

Expobank Limited Liability Company

**Interim Condensed Consolidated
Financial Information in accordance with International
Financial Reporting Standards
(unaudited)**

30 September 2020

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Expobank Group
Interim Condensed Consolidated Statement of Financial Position
30 September 2020

(in RUB '000)	Note	30 September 2020 (unaudited)	31 December 2019
Assets			
Cash and cash equivalents	6	23,820,161	18,543,227
Mandatory cash balances with CBR		633,761	765,050
Securities at fair value through profit or loss, including:	7	10,898,843	11,367,786
- not pledged securities		10,898,843	11,367,786
Due from credit institutions	8	279,178	1,431,354
Loans to customers	9	58,063,724	60,267,319
Securities at fair value through other comprehensive income, including:	10	2,550,114	2,200,433
- not pledged securities		2,550,114	2,200,433
Securities at amortized cost, including:	11	-	518,554
- not pledged securities		-	518,554
Intangible assets		168,426	171,576
Investment property		462,034	462,034
Property and equipment		1,871,832	1,942,345
Right-of-use assets		223,648	217,363
Other assets		570,598	172,663
Total assets		99,542,319	98,059,704
Liabilities			
Due to credit institutions	12	153,196	615,591
Customer accounts	13	73,412,913	73,077,632
Debt securities in issue	14	1,900,807	1,565,622
Lease liabilities		234,286	224,308
Other liabilities		873,064	1,166,541
Current income tax liabilities		1,058	93,034
Deferred tax liabilities		682,685	546,882
Subordinated Eurobonds in issue	15	1,610,302	1,244,569
Total liabilities		78,868,311	78,534,179
Equity			
Share capital	16	9,394,240	9,500,998
Share premium		548,256	548,256
Treasury shares	16	(2,109,945)	(178,377)
Retained earnings, including dividends paid		11,821,455	8,903,908
Unrealised gains from revaluation of securities at fair value through other comprehensive income		692,939	465,019
Revaluation reserve for premises and equipment		285,721	285,721
Total equity attributable to the Bank's members		20,632,666	19,525,525
Non-controlling interest		41,342	-
Total equity		20,674,008	19,525,525
Total liabilities and equity		99,542,319	98,059,704

Signed on behalf of the Management Board on 27 November 2020

Shalimov A.A.
Deputy Chairman of the Management Board



Ulanova G. M.
Chief Accountant

Expobank Group
Interim Condensed Consolidated Statement of Profit or Loss for the nine months ended 30
September 2020

<i>(in RUB '000)</i>	Note	Three months ended 30 September (unaudited)		Nine months ended 30 September (unaudited)	
		2020	2019	2020	2019
Interest income calculated using the effective interest rate	17	1,824,004	2,409,304	6,567,225	6,299,803
Other interest income	17	239,390	206,065	761,640	762,437
Interest expense	17	(739,622)	(993,165)	(2,486,567)	(2,700,817)
Net interest income		1,323,772	1,622,204	4,842,298	4,361,423
Credit loss allowance for cash and cash equivalents, due from other banks and loans to customers	6, 8, 9	49,763	(227,920)	(921,992)	(1,344,707)
Net interest income after credit loss allowance for cash and cash equivalents, due from other banks and loans to customers		1,373,535	1,394,284	3,920,306	3,016,716
Fee and commission income	18	395,066	293,070	1,002,593	686,059
Fee and commission expense	18	(30,441)	(51,859)	(105,129)	(112,866)
Gains net of losses from securities at fair value through profit or loss		57,314	64,305	862,501	362,104
Gains net of losses from loans to customers at fair value through profit or loss		7,750	26,440	3,343	70,660
Gains net of losses from financial derivatives		15,288	15,458	171,325	22,595
(Losses net of gains)/ gains net of losses from trading in foreign currencies		(697,941)	139,257	(560,499)	80,535
Foreign exchange translation and precious metals revaluation gains net of losses/(losses net of gains)		800,738	(58,331)	957,867	78,469
(Losses net of gains)/gains net of losses from derecognition of securities at fair value through other comprehensive income		(3,302)	79,601	(19,122)	78,133
Recovery of credit loss allowance for securities at fair value through other comprehensive income	10	-	8,809	-	67,141
Recovery of credit loss allowance for securities at amortized cost		-	-	23	-
Other operating income		155,269	55,995	325,492	294,099
Other income/(expense) from recovery of provision/(provision) and impairment		(92,758)	164,946	(40,278)	139,495
Administrative and other operating expenses	19	(1,123,682)	(906,054)	(2,844,504)	(2,421,202)
Excess of the acquirees' net assets over the value of investments	24	-	-	-	2,237,092
Profit before tax		856,836	1,225,921	3,673,918	4,599,030
Income tax expense	20	(164,561)	(241,204)	(706,640)	(462,257)
Profit for the reporting period		692,275	984,717	2,967,278	4,136,773
Profit for the reporting period attributable to:					
Members of the Bank		696,137	959,625	2,975,919	4,188,319
Non-controlling interest		(3,862)	25,092	(8,641)	(51,546)

The attached notes 1-27 form an integral part of these Interim Condensed Consolidated Financial Information

Expobank Group**Interim Condensed Consolidated Statement of Comprehensive Income for the nine months ended 30 September 2020**

<i>(in RUB '000)</i>	Note	Three months ended 30 September (unaudited)		Nine months ended 30 September (unaudited)	
		2020	2019	2020	2019
Profit for the reporting period		692,275	984,717	2,967,278	4,136,773
Other comprehensive income/(loss)					
<i>Other comprehensive income / (loss) to be subsequently reclassified to profit or loss</i>					
Gains net of losses from debt securities at fair value through other comprehensive income		-	(52,805)	-	302,886
Amount of change in the expected credit loss allowance for debt securities at fair value through other comprehensive income		-	(8,809)	-	(67,141)
Income tax effect		-	12,323	-	(47,149)
<i>Other comprehensive income/(loss) not to be subsequently reclassified to profit or loss</i>					
Gains net of losses/(losses net of gains) from equity securities at fair value through other comprehensive income		209,121	(44,057)	301,459	(118,618)
Income tax effect		(41,824)	8,812	(60,292)	23,724
Other comprehensive income/(loss) for the reporting period		167,297	(84,536)	241,167	93,702
Comprehensive income for the reporting period		859,572	900,181	3,208 445	4,230,475
Comprehensive income attributable to:					
Members of the Bank		863,434	875,089	3,217,086	4,282,021
Non-controlling interest		(3,862)	25,092	(8,641)	(51,546)

Expobank Group
Interim Condensed Consolidated Statement of Changes in Equity
for the nine months ended 30 September 2020

	Equity attributable to the members of the Bank						Total equity attributable to the Bank's members	Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Unrealised gains from revaluation of investment securities	Revaluation reserve for premises and equipment			
<i>(in RUB '000)</i>									
Balance at 1 January 2019 Restated	9,500,998	548,256	(128,470)	3,488,523	307,369	274,328	13,991,004	–	13,991,004
Profit/(loss) for the reporting period (unaudited)	–	–	–	4,136,773	–	–	4,136,773	(51,546)	4,085,227
Other comprehensive loss (unaudited)	–	–	–	–	93,702	–	93,702	–	93,702
Total comprehensive income/(loss) for the reporting period (unaudited)	–	–	–	4,136,773	93,702	–	4,230,475	(51,546)	4,178,929
Acquisition of the subsidiary bank (unaudited) (Note 24)	–	–	–	–	–	–	–	829,174	829,174
Acquisition of non-controlling interest in the subsidiary bank (unaudited)	–	–	–	83,631	–	–	83,631	(651,328)	(567,697)
Disposal of revaluation reserve for securities at fair value through other comprehensive income (unaudited)	–	–	–	28,257	(28,257)	–	–	–	–
Balance at 30 September 2019 (unaudited) Restated	9,500,998	548,256	(128,470)	7,737,184	372,814	274,328	18,305,110	126,300	18,431,410
Balance at 1 January 2020	9,500,998	548,256	(178,377)	8,903,908	465,019	285,721	19,525,525	–	19,525,525
Profit/(loss) for the reporting period (unaudited)	–	–	–	2,975,919	–	–	2,975,919	(8,641)	2,967,278
Other comprehensive income (unaudited)	–	–	–	–	241,167	–	241,167	–	241,167
Total comprehensive income/(loss) for the reporting period (unaudited)	–	–	–	2,975,919	241,167	–	3,217,086	(8,641)	3,208,445
Acquisition of subsidiaries (unaudited)	–	–	–	–	–	–	–	49,983	49,983
Redemption of treasury shares (unaudited) (Note 16)	(106,758)	–	178,377	(71,619)	–	–	–	–	–
Acquisition of treasury shares	–	–	(2,109,945)	–	–	–	(2,109,945)	–	(2,109,945)
Disposal of revaluation reserve for securities at fair value through other comprehensive income (unaudited)	–	–	–	13,247	(13,247)	–	–	–	–
Balance at 30 September 2020 (unaudited)	9,394,240	548,256	(2,109,945)	11,821,455	692,939	285,721	20,632,666	41,342	20,674,008

The attached notes 1-276 form an integral part of these Interim Condensed Consolidated Financial Information

Expobank Group
Interim Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2020

<i>(in RUB '000)</i>	Note	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Cash flows from operating activities			
Interest received		6,921,331	7,016,106
Interest paid		(2,478,060)	(2,429,783)
Fees and commissions received		880,808	1,275,714
Fees and commissions paid		(105,129)	(112,866)
Losses incurred/(gains earned) from trading in securities at fair value through profit or loss		901,282	210,929
Losses incurred from loans to customers at fair value through profit or loss		3,343	66,493
Gains/(losses) from trading in foreign currencies		(560,499)	80,535
Other operating income received		317,969	287,195
Administrative and other operating expenses paid		(2,701,615)	(2,268,272)
Income tax paid		(723,105)	(410,811)
Cash flows from operating activities before changes in operating assets and liabilities		2,456,325	3,715,240
<i>Net (increase) / decrease in operating assets</i>			
Mandatory cash balances with the central banks		131,289	93,087
Securities at fair value through profit or loss		1,423,391	(2,208,699)
Due from credit institutions		1,147,264	142,740
Loans to customers		5,586,861	(11,323,396)
Other assets		(685,291)	(88,878)
<i>Net (decrease) / increase in operating liabilities</i>			
Due to credit institutions		(499,254)	(2,344,509)
Customer accounts		(4,416,952)	127,933
Debt securities in issue		347,783	(225,787)
Other liabilities		361,702	962,710
Net cash used in operating activities		5,853,118	(11,149,559)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	1, 24	(62,451)	4,559,697
Acquisition of securities at fair value through other comprehensive income		(634,075)	(1,761,887)
Proceeds from disposal of securities at fair value through other comprehensive income		566,734	11,802,640
Dividends from securities at fair value through other comprehensive income		7,523	18,076
Acquisition of securities at amortized cost		-	(500,000)
Proceeds from redemption of securities at amortised cost		500,000	1,385,485
Acquisition of premises and equipment		(11,821)	(17,196)
Proceeds from sale of premises and equipment		33,760	178,447
Proceeds from sale of investment property		-	38,290
Acquisition of intangible assets		(31,829)	(13,597)
Net cash used in investing activities		367,841	15,689,955
Cash flows from financing activities			
Interest in share capital acquired from member		(2,109,945)	-
Cash outflows under lease liabilities		(69,129)	(75,809)
Acquisition of non-controlling interest in the subsidiary bank		-	(481,493)
Net cash used in financing activities		(2,179,074)	(557,302)
Effect of exchange rate changes on cash and cash equivalents		1,235,111	(878,264)
Effect of changes in the ECL allowance for cash and cash equivalents		(62)	379
Net decrease in cash and cash equivalents		5,276,934	3,105,209
Cash and cash equivalents at the beginning of the period	6	18,543,227	12,892,242
Cash and cash equivalents at the end of the period		23,820,161	15,997,451

The attached notes 1-27 form an integral part of these Interim Condensed Consolidated Financial Information

1. Introduction

This interim condensed consolidated financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the nine months ended 30 September 2020 for Expobank Limited Liability Company (the “Bank”), its structured entity Expo Capital Designated Activity Company that was incorporated to place the Bank’s debt securities at the Vienna Stock Exchange, its subsidiary MFC CASHDRIVE LLC engaged in consumer lending, its subsidiary Expocar LLC that was incorporated for car trading purposes, and its subsidiary MARER LLC engaged in computer software development (together referred to as the “Group”).

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 Vienna Stock Exchange, and therefore shall be consolidated.

The Bank is a commercial bank owned by its members whose liability is limited by their stake (shares). The Bank was set up and exists in accordance with Russian law. The stakes in the share capital as at 30 September 2020 and 31 December 2019 are as follows:

Member	30 September 2020 %	31 December 2019 %
Igor Vladimirovich Kim	76.4	75.5
German Alexeyevich Tsoy	8.9	19.3
Kirill Vladimirovich Nifontov	2.0	2.0
MORELAM Limited Liability Company	2.0	2.0
Other	0.1	0.1
Treasury shares	10.6	1.1
Total	100.0	100.0

As at 30 September 2020, the Board of Directors and the Management Board controlled 87.4% of the Bank’s interest (31 December 2019: 96.9%).

Principal activity

The Bank’s priority business includes offering a full range of banking services to corporate clients and affluent private customers, issue of car loans and bank guarantees, as well as acquisition and consolidation of banking assets. The Bank has operated under full banking licence No. 2998 issued on 6 February 2012 by the Central Bank of the Russian Federation (“CBR”). The Bank participates in the government’s deposit insurance scheme introduced by Federal Law No. 177-FZ dated 23 December 2003 “On Insurance of Deposits with Russian Banks”. The deposit insurance scheme guarantees repayment of 100% of deposits up to RUB 1,400 thousand per depositor in case the banking licence is revoked or CBR imposes moratorium on payments.

On 30 April 2019, Kurskprombank PJSC was included in the Group due to the latter’s acquiring 86.9% of voting shares in the company and receiving control over its business and operations.

In June 2019, the Bank sent a mandatory offer to the shareholders of Kurskprombank PJSC 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 Kurskprombank’s shareholders in August 2019. As a result, the Group’s interest in the share capital of Kurskprombank increased to 97.9%. In December 2019, on the basis of the right to buy out issue-grade securities under Article 84.8 of Federal Law No. 208-FZ ‘On Joint Stock Companies’ of 26 December 1995, the Bank acquired shares in Kurskprombank comprising 2.1% of its share capital, becoming the sole shareholder of Kurskprombank PJSC.

1 Introduction (continued)

Principal activity (continued)

On 20 March 2020 Expobank was reorganized by merger of Kurskprombank PJSC into Expobank LLC.

In February 2020, MARER LLC was included in the Group as the Group acquired 90.0% in the company's share capital and gained control over its business and operations. In August 2020, transfer of a part of its stake in the amount of 10% was registered, after which the Group's interest in the company's share capital equaled 80.0%.

In June 2020, MFC CASHDRIVE LLC was included in the Group as the Group gained control over its business and operations. The Bank became a member of MFC CASHDRIVE LLC in accordance with the resolution of its current members through making a contribution to increase the share capital of MFC CASHDRIVE LLC. The Bank's interest in the share capital of MFC CASHDRIVE LLC is 71.38681%.

In June 2020, EXPOCAR LLC was incorporated and included in the Group, its core business is car trading. The interest of Expobank LLC in the company is 80.0% The company is incorporated in the Russian Federation.

Analysis of cash flows upon acquisition of the subsidiaries during the nine months ended 30 September 2020 is as follows:

<i>(in RUB '000)</i>	MARER LLC	MFC CASHDRIVE LLC	Total
Net cash acquired with the subsidiary (included in cash flows from investing activities)	3,581	2,520	6,101
Cash paid upon acquisition (included in cash flows from investing activities)	(18)	(68,534)	(68,552)
Net cash flow/ (outflow)	3,563	(66,014)	(62,451)

The Bank's head office is in Moscow. As at 30 September 2020, the Bank had three branches (31 December 2019: two branches). All branches are located in the Russian Federation. The Bank's registered address is: 29 Kalanchevskaya str., bldg. 2, Moscow 107078, Russia. In addition, the Bank carries out activities through additional and operational offices in the Russian Federation. As at 30 September 2020, the Bank had 20 additional offices, 24 operational offices, 1 standalone cash desk (31 December 2019: 17 offices).

As at 30 September 2020, the Group had 1,325 employees (31 December 2019: 1,311 employees).

The Bank has credit ratings assigned by leading rating agencies. In May 2020, Expert RA rating agency affirmed the Bank's credit rating of ruA-, Outlook Stable. In March 2020, National Credit Ratings ('NKR') assigned to the Bank a credit rating of A-.ru, Outlook Stable. In September 2019, Fitch Ratings upgraded the Bank's Long-Term IDRs to 'BB-' from 'B+', Outlook Stable. In March 2019, Russian Analytical Credit Rating Agency (ACRA) affirmed the Bank's BBB+(RU) credit rating under the national scale, revising the Outlook to 'Positive' from 'Stable'.

2. Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 22). The Russian economy continues to be negatively impacted by an ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

On 12 March 2020, the World Health Organization (WHO) declared the outbreak of COVID-19 a pandemic. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spread and impact of COVID-19, such as travel bans and restrictions, quarantines, self-isolation orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Russia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as the Russian and global economy for an unknown period of time.

The Management takes all necessary measures to ensure the sustainability of the Group's operations and support its customers and employees:

- customers are offered restructuring of loans both under the government support programmes and under the Group's own programmes;
- the Group expands services to customers through digital service channels.

The future effects of the current economic situation and the above measures are difficult to predict, and the Management's current expectations and estimates could differ from actual results.

To measure expected credit losses (ECL), the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihood of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 5 provides more information of how the Group incorporated forward-looking information in the ECL models.

In March 2020, the International Accounting Standards Board (IASB) emphasized in its educational materials that an appropriate judgment has to be applied when determining the effects of COVID-19 on expected credit losses under IFRS 9, given the significant uncertainty that exists, in particular when assessing future macroeconomic conditions. Deteriorating economic forecasts have caused and are likely to continue to cause an increase in expected credit losses and hence greater volatility of profit or loss.

3. Significant accounting policies

General information

This interim condensed consolidated financial information for the nine months ended 30 September 2020 has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

This interim condensed consolidated financial information does not contain all information and data required to be disclosed in the annual consolidated financial statements, therefore it should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2019.

These interim condensed consolidated financial statements are presented in thousands of Russian Rubles ("RUB '000"), unless otherwise stated.

3 Significant accounting policies (continued)

General information (continued)

As at 30 September 2020, the principal rate of exchange used for translating foreign currency balances was USD 1 = RUB 79.6845 (31 December 2019: USD 1 = RUB 61.9057) and EUR 1 = RUB 93.0237 (31 December 2019: EUR 1 = RUB 69.3406).

The interim condensed consolidated financial information in accordance with Russian law can be found at the Bank's web-site www.expobank.ru.

Interim Condensed Consolidated Financial Information

Subsidiaries are those investees, including the structured entity that the Group controls because the Group

- (i) has power to direct relevant activities of the investees that significantly affect their returns,
- (ii) has exposure, or rights, to variable returns from its involvement with the investees, and
- (iii) has the ability to use its power over the investees to affect the amount of investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to consolidate subsidiaries. The Identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after the management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews the appropriateness of their measurement.

3 Significant accounting policies (continued)

Interim Condensed Consolidated Financial Information (continued)

The consideration transferred for the acquiree is measured at fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excluding the acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt securities are deducted from their carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealized gains on transactions between the Group companies are eliminated. Unrealized losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group's equity.

Changes in accounting policies

Except for income tax expenses reported in this interim condensed consolidated financial information based on the management's analysis of all information available on the weighted average annual income tax rate expected for the full financial year, the accounting principles used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

4. Adoption of new or revised standards and interpretations

The following amended standards and interpretations became effective for the Group from 1 January 2020, but did not have any material impact on the Group:

- The amendments to the Conceptual Framework for Financial Reporting (issued on 29 June 2018 and effective for annual periods beginning on or after 1 January 2020).
- The definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of the annual reporting period that starts on or after 1 January 2020).
- The 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).
- Interest Rate Benchmark Reform – 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).

Other new standards and interpretations not disclosed in the Group's last consolidated financial statements for the year ended 31 December 2019 were not issued or became effective. The Group continues to assess the impact of new standards and interpretations not yet effective and will disclose their known or reasonably determined implications as soon as the assessment results are available.

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the interim condensed consolidated financial information and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on the Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. While applying the accounting policies, the Management also uses professional judgments and estimations. Professional judgments that have the most significant effect on the amounts recognized in the interim condensed consolidated financial information 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 on financial assets

Loss measurement under IFRS 9 "Financial instruments" related to all categories of financial assets requires judgment. In particular, when 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:

- 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 formulae and the choice of inputs;
- identification of correlations between macro-economic scenarios and economic data, as well as effect on PD;
- selection of forward-looking macroeconomic scenarios and their weighting against probabilities to obtain economic inputs for the ECL measurement models.

As a result of COVID-19 and deterioration of the general economic situation, the number of loan restructuring applications to the Bank from borrowers increased in the second quarter of 2020. The Bank restructured loans both in accordance with the effective Russian regulations and under its own programmes. At the same time, the number of such applications from corporate borrowers turned out to be less than expected as the most affected industries account for a minor portion of the Bank's loan portfolio. When planning the expected cash flows for repayment of debt measured on an individual basis, the Bank took into account the most recent macroeconomic forecasts and specifics of the borrowers' operations in the current environment; in particular, the Bank considered the borrowers' ability to make loan payments over the lifetime of the loan.

The main increase in allowances for the second quarter of 2020 resulted from increased risks on the retail loan portfolio: when assessing PD on loans to individuals the Bank took into account the effect of the growth of the restructured loans, for which no formal deterioration of credit quality was observed.

5. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

Expected credit losses on financial assets (continued)

The change of macroeconomic indicators that were considered in the macroeconomic mark-up had an insignificant impact on allowances as at 1 October 2020.

The Bank adjusted its procedures for issuing new loans, drawdown conditions and monitoring procedures for originated loans in response to deterioration of the general economic environment.

Initial recognition of related party transactions

In the ordinary 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 25.

Valuation of own land and buildings

Land and buildings of the Group are stated at fair value based on the report prepared by an independent valuation company. The valuation is made by an independent company specialising in the assessment of similar assets in a similar region and of a similar category. To measure the fair value of the land and buildings, the independent appraiser used a comparison approach and an income approach. The sales comparison appraisal was made through comparing sales as there exists market information on sales offers for similar properties, and is based on the prices used in market transactions significantly adjusted for the differences in the nature, location and condition of a specific property. The income approach appraisal reflects the utility of the property as far as its income generation potential is concerned, and is based on the lease rates data as of the appraisal date. Based on the revaluation of the Group's land and buildings at 31 December 2019, an increase in the fair value recorded within other comprehensive income totalled RUB 14,241 thousand before deferred tax.

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 interim condensed 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, judgments are to be applied for determining the fair value. Additional information on estimating fair value of assets and liabilities is provided in Note 23.

6. Cash and cash equivalents

<i>(in RUB '000)</i>	30 September 2020 (unaudited)	31 December 2019
Cash on hand	1,170,298	1,291,650
Cash balances with CBR (other than mandatory cash balances)	2,690,036	2,433,508
Correspondent accounts and overnight placements with credit institutions	2,346,239	2,652,674
Settlement accounts with financial institutions	778,079	182,379
Reverse sale and repurchase agreements with credit institutions with original maturities of less than three months	5,782,669	-
Loans to credit institutions with original maturities of less than three months	4,053,000	5,331,950
Deposits placed with CBR with original maturities of less than three months	7,000,000	6,651,288
Total cash and cash equivalents before ECL allowance	23,820,321	18,543,449
Less ECL allowance	(160)	(222)
Total cash and cash equivalents	23,820,161	18,543,227

Correspondent accounts and overnight placements with credit institutions as at 30 September 2020 and 31 December 2019 represent funds placed with Russian and foreign credit institutions.

As at 30 September 2020, settlement accounts with financial institutions represent settlements with Central Counterparty National Clearing Centre (JSC) in the amount of RUB 531,254 thousand, broker accounts with financial institutions in the amount of RUB 238,110 thousand, and settlements with payment systems in the amount of RUB 8,715 thousand (2019: settlements with Central Counterparty National Clearing Centre (JSC) in the amount of RUB 89,005 thousand, broker accounts with financial institutions in the amount of RUB 76,336 thousand, and settlements with payment systems in the amount of RUB 17,038 thousand).

As at 30 September 2020, loans to credit institutions with original maturities of less than three months include loans to a large Russian bank and a large foreign bank (2019: loans to a large Russian bank and a large foreign bank) with contractual interest rates from 4.15% to 4.2% p.a. (2019: from 6.1% to 6.5% p.a.) and maturities in October 2020 (2019: in January 2020).

As at 30 September 2019, reverse sale and repurchase agreements with original maturities of less than three months represent funds placed with Central Counterparty National Clearing Centre (JSC), with contractual interest rates from 0.35% to 4.35% p.a. and maturities in October 2020. These agreements are collateralised by Russian Federation Eurobonds, bonds of large Russian companies and a state corporation and shares of a large Russian company with a fair value of RUB 6,328,690 thousand.

As at 30 September 2020, cash and cash equivalents with regards to four major counterparties amounted to RUB 11,771,297 thousand (in 2019: RUB 6,164,947 thousand), or 49.4% (in 2019: 33.2%) of total cash and cash equivalents.

Movements in ECL allowances for cash and cash equivalents for the nine months ended 30 September are presented in the table below:

<i>(in RUB '000)</i>	2020 (unaudited)	2019 (unaudited)
ECL allowance at 1 January	222	1,054
New purchased or originated assets	679	1,608
Derecognised or redeemed assets	(739)	(4,787)
Net remeasurement of loss allowance	(3)	3,563
Exchange differences	1	(5)
ECL allowance at 30 September (unaudited)	160	1,433

6 Cash and cash equivalents (continued)

For ECL allowance purposes, all cash and cash equivalents during the nine months ended 30 September 2020 and the nine months ended 30 September 2019 are classified in Stage 1.

Movements in ECL allowances for cash and cash equivalents for the three months ended 30 September are presented in the table below:

<i>(in RUB '000)</i>	2020 (unaudited)	2019 (unaudited)
ECL allowance at 1 July (unaudited)	247	3,717
New purchased or originated assets	157	1,405
Derecognised or redeemed assets	(240)	(3,690)
Net remeasurement of loss allowance	(3)	-
Exchange differences	(1)	1
ECL allowance at 30 September (unaudited)	160	1,433

For ECL allowance purposes, all cash and cash equivalents during the three months ended 30 September 2020 and the three months ended 30 September 2019 are classified in Stage 1.

As at 30 September 2020 and 31 December 2019, cash and cash equivalents are current and not impaired.

Refer to Note 23 for the disclosure of the fair value of cash and cash equivalents. The information on related party transactions is disclosed in Note 25.

7. Securities at fair value through profit or loss

<i>(in RUB '000)</i>	At 30 September 2020 (unaudited)	31 December 2019
Corporate bonds	8,983,942	7,276,929
Bonds of banks	1,192,822	1,567,263
Foreign government bonds	722,081	-
Bonds of state corporations	-	1,586,697
Corporate shares	-	759,901
Investment units	-	88,063
Federal loan bonds (OFZ)	-	54,850
Shares of banks	-	34,083
Total not pledged securities at FVTPL	10,898,843	11,367,786
Total securities at FVTPL	10,898,843	11,367,786

Securities at FVTPL are recorded at fair value determined based on observable market data using the weighted average quotes of Moscow Exchange or other observable market data. Where quoted market prices are not available, the Group uses various valuation techniques. Refer to Note 23.

As at 30 September 2020, corporate bonds represent interest bearing securities denominated in Russian rubles and US dollars (31 December 2019: in Russian rubles and US dollars) issued by large Russian and foreign companies and tradable on the Russian and foreign markets (31 December 2019: on the Russian market).

7 Securities at fair value through profit or loss (continued)

Bonds of banks represent interest bearing debt securities denominated in Russian rubles and foreign currency issued by Russian and foreign banks and tradable on the Russian and foreign markets.

Foreign government bonds represent interest bearing debt securities of the Republic of Turkey denominated in foreign currency and tradable on foreign markets.

Bonds of state corporations represent interest bearing debt securities denominated in foreign currency issued by Vneshekonombank and tradable on foreign markets. The debt securities issuer is not a commercial bank and its operation is regulated by special legislation.

Corporate shares represent equity securities denominated in Russian rubles and US dollars issued by large Russian and foreign companies and tradable on the Russian and foreign markets.

As at 30 September 2020, securities at FVTPL in the amount of RUB 955,348 thousand (31 December 2019: RUB 1,012,785 thousand) were restricted under the Master Loan Agreement signed with CBR with an overdraft limit in the amount of RUB 3,500,000 thousand.

Securities at FVTPL are not collateralised.

Refer to Note 23 for the disclosure of the fair value of of each class of securities at FVTPL.

8. Due from credit institutions

As at 30 September 2020, amounts due from credit institutions include the loan provided to a foreign bank in the amount of RUB 279,513 thousand and an ECL allowance of RUB 335 thousand, with the contractual interest rate from 3.0% p.a. and maturity in March 2021 (unaudited).

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 RUB 1,431,973 thousand and an ECL allowance of RUB 619 thousand, with contractual interest rates from 2.6% p.a. to 4.55% p.a. and maturities from March 2020 to September 2020.

Movements in ECL allowances for the amounts due from credit institutions for the nine months ended 30 September are presented in the table below:

<i>(in RUB '000)</i>	2020 (unaudited)	2019 (unaudited)
ECL allowance at 1 January	619	15,037
New originated or purchased assets and effects of other increases in gross carrying amount	699	556
Derecognised or redeemed assets and effects of other decreases in gross carrying amount	(1,082)	(4,481)
Net remeasurement of loss allowance	33	(9,065)
Exchange differences	66	(1,021)
ECL allowance at 30 September (unaudited)	335	1,026

8 Due from credit institutions (continued)

For ECL allowance purposes, all amounts due from credit institutions during the nine months ended 30 September 2020 and the nine months ended 30 September 2019 are classified in Stage 1.

Movements in ECL allowances for the amounts due from credit institutions for the three months ended 30 September are presented in the table below:

<i>(in RUB '000)</i>	2020 (unaudited)	2019 (unaudited)
ECL allowance at 1 July (unaudited)	747	1,510
New originated or purchased assets and effects of other increases in gross carrying amount	20	–
Derecognised or redeemed assets and effects of other decreases in gross carrying amount	(669)	(83)
Net remeasurement of loss allowance	243	(423)
Exchange differences	(6)	22
ECL allowance at 30 September (unaudited)	335	1,026

For ECL allowance purposes, all amounts due from credit institutions during the three months ended 30 September 2020 and the three months ended 30 September 2019 are classified in Stage 1.

Amounts due from credit institutions are not collateralised.

Refer to Note 23 for the disclosure of the fair value of amounts due from credit institutions. The information on related party transactions is disclosed in Note 25.

9. Loans to customers

<i>(in RUB '000)</i>	30 September 2020 (unaudited)	31 December 2019
Investment projects	764,500	888,772
Large business	13,176,516	14,122,308
Small and medium business	13,715,250	18,600,943
Loans to individuals	31,631,009	27,825,144
Total loans to customers at amortised cost before ECL allowance	59,287 275	61,437,167
Less ECL allowance	2,833,450	2,053,864
Total loans to customers at amortised cost	56,453,825	59,383,303
Investment projects	1,609,899	283,532
Loans to individuals	–	600,484
Total loans to customers at FVTPL	1,609,899	884,016
Total loans to customers	58,063 724	60,267,319

The Group has a portfolio of loans to customers that do not pass as the “Solely payments of principal amount outstanding and interest” test in order to be classified at amortised cost under IFRS 9. As a result, these loans were classified as at FVTPL from the date of initial recognition. The loans and advances to customers at FVTPL are measured taking into account credit risk. The carrying amount presented in the interim condensed statement of financial position best represents the Group's maximum exposure to credit risk arising from loans and advances to customers.

The fair value of loans to the clients to of MFC CASHDRIVE LLC as of the acquisition date was RUB 222,145 thousand.

9 Loans to customers (continued)

Portfolios of loans recognised by the Group are divided into:

- loans issued for investment projects;
- other loans divided into:
 - loans to large businesses (annual revenue exceeds RUB 3 billion);
 - loans to small and medium businesses (annual revenue is up to RUB 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;
 - loans to individuals include car loans, consumer and mortgage loans.

Movements in ECL allowances for loans issued for investment projects for the nine months ended 30 September 2020 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Investment projects					
As at 1 January	7,688	1,693	34,416	22,923	66,720
New originated or purchased assets and effects of other increases in gross carrying amount	1,344	-	42,291	-	43,635
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(5,302)	(746)	(2,115)	(11,063)	(19,226)
Transfers to Stage 2	(715)	715	-	-	-
Unwinding of discounting (recognised in interest income)	-	-	5,260	11,614	16,874
Net remeasurement of loss allowance	242	(497)	5,418	(23,474)	(18,311)
Impairment allowance for loans assigned during the period	-	-	(9,168)	-	(9,168)
ECL allowance at 30 September 2020 (unaudited)	3,257	1,165	76,102	-	80,524

Movements in ECL allowances for loans issued for investment projects for the nine months ended 30 September 2020 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Investment projects					
At 1 July	7,440	740	59,969	-	68,149
New originated or purchased assets and effects of other increases in gross carrying amount	-	-	8,149	-	8,149
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(3,171)	(52)	(257)	(7,676)	(11,156)
Transfers to Stage 2	(715)	715	-	-	-
Unwinding of discounting (recognised in interest income)	-	-	1,604	7,676	9,280
Net remeasurement of loss allowance	(297)	(238)	6,637	-	6,102
ECL allowance at 30 September 2020 (unaudited)	3,257	1,165	76,102	-	80,524

9 Loans to customers (continued)

Movements in ECL allowances for loans to large businesses for the nine months ended 30 September 2020 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Large business					
At 1 January	40,123	103,984	-	-	144,107
New originated or purchased assets and effects of other increases in gross carrying amount	138,544	933	-	-	139,477
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(14,056)	(131,015)	-	(46)	(145,117)
Transfers to Stage 2	(12,246)	12,246	-	-	-
Unwinding of discounting (recognised in interest income)	-	-	-	12	12
Net remeasurement of loss allowance	(9,168)	34,908	-	34	25,774
Impairment allowance for loans assigned during the period	(2,954)	(5,126)	-	-	(8,080)
Exchange differences	3,129	26,542	-	-	29,671
ECL allowance at 30 September 2020 (unaudited)	143,372	42,472	-	-	185,844

Movements in ECL allowances for loans to large businesses for the nine months ended 30 September 2020 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Large business					
At 1 July	172,146	46,251	-	-	218,397
New originated or purchased assets and effects of other increases in gross carrying amount	4,407	-	-	-	4,407
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(4,287)	(3,599)	-	-	(7,886)
Net remeasurement of loss allowance	(31,403)	(180)	-	-	(31,583)
Exchange differences	2,509	-	-	-	2,509
ECL allowance at 30 September 2020 (unaudited)	143,372	42,472	-	-	185,844

9 Loans to customers (continued)

Movements in ECL allowances for loans to small and medium businesses for the nine months ended 30 September 2020 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Small and medium business					
As at 1 January	284,251	33,796	597,675	19,135	934,857
New originated or purchased assets and effects of other increases in gross carrying amount	128,542	515	116,480	13,769	259,306
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(109,851)	(38,946)	(26,556)	(18,496)	(193,849)
Transfers to Stage 1	7,720	(7,720)	-	-	-
Transfers to Stage 2	(8,534)	8,534	-	-	-
Transfers to Stage 3	(3,059)	(161)	3,220	-	-
Unwinding of discounting (recognised in interest income)	-	-	4,702	18,407	23,109
Net remeasurement of loss allowance	(104,100)	15,928	70,667	7,342	(10,163)
Impairment allowance for loans assigned during the period	-	(161)	(337,966)	-	(338,127)
Exchange differences	4,497	-	-	-	4,497
ECL allowance at 30 September 2020 (unaudited)	199,466	11,785	428,222	40,157	679,630

Movements in ECL allowances for loans to small and medium businesses for the nine months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Small and medium business					
At 1 July	250,028	43,277	457,324	40,262	790,891
New originated or purchased assets and effects of other increases in gross carrying amount	28,558	179	41,127	6,825	76,689
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(39,187)	(33,248)	(7,741)	(12,722)	(92,898)
Transfers to Stage 2	(1,835)	1,835	-	-	-
Transfers to Stage 3	(2,106)	-	2,106	-	-
Unwinding of discounting (recognised in interest income)	-	-	1,108	5,297	6,405
Net remeasurement of loss allowance	(40,485)	(97)	45,263	495	5,176
Impairment allowance for loans assigned during the period	-	(161)	(110,965)	-	(111,126)
Exchange differences	4,493	-	-	-	4,493
ECL allowance at 30 September 2020 (unaudited)	199,466	11,785	428,222	40,157	679,630

9 Loans to customers (continued)

Movements in ECL allowances for loans to individuals for the nine months ended 30 September 2020 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	Total
Individuals				
As at 1 January	332,141	112,334	463,705	908,180
New originated or purchased assets and effects of other increases in gross carrying amount	269,595	43,590	44,405	357,590
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(122,605)	(37,743)	(215,577)	(375,925)
Transfers to Stage 1	200,777	(152,104)	(48,673)	-
Transfers to Stage 2	(27,614)	39,883	(12,269)	-
Transfers to Stage 3	(40,253)	(295,564)	335,817	-
Unwinding of discounting (recognised in interest income)	-	-	180,494	180,494
Net remeasurement of loss allowance	(7,660)	349,700	482,929	824,969
ECL allowance for loans assigned during the period	(4,507)	(296)	(3,063)	(7,866)
Exchange differences	8	-	2	10
ECL allowance at 30 September 2020 (unaudited)	599,882	59,800	1,227,770	1,887,452

Movements in ECL allowances for loans to individuals for the nine months ended 30 September 2020 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	Total
Individuals				
At 1 July	518,047	282,062	956,990	1,757,099
New originated or purchased assets and effects of other increases in gross carrying amount	169,978	3,981	867	174,826
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(51,671)	(26,586)	(153,704)	(231,961)
Transfers to Stage 1	153,413	(121,339)	(32,074)	-
Transfers to Stage 2	(5,582)	13,020	(7,438)	-
Transfers to Stage 3	(8,882)	(129,789)	138,671	-
Unwinding of discounting (recognised in interest income)	-	-	144,331	144,331
Net remeasurement of loss allowance	(172,328)	38,457	180,752	46,881
ECL allowance for loans assigned during the period	(3,108)	(6)	(627)	(3,741)
Exchange differences	15	-	2	17
ECL allowance at 30 September 2020 (unaudited)	599,882	59,800	1,227,770	1,887,452

9 Loans to customers (continued)

Movements in ECL allowances for loans issued for investment projects for the nine months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Investment projects					
As at 1 January	22,578	19,463	-	-	42,041
Business combinations	13,811	-	-	-	13,811
New originated or purchased assets and effects of other increases in gross carrying amount	8,142	3,515	7,121	-	18,778
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(9,845)	(1,781)	(3,550)	-	(15,176)
Transfers to Stage 2	(11,609)	11,609	-	-	-
Transfers to Stage 3	(10,052)	-	10,052	-	-
Unwinding of discounting	-	-	3,549	-	3,549
Net remeasurement of loss allowance	3,046	(11,777)	12,127	-	3,396
ECL allowance at 30 September 2019 (unaudited)	16,071	21,029	29,299	-	66,399

Movements in ECL allowances for loans issued for investment projects for the three months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Investment projects					
At 1 July	42,140	9,833	-	-	51,973
New originated or purchased assets and effects of other increases in gross carrying amount	2,643	3,350	7,121	-	13,114
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(5,731)	(1,781)	(3,550)	-	(11,062)
Transfers to Stage 2	(11,609)	11,609	-	-	-
Transfers to Stage 3	(10,052)	-	10,052	-	-
Unwinding of discounting	-	-	3,549	-	3,549
Net remeasurement of loss allowance	(1,320)	(1,982)	12,127	-	8,825
ECL allowance at 30 September 2019 (unaudited)	16,071	21,029	29,299	-	66,399

Movements in ECL allowances for loans to large businesses for the nine months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Large business					
As at 1 January	70,533	110,804	-	-	181,337
Business combinations	137,943	-	-	-	137,943
New originated or purchased assets and effects of other increases in gross carrying amount	98,620	2,385	-	-	101,005
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(69,440)	(1,336)	-	-	(70,776)
Transfers to Stage 2	(70,340)	70,340	-	-	-
Net remeasurement of loss allowance	(119,565)	(25,535)	-	-	(145,100)
Impairment allowance for loans assigned during the period	(30)	-	-	-	(30)
Exchange differences	(2,618)	(8,276)	-	-	(10,894)
ECL allowance at 30 September 2019 (unaudited)	45,103	148,382	-	-	193,485

9 Loans to customers (continued)

Movements in ECL allowances for loans to large businesses for the three months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Large business					
At 1 July	241,694	102,056	-	-	343,750
New originated or purchased assets and effects of other increases in gross carrying amount	13,537	2,385	-	-	15,922
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(42,620)	(2,857)	-	-	(45,477)
Transfers to Stage 2	(70,340)	70,340	-	-	-
Net remeasurement of loss allowance	(97,169)	(25,535)	-	-	(122,704)
Exchange differences	1	1,993	-	-	1,994
ECL allowance at 30 September 2019 (unaudited)	45,103	148,382	-	-	193,485

Movements in ECL allowances for loans to small and medium businesses for the nine months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Small and medium business					
As at 1 January	65,488	309	509,113	-	574,910
Business combinations	424,982	-	-	-	424,982
New originated or purchased assets and effects of other increases in gross carrying amount	149,684	62,234	47,167	-	259,085
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(164,847)	(9,540)	(76,652)	-	(251,039)
Transfers to Stage 1	12	(12)	-	-	-
Transfers to Stage 2	(185,908)	185,908	-	-	-
Transfers to Stage 3	-	(35,774)	35,774	-	-
Unwinding of discounting (recognised in interest income)	-	-	25,456	-	25,456
Net remeasurement of loss allowance	126,638	34,730	44,249	482	206,099
Impairment allowance for loans assigned during the period	-	-	(13,014)	-	(13,014)
Write-offs	-	-	(61,780)	-	(61,780)
Exchange differences	(442)	(5)	-	-	(447)
ECL allowance at 30 September 2019 (unaudited)	415,607	237,850	510,313	482	1,164,252

9 Loans to customers (continued)

Movements in ECL allowances for loans to small and medium businesses for the three months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Small and medium business					
At 1 July	468,339	35,727	453,723	-	957,789
New originated or purchased assets and effects of other increases in gross carrying amount	59,498	62,107	40,258	-	161,863
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(100,480)	(9,137)	(34,802)	-	(144,419)
Transfers to Stage 2	(185,586)	185,586	-	-	-
Transfers to Stage 3	-	(35,727)	35,727	-	-
Unwinding of discounting (recognised in interest income)	-	-	17,349	-	17,349
Net remeasurement of loss allowance	173,827	(706)	42,091	482	215,694
Write-offs	-	-	(44,033)	-	(44,033)
Exchange differences	9	-	-	-	9
ECL allowance at 30 September 2019 (unaudited)	415,607	237,850	510,313	482	1,164,252

Movements in ECL allowances for loans to individuals for the nine months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	Total
Individuals				
As at 1 January	130,734	31,018	114,598	276,350
Business combinations	197,081	-	-	197,081
New originated or purchased assets and effects of other increases in gross carrying amount	234,183	12,158	16,368	262,709
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(101,871)	(8,798)	(39,658)	(150,327)
Transfers to Stage 1	36,429	(30,543)	(5,886)	-
Transfers to Stage 2	(48,226)	49,264	(1,038)	-
Transfers to Stage 3	(14,523)	(109,786)	124,309	-
Unwinding of discounting (recognised in interest income)	-	-	25,044	25,044
Net remeasurement of loss allowance	83,971	176,427	116,926	377,324
ECL allowance for loans assigned during the period	(23,077)	(3,971)	(10,281)	(37,329)
Exchange differences	(46)	-	(69)	(115)
ECL allowance at 30 September 2019 (unaudited)	494,655	115,769	340,313	950,737

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9 Loans to customers (continued)

Movements in ECL allowances for loans to individuals for the three months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	Total
Individuals				
At 1 July	467,390	76,544	263,071	807,005
New originated or purchased assets and effects of other increases in gross carrying amount	96,882	7,698	7,411	111,991
Derecognised or redeemed assets (excluding write-offs) and effects of other decreases in gross carrying amount	(57,991)	(6,121)	(21,878)	(85,990)
Transfers to Stage 1	21,622	(19,026)	(2,596)	-
Transfers to Stage 2	(43,520)	44,196	(676)	-
Transfers to Stage 3	(5,966)	(48,290)	54,256	-
Unwinding of discounting (recognised in interest income)	-	-	11,010	11,010
Net remeasurement of loss allowance	20,298	60,915	29,713	110,926
ECL allowance for loans assigned during the period	(4,061)	(147)	1	(4,207)
Exchange differences	1	-	1	2
ECL allowance at 30 September 2019 (unaudited)	494,655	115,769	340,313	950,737

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>(in RUB '000)</i>	30 September 2020		31 December 2019	
	Amount	%	Amount	%
Individuals	31,631,009	51.9	28,425,628	45.6
Financing and insurance activities	6,870,647	11.3	5,104,488	8.2
Metallurgy	4,660,988	7.7	3,964,071	6.4
Development	3,387,269	5.6	4,092,831	6.6
Wholesale trade	2,238,552	3.7	2,577,350	4.1
Agriculture, forestry, hunting, fishing and fishery	1,940,103	3.2	3,096,097	5.0
Other manufacturing	1,686,864	2.8	1,584,170	2.5
Residential construction	1,558,816	2.6	1,468,720	2.4
Oil and gas	1,486,060	2.4	1,471,668	2.4
Energy	1,206,900	2.0	1,346,194	2.2
Retail trade	996,020	1.6	1,771,670	2.8
Construction	904,803	1.5	827,437	1.3
Infrastructure construction	748,247	1.2	795,009	1.3
Real estate operations	376,499	0.6	3,000,000	4.8
Manufacture and repair of transport vehicles and equipment	341,172	0.6	643,146	1.0
Trade in motor vehicles, motorcycles and their repair	225,262	0.4	629,563	1.0
Mining	132,228	0.2	0	0.0
Other types of services	117,439	0.2	394,065	0.6
Other	388,296	0.5	1,129,076	1.8
Total loans to customers (before ECL allowance)	60,897,174	100.0	62,321,183	100.0

9 Loans to customers (continued)

As at 30 September 2020, loans provided to 30 largest borrowers amounted to RUB 23,641,082 thousand before ECL allowance for the loan portfolio (31 December 2019: RUB 25,544,682 thousand), or 38.8% (31 December 2019: 41.0%) of total loans to customers.

The analysis by credit quality of loans issued to customers for investment projects and measured at amortized cost as at 30 September 2020 is as follows (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Investment projects					
Neither past due nor impaired					
- Loans renegotiated in 2020	-	21,059	-	-	21,059
- Standard portfolio	98,514	27,409	-	-	125,923
Total neither past due nor impaired	98,514	48,468	-	-	146,982
Individually impaired					
- not past due	-	-	57,123	105,337	162,460
- over 90 days overdue	-	-	214,042	241,016	455,058
Total individually impaired	-	-	271,165	346,353	617,518
Total loans to customers for investment projects and measured at amortized cost (before ECL allowance)	98,514	48,468	271,165	346,353	764,500
Less ECL allowance	(3,257)	(1,165)	(76,102)	-	(80,524)
Total loans issued for investment projects and measured at amortized cost	95,257	47,303	195,063	346,353	683,976

9 Loans to customers (continued)

The analysis by credit quality of loans to large businesses at amortised cost as at 30 September 2020 is as follows (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Large business					
Neither past due nor impaired					
– standard portfolio	12,900,691	275,825	–	–	13,176,516
Total neither past due nor impaired	12,900,691	275,825	–	–	13,176,516
Total loans to large businesses at amortized cost (before ECL allowance)	12,900,691	275,825	–	–	13,176,516
Less ECL allowance	(143,372)	(42,472)	–	–	(185,844)
Total loans to large businesses at amortized cost	12,757,319	233,353	–	–	12,990,672

9 Loans to customers (continued)

The analysis by credit quality of loans to small and medium businesses at amortized cost as at 30 September 2020 is as follows (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Small and medium business					
Neither past due nor impaired					
- Loans renegotiated in 2020	-	3,494	-	-	3,494
- standard portfolio	12,260,502	433,919	-	-	12,694,421
Total neither past due nor impaired	12,260,502	437,413	-	-	12,697,915
Past due but not impaired					
- less than 30 days overdue	14,958	-	-	-	14,958
Total past due but not impaired	14,958	-	-	-	14,958
Individually impaired					
- not past due	-	-	3,853	282,139	285,992
- less than 30 days overdue	-	-	48,640	-	48,640
- 31 to 90 days overdue	-	-	43,533	-	43,533
- over 90 days overdue	-	-	438,918	185,294	624,212
Total individually impaired	-	-	534,944	467,433	1,002,377
Total loans to small and medium businesses at amortized cost (before ECL allowance)	12,275,460	437,413	534,944	467,433	13,715,250
Less ECL allowance	(199,466)	(11,785)	(428,222)	(40,157)	(679,630)
Total loans to small and medium businesses at amortized cost	12,075,994	425,628	106,722	427,276	13,035,620

9 Loans to customers (continued)

The analysis by credit quality of loans to individuals at amortized cost as at 30 September 2020 is as follows (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Neither past due nor impaired				
- loans renegotiated in 2020	801,792	-	-	801,792
- loans renegotiated in prior reporting periods	2,278	-	-	2,278
- standard portfolio	28,298,834	-	-	28,298,834
Total neither past due nor impaired	29,102,904	-	-	29,102,904
Past due but not impaired				
- less than 30 days overdue	691,459	1,801	-	693,260
- 31 to 90 days overdue	-	149,919	-	149,919
Total past due but not impaired	691,459	151,720	-	843,179
Individually impaired				
- over 90 days overdue	-	-	1,684,926	1,684,926
Total individually impaired	-	-	1,684,926	1,684,926
Total loans and advances to individuals (before ECL allowance)	29,794,363	151,720	1,684,926	31,631,009
Less ECL allowance	(599,882)	(59,800)	1,227,770	1,887,452
Total loans and advances to individuals	29,194,481	91,920	457,156	29,743,557

9 Loans to customers (continued)

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

<i>(in RUB '000)</i>	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 amortized 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 amortized cost	364,506	44,790	130,978	281,778	822,052

9 Loans to customers (continued)

The analysis by credit quality of loans to large businesses at amortized cost as at 31 December 2019 is as follows:

<i>(in RUB '000)</i>	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 businesses at amortized 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 businesses at amortized cost	9,680,566	3,823,278	474,357	13,978,201

9 Loans to customers (continued)

The analysis by credit quality of loans to small and medium businesses at amortized cost as at 31 December 2019 is as follows:

<i>(in RUB '000)</i>	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 past due but not 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 businesses at amortized 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 businesses at amortized cost	15,763,916	1,395,141	51,703	455,326	17,666,086

9 Loans to customers (continued)

The analysis by credit quality of loans to individuals at amortized cost as at 31 December 2019 is as follows:

<i>(in RUB '000)</i>	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	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 amortized 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 amortized cost	26,606,741	131,389	178,834	26,916,964

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

9 Loans to customers (continued)

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 entire balance of such loans, not only the individual installments that are past due.

As at 30 September 2020, loans to individuals include loans acquired from other financial institutions with a right of recourse in the amount of RUB 1,434,098 thousand before ECL allowance, with the recourse period under them of 3 months (31 December 2019: RUB 1,406,598 thousand, with the recourse period under them of 6 months, and RUB 600,484 thousand, with the unlimited recourse period under them). Total loans acquired with a right of recourse during the nine months ended 30 September 2020 equaled RUB 1,446,646 thousand, with the recourse period under them of 3 months (during the nine months ended 30 September 2019: RUB 1,108,324 thousand, with the recourse period under them of 6 months, and RUB 553,796 thousand, with the unlimited recourse period under them).

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 ECL 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 purchased or created impaired ('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 ECL loss is recorded.

During the nine months in 2020, the Group revised the Stage 2 loans originated for investment projects in the amount of RUB 21,059 thousand and loans to small and medium businesses in the amount RUB 3,494. The effect from modification is insignificant.

During 2019, the Group revised the Stage 3 and POCI loans originated for investment projects in the amount of RUB 58,682 thousand. The effect from modification is insignificant.

The information on the fair value of each class of loans to customers is disclosed in Note 23. The information on related party transactions is disclosed in Note 25.

10. Securities at fair value through other comprehensive income

As at 30 September 2020 and as at 31 December 2019, there were no securities at fair value through other comprehensive income ("FVOCI") represented by corporate bonds that were restricted under the Master Loan Agreement signed with CBR with an overdraft limit in the amount of RUB 3,500,000 thousand.

As at 30 September 2020 and 31 December 2019, there were no pledged securities at FVOCI sold under direct REPO agreements.

Securities at FVOCI include the following:

<i>(in RUB '000)</i>	At 30 September 2020 (unaudited)	31 December 2019
Shares of banks	2,428,519	2,159,237
Corporate shares	121,595	41,196
Total securities at FVOCI	2,550,114	2,200,433

10 Securities at fair value through other comprehensive income (continued)

Debt securities at FVOCI are recorded at fair value determined based on the observable market data. Where quoted market prices are not available, the Group uses various valuation techniques. Refer to Note 23.

As at 30 September 2020, securities at FVOCI represent corporate shares of a foreign issuer and shares of a Russian and of a foreign bank with a fair value of RUB 2,550,114 thousand.

As at 31 December 2019 securities at FVOCI represent corporate shares of a Russian issuer and shares of a Russian and of a foreign bank with a fair value of RUB 2,200,433 thousand.

The Group resolved to irrevocably designate these shares into securities at FVOCI, as they are not held for trading. During the nine months ended 30 September 2020, the Group recognised, within other operating income, dividend income attributable to equity securities at FVOCI in the amount of RUB 7,523 thousand (during the nine months ended 30 September 2019: RUB 18,076 thousand).

The Group did not book ECL allowance for securities at FVOCI during the nine months ended 30 September 2020.

Movements in ECL allowances for securities at FVOCI for the nine months ended 30 September 2019 are presented in the table below:

<i>(in RUB '000)</i>	Stage 1
ECL allowance at 1 January	73,323
New originated or purchased assets and effects of other increases in gross carrying amount	9,780
Derecognised or redeemed assets and effects of other decreases in gross carrying amount	(32,051)
Net remeasurement of loss allowance	(42,816)
Exchange differences	(2,054)
ECL allowance at 30 September (unaudited)	6,182

Movements in ECL allowances for securities at FVOCI for the three months ended 30 September 2019 are presented in the table below:

<i>(in RUB '000)</i>	Stage 1
ECL allowance at 1 July (unaudited)	14,991
New originated or purchased assets and effects of other increases in gross carrying amount	-
Derecognised or redeemed assets and effects of other decreases in gross carrying amount	(5,466)
Net remeasurement of loss allowance	(3,467)
Exchange differences	124
ECL allowance at 30 September (unaudited)	6,182

Refer to Note 23 for the disclosure of the fair value of of each class of securities at FVOCI. The information on related party transactions is disclosed in Note 25.

11. Securities at amortized cost

Securities at amortized cost include the following:

	30 September 2020 (unaudited)	31 December 2019
Federal loan bonds (OFZ)	–	518,577
Total securities at amortized cost before ECL allowance	–	518,577
Less ECL allowance	–	(23)
Total securities at amortized cost	–	518,554

As at 31 December 2019, securities at amortized cost and represented by the federal loan bonds (OFZ) with carrying amount of RUB 518,577 thousand were restricted under the Master Loan Agreement signed with CBR with an overdraft limit in the amount of RUB 3,500,000 thousand.

12. Due to credit institutions

<i>(in RUB '000)</i>	30 September 2020 (unaudited)	31 December 2019
Correspondent accounts and overnight placements of credit institutions	153,196	275,822
Deposits of credit institutions	–	339,769
Total due to credit institutions	153,196	615,591

As at 30 September 2020 and 31 December 2019, correspondent accounts and overnight placements represent funds placed by Russian and foreign credit institutions.

As at 31 December 2019, deposits of credit institutions represent a deposit of a large foreign bank with the maturity in February 2020 and a contract interest rate of 2.3% p.a.

The information on the fair value of amounts due to credit institutions is disclosed in Note 23. The information on related party transactions is disclosed in Note 25.

13. Customer accounts

<i>(in RUB '000)</i>	30 September 2020 (unaudited)	31 December 2019
State and public organisations		
- Current/settlement accounts	363,796	39,824
- Term deposits	104,002	61,906
Legal entities		
- Current/settlement accounts	12,878,341	9,932,872
- Term deposits	7,430,718	10,354,298
Individuals		
- Current/demand accounts	4,172,613	3,318,962
- Term deposits	48,463,443	49,369,770
Total customer accounts	73,412,913	73,077,632

State and public organisations exclude government owned profit orientated businesses.

Economic sector concentrations within the customer accounts are as follows:

<i>(in RUB '000)</i>	30 September 2020 (unaudited)		31 December 2019	
	Amount	%	Amount	%
Individuals	52,636,056	71.7	52,688,732	72.1
Trade	5,758,735	7.9	6,188,563	8.6
Real estate	2,233,983	3.0	1,471,543	2.0
Construction	2,204,792	3.0	3,567,095	4.9
Oil and gas	1,663,033	2.3	315,509	0.4
Financial services	1,602,600	2.2	2,218,528	3.0
Transport and logistics	1,412,236	1.9	967,718	1.3
Manufacturing	1,097,061	1.5	1,272,323	1.7
Non-commercial organisations	841,286	1.1	676,509	0.9
Services	667,805	0.9	358,308	0.5
Agricultural industry	478,629	0.7	373,959	0.5
State and public organisations	467,798	0.6	101,730	0.1
Energy	369,070	0.5	297,337	0.4
Information and communication activities	253,347	0.4	205,414	0.3
Advertising and mass media	229,520	0.3	117,103	0.2
Consulting services	194,555	0.3	453,897	0.6
Hotel business and catering	162,588	0.2	142,450	0.2
Food products	158,467	0.2	841,030	1.2
Forestry	153,119	0.2	95,770	0.1
Mining	78,897	0.1	30,410	0.0
Other	749,336	1.0	693,704	1.0
Total customer accounts	73,412,913	100.0	73,077,632	100.0

As at 30 September 2020, customer accounts are recorded in the amount of RUB 35,919 thousand (31 December 2019: RUB 169 thousand) held as collateral for irrevocable LoC commitments (Note 22).

As at 30 September 2020, balances of 10 largest customers amounted to RUB 8,600,810 thousand (31 December 2019: RUB 6,752,326 thousand), or 11.7% (31 December 2019: 9.2%) of total customer accounts.

As at 30 September 2020, balances on customer accounts in the amount of RUB 267,379 thousand (31 December 2019: RUB 656,837 thousand) represented collateral on loans issued by the Group in the amount of RUB 6,521,042 thousand (31 December 2019: RUB 4,669,983 thousand).

13 Customer accounts (continued)

As at 30 September 2020, balances on customer accounts in the amount of RUB 267,379 thousand (31 December 2019: RUB 450,523 thousand) represented collateral on guarantees issued by the Group in the amount of RUB 760,653 thousand (31 December 2019: RUB 1,098,492 thousand) (Note 22).

The information on the fair value of customers' accounts is disclosed in Note 23. The information on related party transactions is disclosed in Note 25.

14. Debt securities in issue

<i>(in RUB '000)</i>	30 September 2020 (unaudited)	31 December 2019
Bonds issued on domestic market	1,272,586	1,398,277
Promissory notes	627,921	167,045
Savings certificates	300	300
Total debt securities in issue	1,900,807	1,565,622

As at 30 September 2020, debt securities in issue included bonds in the amount of RUB 1,272,586 thousand (31 December 2019: RUB 1,398,277 thousand), denominated in Russian Rubles. The nominal value of bonds in issue totaled RUB 1,246,615 thousand (31 December 2019: RUB 1,376,176 thousand). The bonds mature on 2 November 2022 (31 December 2019: 2 November 2022) and have a coupon rate of 8.75% (31 December 2019: 8.75% p.a.).

As at 30 September 2020, the Group issued promissory notes with a total nominal value of RUB 640,352 thousand (31 December 2019: RUB 178,309 thousand) with maturities from October 2020 to November 2021 (31 December 2019: from January 2020 to November 2020) and contractual interest rates of 0.0% p.a. (31 December 2019: from 0.0% to 6.15% p.a.).

As at 30 September 2019 and 31 December 2019, the Group issued savings certificates with a total nominal value of RUB 226 thousand with maturity in February 2019 and and a contractual interest rate of 11.0% p.a.

Refer to Note 23 for the disclosure of the fair value of debt securities in issue.

15. 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 Designated Activity Company registered in Ireland. As at 30 September 2020, the amortised cost of subordinated Eurobonds was RUB 1,610,302 thousand (unaudited) (31 December 2019: RUB 1,244,569 thousand).

16. Share capital

As at 30 September 2020, the authorized, issued and fully paid share capital adjusted for hyperinflation was RUB 9,394,240 thousand (31 December 2019: RUB 9,500,998 thousand).

During the nine months ended 30 September 2020 and during 2019 the Bank did not distribute profits to its members.

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

In Q1 2020 the Bank's share capital decreased due to the redemption of treasury shares.

16 Share capital (continued)

On 15 November 2018, the Bank signed an agreement on purchasing 0.9084% interest in the Bank's share capital from one of its members for RUB 128,470 thousand; this stake was transferred to the Bank when a corresponding entry was made to 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 members for RUB 49,907 thousand; this stake was transferred to the Bank when a corresponding entry was made to the Unified State Register of Legal Entities on 15 January 2020.

On 10 August 2020, the Bank signed an agreement on purchasing 10.65% interest in the Bank's share capital from one of its members for RUB 2,109,945 thousand; this stake was transferred to the Bank when a corresponding entry was made to the Unified State Register of Legal Entities on 27 August 2020.

The Bank is a limited liability company. According to the effective Russian law, the number of votes held by each member of a limited liability company is proportionate to the member's stake in the company's share capital. On 17 August 2020, the General Meeting of the Bank's Members adopted a resolution to reorganise Expobank LLC into a joint stock company.

17. Interest Income and Expense

<i>(in RUB '000)</i>	For 3 months ended 30 September (unaudited)		For 9 months ended 30 September (unaudited)	
	2020	2019	2020	2019
Interest income calculated using the effective interest rate				
Loans to individuals	1,068,923	1,058,269	3,392,289	2,725,639
Loans to legal entities	599,681	1,170,480	2,615,296	2,871,541
Due from credit institutions	155,400	84,872	556,977	235,455
Investment securities at amortized costs	–	9,434	2,663	18,788
Investment securities at FVOCI	–	86,249	–	448,380
Total interest income calculated using the effective interest rate	1,824,004	2,409,304	6,567,225	6,299,803
Other interest income				
Trading securities	208,700	173,835	676,660	573,917
Loans provided to legal entities at FVTPL	30,690	24,644	84,980	180,934
Loans provided to individuals at FVTPL	–	7,586	–	7,586
Total other interest income	239,390	206,065	761,640	762,437
Total interest income	2,063,394	2,615,369	7,328,865	7,062,240
Interest expense calculated using the effective interest rate				
Customer accounts: individuals	582,928	756,894	1,949,365	1,849,358
Customer accounts: legal entities	111,816	199,923	400,598	716,099
Debt securities in issue	37,068	4,376	120,013	16,548
Operating lease commitments	4,025	4,361	11,008	12,087
Term deposits of credit institutions	3,785	27,611	5,583	106,725
Total interest expense calculated using the effective interest rate	739,622	993,165	2,486,567	2,700,817
Net interest income	1,323,772	1,622,204	4,842,298	4,361,423

The information on related party transactions is disclosed in Note 25.

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18. Fee and commission income and expense

<i>(in RUB '000)</i>	For 3 months ended 30 September (unaudited)		For 9 months ended 30 September (unaudited)	
	2020	2019	2020	2019
Fee and commission income				
Settlement transactions	159,174	48,919	341,679	174,197
Guarantees issued	118,997	140,751	367,119	290,942
Cash transactions	34,337	42,918	91,140	79,561
Transactions with plastic cards	20,150	25,419	56,804	55,538
Remote banking	14,966	18,406	46,434	45,281
Other	47,442	16,657	99,417	40,540
Total fee and commission income	395,066	293,070	1,002,593	686,059
Fee and commission expense				
Transactions with plastic cards	18,199	23,233	60,028	50,947
Settlement transactions	7,357	16,538	29,045	40,217
Guarantees received	-	2,709	2,862	5,388
Cash transactions	1,776	2,998	3,745	3,120
Agency fee on guarantees issued	1,214	166	3,156	480
Other	1,895	6,215	6,293	12,714
Total fee and commission expense	30,441	51,859	105,129	112,866
Net fee and commission income	364,625	241,211	897,464	573,193

The information on related party transactions is disclosed in Note 25.

19. Administrative and other operating expenses

<i>(in RUB '000)</i>	For 3 months ended 30 September (unaudited)		For 9 months ended 30 September (unaudited)	
	2020	2019	2020	2019
Staff costs	679,679	577,432	1,767,510	1,581,268
Telecommunication and information services	70,198	56,039	169,891	135,685
Insurance, including contributions to the State Deposit Insurance Agency	57,733	88,738	163,483	191,090
Professional services	127,285	4,419	139,026	16,629
Taxes other than income tax	52,534	33,926	116,515	94,955
Depreciation of right-of-use assets	30,100	27,485	79,053	70,510
Other costs related to premises and equipment	29,114	22,034	69,333	56,997
Depreciation of premises and equipment and write-off of leasehold improvements	18,451	13,712	57,779	49,685
Loss on disposal of property, write-off of low-value assets and accounts receivable	25,110	11,392	57,169	41,533
Amortisation of software and other intangible assets	12,565	11,872	34,979	19,114
Security services	6,423	6,681	19,193	15,380
Advertising and marketing services	6,051	6,328	12,443	10,961
Business travel and related expenses	3,241	14,001	10,188	24,135
Decrease in carrying amount of other non-financial assets	31	401	31	605
Other	5,167	31,594	147,911	112,655
Total administrative and other operating expenses	1,123,682	906,054	2,844,504	2,421,202

Staff costs include insurance contributions in the amount of RUB 340,750 thousand (for the nine months ended 30 September 2019: RUB 299,783 thousand), of which RUB 245,011 thousand (for the nine months ended 30 September 2019: RUB 212,249 thousand) are pension contributions. The information on related party transactions is disclosed in Note 25.

20. Income Tax

Income tax expense for the reporting period recorded within profit and loss comprises the following:

<i>(in RUB '000)</i>	For 3 months ended 30 September (unaudited)		For 9 months ended 30 September (unaudited)	
	2020	2019	2020	2019
Current income tax expense	110,085	270,331	631,129	606,638
Deferred income tax (benefit)/expense	54,476	(29,127)	75,511	(144,381)
Income tax expense for the period	164,561	241,204	706,640	462,257

The income tax rate applicable to the majority of the Group's income for the nine months ended 30 September 2020 and for the nine months ended 30 September 2019 is 20%.

21. Segment Analysis

Operating segments are components which are engaged in financial and business activities as a result of which they can receive profit or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker, and for which discrete financial information is available. The chief operating decision maker is a person or a group of persons that allocate resources and assess the performance of the Group. The functions of the chief operating decision maker are performed by the Chairman of the Management Board and the executive directors from the Board of Directors of the Group. Segment reporting is based on the management accounting data in line with the Group's accounting policies under the Russian Accounting Standards ("RAS").

Segment information of the reportable segments as at 30 September 2020 is set out below (unaudited):

<i>(in RUB '000)</i>	Corporate banking	Retail banking	Treasury transactions	Total
Total reportable segment assets	28,459,722	28,058,949	43,271,261	99,789,932
Total reportable segment liabilities	22,157,468	52,401,560	4,124,396	78,683,424

Segment information of the reportable segments as at 31 December 2019 is set out below:

<i>(in RUB '000)</i>	Corporate banking	Retail banking	Treasury transactions	Total
Total reportable segment assets	33,983,161	28,576,038	35,509,002	98,068,203
Total reportable segment liabilities	22,294,144	51,516,638	3,618,392	77,429,176

As at 30 September 2020 and 31 December 2019, the Group had no contractual capital expenditure commitments in respect of reconstruction of buildings and acquisition of equipment.

21 Segment Analysis (continued)

Segment information of the reportable segments for the nine months ended 30 September 2020 is set out below (unaudited):

<i>(in RUB '000)</i>	Corporate banking	Retail banking	Treasury transactions	Total
Nine months ended 30 September 2020				
<i>External revenues:</i>				
- Interest income	2,168,721	3,478,346	977,510	6,624,577
- Fee and commission income	842,005	50,159	42,778	934,942
<i>Timing of revenue recognition</i>				
- At point in time	511,661	50,159	42,778	604,598
- Over time	330,344	-	-	330,344
<i>Income /(expense) from other segments:</i>				
- Interest income/(expense)	(856,267)	845,704	10,563	-
Total revenues	2,154,459	4,374,209	1,030,851	7,559,519
Interest expense	(337,721)	(1,825,799)	(192,310)	(2,355,830)
Expected credit loss allowance	(60,492)	(267,689)	(168)	(328,349)
Depreciation and amortisation	(13,423)	(1,311)	-	(14,734)
Fee and commission expense	(2,862)	-	(82,528)	(85,390)
Losses net of gains from trading in securities	-	-	1,005,291	1,005,291
Gains net of losses from trading in foreign currencies	-	-	71,576	71,576
Foreign exchange translation and precious metals revaluation losses net of gains	-	-	399,989	399,989
Income from participation in equity of other legal entities	-	-	7,523	7,523
Administrative and other operating expenses less income	(612,230)	(1,242,475)	(1,048,071)	(2,902,776)
Segment result	1,127,731	1,036,935	1,192,153	3,356,819

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21 Segment Analysis (continued)

Segment information of the reportable segments for the nine months ended 30 September 2019 is set out below (unaudited):

<i>(in RUB '000)</i>	Corporate banking	Retail banking	Treasury transactions	Total
Nine months ended 30 September 2019 (unaudited)				
<i>External revenues:</i>				
- Interest income	2,909,266	2,930,509	1,254,415	7,094,190
- Fee and commission income	591,038	51,233	35,784	678,055
<i>Timing of revenue recognition</i>				
- At point in time	300,096	51,233	35,784	387,113
- Over time	290,942	-	-	290,942
<i>Income/(expense) from other segments:</i>				
- Interest income/(expense)	(1,573)	(140,401)	141,974	-
Total revenues	3,498,731	2,841,341	1,432,173	7,772,245
Interest expense	(505,338)	(1,889,775)	(298,639)	(2,693,752)
Expected credit loss allowance	(536,898)	(468,934)	348	(1,005,484)
Depreciation and amortisation	(40,547)	(3,961)	-	(44,508)
Fee and commission expense	(8,584)	(30,566)	(70,710)	(109,860)
Gains net of losses from trading in securities	-	-	506,672	506,672
Gains net of losses from trading in foreign currencies	-	-	89,278	89,278
Foreign exchange translation gains net of losses	-	-	85,937	85,937
Income from participation in equity of other legal entities	-	-	33,180	33,180
Administrative and other operating expenses less income	(1,823,607)	(130,463)	11,988	(1,942,082)
Segment result	583,757	317,642	1,790,227	2,691,626

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

<i>(in RUB '000)</i>	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Profit for reportable segments	3,356,819	2,691,626
Excess of the acquirees' net assets over the value of investments	-	2,237,092
Recovery of RAS provisions and accrual of IFRS provisions	(122,218)	(552,384)
Adjustment of loans to customers to amortised cost	43,013	67,727
Redemption of purchased credit-impaired financial assets	270,906	168,778
Value adjustment for financial assets at FVTPL, from RAS to IFRS	120,130	-
Amortisation of commission income on guarantees issued	12,195	82,586
Write-offs of other assets	1,694	16,235
Reclassification of other taxes in administrative and other operating expenses	(20,405)	(96,793)
Other	11,784	(15,837)
Profit before tax	3,673,918	4,599,030

The Group does not have clients, revenues from which exceed 10% of the total revenues. 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.

22. 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 market economy. The stability of Russian economy will largely depend on the progress of these reforms, as well as on the efficiency of measures taken 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. Ruble interest rates 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.

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, the Management is of the opinion that losses may be incurred by the Group in respect of claims under some of them, and a provision to cover litigation related loss has been made in this interim condensed consolidated financial information in the amount of RUB 95,386 thousand as of 30 September 2020 (31 December 2019: none).

Taxation

Some provisions of the effective Russian tax, currency and customs legislation are not clear and explicit enough that often results in their varying interpretations (which, in particular, can be applied retrospectively), selective and inconsistent application and frequent and sometimes unpredictable changes. In view of the above, interpretation of these laws by the Group's Management with regard to its certain transactions and operations, including their economic justification and sufficiency of documentary evidence, may be challenged by relevant regulatory authorities at any time in the future. Therefore, tax authorities may challenge the Group's transactions and tax accounting methods that have not been challenged before. As a result, additional taxes, interest and penalties may be accrued.

Interpretation of certain 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 laws and reviewing tax calculations. It is impossible to determine the amount of potential, but not filed claims and to assess the probability of unfavourable outcome.

Russian transfer pricing legislation allows Russian tax authorities to apply transfer pricing adjustments and charge additional income tax and VAT on controlled transactions if the transaction price differs from the market price. The Management believes that the Group fully complies with transfer pricing rules and the prices applied by the Group for controlled transactions are consistent with the market levels.

22 Contingencies and Commitments (continued)

Taxation (continued)

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 30 September 2020, the Group believes that its interpretation of applicable legal regulations is substantiated and that the Group's position in respect of tax, currency and customs law matters can be sustained.

Capital expenditure commitments

As at 30 September 2020 and 31 December 2019, the Group had no contractual capital expenditure commitments in respect of reconstruction of buildings and acquisition of equipment.

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

As at 30 September 2020, the unused limits on guarantees totaled RUB 8,849,141 thousand (31 December 2019: RUB 3,771,119 thousand), the undrawn credit lines amounted to RUB 10,444,363 thousand (31 December 2019: RUB 5,109,190 thousand).

The information on guarantees issued and uncovered letters of credit issued as at 30 September 2020 and 31 December 2019 is provided below:

<i>(in RUB '000)</i>	30 September 2020	31 December 2019
	(unaudited)	
Guarantees issued	16,946,663	25,763,832
Less ECL allowance	(62,341)	(94,992)
Total	16,884,322	25,668,840

As at 30 September 2020, irrevocable covered letters of credit amounted to RUB 35,919 thousand (31 December 2019: RUB 169 thousand) and were collateralised by term deposits in the amount of RUB 35,919 thousand (31 December 2019: RUB 169 thousand) (Note 13).

As at 30 September 2020, balances on customer accounts in the amount of RUB 267,379 thousand (31 December 2019: RUB 450,523 thousand) represented collateral on guarantees issued by the Group in the amount of RUB 760,653 thousand (31 December 2019: RUB 1,098,492 thousand) (Note 13).

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

22 Contingencies and Commitments (continued)

Movements in ECL allowances for guarantees issued by the Group for the nine months ended 30 September 2020 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	Total
Guarantees issued				
ECL allowance at 1 January	64,297	11,510	19,185	94,992
New guarantees issued and effects of other increases in value	39,291	1,580	82,851	123,722
Guarantees paid and derecognised guarantees	(83,853)	(4,926)	(93,403)	(182,182)
Transfers to Stage 1	6,105	(6,105)	-	-
Transfers to Stage 2	(2,415)	2,415	-	-
Transfers to Stage 3	(8,184)	-	8,184	-
Net remeasurement of loss allowance	22,844	(3,124)	6,024	25,744
Exchange differences	65	-	-	65
ECL allowance at 30 September (unaudited)	38,150	1,350	22,841	62,341

Movements in ECL allowances for guarantees issued by the Group for the three months ended 30 September 2020 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	Total
Guarantees issued				
ECL allowance at 1 July	48,859	2,095	13,652	64,606
New guarantees issued and effects of other increases in value	13,058	479	53,083	66,620
Guarantees paid and derecognised guarantees	(24,652)	(2,455)	(15,063)	(42,170)
Transfers to Stage 1	602	(602)	-	-
Transfers to Stage 2	(1,568)	1,568	-	-
Transfers to Stage 3	(7,167)	-	7,167	-
Net remeasurement of loss allowance	9,018	265	(35,998)	(26,715)
ECL allowance at 30 September (unaudited)	38,150	1,350	22,841	62,341

Movements in ECL allowances for guarantees and uncovered letters of credit provided by the Group for the nine months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	Total
Guarantees 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	30,161	24,029	-	54,190
Derecognised guarantees and uncovered letters of credit and effects of other decreases in value	(53,926)	(16,889)	(120,972)	(191,787)
Transfers to Stage 2	(3,761)	3,761	-	-
Net remeasurement of loss allowance	(6,012)	1,972	-	(4,040)
Exchange differences	26	-	-	26
ECL allowance at 30 September 2019 (unaudited)	50,778	14,515	-	65,293

22 Contingencies and Commitments (continued)

Movements in ECL allowances for guarantees and uncovered letters of credit provided by the Group for the three months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	Total
Guarantees issued				
ECL allowance at 1 July 2019 (unaudited)	105,211	1,805	120,972	227,988
New guarantees issued and uncovered letters of credit and effects of other increases in value	9,154	22,247	–	31,401
Derecognised guarantees and uncovered letters of credit and effects of other decreases in value	(37,495)	(16,881)	(120,972)	(175,348)
Transfers to Stage 2	(3,753)	3,753	–	–
Net remeasurement of loss allowance	(22,386)	3,591	–	(18,795)
Exchange differences	47	–	–	47
ECL allowance at 30 September 2019 (unaudited)	50,778	14,515	–	65,293

Movements in ECL allowances for undrawn credit lines provided to customers for the nine months ended 30 September 2020 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Undrawn credit lines					
ECL allowance at 1 January	15,508	–	7,024	33	22,565
New contingencies and commitments originated and effects of other increases in value	18,807	32	311	–	19,150
Derecognition, other decreases in value and origination of loans under credit line agreements	(17,494)	(37)	(4,951)	(1)	(22,483)
Transfers to Stage 1	6	(6)	–	–	–
Transfers to Stage 2	(138)	138	–	–	–
Transfers to Stage 3	(4)	(9)	13	–	–
Net remeasurement of loss allowance	(2,481)	24	(2,309)	(32)	(4,798)
Exchange differences	100	–	–	–	100
ECL allowance at 30 September (unaudited)	14,304	142	88	–	14,534

Movements in ECL allowances for undrawn credit lines provided to customers for the three months ended 30 September 2020 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Undrawn credit lines					
ECL allowance at 1 July	14,602	171	71	1	14,845
New contingencies and commitments originated and effects of other increases in value	7,069	19	–	–	7,088
Derecognition, other decreases in value and origination of loans under credit line agreements	(5,193)	(13)	(25)	(1)	(5,232)
Transfers to Stage 1	6	(6)	–	–	–
Transfers to Stage 3	–	(9)	9	–	–
Net remeasurement of loss allowance	(2,255)	(20)	33	–	(2,242)
Exchange differences	75	–	–	–	75
ECL allowance at 30 September (unaudited)	14,304	142	88	–	14,534

22 Contingencies and Commitments (continued)

Movements in ECL allowances for undrawn credit lines provided to customers for the nine months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	Total
Undrawn credit lines				
ECL allowance at 1 January 2019	3,587	–	47	3,634
Acquisitions of the subsidiary bank	30,267	–	1,082	31,349
New purchased or originated assets	20,170	3,784	6,917	30,871
Derecognised or redeemed assets (excluding write-offs)	(34,504)	(3,135)	(972)	(38,611)
Transfers to Stage 2	(7,211)	7,211	–	–
Net remeasurement of loss allowance	8,736	5,074	–	13,810
Exchange differences	(21)	(1)	–	(22)
ECL allowance at 30 September 2019 (unaudited)	21,024	12,933	7,074	41,031

Movements in ECL allowances for undrawn credit lines provided to customers for the three months ended 30 September 2019 are presented in the table below (unaudited):

<i>(in RUB '000)</i>	Stage 1	Stage 2	Stage 3	Total
Undrawn credit lines				
ECL allowance at 1 July 2019 (unaudited)	41,381	–	157	41,538
New purchased or originated assets	7,125	3,784	6,917	17,826
Derecognised or redeemed assets (excluding write-offs)	(15,273)	(3,135)	–	(18,408)
Transfers to Stage 2	(7,211)	7,211	–	–
Net remeasurement of loss allowance	(4,999)	5,074	–	75
Exchange differences	1	(1)	–	–
ECL allowance at 30 September 2019 (unaudited)	21,024	12,933	7,074	41,031

The information on related party transactions is disclosed in Note 25.

23. 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 appraisers may be engaged to assess significant assets, such as real estate, securities at FVTPL, securities at FVOCI, financial derivatives. Appraiser selection criteria include market knowledge, reputation, independence and compliance with professional standards. After discussions with external appraisers, 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 appraisers) are regularly provided to the Internal Audit Function and independent auditors of the Group. Main assumptions used in the measurement are discussed.

23 Fair value of financial instruments (continued)

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. Fair value is best evidenced by the active quoted market price of a financial instrument. Where quoted market prices are not available, the Group uses 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 values, 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.

23 Fair value of financial instruments (continued)

Fair value hierarchy (continued)

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

	30 September 2020 (unaudited)			31 December 2019		
	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)
<i>(in RUB '000)</i>						
Financial assets at fair value						
Securities at FVTPL	10,898,843	-	-	10,749,234	618,552	-
- Corporate bonds	8,983,940	-	-	6,658,377	618,552	-
- Bonds of banks	1,192,822	-	-	1,567,263	-	-
- Foreign government bonds	722,081	-	-	-	-	-
- Bonds of state corporations	-	-	-	1,586,697	-	-
- Corporate shares	-	-	-	759,901	-	-
- Investment units	-	-	-	88,063	-	-
- Federal loan bonds (OFZ)	-	-	-	54,850	-	-
- Shares of banks	-	-	-	34,083	-	-
Loans to customers	-	-	1,609,899	-	-	884,016
- loans to customers at FVTPL	-	-	1,609,899	-	-	884,016
Securities at FVOCI	121,595	-	2,428,519	41,196	-	2,159,237
- Shares of banks	-	-	2,428,519	-	-	2,159,237
- Corporate shares	121,595	-	-	41,196	-	-
Other financial assets	-	2,427	-	-	22,109	-
- Settlements on FX transactions	-	1,415	-	-	478	-
- Derivative financial instruments	-	1,012	-	-	21,631	-
Total financial assets at fair value	11,020,438	2,427	4,038,418	10,790,430	640,661	3,043,253
Financial assets with fair value disclosed						
Cash and cash equivalents	1,170,298	-	22,649,863	1,291,650	-	17,248,509
Mandatory cash balances with CBR	-	-	633,761	-	-	765,050
Due from credit institutions	-	-	279,178	-	-	1,424,103
Loans to customers	-	-	56,826,654	-	-	58,974,083
Investment securities at amortized costs	-	-	-	-	-	519,770
Other financial assets	-	-	93,846	-	-	44,324
Total financial assets with value disclosed	1,170,298	-	80,483,302	1,291,650	-	78,975,839

23 Fair value of financial instruments (continued)

Fair value hierarchy (continued)

	30 September 2020 (unaudited)			31 December 2019		
	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)
<i>(in RUB '000)</i>						
Financial liabilities carried at fair value						
Other financial liabilities	-	26,225	-	-	6,065	-
- Currency exchange transactions	-	18,729	-	-	189	-
- Derivative financial instruments	-	7,496	-	-	5,876	-
Total financial liabilities at fair value	-	26,225	-	-	6,065	-
Financial liabilities with fair value disclosed						
Due to credit institutions	-	-	153,196	-	-	616,405
Customer accounts	-	-	73,544,900	-	-	73,642,155
Debt securities in issue	1,268,381	-	629,408	1,400,204	-	167,131
Lease liabilities	-	-	234,286	-	-	224,308
Subordinated Eurobonds in issue	-	-	1,610,302	-	-	1,244,569
Other financial liabilities	-	-	332,521	-	-	542,035
Total financial liabilities with fair value disclosed	1,268,381	-	76,504,613	1,400,204	-	76,436,603

23 Fair value of financial instruments (continued)

Fair value hierarchy (continued)

Set out below of the Group's financial instruments that are not recorded at fair value in the interim condensed consolidated financial information. The table below does not include fair values of non-financial assets and non-financial liabilities.

(in RUB '000)	30 September 2020 (unaudited)			31 December 2019		
	Carrying amount	Fair value	Unrecognized gains/ (losses)	Carrying amount	Fair value	Unrecognized gains/ (losses)
Financial assets						
Cash and cash equivalents	23,820,161	23,820,161	-	18,543,227	18,540,159	(3,068)
Mandatory cash balances with CBR	633,761	633,761	-	765,050	765,050	-
Due from credit institutions	279,178	279,178	-	1,431,354	1,424,103	(7,251)
Loans to customers	56,453,825	56,826,654	372,829	59,383,303	58,974,083	(409,220)
Securities at amortized cost	-	-	-	518,554	519,770	1,216
Other financial assets	93,846	93,846	-	44,324	44,324	-
Total financial assets at amortized cost	81,280,771	81,653,600	372,829	80,685,812	80,267,489	(418,323)
Financial liabilities						
Due to credit institutions	153,196	153,196	-	615,591	616,405	(814)
Customer accounts	73,412,913	73,544,900	(131,987)	73,077,632	73,642,155	(564,523)
Debt securities in issue	1,900,807	1,897,789	3,018	1,565,622	1,567,335	(1,713)
Lease liabilities	234,286	234,286	-	224,308	224,308	-
Subordinated Eurobonds in issue	1,610,302	1,610,302	-	1,244,569	1,244,569	-
Other financial liabilities	332,521	332,521	-	542,035	542,035	-
Total financial liabilities at amortized cost	77,644,025	77,772,994	(128,969)	77,269,757	77,836,807	(567,050)
Total unrecognized change in the unrealized fair value			243,860			(985,373)

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

Below are valuation techniques and assumptions used to determine the fair value of assets and liabilities carried at fair value in the interim condensed consolidated financial statements, as well as items not recorded at fair value in the interim condensed consolidated statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates their carrying amount

Fair value of liquid or short term (less than three months) financial assets and financial liabilities is assumed to approximate their carrying amount. This assumption is also used for demand deposits and accounts without a set maturity.

23 Fair value of financial instruments (continued)

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

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly 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 combine various inputs, including counterparties' credit quality, forward and spot exchange rates as well as interest rate curves. Derivatives valued using a valuation technique with significant unobservable inputs are mainly long-term option contracts. These derivatives are valued using the binomial models. The models combine various unobservable assumptions which include market rate volatilities.

Securities at FVTPL and securities at FVOCI

Fair value of the quoted securities is based on price quotations as of the reporting date. 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 FVTPL

The fair value of loans to customers measured 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 amortized cost

Fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to CBR, amounts due to 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:

	30 September 2020 (unaudited)	31 December 2019
Loans to customers		
Investment projects	4.7%-8.0% p.a.	6.8%-9.2% p.a.
Large business	2.4%-8.0% p.a.	0.0%-9.2% p.a.
Small and medium business	3.6%-9.3% p.a.	7.9%-11.1% p.a.
Loans to individuals	7.1%-15.6% p.a.	0.0%-16.9% p.a.
Customer accounts		
Term deposits of legal entities	0.5%-5.7% p.a.	0.0%-6.0% p.a.
Term deposits of individuals	0.1%-4.3% p.a.	0.2%-5.9% p.a.

23 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 the market comparable method. This means that valuations performed by an appraiser 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 appraisers, 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 real properties was determined by using the market comparable method. This means that valuations performed by an appraiser 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 the real estate is based on the valuations made by an independent firm of professional appraisers, 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 following table shows reconciliation of Level 3 assets recorded at fair value at the beginning and at the end of the reporting period:

<i>(in RUB '000)</i>	At 1 January 2020	Gains recognized in profit or loss	Gains recognized in other comprehensive income	Acquisition / origination	Redemption/ assignment	At 30 September 2020 (unaudited)
Assets						
Loans at FVTPL	884,016	3,740	-	1,547,429	(825,286)	1,609,899
Securities at FVOCI	2,159,237	-	269,282	-	-	2,428,519

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

During the nine months ended 30 September 2020, the Bank did not transfer securities at FVOCI from Levels 1 and 2 to Level 3 of the fair value hierarchy.

23 Fair value of financial instruments (continued)

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:

<i>(in thousand RUB)</i>	At 1 January 2019	Gains / (losses) recognized in profit or loss	Gains recognized in other comprehensive 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 RUB 935,806 thousand. The aggregate unrealized gain at the date of transfer was RUB 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 RUB 401,210 thousand. The aggregate unrealized loss at the date of transfer was RUB 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.

23 Fair value of financial instruments (continued)

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 categorized within Level 3 of the fair value hierarchy as at 30 September 2020:

30 September 2020 (unaudited)	Carrying amount	Valuation techniques	Unobservable inputs	Range (weighted average)
Loans to customers				
Loans to legal entities at FVTPL	1,609,899	Discounted cash flows	PD	1.7-22.5%
Securities at FVOCI				
Shares of banks	2,428,519	Price/Equity ratio	Underlying asset value	Not applicable

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorized 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)
Loans to customers				
Loans to legal entities at FVTPL	283,532	Discounted cash flows	PD	1.7% – 5.2%
Loans to individuals at FVTPL	600,484	Discounted cash flows	PD	5.7% – 18.5%
Securities at FVOCI				
Shares of banks	2,159,237	Price/Equity ratio	Underlying asset value	Not applicable

23 Fair value of financial instruments (continued)

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

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

	30 September 2020 (unaudited)		31 December 2019	
	Carrying amount	Effect of possible alternative assumptions	Carrying amount	Effect of possible alternative assumptions
<i>(in RUB '000)</i>				
Loans to customers	1,609,899	(80,495)	884,016	(44,201)
Loans to legal entities at FVTPL	1,609,899	(80,495)	283,532	(14,177)
Loans to individuals at FVTPL	–	–	600,484	(30,024)
Securities at FVOCI	2,428,519	(121,426)	2,159,237	(107,962)
Shares of banks	2,428,519	(121,426)	2,159,237	(107,962)

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

- 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 equity (Price/Equity) 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 the nine months ended 30 September 2020, 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 RUB 103,038 thousand. These securities represent corporate bonds.

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 RUB 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 RUB 288,961 thousand. These securities represent corporate bonds.

23 Fair value of financial instruments (continued)

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

The table below shows summarized information on the sensitivity of fair value measurements of the Group's investment property, land and buildings categorized within Level 3 of the fair value hierarchy to changes in unobservable inputs as at 30 September 2020:

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 RUB 220,705 thousand.

The table below shows summarized information on the sensitivity of fair value measurements of the Group's investment property, land and buildings categorized within Level 3 of the fair value hierarchy to changes in unobservable inputs as at 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 RUB 225,354 thousand.

24. Business combinations

In Q2 2019, Expobank LLC acquired 86.9082% of shares in Kurskprombank PJSC and received control over the business and operations of its subsidiary bank.

In June 2019, the Bank sent a mandatory offer to the shareholders of Kurskprombank PJSC 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 Kurskprombank's shareholders 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 the right to buy out issue-grade securities under Article 84.8 of Federal Law No. 208-FZ 'On Joint Stock Companies' of 26 December 1995, the Bank acquired shares in Kurskprombank comprising 2.1% of its share capital, becoming the sole shareholder of Kurskprombank PJSC.

Name	Business type	Country of registration
Subsidiary Kurskprombank PJSC	Commercial bank	Russian Federation

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.

24 Business combinations (continued)

For the purposes of this interim condensed consolidated financial information, the fair value of the assets and liabilities of Kurskprombank was determined at the acquisition date based on the independent appraisers' report. Below is the information on the assets and liabilities acquired and on the gain from a bargain purchase (negative goodwill) upon the acquisition of Kurskprombank:

<i>(in RUB '000)</i>	Fair value recognized at the acquisition date
Assets	
Cash and cash equivalents	7,826,969
Mandatory cash balances with CBR	134,692
Loans to customers	14,874,468
Investment securities	1,405,723
Intangible assets	134,055
Investment property	22,793
Property 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
Deferred tax liabilities	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 net assets fair value over the value of investments	2,237,092

24 Business combinations (continued)

The acquiree's fair value of net assets exceeds the value of investments because of the Group's high qualification and experience with similar transactions, careful examination of a potential investee before the transaction, and the current environment in the Russian banking market.

In accordance with IFRS 3 "Business Combinations", all financial instruments were carried at fair value at the date of the acquisition of Kurskprombank. Subsequently, these financial instruments are recognized under the accounting requirements for assets at amortized cost in accordance with IFRS 9 "Financial Instruments", 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 recognized 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 RUB 850,695 thousand for the period from the date of the acquisition of Kurskprombank until 30 June 2019.

Analysis of cash flows upon acquisition of Kurskprombank is as follows:

<i>(in RUB '000)</i>	
Net cash acquired with 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

On 20 March 2020 Expobank was reorganized by merger of Kurskprombank PJSC into Expobank LLC.

25. 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 "Members" include entities and individuals that own, directly or indirectly, stakes 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 on or be influenced by these individuals while conducting transactions with the Group.

25 Related party transactions (continued)

As at 30 September 2020, the outstanding balances with related parties were as follows (unaudited):

<i>(in RUB '000)</i>	Members	Key management personnel	Companies under common control	Other related parties
Cash and cash equivalents (contractual interest rate: 0.0%-4.15%)	–	–	57,902	–
Loans to customers (contractual interest rate: 10.0%-17.0%)	–	14,385	3,000	2,700
ECL allowance for loans to customers	–	(196)	(11)	(37)
Securities at FVOCI	–	–	1,320,114	–
Other financial assets	–	81	–	–
Other non-financial assets	–	385	3,077	–
Due to credit institutions (contractual interest rate: 0.0%)	–	–	139,534	–
Customer accounts (contractual interest rate: 0.0%-11.0%)	593,087	351,144	329,218	63,227
Subordinated Eurobonds in issue (8.0%)	–	–	–	49,514
Other financial liabilities	–	–	3,736	–
Other non-financial liabilities	2,221	22,931	472	–

As at 30 September 2020, loans to the key management personnel in the amount of RUB 12,516 thousand were collateralised by balances on customer accounts in the amount of RUB 7,944 thousand.

As at 30 September 2020, amounts receivable from these related parties are not past due or impaired.

The income and expense items with related parties for the nine months ended 30 September 2020 (unaudited) were as follows:

<i>(in RUB '000)</i>	Members	Key management personnel	Companies under common control	Other related parties
Interest income calculated using the effective interest rate	711	1,115	18,114	107
Interest expense	(14,660)	(6,347)	(15,754)	(3,169)
Recovery of credit loss allowance/ (credit loss allowance) for cash and cash equivalents, due from other banks and loans to customers	201	100	363	(16)
Gains net of losses from trading in foreign currencies	26	14	22	30
Foreign exchange translation losses net of gains	(18,995)	(53,927)	(2,103)	(22,600)
Gains net of losses from financial derivatives	–	81	–	–
Fee and commission income	75	495	22,388	139
Fee and commission expense	–	–	(320)	–
Other operating income	–	38	75,103	1
Administrative and other operating expenses	(28,605)	(307,527)	(10,147)	(68)

25 Related party transactions (continued)

As at 30 September 2020, contingent claims and obligations with related parties were as follows:

<i>(in RUB '000)</i>	Members	Key management personnel	Companies under common control	Other related parties
Guarantees issued by the Group	–	–	5	–
Guarantees and sureties received by the Group	–	2,000	1,182,105	–
Other contingent liabilities	2,000	12,217	150,000	300
ECL allowance	(15)	(90)	(280)	(2)

Aggregate amounts lent to and repaid by related parties during the nine months ended 30 September 2020 were as follows:

<i>(in RUB '000)</i>	Members	Key management personnel	Companies under common control	Other related parties
Amounts lent to related parties during the reporting period	706	22,444	1,360,995	3,000
Amounts repaid by related parties during the reporting period	71,260	29,664	1,715,028	300

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

<i>(in RUB '000)</i>	Member	Key management personnel	Companies under common control	Other related parties
Cash and cash equivalents	–	–	34,597	–
ECL allowance for cash and cash equivalents	–	–	(1)	–
Due from credit institutions	–	–	312,033	–
ECL allowance for amounts due from credit institutions	–	–	(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 RUB 90,595 thousand were collateralised by balances on customer accounts in the amount of RUB 87,836 thousand.

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

On 10 December 2019, the Bank bought out 0.2153% interest from one of its members for RUB 49,907 thousand.

25 Related party transactions (continued)

The income and expense items with related parties for the nine months ended 30 September 2019 were as follows:

<i>(in RUB '000)</i>	Members	Key management personnel	Other companies under common control	Other related parties
Interest income calculated using the effective interest rate	–	1,398	16,492	20
Interest expense calculated using the effective interest rate	(22,272)	(10,276)	(10,765)	(5,408)
Credit loss allowance/ (recovery of credit loss allowance) for cash and cash equivalents, due from credit institutions, loans to customers and other assets	(7)	(75)	6,840	(25)
(Losses net of gains)/ gains net of losses from trading in foreign currencies	177	72	(4,902)	50
Foreign exchange translation (losses net of gains)/ gains net of losses	22,004	21,081	(50,810)	5,822
Gains net of losses from financial derivatives	–	1,011	41,670	193
Fee and commission income	88	363	3,776	162
Fee and commission expense	–	–	(317)	–
Other operating income	6	29	2,438	–
Administrative and other operating expenses	(51)	(235,082)	(16,589)	(219)

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

<i>(in RUB '000)</i>	Members	Key management personnel	Companies 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)

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

<i>(in RUB '000)</i>	Members	Key management personnel	Companies 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)	–	–

25 Related party transactions (continued)

Short-term compensations to key management personnel are presented below:

<i>(in RUB '000)</i>	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Short-term payments		
- Salaries	281,246	206,395
- Short-term bonuses	32,914	13,434
Total	314,160	219,829

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 insurance contributions in the amount of RUB 44,502 thousand (for the nine months ended 30 September 2019: RUB 34,461 thousand).

During the nine months ended 30 September 2020 and 2019, the Group conducted transactions with related parties on market conditions.

26. Capital Management

The Group's objectives when managing capital are: (i) to comply with the capital requirements set by the Central Bank of the Russian Federation ('CBR'); (ii) to safeguard the Group's ability to continue as a going concern. During the nine months of 2020 and 2019, 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 CBR.

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.

27. Subsequent events

On 11 November 2020, an increase in the share capital of MFC CASHDRIVE LLC resulting from additional contributions from its members and third parties was registered. As a result, Expobank LLC's interest in the share capital of MFC CASHDRIVE LLC increased to 50.1159 %, its nominal value remaining unchanged.