due from credit institutions or loans to customers in the statement of financial position, depending on their economic substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions, customer accounts, debt securities in issue and subordinated Eurobonds in issue. After initial recognition, borrowings are measured at amortized cost using the effective interest method. Gains and losses arising from depreciation and derecognition are recorded within profit or loss for the year.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss for the year.

Renegotiated loans

Where possible, the Group seeks to restructure loans instead of foreclosure, for example, to extend the payment arrangements and to negotiate new loan conditions.

From 1 January 2018 the Group derecognises a financial asset, e.g. a loan provided to a customer, if the contractual terms and conditions are renegotiated in such a way that such loan becomes a new loan and the difference is recognised as profit or loss from derecognition before the impairment loss is recorded. Upon initial recognition, loans are classified in Stage 1 for ECL measurement purposes, unless a created loan is deemed to be a POCI asset. In deciding whether the loan to a customer should be derecognised, the Group considers, among other things, the following factors:

- a change in the currency of the loan;
- a change of the counterparty;
- whether the modification results in the instrument no longer meets the SPPI criteria.

If modification does not trigger significant changes in cash flows, modification does not result in derecognition. Based on changes in cash flows discounted at the initial effective interest rate, the Group recognises gain or loss on modification which are included in interest income calculated using the effective interest rate in the consolidated statement of profit or loss before the impairment loss is recorded.

For modifications not resulting in derecognition, the Group also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for at least six-month probation period. For the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest are required during at least half of the probation period in accordance with the modified payment schedule.

3 Significant Accounting Policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised in the statement of financial position where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar instrument) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar instrument) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

From 1 January 2018, financial assets are written off in part or in full, only when the Group does not expect to recover their value. If the amount to be written off is higher than the accumulated impairment provision, the difference is at first recorded as the increase in the provision that is subsequently applied to the gross carrying amount. Any subsequent reversals are attributed to recovery of credit loss expenses. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when it is extinguished, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss for the year.

Repossessed collateral

Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value and included in premises and equipment, other non-financial assets and assets classified as held for sale depending on their nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Investment property

Investment property represents land or buildings or parts of buildings held to earn rental income or for capital appreciation and which is not used by the Group or held for sale in the ordinary course of business. Property that is being constructed or developed or redeveloped for future use as investment property is also classified as investment property.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Group's investment property is determined based on various sources including reports of independent valuers who hold a recognised and relevant professional qualification and have experience in valuation of property of similar location and category.

3 Significant Accounting Policies (continued)

Investment property (continued)

Investment property that is being redeveloped for further use as investment property or for which the market has become less active continues to be measured at fair value. Earned rental income is recognised in the statement of profit or loss within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in the statement of profit or loss and presented within other operating income or other operating expense.

Subsequent expenditure is capitalised only when it is probable that the Group will receive future economic benefits and the cost can be measured reliably. All other repair and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to premises and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill, and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Premises and equipment

Premises and equipment (except for land and buildings) are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003 less accumulated depreciation and provision for impairment, where required.

The Group's buildings and land are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amount arising on revaluation are credited to other comprehensive income as income from revaluation of premises and equipment. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the reporting period. Subsequent increases in the carrying amount are offset against the previously recognised losses from decrease in value, and if revaluation surplus exceeds the previously recognised decrease in value, this excess is recorded within other comprehensive income. The revaluation reserve for land and buildings included in other comprehensive income is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset. If there is no market based evidence of fair value, fair value is estimated using an income approach.

Management has updated the carrying value of land and buildings measured in accordance with the revaluation model by the independent valuers at the end of the reporting period using market based evidence and is satisfied that sufficient market based evidence of fair value is available to support the updated fair value calculated using the comparative method.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

3 Significant Accounting Policies (continued)

Premises and equipment (continued)

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the reporting period to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with the carrying amount at the disposal date are recognised in profit or loss for the reporting period within administrative and other operating expenses and other operating income (Notes 14, 26, 27).

Depreciation and amortisation

Construction in progress is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	50
Computer equipment	5
Furniture and office equipment	10
Motor vehicles	10
Leasehold improvements	over the term of the underlying lease

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period (Note 14).

Intangible assets

The Group's intangible assets have definite useful life and primarily include capitalised computer software and software licenses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 years (Note 15).

Accounting for leases by the Group as a lessee from 1 January 2019

The Group leases land, office premises and cars. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3 Significant Accounting Policies (continued)

Accounting for leases by the Group as a lessee from 1 January 2019 (continued)

Liabilities arising from leases are initially recognised based on present value. Lease liabilities include net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are discounted using the interest rate implicit in a lease agreement. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments under long-term leases of land based on cadastral value of land are treated as variable lease payments that are not based on an index or a rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration cost.

As an exception to the above, the Group accounts for short-term leases and low value leases by recognising lease payments as an expense on a straight-line basis.

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Accounting for operating leases by the Group as a lessee prior to 1 January 2019

Leases of assets, whereby the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease-term and included in other administrative and operating expenses.

Accounting for operating leases by the Group as a lessor. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Accounting for finance leases by the Group as a lessee prior to 1 January 2019

The Group presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term in other operating income. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

3 Significant Accounting Policies (continued)

Taxation

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses (Note 27).

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Estimated liabilities

Estimated liabilities are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

The sale qualifies as highly probable if the Group's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognises an impairment loss for any initial or subsequent write-off of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

3 Significant Accounting Policies (continued)

Income and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

The Group calculates interest income on debt financial assets measured at amortised cost or at FVOCI by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as interest income or expenses.

When a financial asset becomes credit-impaired, the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

In case of purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest income by applying the effective interest rate adjusted for the credit risk to the amortised cost of the financial asset. An effective interest rate adjusted for the credit risk is an interest rate that at initial recognition discounts estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest income on all financial assets at FVTPL is recognised using the contractual interest rate in the item “Other interest income” in the consolidated statement of profit or loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to the customers. Fee and commission income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a definite period of time are accrued over that period as relevant performance obligations are fulfilled. These fees include commission income and asset management fee, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fees arising from transaction services

Fees arising from negotiating or participating in the negotiations of a transaction on behalf a third party – e.g. when the Group’s performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance indicators are recognised after fulfilling the corresponding criteria. If the arrangement provides for variable consideration, fees are recognised only to the extent that it is highly probable that there will be no significant decrease in the cumulative revenue upon subsequent resolution of uncertainty related to variable consideration.

Dividend income

Revenue is recognised when the Group's right to receive the payment is established.

3 Significant Accounting Policies (continued)

Foreign currency revaluation

The Group's functional and presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Group's functional currency at year-end official exchange rates of the CBRF, are recognised in profit or loss for the reporting period (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity instruments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Fiduciary assets

Assets held by the Group in its own name, but on the account of third parties, are not reported in the consolidated statement of financial position. Fees from such activities are presented within fee and commission income.

Offsetting financial assets

Financial assets and liabilities with only net balance recognised in the statement of financial position are offset when there is a legal right to offset the recognised amounts and when there is an intention to make net settlements or sell an asset together with the settlement of the liability. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- non-performance of the liability; and
- the event of insolvency or bankruptcy of the entity or any of its counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Staff costs and related contributions

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's management to make operating decisions. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Contingent assets and liabilities

Contingent liabilities are not recognised in the consolidated statement of financial position, but disclosed in the financial statements unless it is unlikely that an outflow of resources will be required to settle the liability. Contingent assets are not recognised in the consolidated statement of financial position, but disclosed when an inflow of related economic benefits is probable.

Changes in presentation

While accounting for revaluation of premises and equipment and investment property at fair value as at 31 December 2019, the Group's management identified that one of the factors affecting the revaluation amount was applied inaccurately in prior periods. To accurately record the fair value of premises and equipment and investment property as at 31 December 2018, the consolidated financial statements for 2018 were restated in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

3 Significant Accounting Policies (continued)

Changes in presentation (continued)

Comparatives for the year ended 31 December 2018 were adjusted to comply with the format of the data provided for the reporting period as follows:

In thousands of Russian Roubles	Note	As originally presented	Adjustment	Amount after adjustment
ASSETS				
Investment property	13	675 500	(81 564)	593 936
Premises and equipment	14	1 696 261	(208 144)	1 488 117
TOTAL ASSETS		**80 813 732**	**(289 708)**	**80 524 024**
LIABILITIES				
Deferred income tax liability	28	288 734	(57 942)	230 792
TOTAL LIABILITIES		**66 590 962**	**(57 942)**	**66 533 020**
EQUITY				
Retained earnings, including dividends paid		3 550 445	(61 922)	3 488 523
Revaluation reserve for premises and equipment		444 172	(169 844)	274 328
TOTAL EQUITY		**14 222 770**	**(231 766)**	**13 991 004**
Consolidated statement of profit or loss				
Other operating income	26	322 169	(79)	322 090
Administrative and other operating expenses	27	(2 688 575)	4 161	(2 684 414)
Profit before tax		**2 003 508**	**4 082**	**2 007 590**
Income tax		(367 788)	(816)	(368 604)
Profit for the reporting year		**1 635 720**	**3 266**	**1 638 986**
Other comprehensive income				
Revaluation of premises and equipment		29 495	(4 238)	25 257
Income tax effect		(11 089)	848	(10 241)
Other comprehensive income / (loss) for the year		**(4 991)**	**(3 390)**	**(8 381)**
Total comprehensive income for the year		**1 630 729**	**(124)**	**1 630 605**

3 Significant Accounting Policies (continued)

Changes in presentation (continued)

The effect of reclassifications on amounts as at 1 January 2018 for the consolidated financial statements presentation purposes was as follows:

In thousands of Russian Roubles	Note	As originally presented at 1 January 2018	Adjustment	Amount after adjustment at 1 January 2018
ASSETS				
Investment property		687 000	(81 485)	605 515
Premises and equipment		1 698 871	(208 068)	1 490 803
TOTAL ASSETS		**61 202 335**	**(289 553)**	**60 912 782**
LIABILITIES				
Deferred income tax liability		27 752	(57 911)	(30 159)
TOTAL LIABILITIES		**48 497 115**	**(57 911)**	**48 439 204**
EQUITY				
Retained earnings, including dividends paid		2 232 158	(65 188)	2 166 970
Revaluation reserve for premises and equipment		420 576	(166 454)	254 122
TOTAL EQUITY		**12 705 220**	**(231 642)**	**12 473 578**

The adjustments made did not have an effect on the information presented in other consolidated reporting forms and notes.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements and estimates in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Expected credit losses

Expected credit loss measurement related to all categories of financial assets requires judgement. Therefore, in determining expected credit losses (ECL) and assessing a significant increase in credit risk (SICR), it is necessary to estimate the amount and timing of future cash flows and collateral value. Such estimates depend on a number of factors that, if changed, may result in different amounts of impairment allowances. The Group's ECL measurements are based on complex models that include a number of base assumptions regarding the choice of variable inputs and their interdependencies. The elements of the ECL measurement models that are deemed to be judgements and estimates include the following:

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Expected credit losses (continued)

- a system of assigning an internal credit rating used by the Group to determine the probability of default ("PD");
- criteria used by the Group to assess whether a SICR has occurred that results in estimating an impairment allowance for financial assets in the amount equal to lifetime ECL, and qualitative assessment;
- grouping of financial assets when their ECLs are assessed on a collective basis;
- development of ECL measurement models, including different formula and choice of inputs;
- identification of correlations between macro-economic scenarios and economic data, as well as effect on PD;
- selection of macro-economic scenarios and their weighting against probabilities to obtain economic inputs for the ECL measurement models.

A 10% increase or decrease in actual credit losses compared to the expected credit losses estimates used would result in an increase or decrease in expected credit losses on loan portfolio of RR 204 825 thousand (2018: RR 107 464 thousand) accordingly. Expected credit losses for individually significant loans are based on estimates, discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral for the loans. A 10% increase or decrease in the actual credit losses compared to the estimated future cash flows, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in expected credit losses on loan portfolio of RR 115 205 thousand (2018: RR 80 594 thousand), respectively.

Initial recognition of related party transactions

In the normal course of business the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair value. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party transactions are disclosed in Note 35.

Valuation of own land and buildings

Land and buildings of the Group are stated at fair value based on reports prepared by an independent valuation company. The valuation is made by an independent company specialising in assessment of similar assets in a similar region and of similar category. The market value of premises and equipment is estimated based on the sales comparison approach, as the market has information on similar property sales offers (Note 14). To the extent that the assessed fair value of the Group's premises differs by 10%, the carrying amount of these premises would change by RR 179 665 thousand (before deferred tax recognition) as at 31 December 2019 (2018: RR 139 789 thousand).

Fair value of financial instruments

If a quoted market price is not available, the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position is estimated using various valuation techniques, including mathematical models. Inputs to build such models are determined based on the observable market where possible; otherwise, judgements are applied for determining the fair value. Refer to Note 34 for further information.

5 Adoption of New or Revised Standards and Interpretations

IFRS 16 "Leases"

The Group adopted IFRS 16 issued on 13 January 2016 from its effective date of 1 January 2019.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases in the condensed consolidated interim financial information. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 "Lease" and, instead, introduces a single lessee accounting model. The Group has implemented this standard in accordance with IFRS 16 transition period provisions, using the modified retrospective method, without restatement of comparatives. The Group has also elected to use a recognition exemption to leases which expire within 12 months from the lease commencement date and which do not provide for a call option ("short-term leases"), as well as to low value leases. At 1 January 2019, the Group recognised right-of-use assets in the amount of RR 252 181 thousand and a related lease liability.

A reconciliation of operating lease commitments with recognised lease liabilities under IFRS 16 is presented below:

In thousands of Russian Roubles	**1 January 2019**
Operating lease payments due and payable	**415 992**
Adjustments to lease payments:	
Future payments on long-term lease of land plots determined based on their cadastral value	(234 835)
Future lease payments for the period of the lease extension option if such an option is reasonably certain to be exercised	91 255
Practical exemption: low value of the underlying asset	(1 322)
Future lease payments recognised for IFRS 16 purposes	**271 090**
Effect of discounting	(26 541)
Lease liabilities under IFRS 16	**244 549**
Previously paid advances and non-refundable guarantee deposits under leases	7 632
Right-of-use assets under IFRS 16	**252 181**

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.02%.

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Group:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

6 New Accounting Pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group plans to apply these standards when they come into force.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021)

IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020)

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term ‘outputs’ is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a ‘concentration test’. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective, and the Group will apply them and assess their impact from 1 January 2020.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)

The amendments clarify the definition of materiality and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)

These narrow scope amendments specify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The standard guidance no longer contains a requirement that such right should be unconditional. Expectations of the entity's management on whether it will subsequently use its right to defer the settlement of liabilities has no impact their classification. The right to defer settlement of liabilities exists only if the entity complies with all applicable covenants at the year end. The liability is classified as current if the covenant is violated as at or before the reporting date even if at the end of the reporting period the creditor releases the entity from the obligation to comply with such covenant. The loan is classified as non-current if the loan agreement covenant is violated only after the reporting date. In addition, the amendments clarify requirements to the classification of debt which an entity may repay by converting it into the entity's equity. 'Settlement' is determined as termination of the liability through settlements in the form of cash, other resources embodying economic benefits or the entity's equity instruments. There is an exception for convertible instruments that may be converted into equity, but only for those instruments where a conversion option is classified as an equity instrument being a separate component of the combined financial instrument.

Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020)

The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBOR'). The amendments provide for a temporary exemption from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the exemption provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the exemption applies from the moment when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers determining when the exemption will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the exemption is applied, any significant assumptions or judgements made in applying the exemption, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

7 Cash and Cash Equivalents

In thousands of Russian Roubles	2019	2018
Cash on hand	1 291 650	652 589
Cash balances with the CBRF (other than mandatory reserve deposits)	2 433 508	2 241 240
Correspondent accounts and overnight placements with credit institutions	2 652 674	5 124 998
Settlement accounts with financial institutions	182 379	233 839
Placements with the CBRF with original maturities of less than three months	6 651 288	–
Reverse sale and repurchase agreements with credit institutions with maturity within 90 days	–	3 080 312
Loans to credit institutions with original maturities of less than three months	5 331 950	1 560 318
Total cash and cash equivalents	**18 543 449**	**12 893 296**
Less ECL allowance	(222)	(1 054)
Total cash and cash equivalents	**18 543 227**	**12 892 242**

Correspondent accounts and overnight placements with credit institutions as at 31 December 2019 and 31 December 2018 represent funds placed with Russian and foreign credit institutions.

As at 31 December 2019, settlement accounts with financial institutions represent broker accounts with financial organisations in the amount of RR 76 336 thousand, settlements with Central Counterparty National Clearing Centre in the amount of RR 89 005 thousand, settlement with payment systems in the amount of RR 17 038 thousand (2018: broker accounts with financial organisations in the amount of RR 111 874 thousand, settlements with Central Counterparty National Clearing Centre in the amount of RR 99 914 thousand, settlements with payment systems in the amount of RR 22 051 thousand).

As at 31 December 2019, loans to credit institutions with original maturities of less than three months include loans to large Russian banks and a foreign bank (2018: loans to a large Russian bank and foreign banks) with contractual interest rates from 6.1% to 6.5% p.a. (2018: from 2.25% to 7.65% p.a.) and maturities in January 2020 (2018: from January 2019 to March 2019).

As at 31 December 2018, reverse sale and repurchase agreements with credit institutions with original maturities within 90 days represent funds placed with a Russian credit institution with maturities from 11 to 15 days and contractual interest rates from 7.5% to 7.95% p.a. These agreements are collateralised by Russian federal loan bonds and bonds of large Russian companies with a fair value of RR 3 368 415 thousand.

The Group evaluates the quality of cash and cash equivalents based on Standard and Poor's ratings and in case of their absence uses Moody's and Fitch Ratings adjusted to Standard and Poor's categories based on a reconciliation table.

The credit quality of cash and cash equivalents balances, excluding cash on hand, may be summarised as follows as at 31 December 2019:

In thousands of Russian Roubles	Cash balances with the CBRF (other than mandatory reserve deposits)	Correspondent accounts and overnight placements with credit institutions	Settlement accounts with financial institutions	Placements with the CBRF with original maturities of less than three months	Loans to credit institutions with original maturities of less than three months	Total cash and cash equivalents, excluding cash on hand
Neither past due nor impaired						
- the Central Bank of the Russian Federation	2 433 508	–	–	6 651 288	–	9 084 796
- A- to A+ rated	–	14 087	–	–	–	14 087
- BBB- to BBB+ rated	–	1 697 943	165 339	–	1 800 000	3 663 282
- B- to BB+ rated	–	316 200	17 038	–	3 501 945	3 835 183
- unrated	–	624 444	2	–	30 005	654 451
Total cash and cash equivalents, excluding cash on hand	**2 433 508**	**2 652 674**	**182 379**	**6 651 288**	**5 331 950**	**17 251 799**

7 Cash and Cash Equivalents (continued)

The credit quality of cash and cash equivalents balances, excluding cash on hand, may be summarised as follows as at 31 December 2018:

In thousands of Russian Roubles	Cash balances with the CBRF (other than mandatory reserve deposits)	Corres-pondent accounts and overnight placements with credit institutions	Settlement accounts with financial institutions	Reverse sale and repurchase agreements with credit institutions with maturity within 90 days	Loans to credit institutions with original maturities of less than three months	Total cash and cash equivalents, excluding cash on hand
Neither past due nor impaired						
- Central Bank of the Russian Federation	2 241 240	–	–	–	–	2 241 240
- A- to A+ rated	–	527 335	3 593	–	–	530 928
- BBB- to BBB+ rated	–	3 582 210	211 742	3 080 312	–	6 874 264
- B- to BB+ rated	–	464 497	18 504	–	1 182 353	1 665 354
- unrated	–	550 956	–	–	377 965	928 921
Total cash and cash equivalents, excluding cash on hand	**2 241 240**	**5 124 998**	**233 839**	**3 080 312**	**1 560 318**	**12 240 707**

As at 31 December 2019, cash and cash equivalents with regards to four major counterparties amounted to RR 6 164 947 thousand (2018: RR 8 450 593 thousand), or 33.2% (2018: 65.5%) of total cash and cash equivalents.

Cash and cash equivalents, excluding reverse sale and repurchase agreements with credit institutions with maturity within 90 days, are not collateralised.

Movements in ECL allowances for 2019 are presented in the table below:

In thousands of Russian Roubles	Stage 1
ECL allowance at 1 January	**1 054**
New originated or purchased assets and effects of other increases in gross carrying amount	1 813
Derecognised or redeemed assets (excluding write-offs and assignment of the rights of claim) and effects of other decreases in gross carrying amount	(6 203)
Net remeasurement of loss allowance	3 563
Exchange differences	(5)
ECL allowance at 31 December	**222**

Movements in ECL allowances for 2018 are presented in the table below:

In thousands of Russian Roubles	Stage 1
ECL allowance at 1 January	**139**
New originated or purchased assets and effects of other increases in gross carrying amount	1 890
Derecognised or redeemed assets (excluding write-offs and assignment of the rights of claim) and effects of other decreases in gross carrying amount	(975)
ECL allowance at 31 December	**1 054**

As at 31 December 2019 and 31 December 2018, cash and cash equivalents are current and not impaired.

Currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 30. Refer to Note 34 for the estimated fair value of each class of cash and cash equivalents. Information on related party transactions is disclosed in Note 35.

8 Securities at Fair Value Through Profit or Loss

In thousands of Russian Roubles	**2019**	**2018**
Corporate bonds	7 276 929	2 951 480
Bonds of state corporations	1 586 697	–
Bonds of banks	1 567 263	–
Corporate shares	759 901	46 516
Investment units	88 063	84 414
Federal loan bonds (OFZ)	54 850	2 157
Shares of banks	34 083	311 314
The CBRF bonds	–	1 009 670
Total not pledged securities at FVTPL	**11 367 786**	**4 405 551**
Federal loan bonds (OFZ)	–	2 253 303
Total pledged securities at FVTPL	**–**	**2 253 303**
Total securities at FVTPL	**11 367 786**	**6 658 854**

Corporate bonds represent interest bearing securities denominated in Russian roubles and US dollars issued by large Russian companies and tradable in the Russian Federation. Analyses by maturity, annual coupon rates and yield to maturity are disclosed in the tables below.

Bonds of state corporations represent interest bearing debt securities denominated in Russian roubles issued by Vnesheconombank and tradable in the Russian Federation. Bond securities issuer is not a commercial bank and its activities are regulated by special legislation. Analyses by maturity, annual coupon rates and yield to maturity are disclosed in the tables below.

Bonds of banks represent interest bearing debt securities denominated in Russian roubles and US dollars issued by Russian banks and tradable in Russian and foreign markets. Analyses by maturity and annual coupon rates are disclosed in the tables below.

Corporate shares are interest bearing securities denominated in Russian roubles issued by large Russian companies and tradable in the Russian Federation.

Shares of banks are equity securities denominated in Russian roubles issued by a large Russian bank and tradable in the Russian Federation.

The CBRF bonds represent interest bearing debt securities denominated in Russian roubles issued by the CBRF and tradable in the Russian Federation. Analyses by maturity and annual coupon rates are disclosed in the tables below.

As at 31 December 2019, securities at FVTPL in the amount of RR 1 012 785 thousand were restricted under the Master Loan Agreement signed with the CBRF with an overdraft limit in the amount of RR 3 500 000 thousand (2018: in the fair value amount of RR 438 769 thousand). Refer to Note 35.

Analysis of debt securities at FVTPL as at 31 December 2019 is presented below:

	Maturity date		**Annual coupon rate, %**	
	from	**to**	**from**	**to**
Corporate bonds	April 2020	October 2027	5.00	13.25
Bonds of state corporations	July 2020	July 2020	6.90	6.90
Bonds of banks	July 2020	November 2022	0.01	9.84
Federal loan bonds (OFZ)	January 2025	January 2025	8.73	8.73

8 Securities at Fair Value through Profit or Loss (continued)

Analysis of debt securities at FVTPL as at 31 December 2018 is presented below:

	Maturity date		Annual coupon rate, %	
	from	**to**	**from**	**to**
Corporate bonds	April 2019	January 2028	9.25	13.50
The CBRF bonds	February 2019	February 2019	7.75	7.75
Federal loan bonds (OFZ)	January 2025	January 2025	8.25	8.25

Analysis by credit quality of debt securities at FVTPL as at 31 December 2019 is presented below:

In thousands of Russian Roubles	**BBB- to BBB+ rated**	**B- to BB+ rated**	**BB+ (RU) to A+(RU) rated**	**Total**
Corporate bonds	–	5 611 392	1 665 537	7 276 929
Bonds of state corporations	1 586 697	–	–	1 586 697
Bonds of banks	129 305	1 437 958	–	1 567 263
Federal loan bonds (OFZ)	54 850	–	–	54 850
Total debt securities at FVTPL	**1 770 852**	**7 049 350**	**1 665 537**	**10 485 739**

Analysis by credit quality of debt securities at FVTPL as at 31 December 2018 is presented below:

In thousands of Russian Roubles	**BBB- to BBB+ rated**	**B- to BB+ rated**	**BB+ (RU) to A+(RU) rated**	**Total**
Corporate bonds	–	2 145 447	806 033	2 951 480
The CBRF bonds	1 009 670	–	–	1 009 670
Federal loan bonds (OFZ)	2 255 460	–	–	2 255 460
Total debt securities at FVTPL	**3 265 130**	**2 145 447**	**806 033**	**6 216 610**

The credit ratings are based on Standard & Poor's ratings where available, or Moody's or Fitch ratings converted to the nearest equivalent on the Standard & Poor's rating scale. The credit rating from BB+(RU) to A+(RU) is assigned by the Analytical Credit Rating Agency (ACRA) and Expert RA.

In 2019, the Group recognised dividend income related to equity securities at FVTPL in the amount of RR 20 841 thousand (2018: RR 22 852 thousand) within other operating income.

Securities at FVTPL are not collateralised.

Currency, maturity and interest rate analyses of securities at FVTPL are disclosed in Note 30.

9 Due from Credit Institutions

As at 31 December 2019, amounts due from credit institutions include loans provided to a large Russian bank and foreign banks in the amount of RR 1 431 973 thousand and ECL allowance in the amount of RR 619 thousand with contractual interest rates from 2.6% p.a. to 4.55% p.a. and maturities from March 2020 to September 2020.

As at 31 December 2018, amounts due from credit institutions include loans provided to a large Russian bank and foreign banks in the amount of RR 1 831 303 thousand and ECL allowance in the amount of RR 15 037 thousand with contractual interest rates from 2.6% p.a. to 4.88% p.a. and maturities from March 2019 to September 2020.

9 Due from Credit Institutions (continued)

Movements in ECL allowances for 2019 are presented in the table below:

In thousands of Russian Roubles	**Stage 1**
ECL allowance at 1 January	**15 037**
New originated or purchased assets and effects of other increases in gross carrying amount	557
Derecognised or redeemed assets (excluding write-offs and assignment of the rights of claim) and effects of other decreases in gross carrying amount	(4 554)
Net remeasurement of loss allowance	(9 369)
Exchange differences	(1 052)
ECL allowance at 31 December	**619**

Movements in the provision for impairment of amounts due from credit institutions for 2018 are as follows:

In thousands of Russian Roubles	**Stage 1**
ECL allowance at 1 January	**3 094**
New originated or purchased assets and effects of other increases in gross carrying amount	21 167
Derecognised or redeemed assets (excluding write-offs and assignment of the rights of claim) and effects of other decreases in gross carrying amount	(3 031)
Net remeasurement of loss allowance	(9 039)
Exchange differences	2 846
ECL allowance at 31 December	**15 037**

Amounts due from credit institutions are not collateralised.

Analysis by credit quality of amounts due from credit institutions outstanding as at 31 December 2019 and 31 December 2018 is provided below.

In thousands of Russian Roubles	**2019**	**2018**
Neither past due nor impaired		
- B- to BB+ rated	812 212	703 654
- unrated	619 761	1 127 649
Total due from credit institutions	**1 431 973**	**1 831 303**

As at 31 December 2019 and 31 December 2018, due from credit institutions are current and not impaired.

Refer to Note 34 for the estimated fair value of each category of amounts due from credit institutions. The maturity analysis of due from credit institutions is provided in Note 30. Information on related party transactions is disclosed in Note 35.

10 Loans to Customers

In thousands of Russian Roubles	**2019**	**2018**
Investment projects	888 772	1 785 925
Large business	14 122 308	13 493 760
Small and medium business	18 600 943	8 446 726
Loans to individuals	27 825 144	15 234 985
Total loans to customers at amortised cost before ECL allowance	**61 437 167**	**38 961 396**
Less ECL allowance	(2 053 864)	(1 074 638)
Total loans to customers at amortised cost	**59 383 303**	**37 886 758**
Investment projects	283 532	2 517 065
Loans to individuals	600 484	–
Total loans to customers at FVTPL	**884 016**	**2 517 065**
Total loans to customers	**60 267 319**	**40 403 823**

The Group holds a portfolio of loans and advances to customers that does not meet the SPPI requirement for amortised cost classification under IFRS 9. As a result, these loans and advances were classified as at FVTPL from the date of initial recognition. Loans and advances to customers at FVTPL are measured taking into account the credit risk. The carrying amount presented in the statement of financial position best represents the Group's maximum exposure to credit risk arising from loans and advances to customers.

Portfolios of loans recognised by the Group are divided into:

- loans issued for investment projects;
- other loans divided into:
  - loans to large business (annual revenue exceeds RR 3 billion);
  - loans to small and medium business (annual revenue is up to RR 3 billion inclusive), as well as loans originated under the regional business lending programme that was in effect in the Group until 1 January 2009;
  - retail loans – consumer loans provided to individuals.

10 Loans to Customers (continued)

Movements in the ECL allowances for loans issued for investment projects and their carrying amounts for 2019 are presented below:

In thousands of Russian Roubles	ECL allowance					Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Investment projects										
At 1 January	22 578	19 463	–	–	42 041	1 308 948	476 977	–	–	1 785 925
Business combination	13 811	–	–	–	13 811	390 509	–	–	291 998	682 507
New originated or purchased assets and effects of other increases in gross carrying amount	11 918	3 515	50 135	6 380	71 948	556 632	56 886	134 470	12 525	760 513
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(18 718)	(7 257)	(1 260)	(10 469)	(37 704)	(1 811 955)	(507 233)	(796)	(5 626)	(2 325 610)
Transfers to Stage 1	12 764	(12 764)	–	–	–	201 787	(201 787)	–	–	–
Transfers to Stage 2	(11 609)	11 609	–	–	–	(221 640)	221 640	–	–	–
Transfers to Stage 3	(10 052)	–	10 052	–	–	(30 460)	–	30 460	–	–
Unwinding of discounting (recognised in interest income)	–	–	1 260	4 996	6 256	–	–	1 260	4 996	6 256
Net remeasurement of loss allowance	(13 004)	(12 873)	(25 771)	22 016	(29 632)	–	–	–	808	808
Exchange differences	–	–	–	–	–	(21 627)	–	–	–	(21 627)
At 31 December	**7 688**	**1 693**	**34 416**	**22 923**	**66 720**	**372 194**	**46 483**	**165 394**	**304 701**	**888 772**

Movements in the ECL allowances for loans to large business and their carrying amounts for 2019 are presented below:

In thousands of Russian Roubles	ECL allowance				Gross carrying amount			
	Stage 1	Stage 2	POCI	Total	Stage 1	Stage 2	POCI	Total
Large business								
At 1 January	70 533	110 804	–	181 337	11 277 680	2 216 080	–	13 493 760
Business combination	137 943	–	–	137 943	2 262 859	–	691 193	2 954 052
New originated or purchased assets and effects of other increases in gross carrying amount	110 553	3 934	–	114 487	22 716 616	281 719	–	22 998 335
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(86 563)	(6 924)	(194 443)	(287 930)	(22 398 876)	(883 754)	(154 922)	(23 437 552)
Transfers to Stage 1	19 160	(19 160)	–	–	319 326	(319 326)	–	–
Transfers to Stage 2	(70 340)	70 340	–	–	(2 960 434)	2 960 434	–	–
Unwinding of discounting (recognised in interest income)	–	–	2 260	2 260	–	–	2 260	2 260
Net remeasurement of loss allowance	(138 305)	(42 305)	192 183	11 573	–	–	(64 174)	(64 174)
Provision for impairment of loans assigned during the period	(30)	–	–	(30)	(900 400)	–	–	(900 400)
Exchange differences	(2 828)	(12 705)	–	(15 533)	(596 082)	(327 891)	–	(923 973)
At 31 December	**40 123**	**103 984**	**–**	**144 107**	**9 720 689**	**3 927 262**	**474 357**	**14 122 308**

10 Loans to Customers (continued)

Movements in the ECL allowances for loans to small and medium business and their carrying amounts for 2019 are presented below:

In thousands of Russian Roubles	ECL allowance					Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Small and medium business										
At 1 January	**65 488**	**309**	**509 113**	**–**	**574 910**	**7 648 043**	**271 296**	**527 387**	**–**	**8 446 726**
Business combination	424 982	–	–	–	424 982	8 826 323	–	–	420 073	9 246 396
New originated or purchased assets and effects of other increases in gross carrying amount	228 160	72 814	65 598	16 409	382 981	12 957 198	1 243 325	187 434	40 824	14 428 781
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(280 719)	(37 141)	(85 203)	(14 423)	(417 486)	(12 432 885)	(779 722)	(207 741)	(15 701)	(13 436 049)
Transfers to Stage 1	201 338	(201 338)	–	–	–	1 740 835	(1 740 835)	–	–	–
Transfers to Stage 2	(189 034)	189 034	–	–	–	(2 549 202)	2 549 202	–	–	–
Transfers to Stage 3	–	(36 788)	36 788	–	–	–	(106 981)	106 981	–	–
Unwinding of discounting (recognised in interest income)	–	–	33 997	3 197	37 194	–	–	33 997	3 198	37 195
Net remeasurement of loss allowance	(164 949)	46 911	112 176	13 952	8 090	–	545	85 022	55 432	140 999
ECL allowance for loans assigned during the period	(562)	–	(13 014)	–	(13 576)	(14 500)	–	(21 924)	(29 365)	(65 789)
Write-offs	–	–	(61 780)	–	(61 780)	–	–	(61 778)	–	(61 778)
Exchange differences	(453)	(5)	–	–	(458)	(127 645)	(7 893)	–	–	(135 538)
At 31 December	**284 251**	**33 796**	**597 675**	**19 135**	**934 857**	**16 048 167**	**1 428 937**	**649 378**	**474 461**	**18 600 943**

Movements in the ECL allowances for loans to individuals and their carrying amounts for 2019 are presented below:

In thousands of Russian Roubles	ECL allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Individuals								
At 1 January	**130 734**	**31 018**	**114 598**	**276 350**	**15 038 145**	**54 218**	**142 622**	**15 234 985**
Business combination	197 081	–	–	197 081	1 999 804	–	–	1 999 804
New originated or purchased assets and effects of other increases in gross carrying amount	296 873	25 325	31 070	353 268	23 172 851	62 454	51 440	23 286 745
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(173 252)	(14 489)	(79 613)	(267 354)	(8 521 003)	(31 372)	(97 657)	(8 650 032)
Transfers to Stage 1	91 247	(82 568)	(8 679)	–	191 153	(177 406)	(13 747)	–
Transfers to Stage 2	(54 167)	56 262	(2 095)	–	(641 627)	645 047	(3 420)	–
Transfers to Stage 3	(23 178)	(162 763)	185 941	–	(229 517)	(302 121)	531 638	–
Unwinding of discounting (recognised in interest income)	–	–	43 334	43 334	–	–	43 334	43 334
Net remeasurement of loss allowance	(82 072)	264 426	190 988	373 342	–	–	1	1
ECL allowance for loans assigned during the period	(50 594)	(4 877)	(11 008)	(66 479)	(4 019 439)	(7 097)	(10 827)	(4 037 363)
Write-offs	–	–	(748)	(748)	–	–	(751)	(751)
Exchange differences	(531)	–	(83)	(614)	(51 485)	–	(94)	(51 579)
At 31 December	**332 141**	**112 334**	**463 705**	**908 180**	**26 938 882**	**243 723**	**642 539**	**27 825 144**

10 Loans to Customers (continued)

Movements in the ECL allowances for loans issued for investment projects and their carrying amounts for 2018 are presented below:

In thousands of Russian Roubles	ECL allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Investment projects								
At 1 January	**183 737**	**18 289**	**40 594**	**242 620**	**4 776 138**	**286 062**	**500 497**	**5 562 697**
New originated or purchased assets and effects of other increases in gross carrying amount	1 543	366	–	1 909	37 552	7 835	6 000	51 387
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(97 053)	(20 852)	(30 162)	(148 067)	(2 957 265)	(409 714)	(278 163)	(3 645 142)
Transfers to Stage 2	(12 484)	12 484	–	–	(603 095)	603 095	–	–
Changes of contractual cash flows due to modification not resulting in derecognition	3	(420)	–	(417)	123	(10 301)	–	(10 178)
Net remeasurement of loss allowance	(53 199)	9 596	(10 432)	(54 035)	–	–	–	–
ECL allowance for loans assigned during the period	–	–	–	–	–	–	(228 334)	(228 334)
Exchange differences	31	–	–	31	55 495	–	–	55 495
At 31 December	**22 578**	**19 463**	**–**	**42 041**	**1 308 948**	**476 977**	**–**	**1 785 925**

Movements in the ECL allowances for loans to large business and their carrying amounts for 2018 are presented below:

In thousands of Russian Roubles	ECL allowance			Gross carrying amount		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Large business						
At 1 January	**136 458**	**5 190**	**141 648**	**10 455 535**	**564 321**	**11 019 856**
New originated or purchased assets and effects of other increases in gross carrying amount	83 687	5 266	88 953	11 685 077	18 245	11 703 322
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(26 746)	(9 080)	(35 826)	(9 890 727)	(440 122)	(10 330 849)
Transfers to Stage 1	–	–	–	125 460	(125 460)	–
Transfers to Stage 2	(83 101)	83 101	–	(2 084 027)	2 084 027	–
Changes of contractual cash flows due to modification not resulting in derecognition	(240)	–	(240)	(24 429)	–	(24 429)
Net remeasurement of loss allowance	(60 020)	21 739	(38 281)	–	–	–
Exchange differences	20 495	4 588	25 083	1 010 791	115 069	1 125 860
At 31 December	**70 533**	**110 804**	**181 337**	**11 277 680**	**2 216 080**	**13 493 760**

Movements in the ECL allowances for loans to small and medium business and their carrying amounts for 2018 are presented below:

In thousands of Russian Roubles	ECL allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Small and medium business								
At 1 January	**74 056**	**4 641**	**397 207**	**475 904**	**5 981 740**	**827 583**	**486 544**	**7 295 867**
New originated or purchased assets and effects of other increases in gross carrying amount	103 149	6	12 387	115 542	6 390 607	4 731	23 391	6 418 729
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(77 768)	(1 581)	(9 461)	(88 810)	(5 436 475)	(273 249)	(7 970)	(5 717 694)
Transfers to Stage 1	3 590	(3 590)	–	–	476 213	(476 213)	–	–
Transfers to Stage 2	–	–	–	–	(164 128)	164 128	–	–
Unwinding of discounting (recognised in interest income)	–	–	105 758	105 758	–	–	105 758	105 758
Changes of contractual cash flows due to modification not resulting in derecognition	(105)	–	–	(105)	(11 430)	(431)	–	(11 861)
Net remeasurement of loss allowance	(40 934)	375	94 786	54 227	–	–	415	415
ECL allowance for loans assigned during the period	–	–	(91 341)	(91 341)	–	–	(80 528)	(80 528)
Write-offs	–	–	(852)	(852)	–	–	(852)	(852)
Exchange differences	3 500	458	629	4 587	411 516	24 747	629	436 892
At 31 December	**65 488**	**309**	**509 113**	**574 910**	**7 648 043**	**271 296**	**527 387**	**8 446 726**

10 Loans to Customers (continued)

Movements in the ECL allowances for loans to individuals and their carrying amounts for 2018 are presented below:

In thousands of Russian Roubles	ECL allowance				Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Individuals								
At 1 January	**15 790**	**4 454**	**46 444**	**66 688**	**2 877 663**	**10 954**	**61 537**	**2 950 154**
New originated or purchased assets and effects of other increases in gross carrying amount	110 719	4 231	3 192	118 142	15 644 872	11 654	11 748	15 668 274
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(26 205)	(2 636)	(10 576)	(39 417)	(3 319 570)	(7 720)	(6 510)	(3 333 800)
Transfers to Stage 1	6 319	(5 656)	(663)	–	22 081	(21 180)	(901)	–
Transfers to Stage 2	(1 544)	2 256	(712)	–	(98 809)	100 086	(1 277)	–
Transfers to Stage 3	(2 947)	(19 725)	22 672	–	(32 106)	(41 385)	73 491	–
Unwinding of discounting (recognised in interest income)	–	–	14 699	14 699	–	–	14 699	14 699
Net remeasurement of loss allowance	29 107	48 094	45 905	123 106	–	1 809	–	1 809
ECL allowance for loans assigned during the period	(544)	–	(7 643)	(8 187)	(60 612)	–	(11 455)	(72 067)
Exchange differences	39	–	1 280	1 319	4 626	–	1 290	5 916
At 31 December	**130 734**	**31 018**	**114 598**	**276 350**	**15 038 145**	**54 218**	**142 622**	**15 234 985**

In 2019, the Group sold its debt measured at amortised cost associated with lending to individuals, with a nominal amount of RR 4 037 363 thousand and ECL allowance in the amount of RR 66 479 thousand for RR 4 336 552 thousand (2018: RR 72 067 thousand and ECL allowance in the amount of RR 8 187 thousand for RR 63 902 thousand) to a party under common control. The Group is not exposed to late payment risk as it did not guarantee payment of principal and interest.

Economic sector risk concentration within the customer loan portfolio is as follows:

	2019		2018	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	28 425 628	45.5	15 234 985	36.7
Financing and insurance activities	5 104 488	8.2	5 622 139	13.6
Development	4 092 831	6.5	1 883 910	4.5
Agriculture, forestry, hunting, fishing and fishery	3 096 097	5.0	65 866	0.2
Real estate operations	3 000 000	4.8	–	0
Wholesale trading	2 577 350	4.2	3 230 569	7.8
Other types of service	2 289 675	3.7	23022	0.1
Oil and gas	1 471 668	2.4	799 995	1.9
Residential construction	1 468 720	2.4	1 602 383	3.9
Retail trade	1 384 932	2.2	1 839 487	4.4
Metallurgy	1 370 071	2.2	1 512 257	3.7
Energy	1 346 194	2.2	206 500	0.5
Food products	1 331 094	2.2	602 070	1.4
Other manufacturing	1 055 244	1.7	1 726 844	4.2
Construction	827 437	1.3	1 110 833	2.7
Infrastructure construction	795 009	1.3	588 547	1.4
Manufacture and repair of transport vehicles and equipment	643 146	1.0	810 370	2
Motor vehicle and motor cycle trading and their repairs	629 563	1.0	894 899	2.2
Information and communication activities	63 000	0.1	1 087 697	2.6
Other	1 349 036	2.1	2 636 088	6.2
Total loans to customers (before ECL allowance)	**62 321 183**	**100.0**	**41 478 461**	**100.0**

10 Loans to Customers (continued)

As at 31 December 2019, loans provided to 30 largest borrowers amounted to RR 25 544 682 thousand before ECL allowance for loan portfolio (2018: RR 22 318 853 thousand) or 41% (2018: 54%) of total loans to customers.

Requirements to the collateral level of lending transactions are regulated by the Group's Credit Policy and vary depending on the transaction type and credit risk level of the counterparty. The Group's priority business includes lending secured by highly liquid collateral: cash (cash on a collateral account, promissory notes of the Bank etc.), securities, real estate. Low risk transactions may be not collateralised. Decisions on the collateral structure and its required level for certain lending transactions are taken by the Group's authorised bodies (credit committees) in accordance with the Credit Policy.

Below are the main types of collateral received:

- on loans to legal entities – pledge of movable property, real estate, securities, rights of claim and cash;
- on loans to individuals – pledge of motor vehicles, real estate, cash, rights of claim, securities.

As part of credit risk control procedures, the Group regularly monitors collateral and its current market value. In case of significant decrease in the collateral value, the Group requests additional collateral if necessary

Information about loan portfolio by types of collateral as at 31 December 2019 is as follows:

In thousands of Russian Roubles	**Investment projects**	**Large business**	**Small and medium business**	**Loans to individuals**	**Total**
Unsecured loans	672 316	11 304 152	10 656 478	3 031 663	25 664 609
Loans collateralised by:	499 988	2 818 156	7 944 465	25 393 965	36 656 574
- movable properties	6 633	365 622	1 785 503	22 924 835	25 082 593
- real estate	457 743	1 380 770	3 583 647	1 168 882	6 591 042
- rights of claims on loan (lease) agreement or lending contract	–	563 000	966 127	–	1 529 127
- rights of claim on investment contracts	28 072	–	170 909	749 254	948 235
- securities and stakes in share capitals	–	9 075	368 552	411 401	789 028
- cash deposits	–	128 500	261 571	9 116	399 187
- rights under bank account agreement	–	120 000	5 391	99 759	225 150
- other property rights (claims)	7 540	251 189	802 765	30 718	1 092 212
Total loans to customers	**1 172 304**	**14 122 308**	**18 600 943**	**28 425 628**	**62 321 183**

Information about loan portfolio by types of collateral as at 31 December 2018 is as follows:

In thousands of Russian Roubles	**Investment projects**	**Large business**	**Small and medium business**	**Loans to individuals**	**Total**
Unsecured loans	76 734	10 860 839	2 791 619	2 049 886	15 779 078
Loans collateralised by:					
- movable properties	1 936 633	258 682	2 185 543	464 292	4 845 150
- real estate	294 038	1 203 656	1 420 342	849	2 918 885
- banking guarantees and warranties	1 334 423	636	17 430	–	1 352 489
- securities and stakes in share capitals	379 175	643 536	–	1 296	1 024 007
- rights of claims on loan (lease) agreement or lending contract	99 723	59 900	847 753	2 019	1 009 395
- cash deposits	–	300 000	25 071	–	325 071
- own promissory notes of the Group	59 845	166 511	686 873	12 688 455	13 601 684
- rights of claim on investment contracts	–	–	87 184	–	87 184
- other property rights (claims)	122 419	–	384 911	28 188	535 518
Total loans to customers	**4 302 990**	**13 493 760**	**8 446 726**	**15 234 985**	**41 478 461**

10 Loans to Customers (continued)

The disclosure above as at 31 December 2019 and 31 December 2018 represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral. Loans for which no allowance was made as they are secured by collateral totals 1.77% of the loan portfolio. The effect of collateral on the carrying amount of allowances is 7%.

Analysis by credit quality of loans issued to customers for investment projects and measured at amortised cost as at 31 December 2019 is as follows:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Investment projects					
Neither past due nor impaired					
– loans renegotiated in 2019	–	–	10 034	48 648	58 682
– Standard portfolio	372 194	46 483	118 390	134 506	671 573
Total neither past due nor impaired	**372 194**	**46 483**	**128 424**	**183 154**	**730 255**
Individually impaired					
- not past due	–	–	–	121 547	121 547
- over 90 days overdue	–	–	36 970	–	36 970
Total individually impaired	**–**	**–**	**36 970**	**121 547**	**158 517**
Total loans to customers for investment projects and measured at amortised cost (before ECL allowance)	**372 194**	**46 483**	**165 394**	**304 701**	**888 772**
Less ECL allowance	(7 688)	(1 693)	(34 416)	(22 923)	(66 720)
Total loans issued for investment projects and measured at amortised cost	**364 506**	**44 790**	**130 978**	**281 778**	**822 052**

Analysis by credit quality of loans to large business at amortised cost as at 31 December 2019 is as follows:

In thousands of Russian Roubles	Stage 1	Stage 2	POCI	Total
Large business				
Neither past due nor impaired				
– standard portfolio	9 720 689	3 927 262	–	13 647 951
Total neither past due nor impaired	**9 720 689**	**3 927 262**	**–**	**13 647 951**
Individually impaired				
- not past due	–	–	474 357	474 357
Total individually impaired	**–**	**–**	**474 357**	**474 357**
Total loans to large business at amortised cost (before ECL allowance)	**9 720 689**	**3 927 262**	**474 357**	**14 122 308**
Less ECL allowance	(40 123)	(103 984)	–	(144 107)
Total loans to large business at amortised cost	**9 680 566**	**3 823 278**	**474 357**	**13 978 201**

10 Loans to Customers (continued)

Analysis by credit quality of loans to small and medium business at amortised cost as at 31 December 2019 is as follows:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Small and medium business					
Neither past due nor impaired					
– standard portfolio	16 048 167	1 428 937	9 521	234 226	17 720 851
Total neither past due nor impaired	**16 048 167**	**1 428 937**	**9 521**	**234 226**	**17 720 851**
Past due but not impaired					
- less than 30 days overdue	–	–	2	–	2
Total individually impaired	**–**	**–**	**2**	**–**	**2**
Individually impaired					
- not past due	–	–	85 021	81 650	166 671
- over 90 days overdue	–	–	554 834	158 585	713 419
Total individually impaired	**–**	**–**	**639 855**	**240 235**	**880 090**
Total loans to small and medium business at amortised cost (before ECL allowance)	**16 048 167**	**1 428 937**	**649 378**	**474 461**	**18 600 943**
Less ECL allowance	(284 251)	(33 796)	(597 675)	(19 135)	(934 857)
Total loans to small and medium business at amortised cost	**15 763 916**	**1 395 141**	**51 703**	**455 326**	**17 666 086**

Analysis by credit quality of loans to individuals at amortised cost as at 31 December 2019 is as follows:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Neither past due nor impaired				
– loans renegotiated in 2019	1 269	–	–	1 269
– loans renegotiated in prior reporting periods	2 889	–	–	2 889
– standard portfolio	26 513 252	–	–	26 513 252
Total neither past due nor impaired	**26 517 410**	**–**	**–**	**26 517 410**
Past due but not impaired				
- less than 30 days overdue	421 467	1 301	1 118	423 886
- 31 to 90 days overdue	–	242 422	3 018	245 440
Total past due but not impaired loans	**421 467**	**243 723**	**4 136**	**669 326**
Individually impaired				
- 30 to 90 days overdue	–	–	4 804	4 804
- over 90 days overdue	5	–	633 599	633 604
Total individually impaired	**5**	**–**	**638 403**	**638 408**
Total loans to individuals at amortised cost (before ECL allowance)	**26 938 882**	**243 723**	**642 539**	**27 825 144**
Less ECL allowance	(332 141)	(112 334)	(463 705)	(908 180)
Total loans to individuals at amortised cost	**26 606 741**	**131 389**	**178 834**	**26 916 964**

10 Loans to Customers (continued)

Analysis by credit quality of loans issued to customers for investment projects and measured at amortised cost as at 31 December 2018 is as follows:

In thousands of Russian Roubles	Stage 1	Stage 2	Total
Investment projects			
Neither past due nor impaired			
– Standard portfolio	1 308 948	476 977	1 785 925
Total neither past due nor impaired	**1 308 948**	**476 977**	**1 785 925**
Total loans to customers for investment projects at amortised cost (before ECL allowance)	**1 308 948**	**476 977**	**1 785 925**
Less ECL allowance	(22 578)	(19 463)	(42 041)
Total loans to customers for investment projects at amortised cost	**1 286 370**	**457 514**	**1 743 884**

Analysis by credit quality of loans to large business at amortised cost as at 31 December 2018 is as follows:

In thousands of Russian Roubles	Stage 1	Stage 2	Total
Large business			
Neither past due nor impaired			
– standard portfolio	11 277 681	2 216 079	13 493 760
Total neither past due nor impaired	**11 277 681**	**2 216 079**	**13 493 760**
Total loans to large business at amortised cost (before ECL allowance)	**11 277 681**	**2 216 079**	**13 493 760**
Less ECL allowance	(70 533)	(110 804)	(181 337)
Total loans to large business at amortised cost	**11 207 148**	**2 105 275**	**13 312 423**

Analysis by credit quality of loans to small and medium business at amortised cost as at 31 December 2018 is as follows:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Small and medium business				
Neither past due nor impaired				
– loans renegotiated in 2018	345 263	103 971	–	449 234
– standard portfolio	7 302 779	167 325	–	7 470 104
Total neither past due nor impaired	**7 648 042**	**271 296**	**–**	**7 919 338**
Individually impaired				
- over 90 days overdue	–	–	527 388	527 388
Total individually impaired	**–**	**–**	**527 388**	**527 388**
Total loans to small and medium business at amortised cost (before ECL allowance)	**7 648 042**	**271 296**	**527 388**	**8 446 726**
Less ECL allowance	(65 488)	(309)	(509 113)	(574 910)
Total loans to small and medium business at amortised cost	**7 582 554**	**270 987**	**18 275**	**7 871 816**

10 Loans to Customers (continued)

Analysis by credit quality of loans to individuals at amortised cost as at 31 December 2018 is as follows:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Neither past due nor impaired				
– loans renegotiated in 2018	3 943	1 960	–	5 903
– standard portfolio	14 911 427	–	–	14 911 427
Total neither past due nor impaired	**14 915 370**	**1 960**	**–**	**14 917 330**
Past due but not impaired				
- less than 30 days overdue	122 775	–	–	122 775
- 31 to 90 days overdue	–	52 258	–	52 258
Total past due but not impaired loans	**122 775**	**52 258**	**–**	**175 033**
Individually impaired				
- over 90 days overdue	–	–	142 622	142 622
Total individually impaired	**–**	**–**	**142 622**	**142 622**
Total loans to individuals at amortised cost (before ECL allowance)	**15 038 145**	**54 218**	**142 622**	**15 234 985**
Less ECL allowance	(130 734)	(31 018)	(114 598)	(276 350)
Total loans to individuals at amortised cost	**14 907 411**	**23 200**	**28 024**	**14 958 635**

Loans renegotiated during the period represent the carrying amount of loans with revised terms and conditions that otherwise would be past due or impaired.

Past due but not impaired loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

As at 31 December 2019, loans to individuals include loans acquired from other financial institutions with a right of recourse in the amount of RR 1 406 598 thousand before ECL allowance with the recourse during six months and in the amount of RR 600 484 thousand before ECL allowance with the unlimited right of recourse (31 December 2018: RR 1 230 081 thousand with the recourse during six months). Total loans acquired with a right of recourse during 2019 amounted to RR 910 239 thousand with recourse during six months and RR 707 142 thousand with the unlimited right of recourse (during 2018: RR 1 569 726 thousand with the recourse during six months and RR 553 796 thousand with the unlimited right of recourse).

The Group derecognises a financial asset, e.g. a loan provided to a customer, if the contractual terms and conditions are renegotiated in such a way that such loan becomes a new loan and the difference is recognised as profit or loss from derecognition before the impairment loss is recorded. Upon initial recognition, loans are classified in Stage 1 for ECL measurement purposes, unless a created loan is deemed to be a POCI asset.

If modification does not trigger significant changes in cash flows, modification does not result in derecognition. Based on changes in cash flows discounted at the original effective interest rate, the Group recognises profit or loss from modification before the impairment loss is recorded.

During 2019 the Group did not renegotiate loans to customers of Stage 2 and Stage 3.

10 Loans to Customers (continued)

Below are assets of Stage 2 with terms and conditions renegotiated during 2018 that are recorded as restructured, with recognition of corresponding modification losses incurred by the Group.

In thousands of Russian Roubles	**31 December 2018**
Loans to customers modified during the reporting period	
Amortised cost before modification	917 627
Net loss from modification	(10 523)

Refer to Note 34 for the estimated fair value of each category of loans to customers. Currency, maturity and interest rate analyses of loans to customers are disclosed in Note 30. Information on related party balances is disclosed in Note 35.

11 Securities at Fair Value Through Other Comprehensive Income

As at 31 December 2019, there were no securities at FVOCI represented by corporate bonds (31 December 2018: RR 699 213 thousand) that were restricted under the Master Loan Agreement signed with the Bank of Russia with an overdraft limit of RR 3 500 000 thousand.

Securities at FVOCI include the following:

In thousands of Russian Roubles	**2019**	**2018**
Shares of banks	2 159 237	2 181 112
Corporate shares	41 196	279 474
Corporate bonds	–	5 894 714
Bonds of banks	–	1 965 870
Federal loan bonds (OFZ)	–	850 593
Bonds of state corporations	–	717 384
Russian Federation Eurobonds	–	310 563
Total not pledged securities at FVTPL	**2 200 433**	**12 199 710**
Federal loan bonds (OFZ)	–	1 333 300
Bonds of banks	–	1 012 406
Corporate bonds	–	684 092
Russian Federation Eurobonds	–	592 892
Total pledged securities at FVOCI sold under direct repo agreements	**–**	**3 622 690**
Total securities at FVOCI	**2 200 433**	**15 822 400**

Analysis by credit quality of debt securities as at 31 December 2018 is presented below:

In thousands of Russian Roubles	**Corporate bonds**	**Bonds of banks**	**Federal loan bonds (OFZ)**	**Bonds of state corpo-rations**	**Russian Federation Eurobonds**	**Total**
Neither past due nor impaired						
- BBB- to BBB+ rated	1 279 949	106 255	2 183 893	717 384	903 455	5 190 936
- B- to BB+ rated	4 317 574	2 872 021	–	–	–	7 189 595
- Unrated	981 283	–	–	–	–	981 283
Total debt securities at FVOCI	**6 578 806**	**2 978 276**	**2 183 893**	**717 384**	**903 455**	**13 361 814**

11 Securities at Fair Value Through Other Comprehensive Income (continued)

Fair value of securities at FVOCI is determined based on the current market price upon completion of activities as at 31 December. Where quoted market prices are not available, the Group uses various valuation techniques. Refer to Note 34.

The credit ratings are based on Standard & Poor's ratings where available, or Moody's or Fitch ratings converted to the nearest equivalent on the Standard & Poor's rating scale.

As at 31 December 2019 securities at FVOCI represent corporate shares of a Russian issuer and shares of Russian and foreign banks with a fair value of RR 2 200 433 thousand. In 2019, the Group recognised dividend income related to equity securities at FVOCI in the amount of RR 18 076 thousand within other operating income.

As at 31 December 2018 securities at FVOCI represent federal loan bonds (OFZ), Russian Federation Eurobonds, bonds of Russian issuers, shares of foreign and Russian issuers with a fair value of RR 15 822 400 thousand. Refer to Note 34.

As at 31 December 2018 shares of banks with a carrying amount of RR 2 181 112 thousand represent equity securities issued by foreign and Russian banks; corporate shares with a carrying amount of RR 279 474 thousand represent equity securities issued by foreign and Russian companies. The Group took a decision to irrevocably designate these shares into securities at FVOCI, as they are not held for trading. In 2018, the Group recognised dividend income related to equity securities at FVOCI in the amount of RR 186 166 thousand within other operating income. Refer to Note 34.

Analyses by maturity and annual coupon rates as at 31 December 2018 are disclosed in the table below.

	Maturity date		Annual coupon rate, %	
	from	**To**	**from**	**to**
Corporate bonds	April 2020	August 2038	5.25	12.00
Bonds of banks	May 2019	June 2021	2.63	9.84
Federal loan bonds (OFZ)	January 2020	January 2025	8.02	8.25
Bonds of state corporations	July 2020	July 2020	6.03	6.90
Russian Federation Eurobonds	1 January 2019	1 January 2019	3.50	3.50

Movements in ECL allowances for securities at FVOCI for 2019 are presented in the table below:

In thousands of Russian Roubles	ECL allowance **Stage 1**	Gross carrying amount **Stage 1**
At 1 January	**73 323**	**13 361 814**
New originated or purchased assets and effects of other increases in gross carrying amount	9 780	3 789 310
Derecognised or redeemed assets (excluding write-offs and assignment of the rights of claim) and effects of other decreases in gross carrying amount	(38 233)	(16 701 616)
Net remeasurement of loss allowance	(42 816)	–
Exchange differences	(2 054)	(449 508)
At 31 December	**–**	**–**

11 Securities at Fair Value Through Other Comprehensive Income (continued)

Movements in ECL allowances for securities at FVOCI for 2018 are presented in the table below:

	ECL allowance			Gross carrying amount		
In thousands of Russian Roubles	**Stage 1**	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
At 1 January	**31 400**	**–**	**31 400**	**8 663 843**	**–**	**8 663 843**
New originated or purchased assets and effects of other increases in gross carrying amount	57 514	–	57 514	10 755 638	–	10 755 638
Derecognised or redeemed assets (excluding write-offs and assignment of the rights of claim) and effects of other decreases in gross carrying amount	(14 391)	–	(14 391)	(7 271 457)	(199 217)	(7 470 674)
Transfers to Stage 1	22 794	(22 794)	–	210 815	(210 815)	–
Transfers to Stage 2	(3 301)	3 301	–	(360 045)	360 045	–
Changes of contractual cash flows due to modification not resulting in derecognition		–		–	–	–
Net remeasurement of loss allowance	(28 837)	17 498	(11 339)	–	–	–
Exchange differences	8 144	1 995	10 139	1 363 020	49 987	1 413 007
At 31 December	**73 323**	**–**	**73 323**	**13 361 814**	**–**	**13 361 814**

Currency, maturity and interest rate analyses of securities at FVOCI are disclosed in Note 30. Information on related party balances is disclosed in Note 35.

12 Securities at Amortised Cost

Securities at amortised cost include the following:

	2019
Federal loan bonds (OFZ)	518 577
Total securities at amortised cost (before ECL allowance)	**518 577**
Less ECL allowance	(23)
Total securities at amortised cost	**518 554**

Analysis by credit quality of debt securities as at 31 December 2019 is presented below:

In thousands of Russian Roubles	**Federal loan bonds (OFZ)**
Neither past due nor impaired	
- B- to BB+ rated	518 577
Total securities at amortised cost	**518 577**

The credit ratings are based on Standard & Poor's ratings where available, or Moody's or Fitch ratings converted to the nearest equivalent on the Standard & Poor's rating scale.

As at 31 December 2019, securities at amortised cost represented by federal loan bonds (OFZ) with a carrying amount of RR 518 577 thousand were restricted under the Master Loan Agreement signed with the Bank of Russia with an overdraft limit of RR 3 500 000 thousand. Refer to Note 37.

Analyses by maturity and annual coupon rates as at 31 December 2019 are disclosed in the table below.

	Maturity date		**Annual coupon rate, %**	
	from	**to**	**from**	**to**
Federal loan bonds (OFZ)	January 2020	January 2020	8.24	8.24

12 Securities at Amortised Cost (continued)

Movements in ECL allowances for securities at amortised cost for 2019 are presented in the table below:

In thousands of Russian Roubles	ECL allowance Stage 1	Gross carrying amount Stage 1
At 1 January	**–**	**–**
New originated or purchased assets and effects of other increases in gross carrying amount	23	518 577
At 31 December	**23**	**518 577**

Movements in ECL allowances for securities at amortised cost for 2018 are presented in the table below:

In thousands of Russian Roubles	Stage 1
ECL allowance at 1 January	**544**
Derecognised or redeemed assets (excluding write-offs and assignment of the rights of claim) and effects of other decreases in gross carrying amount	(361)
Net remeasurement of loss allowance	(183)
ECL allowance at 31 December	**–**

Currency, maturity and interest rate analyses of securities at amortised cost are disclosed in Note 30. Refer for Note 34 for the estimated fair value of securities at amortised cost. Information on related party balances is disclosed in Note 35.

13 Investment Property

Movements in investment property are as follows:

In thousands of Russian Roubles	Note	2019	2018 (restated)
Balance at 1 January		**593 936**	**605 515**
Transfer from premises and equipment	14	–	240 404
Transfer to premises and equipment	14	–	(240 404)
Disposal		(25 500)	–
Impairment charged to profit or loss		(106 402)	(11 579)
Balance at 31 December		**462 034**	**593 936**

As at 31 December 2019 and 31 December 2018, the fair value of the property are based on valuations performed by an accredited independent valuer.

In thousands of Russian Roubles	2019	2018
Rental income from investment property	24 483	24 422
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income	–	–
Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income	(1 186)	(1 649)
Total gains less losses from investment property	**23 297**	**22 773**

The Group has no restrictions on the realisability of its investment property and no contractual obligations to either purchase, construct or develop investment property or to repair, maintain or enhance it.

14 Premises and Equipment

In thousands of Russian Roubles	Note	Land and buildings	Office and computer equipment	Furniture	Motor vehicles	Leasehold Improve-ments	Total premises and equipment
Cost or valuation at 1 January 2018		**1 397 931**	**465 002**	**87 164**	**49 869**	**21 663**	**2 021 629**
Accumulated depreciation		(403)	(449 763)	(62 663)	(15 591)	(2 406)	(530 826)
Carrying amount at 1 January 2018		**1 397 528**	**15 239**	**24 501**	**34 278**	**19 257**	**1 490 803**
Additions		93	4 004	3 749	18 870	338	27 054
Disposals		–	(19 530)	(2 046)	(16 886)	(4 562)	(43 024)
Depreciation charge	27	(24 996)	(3 938)	(5 915)	(4 757)	(300)	(39 906)
Accumulated depreciation on disposed assets		–	19 483	1 369	6 729	352	27 933
Transfers to investment property		(241 999)	–	–	–	–	(241 999)
Transfers from investment property		240 404	–	–	–	–	240 404
Accumulated depreciation on transferred assets		1 595	–	–	–	–	1 595
Recognition of revaluation through revaluation reserve		25 257	–	–	–	–	25 257
Carrying amount at 31 December 2018 Restated		**1 397 882**	**15 258**	**21 658**	**38 234**	**15 085**	**1 488 117**
Cost or valuation at 31 December 2018 Restated		**1 397 882**	**449 476**	**88 867**	**51 853**	**17 439**	**2 005 517**
Accumulated depreciation		–	(434 218)	(67 209)	(13 619)	(2 354)	(517 400)
Carrying amount at 31 December 2018 Restated		**1 397 882**	**15 258**	**21 658**	**38 234**	**15 085**	**1 488 117**
Acquisition of the subsidiary bank		582 461	55 458	13 026	13 064	1 760	665 769
Additions		–	12 664	3 306	7 905	–	23 875
Disposals		(169 978)	(37 946)	(1 647)	(1 542)	–	(211 113)
Depreciation charge	27	(33 417)	(24 552)	(11 851)	(8 270)	(492)	(78 582)
Accumulated depreciation on disposed assets		316	37 584	1 645	493	–	40 038
Recognition of revaluation through revaluation reserve		14 241	–	–	–	–	14 241
Carrying amount at 31 December 2019		**1 791 505**	**58 466**	**26 137**	**49 884**	**16 353**	**1 942 345**
Cost or valuation at 31 December 2019		**1 796 650**	**479 652**	**103 552**	**71 280**	**19 199**	**2 470 333**
Accumulated depreciation		(5 145)	(421 186)	(77 415)	(21 396)	(2 846)	(527 988)
Carrying amount at 31 December 2019		**1 791 505**	**58 466**	**26 137**	**49 884**	**16 353**	**1 942 345**

The Group's rights of ownership to premises and equipment are not restricted. Premises and equipment were not pledged as collateral.

Land and buildings have been revalued at market value as at 31 December 2019 and 31 December 2018 by an independent firm of professional valuers, who hold a recognised and relevant qualification and who have professional experience in the valuation of assets in similar locations and in a similar category.

The market value is determined based on the sales comparative method. The market value of land and buildings is determined based on the price which an independent party would pay for an item of similar quality and use. The market value of land and buildings was determined based on the sales information and proposal of similar items at the market.

14 Premises and Equipment (continued)

Included in the above carrying amount of land and premises as at 31 December 2019 is RR 569 456 thousand (2018: RR 555 215 thousand) representing revaluation surplus relating to premises of the Group. As at 31 December 2019, the carrying amount of land and buildings would have been RR 1 434 354 thousand (2018: RR 1 054 972 thousand) had the assets been carried at cost less depreciation.

The amount reconciles to the carrying value of the buildings as follows:

In thousands of Russian Roubles	31 December 2019	31 December 2018 Restated
Land and buildings at revalued amount in the consolidated statement of financial position	1 791 505	1 397 882
Revaluation reserve presented in equity, before tax	(357 151)	(342 910)
Land and buildings at cost less accumulated depreciation	**1 434 354**	**1 054 972**

15 Intangible Assets

In thousands of Russian Roubles	Note	Software and licenses
Carrying amount at 1 January 2018		**29 361**
Cost		
Balance at the beginning of the period		180 878
Additions		23 955
Disposals		(145 498)
Balance at the end of the period		**59 335**
Accumulated amortisation		
Balance at the beginning of the period		151 517
Amortisation charge	27	7 332
Disposals		(145 498)
Balance at the end of the period		**13 351**
Carrying amount at 31 December 2018		**45 984**
Cost		
Balance at the beginning of the period		**59 335**
Acquisition of the subsidiary bank		134 055
Additions		50 232
Disposals		(38 717)
Balance at the end of the period		**204 905**
Accumulated amortisation		
Balance at the beginning of the period		**13 351**
Amortisation charge	27	29 176
Disposals		(9 198)
Balance at the end of the period		**33 329**
Carrying amount at 31 December 2019		**171 576**

Additions mainly represent software and licenses acquired by the Group in 2019 to comply with new procedures implemented by the Group. In 2019, intangible assets in the amount of RR 50 232 thousand were acquired for cash (2018: RR 23 955 thousand).

16 Right-of-Use Assets and Lease Liabilities

The Group leases out office premises. Rental contracts are typically made for fixed periods, but may have extension options.

Until 31 December 2019 leases of premises and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

The right-of-use assets by class of underlying items is analysed as follows:

In thousands of Russian Roubles	Note	Land and premises	Motor vehicles	Total	Lease liabilities
Carrying amount at 1 January 2019		**252 169**	**12**	**252 181**	**244 549**
Acquisition of the subsidiary bank		6 375	–	6 375	6 375
Additions		65 338	32	65 370	65 370
Revaluation		(677)	–	(677)	(677)
Disposals		(6 362)	–	(6 362)	–
Depreciation and amortisation		(99 503)	(21)	(99 524)	–
Interest expense		–	–	–	16 091
Lease payments		–	–	–	(107 400)
Carrying amount at 31 December 2019		**217 340**	**23**	**217 363**	**224 308**

17 Other Assets

Other assets comprise:

In thousands of Russian Roubles	Note	2019	2018
Bank guarantee fee and commission receivable		33 478	–
Financial derivative instruments	33	21 631	388
Credit and debit card receivables		5 419	5 668
Payments receivable for commemorative coins acquired and sold		882	942
Settlements on conversion operations		478	508
Other		4 600	220
Total other financial assets before ECL allowance		**66 488**	**7 726**
Less ECL allowance		(55)	(10)
Total other financial assets		**66 433**	**7 716**

Conversion operations include transactions on the purchase and sale of foreign currency which require supply of assets within standard timeframe set by the regulators or established in the market. All conversion operations on the purchase and sale of foreign currency are recorded at the settlement date specified in the contracts, i.e. at the planned date of the asset receipt or delivery by the Group Conversion operations are not recorded within derivative financial instruments due to their small term.

17 Other Assets (continued)

The following table provides information on conversion operations as at 31 December 2019 and 31 December 2018:

	2019			2018		
In thousands of Russian Roubles	**Contingent and contractual amount**	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contingent and contractual amount**	**Contracts with positive fair value**	**Contracts with negative fair value**
Conversion operations:						
- sale of EUR for USD	1 282 801	476	–	–	–	–
- purchase of EUR for RR	347	–	–	–	–	–
- sale of EUR for RR	76 275	–	(101)	115 297	162	(3)
- sale of USD for RR	58 129	2	(88)	176 455	337	(12)
- purchase of USD for RR	–	–	–	6 947	6	–
- purchase of CNY for RR	–	–	–	1 515	3	–
Total fair value of conversion operations	**1 417 552**	**478**	**(189)**	**300 214**	**508**	**(15)**

Movements in ECL allowance for other financial assets for 2019 are presented in the table below:

In thousands of Russian Roubles	**Stage 1**
ECL allowance at 1 January	**10**
New purchased or originated assets	51
Derecognised or redeemed assets (excluding write-offs)	(4)
Net remeasurement of loss allowance	(2)
ECL allowance at 31 December	**55**

Movements in ECL allowance for other non-financial assets for 2018 are as follows:

In thousands of Russian Roubles	**Stage 1**	**Stage 2**	**Total**
ECL allowance at 1 January	**23**	**4 725**	**4 748**
New purchased or originated assets	18	–	18
ECL allowance for receivables assigned during the period	–	(5 833)	(5 833)
Derecognised or redeemed assets (excluding write-offs)	(27)	–	(27)
Net remeasurement of loss allowance	(4)	1 108	1 104
ECL allowance at 31 December	**10**	**–**	**10**

In 2018, the Group sold other debt with a nominal value of RR 7 340 thousand and ECL allowance of RR 5 833 thousand for RR 9 500 thousand.

As at 31 December 2019, credit and debit card receivables include an insurance deposit on settlements with Credit Union “Payment Center” Ltd in the amount of RR 5 419 thousand (2018: RR 5 668 thousand).

17 Other Assets (continued)

Analysis by credit quality of other financial assets as at 31 December 2019 is presented below:

In thousands of Russian Roubles	Bank guarantee fee and commission receivable	Derivative financial instruments	Credit and debit card receivables	Payments receivable for commemorative coins acquired and sold	Settlements on conversion operations	Other	Total
Neither past due nor impaired							
- BBB- to BBB+ rated	–	6 539	–	–	3	–	6 542
- B- to BB+ rated	–	–	5 419	–	475	2 862	8 756
- unrated	33 478	15 092	–	882	–	1 738	51 190
Total other financial assets	**33 478**	**21 631**	**5 419**	**882**	**478**	**4 600**	**66 488**

Analysis by credit quality of other financial assets as at 31 December 2018 is presented below:

In thousands of Russian Roubles	Derivative financial instruments	Credit and debit card receivables	Payments receivable for commemorative coins acquired and sold	Settlements on conversion operations	Other	Total
Neither past due nor impaired						
- BBB- to BBB+ rated	–	–	–	508	–	508
- B- to BB+ rated	–	5 668	–	–	–	5 668
- unrated	388	–	942	–	220	1 550
Total other financial assets	**388**	**5 668**	**942**	**508**	**220**	**7 726**

As at 31 December 2018 other financial assets at amortised cost are current and not impaired.

Currency and maturity analyses of other financial assets are disclosed in Note 30. Refer to Note 32 for the disclosure of the fair value of each class of other financial assets. Information on related party transactions is disclosed in Note 33.

Other non-financial assets comprise:

In thousands of Russian Roubles	2019	2018
Trade payables	64 004	96 577
Repossessed collateral	27 886	2 565
State duties receivable	11 654	5 851
Social security settlements	9 264	14 425
Receivables on legal proceedings	3 962	480
Prepaid taxes	1 396	3
Settlements with staff on reportable amounts	1 084	397
Other	10 402	7 974
Less ECL allowance for uncollectible receivables	(23 422)	(25 347)
Total other non-financial assets	**106 230**	**102 925**

In 2019, the Group repossessed property in the amount of RR 64 397 thousand (2018: RR 14 215 thousand). In 2019, the Group sold repossessed collateral with a carrying amount of RR 43 562 thousand (2018: RR 15 896 thousand).

17 Other Assets (continued)

Movements in ECL allowance for other non-financial assets during 2019 and 2018 are as follows:

In thousands of Russian Roubles	**2019**	**2018**
ECL allowance at 1 January	**25 347**	**11 171**
(Recovery of ECL allowance)/ ECL allowance during the year	(1 568)	15 088
Assignment of the rights of claim	(179)	–
Other non-financial assets written-off against the ECL allowance during the year	(178)	(912)
ECL allowance at 31 December	**23 422**	**25 347**

18 Due to Credit Institutions

In thousands of Russian Roubles	**2019**	**2018**
Deposits with credit institutions	339 769	959 818
Correspondent accounts and overnight placements with credit institutions	275 822	706 543
Sale and repurchase agreements with other credit institutions	–	1 909 209
Total due to credit institutions	**615 591**	**3 575 570**

Placements of other credit institutions represent deposits of a large foreign bank (2018: a large Russian bank and foreign banks) with maturity in December 2020 (2018: in January 2019) and contractual interest rates 2.3% p.a. (2018: from 1.81% to 6% p.a.).

Sale and repurchase agreements with credit institutions represent funds attracted from a Russian credit institution with maturity in January 2019 and contractual interest rates from 0.2% to 7.95% p.a. Information on securities pledged under the sale and repurchase agreements with credit institutions is provided in Notes 8 and 11.

Analysis of due to credit institutions by maturity dates is provided in Note 30. Refer to Note 4 for the disclosure of the fair value of amounts due to credit institutions. Information on related party transactions is disclosed in Note 35.

19 Customer Accounts

In thousands of Russian Roubles	**2019**	**2018**
State and public organisations		
- Current/settlement accounts	39 824	2 481
- Term deposits	61 906	3 475 135
Legal entities		
- Current/settlement accounts	9 932 872	8 608 419
- Term deposits	10 354 298	13 269 155
Individuals		
- Current/demand accounts	3 318 962	1 961 192
- Term deposits	49 369 770	32 409 878
Total customer accounts	**73 077 632**	**59 726 260**

19 Customer Accounts (continued)

State and public organisations exclude government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

	2019		2018	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	52 688 732	72.1	34 371 070	57.5
Trade	6 188 563	8.6	3 969 271	6.7
Construction	3 567 095	4.9	4 167 734	7.0
Financial services	2 218 528	3.0	1 263 320	2.1
Real estate	1 471 543	2.0	693 864	1.2
Manufacturing	1 272 323	1.7	711 960	1.2
Transport and logistics	967 718	1.3	668 766	1.1
Food products	841 030	1.2	122 797	0.3
Non-commercial organisations	676 509	0.9	366 679	0.6
Consulting services	453 897	0.6	896 889	1.5
Services	358 308	0.5	295 391	0.5
Oil and gas	315 509	0.4	6 599 981	11.1
Information and communication activities	156 952	0.2	1 009 620	1.7
Advertising and mass media	117 103	0.2	240 676	0.4
State and public organisations	101 730	0.1	3 477 616	5.8
Telecommunications	48 462	0.1	109 461	0.2
Mining	30 410	0.0	207 824	0.3
Other	1 903 220	2.2	553 341	0.8
Total customer accounts	**73 077 632**	**100.0**	**59 726 260**	**100.0**

As at 31 December 2019, customer accounts are recorded in the amount of RR 169 thousand (2018: RR 35 550 thousand) held as collateral for irrevocable commitments under letters of credit. Refer to Note 32.

As at 31 December 2019, balances of 10 largest customers amounted to RR 6 752 326 thousand (2018: RR 17 079 687 thousand) or 9% (2018: 29%) of total customer accounts.

As at 31 December 2019, balances on customer accounts of RR 656 837 thousand (31 December 2018: RR 1 718 335 thousand) represented collateral on loans provided by the Group in the amount of RR 4 669 983 thousand (31 December 2018: RR 6 103 697 thousand).

As at 31 December 2019, balances on customer accounts of RR 450 523 thousand (31 December 2018: RR 310 982 thousand) represented collateral on guarantees issued by the Group in the amount of RR 1 098 492 thousand (31 December 2018: RR 375 931 thousand) (Note 32).

As at 31 December 2018, term deposits of state and public organisations include customer accounts raised under sale and repurchase agreements in the amount of RR 3 405 651 thousand. Information on securities pledged under the sale and repurchase agreements with customers is provided in Notes 8 and 11.

Currency, interest rate and maturity analyses of customer accounts are disclosed in Note 30. Refer to Note 4 for the disclosure of the fair value of each class of customer accounts. Information on related party balances is disclosed in Note 35.

20 Other Liabilities

Other financial liabilities comprise the following:

In thousands of Russian Roubles	Notes	2019	2018
Deferred fee and commission income from issued guarantees		413 732	135 213
Provision for credit related commitments		117 557	146 799
Loan commitments		6 070	15 663
Financial derivative instruments	33	5 876	14 797
Debit or credit card payables		2 655	79
Amounts in settlements		2 021	171
Settlements on conversion operations		189	15
Obligations to return securities received under the reverse sale and repurchase agreement		–	516 181
Settlements on brokerage operations		–	94 615
Total other financial liabilities		**548 100**	**923 533**

Currency, maturity and interest rate analyses of other financial liabilities are disclosed in Note 30. Refer to Note 4 for disclosure of the fair value of each class of other financial liabilities. Information on related party balances is disclosed in Note 35.

Other non-financial liabilities comprise the following:

In thousands of Russian Roubles	2019	2018
Accrued employee benefit costs	274 551	130 575
Trade payables	197 983	102 006
Taxes payable other than income tax	123 932	18 743
Other	21 975	22 477
Total other non-financial liabilities	**618 441**	**273 801**

Movements in the provisions for credit related commitments in 2019 and 2018 are presented in Note 30.

21 Debt Securities in Issue

In thousands of Russian Roubles	2019	2018
Bonds issued on domestic market	1 398 277	924
Promissory notes	167 045	381 573
Savings certificates	300	22 515
Total debt securities in issue	**1 565 622**	**405 012**

As at 31 December 2019, debt securities in issue included bonds of RR 1 398 277 thousand (2018: RR 924 thousand), denominated in Russian Roubles. The nominal value of bonds in issue totalled RR 1 376 176 thousand (2018: RR 924 thousand). The bonds mature on 2 November 2022 (2018: 12 July 2019) and have a coupon rate of 8.75% p.a. (2018: 8.0 p.a.).

As at 31 December 2019, the Group issued bonds with a total nominal value of RR 178 309 thousand (2018: RR 394 242 thousand) with maturities from January 2020 to November 2020 (2018: from January 2019 to December 2019) and interest rates from 0% to 6.15% p.a. (2018: from 0% to 7.0% p.a.).

As at 31 December 2019, the Group issued savings certificates with a total nominal value of RR 226 thousand (2018: RR 20 918 thousand) with maturities in February 2019 (2018: from January 2019 to February 2019) and interest rate of 11.0% p.a. (2018: from 6.0% to 11.0% p.a.).

22 Subordinated Eurobonds in Issue

In October 2015, the Group placed subordinated Eurobonds with a nominal value of USD 20 000 thousand, interest rate of 8.0% p.a. and maturity in April 2021. Subordinated Eurobonds were issued by Expo Capital Limited registered in Ireland. As at 31 December 2019, the amortised cost of subordinated Eurobonds was RR 1 244 569 thousand (2018: RR 1 398 052 thousand).

23 Share Capital

As at 31 December 2019, the authorised, issued and fully paid share capital was RR 9 500 998 thousand (2018: RR 9 500 998 thousand).

In 2019 and 2018, the Bank did not distribute its profits among its participants.

In accordance with Russian legislation, dividends may only be declared to the Bank's participants from accumulated retained and unreserved earnings as shown in the Bank's financial statements prepared under Russian Accounting Standards ("RAS").

On 15 November 2018, the Bank signed an agreement on purchasing 0.9084% interest in the Bank's share capital from one of its participants for RR 128 470 thousand. This interest was transferred to the Bank when a corresponding entry was made in the Unified State Register of Legal Entities on 30 November 2018.

On 10 December 2019, the Bank signed an agreement on purchasing 0.2153% interest in the Bank's share capital from one of its participants for RR 49 907 thousand. This interest was transferred to the Bank when a corresponding entry was made in the Unified State Register of Legal Entities on 15 January 2020.

30 January 2018, the General Meetings of the Bank's participants elected to reorganise the Bank by merging it with Goncharnaya Bank (JSC). In accordance with p. 3.1.4 of Article 53 of Federal Law No.14-FZ *"On Limited Liability Companies"* interests in the share capital of an entity to be merged with the entity that holds these interests should be redeemed upon merger. Therefore, the General Meeting of the Bank's participants decided to form a new amount of the share capital. On 26 March 2018, changes No.1 in the Bank's Charter were registered, specifying a new amount of the share capital.

The Bank is a limited liability company. According to effective Russian law, each participant of the limited liability company shall be entitled to the number of votes in proportion to its interest in the company's share capital.

24 Interest Income and Expense

In thousands of Russian Roubles	**2019**	**2018**
Interest income calculated using the effective interest rate		
Loans to customers	7 780 502	4 291 194
Securities at FVOCI	495 371	525 441
Due from credit institutions	378 938	298 483
Securities at amortised cost	28 693	37 382
Total interest income calculated using the effective interest method	**8 683 504**	**5 152 500**
Other interest income		
Securities at FVTPL	728 796	865 930
Loans to investment projects at FVTPL	221 639	211 102
Total other interest income	**950 435**	**1 077 032**
Total interest income	**9 633 939**	**6 229 532**
Interest expense		
Term deposits of individuals	2 621 686	1 441 854
Term deposits of legal entities	882 074	610 422
Term deposits of credit institutions	117 071	77 141
Debt securities in issue	42 230	32 852
Lease liability	16 090	–
Current/settlement accounts	–	13 494
Total interest expense	**3 679 151**	**2 175 763**
Net interest income	**5 954 788**	**4 053 769**

Interest income in 2019 includes RR 312 407 thousand (2018: RR 114 585 thousand) of interest income recognised on impaired loans to customers.

25 Fee and Commission Income and Expense

In thousands of Russian Roubles	2019	2018
Fee and commission income		
- Settlement transactions	393 880	255 942
- Guarantees issued	456 537	143 221
- Cash transactions	104 049	23 898
- Transactions with plastic cards	80 741	44 580
- Remote banking	59 060	45 087
- Other	65 106	21 815
Total fee and commission income	**1 159 373**	**534 543**
Fee and commission expense		
- Transactions with plastic cards	73 768	47 310
- Settlement transactions	71 218	45 871
- Guarantees received	11 470	13 123
- Cash transactions	4 251	5 240
- Other	14 313	8 273
Total fee and commission expense	**175 020**	**119 817**
Net fee and commission income	**984 353**	**414 726**

26 Other Operating Income

In thousands of Russian Roubles	2019	2018 Restated
Income from sale of loans to customers	356 137	33 809
Operating lease income	41 360	43 501
Dividends received	38 918	209 018
Income from writing-off liabilities and expired accounts payable	9 259	3 959
Income from consulting and information services	6 835	6 001
Government grant-based compensation for interest paid under loans	3 534	8 846
Penalties charged for breach of contracts	3 259	1 013
Other	36 240	15 943
Total other operating income	**495 542**	**322 090**

27 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Notes	2019	2018 Restated
Staff costs		2 240 693	1 686 928
Contributions to the State Deposit Insurance Agency		318 169	176 381
Telecommunication and information services		216 019	162 122
Taxes other than income tax		143 612	97 810
Impairment of investment property and other non-financial assets		107 009	14 487
Depreciation of right-of-use assets		99 524	–
Other costs related to premises and equipment		78 867	62 557
Depreciation of premises and equipment and write-off of inseparable improvements	14	78 582	39 906
Loss on disposal of property and write-off of low-value assets		66 765	56 644
Professional services		46 618	75 439
Business travel and related expenses		41 605	43 220
Amortisation of software and other intangible assets	15	29 176	7 332
Security services		23 063	15 613
Advertising and marketing services		17 257	15 305
Insurance		14 969	6 117
Operating lease expenses		11 613	88 583
Effect from modification of loans to customers		–	46 468
Other		187 339	89 502
Total administrative and other operating expenses		**3 720 880**	**2 684 414**

27 Administrative and Other Operating Expenses (continued)

Staff costs include social insurance contributions of RR 402 014 thousand (2018: RR 298 688 thousand), of which RR 269 674 thousand (2018: RR 211 480 thousand) represent contributions to the pension fund.

Operating lease expenses in 2019 represent short-term lease expenses and lease of low-value assets.

Information on related party balances is disclosed in Note 35.

28 Income Tax

Income tax expense recorded in profit or loss for the year comprises the following:

In thousands of Russian Roubles	**2019**	**2018 Restated**
Current income tax expense	972 402	109 381
Deferred income tax expense/ (benefit)	(246 124)	259 223
Income tax expense for the year	**726 278**	**368 604**

Deferred tax recognised within other comprehensive income is allocated as follows:

In thousands of Russian Roubles	**2019**	**2018 Restated**
Revaluation of buildings	2 848	5 051
Net (loss)/gain from securities at FVOCI	46 477	(7 147)
Deferred income tax expense/(credit) recorded in other comprehensive income	**49 325**	**(2 096)**

The income tax rate applicable to the majority of the Group's in 2019 income is 20% (2018: 20%). Reconciliation between the theoretical and the actual taxation charge is provided below.

In thousands of Russian Roubles	**2019**	**2018 Restated**
Profit before tax	**5 857 566**	**2 007 590**
Theoretical tax expense at statutory rate of (20%)	**1 171 513**	**401 518**
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	25 247	23 573
- Income on government securities taxed at different rates	(29 522)	(30 121)
- Income taxable at different rates	(7 737)	(16 058)
- Other permanent differences	14 195	(10 308)
- Gain from net assets of acquired subsidiaries exceeding the investment amount, less of the financial result from disposal of subsidiaries	(447 418)	–
Income tax expense for the year	**726 278**	**368 604**

As at 31 December 2019, the Group had no tax losses to be carried over. In 2019, the Group used previously recognised tax losses of RR 5 427 thousand to reduce the current tax payable. As at 31 December 2018, the Bank's tax losses to be carried over totaled RR 27 135 thousand and had no limitations of validity period under the current legislation of the Russian Federation. As at 31 December 2018, a gain of RR 5 427 thousand arising from tax loss of RR 27 135 thousand was recognised to reduce the Group's deferred tax liabilities.

28 Income Taxes (continued)

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for consolidated financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20% (2018: 20%), except for income on government securities, which is taxed at 15% (2018: 15%) and dividend income, which is taxed at 13%.

In thousands of Russian Roubles	31 December 2018 (restated)	Acquisitions of the subsidiary bank	Credited / (charged) to profit or loss	Credited / (charged) directly to equity	31 December 2019
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards					
Investment property	(43 181)	(4 203)	32 459	–	(14 925)
Premises and equipment	(233 287)	(38 161)	540	(2 848)	(273 756)
Intangible assets	6 767	(26 811)	3 889	–	(16 155)
Other financial and non-financial liabilities	97 792	17 936	51 776	–	167 504
Loans to customers	56 299	(460 535)	47 857	–	(356 379)
Right-of-use assets	–	(2 650)	(40 823)	–	(43 473)
Due from credit institutions	3 771	–	(20 759)	–	(16 988)
Securities at amortised cost	–	(127)	648	–	521
Securities at FVTPL	23 927	–	(32 448)	–	(8 521)
Securities at FVOCI	(235 882)	–	182 880	(46 477)	(99 479)
Customer accounts	–	(2 953)	–	–	(2 953)
Lease liabilities	–	2 577	42 285	–	44 862
Subordinated loans	(2 533)	–	(225)	–	(2 758)
Other financial and non-financial assets	90 108	2 038	(16 528)	–	75 618
Tax loss carry forwards	5 427	–	(5 427)	–	–
Net deferred tax asset/(liability)	**(230 792)**	**(512 889)**	**246 124**	**(49 325)**	**(546 882)**
Recognised deferred tax asset / (liability)	(230 792)	(512 889)	246 124	(49 325)	(546 882)
Total deferred tax	**(230 792)**	**(512 889)**	**246 124**	**(49 325)**	**(546 882)**

The Group recognised the net deferred tax liabilities above in 2019.

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

In thousands of Russian Roubles	31 December 2017	Effect of adopting IFRS 9	Credited / (charged) to profit or loss	Credited / (charged) directly to equity	31 December 2018 (restated)
Tax effect of deductible/(taxable) temporary differences and tax loss carry forwards					
Premises and equipment	(272 290)	–	873	(5 051)	(276 468)
Intangible assets	6 033	–	734	–	6 767
Other financial and non-financial liabilities	78 679	7 575	11 538	–	97 792
Loans to customers	149 321	(11 546)	(81 476)	–	56 299
Finance lease receivables	(6)	–	6	–	–
Due from credit institutions	956	–	2 815	–	3 771
Securities at amortised cost	(23 437)	–	23 437	–	–
Securities at FVTPL	74 121	–	(50 194)	–	23 927
Securities at FVOCI	(115 750)	109	(127 388)	7 147	(235 882)
Subordinated loans	(2 891)	–	358	–	(2 533)
Other financial and non-financial assets	129 995	39	(39 926)	–	90 108
Tax loss carry forwards	5 427	–	–	–	5 427
Net deferred tax asset/(liability)	**30 158**	**(3 823)**	**(259 223)**	**2 096**	**(230 792)**
Recognised deferred tax asset / (liability)	30 158	(3 823)	(259 223)	2 096	(230 792)
Total deferred tax	**30 158**	**(3 823)**	**(259 223)**	**2 096**	**(230 792)**

The Group recognised the net deferred tax liabilities above in 2018.

29 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Chairman of the Management Board and the executive directors from the Board of Directors of the Group. Segment reporting information is prepared based on the management accounting data in line with the Group's accounting policies under the Russian Accounting Standards (RAS).

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of the following main business segments:

- Corporate banking – includes deposit taking and lending to corporate customers, small and medium enterprises and individual entrepreneurs, settlements, extending credit facilities in the form of overdrafts, bank guarantees, trade finance, transactions with promissory notes, currency control and cash management;
- Retail banking – includes provision of banking services to individuals, opening and keeping settlement accounts, taking deposits, servicing debit and credit cards, consumer, mortgage and car loans, cash transfers, settlements and cash management, and transfer of receivables from individuals.
- Treasury operations – includes transactions with securities and currencies, interbank lending, REPO, correspondent accounts, swaps.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and customer services.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on Russian accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

(i) ECL from financial assets are recognised based on management judgement and availability of information, rather than based on the incurred loss model prescribed in IFRS 9;

(ii) fee and commission income relating to lending is recognised immediately rather than deferred using the effective interest method; and

(iii) income taxes are not allocated to segments;

(iv) revaluation of premises and equipment is performed on an annual basis in accordance with the Accounting Policy under RAS;

(v) premises and equipment and intangible assets are not tested for impairment;

(vi) liabilities for the Group's unused vacation payments are not recognised.

The CODM evaluates performance of each segment based on profit before tax.

29 Segment Analysis (continued)

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2019 is set out below:

In thousands of Russian Roubles	Corporate banking	Retail banking	Treasury operations	Total
External revenues:				
- Interest income	3 829 302	4 137 410	1 601 067	9 567 779
- Fee and commission income	949 150	85 090	49 565	1 083 805
Timing of revenue recognition				
- At a point in time	592 861	85 090	49 565	727 516
- Over time	356 289	–	–	356 289
Revenues from other segments				
- Interest income	352 381	(1 181 833)	829 452	–
Total revenues	**5 130 833**	**3 040 667**	**2 480 084**	**10 651 584**
Interest expense	(638 471)	(2 660 061)	(365 265)	(3 663 797)
Provision for loan impairment	90 366	(461 530)	(1 503)	(372 667)
Depreciation and amortisation	(54 183)	(5 293)	-	(59 476)
Fee and commission expense	(20 979)	(50 158)	(99 828)	(170 965)
Gains less losses from trading in securities	–	–	492 050	492 050
Gains less losses from trading in foreign currencies	–	–	159 004	159 004
Foreign exchange translation gains less losses	–	–	110 201	110 201
Income from participation in equity of other legal entities	–	–	38 918	38 918
Administrative and other operating expenses	(2 590 709)	(234 959)	(377 266)	(3 202 934)
Segment results	**1 916 857**	**(371 334)**	**2 436 395**	**3 981 918**

In thousands of Russian Roubles	Corporate banking	Retail banking	Treasury operations	Total
Total reportable segment assets	33 983 161	28 576 038	35 509 004	98 068 203
Total reportable segment liabilities	22 294 144	51 516 638	3 618 394	77 429 176

As at 31 December 2019, the Group had no contractual capital expenditure commitments in respect of renovation of buildings and acquisition of equipment.

29 Segment Analysis (continued)

(d) Information about reportable segment profit or loss, assets and liabilities (continued)

Segment information for the reportable segments for the year ended 31 December 2018 is set out below:

In thousands of Russian Roubles	Corporate banking	Retail banking	Treasury operations	Total
External revenues:				
- Interest income	2 697 512	1 674 329	1 720 657	6 092 498
- Fee and commission income	581 716	27 954	15 210	624 880
Timing of revenue recognition				
- At a point in time	319 997	27 954	15 210	363 161
- Over time	261 719	–	–	261 719
Revenues from other segments				
- Interest income	(1 352 563)	1 799 325	(446 762)	–
Total revenues	**1 926 665**	**3 501 608**	**1 289 105**	**6 717 378**
Interest expense	(498 291)	(1 494 517)	(216 864)	(2 209 672)
Provision for loan impairment	183 066	(178 429)	–	4 637
Depreciation and amortisation	(29 060)	(34 124)	(7 745)	(70 929)
Fee and commission expense	(71 176)	(73 738)	–	(144 914)
Gains less losses from trading in securities	–	–	(259 720)	(259 720)
Gains less losses from trading in foreign currencies	–	–	306 516	306 516
Foreign exchange translation gains less losses	–	–	43 118	43 118
Income from participation in equity of other legal entities	–	–	209 018	209 018
Administrative and other operating expenses	(1 028 240)	(1 300 930)	(320 673)	(2 649 843)
Segment results	**482 964**	**419 870**	**1 042 755**	**1 945 589**

In thousands of Russian Roubles	Corporate banking	Retail banking	Treasury operations	Total
Total reportable segment assets	26 690 959	16 199 498	37 834 264	80 724 721
Total reportable segment liabilities	23 719 304	34 383 973	8 237 013	66 340 290

As at 31 December 2018, the Group had no contractual capital expenditure commitments in respect of renovation of buildings and acquisition of equipment.

29 Segment Analysis (continued)

(d) Information about reportable segment profit or loss, assets and liabilities (continued)

Reconciliation of reportable segment profit with profit before tax of the reporting year is provided below:

In thousands of Russian Roubles	2019	2018 Restated
Profit for reportable segments	**3 981 918**	**1 945 589**
Excess of the acquiree's net assets over the value of investments	2 237 092	–
Recovery of RAS provisions and accrual of IFRS provisions	(832 215)	56 942
Redemption of purchased or originated credit impaired assets	432 491	–
Adjustment of the value of loans to customers and due from credit institutions to amortised cost	103 868	211 481
Revaluation of loans to customers at fair value	(24 549)	34 372
Adjustment of securities at amortised cost	–	(10 710)
Revaluation of shares classified as at FVOCI at foreign exchange rate, from RAS to IFRS	–	(143 619)
Amortisation of commission income on guarantees issued	100 844	(90 507)
Other financial assets – write-off	32 366	138 670
Reclassification of other taxes in administrative and other operating expenses	(143 651)	(110 871)
Effect from modification of loans to customers	–	(46 468)
Other	(30 598)	22 711
Profit before tax	**5 857 566**	**2 007 590**

(e) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 22 (Interest Income and Expense), Note 23 (Fee and Commission Income and Expenses) and in Note 24 (Other Operating Income).

(f) Geographical information

The Group carries out a significant part of transactions, receives income and incurs expenses, as well as has assets and liabilities in the Russian Federation.

30 Risk Management

Risk taking is essential to financial business and risk exposure is key condition for operating in this business. Management believes that an efficient risk management system is the basis of financial health and a key competitive factor that affects the Group's profitability and shareholder value.

The Group is expose to the main financial risks (credit risk, market risk, general banking interest rate risk, liquidity risk) as well as operational, regulatory, legal and reputational risks.

The main goal of risk management is to maximise the Group's long-term shareholder value. The operational, legal and reputational risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Risk Management Framework

Board of Directors

The Board of Directors approves the Risk and Capital Management Strategy, controls its execution and the level of risk exposure, compliance with the exposure limits, risk and capital management procedures and their efficiency.

Executive bodies (Management Board, Chairman of the Management Board)

The executive bodies carry out the Risk Management Strategy, approve and ensure compliance with the risk and capital management procedures and control the risks.

30 Risk Management (continued)

Risk Management Framework (continued)

The Risk Management department

The Risk Management department develops the methodology of risk management, identifies, assesses and controls risks at the level of individual transactions and across the portfolio, including independent expert reviews of reports prepared by business units. The Risk Management department controls execution of the Strategy, policies and other risk and capital management procedures and prepares reports on risks for business units, executive bodies and the Board of Directors.

The Risk Management department reports to the Chairman of the Group's Management Board.

Business units

Business units bear the primary responsibility for risk management on a day-to-day basis: business process owner is the owner of risks associated with such business process. Business units identify, assess and control risks relating to their operations.

The Internal Audit department

The Internal Audit department performs regular audits and controls compliance with the Risk and Capital Management Strategy, assesses the efficiency of risk management procedures and complete application of risk management methodology. Audit results are communicated to the Board of Directors and the Management Board.

Credit risk

Credit risk is the probability of financial losses to the Group as a result of counterparties' failure or delay to perform their obligations to the Group or incomplete performance.

The Group takes on credit risk related to lending and other transactions associated with credit risk.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

The Group manages credit risk separately for each customer group (corporate customers, SME, individuals, financial institutions). It comprises the following stages:

1. Risk identification

Risks are identified at the stage of credit product development and modification. Through the risk identification process, we detect the Group's exposure to credit risk, assess potential risk level and determine the risk management methods.

Risk identification is performed by the Risk Management department employees.

2. Risk assessment

The Group assesses risks at the level of individual counterparties / transactions and across the credit portfolio. To assess counterparty risks, we use internal probability of default models (rating models) and loss given default models.

Portfolio risk assessment is performed using a long list of quantitative indicators (concentration ratio, conversion factor, vintage curves, etc.).

Counterparty risk assessment is performed by the employees of business units, under mandatory independent control by risk management. Credit portfolio risk assessment is performed by the risk management unit employees.

Since 1 January 2019, the Group measures ECl allowance on the basis of credit losses under IFRS 9. For the impairment assessment procedure refer to Note 5.

30 Risk Management (continued)

Credit risk (continued)

3. Forward-looking information and multiple economic scenarios

The Group uses a wide range of forward-looking information as economic inputs for its ECL measurement models, including:

- GDP growth rates;
- unemployment rate;
- Central Bank's key rates;
- exchange rates.

Inputs and models used for ECL measurement do not always represent all the characteristics of the market and the date of presentation of financial statements. Qualitative adjustments are made to account for this fact.

To obtain forward-looking information, the Group uses date from external sources (external ranking agencies, government bodies, central banks, international financial institutions, etc.). Experts from the Risk Management apply regression analysis to determine the impact of macroeconomic factors on ECL (PD). Scenarios are designed based on the historically observed best/ worst case economic variables (5% top/ bottom quantile). The impact of main forecast economic variables/ assumptions for legal entities and individuals on projected ECL (PD) is shown in the table below.

Segment	ECL scenario	Year 1	Year 2	Year 3	Year 4	Year 5	Subsequent years
Legal entities (except for express guarantees)	Best case	0.871	0.867	0.867	0.867	0.867	0.867
	Base case	0.968	0.960	0.957	0.956	0.955	0.955
	Worst case	1.128	1.142	1.142	1.142	1.142	1.142
Legal entities (express guarantees)	Best case	0.878	0.873	0.873	0.873	0.873	0.873
	Base case	0.975	0.967	0.963	0.962	0.961	0.961
	Worst case	1.136	1.150	1.150	1.150	1.150	1.150
Individuals (collectively assessed)	Best case	0.937	0.937	0.937	0.937	0.937	0.937
	Base case	1.010	1.003	1.005	1.004	1.004	1.004
	Worst case	1.193	1.193	1.193	1.193	1.193	1.193
Individuals (individually assessed)	Best case	0.890	0.890	0.890	0.890	0.890	0.890
	Base case	0.960	0.953	0.955	0.954	0.953	0.953
	Worst case	1.134	1.134	1.134	1.134	1.134	1.134

4. Risk control

The Group applies the following tools to control credit risk:

- set and control compliance with risk exposure limits;
- use risk mitigation measures (collateral, insurance, risk-driven pricing);
- monitor risk levels (for the counterparties and the portfolio);
- take early response measures;
- report risk levels.

Maximum limits (the Group's risk appetite) are set in the risk management strategy and policies approved by the Board of Directors and the Management Board. Limits for individual counterparties or groups of related counterparties, concentration limits, etc. are set by collective bodies (Board of Directors, Management Board, Credit Committee) or by the Group's duly authorised individuals, depending on the amount and type of limit. Compliance with the limits is controlled on a continuous basis by the employees of business units and Risk Management department.

30 Risk Management (continued)

Credit risk (continued)

The main way to mitigate credit risk is to obtain collateral as security for the counterparty's obligations. The value of collatoral is measured by independent appraisers or by the Group's experts using internal valuation techniques. The Group also uses such risk mitigation tools as insurance (of collateral, title, borrowers' lives) and risk-driven pricing of credit products/ transactions.

In order to update its risk assessment and early response measures, the Groups performs regular monitoring of counterparties' financial position (analysis of financial statements, counterparty's business, etc.), analyses internal credit rating estimates, monitors collateral and the credit portfolio's risk level.

If the Group identifies any factors indicating a risk increase, the Group promptly designs and applies early response measures: at the level of individual transactions – urgent financial monitoring, obtaining additional collateral, restructuring, etc.; at the portfolio level – revising limits, the terms of credit products, etc.

Risk Management department prepares reports on the credit portfolio's risk levels on a regular basis and communicates them promptly to business units and the Group's management.

The analysis of receivables measured on an individual basis by credit rating as at 31 December 2019 is shown below:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents, excluding cash on hand and deposits with the CBRF					
Counterparties with rating 1	6 721 483	–	–	–	6 721 483
Counterparties with rating 2	7 477 080	–	–	–	7 477 080
Counterparties with rating 3	381 695	–	–	–	381 695
Counterparties with rating 4	2 905	–	–	–	2 905
Counterparties with rating 5	235 128	–	–	–	235 128
Total cash and cash equivalents, excluding cash on hand and deposits with the CBRF, before ECL allowance	**14 818 291**	**–**	**–**	–	**14 818 291**
Less ECL allowance	(222)	–	–	–	(222)
Total cash and cash equivalents, excluding cash on hand and deposits with the CBRF	**14 818 069**	–	–	–	**14 818 069**
Due from credit institutions					
Counterparties with rating 2	812 211	–	–	–	812 211
Counterparties with rating 3	619 762	–	–	–	619 762
Total due from credit institutions before ECL allowance	**1 431 973**	**–**	**–**	**–**	**1 431 973**
Less ECL allowance	(619)	–	–	–	(619)
Total due from credit institutions	**1 431 354**	**–**	**–**	–	**1 431 354**
Investment projects					
Counterparties with rating 5	151 888	–	–	–	151 888
Counterparties with rating 6	220 306	46 483	128 424	183 154	578 367
Counterparties with ratings 8, 9, 10 (default)	–	–	36 970	121 547	158 517
Total loans issued for investment projects at amortised cost before ECL allowance	**372 194**	**46 483**	**165 394**	**304 701**	**888 772**
Less ECL allowance	(7 688)	(1 693)	(34 416)	(22 923)	(66 720)
Total loans issued for investment projects at amortised cost	**364 506**	**44 790**	**130 978**	**281 778**	**822 052**

30 Risk Management (continued)

Credit risk (continued)

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Large business					
Counterparties with rating 3	2 584 263	–	–	–	2 584 263
Counterparties with rating 4	5 536 446	–	–	–	5 536 446
Counterparties with rating 5	1 288 129	–	–	–	1 288 129
Counterparties with rating 6	311 851	3 927 262	–	–	4 239 113
Counterparties with ratings 8, 9, 10 (default)	–	–	–	474 357	474 357
Total loans to large business at amortised cost before ECL allowance	**9 720 689**	**3 927 262**	**–**	**474 357**	**14 122 308**
Less ECL allowance	(40 123)	(103 984)	–	–	(144 107)
Total loans to large business at amortised cost	**9 680 566**	**3 823 278**	**–**	**474 357**	**13 978 201**

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Small and medium business					
Counterparties with rating 3	1 515	–	–	–	1 515
Counterparties with rating 4	869 546	2 620	–	–	872 166
Counterparties with rating 5	8 970 356	715 833	–	–	9 686 189
Counterparties with rating 6	6 206 697	710 484	9 521	234 227	7 160 929
Counterparties with ratings 8, 9, 10 (default)	–	–	639 854	240 234	880 088
Total loans to small and medium business at amortised cost before ECL allowance	**16 048 114**	**1 428 937**	**649 375**	**474 461**	**18 600 887**
Less ECL allowance	(284 251)	(33 796)	(597 675)	(19 135)	(934 857)
Total loans to small and medium business at amortised cost	**15 763 863**	**1 395 141**	**51 700**	**455 326**	**17 666 030**
Loans to individuals					
Counterparties with rating 2	70 480	–	–	–	70 480
Counterparties with rating 4	2 132 061	–	–	–	2 132 061
Total loans to individuals at amortised cost before ECL allowance	**2 202 541**	**–**	**–**	**–**	**2 202 541**
Less ECL allowance	(11 978)	–	–	–	(11 978)
Total loans to individuals at amortised cost	**2 190 563**	**–**	**–**	**–**	**2 190 563**

30 Risk Management (continued)

Credit risk (continued)

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Securities at amortised cost					
Counterparties with rating 2	518 577	–	–	–	518 577
Total securities at amortised cost before ECL allowance	**518 577**	**–**	**–**	**–**	**518 577**
Less ECL allowance	(23)	–	–	–	(23)
Total securities at amortised cost	**518 554**	–	–	–	**518 554**
Other financial assets					
Counterparties with rating 4	5 361	–	–	–	5 361
Counterparties with rating 5	15 947	–	–	–	15 947
Counterparties with rating 6	12 168	–	–	–	12 168
Total other financial assets at amortised cost before ECL allowance	**33 476**	**–**	**–**	**–**	33 476
Less ECL allowance	(47)	–	–	–	(47)
Total other financial assets at amortised cost	**33 429**	**–**	**–**	**–**	33 429
Undrawn credit lines at amortised cost					
Counterparties with rating 2	29 700	–	–	–	29 700
Counterparties with rating 3	200 000	–	–	–	200 000
Counterparties with rating 4	2 343 800	–	–	–	2 343 800
Counterparties with rating 5	1 528 682	–	–	–	1 528 682
Counterparties with rating 6	673 313	48	14 459	110	687 930
Total undrawn credit lines at amortised cost before ECL allowance	**4 775 495**	**48**	**14 459**	**110**	**4 790 112**
Less ECL allowance	(14 758)	–	(6 976)	(33)	(21 767)
Total undrawn credit lines at amortised cost	**4 760 737**	**48**	**7 483**	**77**	**4 768 345**

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Guarantees and uncovered letters of credit issued				
Counterparties with rating 4	4 373 467	–	–	4 373 467
Counterparties with rating 5	2 795 439	3 273	–	2 798 712
Counterparties with rating 6	1 610 022	–	–	1 610 022
Counterparties with rating 7	–	174 287	–	174 287
Total guarantees and uncovered letters of credit issued, measured on an individual basis, before ECL allowance	**8 778 928**	**177 560**	**–**	**8 956 488**
Less ECL allowance	(40 687)	(11 510)	–	(52 197)
Total guarantees and uncovered letters of credit issued, measured on an individual basis	**8 738 241**	**166 050**	**–**	**8 904 291**

30 Risk Management (continued)

Credit risk (continued)

The analysis of receivables measured on an individual basis by credit rating as at 31 December 2018 is shown below:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents, excluding cash on hand and deposits with the CBRF				
Counterparties with rating 1	532 663	–	–	532 663
Counterparties with rating 2	8 340 704	–	–	8 340 704
Counterparties with rating 3	72 463	–	–	72 463
Counterparties with rating 4	1 053 580	–	–	1 053 580
Counterparties with rating 5	57	–	–	57
Total cash and cash equivalents, excluding cash on hand and deposits with the CBRF, before ECL allowance	**9 999 467**	**–**	**–**	**9 999 467**
Less ECL allowance	(1 054)	–	–	(1 054)
Total cash and cash equivalents, excluding cash on hand and deposits with the CBRF	**9 998 413**	–	–	**9 998 413**
Due from credit institutions				
Counterparties with rating 4	1 127 649	–	–	1 127 649
Counterparties with rating 5	703 654	–	–	703 654
Total due from credit institutions before ECL allowance	**1 831 303**	**–**	**–**	**1 831 303**
Less ECL allowance	(15 037)	–	–	(15 037)
Total due from credit institutions	**1 816 266**	**–**	**–**	**1 816 266**
Investment projects				
Counterparties with rating 5	294 038	–	–	294 038
Counterparties with rating 6	1 014 910	476 977	–	1 491 887
Total loans issued for investment projects at amortised cost before ECL allowance	**1 308 948**	**476 977**	**–**	**1 785 925**
Less ECL allowance	(22 578)	(19 463)	–	(42 041)
Total loans issued for investment projects at amortised cost	**1 286 370**	**457 514**	**–**	**1 743 884**
Large business				
Counterparties with rating 4	10 387 955	–	–	10 387 955
Counterparties with rating 5	734 727	–	–	734 727
Counterparties with rating 6	154 999	2 216 079	–	2 371 078
Total loans to large business at amortised cost before ECL allowance	**11 277 681**	**2 216 079**	**–**	**13 493 760**
Less ECL allowance	(70 533)	(110 804)	–	(181 337)
Total loans to large business at amortised cost	**11 207 148**	**2 105 275**	**–**	**13 312 423**

30 Risk Management (continued)

Credit risk (continued)

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Small and medium business banking				
Counterparties with rating 4	314 479	–	–	314 479
Counterparties with rating 5	4 490 974	117 424	–	4 608 398
Counterparties with rating 6	2 842 589	153 872	–	2 996 461
Counterparties with ratings 8, 9, 10 (default)	–	–	527 388	527 388
Total loans to small and medium business at amortised cost before ECL allowance	**7 648 042**	**271 296**	**527 388**	**8 446 726**
Less ECL allowance	(65 488)	(309)	(509 113)	(574 910)
Total loans to small and medium business at amortised cost	**7 582 554**	**270 987**	**18 275**	**7 871 816**
Loans to individuals				
Counterparties with rating 4	181 456	–	–	181 456
Counterparties with rating 5	137 500	–	–	137 500
Total loans to individuals at amortised cost before ECL allowance	**318 956**	**–**	**–**	**318 956**
Less ECL allowance	(7 648)	–	–	(7 648)
Total loans to individuals at amortised cost	**311 308**	**–**	**–**	**311 308**
Securities at FVOCI				
Counterparties with rating 2	4 299 922	–	–	4 299 922
Counterparties with rating 3	2 116 585	–	–	2 116 585
Counterparties with rating 4	6 160 832	–	–	6 160 832
Counterparties with rating 5	784 475	–	–	784 475
Total securities at FVOCI	**13 361 814**	**–**	**–**	**13 361 814**
Other financial assets				
Counterparties with rating 4	6 830	–	–	6 830
Total other financial assets at amortised cost before ECL allowance	**6 830**	**–**	**–**	**6 830**
Less ECL allowance	(10)	–	–	(10)
Total other financial assets at amortised cost	**6 820**	**–**	**–**	**6 820**
Undrawn limits on credit facilities at amortised cost				
Counterparties with rating 4	3 012 291	–	–	3 012 291
Counterparties with rating 5	520 401	–	–	520 401
Counterparties with rating 6	42 062	–	–	42 062
Total undrawn credit lines at amortised cost before ECL allowance	**3 574 754**	**–**	**–**	**3 574 754**
Less ECL allowance	(3 461)	–	–	(3 461)
Total undrawn credit lines at amortised cost	**3 571 293**	**–**	**–**	**3 571 293**

30 Risk Management (continued)

Credit risk (continued)

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Guarantees and uncovered letters of credit issued				
Counterparties with rating 3	8 603	–	–	8 603
Counterparties with rating 4	3 046 594	–	–	3 046 594
Counterparties with rating 5	1 067 616	–	–	1 067 616
Counterparties with rating 6	412 501	46 000	–	458 501
Counterparties with ratings 8, 9, 10 (default)	–	–	120 972	120 972
Total guarantees and uncovered letters of credit issued, measured on an individual basis, before ECL allowance	**4 535 314**	**46 000**	**120 972**	**4 702 286**
Less ECL allowance	(20 551)	(1 642)	(120 972)	(143 165)
Total guarantees and uncovered letters of credit issued, measured on an individual basis	**4 514 763**	**44 358**	**–**	**4 559 121**

The credit quality of financial assets, contingencies and commitments for which ECL allowance is measured on a collective basis is disclosed in Notes 10 and 30.

The scale of internal credit ratings applied by the Group to large and medium corporate counterparties is described below.

Rating 1

Counterparties with rating 1 have the highest capacity for discharging their obligations in full and in a timely manner. Such counterparties are mostly major enterprises with strong (leading) positions in the market, including those operating internationally.

Rating 2

Counterparties with rating 2 have a high capacity for discharging their obligations in full and in a timely manner. Such counterparties are mostly major national companies with leading positions in the industry.

Rating 3

Counterparties with rating 3 have a sufficient capacity for discharging their obligations in full and in a timely manner. Such counterparties are mostly large national companies with rather strong positions in the industry.

Rating 4

Counterparties with rating 4 discharge their obligations in full and in a timely manner, however, adverse economic changes may impair their ability to discharge their obligations in the mid term. Such counterparties are mostly large or medium-sized regional entities with a significant market share in their respective regions.

Rating 5

Counterparties with rating 5 discharge their obligations in full and in a timely manner, however, adverse economic changes are likely to impair their ability to discharge their obligations in the mid term. Such counterparties are mostly entities operating in local markets and exposed to the risk of losing their positions in the business, for example, if a larger player enters the market. This category also includes larger entities that adopted an aggressive financial policy.

Rating 6

Counterparties with rating 6 discharge their obligations in full and in a timely manner, however, their creditworthiness can be impaired even in a favourable economic environment. This category mostly includes small businesses whose market positions are vulnerable if a larger competitor enters the market or increases its market share. This category can also include larger entities with excessive debt burden or negative trends in the business.

30 Risk Management (continued)

Credit risk (continued)

Rating 7

Counterparties with rating 7 (watch list/ pre-default rating) do not meet the Group's definition of default, however the probability that the Group will recognise default from these counterparties within 1 year is at least 50%.

Ratings 8, 9, 10

Counterparties with ratings 8, 9 and 10 meet the Group's definition of default (impairment) and are differentiated based on the source and repayment prospects.

Market risk

Market risk is the probability of the Group incurring financial losses due to movements in market prices for financial instruments, including exchange rates and interest rates. Market risk includes equity, currency, commodity and interest rate risks to the trading book.

Market risk arises from open positions on equity, debt and forex financial instruments, precious metals and commodities exposed to general and specific changes in the market.

In the Group, market risk management is centralised:

- Risk identification, assessment and control are performed by risk management employees;
- Decisions relating to market risk management, including with regards to risk limits, are taken by the Board of Directors, the Assets and Liabilities Committee;
- Open positions on financial instruments exposed to market risk are managed by the Treasury.

The Group opens positions in financial markets in order to develop customer business and manage liquidity.

Market risk is measured on a daily basis using the Value-at-Risk (VaR) methodology. The VaR methodology is a way of measuring potential losses from positions that will not be exceeded during a certain period of time with a certain level of probability. The Group uses the following parameters of VaT model: probability (level of confidence) – 99%, future time period (forecast horizon) – 10 business days, VaR valuation method – historical, based on historical data for the past 12 months (250 business days).

Despite the fact that VaR methodology is a generally accepted way to measure the market risk, it has a number of limitations, especially with respect to less liquid financial instruments, which may include most of the equity and debt instruments traded in Russia:

- The use of historical data as a basis for determining future events may not encompass all potential scenarios;
- The use of a forecast horizon equal to 10 days may indicate that all the positions may be sold or hedged during that period. This assumption is almost always realistic, but it may become inapplicable in situations where there is no market activity over a long period of time;
- The use of a 99 percent confidence level does not take into account losses that may occur beyond this interval. There is a 1% probability that the losses will exceed VaR;
- Since VaR is measured at the close of business, it does not always show the fluctuations that may have taken place during the trading day.

Equity risk

Equity risk is the probability of the Group incurring financial losses due to movements in market prices for securities and derivative financial instruments that are sensitive to movements in the fair values of equity securities.

30 Risk Management (continued)

Equity risk (continued)

The Group manages equity risk using the following tools:

- Assess the equity risk of open positions;
- Restrict the types of financial instruments on which positions can be opened;
- Set and control compliance with equity risk limits;
- Diversify the portfolios.

The VaR of equity securities as at 31 December 2019 is RR 75 174 thousand (2018: RR 38 338 thousand).

Currency risk

Currency risk is the probability of the Group incurring financial losses due to movements in currency exchange rates and gold prices.

The Group manages currency risk using the following tools:

- Assess the currency risk of open positions;
- Set and control compliance with currency risk limits;
- Hedge currency risk using derivative financial instruments.

The following table presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant:

	At 31 December 2019		At 31 December 2018	
In thousands of Russian Roubles	**Impact on profit or loss**	**Impact on profit or loss**	**Impact on profit or loss**	**Impact on equity**
USD strengthening by 20.00% (2018: strengthening by 20.00%)	57 812	57 812	(77 963)	115 207
USD weakening by 20.00% (2018: weakening by 20.00%)	(57 812)	(57 812)	77 963	(115 207)
EUR strengthening by 20.00% (2018: strengthening by 20.00%)	271 264	271 264	(31 656)	(6 165)
EUR weakening by 20.00% (2018: weakening by 20.00%)	(271 264)	(271 264)	31 656	6 165
CZK strengthening by 20.00% (2018: strengthening by 20.00%)	208 459	208 459	189 606	23 581
CZK weakening by 20.00% (2018: weakening by 20.00%)	(208 459)	(208 459)	(189 606)	(23 581)

Interest rate risk of the trading book

Interest rate risk of the trading book is the probability of the Group incurring financial losses due to movements in prices for securities and derivative financial instruments that are sensitive to movements in interest rates.

The Group is exposed to the interest rate risk of the trading book because it trades in debt securities.

The Group manages the interest rate risk of the trading book using the following tools:

- Assess the interest rate risk of the trading book;
- Restrict the types of financial instruments on which positions can be opened;
- Set and control compliance with risk exposure limits;
- Diversify the portfolio.

The VaR of debt securities as at 31 December 2019 is RR 298 132 thousand (2018: RR 1 245 905 thousand).

30 Risk Management (continued)

Liquidity risk

Liquidity risk is the probability of the Group incurring financial losses due to the Group's inability to ensure that its financial liabilities are discharged on time, in full and at minimal cost.

Liquidity risk arises when the maturity of assets and liabilities does not match.

In the Group, liquidity risk management is centralised:

- Strategic management is the remit of the Assets and Liabilities Committee;
- Operational management – of the Treasury.

The Group uses the following tools to manage the liquidity risk:

- Maintain a balanced structure of assets' and liabilities' maturity dates;
- Diversify sources of funding, focus on sustainable receivables from customers;
- Create a "liquidity cushion" consisting of highly liquid financial instruments with low levels of credit risk;
- Perform stress-testing of liquidity risk and prepare action plans in case of liquidity crisis;
- Forecast proceeds and payments, maintain a payment position.

In order to control liquidity risk, the Group also measures its liquidity ratios on a daily basis, in accordance with the requirements of the Central Bank of the Russian Federation. As at 31 December 2019, the Group complied with all liquidity ratio requirements.

The Treasury Department receives information on financial assets and liabilities and then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid securities at FVTPL, deposits with banks and other interbank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions, is performed by the Treasury Department.

The Group entered into a Master Loan Agreement with the Bank of Russia for loans in the form of overdrafts against a pledge of securities with the maximum amount of RR 3 500 000 thousand (2018: RR 3 500 000 thousand). As at 31 December 2019, securities at FVTPL in the amount of RR 1 012 785 thousand and securities at amortised cost in the amount of RR 518 577 thousand were blocked under this agreement (2018: securities at amortised cost in the amount of RR 438 769 thousand). As at 31 December 2019 and 31 December 2018, the Group had not used the overdraft. Refer to Notes 8, 11, 35.

The table below shows liabilities as at 31 December 2019 and 31 December 2018 by their remaining contractual maturity. The table shows contractual undiscounted cash flows, including total liabilities for loans received and financial guarantees. Such undiscounted cash flows differ from the amounts included in the statement of financial position because the amounts in the statement of financial position are based on discounted cash flows.

Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date. in which case the derivatives are included based on the expected cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

30 Risk Management (continued)

Liquidity risk (continued)

The maturity analysis of financial instruments as at 31 December 2019 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Liabilities					
Due to credit institutions	275 823	340 580	–	–	616 403
Customer accounts	20 814 355	24 113 790	20 503 618	10 068 946	75 500 709
Debt securities in issue	31 081	30 568	238 240	1 376 176	1 676 065
Other financial liabilities	132 544	52 016	59 333	304 207	548 100
Lease liabilities	10 083	47 207	57 733	109 285	224 308
Subordinated Eurobonds in issue	24 762	24 762	49 525	1 287 639	1 386 688
Guarantees and uncovered letters of credit issued	245 006	3 957 369	1 142 940	3 340 731	8 686 046
Total potential future payments for financial liabilities	**21 533 654**	**28 566 292**	**22 051 389**	**16 486 984**	**88 638 319**

The liquidity requirements to payments under financial guarantees are disclosed in accordance with the contractual maturity of guarantee commitments, because the respective cash payments are significantly smaller than the respective liabilities shown in the maturity analysis above. Although the beneficiary has the right to demand payment against the guarantee at any time, the Group does not normally expect third parties to claim the funds under these commitments simultaneously.

The maturity analysis of financial instruments as at 31 December 2018 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Liabilities					
Due to credit institutions	3 576 445	–	–	–	3 576 445
Customer accounts	22 005 914	17 481 987	19 727 261	1 811 393	61 026 555
Debt securities in issue	19 563	36 607	365 543	–	421 713
Other financial liabilities	632 620	20 504	24 124	99 486	776 734
Subordinated Eurobonds in issue	27 788	27 788	55 576	1 556 141	1 667 293
Guarantees and uncovered letters of credit issued	400 669	2 551 081	1 641 384	3 340 933	7 934 067
Total potential future payments for financial liabilities	**26 662 999**	**20 117 967**	**21 813 888**	**6 807 953**	**75 402 807**

All contingent credit related commitments as at 31 December 2019 and 31 December 2018 are classified as “On demand and less than 1 month”.

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with the Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

30 Risk Management (continued)

Liquidity risk (continued)

The Group does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, as at 31 December 2019, the Group monitors expected maturities and the resulting expected liquidity gap as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	18 543 227	–	–	–	–	18 543 227
Mandatory cash balances with CBRF	765 050	–	–	–	–	765 050
Securities at FVTPL	11 367 786	–	–	–	–	11 367 786
Due from credit institutions	–	812 138	619 216	–	–	1 431 354
Loans to customers	2 143 504	16 577 952	11 846 546	25 462 764	4 236 553	60 267 319
Securities at FVOCI	41 196	–	–	–	2 159 237	2 200 433
Securities at amortised cost	518 554	–	–	–	–	518 554
Other financial assets	28 076	23 032	9 964	5 361	–	66 433
Total financial assets	**33 407 393**	**17 413 122**	**12 475 726**	**25 468 125**	**6 395 790**	**95 160 156**
Liabilities						
Due to credit institutions	275 822	339 769	–	–	–	615 591
Customer accounts	7 730 507	23 632 488	19 656 323	22 057 774	540	73 077 632
Debt securities in issue	22 853	300	166 293	1 376 176	–	1 565 622
Other financial liabilities	132 544	52 016	59 333	282 450	21 757	548 100
Lease liabilities	10 083	47 207	57 733	109 285	–	224 308
Subordinated loan	–	–	–	1 244 569	–	1 244 569
Total financial liabilities	**8 171 809**	**24 071 780**	**19 939 682**	**25 070 254**	**22 297**	**77 275 822**
Net liquidity gap at 31 December 2019	**25 235 584**	**(6 658 658)**	**(7 463 956)**	**397 871**	**6 373 493**	**17 884 334**
Cumulative liquidity gap at 31 December 2019	**25 235 584**	**18 576 926**	**11 112 970**	**11 510 841**	**17 884 334**	

30 Risk Management (continued)

Liquidity risk (continued)

The maturity analysis as at 31 December 2018 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	12 574 861	317 381	–	–	–	12 892 242
Mandatory cash balances with CBRF	666 999	–	–	–	–	666 999
Securities at FVTPL	6 658 854	–	–	–	–	6 658 854
Due from credit institutions	–	700 705	343 594	771 967	–	1 816 266
Loans to customers	1 564 791	9 295 714	9 614 148	18 307 522	1 621 648	40 403 823
Securities at FVOCI	13 641 288	–	–	–	2 181 112	15 822 400
Other financial assets	7 716	–	–	–	–	7 716
Total financial assets	**35 114 509**	**10 313 800**	**9 957 742**	**19 079 489**	**3 802 760**	**78 268 300**
Liabilities						
Due to credit institutions	3 575 570	–	–	–	–	3 575 570
Customer accounts	9 337 924	16 809 633	19 315 287	14 263 416	–	59 726 260
Debt securities in issue	19 484	36 075	349 453	–	–	405 012
Other financial liabilities	779 419	20 504	24 124	99 486	–	923 533
Subordinated loan	–	–	–	1 398 052	–	1 398 052
Total financial liabilities	**13 712 397**	**16 866 212**	**19 688 864**	**15 760 954**	**–**	**66 028 427**
Net liquidity gap at 31 December 2018	**21 402 112**	**(6 552 412)**	**(9 731 122)**	**3 318 535**	**3 802 760**	**12 239 873**
Cumulative liquidity gap at 31 December 2018	**21 402 112**	**14 849 700**	**5 118 578**	**8 437 113**	**12 239 873**	

Mandatory cash balances with the Central Bank of the Russian Federation are classified as “Demand and less than 1 month” because they are adjusted monthly depending on the amount of liabilities to be reserved.

In 2019, loans to customers are allocated by expected maturity based on historical early repayments data collected by the Group.

In 2019 and 2018, a portion of the Group’s securities portfolio is classified as “Demand and less than 1 month” because these securities are essentially securities at FVTPL, and the management is confident that such classification represents the securities’ liquidity correctly.

As at 31 December 2019, securities of RR 6 836 338 thousand acquired by the Group (2018: RR 11 621 494 thousand) were included in the Lombard List of the CBRF.

In 2019 and 2018, a portion of customer accounts with contractual maturity on demand and less than 1 month was classified as “from 12 months to 5 years” because actually, despite their contractual maturity, these funds are held in accounts for a longer period of time. The amount of such funds was calculated as average minimum aggregate balance of funds in accounts on demand and less than 1 month during the 12 months before the reporting date.

30 Risk Management (continued)

Liquidity risk (continued)

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of customers, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

The matching and/or controlled mismatching of the maturities and settlement dates of assets and liabilities is fundamental to the successful management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can at the same time increases the risk of losses.

The Group is closely monitoring the aggregate negative liquidity gap. The Group assesses the risks of its operations, set limits on risky lines or business and analyses actual costs versus the budget, which allows it to control the costs.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Interest rate risk

Interest rate risk is the risk of financial losses as a result of unfavourable changes in interest rates on the Group's assets, liabilities and off-balance sheet instruments.

The Group is exposed to interest rate risk due to its core activity, which is placing funds at fixed interest rates in amounts and for terms that differ from the amounts and terms of received funds. Interest rate risk arises in the event of a sudden one-direction movement in interest rates or a shrinkage of interest rate spread, when the Group's assets lose a part of their value while the value of liabilities increases, reducing the margin.

The main goal of interest rate risk management is to reduce the effect of adverse interest changes in the market on the Group's financial performance. This is achieved by controlling the maturity gap between funds placed and funds raised at a fixed interest rate, and aligning assets and liabilities at variable interest rates.

The Group manages the interest rate risk of the bank portfolio using the following tools:

- Assess interest rate risk;
- Reduce the gap between the repricing dates of assets and liabilities by currency;
- Mitigate the interest rate risk at the stage of product development/modification.

Operational risk

Operational risk is the risk of losses through inadequate or defective internal systems and processes, failure of IT or other systems, or external events. If internal controls malfunction, operational risk can damage the Group's reputation, cause legal implications or financial losses. The Group cannot make a statement that operational risks have been eliminated, but by using a control system, monitoring and following up on potential risks, the Group can control its operational risk. The control system comprises monitoring of risks, preparing and taking preventive and remedial actions, personnel training and valuation procedures, including internal audit.

Regulatory risk

Regulatory risk is the likelihood of the Group incurring losses due to non-compliance with the legislation, internal regulations, standards of self-regulatory organisations (if such standards and rules are mandatory for the Group) and as a result of sanctions and/or other enforcement measures taken by the supervisory agencies. Regulatory risk is monitored by the Internal Control function in compliance with legislative and regulatory requirements, the Bank's internal regulations and documents regulating the activities of the Internal Control function, based on an approved operation plan and ad-hoc audits.

31 Management of Capital

The Group's objectives when managing capital are: (i) to comply with the capital requirements set by the Central Bank of the Russian Federation and (ii) to safeguard the Group's ability to continue as a going concern. Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored with daily reports that contain respective calculations and with monthly reports reviewed and signed by the Group's Chairman of the Management Board and Chief Accountant. In 2019 and 2018, the Group complied with all external capital requirements.

The Group actively manages its capital adequacy level with the purpose of protection from risks inherent to its activities. The Group's capital adequacy is controlled by the supervisory bodies based on the statutory ratios approved by the CBRF.

The main goal of capital management for the Group is to ensure that the Bank complies with external capital requirements and maintains a high credit rating and capital adequacy ratios required to maintain its operations and maximize shareholder value.

The Group manages the structure of its capital and adjusts it in view of the economic environment and risks associated with its activities. In order to maintain or change its capital structure, the Group can adjust the amount of dividends paid to the participants, return equity to the participants or issue equity securities. Capital management policies and procedures have not changed compared to the previous year.

CBRF capital adequacy ratio

In accordance with the requirements of the CBRF, banks are required to maintain their capital adequacy ratio at 8% of risk-weighted assets under RAS financial statements. Mandatory capital adequacy ratios are calculated under RAS as the ratio of base capital (N1.1), core capital (N1.2) and total capital (N1.0) to risk-weighted assets. As at 31 December 2019 and 31 December 2018, the Bank's mandatory capital adequacy ratios were as follows:

	2019	**2018**
Base capital	10 742 294	10 767 985
Core capital	10 742 294	10 767 985
Supplementary capital	854 138	3 000 652
Total capital	**11 596 432**	**13 768 637**
Risk-weighted assets	**98 375 211**	**96 795 546**
H1.1.	11.0	11.3
H1.2.	11.0	11.3
H1.0.	11.8	14.2

32 Contingencies and Commitments

Operating environment

Russia proceeds with economic reforms and develops the legal, tax and administrative infrastructure that would meet the requirements of the modern economy. The future stability of Russian economy will largely depend on the progress of these reforms, as well as on the efficiency of measures undertaken by the government in the economy, fiscal and monetary policy.

The Russian economy continues to be negatively impacted by low oil prices and sanctions against Russia imposed by certain countries. Interest rates in roubles remain high. These factors combined have decreased availability of capital and raised its cost, increasing uncertainty with regard to further economic growth. This may have an adverse effect on the financial position, performance and economic prospects of the Group. The Group's management believes it takes all necessary measures to ensure the Group's economic sustainability in the current environment. The impact of information about the coronavirus (COVID-19) on the Group is disclosed in Note 41 "Events after the End of the Reporting Period".

32 Contingencies and Commitments (continued)

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice Group management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these consolidated financial statements.

Taxation

The Group operates primarily in the Russian Federation. There is significant uncertainty in the currently effective Russian tax, foreign exchange and customs laws. They allow various interpretations, selective and inconsistent application, are subject to frequent changes and can be applied retrospectively.

Russian transfer pricing legislation allows tax authorities to apply transfer pricing adjustments and charge additional income tax and value added tax on controlled transactions if the transaction price is different from the market price or if the Group cannot provide evidence that the controlled transactions were based on market prices and that the Group's management submitted appropriate information complete with appropriate transfer pricing documentation to the Russian tax authorities. In the year ended 31 December 2019, the Group determined its tax liability arising from the controlled transactions based on the actual transaction prices.

Interpretation of the provisions of Russian tax law together with the recent trends in law enforcement practices are indicative of a stricter position taken by tax authorities and courts in applying tax laws and reviewing tax liabilities. Therefore, tax authorities may challenge the Group's transactions and tax accounting methods that have not been challenged before. As a result, taxpayers may be charged significant additional taxes, interest and penalties.

Field audits of taxpayers performed by tax authorities can cover three calendar years of operations preceding the year when the tax authorities decided to perform a tax review. Under certain circumstances tax reviews may cover longer periods.

As at 31 December 2019, the Group's management believed that its interpretation of applicable legal regulations was justified, and that the Group's position in respect of tax, foreign exchange and customs laws should be supported by relevant authorities and courts.

Capital expenditure commitments

As at 31 December 2019 and 31 December 2018, the Group had no contractual capital expenditure commitments in respect of renovation of buildings and acquisition of equipment.

The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. As at 31 December 2019, unused limits on guarantees totalled RR 3 771 119 thousand (2018: RR 4 413 716 thousand), undrawn credit lines amounted to RR 5 109 190 thousand (2018: RR 4 020 412 thousand).

32 Contingencies and Commitments (continued)

Credit related commitments (continued)

Information on guarantees issued and uncovered letters of credit issued as at 31 December 2019 and 31 December 2018 is provided below:

In thousands of Russian Roubles	Notes	2019	2018
Guarantees issued		25 763 832	8 038 878
Including express guarantees		17 017 822	–
Letters of credit issued		–	38 354
Less ECL allowance	20	(94 992)	(143 165)
Total		**25 668 840**	**7 934 067**

Guarantees, other than express guarantees, are generally financial guarantees. Express guarantees are primarily performance guarantees.

As at 31 December 2019, irrevocable covered letters of credit amounted to RR 1 389 thousand (31 December 2018: RR 35 550 thousand) and were collateralised by term deposits of RR 1 389 thousand (31 December 2018: RR 35 550 thousand) (Note 19).

As at 31 December 2019, balances on customer accounts of RR 450 523 thousand (31 December 2018: RR 310 982 thousand) represented collateral on guarantees issued by the Group in the amount of RR 1 098 492 thousand (31 December 2018: RR 375 931 thousand) (Note 19).

The total outstanding contractual amount of letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Movements in the value of guarantees and uncovered letters of credit issued by the Group for 2019 are presented in the table below:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Guarantees and uncovered letters of credit issued				
Guarantees and uncovered letters of credit at 1 January 2019	**7 910 260**	**46 000**	**120 972**	**8 077 232**
Acquisitions of the subsidiary bank	2 594 698	–	–	2 594 698
New guarantees issued and uncovered letters of credit and effects of other increases in value	26 129 994	50 403	29 768	26 210 165
Derecognised guarantees and uncovered letters of credit and effects of other decreases in value	(10 804 777)	(177 852)	(120 972)	(11 103 601)
Transfers to Stage 1	137 808	(137 808)	–	–
Transfers to Stage 2	(396 817)	396 817	–	–
Exchange differences	(14 662)	–	–	(14 662)
Guarantees and uncovered letters of credit at 31 December 2019	**25 556 504**	**177 560**	**29 768**	**25 763 832**

Movements in ECL allowance for guarantees and uncovered letters of credit provided by the Group for 2019 are presented in the table below:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Guarantees and uncovered letters of credit issued				
ECL allowance at 1 January 2019	**20 551**	**1 642**	**120 972**	**143 165**
Acquisitions of the subsidiary bank	63 739	–	–	63 739
New guarantees issued and uncovered letters of credit and effects of other increases in value	70 576	35 539	19 185	125 300
Derecognised guarantees and uncovered letters of credit and effects of other decreases in value	(112 539)	(37 105)	(120 972)	(270 616)
Transfers to Stage 1	5 772	(5 772)	–	–
Transfers to Stage 2	(3 761)	3 761	–	–
Net remeasurement of loss allowance	19 968	13 445	–	33 413
Exchange differences	(9)	–	–	(9)
ECL allowance at 31 December 2019	**64 297**	**11 510**	**19 185**	**94 992**

32 Contingencies and Commitments (continued)

Credit related commitments (continued)

Movements in the value of guarantees and uncovered letters of credit issued by the Group for 2019 are presented in the table below:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Guarantees and uncovered letters of credit issued				
Guarantees and uncovered letters of credit at 1 January 2018	**6 226 683**	**6 199**	**120 972**	**6 353 854**
New guarantees issued and uncovered letters of credit and effects of other increases in value	9 905 727	12 122	–	9 917 849
Derecognised guarantees and uncovered letters of credit and effects of other decreases in value	(8 212 238)	(18 321)	–	(8 230 559)
Transfers to Stage 2	(46 000)	46 000	–	–
Exchange differences	36 088	–	–	36 088
Guarantees and uncovered letters of credit at 31 December 2018	**7 910 260**	**46 000**	**120 972**	**8 077 232**

Movements in ECL allowance for guarantees and uncovered letters of credit provided by the Group for 2018 are presented in the table below:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Guarantees and uncovered letters of credit issued				
ECL allowance at 1 January 2018	**118 298**	**1 057**	**120 972**	**240 327**
New guarantees issued and uncovered letters of credit and effects of other increases in value	81 674	1 642	–	83 316
Derecognised guarantees and uncovered letters of credit and effects of other decreases in value	(83 274)	(871)	–	(84 145)
Transfers to Stage 2	(538)	538	–	–
Net remeasurement of loss allowance	(95 837)	(724)	–	(96 561)
Exchange differences	228	–	–	228
ECL allowance at 31 December 2018	**20 551**	**1 642**	**120 972**	**143 165**

Guarantees issued and uncovered letters of credit issued denominated in currencies as follows:

In thousands of Russian Roubles	2019	2018
Russian Roubles	25 519 160	7 854 396
US Dollars	126 344	75 081
Euros	6 640	4 590
Other	16 696	–
Total	**25 668 840**	**7 934 067**

32 Contingencies and Commitments (continued)

Credit related commitments (continued)

Movements in the value of undrawn credit lines provided to customers for 2019 are presented in the table below:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Undrawn credit lines					
Undrawn credit lines at 1 January 2019	**3 608 347**	**–**	**47**	**–**	**3 608 394**
Acquisitions of the subsidiary bank	1 517 968	–	972	110	1 519 050
Newly provided credit lines and the effect of other value increases	7 476 813	84 517	16 905	–	7 578 235
Issue of loans and the effect of other value decreases	(8 109 803)	(278 733)	(3 419)	–	(8 391 955)
Transfers to Stage 1	117 058	(117 058)	–	–	–
Transfers to Stage 2	(311 322)	311 322	–	–	–
Transfers to Stage 3	(1)	–	1	–	–
Net remeasurement of loss allowance	595 667	–	–	–	595 667
Exchange differences	(5 200)	–	–	–	(5 200)
Undrawn credit lines at 31 December 2019	**4 889 527**	**48**	**14 506**	**110**	**4 904 191**

Movements in ECL allowance for undrawn credit lines provided to customers for 2019 are presented in the table below:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Undrawn credit lines					
ECL allowance at 1 January 2019	**3 587**	**–**	**47**	**–**	**3 634**
Acquisitions of the subsidiary bank	30 198	–	972	41	31 211
Newly provided credit lines and the effect of other value increases	36 963	3 784	12 486	–	53 233
Issue of loans of loans and the effect of other value decreases	(44 325)	(6 638)	(3 418)	–	(54 381)
Transfers to Stage 1	9 476	(9 476)	–	–	–
Transfers to Stage 2	(7 257)	7 257	–	–	–
Net remeasurement of loss allowance	(13 111)	5 074	(3 063)	(8)	(11 108)
Exchange differences	(23)	(1)	–	–	(24)
ECL allowance at 31 December 2019	**15 508**	**–**	**7 024**	**33**	**22 565**

Movements in the value of undrawn credit lines provided to customers for 2018 are presented in the table below:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Undrawn credit lines				
Undrawn credit lines at 01 January 2018	**2 837 237**	**610 954**	**83**	**3 448 274**
Newly provided credit lines and the effect of other value increases	7 746 715	–	–	7 746 715
Issue of loans and the effect of other value decreases	(7 542 298)	(58 954)	(36)	(7 601 288)
Transfers to Stage 1	552 000	(552 000)	–	–
Exchange differences	14 693	–	–	14 693
Undrawn credit lines at 31 December 2018	**3 608 347**	**–**	**47**	**3 608 394**

32 Contingencies and Commitments (continued)

Credit related commitments (continued)

Movements in ECL allowance for undrawn credit lines provided to customers for 2018 are presented in the table below:

In thousands of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Undrawn credit lines				
ECL allowance at 1 January 2018	**30 412**	**12 126**	**47**	**42 585**
Newly provided credit lines and the effect of other value increases	37 411	–	–	37 411
Issue of loans and the effect of other value decreases	(65 195)	(183)	–	(65 378)
Transfers to Stage 1	11 943	(11 943)	–	–
Net remeasurement of loss allowance	(11 105)	–	–	(11 105)
Exchange differences	121	–	–	121
ECL allowance at 31 December 2018	**3 587**	**–**	**47**	**3 634**

33 Financial Derivative instruments

Financial derivative instruments have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly over time. The fair value of receivables and payables on currency forward contracts by currency and on futures and option contracts by underlying assets executed by the Group at the reporting rate is presented in the table below. The table reflects gross positions before the netting of any counterparty positions and payments and covers the contracts with settlement dates after the respective reporting date. The contracts are short term in nature:

	2019			2018		
In thousands of Russian Roubles	Contingent or contractual amount	Contracts with positive fair value	Contracts with negative fair value	Contingent or contractual amount	Contracts with positive fair value	Contracts with negative fair value
Forward contracts:						
- sale of USD for RR	165 771	15 093	–	–	–	–
- sale of CZK for RR	–	–	–	206 919	–	(3 210)
- purchase of USD for CZK	–	–	–	598 837	–	(5 232)
- purchase of RR for USD	–	–	–	133 521	388	(6 355)
Futures contracts:						
- marginable futures contracts for securities	378 140	–	–	52 597	–	–
- marginable futures contracts for foreign currencies	–	–	–	120 903	–	–
- marginable futures contracts for interest rates	–	–	–	42 775	–	–
- marginable futures contracts for stock exchange index	–	–	–	240 321	–	–
Option contracts:						
- marginable option contracts for futures contracts for securities	855 849	–	–	643 562	–	–
- marginable option contracts for futures contracts for stock exchange index	175 500	–	–	104 945	–	–
- marginable option contracts for futures contracts for foreign currencies		–	–	354 844	–	–
- option contracts for stock exchange index	14 814	6 485	(3 137)	–	–	–
- option contracts for securities	5 932	53	(2 735)	1 045	–	–
Swap contracts:						
- interest rate swaps	1 015	–	(4)	–	–	–
Total derivative financial instruments	**1 597 021**	**21 631**	**(5 876)**	**2 500 269**	**388**	**(14 797)**

33 Financial Derivatives (continued)

As at 31 December 2019, the Group did not expect to settle these forward contracts net in cash and, therefore, recognised them in the consolidated statement of financial position as an asset at net fair value of RR 21 631 thousand (2018: RR 388 thousand) and a liability of RR 5 876 thousand (2018: RR 14 797 thousand). Refer to Notes 17 and 20.

34 Fair Value of Financial Instruments

Fair value measurement procedures

Fair value measurement policies and procedures are determined both for periodic fair value measurement, e.g.with regards to unquoted securities at FVTPL, securities at FVOCI, unquoted financial derivatives, investment property, land and buildings, and for one-time measurement, e.g. with regards to assets held for sale.

External valuers may be engaged to assess significant assets, such as real estate, securities at FVTPL, securities at FVOCI, financial derivatives. Valuer selection criteria include market knowledge, reputation, independence and compliance with professional standards. Upon discussion with external valuers, a decision is taken on the valuation methods and inputs that should be used in each particular case.

The fair value of assets and liabilities subject to remeasurement or re-analysis under the Group's accounting policies is measured at each reporting date. For measurement purposes, main inputs and their correlation with the prior measurement inputs are reviewed. The fair value measurement results (including measurements of external valuers) are regularly provided to the Internal Audit Function and independent auditors of the Group. Main assumptions used in the measurement are discussed.

Methods and assumptions applied in determining fair values

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The best evidence of fair value is price in an active market. Where quoted market prices are not available, the Group used various valuation techniques. The fair value of unquoted fixed interest rate instruments is estimated based on cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing fair values of financial instruments depending on the valuation technique:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

To disclose fair value, the Group has determined the classes of assets and liabilities based on the nature, features and risks inherent to the asset or liability, as well as the level in the fair value hierarchy.

34 Fair Value of Financial Instruments (continued)

Fair value hierarchy (continued)

For financial instruments carried at fair value, the levels in the fair value hierarchy into which the fair values are categorised are as follows:

	2019			2018		
In thousands of Russian Roubles	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Significant non-observable inputs (Level 3)	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Significant non-observable inputs (Level 3)
Financial assets at fair value						
Securities at FVTPL	**10 749 234**	**618 552**	**–**	**5 724 115**	**934 739**	**–**
- Corporate bonds	6 658 377	618 552	–	2 016 741	934 739	–
- Bonds of state corporations	1 586 697	–	–	–	–	–
- Bonds of banks	1 567 263	–	–	–	–	–
- Corporate shares	759 901	–	–	46 516	–	–
- Investment units	88 063	–	–	84 414	–	–
- Federal loan bonds (OFZ)	54 850	–	–	2 255 460	–	–
- Shares of banks	34 083	–	–	311 314	–	–
- The CBRF bonds	–	–	–	1 009 670	–	–
Loans to customers	**–**	**–**	**884 016**	**–**	**–**	**2 517 065**
- loans to customers at FVTPL	–	–	884 016	–	–	2 517 065
Securities at FVOCI	**41 196**	**–**	**2 159 237**	**12 001 846**	**1 418 514**	**2 402 040**
- Shares of banks	–	–	2 159 237	–	–	2 181 112
- Corporate shares	41 196	–	–	279 474	–	–
- Corporate bonds	–	–	–	6 357 878	–	220 928
- Bonds of banks	–	–	–	1 559 762	1 418 514	–
- Federal loan bonds (OFZ)	–	–	–	2 183 893	–	–
- Russian Federation Eurobonds	–	–	–	903 455	–	–
- Bonds of state corporations	–	–	–	717 384	–	–
Other financial assets	**–**	**22 109**	**–**	**–**	**896**	**–**
- Derivative financial instruments	–	21 631	–	–	388	–
- Settletments on conversion operations	–	478	–	–	508	–
Total financial assets at fair value	**10 790 430**	**640 661**	**3 043 253**	**17 725 961**	**2 354 149**	**4 919 105**
Financial assets with fair value disclosed						
Cash and cash equivalents	1 291 650	–	17 248 509	652 589	–	12 245 955
Mandatory cash balances with the CBRF	–	–	765 050	–	–	666 999
Due from credit institutions	–	–	1 424 103	–	–	1 806 222
Loans to customers	–	–	58 974 083	–	–	38 579 620
Securities at amortised cost	–	–	519 770	–	–	–
Other financial assets	–	–	44 324	–	–	6 820
Total financial assets with value disclosed	**1 291 650**	**–**	**78 975 839**	**652 589**	**–**	**53 305 616**

34 Fair Value of Financial Instruments (continued)

Fair value hierarchy (continued)

	2019			2018		
In thousands of Russian Roubles	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Significant non-observable inputs (Level 3)**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Significant non-observable inputs (Level 3)**
Financial liabilities at fair value						
Other financial liabilities	**–**	**6 065**	–	**516181**	**109 427**	–
- Derivative financial instruments	–	5 876	–	–	14 797	–
- Currency exchange transactions	–	189	–	–	15	–
- Obligations to return securities received under the reverse sale and repurchase agreement	–	–	–	516 181	–	–
- Settlements on brokerage operations	–	–	–	–	94 615	–
Total financial liabilities at fair value	**–**	**6 065**	–	**516181**	**109 427**	–
Financial liabilities with fair value disclosed						
Due to credit institutions	–	–	616 405	–	–	3 576 138
Customer accounts	–	–	73 642 155	–	–	60 633 717
Debt securities in issue	–	–	2 664 323	–	–	401 241
Lease liabilities	–	–	224 308	–	–	–
Subordinated Eurobonds in issue	–	1 244 569	–	–	1 398 052	–
Other financial liabilities	–	–	542 035	–	–	297 925
Total financial liabilities with fair value disclosed	**–**	**1 244 569**	**77 689 226**	**–**	**1 398 052**	**64 909 021**

34 Fair Value of Financial Instruments (continued)

Fair value hierarchy (continued)

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments that are not recorded at fair value in the consolidated statement of financial position. The table below does not include fair values of non-financial assets and non-financial liabilities.

	2019			2018		
In thousands of Russian Roubles	**Carrying amount**	**Fair value**	**Unrecognised gains/ (losses)**	**Carrying amount**	**Fair value**	**Unrecognised gains/ (losses)**
Financial assets						
Cash and cash equivalents	**18 543 227**	**18 540 159**	**(3 068)**	**12 892 242**	**12 898 544**	**6 302**
- Cash on hand	1 291 650	1 291 650	–	652 589	652 589	–
- Cash balances with the CBRF	2 433 508	2 433 508	–	2 241 240	2 241 240	–
- Correspondent accounts and overnight placements	2 652 610	2 652 610	–	5 124 977	5 124 977	–
- Settlement accounts with financial institutions	182 343	182 343	–	233 553	233 553	–
- Reverse sale and repurchase agreements with credit institutions with maturity within 90 days	–	–	–	3 080 210	3 083 882	3 672
Loans to the CBRF with original maturities of less than three months	6 651 241	6 650 123	(1 118)	–	–	–
Placements with credit institutions with original maturities of less than three months	5 331 875	5 329 925	(1 950)	1 559 673	1 562 303	2 630
Mandatory cash balances with the CBRF	**765 050**	**765 050**	**–**	**666 999**	**666 999**	**–**
Due from credit institutions	**1 431 354**	**1 424 103**	**(7 251)**	**1 816 266**	**1 806 222**	**(10 044)**
Placements with credit institutions with original maturities of more than three months	1 431 354	1 424 103	(7 251)	1 816 266	1 806 222	(10 044)
Loans to customers	**59 383 303**	**58 974 083**	**(409 220)**	**37 886 758**	**38 579 620**	**692 862**
- Investment projects	822 052	807 752	(14 300)	1 743 884	1 833 424	89 540
- Large business	13 978 201	14 032 336	54 135	13 312 423	13 252 422	(60 001)
- Small and medium business	17 666 086	17 777 074	110 988	7 871 816	7 963 672	91 856
- Individuals	26 916 964	26 356 921	(560 043)	14 958 635	15 530 102	571 467
Securities at amortised cost	**518 554**	**519 770**	**1 216**	**–**	**–**	**–**
- Federal loan bonds (OFZ)	518 554	519 770	1 216	–	–	–
Other financial assets	**44 324**	**44 324**	**–**	**6 820**	**6 820**	**–**
- Credit and debit card receivables	5 415	5 415	–	5 660	5 660	–
- Settlements under banking guarantees issued	33 431	33 431	–	–	–	–
- Payments receivable for commemorative coins acquired and sold	881	881	–	940	940	–
- Other	4 597	4 597	–	220	220	–
Total financial assets at amortised cost	**80 685 812**	**80 267 489**	**(418 323)**	**53 269 085**	**53 958 205**	**689 120**

34 Fair Value of Financial Instruments (continued)

Fair value hierarchy (continued)

	2019			2018		
In thousands of Russian Roubles	Carrying amount	Fair value	Unrecognised gains/ (losses)	Carrying amount	Fair value	Unrecognised gains/ (losses)
Financial liabilities						
Due to credit institutions	**615 591**	**616 405**	**(814)**	**3 575 570**	**3 576 138**	**(568)**
- Correspondent accounts and overnight placements	275 822	275 822	–	706 543	706 543	–
- Deposits with credit institutions	339 769	340 583	(814)	959 818	960 269	(451)
- Sale and repurchase agreements with other credit institutions	–	–	–	1 909 209	1 909 326	(117)
Customer accounts	**73 077 632**	**73 642 155**	**(564 523)**	**59 726 260**	**60 633 717**	**(907 457)**
- Current/settlement accounts of state and public organisations	39 824	39 824	–	2 481	2 481	–
- Term deposits of state and public organisations	61 906	61 906	–	3 475 135	3 475 135	–
- Current/settlement accounts of other legal entities	9 932 872	9 932 872	–	8 608 419	8 608 419	–
- Term deposits of other legal entities	10 354 298	10 493 013	(138 715)	13 269 155	13 395 483	(126 328)
- Current/demand accounts of individuals	3 318 962	3 318 962	–	1 961 192	1 961 192	–
- Term deposits of individuals	49 369 770	49 795 578	(425 808)	32 409 878	33 191 007	(781 129)
Lease liabilities	**224 308**	**224 308**	**–**	**–**	**–**	**–**
Other financial liabilities	**542 035**	**542 035**	**–**	**297 925**	**297 925**	**–**
- Deferred fee and commission income from issued guarantees	413 732	413 732	–	135 213	135 213	–
- Provision for credit related commitments	117 557	117 557	–	146 799	146 799	–
- Amounts in settlements	2 021	2 021	–	171	171	–
- Deferred income from undrawn credit lines	6 070	6 070	–	15 663	15 663	–
- Debit or credit card payables	2 655	2 655	–	79	79	–
Debt securities in issue	**1 565 622**	**2 664 323**	**(1 098 701)**	**405 012**	**401 241**	**3 771**
Subordinated Eurobonds in issue	**1 244 569**	**1 244 569**	**–**	**1 398 052**	**1 398 052**	**–**
Total financial liabilities at amortised cost	**77 269 757**	**78 933 795**	**(1 664 038)**	**65 402 819**	**66 307 073**	**(904 254)**

34 Fair Value of Financial Instruments (continued)

Valuation techniques and assumptions used to determine the fair value of assets and liabilities

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the consolidated financial statements and those items that are not measured at fair value in the consolidated statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates their carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also used for demand deposits and accounts without a set maturity.

Financial derivative instruments

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap pricing models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Derivatives valued using a valuation technique with significant unobservable inputs are mainly long-dated option contracts. These derivatives are valued using the binomial models. The models incorporate various unobservable assumptions, which include market rate volatilities.

Securities at FVTPL and securities at FVOCI

Securities at FVTPL and securities at FVOCI valued using a valuation technique are mainly unquoted shares and debt securities. Such assets are valued using models which incorporate either only observable market data or both observable and unobservable market inputs. The unobservable inputs include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Loans at fair value through profit or loss

The fair value of loans carried at FVTPL is determined using internal models based on the present value calculation models or, in some cases (e.g. with regards to cash flows on assets held as collateral), using external valuation sources. Unobservable inputs for valuation techniques include adjustments for the credit risk related to expected cash flows resulting from operating activities of the borrower or to collateral assessment.

Financial assets and financial liabilities carried at amortised cost

Fair value of the quoted bonds is based on price quotations as of the reporting date. Fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to the CBRF and other credit institutions, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt with similar terms, credit risk and remaining maturities. These rates are analysed below:

	2019	2018
Due from credit institutions		
Term deposits with credit institutions	0.0% p.a.	0.0% p.a.
Loans to customers		
Investment projects	6.8% - 9.2% p.a.	5.4% - 9.7% p.a.
Large business	0.0% - 9.2% p.a.	2.0% - 10.2% p.a.
Small and medium business	7.9% - 11.1% p.a.	4.3% - 10.2% p.a.
Loans to individuals	0.0% - 16.9% p.a.	0.0% - 18.4% p.a.)
Due to credit institutions		
Correspondent accounts and overnight placements with credit institutions	–	0.0% p.a.
Deposits with credit institutions	–	0.0% p.a.
Sale and repurchase agreements with other credit institutions	–	0.0% p.a.
Customer accounts		
Term deposits of legal entities	0.0% - 6.0% p.a.	0.1% - 7.9% p.a.
Term deposits of individuals	0.2% - 5.9% p.a.	0.0% - 6.9% p.a.

34 Fair Value of Financial Instruments (continued)

Valuation techniques and assumptions used to determine the fair value of assets and liabilities (continued)

Investment property

Fair value of investment property was determined by using market comparable method. This means that valuations performed by a valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. At the measurement date, the fair value of investment property is based on the valuations made by an independent firm of professional valuers, who hold a recognised and relevant qualification and who have professional experience in the valuation of assets in similar locations and in a similar category.

Premises and equipment – land and buildings

Fair value of the property was determined by using market comparable method. This means that valuations performed by a valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. At the measurement date, the fair value of properties is based on the valuations made by an independent firm of professional valuers, who hold a recognised and relevant qualification and who have professional experience in the valuation of assets in similar locations and in a similar category.

Movements in Level 3 assets and liabilities carried at fair value

The following table shows reconciliation of Level 3 assets recorded at fair value at the beginning and at the end of 2019:

In thousands of Russian Roubles	At 1 January 2019	Gains/ (losses) recognised in profit or loss	Gains/ (losses) recognised in other comprehen sive income	Acquisition/ origination	Redemption	Transfers from Level 1 and Level 2	Transfers to Level 1 and Level 2	At 31 December 2019
Assets								
Securities at FVTPL	–	57 325	–	–	(993 131)	935 806	–	–
Loans at FVTPL	2 517 065	259 180	–	1 861 155	(3 753 384)	–	–	884 016
Securities at FVOCI	2 402 040	(28 054)	186 461	–	–	–	(401 210)	2 159 237

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

During the year ended 31 December 2019, the Group did not transfer securities at FVOCI from Levels 1 and 2 to Level 3 of the fair value hierarchy. During the reporting period the Group transferred securities at FVTPL from Level 1 to Level 3 of the fair value hierarchy. The total carrying amount of transferred assets was RR 935 806 thousand. The aggregate unrealised gain at the date of transfer was RR 10 478 thousand. Transfer from Level 1 to Level 3 was triggered by the fact that the market for certain securities ceased to be active which led to changes in the fair value measurement method. Before transfer, the fair value of financial instruments was determined based on the observable market transactions or broker quoted prices for the same or similar instruments. From the date of transfer, the financial instruments were assessed based on the valuation techniques that used significant unobservable inputs.

During the year ended 31 December 2019, as a result of increased market activity securities were transferred from Level 3 to Level 1 of the fair value hierarchy in the amount of RR 401 210 thousand. The aggregate unrealised loss at the date of transfer was RR 16 676 thousand. These securities represent corporate bonds. Transfer from Level 3 to Level 1 was triggered by the fact that the market for certain securities became active, and from the date of transfer these financial instruments were assessed using quoted market prices for identical assets.

34 Fair Value of Financial Instruments (continued)

Movements in Level 3 assets and liabilities carried at fair value (continued)

The following table shows reconciliation of Level 3 assets recorded at fair value at the beginning and at the end of 2018 :

In thousands of Russian Roubles	At 1 January 2018	Gains/ (losses) recognised in profit or loss	Gains/ (losses) recognised in other comprehen-sive income	Acquisition/ origination	Redemption	Transfers from Level 1 and Level 2	Transfers to Level 1 and Level 2	At 31 December 2018
Assets								
Securities at FVTPL	–	41 176	–	6 506	(57 642)	899 328	(889 368)	–
Loans at FVTPL	177 241	241 113	–	3 018 758	(920 047)	–	–	2 517 065
Securities at FVOCI	1 092 485	57 252	159 455	903 000	(10 761)	200 609	–	2 402 040

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

During the year ended 31 December 2018 the Group transferred securities at FVOCI from Level 1 to Level 3 of the fair value hierarchy and securities at FVTPL from Level 2 to Level 3 of the fair value hierarchy. The total carrying amount of transferred assets was RR 1 099 937 thousand. The aggregate unrealised loss at the date of transfer was RR 206 701 thousand. Transfer from Level 1 to Level 3 was triggered by the fact that the market for certain securities ceased to be active which led to changes in the fair value measurement method. The reason for transfer from Level 2 to Level 3 was that valuation technique inputs ceased to observable. Before transfer, the fair value of financial instruments was determined based on the observable market transactions or broker quoted prices for the same or similar instruments. From the date of transfer, the financial instruments were assessed based on the valuation techniques that used significant unobservable inputs.

During 2018, as a result of increased market activity securities at FVTPL were transferred from Level 3 to Level 1 of the fair value hierarchy in the amount of RR 889 368 thousand. The aggregate unrealised loss at the date of transfer was RR 12 216 thousand. These securities represent corporate bonds. Transfer from Level 3 to Level 1 was triggered by the fact that the market for certain securities became active, and from the date of transfer these financial instruments were assessed using quoted market prices for identical assets.

Significant unobservable inputs and sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy as at 31 December 2019:

31 December 2019	Carrying amount	Valuation techniques	Unobservable inputs	Range (weighted average)
Securities at FVTPL				
Corporate bonds	–	Income approach	Underlying asset value	Not applicable
Loans to customers				
Loans to legal entities at FVTPL	283 532	Discounted cash flows	Probability of default	1.7% - 5.2%
Loans to individuals at FVTPL	600 484	Discounted cash flows	Probability of default	5.7% - 18.5%
Securities at FVOCI				
Shares of banks	2 159 237	Price/Capital indicator	Underlying asset value	Not applicable
Corporate bonds	–	Income approach	Underlying asset value	Not applicable

34 Fair Value of Financial Instruments (continued)

Significant unobservable inputs and sensitivity of Level 3 financial instruments measured at fair value to changes to key assumptions (continued)

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy as at 31 December 2018:

31 December 2018	Carrying amount	Valuation techniques	Unobservable inputs	Range (weighted average)
Securities at FVTPL				
Corporate bonds	–	Income approach	Underlying asset value	Not applicable
Loans to customers				
Loans to legal entities at FVTPL	2 517 065	Discounted cash flows	Probability of default	3.0% - 12.5%
Securities at FVOCI				
Shares of banks	2 181 112	Price/Capital indicator	Underlying asset value	Not applicable
Corporate bonds	220 928	Income approach	Underlying asset value	Not applicable

The following table shows the quantitative information about sensitivity of fair value of financial instruments categorised within Level 3 of the fair value hierarchy to changes in significant unobservable inputs:

	31 December 2019		31 December 2018	
In thousands of Russian Roubles	Carrying amount	Effect of possible alternative assumptions	Carrying amount	Effect of possible alternative assumptions
Loans to customers	**884 016**	**(44 201)**	**2 517 065**	**(125 854)**
Loans to legal entities at FVTPL	283 532	(14 177)	2 517 065	(125 854)
Loans to individuals at FVTPL	600 484	(30 024)	–	–
Securities at FVOCI	**2 159 237**	**(107 962)**	**2 402 040**	**(136 021)**
Shares of banks	2 159 237	(107 962)	2 181 112	(109 056)
Corporate bonds	–	–	220 928	(26 965)

To determine possible alternative assumptions, the Group has adjusted key unobservable inputs as follows:

- For debt securities, the Group has adjusted assumptions on the yield to maturity by increasing the assumption indicator by 5 p.p., which in the Group's opinion lies within the range of possible alternative changes of this indicator.
- For loans to customers, the Group has adjusted assumptions on the probability of default by increasing the assumption indicator by 5 p.p., which in the Group's opinion lies within the range of possible alternative changes of this indicator.
- For shares, the Group has adjusted the average indicator of share price to issuer's capital (Price/Capital) by decreasing the indicator by 5 p.p., which in the Group's opinion lies within the range of possible alternative changes of this indicator for other companies in this industry with similar risks.

Transfers between Level 1 and Level 2

During 2019, as a result of decreased market activity securities at FVTPL were transferred from Level 1 to Level 2 of the fair value hierarchy in the amount of RR 117 392 thousand. These securities represent bonds of Russian banks.

During 2019, as a result of increased market activity securities at FVTPL were transferred from Level 2 to Level 1 of the fair value hierarchy in the amount of RR 288 961 thousand. These securities represent corporate bonds.

During 2018, as a result of increased market activity securities at FVTPL were transferred from Level 2 to Level 1 of the fair value hierarchy in the amount of RR 4 827 302 thousand. These securities represent bonds of state corporations, corporate bonds and bonds of Russian banks.

34 Fair Value of Financial Instruments (continued)

Transfers between Level 1 and Level 2 (continued)

During 2018, as a result of decreased market activity securities at FVTPL were transferred from Level 1 to Level 2 of the fair value hierarchy in the amount of RR 1 084 245 thousand. These securities represent bonds of state corporations and corporate bonds.

During 2018, as a result of decreased market activity securities at FVOCI were transferred from Level 1 to Level 2 of the fair value hierarchy in the amount of RR 1 275 165 thousand. These securities represent bonds of Russian banks.

Significant unobservable inputs and sensitivity of Level 3 non-financial instruments measured at fair value to changes in key assumptions

The table below shows summarised information on the sensitivity of fair value measurements of the Group's investment property, land and buildings categorised within Level 3 of the fair value hierarchy to changes in unobservable inputs as t 31 December 2019:

Unobservable inputs	Range (weighted average)	Sensitivity
Trade discount	10%	If the trade discount increases/decreases by 10%, the fair value of the Group's investment property, land and buildings (before deferred tax) may increase/decrease by RR 225 354 thousand.

The table below shows summarised information on the sensitivity of fair value measurements of the Group's investment property, land and buildings categorised within Level 3 of the fair value hierarchy to changes in unobservable inputs as at 31 December 2018:

Unobservable inputs	Range (weighted average)	Sensitivity
Trade discount	10%	If the trade discount increases/decreases by 10%, the fair value of the Group's investment property, land and buildings (before deferred tax) may increase/decrease by RR 228 153 thousand.

35 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

For the purposes of disclosing the Group's transactions with related parties, the "Participants" include entities and individuals who own, directly or indirectly, interests in the share capital that allow them to exercise significant influence over the Group's activities.

"Other related parties" include close relatives of individuals and key management personnel who can influence/be influenced by such individuals while conducting transactions with the Group.

35 Related Party Transactions (continued)

As at 31 December 2019, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	Participants	Key management personnel	Entities under common control	Other related parties
Cash and cash equivalents	–	–	34 597	–
ECL allowance for cash and cash equivalents	–	–	(1)	–
Due from other banks	–	–	312 033	–
ECL allowance for amounts due from other banks	–	–	(219)	–
Loans to customers (contractual interest rate: 8.78%-19.0%)	70 735	21 558	65 000	1 500
ECL allowance for loans to customers	(201)	(296)	(154)	(21)
Securities at FVOCI	–	–	1 050 833	–
Other non-financial assets	–	87	371	–
Due to credit institutions (contractual interest rate: 0.0%)	–	–	179 059	–
Customer accounts (contractual interest rate: 0.0%-8.3%)	435 418	343 185	338 522	143 585
Subordinated Eurobonds in issue	27 147	–	–	–
Other financial liabilities	–	–	1	–
Other non-financial liabilities	–	8 673	130	–

As at 31 December 2019, loans to key management personnel in the amount of RR 90 595 thousand were collateralized by balances in customer accounts of RR 87 836 thousand.

As at 31 December 2019, amounts receivable from these related parties are not past due or impaired.

The income and expense items with related parties for 2019 were as follows:

In thousands of Russian Roubles	Participants	Key management personnel	Entities under common control	Other related parties
Interest income calculated using the effective interest rate	180	1 839	25 205	69
Interest expense	(27 702)	(14 202)	(17 546)	(7 026)
(Credit loss allowance)/ recovery of credit loss allowance for cash and cash equivalents, due from other banks and loans to customers	(201)	(170)	7 070	(21)
Gains less losses/ (losses less gains) from trading in foreign currency	227	93	(4 962)	62
Foreign exchange translation gains less losses / (losses less gains)	27 482	29 804	(74 348)	9 642
Gains less losses from derivative financial instruments	–	1 052	41 670	193
Fee and commission income	127	506	4 488	209
Fee and commission expense	–	–	(423)	(3)
Other operating income	6	42	4 446	–
Administrative and other operating expenses	(73)	(310 136)	(20 970)	(259)

As at 31 December 2019, other rights and obligations with related party transactions were as follows:

In thousands of Russian Roubles	Participants	Key management personnel	Entities under common control	Other related parties
Guarantees issued by the Group	–	–	5	–
Guarantees and sureties received by the Group	–	9 190	–	1 184
Other contingent liabilities	35 219	15 800	65 000	300
ECL allowance	(77)	(102)	(31)	(2)

35 Related Party Transactions (continued)

Aggregate amounts lent to and repaid by related parties during 2019 were:

In thousands of Russian Roubles	Participants	Key management personnel	Entities under common control	Other related parties
Amounts lent to related parties during the year	72 969	57 477	27 563 148	1 490
Amounts repaid by related parties during the year	2 414	53 733	27 972 990	1 490
Loans to customers excluded from the related party list	–	(1 750)	–	–

On 10 December 2019, the Bank signed an agreement on purchasing a 0.2153% interest in the Bank's share capital from one of its participants for RR 49 907 thousand. This interest will be transferred to the Bank when a corresponding entry is made in the Unified State Register of Legal Entities.

As at 31 December 2018, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	Participants	Key management personnel	Entities under common control	Other related parties
Cash and cash equivalents	–	–	533 937	–
ECL allowance for cash and cash equivalents	–	–	(567)	–
Due from other banks	–	–	437 033	–
ECL allowance for amounts due from other banks	–	–	(4 555)	–
Loans to customers (contractual interest rate: 8.0%-12.0%)	–	19 732	2 000	–
ECL allowance for loans to customers	–	(126)	–	–
Securities at FVOCI	–	–	1 268 001	–
Other financial assets	–	388	–	–
Other non-financial assets	–	72	46 781	–
Other income from booking reserves	–	–	(2 322)	–
Due to credit institutions (contractual interest rate: 0%-1.81%)	–	–	411 282	–
Customer accounts (contractual interest rate: 0%-7.7%)	585 252	381 025	354 897	173 479
Subordinated Eurobonds in issue	30 495	–	–	31 544
Other financial liabilities	–	–	8 441	–
Other non-financial liabilities	3	9 615	130	–

As at 31 December 2018, loans to key management personnel in the amount of RR 19 960 thousand were collateralized by balances in customer accounts of RR 14 728 thousand.

As at 31 December 2018, amounts receivable from these related parties are not past due or impaired.

The income and expense items with related parties for 2018 were as follows:

In thousands of Russian Roubles	Participants	Key management personnel	Entities under common control	Other related parties
Interest income calculated using the effective interest rate	–	1 708	12 425	91
Interest expense	(50 818)	(8 560)	(13 551)	(3 978)
Credit loss allowance for cash and cash equivalents, due from other banks and loans to customers	–	(52)	(2 366)	–
Gains less losses from trading in foreign currencies	87	170	10 230	50
Foreign exchange translation (losses less gains)/ gains less losses	(151 230)	(39 634)	10 155	(10 038)
Gains less losses/ (losses less gains) from derivative financial instruments	–	392	(2 841)	–
Fee and commission income	212	673	2 173	142
Fee and commission expense	–	(51)	(678)	–
Other operating income	1	41	186 040	–
Administrative and other operating expenses	(21 744)	(315 895)	(23 082)	(3 875)

35 Related Party Transactions (continued)

As at 31 December 2018, other rights and obligations with related party transactions were as follows:

In thousands of Russian Roubles	Participants	Key management personnel	Entities under common control	Other related parties
Guarantees received by the Group at the year end	–	10 431	–	1 184
Other contingent liabilities	5 384	4 247	13 000	1 790

Aggregate amounts lent to and repaid by related parties during 2018 were:

In thousands of Russian Roubles	Participants	Key management personnel	Entities under common control	Other related parties
Amounts lent to related parties during the year	1 269	63 968	10 914 202	2 697
Amounts repaid by related parties during the year	1 269	54 788	10 283 282	2 697
Loans to customers excluded from the related party list	–	–	(109 308)	–

On 15 November 2018, the Bank bought out a 0.9084% interest from one of its participants for RR 128 470 thousand.

Key management compensation is presented below:

In thousands of Russian Roubles	2019	2018
Short-term benefits:		
- Salaries	272 449	312 369
- Short-term bonuses	21 726	7 340
Total	**294 175**	**319 709**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

Staff costs include social insurance contributions of RR 41 101 thousand (2018: RR 44 030 thousand), of which RR 27 191 thousand (2018: RR 31 175 thousand) represent contributions to the pension fund.

In 2019 and 2018, the Group conducted transactions with related parties on market conditions.

36 Business Combinations

In the second quarter of 2019, LLC Expobank acquired 86.9082% of shares in “Kurskprombank” and received control over the business and operating activities of its subsidiary bank.

In June 2019, the Bank sent a mandatory offer to the shareholders of “Kurskprombank” on the acquisition of 100% shares in “Kurskprombank” in accordance with Federal Law No. 208-FZ of 26 December 1995 “On Joint Stock Companies”. According to the mandatory offer, Expobank LLC acquired 4 617 750 shares in “Kurskprombank” from the shareholders of “Kurskprombank” in August 2019. As a result, the Bank’s interest in the share capital of “Kurskprombank” increased to 97.9%. In December 2019, on the basis of a demand for redemption issue-grade securities under Art. 84.8 of Federal Law No. 208-FZ “On Joint Stock Companies” of 26.12.1995, the Bank acquired shares in “Kurskprombank” comprising 2.1% of its share capital, becoming the sole shareholder of “Kurskprombank”.

Name	Type of activity	Country of registration
Subsidiary		
“Kurskprombank”	Commercial bank	Russian Federation

36 Business Combinations (continued)

The main activity of the acquired bank is commercial lending, issue of bank guarantees, retail lending, corporate and individual deposits, settlement services to legal entities. The principal objective of acquiring "Kurskprombank" is to implement the strategy on consolidating bank assets.

For the purposes of these consolidated financial statements, the fair value of assets and liabilities of "Kurskprombank" was determined at the acquisition date based on the independent valuer's report. In the consolidated financial statements, the Group adjusted contingent amounts recognised in the Group's interim condensed financial information for six months ended 30 June 2019 to take into account the new information about facts and circumstances existing at the acquisition date. The adjustments relate to the valuation of "Kurskprombank"'s loan portfolio and were recognised retrospectively, as allowed during the measurement period.

In thousands of Russian Roubles	**Fair value recognised at the acquisition date**
Assets	
Cash and cash equivalents	7 826 969
Mandatory cash balances with the CBRF	134 692
Loans to customers	14 874 468
Investment securities	1 405 723
Intangible assets	134 055
Investment property	22 793
Premises and equipment	665 769
Right-of-use assets	13 249
Other assets	55 406
Total assets	**25 133 124**
Liabilities	
Customer accounts	17 996 352
Debt securities in issue	3 361
Lease liabilities	12 883
Current income tax liability	
Deferred income tax liability	512 889
Other liabilities	274 101
Total liabilities	**18 799 586**
Total net identifiable assets	**6 333 538**
Consideration transferred	(3 267 273)
Acquired ownership interest	86.9082%
Excess of the acquiree's fair value of net assets over the value of investments	**2 237 092**

The acquiree's net assets fair value is higher than the value of investments because of the Group's high qualification and experience with similar transactions, careful examination of the potential investment target before the transactions, and the current environment in the Russian banking market.

36 Business Combinations (continued)

In accordance with IFRS 3 "Business Combinations", all financial instruments were carried at fair value at the date of acquisition of "Kurskprombank". Subsequently, these financial instruments are recognised under the requirements on accounting for assets at amortised cost in accordance with IFRS 9, with a corresponding ECL allowance and allocation to profit or loss of the current period.

The ECL allowance for financial instruments in Stage 1 was recognised and included in the line "(Credit loss allowance)/ recovery of credit loss allowance for cash and cash equivalents, due from other banks and loans to customers" in the consolidated statement of comprehensive income in the amount of RR 850 695 thousand for the period from the date of acquisition of "Kurskprombank" to the reporting date.

Analysis of cash flows upon acquisition

In thousands of Russian Roubles	
Net cash acquired in the subsidiary (included in cash flows from investing activities)	7 826 969
Cash paid upon acquisition (included in cash flows from investing activities)	(3 267 273)
Net cash flow	**4 559 697**

37 Financial Assets that were Transferred but Not Derecognised and Assets Held or Pledged as Collateral

The list of financial assets transferred so that the transferred assets fully or partially do not meet the criteria for derecognition is shown in the table below:

		2019		2018	
In thousands of Russian Roubles	**Notes**	**Carrying amount of transferred financial asset**	**Carrying amount of corresponding financial liability**	**Carrying amount of transferred financial asset**	**Carrying amount of corresponding financial liability**
Securities at FVTPL	8, 18, 19	–	–	2 253 303	2 138 762
Securities at FVOCI	11, 18, 19	–	–	3 622 690	3 176 098
Total		**–**	**–**	**5 875 993**	**5 314 860**

As at 31 December 2018, repurchase receivables of RR 5 875 993 thousand represent securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge. The repo agreements were of a short-term nature and were fully repaid in January – April 2019.

As at 31 December 2019, securities at FVTPL of RR 1 012 785 thousand and securities at amortised cost of RR 518 577 thousand (2018: securities at FVTPL of RR 438 769 thousand and securities at FVOCI of RR 699 213 thousand) were blocked under the master loan agreement with the CBRF with an overdraft limit of RR 3 500 000 thousand (2018: RR 3 500 000 thousand). As at 31 December 2019 and 31 December 2018, the Group had not used the overdraft.

In addition, mandatory cash balances with the CBRF of RR 765 050 thousand (2018: RR 666 999 thousand) represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations.

38 Offsetting Financial Instruments

The tables below show the results of enforceable master netting agreements and similar agreements that do not result in netting in the consolidated statement of financial position:

2019	Notes	Gross recognised financial instruments	Gross recognised financial instruments offset in the consolidated statement of financial position	Net financial instruments recognised in the consolidated statement of financial position	Related amounts whose offsetting is not recognised in the consolidated statement of financial position: Financial instruments recognised in the statement of financial position	Cash collateral	Financial assets in collateral	Net amount
Financial assets								
Derivative financial assets	33	21 631	–	21 631	–	–	–	21 631
Total		**21 631**	**–**	**21 631**	**–**	**–**	**–**	**21 631**
Financial liabilities								
Derivative financial liabilities	33	5 876	–	5 876	–	–	–	**5 876**
Total		**5 876**	**–**	**5 876**	**–**	**–**	**–**	**5 876**

2018	Notes	Gross recognised financial instruments	Gross recognised financial instruments offset in the consolidated statement of financial position	Net financial instruments recognised in the consolidated statement of financial position	Related amounts whose offsetting is not recognised in the consolidated statement of financial position: Financial instruments recognised in the statement of financial position	Cash collateral	Financial assets in collateral	Net amount
Financial assets								
Derivative financial assets	33	388	–	388	12	–	–	376
Reverse sale and repurchase agreements	7	3 080 312	–	3 080 312	1 909 209	–	1 171 103	–
Total		**3 080 700**	**–**	**3 080 700**	**1 909 221**	**–**	**1 171 103**	**376**
Financial liabilities								
Derivative financial liabilities	33	14 797	–	14 797	12	–	–	14 785
Sale and repurchase agreements	18, 19	5 314 860	–	5 314 860	1 909 209	–	3 405 651	–
Total		**5 329 657**	**–**	**5 329 657**	**19 909 221**	**–**	**3 405 651**	**14 785**

39 Maturity Analysis of Assets and Liabilities

The maturity analysis of assets and liabilities is presented in the table below. The maturity analysis of the Group's undiscounted contractual liabilities is disclosed in Note 30 "Risk Management".

	31 December 2019			31 December 2018		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
In thousands of Russian Roubles	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**
Assets						
Cash and cash equivalents	18 543 227	–	18 543 227	12 892 242	–	12 892 242
Mandatory cash balances with the CBRF	765 050	–	765 050	666 999	–	666 999
Securities at FVTPL	11 367 786	–	11 367 786	6 658 854	–	6 658 854
Due from credit institutions	1 431 354	–	1 431 354	1 044 299	771 967	1 816 266
Loans to customers	30 568 002	29 699 317	60 267 319	20 474 653	19 929 170	40 403 823
Securities at FVOCI	2 200 433		2 200 433	15 822 400	–	15 822 400
Securities at amortised cost	518 554	–	518 554	–	–	–
Current income tax prepayment	–	–	–	24 762	–	24 762
Intangible assets	–	171 576	171 576	–	45 984	45 984
Investment property	–	462 034	462 034	–	593 936	593 936
Premises and equipment	–	1 942 345	1 942 345	–	1 488 117	1 488 117
Right-of-use assets	–	217 363	217 363	–	–	–
Other financial assets	61 070	5 361	66 431	7 716	–	7 716
Other non-financial assets	106 232	–	106 232	102 925	–	102 925
Total assets	**65 561 708**	**32 497 996**	**98 059 704**	**57 694 850**	**22 829 174**	**80 524 024**
Liabilities						
Due to credit institutions	615 591	–	615 591	3 575 570	–	3 575 570
Customer accounts	51 019 318	22 058 314	73 077 632	45 462 844	14 263 416	59 726 260
Debt securities in issue	189 446	1 376 176	1 565 622	405 012	–	405 012
Lease liabilities	115 023	109 285	224 308	–	–	–
Current income tax liability	93 034	–	93 034	–	–	–
Deferred income tax liability	–	546 882	546 882	–	230 792	230 792
Other financial liabilities	243 893	304 207	548 100	677 248	99 486	776 734
Other non-financial liabilities	618 441	–	618 441	420 600	–	420 600
Subordinated Eurobonds in issue	–	1 244 569	1 244 569	–	1 398 052	1 398 052
Total liabilities	**52 894 746**	**25 639 433**	**78 534 179**	**50 541 274**	**15 991 746**	**66 533 020**

40 Changes in Liabilities Arising from Financing Activities

	Liabilities from financing activities			
In thousands of Russian Roubles	**Bonds in issue**	**Subordinated bonds in issue**	**Lease liabilities**	**Total**
Liabilities from financing activities at 1 January 2018	**924**	**1 155 215**	**–**	**1 156 139**
Exchange differences	–	234 430	–	234 430
Other	–	8 407	–	8 407
Liabilities from financing activities at 31 December 2018	**924**	**1 398 052**	**–**	**1 398 976**
Adoption of IFRS 16 “Leases”	–	–	244 549	244 549
Liabilities from financing activities at 1 January 2019	**924**	**1 398 052**	**244 549**	**1 643 525**
Issue	1 376 176	–	–	1 376 176
Redemption	(924)	–	–	(924)
Exchange differences	–	(149 920)	–	(149 920)
Acquisitions of the subsidiary bank	–	–	6 375	6 375
Additions	–	–	65 370	65 370
Revaluation	–	–	(677)	(677)
Interest expense	–	–	16 091	16 091
Lease payments	–	–	(107 400)	(107 400)
Other	22 101	(3 563)	–	18 538
Liabilities from financing activities at 31 December 2019	**1 398 277**	**1 244 569**	**224 308**	**2 867 154**

Line item “Other” includes the effect of interest accrued but not yet paid on issued debt securities and subordinated loans. The Group classifies interest paid as cash flows from operating activities.

41 Events After the End of the Reporting Period

On 15 January 2020, the transfer of an 0.2153% interest in the Bank’s share capital to the Bank as registered in the Unified State Register of Legal Entities.

On 17 January 2020, the General Meeting of the Bank’s participants elected to reorganise Expobank LLC by merging it with “Kurskprombank”.

On 7 February 2020, the CBRF approved the opening of Expobank LCC’s Central Chernozem Branch.

On 12 February 2020, the transfer of a 90% interest in the share capital of OOO MARER to the Bank on the basis of a purchase agreement was registered in the Unified State Register of Legal Entities.

On 13 March 2020, National Credit Rating Agency NKR assigned A-.ru rating to Expobank LLC with a “stable” outlook.

On 20 March 2020, Expobank LLC was reorganised through a merger with “Kurskprombank”.

On 27 March 2020, Kirill Vladimirovich Nifontov was elected by the Board of Directors as Chairman of the Bank’s Management Board.

41 Events After the Reporting Period (continued)

Late in 2019 news first emerged from China about the outbreak of COVID-19 (Coronavirus). At the end of 2019 a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020, the virus had spread globally and its negative impact on public health and world economy has gained momentum. Although the situation is still in flux at the date of these financial statements, it appears that its adverse effect on global economy and the Group can be significant. Management believes that these developments fall into the category of non-adjusting events after the reporting date. The impact of these negative events will be reflected in impairment losses and expected credit losses for 2020, including through an update of the expected credit loss model for statistics and macroeconomic forecasts. However, given uncertainty caused by the current developments and the impact of measures that have already been taken or will be taken by businesses and people to minimise direct and indirect effects of COVID-19 on the public and economy, including the intended and already provided support by the government, the statistics will not be as accurate as in a more stable and predictable environment. Therefore, it is not currently reasonable to quantify the potential impact of these events on the Group.

At the date of these consolidated financial statements approval, the Russian Rouble significantly weakened against the US Dollar and Euro as compared to the end of 2019 (as at 11 April 2020, the Russian Rouble exchange rate decreased by 19% and 16% against the US Dollar and Euro, respectively), the stock market fell and commodity prices significantly declined. Oil prices hit their lowest level as a result of disagreement between the OPEC countries and Russia on the volumes and prices for oil supplies in the current environment. At 10 April 2020, the MICEX index dropped by 13% from the end of 2019, and oil companies lost even more of their value than the market on average.

The Group's management has assessed the impact of the weaker Rouble and lower stock market prices on the Group and concluded that the Group continued to comply with all regulatory requirements, including capital levels sufficient to meet the CB RF requirements, up to the issue date of these consolidated financial statements. On 20 March 2020, the CB RF introduced a set of measures to support Russia’s finance services sector. These measures include some easing of the regulatory requirements for banks that will be effective in certain periods, while some of them will be in force to 1 January 2021. Specifically, the CB RF granted credit institutions and non-credit financial institutions a right to use market prices for debt and equity securities quoted as at 1 March 2020 for all securities purchased prior to 1 March 2020 for accounting purposes. This measure will be in effect to 1 January 2021.

Management will continue to monitor the potential impact of these events and will take all steps possible to mitigate potential effects on the Group.