

Translation from the Russian original

**Joint Stock Company
BBR Bank Group**

Consolidated Financial Statements
in accordance with International Financial
Reporting Standards for the Year Ended
31 December 2018 and Independent
Auditor's Report

Translation from the Russian original

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Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Joint Stock Company BBR Bank

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Joint Stock Company BBR Bank ("the Bank") (OGRN 1027700074775, Bld. 1, No. 6 at 1st Nikoloshchepovskiy Lane, Moscow, 121099) and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements for the year ended 31 December 2018, which comprise a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Chairman of the Bank's Board (management) is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Report in compliance with requirements of Article 42 of Federal Law No. 395-1 of 2 December 1990 "On Banks and Banking Activity"

Management of the Bank is responsible for the Group's compliance with the mandatory ratios set by the Central Bank of the Russian Federation (the Bank of Russia) and for compliance of the Group's internal control and organisation of its risk management systems with the requirements established by the Bank of Russia in respect of these systems.

In accordance with Article 42 of Federal Law No. 395-1 of 2 December 1990 "On Banks and Banking Activity", we have examined the following in the course of the audit of the Group's consolidated financial statements for the year 2018:

- the Group's compliance as at 1 January 2019 with the mandatory ratios set by the Bank of Russia; and
- compliance of the Group's internal control and organisation of its risk management systems with the requirements established by the Bank of Russia for these systems.

The examination was limited to procedures selected on the basis of our judgment, such as inquiries, analysis, examination of documents, comparison of the requirements, procedures and methodologies approved by the Bank with the requirements set forth by the Bank of Russia, as well as recalculation and comparison of amounts and other information.

We report the following based on our examination:

1. Regarding the Group's compliance with the mandatory ratios established by the Bank of Russia:

- as at 1 January 2019 the Group's mandatory ratios set by the Bank of Russia were within the limits set by the Bank of Russia.

We have not performed any procedures with respect to the Group's accounting data, except for the procedures we considered necessary to enable us to express an opinion as to whether the Group's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs.

2. Regarding compliance of the Group's internal control and organisation of its risk management systems with requirements established by the Bank of Russia in respect of such systems:

- a) in accordance with the requirements and recommendations issued by the Bank of Russia as at 31 December 2018, the Bank's Internal Audit Department was subordinated and accountable to the Bank's Board of Directors, and the Bank's risk management divisions were not subordinated and accountable to the departments assuming the respective risks; the heads of the Internal Audit Department and the risk management divisions of the Bank meet the competence requirements set forth by the Bank of Russia;
- b) the Bank's internal documents effective as at 31 December 2018, which establish the methodologies for identifying and managing the Group's significant credit, operational, market, interest rate, legal, liquidity and reputational risks and for stress testing, were approved by the authorised management bodies of the Bank in accordance with the requirements and recommendations issued by the Bank of Russia;
- c) as at 31 December 2018, the Bank's internal documents establish a system of reporting on the Group's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and on the Group's equity (capital);
- d) the periodicity and consistency of reports prepared by the Bank's risk management divisions and Internal Audit Department during 2018 on the Group's credit, operational, market, interest rate, legal, liquidity and reputational risks management were in compliance with the Bank's internal documentation. Those reports included observations of the Bank's risk management divisions and Internal Audit Department on the effectiveness of the Bank's respective methodologies and recommendations for their improvement;
- e) as at 31 December 2018, the authority of the Bank's Board of Directors and its executive bodies included control over the Group's compliance with the risk limits and equity (capital) adequacy ratios established by the Bank's internal documents. For the purpose of monitoring the efficiency of, and consistency in, applying the Group's risk management procedures during 2018, the Bank's Board of Directors and executive bodies discussed on a regular basis the reports prepared by the Bank's risk management divisions and Internal Audit Department, and considered the proposed measures to eliminate weaknesses.

Our procedures related to the Group's internal control and organisation of its risk management systems were performed solely for the purpose of determining whether the Group's internal control and organisation of risk management systems comply with requirements set forth by the Bank of Russia in respect of such systems.

The translation is true and correct.

The engagement partner on the audit resulting in this independent auditor's report is



D.A. Taradov

Audit company:

BDO Unicon Aktsionernoe Obshchestvo

Main State Registration Number: 1037739271701

Suite 50, Office I, 3rd Floor, Section 11, Block 1, Bldg. 125, Warshavskoye Shosse, Moscow, 117587, Russia

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association)

Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: 11603059593

30 May 2019

Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Financial Statements for the Year Ended 31 December 2018

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the Independent auditor's report, is made with a view to distinguishing the respective responsibilities of management of BBR Bank Group (the Group) and those of the independent auditor in relation to the consolidated financial statements of BBR Bank Group.

The Group's management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2018, the results of its operations, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records of the Group companies in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

On behalf of the Group's management the consolidated financial statements for the year ended 31 December 2018 were authorised for issue on 24 April 2019 by:

A.V. Shitov
Chairman of the Board

BBR Bank Group
24 April 2019



E. M. Vlasova
Chief Accountant

BBR Bank Group
Consolidated Statement of Financial Position as at 31 December 2018
(in thousands of Russian Roubles)

Translation from the Russian original

	Note	2018	2017
Assets			
Cash and cash equivalents	5	4 358 828	4 382 430
Mandatory cash balances with the Central Bank of the Russian Federation		411 938	372 794
Due from other banks	6	4 122 032	5 086 878
Loans to customers	7	36 649 700	37 090 880
Investment securities	8	3 292 394	3 565 843
Non-current assets held for sale	9	2 119 609	1 760 393
Investment property	10	409 527	125 633
Premises and equipment	10	1 608 615	1 525 388
Other assets	11	384 020	94 415
Current tax assets		23 269	22 490
Deferred tax assets	24	521 239	513 082
Total assets		53 901 171	54 540 226
Liabilities			
Due to other banks	12	14 182	833 924
Customer accounts	13	43 644 669	41 448 311
Other borrowed funds	14	-	1 978 991
Debt securities issued	15	4 372 529	6 402 035
Other liabilities	16	557 616	186 929
Total liabilities		48 588 996	50 850 190
Equity			
Share capital	17	469 883	469 883
Share premium	17	1 313 059	1 313 059
Additional capital	18	2 811 677	595 000
Revaluation reserve for premises and equipment		227 987	227 987
Fair value reserve for financial assets at fair value through other comprehensive income		(2 902)	152 926
Retained earnings		492 471	931 181
Total equity		5 312 175	3 690 036
Total liabilities and equity		53 901 171	54 540 226

A.V. Shitov
Chairman of the Board
24 April 2019



E.M. Vlasova
Chief Accountant

BBR Bank Group
Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2018
(in thousands of Russian Roubles)

Translation from the Russian original

	Note	2018	2017
Interest income	20	5 956 924	6 259 221
Interest expense	20	(2 604 983)	(2 950 256)
Net interest income		3 351 941	3 308 965
ECL allowance/ impairment provision for loans to customers	7	(2 001 138)	(1 913 363)
Net interest income after ECL allowance/ impairment provision for loans to customers		1 350 803	1 395 602
Gains less losses arising from investment securities		6 892	-
Gains less losses from dealing in foreign currency		996 038	279 756
Foreign exchange translation gains less losses		(475 876)	44 799
Fee and commission income	21	728 746	705 594
Fee and commission expense	21	(130 672)	(95 299)
Losses on origination of assets at rates below market	7	(187 931)	(346 791)
ECL allowance for credit related commitments	28	(346 376)	-
Impairment losses on non-current assets held for sale	9	(99 478)	(65 353)
ECL allowance/ impairment provision for other assets	11	29 073	68 631
Gain on sale of the loan portfolio	22	313 441	361 245
Revaluation deficit on premises and equipment and investment property	10	-	(135 432)
Other operating income	22	260 204	129 463
Operating income		2 444 864	2 342 215
Operating expenses	23	(2 873 071)	(2 055 309)
(Loss)/profit before taxation		(428 207)	286 906
Income tax expense	24	(65 341)	(80 130)
Net (loss)/profit		(493 548)	206 776
Other comprehensive income / (expense)			
<i>Items reclassifiable subsequently to profit or loss</i>			
Gains less losses from revaluation of investment securities at fair value through other comprehensive income/ financial assets available for sale		(194 785)	134 249
Income tax relating to components of other comprehensive income		38 957	(26 850)
<i>Items not reclassifiable subsequently to profit or loss</i>			
Effect of revaluation of premises and equipment		-	122 051
Income tax relating to components of other comprehensive income		-	(24 410)
Other comprehensive (expense) / income after taxation		(155 828)	205 040
Total comprehensive (expense) / income		(649 376)	411 816

A.V. Shitov
Chairman of the Board
24 April 2019



E.M. Vlasova
Chief Accountant

The notes set out on pages 12 to 74 are an integral part of these consolidated financial statements.

BBR Bank Group
Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018
(in thousands of Russian Roubles)

Translation from the Russian original

	Share capital	Share premium	Additional capital	Revaluation reserve for premises and equipment	Fair value reserve for financial assets at fair value through other comprehensive income	Retained earnings	Total equity
Balance as at 1 January 2017	469 883	1 313 059	595 000	130 346	45 527	724 405	3 278 220
Comprehensive income for 2017	-	-	-	97 641	107 399	206 776	411 816
Balance as at 31 December 2017	469 883	1 313 059	595 000	227 987	152 926	931 181	3 690 036
Impact of IFRS 9 adoption (Note 3)	-	-	-	-	-	54 838	54 838
Balance as at 1 January 2018, restated under IFRS 9	469 883	1 313 059	595 000	227 987	152 926	986 019	3 744 874
Forgiveness of subordinated loan from shareholder (Note 18)	-	-	2 216 677	-	-	-	2 216 677
Comprehensive expense for 2018	-	-	-	-	(155 828)	(493 548)	(649 376)
Balance as at 31 December 2018	469 883	1 313 059	2 811 677	227 987	(2 902)	492 471	5 312 175

A.V. Shitov
 Chairman of the Board

24 April 2019



E.M. Vlasova
 Chief Accountant

The notes set out on pages 12 to 74 are an integral part of these consolidated financial statements.

BBR Bank Group
Consolidated Statement of Cash Flows for the Year Ended 31 December 2018
(in thousands of Russian Roubles)


Translation from the Russian original

	2018	2017
Cash flows from operating activities		
Interest received	5 996 927	6 275 110
Interest paid	(2 495 170)	(2 619 371)
Gains less losses arising from dealing in foreign currency	996 038	279 756
Fees and commissions received	728 855	704 997
Fees and commissions paid	(130 384)	(95 681)
Other operating income	260 537	129 110
Operating expenses	(2 788 182)	(2 271 339)
Cash proceeds from sale of loans under assignment agreements	1 896 155	1 113 967
Income tax paid	(49 030)	(415 848)
Cash flows provided by operating activities before changes in operating assets and liabilities	4 415 746	3 100 701
Net (increase)/decrease in operating assets		
Mandatory cash balances with CBR	(39 144)	(16 095)
Due from other banks	964 212	(4 396 933)
Loans to customers	(4 600 836)	(5 702 350)
Non-current assets held for sale	61 905	376 118
Other assets	(253 875)	85 514
Net increase/(decrease) in operating liabilities		
Due to other banks	(448 603)	756 773
Customer accounts	210 165	2 454 355
Debt securities issued	(1 531 998)	2 468 908
Other liabilities	8 545	(1 825)
Net cash flows from operating activities	(1 213 883)	(874 834)
Cash flows from investing activities		
Purchase of financial assets available for sale	-	(658 584)
Proceeds from disposal of financial assets at fair value through other comprehensive income	465 788	-
Proceeds from redemption of financial assets at amortised cost	130 502	-
Purchase of premises and equipment (Note 10)	(49 100)	(34 317)
Proceeds from sale of premises and equipment	13 278	-
Net cash flows from investing activities	560 468	(692 901)
Effect of exchange rate changes on cash and cash equivalents	629 813	43 705
Net change in cash and cash equivalents	(23 602)	(1 524 030)
Cash and cash equivalents at the beginning of the year	4 382 430	5 906 460
Cash and cash equivalents at the end of the year (Note 5)	4 358 828	4 382 430

A.V. Shitov
Chairman of the Board

24 April 2019




E.M. Vlasova
Chief Accountant

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1. Principal Activities of the Group

These consolidated financial statements comprise the financial statements of Joint Stock Company BBR Bank (the Bank) and its subsidiaries (the Group). The list of the Group's subsidiaries is set out in Note 3 to these consolidated financial statements.

Joint Stock Company BBR Bank is the parent company of the Group.

Joint Stock Commercial Bank Baltic Development Bank was established in 1994 as a closed joint stock company in accordance with the Russian legislation and operates under Banking License No. 2929 issued by the Central Bank of the Russian Federation (CBR or the Bank of Russia) on 2 October 2000.

On 28 February 2012, Joint Stock Commercial Bank Baltic Development Bank was renamed to Closed Joint Stock Company BBR Bank.

On 16 January 2015, Closed Joint Stock Company BBR Bank was renamed to Joint Stock Company BBR Bank.

The Bank is a member of the Association of Far Eastern Banks, International payment systems VISA International and MasterCard International, Moscow Interbank Currency Exchange (MICEX) and S.W.I.F.T.

The priority lines of the Bank's business are lending, borrowing, depositing, currency selling/buying in cash and non-cash forms.

At 31 December 2018 the Bank has 3 branches in the Russian Federation: in Vladivostok, Saint-Petersburg, Krasnoyarsk (2017: 5 branches).

The Bank's head office is located at: Block 1, bld. 6, 1st Nikoloschepovsky Lane, Moscow, 121099.

Since March 2005, the Bank has been a member of the obligatory deposit insurance system regulated by the state corporation Deposit Insurance Agency.

The number of the Group's employees in 2018 was 938 (2017: 945).

Below is the information about the Bank's main shareholders and ultimate beneficiaries.

Shareholder	2018 Ownership (%)	2017 Ownership (%)
D.N. Shvetsov	34.0	34.0
D.E. Gordeev	33.0	33.0
D.G. Gordovich	30.0	30.0
Other shareholders with less than 1% shareholding	3.0	3.0
Total	100.0	100.0

2. Operating Environment of the Group

General

The economy of the Russian Federation continues to display certain characteristics of an emerging market. These characteristics include, in particular, inconvertibility of the Russian Rouble in most countries outside of Russia and relatively high inflation rates. The Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Russia continues development of the legal, tax and administrative framework to comply with the market economy requirements. The economic reforms conducted by the Government are aimed at retooling the Russian economy, development of high-tech productions, enhancement of labour productivity and competitiveness of the Russian products on the world market.

Translation from the Russian original

Starting from March 2014 the US, EU and some other countries imposed several sets of sanctions against some Russian officials, businessmen and companies. The EU prolonged the economic sanctions against Russia until 31 July 2019. These sanctions caused restricted access of certain Russian companies to international capital and export markets. The official exchange rate of USD set by the Bank of Russia appreciated from RUB 57.6002 to RUB 69.4706 during 2018. The remaining uncertainty as to further deterioration in the operating environment affects the future financial position and operations of the Group. Management of the Group believes it is taking all the necessary measures to support the sustainability and further development of business operations of the Group in these circumstances.

In January 2018, the international rating agency Moody's Investors Service confirmed Russia's long-term credit rating for foreign currency liabilities at the level of Ba1, improving the outlook from stable to positive.

In February 2018, the international rating agency S&P Global Ratings upgraded Russia's foreign currency sovereign credit rating from BB+ to the investment level of BBB- with a stable outlook.

As at 31 December 2018, the key rate set by the Bank of Russia was 7.75% (31 December 2017 - 7.75%).

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the RF Government together with tax, legal, regulatory and political developments.

Inflation

The Russian economy experiences relatively high levels of inflation. The inflation indices for the last five years are given in the table below:

Year ended	Inflation for the period
31 December 2018	4.3%
31 December 2017	2.1%
31 December 2016	5.4%
31 December 2015	12.9%
31 December 2014	11.4%

Currency transactions

Foreign currencies, in particular the US Dollar and EUR, play a significant role in the underlying economics of many business transactions in the Russian Federation. The table below shows exchange rates of RUB set by the CBR relative to USD and EUR:

Date	USD	EUR
31 December 2018	69.4706	79.4605
31 December 2017	57.6002	68.8668
31 December 2016	60.6569	63.8111
31 December 2015	72.8827	79.6927
31 December 2014	56.2584	68.3427

Management takes all necessary measures to ensure sustainability of the Group's operations. However, the future impact of the current economic situation is difficult to predict and management's current expectations and estimates may differ from actual results.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. The Group takes these forecasts into account when providing its best estimate of the outcomes. Under any economic forecast, however, projections and likelihood of their occurrence are associated with a high degree of inherent uncertainty and, therefore, the actual outcomes may be significantly different from those projected. Additional information on how the Group incorporates forward-looking information in the ECL models is disclosed in Note 3.

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3. Basis of Preparation and Presentation

General principles

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS). The Group maintains its accounting records in accordance with the applicable legislation of the Russian Federation. These consolidated financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS. Apart from the changes in the accounting policy resulting from adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these principles have been consistently applied to all the periods presented, unless otherwise stated.

Functional and presentation currency

These consolidated financial statements are presented in Russian Roubles being the functional and presentation currency of the Bank and the Group entities.

Going concern

These consolidated financial statements reflect the Group management's current assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of measures undertaken by the RF Government and other factors, including regulatory and political developments which are beyond the Group's control. The Group's management cannot predict the impact of the above factors on the financial position of the Group in future.

These consolidated financial statements were prepared on a going concern assumption. The Group's liquidity position disclosed in Note 26 indicates that the Group's liquid assets are not sufficient to meet its liabilities with maturities of up to 1 year. However, this fact does not prevent the Group from conducting its daily operations in the normal course of business. To manage its liquidity the Group has a possibility to raise additional funds from the Bank of Russia against a pledge of securities included in the Lombard list, as well as loans from other banks. The Group complies with the values of mandatory liquidity ratios established by the CBR requirements.

For prompt management of the liquidity risk the Group regularly monitors external factors, which could influence the Group's liquidity level, and forecasts cash flows. For the medium- and long-term liquidity risk management the Group analyses maturity mismatches of assets and liabilities. To reduce its risk exposure the Group sets liquidity gap limits. The set limits are periodically reviewed to reflect the changes in external and internal environment.

To maintain the required liquidity level the Group can attract additional funds from the Central Bank of the Russian Federation and in the interbank lending market. Diversification of liquidity sources allows to minimise the Group's dependence on any source and ensure full satisfaction of its liabilities. A sufficient current liquidity cushion accumulated by the Group and the available sources of additional funding allow the Group to continue its operations as a going concern in the long term.

Critical accounting estimates and judgements in applying accounting policies

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

Fair value of financial instruments. Information about fair values of financial instruments that were valued using the assumptions that are based on observable market data is disclosed in Note 8.

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ECL measurement. Calculation and measurement of ECLs is an area that requires significant judgment, involving the application of methodology, models and inputs. Details of the ECL measurement methodology applied by the Group are disclosed in Note 4. The following components of ECL measurement have a major impact on expected credit loss allowance: definition of default, significant increase in credit risk (“SICR”), probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”), as well as macromodels and analysis of scenarios for credit-impaired loans. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit losses and actual credit loss experience.

Significant increase in credit risk (“SICR”). To determine whether there has been a significant increase in credit risk, the Group compares the risk of default occurring over the life of a financial instrument at the reporting date with the risk of default at the date of initial recognition. IFRS 9 requires assessment of relative increase in credit risk rather than achieving a specific level of credit risk at the reporting date. In performing such assessment, the Group considers a number of characteristics, including behavioural aspects, on the basis of information for past periods, and all reasonable and supportable forward looking information available without undue cost and effort. The most significant judgments include identifying behavioural indicators of increasing credit risk prior to default and incorporating relevant forward-looking information into assessment at the level of an individual instrument or portfolio. The definition of a significant increase in credit risk is disclosed by the Group in Note 4.

Determining business model and applying SPPI test. In determining the appropriate measurement category for debt financial instruments, the Group applies two approaches: the business model assessment for managing assets and the SPPI test based on contractual cash flow characteristics on initial recognition to determine whether they are solely payments of principal and interest. Business model is assessed at a certain level of aggregation, and the Group will need to apply judgement to determine the level at which the business model condition is applied.

When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the “hold to collect” business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the “hold to collect” business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Group assesses significance of sales transactions by comparing the sales value with the value of the portfolio subject to the business model assessment over the average life of the portfolio.

For the “hold to collect and sell” business model, selling of financial assets is integral to achieving the business model’s objective, such as: managing liquidity needs, achieving a particular interest yield, or matching the duration of the financial assets to the duration of the liabilities that are funding those assets.

FVPL business model is a residual category and includes financial assets managed to realise cash flows through sale of the assets. Collection of contractual cash flows is incidental for this business model.

The assessment of the SPPI criterion performed on initial recognition of financial assets involves the use of significant estimates in quantitative testing and requires considerable judgement in determining whether quantitative testing is required, what scenarios are reasonably possible and should be considered and in interpreting the outcomes of quantitative testing (i.e. determining what represents a significant difference in cash flows).

The instruments that failed the SPPI test and are measured at FVOCI are described in Note 8.

Substantial modification of financial assets. When the contractual terms of financial assets are modified (e.g. renegotiated), the Group assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors described in the relevant accounting policy and requires significant judgment.

Translation from the Russian original

Recognition of deferred tax asset. The recognised deferred tax asset represents income taxes offset against future income taxes, and is recorded in the consolidated statement of financial position. A deferred tax asset is recognised only to the extent that realisation of the related tax benefit is probable.

Subsidiaries

The Bank's subsidiaries as at 31 December 2018 are:

Subsidiary	Nature of business	Date of acquisition	Percentage of control, %
LLC Prominvestitsii	Legal services	24.08.2016	100%
LLC Limoni	Real estate transactions	09.09.2016	100%
LLC Baltia+	Logistic terminals	16.09.2016	100%
LLC TamKo Pytalovo	Cargo transportation	16.09.2016	99%
LLC Yantar	Wholesale trade of cars and light motor vehicles	24.04.2018	100%
LLC Kristall	Wholesale trade of cars and light motor vehicles	24.04.2018	100%
LLC Almaz	Wholesale trade of cars and light motor vehicles	24.04.2018	100%
LLC Sapfir	Wholesale trade of cars and light motor vehicles	24.04.2018	100%
LLC Ametist	Wholesale trade of cars	24.04.2018	100%

LLC TamKo Pytalovo is a subsidiary of LLC Baltia+.

The Bank's subsidiaries as at 31 December 2017 are:

Subsidiary	Nature of business	Date of acquisition	Percentage of ownership, %
LLC Prominvestitsii	Legal services	24.08.2016	100%
LLC Limoni	Real estate transactions	09.09.2016	100%
LLC Baltia+	Logistic terminals	16.09.2016	100%
LLC TamKo Pytalovo	Cargo transportation	16.09.2016	99%

Associates

Associates are entities over which the Group has significant influence, but not control. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method of accounting. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of the net assets of the associate. The Group's share of its associates' profits or losses is recognised in the consolidated statement of comprehensive income, and its share of movements in reserves is recognised in equity. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it is obliged to make payments on behalf of the associate.

Below are the Group's associates as at 31 December 2018:

Associate	Nature of business	Date of acquisition	Percentage of control, % 2018
LLC FIA	Provision of accounting, auditing and tax advisory services	10.05.2018	20%
LLC Palitra Project	Rental and management of own or leased real estate	04.09.2018	25%

Transition to new or revised standards

Adoption of IFRS 9. The Group has adopted *IFRS 9 Financial Instruments* with a date of initial application of 1 January 2018, which has led to changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

Translation from the Russian original

The Group adopted an approach without restatement of comparatives and elected to recognise any adjustments to the carrying amounts of financial assets and liabilities at the date of initial application in the opening retained earnings of the current period. Consequently, the revised requirements of *IFRS 7 Financial Instruments: Disclosures* have only been applied to the current period. The comparative period disclosures repeat the disclosures made in the prior year.

Classification and measurement

Under IFRS 9, equity financial assets are required to be classified at initial recognition at FVPL, unless an irrevocable designation is made by the Group to classify the instrument at FVOCI. For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss.

Debt financial assets that do not meet a “solely payment of principal and interest on the principal amount outstanding” (SPPI) criterion are classified at initial recognition as at fair value through profit or loss (FVPL). Under this criterion, debt instruments that do not correspond to a “basic lending arrangement” are measured at FVPL. For debt instruments that meet the SPPI criterion, classification at initial recognition is determined based on the Group’s business model under which these instruments are managed:

- debt financial assets held to collect contractual cash flows are measured at amortised cost;
- debt financial assets held to collect contractual cash flows and sell are classified as measured at fair value through other comprehensive income (FVOCI);
- debt financial assets held for other purposes are measured at fair value through profit or loss (FVPL).

Loans to customers that meet the SPPI criterion are held for the purpose of collecting contractual cash flows and are carried at amortised cost.

Equity financial assets are classified at initial recognition as FVPL, unless an irrevocable designation is made by the Group to classify the instrument as FVOCI. For equity financial assets classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss.

Impairment

Adoption of IFRS 9 has fundamentally changed the Group’s approach to accounting for impairment of loans to customers. A forward-looking approach is applied requiring calculation of expected credit losses (ECL) rather than application of incurred loss model stipulated by IAS 39. Starting from 1 January 2018, the Group recognises ECL allowance for all loans to customers and other debt financial assets not measured at FVPL (hereinafter - financial instruments). Equity financial instruments are not subject to impairment requirements under IFRS 9.

The ECL allowance is based on credit losses expected to arise over the life of the asset (lifetime ECL), if there has been a significant increase in credit risk since the date of initial recognition. Otherwise, the allowance is based on the 12-month expected credit losses (12-month ECL). The 12-month ECL are part of lifetime ECL and represent ECL arising from defaults on a financial instrument expected to occur 12 months after the reporting date. Both the lifetime ECL and the 12-month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the basic portfolio of financial instruments.

The Group assesses whether a financial instrument’s credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group combines its loans to customers into Stage 1, Stage 2, Stage 3 and “Credit-impaired at initial recognition”, as described below:

- Stage 1 includes financial instruments with no significant increase in credit risk since the date of initial recognition. For such assets, 12-month ECL is recognised and interest income is calculated on the basis of the gross carrying amount of the asset.

Translation from the Russian original

- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition, but that do not have objective evidence of impairment. For these assets, the amount of expected credit losses is determined as the lifetime ECL and interest income is calculated on the basis of the asset's gross carrying amount.
- Stage 3 includes financial assets for which impairment indicators were identified at the reporting date. For these assets, the amount of expected credit losses is determined as the lifetime ECL and interest income is calculated on the basis of the asset's gross carrying amount adjusted for the effect of discounted expected cash flows from loans.
- credit-impaired assets are financial assets that are credit-impaired on initial recognition. Such assets are initially carried at fair value and interest income is subsequently recognised at the effective interest rate adjusted for credit risk. ECL allowance is charged or reversed only subject to further significant changes in expected credit losses.

Where the Group has no reasonable expectations of recovering either the entire outstanding amount or a portion thereof, the gross carrying amount of the financial asset is reduced. Such a decrease is considered (partial) derecognition of the financial asset.

At each reporting date, an assessment is performed to identify a significant increase in credit risk since initial recognition of a financial instrument. In addition, the assessment is based on qualitative and quantitative information. Quantitative assessment is based on changes in the risk of default occurring over the expected life of the financial instrument. Qualitative assessment - the number of factors is important in assessing a significant increase in credit risk (information on overdue amounts, significant changes in expected results of operations and borrower's behaviour and other significant changes, including a reduction in funding from the parent company).

Significant increase in credit risk (SICR) - assessment of a significant increase in credit risk is performed on an individual and portfolio basis. For loans to legal entities, interbank loans and debt securities carried at amortised cost or fair value through other comprehensive income, a significant increase in credit risk is assessed on an individual basis by monitoring the criteria described below. For loans to individuals, a significant increase in credit risk is assessed on a portfolio or individual basis depending on the availability of scoring models. The Group's Credit Department performs periodic monitoring and verification of criteria used to determine SICR to validate their appropriateness.

As at the date of transition, the Group recognised lifetime ECL for loans for which there was no credit rating available at the date of initial recognition, as determination of whether there had been a significant increase in credit risk since the date of initial recognition would have required undue costs.

The Group believes that there has been a significant increase in credit risk for a financial instrument when one or more of the following quantitative, qualitative or restrictive criteria are met:

- debt that is more than 30 days past due;
- there are early warning signs of increasing credit risk;
- the need for modifying the previously agreed terms of the loan agreement to create more favourable conditions for the client due to the client's inability to meet its current obligations, as follows from its financial position;
- full or partial refinancing of current debt, which would not have been required if the client had not experienced financial difficulties;
- identification of forward-looking information on future changes in assets that may result in credit losses that are not taken into consideration in the rating system (e.g. military conflicts in the region that may have a significant impact on credit quality in the future);
- assets for which default is not determined, if the default is determined for other credit products of the client (for the retail portfolio).

If there is evidence that the SICR criteria are no longer met, the instrument will be returned to Stage 1. If the risk has been transferred to Stage 2 on the basis of a qualitative indicator, the Group performs monitoring of this indicator to track its status - permanent or changed.

Translation from the Russian original

Default is recognised in case of one of the following events:

1. The borrower is past due for more than 90 days on any material loan obligation to the Group.
2. International rating agencies include the borrower in the default rating category.
3. The borrower is included in category 5 according to CBR Regulation No. 590-P "On the Procedure for Making Loss Provisions by Credit Institutions for Loans and Other Similar Debt".

Cash shortfalls represent a difference between cash flows that are due to the Group under the contract and cash flows that the Group expects to receive. The ECL calculation method is outlined below, and its key elements are as follows:

Probability of default (PD)	This parameter is an estimate of the likelihood of default over a given time horizon. Default may occur only at a certain point of time within the stated period unless the financial asset was derecognised or excluded from the portfolio.
Exposure at default (EAD)	This parameter is an estimate of the exposure at default at a certain future date, adjusted to reflect changes in the exposure amount expected after the reporting date, including payments of interest or principal amount due under contracts or at other dates, expected use of credit lines, as well as interest accrued on overdue payments. For off-balance sheet items (guarantees, letters of credit, undrawn credit lines) the total amount of exposure is equal to the amount of risk prior to the application of credit conversion factors (CCF). The credit conversion factor is a proportion of the current undrawn amount that will be used during the default period (applicable to off-balance sheet items).
Loss given default (LGD)	This parameter is an estimate of losses arising on default at a certain point of time. As this parameter is influenced by the macroeconomic environment, the level of loss in case of default depends on a time span. Depending on the available information about the loss level, different LGD models are used. If there is sufficient information about the level of loss, LGD is estimated by comparing the loan amount exposed to the risk of default ("EAD") and the amount of discounted cash flows ("Workout LGD"). If information is restricted it is possible to use external data ("Implied Market LGD").

In determining the amount of impairment, the Group uses forward-looking information based on macroeconomic models resulting in direct adjustment of probability of default.

Macroeconomic indicators:

- Real GDP;
- Unemployment;
- Consumer price growth/HICP;
- Yield on 10-year government bonds.

Translation from the Russian original

The following table reconciles the carrying amounts as previously measured in accordance with IAS 39 to balances presented under IFRS 9 as at 1 January 2018:

<i>Financial assets</i>	Measurement under IAS 39		Reclassification	Revaluation (ECL)	Measurement under IFRS 9	
	Measurement category	Carrying amount			Carrying amount	Measurement category
Cash and cash equivalents	Loans and receivables	4 382 430	-	-	4 382 430	Amortised cost
Mandatory cash balances with the Central Bank of the Russian Federation	Loans and receivables	372 794	-	-	372 794	Amortised cost
Due from other banks	Loans and receivables	5 086 878	-	-	5 086 878	Amortised cost
Loans to customers	Loans and receivables	37 090 880	-	545 008	37 635 888	Amortised cost
Investment securities available for sale	Financial assets	3 432 831	(3 432 831)	-	-	-
Investment securities - debt securities at FVOCI	-	-	3 432 831	-	3 432 831	FVOCI (debt)
Investment securities held to maturity	Investments held to maturity	133 012	(133 012)	-	-	-
Investment securities - at amortised cost	-	-	133 012	-	133 012	Amortised cost

The impact of IFRS 9 adoption on the Group's retained earnings is presented below:

	Retained earnings
Closing balance under IAS 39 (31 December 2017)	931 181
Effect of recognition of ECL for assets measured at amortised cost under IFRS 9	545 008
Recognition of ECL for credit related commitments under IFRS 9	(476 460)
Deferred tax related to the above	(13 710)
Opening balance restated under IFRS 9 (1 January 2018)	986 019
Total changes in equity from IFRS 9 adoption	54 838

The following table reconciles the aggregate opening impairment allowances under IAS 39 and provisions for credit related commitments accrued under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to the allowances for expected credit losses under IFRS 9.

	Provisions for impairment under IAS 39/ IAS 37 as at 31 December 2017		Expected credit losses under IFRS 9 as at 1 January 2018
		Remeasurement	
Provision for impairment			
Loans to customers	5 593 010	(545 008)	5 048 002
Guarantees and letters of credit	-	392 616	392 616
Credit lines	-	83 844	83 844

New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019, and which the Group has not early adopted.

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements.

Translation from the Russian original

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group is currently assessing the impact of this interpretation on its financial statements.

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

4. Summary of Significant Accounting Policies

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Group must have access to the principal or most advantageous market.

An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

Translation from the Russian original

External valuers are engaged to perform valuation of significant assets, such as real estate. A decision to engage external valuers is made by the Chairman of the Board. Market knowledge, reputation, independence and compliance with professional standards are used as selection criteria.

At each reporting date the Internal Transactions Department analyses movements in values of assets and liabilities which are required to be re-measured or re-assessed in accordance with the Group's accounting policies. For this analysis, the Internal Transactions Department verifies the major inputs applied in the latest valuation by agreeing the information used in valuation to contracts and other relevant documents.

The Group's external valuers also compare the changes in the fair value of each asset and liability with relevant external sources to determine the reasonableness of the change.

The Group's external valuers provide the results of valuation to the Group's independent auditors, which involves discussion of the main assumptions used in valuation.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of their nature, their inherent characteristics and risks, and the applicable level of the fair value hierarchy, as explained above (Note 29).

Cash and cash equivalents

Cash and cash equivalents are assets, which can be converted into cash within a day and consist of cash on hand, balances on correspondent and current accounts of the Group. All short-term interbank placements are included in due from other banks. Amounts, which relate to funds of restricted nature, are excluded from cash and cash equivalents.

Cash and cash equivalents do not include mandatory cash balances held with the Central Bank of the Russian Federation.

Mandatory cash balances with the Central Bank of the Russian Federation

Mandatory cash balances with the Central Bank of the Russian Federation represent mandatory reserve deposits with the CBR, which are not available to finance the Group's day-to-day operations. The mandatory reserve balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Financial instruments - accounting policies following the adoption of IFRS 9

Since 1 January 2018, the Group has applied IFRS 9 *Financial Instruments*. IFRS 9 replaces IAS 39 for annual periods beginning on or after 1 January 2018. The Group did not restate the comparatives in the course of transition to IFRS 9, so the changes were recognised at the date of initial application (1 January 2018) and presented in the consolidated statement of changes in equity for the six months ended 30 June 2018.

Key measurement terms

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Fair value is the current bid price for financial assets or current ask price for financial liabilities. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis. Valuation techniques are used to fair value certain financial instruments for which external market pricing information is not available. Such valuation techniques include discounted cash flow models, models based on recent arm's length transactions or consideration of financial data of the investees. Valuation techniques may require assumptions not supported by observable market data.

Translation from the Russian original

The *amortised cost* is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and for financial assets, adjusted for any loss allowance.

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

The *effective interest method* is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating or recognising the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or the financial liabilities to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group shall estimate cash flows considering all contractual terms of the financial instrument, but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Group shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Initial recognition of financial instruments

The Group recognises financial assets and financial liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligation of the financial instrument. Regular way purchases and sales of the financial assets and liabilities are recognised using settlement date accounting.

A financial asset or financial liability are initially recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial instrument. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is recognised only if there is a difference between the fair value and the price of the transaction, as evidenced by other observable current market transactions for the same instrument or measurement methods that include only observable market data.

Classification and measurement of financial instruments

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss (FVPL);
- financial assets at fair value through other comprehensive income (FVOCI);
- financial assets at amortised cost (AC).

The classification and subsequent measurement of debt financial assets depends on:

- 1) the Group's business model for managing the respective asset; and
- 2) the cash flow characteristics of the asset.

The business model is determined for a group of assets (at the portfolio level) based on all relevant evidence of activities that the Group intends to undertake to achieve the objective set for the portfolio as at the measurement date. Factors considered by the Group in determining the business model include the purpose and composition of the portfolio, past experience of obtaining cash flows for the relevant assets, approaches to risk assessment and management and methods of ROA assessment.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI" test). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.

Translation from the Russian original

Debt financial assets that do not meet a “solely payment of principal and interest on principal amount outstanding” (SPPI) criterion are classified at initial recognition as at fair value through profit or loss (FVPL). Under this criterion, debt instruments that do not correspond to a “basic lending arrangement” are measured at FVPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the Group’s business model under which these instruments are managed:

- debt financial assets held to collect contractual cash flows are measured at amortised cost;
- debt financial assets held to collect contractual cash flows and sell are measured at fair value through other comprehensive income (FVOCI);
- debt financial assets held for other purposes are measured at FVPL.

Loans to customers that meet the SPPI criterion are held for the purpose of collecting contractual cash flows and are carried at amortised cost.

Financial liabilities are classified as financial liabilities either at fair value through profit or loss or at amortised cost.

Initially, a financial liability shall be measured by the Group at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period when the Group changes its business model for managing financial assets.

Financial liabilities are not reclassified subsequent to their initial recognition.

Derecognition

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

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; and
- the Group either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. If the transferee has no practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the transfer, the entity has retained control.

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Translation from the Russian original

Due from other banks

In the normal course of business, the Group places funds for various periods of time with other banks. Amounts due from other banks with a fixed maturity term are not intended for immediate or short-term trading and are measured at amortised cost using the effective interest method. Amounts due from other banks are carried net of any allowance for impairment.

Loans to customers

Based on the business model and the cash flow characteristics, the Group classifies loans to customers into one of the following measurement categories:

- 1) valuation at amortised cost: loans that are held to collect contractual cash flows, if those cash flows represent solely SPPI, and are not designated at FVPL are measured at amortised cost;
- 2) valuation at fair value through profit or loss: loans that do not meet the criteria for measurement at amortised cost or FVOCI are measured at fair value through profit or loss (mandatory measurement at fair value through profit or loss).

Loans to customers are recorded when cash is advanced to borrowers.

Impairment of loans measured at amortised cost or at fair value through other comprehensive income is determined using a forward-looking ECL model.

If the Group acquires loans from third parties at the nominal value, such loans are recognised at fair value. Subsequently, the acquired loans are carried using the procedures described above.

Promissory notes purchased

Promissory notes purchased are included in due from other banks or loans to customers, depending on their economic substance, and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Impairment of financial assets - ECL allowance

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at amortised cost and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises a credit loss allowance at each reporting date. The measurement of ECL reflects:

- 1) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- 2) time value of money; and
- 3) all reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Debt instruments measured at amortised cost are presented in the consolidated statement of financial position net of the ECL allowance. For credit-related commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, an ECL allowance is recognised in profit or loss and affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

The Group applies a three stage impairment model in accordance with IFRS 9, based on changes in credit quality since initial recognition.

- 1) A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months ("12-month ECL").
- 2) If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis ("lifetime ECL").
- 3) If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL.

Translation from the Russian original

For purchased or originated credit-impaired financial assets (POCI assets), the ECL is always measured as a lifetime ECL.

Note 26 discloses additional information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Financial assets - modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset, a significant extension of a loan when the borrower is in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset are deemed to have expired and the Group derecognises the original financial asset and recognises a new asset at fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan meets the SPPI criterion. In a situation where the renegotiation was driven by the financial difficulties of the debtor and inability to make the originally agreed payments, the Group assesses whether the modified loan is deemed to be credit-impaired at initial recognition. Differences in the carrying amounts are recognised in profit or loss for the period.

If the terms of the modified asset are not substantially different, the modification does not result in derecognition. The Group recalculates the gross carrying amount based on the revised cash flows through discounting the modified cash flows at the original effective interest rate (or credit-adjusted EIR for POCI financial assets), and recognises a modification gain or loss in profit or loss for the period.

Derivative financial instruments

In the normal course of business the Group uses different types of derivative financial instruments including futures, forwards, currency and interest rate swaps. These financial instruments are designated for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently remeasured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains or losses from operations with derivative instruments are recognised in the consolidated statement of comprehensive income as gains less losses arising from financial assets (liabilities) at fair value through profit or loss. Changes in fair value of derivative financial instruments are recognised in profit or loss. The Group does not use derivative financial instruments for hedging purposes.

Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repo" agreements) are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised, and the securities are not reclassified. The corresponding liability is presented within due to other banks or customer accounts.

Securities purchased under agreements to resell ("reverse repo" agreements) are recorded as due from other banks or loans to customers, depending on the counterparty. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest rate method.

Due to other banks

Due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. Non-derivative financial liabilities are carried at amortised cost.

Customer accounts

Customer accounts are non-derivative financial liabilities to individuals, state or corporate customers and are carried at amortised cost.

Translation from the Russian original

Debt securities issued

Debt securities issued include promissory notes, bonds and certificates of deposit issued by the Group. Debt securities are carried at amortised cost.

Other borrowed funds

Other borrowed funds include subordinated loans.

Subordinated loans are carried at amortised cost.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-current assets held for sale

Non-current assets are classified in the consolidated statement of financial position as non-current assets held for sale if their carrying amount will be recovered principally through a sale transaction within 12 months after the reporting date.

Both financial and non-financial assets are reclassified when all of the following conditions are met:

- (a) the assets are available for immediate sale in their present condition;
- (b) the Group's management approved and initiated an active programme to locate a buyer;
- (c) the assets are actively marketed for a sale at a reasonable price;
- (d) the sale is expected within one year;
- (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets classified as held for sale in the current period's consolidated statement of financial position shall not be reclassified in the comparative consolidated statement of financial position.

Investment property

Investment property is property held by the Group to earn rentals or for capital appreciation or both, rather than for: (a) use in the Group's ordinary course of business, for administrative purposes; or (b) sale in the ordinary course of business.

Investment property is initially recognised at cost and subsequently carried at cost or remeasured at fair value based on its market value. The market value of the Group's investment property is obtained from reports of independent appraisers, who have recognised and relevant professional qualifications and experience in valuation of property of similar location and category. Changes in the fair value of investment property are recorded in profit or loss in the consolidated statement of comprehensive income as a separate line. Initial direct expenses arising from operating lease agreements are added to the carrying amount of the leased asset and recognised over the lease term as expense on the same basis as rental income.

Premises and equipment

Premises and equipment are stated at cost or at revalued amount, as described below, less accumulated depreciation and impairment provision. Premises and equipment acquired prior to 1 January 2003 are restated to the equivalent purchasing power of the Russian Rouble as at that date.

At the end of the reporting period, the Group assesses whether there is any indication of impairment of premises and equipment. If such indication exists, the Group estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. Where the carrying value of premises and equipment is greater than their estimated recoverable amount, it is written down to their recoverable amount and the difference is charged as impairment loss to the consolidated statement of comprehensive income.

Translation from the Russian original

The buildings and land are revalued on a regular basis. The frequency of revaluations depends on changes in the fair value of the assets subjected to revaluation. After initial recognition at cost, buildings and land are carried at a revalued amount, which is the fair value of the items at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed regularly to avoid significant differences between the fair value of the revalued asset and its carrying amount.

During revaluation of buildings, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus is recorded in the consolidated statement of comprehensive income as other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised through profit or loss. A decrease arising as a result of a revaluation is recognised as income or expense in the consolidated statement of comprehensive income, except that revaluation deficit is directly offset against the surplus from revaluation of the asset recorded within other comprehensive income as effect of revaluation of premises and equipment.

The revaluation reserve for premises and equipment is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset.

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and recorded as operating expenses in the consolidated statement of comprehensive income.

Repairs and maintenance are charged to the consolidated statement of comprehensive income when the expense is incurred.

Depreciation

Depreciation of premises and equipment commences from the date the assets are ready for use. Depreciation is charged on a straight-line basis over useful lives of the assets.

Land has an indefinite useful life and is not depreciated.

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

Impairment of non-financial assets

Non-financial assets, other than deferred taxes and investment property, are assessed at each reporting date for any indications of impairment. If any such indication exists, the asset is measured at its recoverable amount. Impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. Costs to sell are the costs associated with disposal of an asset tested for impairment, less finance costs. Value in use of an asset reviewed for impairment is the present value of the future cash flows expected to be derived from the use of an asset and its subsequent disposal.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Repossessed collateral

The Group applies the accounting policy for non-current assets held for sale to repossessed collateral if relevant conditions are met at the end of the reporting period.

Operating lease - the Group as lessee

Leases of property under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under operating lease are recognised as expenses on a straight-line basis over the lease term and included into operating expenses in the consolidated statement of comprehensive income.

Translation from the Russian original

Operating lease - the Group as lessor

The Group presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term as other operating income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs attributable to operating lease agreements increase the carrying value of the asset under lease and recognised as an expense over the lease term on the same basis as the lease income.

Share capital

Ordinary shares and non-cumulative, non-redeemable preference shares are classified as share capital. The share capital contributed before 1 January 2003 is restated for the effects of inflation. The share capital contributed after the above date is stated at original cost. Non-cash contributions into the share capital are recorded at fair value of contributed assets at the date the contribution is made. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction in equity from the proceeds. Redeemable preference shares are classified as liabilities. Dividends on preference shares are reflected in the statement of comprehensive income as interest expense on the amortised cost basis using the effective interest rate method.

Share premium

Share premium represents the excess of contributions to the share capital over the nominal value of the shares issued.

Financial assistance from shareholder

Financial assistance received from the shareholder is recognised in equity of the Group at the time the funds are received.

Contingent assets and liabilities

Contingent assets are not recognised in the consolidated statement of financial position but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated statement of financial position but disclosed in the consolidated financial statements unless the possibility of any outflow in settlement is remote.

Credit related commitments

The Group enters into credit related commitments, including guarantees, letters of credit and commitments to extend credits. Guarantees represent irrevocable assurances of the Group to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Documentary letters of credit, which are written undertakings by the Group to pay on behalf of the clients the agreed amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct lending.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Credit related commitments are initially recognised at their fair value. Subsequently, they are analysed at the end of each reporting period and adjusted to reflect the current best estimate. The best estimate of the expenditure required to settle the present obligation is the amount that the Group would rationally pay to settle the obligation.

Provisions

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

Translation from the Russian original

Taxation

The income tax charge/recovery comprises current tax and deferred tax and is recorded in the consolidated statement of comprehensive income. Income tax expense is recorded in the consolidated financial statements in accordance with the applicable legislation of the Russian Federation. Current tax is calculated on the basis of the estimated taxable profit for the year, using the tax rates enacted during the reporting period.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current or prior periods. Tax amounts are based on estimates if consolidated financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for tax loss carryforwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carryforwards will be utilised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and deferred taxes refer to the same taxpayer and the same tax authority of the Group. Deferred tax assets for deductible temporary differences and tax loss carryforwards are recorded to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Judgement is required to determine the amount of deferred tax assets that may be recognised in consolidated financial statements based on probable periods and amounts of future taxable profits and future tax planning strategies.

Russia also has various other taxes, which are assessed on the Group's activities. These taxes are recorded within operating expenses in the consolidated statement of comprehensive income.

Income and expense recognition

Interest income and expense are recorded in the consolidated statement of comprehensive income for all debt instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all commissions and fees paid or received by the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income includes coupons earned on fixed-income financial assets and accrued discount and premium on promissory notes and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fees, commissions and other income and expense items are recorded on an accrual basis after the service is provided. Loan origination fees for loans that are not yet provided, but are probable of being drawn down, are recognised within other assets and are subsequently taken into account in calculation of effective yield on the loan. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVPL.

Commissions that are not part of the effective interest rate. Payments for servicing loans on behalf of third parties are recognised as revenue over the period the service is rendered and the customer simultaneously receives and consumes the benefits provided as a result of and along with the performance of duties by the Group. Loan commitment fees related to commitments that are not measured at fair value through profit or loss or if a loan is unlikely to be drawn down are recognised on a straight line basis over the life of the commitment.

Translation from the Russian original

For purchased or originated credit-impaired financial assets, the effective interest rate is the rate that discounts estimated future cash flows (including initial expected credit losses) to fair value upon initial recognition (usually corresponding to the purchase price). As a result, the effective interest rate is adjusted for credit risk.

Interest income is calculated using the effective interest rate on the gross carrying amount of financial assets other than:

- 1) financial assets which have become impaired (Stage 3) and for which interest income is calculated using the effective interest rate to their amortised cost (net of the allowance for expected credit losses); and
- 2) purchased or originated credit-impaired financial assets for which the initial effective interest rate adjusted for credit risk is applied to the amortised cost.

Employee benefits and social insurance contributions

The Group pays social insurance contributions on the territory of the Russian Federation. Insurance contributions are recorded on an accrual basis and comprise contributions to the Russian Federation state pension, social insurance, and obligatory medical insurance funds in respect of the Group's employees. The Group does not have pension arrangements separate from the state pension system of the Russian Federation. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leaves and paid sick leaves, bonuses and non-monetary benefits are accrued as the Group's employees render the related service.

Foreign currency and precious metals

Foreign currency transactions are initially translated into the functional currency at the CBR exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the CBR exchange rate ruling at the reporting date. Gains and losses resulting from translation of transactions in foreign currency and precious metals are recorded in the consolidated statement of comprehensive income as gains less losses from revaluation of foreign currency and precious metals. Non-monetary items denominated in foreign currency and carried at cost are restated at the CBR exchange rate in effect at the transaction date. Non-monetary items denominated in foreign currency and carried at fair value are restated at the exchange rate in effect at the date the fair value is determined.

Gains and losses on purchase and sale of foreign currency and precious metals are determined as the difference between the selling price and the carrying value at the date of the transaction.

5. Cash and Cash Equivalents

	2018	2017
Cash on hand	2 639 475	2 297 832
Cash balances with the Central Bank of the Russian Federation (other than mandatory reserve deposits)	1 233 400	1 506 649
Correspondent accounts with other banks and funds with non-bank credit institutions of:		
- the Russian Federation;	461 148	507 265
- other countries	24 805	70 684
Total cash and cash equivalents	4 358 828	4 382 430

Translation from the Russian original

The credit quality analysis of cash and cash equivalents based on credit risk grades at 31 December 2018 is presented in the table below.

	Cash balances with the Central Bank of the Russian Federation (other than mandatory reserve deposits)	Correspondent accounts with other banks and funds with non-bank credit institutions	Total
Minimum credit risk	1 233 400	485 953	1 719 353
Total cash and cash equivalents, excluding cash on hand	1 233 400	485 953	1 719 353

Principles of classification of financial instruments by credit risk grades are disclosed in Note 26.

For the purpose of ECL measurement cash and cash equivalents are included in Stage 1. As at 31 December 2018, the ECL for these balances represents an insignificant amount, therefore, the Group did not recognise any ECL allowance for cash and cash equivalents.

Below is analysis of correspondent banks and non-bank credit institutions as at 31 December 2018 in accordance with the ratings of international rating agencies:

	Fitch	Moody's	S&P	Amount	No rating assigned	Total
Correspondent accounts with other banks						
- PJSC ROSBANK	BBB-	Ba2	-	347 222	-	347 222
- PJSC Sberbank	BBB-	Ba2	-	30 849	-	30 849
- VTB (PJSC)	-	Ba2	BBB-	18 447	-	18 447
- VTB Bank (Europe) SE	-	Ba2	BBB-	14 871	-	14 871
- BANK OF CHINA (JSC)	BBB-	-	-	14 662	-	14 662
- PJSC Bank Otkritie Financial Corporation	-	B1	-	9 254	-	9 254
- JSC ALFA-BANK	BB+	Ba2	BB+	9 234	-	9 234
- PJS SCBP "Primsotsbank"	B+	-	-	1 054	-	1 054
- PJSC SOVCOMBANK	BB	Ba3	BB-	893	-	893
- PJSC BINBANK	-	-	B+	559	-	559
- PJSC JSCB Svyaz-Bank	BB-	-	-	547	-	547
- CHINA CONSTRUCTION BANK HEILONGJIANG BRANCH	BBB-	-	-	251	-	251
- Bank "National Clearing Centre" (Joint-stock company) (NCC)	BBB-	-	-	102	-	102
- JSC NOVIKOMBANK	-	B1	-	79	-	79
- PJSC Promsvyazbank	-	B2	B+	20	-	20
- GPB (JSC)	BB+	Ba2	BB+	5	-	5
- HARBIN BANK CO., LTD	-	-	-	-	8 648	8 648
- JSC Development Capital Bank	-	-	-	-	6 450	6 450
- PLATINA BANK LLC	-	-	-	-	1 303	1 303
- SHANGHAI PUDONG DEVELOPMENT BANK CO. LTD.	-	-	-	-	963	963
- JSC Nefteprombank	-	-	-	-	143	143
- JSC Halyk Bank	-	-	-	-	72	72
Funds with non-bank credit institutions						
- Credit Union "Payment Centre" Ltd	-	-	BB	10 848	-	10 848
- NCI Western Union DP Vostok Ltd	-	-	-	-	5 021	5 021
- Multiservice Payment System	-	-	-	-	5 000	5 000
- NCI ORS (Unified Payment System) (JSC)	-	-	-	-	62	62
- NCI CJSC NSD (National Settlement Depository)	-	-	-	-	13	13
Total correspondent accounts with other banks and funds with non-bank credit institutions				458 350	27 603	485 953

Translation from the Russian original

Below is analysis of correspondent banks and non-bank credit institutions as at 31 December 2017 in accordance with the ratings of international rating agencies:

	Fitch	Moody's	S&P	Amount	No rating assigned	Total
Correspondent accounts with other banks						
- PJSC ROSBANK	BBB-	Ba2	-	446 235	-	446 235
- VTB Bank (Europe) SE	-	Ba2	BBB-	36 146	-	36 146
- JSC ALFA-BANK	BB+	Ba2	BB+	15 286	-	15 286
- VTB (PJSC)	-	Ba2	BBB-	11 520	-	11 520
- Bank "National Clearing Centre" (Joint-stock company) (NCC)	BBB-	-	-	5 063	-	5 063
- BANK OF CHINA (JSC)	BBB-	-	-	2 831	-	2 831
- PJSC Promsvyazbank	-	B2	B+	944	-	944
- GPB (JSC)	BB+	Ba2	BB+	883	-	883
- JSCB RosEvroBank (JSC)	BB-	-	BB-	754	-	754
- JSC GLOBEXBANK	BB-	-	-	576	-	576
- CHINA CONSTRUCTION BANK HEILONGJIANG BRANCH	BBB-	-	-	225	-	225
- PJSC Sberbank	BBB-	Ba2	-	161	-	161
- PJSC BINBANK	-	-	B+	152	-	152
- PJSC Bank Otkritie Financial Corporation	-	B2	-	42	-	42
- JSC Novikombank	-	B2	-	40	-	40
- HARBIN BANK CO.,LTD	-	-	-	-	31 541	31 541
- SHANGHAI PUDONG DEVELOPMENT BANK CO. LTD.	-	-	-	-	2 221	2 221
- PJS SCBP "Primsotsbank"	-	-	-	-	1 905	1 905
- PLATINA BANK LLC	-	-	-	-	1 520	1 520
- JSC Nefteprombank	-	-	-	-	828	828
- JSC Kazkommertsbank	-	-	-	-	394	394
- ABLV Bank, AS	-	-	-	-	158	158
Funds with non-bank credit institutions						
-Credit Union "Payment Centre" Ltd	-	-	BB	10 637	-	10 637
- NCI Western Union DP Vostok Ltd	-	-	-	-	4 325	4 325
- NCI ORS (Unified Payment System) (JSC)	-	-	-	-	2 513	2 513
- Multiservice Payment System	-	-	-	-	1 000	1 000
- NCI CJSC NSD (National Settlement Depository)	-	-	-	-	49	49
Total correspondent accounts with other banks and funds with non-bank credit institutions				531 495	46 454	577 949

As at 31 December 2018, the Group had no cash balances with commercial banks (2017: 1 commercial bank) above 10% of the Group's capital. As at 31 December 2017, the aggregate amount of these funds was RUB 446 235 thousand or 10.2% of total cash and cash equivalents.

6. Due from Other Banks

	2018	2017
Loans and deposits with other banks	1 801 338	800 274
Funds with credit institutions for clearing purposes	1 372 490	774 642
Deposits with CBR	800 335	3 501 989
Promissory notes of other banks	147 869	9 973
Total due from other banks	4 122 032	5 086 878

As at 31 December 2018, funds with credit institutions for clearing purposes include amounts deposited with CJSC JSCB National Clearing Centre in the total amount of RUB 1 310 026 thousand (2017: RUB 609 478 thousand) for conducting exchange transactions.

Deposits with CBR are placed in Russian Roubles (2017: in Russian Roubles) with maturity date on 9 January 2019 (2017: from 9 January to 10 January 2018) and yield rate of 7.7% per annum (2017: from 7.4% to 7.7% per annum).

Translation from the Russian original

Promissory notes of other banks are represented by RUB-denominated debt securities of credit institutions maturing in January 2019 (2017: January 2018) and yield rate from 11.2% to 14.2% per annum (2017: 11.2% per annum).

For the purpose of assessing expected credit losses, balances of due from other banks are included in Stage 1. ECLs for these balances are insignificant; therefore, the Group does not create an ECL allowance for due from other banks.

Below is the credit quality analysis of due from other banks as at 31 December 2018:

	Loans and deposits with other banks	Funds with credit institutions for clearing purposes	Deposits with CBR	Promissory notes of other banks	Total
Minimum credit risk	1 801 338	1 372 490	800 335	147 869	4 122 032
Carrying amount	1 801 338	1 372 490	800 335	147 869	4 122 032

The credit quality analysis of due from other banks as at 31 December 2017 has shown that due from other banks in the total amount of RUB 5 086 878 thousand are current and unimpaired.

Below is the credit quality analysis of due from other banks as at 31 December 2018 in accordance with the ratings of international agencies:

	Fitch	Moody's	S&P	Amount	No rating assigned	Total
Loans and deposits with other banks	BBB-	Ba2	-	1 801 338	-	1 801 338
Funds with credit institutions for clearing purposes	BBB-	Ba2	-	1 355 877	16 613	1 372 490
Deposits with CBR	BBB-	Ba1	BBB-	800 335	-	800 335
Discounted promissory notes	BB+	Ba2	BB+	147 869	-	147 869
Total due from other banks				4 105 419	16 613	4 122 032

Below is the credit quality analysis of due from other banks as at 31 December 2017 in accordance with the ratings of international agencies:

	Fitch	Moody's	S&P	Amount	No rating assigned	Total
Loans and deposits with other banks	BBB	Ba2	BB	800 274	-	800 274
Funds with credit institutions for clearing purposes	BBB-	Ba2	-	761 398	13 244	774 642
Deposits with CBR	BBB-	Ba1	BBB-	3 501 989	-	3 501 989
Discounted promissory notes	BB+	Ba2	BB	9 973	-	9 973
Total due from other banks				5 073 634	13 244	5 086 878

Due from other banks are not collateralised.

As at 31 December 2018, the Group had cash balances with two counterparty banks above 10% of the Group's capital (2017: with two counterparty banks). The aggregate amount of these funds was RUB 2 611 066 thousand or 63.3% of total due from other banks (2017: RUB 1 323 536 thousand or 26.0% of total due from other banks).

Translation from the Russian original

7. Loans to Customers

	2018	2017
Loans to legal entities	37 320 770	39 513 079
Consumer loans to individuals	3 530 806	2 122 262
Mortgage loans to individuals	842 169	1 001 819
Car loans to individuals	17 772	46 730
Total loans to customers at amortised cost before allowance/provision	41 711 517	42 683 890
Less: ECL allowance/impairment provision for loans to customers	(5 061 817)	(5 593 010)
Total loans to customers	36 649 700	37 090 880

In 2018 a loss in the amount of RUB 187 931 thousand (2017: RUB 346 791 thousand) associated with origination of loans to customers at rates below market was recorded in the consolidated statement of comprehensive income.

As at 31 December 2018, the accrued interest income on impaired loans amounted to RUB 286 767 thousand (2017: RUB 316 325 thousand).

Below is analysis of movements in the ECL allowance during 2018:

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	2 619 235	1 184 512	1 244 255	5 048 002
Assets recognised in the period	1 148 162	176 451	-	1 324 613
Change in credit risk	842 415	(355 619)	189 729	676 525
Write-off of provision on sold loans	(310 778)	(509 382)	(1 165 669)	(1 985 829)
Write-offs against ECL allowance	-	-	(1 494)	(1 494)
Transfer to Stage 1	8 601	(8 601)	-	-
Transfer to Stage 2	(592 396)	593 540	(1 144)	-
Transfer to Stage 3	(1 217 261)	(127 798)	1 345 059	-
ECL allowance as at 31 December 2018	2 497 978	953 103	1 610 736	5 061 817

The ECL allowance for loans to customers recognised in the period is impacted by a variety of factors. Below is the description of the main changes:

- transfers between Stages 1 and 2 and Stage 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- impact on the measurement of ECL due to changes to model assumptions, including changes in PDs, EADs and LGDs in the period, arising from update of inputs to ECL models.

Translation from the Russian original

Movements in the provision for impairment of loans to customers during 2017 are as follows:

	Loans to legal entities	Consumer loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
Provision for impairment of loans to customers as at 1 January 2017	4 166 097	533 268	18 502	3 945	4 721 912
Provision/(recovery of provision) for impairment during 2017	1 690 078	220 521	(5 245)	8 009	1 913 363
Write-off of provision on sold loans	(754 883)	(285 663)	-	-	(1 040 546)
Write-off against provision for impairment	-	(1 719)	-	-	(1 719)
Provision for impairment of loans to customers as at 31 December 2017	5 101 392	466 407	13 257	11 954	5 593 010

Economic sector concentrations within the Group's loan portfolio are as follows:

	2018		2017	
	Amount	%	Amount	%
Trade	13 000 251	31.2	14 625 976	34.3
Construction	5 699 393	13.7	5 469 060	12.8
Production	5 560 445	13.3	5 401 167	12.6
Real estate transactions	5 069 739	12.1	5 409 223	12.7
Individuals	4 390 747	10.5	3 170 811	7.4
Financial services	4 041 656	9.7	2 780 467	6.5
Transport	1 249 339	3.0	1 826 321	4.3
Agriculture	248 042	0.6	1 017 994	2.4
Other	2 451 906	5.9	2 982 871	7.0
Total loans to customers (gross)	41 711 517	100.0	42 683 890	100.0

As at 31 December 2018, the Group issued loans to 19 borrowers (2017: 27 borrowers) with the loan amount of each borrower exceeding 10% of the Group's capital. The aggregate amount of these loans was RUB 17 737 356 thousand or 42.5% of total loans to customers (2017: RUB 20 808 129 thousand or 48.7% of total loans to customers).

Translation from the Russian original

Below is the credit quality analysis of loans as at 31 December 2018:

	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Minimum credit risk	6 900 186	-	-	6 900 186
Low credit risk	17 794 028	-	-	17 794 028
Moderate credit risk	10 050 786	359 209	-	10 409 995
High credit risk	-	751 500	-	751 500
Defaulted assets	-	-	1 465 061	1 465 061
Total loans to legal entities before ECL allowance	34 745 000	1 110 709	1 465 061	37 320 770
Less: ECL allowance	(2 489 004)	(735 176)	(1 465 061)	(4 689 241)
Total loans to legal entities, net of ECL allowance	32 255 996	375 533	-	32 631 529
Consumer loans to individuals				
Minimum credit risk	1 637 136	-	-	1 637 136
Low credit risk	393 624	360	-	393 984
Moderate credit risk	844 414	499 974	-	1 344 388
High credit risk	-	18 006	30 348	48 354
Defaulted assets	-	-	106 944	106 944
Total consumer loans to individuals before ECL allowance	2 875 174	518 340	137 292	3 530 806
Less: ECL allowance	(7 367)	(207 699)	(137 292)	(352 358)
Total consumer loans to individuals, net of ECL allowance	2 867 807	310 641	-	3 178 448
Mortgage loans to individuals				
Minimum credit risk	25 848	-	-	25 848
Low credit risk	487 455	5 161	-	492 616
Moderate credit risk	154 715	168 990	-	323 705
Total mortgage loans to individuals before ECL allowance	668 018	174 151	-	842 169
Less: ECL allowance	(1 395)	(8 852)	-	(10 247)
Total mortgage loans to individuals, net of ECL allowance	666 623	165 299	-	831 922
Car loans to individuals				
Minimum credit risk	2 615	-	-	2 615
Low credit risk	5 397	-	-	5 397
High credit risk	-	1 377	-	1 377
Defaulted assets	-	-	8 383	8 383
Total car loans to individuals before ECL allowance	8 012	1 377	8 383	17 772
Less: ECL allowance	(211)	(1 377)	(8 383)	(9 971)
Total car loans to individuals, net of ECL allowance	7 801	-	-	7 801
Total loans to customers before ECL allowance	38 296 204	1 804 577	1 610 736	41 711 517
Less: ECL allowance	(2 497 977)	(953 104)	(1 610 736)	(5 061 817)
Total loans to customers, net of ECL allowance	35 798 227	851 473	-	36 649 700

Translation from the Russian original

Below is the credit quality analysis of loans as at 31 December 2017:

	Gross loans	Impairment provision	Loans net of impairment provision	Impairment provision to gross loans
Loans to legal entities				
<i>Individually assessed loans</i>				
Current loans (not past due)	26 082 727	2 918 745	23 163 982	11,2%
6 to 12 months overdue	210 929	53 998	156 931	25,6%
<i>Collectively assessed loans</i>				
Current loans (not past due)	12 106 162	1 376 744	10 729 418	11,4%
1 to 6 months overdue	337 862	126 387	211 475	37,4%
6 to 12 months overdue	331 984	229 271	102 713	69,1%
More than 1 year overdue	443 415	396 247	47 168	89,4%
Total loans to legal entities	39 513 079	5 101 392	34 411 687	12,9%
Consumer loans to individuals				
<i>Individually assessed loans</i>				
Current loans (not past due)	866 665	263 466	603 199	30,4%
<i>Collectively assessed loans</i>				
Current loans (not past due)	1 127 386	125 272	1 002 114	11,1%
1 to 6 months overdue	39 514	9 721	29 793	24,6%
6 to 12 months overdue	11 159	9 992	1 167	89,5%
More than 1 year overdue	77 538	57 956	19 582	74,7%
Total consumer loans to individuals	2 122 262	466 407	1 655 855	22,0%
Mortgage loans to individuals				
<i>Collectively assessed loans</i>				
Current loans (not past due)	971 833	11 748	960 085	1,2%
Less than 1 month overdue	8 050	171	7 879	2,1%
1 to 6 months overdue	21 936	1 338	20 598	6,1%
Total mortgage loans to individuals	1 001 819	13 257	988 562	1,3%
Car loans to individuals				
<i>Collectively assessed loans</i>				
Current loans (not past due)	34 429	3 454	30 975	10,0%
1 to 6 months overdue	2 466	1 049	1 417	42,5%
More than 1 year overdue	9 835	7 451	2 384	75,8%
Total car loans to individuals	46 730	11 954	34 776	25,6%
Total loans to customers	42 683 890	5 593 010	37 090 880	13,1%

The Group can use three separate approaches to assess expected credit losses:

- assessment on an individual basis;
- assessment on a collective (portfolio) basis: internal ratings are assessed on an individual basis, however, in the process of calculating expected credit losses for identical credit risk ratings and homogeneous segments of the loan portfolio, the same credit risk parameters are applied (for example, probability of default, loss in case of default);
- assessment on the basis of external ratings.

The Group assesses on an individual basis the following types of loans: loans to legal entities, individually significant loans to individuals.

The Group assesses, on a group (portfolio) basis, loans to individuals. This approach provides for aggregation of the portfolio into homogeneous segments on the basis of specific information on borrowers, such as type of loan, delinquent loans.

The amounts of loans recognised as “past due” represent the entire balance of such loans rather than the overdue amounts of individual payments.

Translation from the Russian original

Below is the information about the structure of the loan portfolio by type of collateral as at 31 December 2018:

	Loans to legal entities	Consumer loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
Real estate	12 669 081	2 107 905	771 400	-	15 548 386
Sureties	11 461 102	287 426	-	-	11 748 528
Bank's own promissory notes and deposits	1 560 788	96 670	67 000	-	1 724 458
Equipment	2 993 574	33 477	-	-	3 027 051
Goods for sale	1 688 467	13 546	-	-	1 702 013
Transport	482 952	30 841	-	14 580	528 373
Other collateral	569 497	409	-	-	569 906
Unsecured loans to customers	5 895 309	960 532	3 769	3 192	6 862 802
Total loans to customers (gross)	37 320 770	3 530 806	842 169	17 772	41 711 517

Below is the information about the structure of the loan portfolio by type of collateral as at 31 December 2017:

	Loans to legal entities	Consumer loans to individuals	Mortgage loans to individuals	Car loans to individuals	Total
Real estate	15 308 211	839 074	972 783	-	17 120 068
Sureties	13 791 708	230 992	-	-	14 022 700
Bank's own promissory notes and deposits	3 025 178	150	-	-	3 025 328
Equipment	2 179 637	35 776	-	-	2 215 413
Goods for sale	1 863 796	13 096	-	-	1 876 892
Transport	905 378	44 660	-	40 127	990 165
Other collateral	409 143	-	-	-	409 143
Unsecured loans to customers	2 030 028	958 514	29 036	6 603	3 024 181
Total loans to customers (gross)	39 513 079	2 122 262	1 001 819	46 730	42 683 890

The collateral value may differ from the fair value.

The fair value of collateral was determined by the Credit Department of the Bank using internal instructions based on the internal expert evaluation and independent appraisal. The fair value is measured regularly by qualified valuation experts. Market price data from open sources are used and such prices are calculated using different models.

Translation from the Russian original

8. Investment Securities

	2018	2017
Securities at fair value through other comprehensive income		
- Eurobonds of the Russian Federation	359 803	X
- Corporate eurobonds	2 932 591	X
Total securities at fair value through other comprehensive income	3 292 394	X
Financial assets available for sale		
- Eurobonds of the Russian Federation	X	322 226
- Corporate eurobonds	X	3 110 605
Total financial assets available for sale	X	3 432 831
Investments held to maturity		
- Corporate bonds	X	133 012
Total investments held to maturity	X	133 012
Total investment securities	3 292 394	3 565 843

Eurobonds of the Russian Federation are USD-denominated securities issued by the Ministry of Finance of the Russian Federation and freely traded in the international market. Eurobonds of the Russian Federation in the Group's portfolio as at 31 December 2018 and 31 December 2017 have maturity dates ranging from April 2020 to April 2042 and the coupon rate from 5.0% to 5.6% per annum, depending on the issue.

Corporate eurobonds are interest bearing securities denominated in USD and EUR issued by large Russian companies and freely tradable internationally. Corporate eurobonds in the Group's portfolio as at 31 December 2018 and 31 December 2017 have maturity dates from May 2021 to February 2028 and the coupon rate from 3.4% to 5.9% per annum, depending on the issue.

Corporate bonds are RUB-denominated interest bearing securities issued by Russian companies and freely tradable on the MICEX. As at 31 December 2017, corporate bonds in the Group's portfolio had maturity on 22 August 2018, the coupon rate of 18% per annum and yield to maturity of 12.15% per annum.

Below is analysis of credit risk for securities at fair value through other comprehensive income as at 31 December 2018.

	Eurobonds of the Russian Federation	Corporate eurobonds	Total
Minimum credit risk	359 436	2 932 958	3 292 394
Carrying amount	359 436	2 932 958	3 292 394

Below is credit quality analysis of issuers of debt securities classified as securities at fair value through other comprehensive income as at 31 December 2018 in accordance with the ratings of international agencies:

	Fitch	Moody's	S&P	Amount
Government debt securities				
- Eurobonds of the Russian Federation	BBB-	Ba1	BBB-	359 803
Corporate debt securities				
- Corporate eurobonds				
• Vnesheconombank	BBB-	Ba1	BBB	954 945
• PJSC Gazprom	BBB-	Baa3	BBB-	1 196 902
• JSC Russian Railways	BBB-	Baa3	BBB-	437 542
• PJSC ROSNEFT	-	Baa3	BB+	343 202
Total securities at fair value through other comprehensive income				3 292 394

Translation from the Russian original

The credit quality analysis of financial assets available for sale as at 31 December 2017 has shown that all financial assets available for sale in the total amount of RUB 3 432 831 thousand are current and unimpaired.

Below is the credit quality analysis of issuers of debt securities classified as financial assets available for sale as at 31 December 2017 in accordance with the ratings of international agencies:

	Fitch	Moody's	S&P	Amount
Government debt securities				
- Eurobonds of the Russian Federation	BBB-	Ba1	BB+	322 226
Corporate debt securities				
- Corporate eurobonds				
• Vnesheconombank	BBB-	Ba1	BB+	1 339 604
• PJSC Gazprom	BBB-	Ba1	BB+	1 082 516
• JSC Russian Railways	BBB-	Ba1	BB+	393 453
• PJSC ROSNEFT	-	Ba1	BB+	295 032
Total debt securities available for sale				3 432 831

9. Non-current Assets Held for Sale

Non-current assets held for sale include assets repossessed by the Group under contracts for compensation as a result of recovery of the pledged property under loan agreements.

	2018	2017
Land plots in Moscow region	605 484	733 960
Real estate in Moscow region	355 324	85 105
Real estate in Krasnodar Krai	318 453	309 868
Real estate in Krasnoyarsk	261 778	2 008
Real estate in Moscow	144 659	224 645
Property	154 191	147 961
Real estate in Ryazan region	107 197	-
Land plots in Krasnodar Krai	91 009	91 009
Transport and specialised vehicles	69 316	75 102
Land plots in Leningrad region	66 720	82 864
Real estate in Tula region	23 704	23 704
Real estate in Udmurtiya	21 109	-
Real estate in Tomsk region	20 031	20 031
Land plots in Ryazan region	12 868	-
Land plots in Krasnoyarsk	12 241	169
Land plots in Mordovia	10 000	-
Real estate in Saint-Petersburg	7 221	6 412
Land plots in Udmurtiya	1 839	-
Land plots in Tula region	1 296	1 296
Real estate in Stavropol Krai	-	14 631
Land plots in Stavropol Krai	-	6 981
Impairment loss	(164 831)	(65 353)
Total non-current assets held for sale	2 119 609	1 760 393

Property includes different PPE items not related to real estate and transport.

Non-current assets are intended for further sale and are ready for immediate sale in their current state. The Group expects to sell these assets in the foreseeable future.

During 2018, the Bank remeasured the fair value of non-current assets held for sale and recognised impairment.

Translation from the Russian original

10. Premises and Equipment and Investment Property

	Buildings and land	Other property	Total
Net book value as at 31 December 2017	1 419 910	105 478	1 525 388
Cost			
Balance as at 1 January 2018	1 420 032	327 061	1 747 093
Additions	-	49 100	49 100
Transfer from non-current assets held for sale	103 229	19 108	122 337
Disposals	-	(22 423)	(22 423)
Balance as at 31 December 2018	1 523 261	372 846	1 896 107
Accumulated depreciation			
Balance as at 1 January 2018	122	221 583	221 705
Depreciation charge	29 252	49 798	79 050
Disposals	-	(13 263)	(13 263)
Balance as at 31 December 2018	29 374	258 118	287 492
Net book value as at 31 December 2018	1 493 887	114 728	1 608 615

	Buildings and land	Other property	Total
Net book value as at 31 December 2016	1 421 451	131 528	1 552 979
Cost			
Balance as at 1 January 2017	1 490 190	297 859	1 788 049
Additions	710	33 607	34 317
Disposals	-	(4 405)	(4 405)
Accumulated depreciation eliminated against gross carrying amount of the asset on revaluation surplus and deficit	(87 488)	-	(87 488)
Revaluation surplus	124 876	-	124 876
Revaluation deficit	(108 256)	-	(108 256)
Balance as at 31 December 2017	1 420 032	327 061	1 747 093
Accumulated depreciation			
Balance as at 1 January 2017	68 739	166 331	235 070
Depreciation charge	18 871	58 974	77 845
Disposals	-	(3 722)	(3 722)
Accumulated depreciation eliminated against gross carrying amount of the asset on revaluation surplus and deficit	(87 488)	-	(87 488)
Balance as at 31 December 2017	122	221 583	221 705
Net book value as at 31 December 2017	1 419 910	105 478	1 525 388

As at 31 December 2018, the fair value of buildings does not differ significantly from their carrying amount.

The Group's buildings were appraised by the independent valuer LLC EVEREST CONSULTING as at 31 December 2017 on the basis of the market value.

As at 31 December 2018, total deferred tax liability in the amount of RUB 56 997 thousand (2017: RUB 56 997 thousand) was calculated in respect of this positive revaluation of buildings at fair value and charged to revaluation reserve for premises and equipment (Note 24).

If the buildings were measured using the cost model, the net book value would include:

	2018	2017
Cost	1 495 318	1 392 089
Accumulated depreciation	(147 001)	(118 313)
Net book value	1 348 317	1 273 776

Translation from the Russian original

Below is information on movements in the fair value of investment property:

	2018	2017
Cost as at 1 January	125 633	155 634
Loss on revaluation at fair value	-	(30 001)
Transfer from non-current assets held for sale	283 894	-
Cost as at 31 December	409 527	125 633

As at 31 December 2018, the fair value of investment property does not differ significantly from its carrying amount.

The Group's investment property as at 31 December 2017 was appraised by the independent valuer LLC EVEREST CONSULTING on the basis of the market value. The loss of RUB 30 001 thousand on revaluation of investment property was recognised within revaluation deficit on premises and equipment and investment property in the consolidated statement of comprehensive income for the year ended 31 December 2017.

As at 31 December 2017, total revaluation deficit on buildings and land included in premises and equipment and investment property and recognised as a separate line in profit or loss equals RUB 135 432 thousand, which comprises a revaluation deficit of RUB 137 918 thousand and a revaluation surplus of RUB 2 486 thousand. The total revaluation surplus on buildings and land included in premises and equipment recognised in other comprehensive income equals RUB 122 051 thousand, which comprises a revaluation surplus of RUB 122 390 thousand and a revaluation deficit of RUB 339 thousand.

During 2018 direct operating expenses on investment property generating rental income amounted to RUB 8 088 thousand (2017: RUB 3 369 thousand). In 2018 rental income amounted to RUB 9 636 thousand (2017: RUB 4 068 thousand).

11. Other Assets

	2018	2017
<i>Other financial assets at amortised cost</i>		
Receivables	100 155	2 733
Penalties receivable for breach of obligations	41 915	73 590
Plastic card settlements	9 235	19 135
Less: ECL allowance	(41 915)	(73 391)
Total other financial assets at amortised cost	109 390	22 067
<i>Other financial assets at fair value through profit or loss</i>		
Foreign currency transactions	278	18 022
Total other financial assets at fair value through profit or loss	278	18 022
<i>Other non-financial assets</i>		
Inventories of trading organisations	158 238	-
Advances	106 206	61 252
Prepaid taxes (other than income tax)	23 987	2 971
Other	48	3 055
Less: impairment of other non-financial assets	(14 127)	(12 952)
Total other non-financial assets	274 352	54 326
Total other assets	384 020	94 415

Receivables include receivables from customers of the subsidiaries arising from sale of cars and car components.

Translation from the Russian original

Below is analysis of movements in the ECL allowance during 2018:

	Stage 3
ECL allowance as at 1 January 2018	73 391
Assets recognized in the period	35 313
Change in credit risk	(65 561)
Written off against ECL allowance	(1 228)
ECL allowance as at 31 December 2018	41 915

Below is analysis of movements in impairment of other non-financial assets during 2018:

	Other non-financial assets
Impairment of other non-financial assets as at 1 January 2018	12 952
Impairment loss during 2018	1 175
Impairment of other non-financial assets as at 31 December 2018	14 127

Movements in the provision for impairment of other assets during 2017 are as follows:

	Receivables	Penalties receivable for breach of obligations	Advances	Total
Provision for impairment of other assets as at 1 January 2017	3 848	154 473	-	158 321
Provision / (recovery of provision) for impairment during 2017	(3 478)	(78 105)	12 952	(68 631)
Other assets written off during 2017 as uncollectible	-	(3 347)	-	(3 347)
Provision for impairment of other assets as at 31 December 2017	370	73 021	12 952	86 343

Below is analysis of credit risk for other financial assets at amortised cost as at 31 December 2018:

	Stage 1	Stage 3	Total
Receivables			
Minimum credit risk	100 155	-	100 155
Gross carrying amount	100 155	-	100 155
ECL allowance	-	-	-
Carrying amount	100 155	-	100 155
Penalties receivable for breach of obligations			
Default assets	-	41 915	41 915
Gross carrying amount	-	41 915	41 915
ECL allowance	-	(41 915)	(41 915)
Carrying amount	-	-	-
Plastic card settlements			
Minimum credit risk	9 235	-	9 235
Gross carrying amount	9 235	-	9 235
ECL allowance	-	-	-
Carrying amount	9 235	-	9 235

Translation from the Russian original

The credit quality analysis of financial assets classified as other assets as at 31 December 2017 is as follows:

	Current and unimpaired	Impaired	Total
Receivables	1 885	848	2 733
Penalties receivable for breach of obligations	-	73 590	73 590
Plastic card settlements	19 135	-	19 135
Financial assets at fair value through profit or loss	18 022	-	18 022
Less: provision for impairment of other assets	-	(73 391)	(73 391)
Total financial assets classified as other assets	39 042	1 047	40 089

The ageing analysis of impaired financial assets classified as other assets as at 31 December 2017 is as follows:

	Past due				Total
	Less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	
Receivables	549	16	-	283	848
Penalties receivable for breach of obligations	965	4 114	11 749	56 762	73 590
Less: provision for impairment of other assets	(467)	(4 130)	(11 749)	(57 045)	(73 391)
Total impaired financial assets classified as other assets	1 047	-	-	-	1 047

12. Due to Other Banks

	2018	2017
Correspondent accounts of other banks	14 182	33 266
Term deposits of other banks	-	800 658
Total due to other banks	14 182	833 924

As at 31 December 2018, the Group had no counterparty banks (2017: 1 counterparty bank) with total balances in excess of 10% of the Group's capital. As at 31 December 2017, the aggregate amount of these funds is RUB 800 658 thousand or 96.0% of total due to other banks.

13. Customer Accounts

	2018	2017
Legal entities		
- Current/settlement accounts	9 868 011	6 613 741
- Term deposits	4 861 074	4 627 010
Individuals		
- Current accounts/demand deposits	2 207 479	2 157 616
- Term deposits	26 708 105	28 049 944
Total customer accounts	43 644 669	41 448 311

According to the Russian Civil Code, the Group is obliged to repay deposits to individual depositors at short notice. If a fixed-term deposit is withdrawn by the depositor ahead of term, interest is payable at the rate paid by the Group on demand deposits unless otherwise specified by the contract.

Translation from the Russian original

Economic sector concentrations within customer accounts are as follows:

	2018		2017	
	Amount	%	Amount	%
Individuals	28 915 584	66.2	30 207 560	72.9
Services	5 741 320	13.2	1 451 436	3.5
Trade	5 157 722	11.8	4 838 249	11.7
Financial services	1 191 659	2.7	1 552 360	3.8
Construction	984 672	2.3	1 671 495	4.0
Transport	382 932	0.9	584 627	1.4
Industry	277 121	0.6	473 387	1.1
Other	993 659	2.3	669 197	1.6
Total customer accounts	43 644 669	100.0	41 448 311	100.0

As at 31 December 2018, the Group had 4 customers (2017: 2 customers) with total balances over 10% of the Group's capital. The aggregate amount of these customer accounts was RUB 5 291 390 thousand or 12.1% of total customer accounts (2017: RUB 1 167 298 thousand or 2.8% of total customer accounts).

14. Other Borrowed Funds

	2017
Subordinated loans	1 978 991
Total other borrowed funds	1 978 991

As at 31 December 2017, the Group had 3 perpetual subordinated loan contracts in USD and EUR in the total amount of RUB 1 978 991 thousand. As at 31 December 2017, the interest rate on subordinated loans is 6.8% per annum.

In April and August of 2018, perpetual subordinated loans from the Bank's shareholders in the amount of RUB 2 216 677 thousand were forgiven.

15. Debt Securities Issued

	2018	2017
Promissory notes	2 556 852	3 829 116
Bonds	1 196 422	991 852
Certificates of deposit	619 255	1 581 067
Total debt securities issued	4 372 529	6 402 035

As at 31 December 2018, promissory notes denominated in Russian Roubles and foreign currency have maturities from January 2019 to December 2021 (2017: from January 2018 to June 2020) and interest rates from 1.0% to 10.0% per annum (2017: from 1.0% to 10.0% per annum).

Bonds denominated in US Dollars as at 31 December 2018 and 31 December 2017 have maturity on the 1911th day from the start date of bond placement with a possibility of early repayment at the discretion of an issuing credit institution. These bonds are not quoted. Bonds are issued in the total amount of USD 17 026 000, including 17 026 non-convertible certificated bearer bonds with the yield of 5% per annum.

Certificates of deposit denominated in Russian Roubles as at 31 December 2018 have maturities from January 2019 to November 2019 (2017: from January 2018 to August 2019) with interest rates ranging from 7.0% to 11.0% per annum (2017: from 6.0% to 13.0% per annum).

Translation from the Russian original

16. Other Liabilities

	Note	2018	2017
<i>Other financial liabilities</i>			
Payables		132 736	109 742
Settlements under conversion operations		3 563	-
<i>Other non-financial liabilities</i>			
ECL allowance for credit related commitments	28	334 802	-
Payables to employees		55 401	56 364
Taxes other than income tax		27 279	17 526
Provisions		914	1 994
Other		2 921	1 303
Total other liabilities		557 616	186 929

As at 31 December 2018, allowance for credit related commitments represents the amount of expected credit losses on financial guarantees and unused portions of authorizations to extend credit, when components of unused commitments can be separated from loan balances and, therefore, the Group can separately identify expected credit losses on such components.

Information on credit related commitments by credit risk levels is disclosed in Note 28.

Allowance for credit related commitment recognized during the period is influenced by different factors, description of the credit risk classification system by credit risk level and information on measurement of expected credit losses are disclosed in Note 28.

17. Share Capital and Share Premium

Authorised, issued and fully paid share capital of the Group comprises:

	2018			2017		
	Number of shares	Nominal value	Inflation adjusted amount	Number of shares	Nominal value	Inflation adjusted amount
Ordinary shares	45 000 000	450 000	469 883	45 000 000	450 000	469 883
Total share capital	45 000 000	450 000	469 883	45 000 000	450 000	469 883

All ordinary shares have a nominal value of RUB 10 per share and carry one vote.

Share premium represents the excess of contributions over the nominal value of the shares issued. As at 31 December 2018, share premium amounted to RUB 1 313 059 thousand (2017: RUB 1 313 059 thousand). The above amounts are adjusted for inflation.

18. Additional Capital

	2018	2017
Forgiveness of subordinated loans	2 216 677	-
Gratuitous contributions of shareholders	595 000	595 000
Total additional capital	2 811 677	595 000

On 24 April and 14 August 2018, perpetual subordinated loans from the Bank's shareholders in the amount of RUB 2 216 677 thousand were forgiven.

19. Retained Earnings according to the Russian Legislation

According to the Russian legislation only accumulated retained earnings reflected in the Bank's statutory financial statements may be distributed as dividends among the shareholders. As at 31 December 2018, the Bank's retained earnings amounted to RUB 1 695 315 thousand (2017: RUB 2 328 554 thousand), including loss for the reporting year of RUB 633 239 thousand (2017: RUB 624 597 thousand).

Translation from the Russian original

20. Interest Income and Expense

	2018	2017
Interest income		
Loans to customers	5 553 914	6 044 576
Due from other banks	256 009	74 626
Financial assets at fair value through other comprehensive income	131 940	116 527
Financial assets at amortised cost	15 061	23 492
Total interest income	5 956 924	6 259 221
Interest expense		
Customer accounts	2 304 932	2 463 716
Debt securities issued	279 660	324 531
Other borrowed funds	-	135 655
Due to other banks	20 391	26 354
Total interest expense	2 604 983	2 950 256
Net interest income	3 351 941	3 308 965

21. Fee and Commission Income and Expense

	2018	2017
Fee and commission income		
Transfer commission	242 608	198 914
Commission on settlement and cash transactions	229 513	185 928
Commission on guarantees issued	115 114	214 627
Commission for currency control services	104 987	86 146
Commission on foreign currency transactions	23 069	15 965
Other	13 455	4 014
Total fee and commission income	728 746	705 594
Fee and commission expense		
Transfer commission	60 169	43 243
Commission on foreign currency transactions	37 996	21 450
Commission on settlement and cash transactions	25 323	21 248
Agent's fees	182	279
Other	7 002	9 079
Total fee and commission expense	130 672	95 299
Net fee and commission income	598 074	610 295

Translation from the Russian original

22. Gain on Sale of Loans to Customers and Other Operating Income

In 2018 and 2017 the Group sold loans to customers. The Group has not retained control over the sold loans.

	Note	2018	2017
Value of sold loans to customers and claims under guarantees paid		4 912 397	2 116 712
ECL allowance for sold loans to customers and claims under guarantees paid	7, 28	(2 473 863)	(1 040 546)
Total carrying amount of sold loans to customers and claims under guarantees paid		2 438 534	1 076 166
Proceeds from sold loans to customers and claims under guarantees paid		2 751 975	1 437 411
Gain on sold loans to customers and claims under guarantees paid		313 441	361 245

As at 31 December 2018, proceeds from sold loans to customers include proceeds under deferred payment arrangements of RUB 855 820 thousand recognised as loans to customers (2017: RUB 323 444 thousand).

Other operating income includes:

	2018	2017
Penalties and fines	100 540	17 141
Shipping, logistics and storage services	85 277	92 285
Rental income from lease of property and safe deposit boxes	21 551	13 313
Revenue from sales of motor vehicles	14 388	-
Other	38 448	6 724
Total other operating income	260 204	129 463

23. Operating Expenses

	Note	2018	2017
Insurance costs		1 035 149	302 035
Staff costs		1 021 928	1 040 904
Administrative expenses		185 047	152 476
Rental expenses		104 341	107 736
Net expenses on sale of repossessed property		89 533	69 409
Depreciation of premises and equipment	10	79 050	77 845
Professional services (security, communications, etc.)		71 072	70 602
Taxes other than income tax		67 196	80 375
Software expenses		37 991	40 753
Advertising and marketing		16 242	18 644
Other		165 522	94 530
Total operating expenses		2 873 071	2 055 309

Insurance costs include contributions to the Deposit Insurance Agency.

Staff costs include contributions to the State Pension Fund in the amount of RUB 214 546 thousand (2017: RUB 214 797 thousand).

Translation from the Russian original

24. Income Tax

Income tax expense comprises the following components:

	2018	2017
Current income tax expense	6 075	286 710
Additional income tax paid for 2017	42 176	-
Deferred taxation movement due to origination and reversal of temporary differences	(21 867)	(155 320)
Less: deferred tax liability charged directly to other comprehensive income	38 957	(51 260)
Income tax expense for the year	65 341	80 130

The current tax rate applicable to the majority of the Group's profit is 20% (2017: 20%).

Reconciliation between the theoretical and the actual taxation charge is provided below.

	2018	2017
IFRS (loss)/ profit before taxation	(428 207)	286 906
Theoretical tax (recovery) /charge at the applicable statutory rate (2018: 20 %; 2017: 20%)	(85 641)	57 381
Non-deductible payments to members of the Board of Directors	-	3 400
Non-deductible expenses on assignment of loans to customers	136 665	14 757
Non-deductible expenses less non-taxable income	14 317	4 592
Income tax expense for the year	65 341	80 130

Translation from the Russian original

Differences between IFRS and statutory taxation regulations of the Russian Federation give rise to certain temporary differences between the carrying amount of certain assets and liabilities for consolidated financial statement purposes and for the Group's income tax purposes.

	2018	Change recorded in profit or loss	Change recorded in other comprehensive income	2017
Tax effect of deductible temporary differences				
ECL allowance/impairment provision for loans to customers and credit related commitments	205 014	(48 615)	-	253 629
Discounting of loans to customers issued at non-market interest rates	111 112	34 161	-	76 951
Write-off against provision recognised solely for accounting purposes	85 472	-	-	85 472
Translation of financial assets available for sale denominated in foreign currency	-	(42 074)	-	42 074
Revaluation of securities at fair value through other comprehensive income	725	-	725	-
Translation of promissory notes denominated in foreign currency	75 031	75 031	-	-
Payables to employees	11 080	(193)	-	11 273
Tax loss carryforward	136 633	(2 810)	-	139 443
Revaluation deficit on premises and equipment and investment property	35 484	-	-	35 484
Other	28 017	2 749	-	25 268
Gross deferred tax assets	688 568	18 249	725	669 594
Tax effect of taxable temporary differences				
Premises and equipment	(31 331)	6 596	-	(37 927)
Effect of revaluation of premises and equipment	(56 997)	-	-	(56 997)
Translation of promissory notes denominated in foreign currency	-	11 656	-	(11 656)
Translation of securities at fair value through other comprehensive income denominated in foreign currency	(63 190)	(63 190)	-	-
Revaluation of financial assets available for sale	-	-	38 232	(38 232)
Commissions on guarantees	(15 811)	9 599	-	(25 410)
Gross deferred tax liabilities	(167 329)	(35 339)	38 232	(170 222)
Total net deferred tax assets	521 239	(17 090)	38 957	499 372

Translation from the Russian original

	2017	Change recorded in profit or loss	Change recorded in other comprehensive income	2016
Tax effect of deductible temporary differences				
Provision for impairment of loans to customers and credit related commitments	267 339	129 367	-	137 972
Discounting of loans to customers issued at non-market interest rates	76 951	44 156	-	32 795
Write-off against provision recognised solely for accounting purposes	85 472	-	-	85 472
Translation of financial assets available for sale denominated in foreign currency	42 074	(18 289)	-	60 363
Payables to employees	11 273	2 704	-	8 569
Tax loss carryforward	139 443	(611)	-	140 054
Revaluation deficit on premises and equipment and investment property	35 484	27 086	-	8 398
Other	25 268	6 196	-	19 072
Gross deferred tax assets	683 304	190 609	-	492 695
Tax effect of taxable temporary differences				
Premises and equipment	(37 927)	(2 507)	-	(35 420)
Effect of revaluation of premises and equipment	(56 997)	-	(24 410)	(32 587)
Translation of promissory notes denominated in foreign currency	(11 656)	6 864	-	(18 520)
Revaluation of financial assets available for sale	(38 232)	-	(26 850)	(11 382)
Commissions on guarantees	(25 410)	8 900	-	(34 310)
Other	-	2 714	-	(2 714)
Gross deferred tax liabilities	(170 222)	15 971	(51 260)	(134 933)
Total net deferred tax assets	513 082	206 580	(51 260)	357 762

Net deferred tax assets represent the amount of income tax that may be offset against future income taxes and are recognised as deferred tax assets in the consolidated statement of financial position. Deferred tax asset resulted from the tax loss carryforward is recognised to the extent that realisation of the related tax benefit is probable.

Net deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Considering the existing structure of the Group, tax losses and current tax assets of the certain entities may not be offset against current tax liabilities and taxable profit of other entities and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, the Group does not offset deferred tax assets of one entity against the deferred tax liability of another entity.

The Group has tax losses in the amount of RUB 683 165 thousand (2017: RUB 697 215 thousand) that may be offset against future taxable income. These tax losses have been recognised in these consolidated financial statements as deferred tax assets. As at 31 December 2018, the Group has potential deferred tax assets recognised in respect of unused tax loss carryforwards in the amount of RUB 136 633 thousand (2017: RUB 139 443 thousand).

As at 31 December 2018, the total deferred tax liability of RUB 56 997 thousand (2017: RUB 56 997 thousand) was calculated in respect of positive revaluation of buildings at fair value and recorded within revaluation reserve for premises and equipment (Note 10).

Translation from the Russian original

25. Components of Comprehensive Income

	2018	2017
Financial assets as fair value through other comprehensive income		
(Loss)/gain on revaluation of financial assets at fair value through other comprehensive income	(186 255)	134 249
Accumulated gain reclassified to profit or loss on disposal of financial assets at fair value through other comprehensive income	(8 530)	-
(Losses less gains)/gains less losses from revaluation of financial assets at fair value through other comprehensive income	(194 785)	134 249
Revaluation of premises and equipment		
Gains less losses from revaluation of premises and equipment	-	122 051
Effect of revaluation of premises and equipment	-	122 051
Income tax related to components of comprehensive income:		
Financial assets at fair value through other comprehensive income	38 957	(26 850)
Revaluation surplus on premises and equipment	-	(24 410)
Comprehensive income after tax	(155 828)	205 040

26. Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objective of the financial risk management function is to establish risk limits, and then ensure that exposure to risks stays within these limits. The assessment of exposure to risks also serves as a basis for optimal distribution of risk-adjusted capital, transaction pricing and business performance assessment. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group controls the credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of related borrowers as well as by industry segments. Such risks are monitored on a regular basis and limits are reviewed at least annually. Limits on the level of credit risk by products, borrowers and groups of borrowers are approved by the Credit Committee of the Group.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures are monitored against limits daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed by obtaining property and securities as collateral and corporate and personal guarantees.

The Group's maximum exposure to credit risk is primarily reflected in the carrying amount of financial assets in the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend credits, the maximum exposure to credit risk is equal to total liabilities, as indicated in Note 28.

Credit risk for off-balance sheet financial instruments is defined as a possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in making contingent liabilities as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

Translation from the Russian original

The Group applies the expected credit loss model for estimating allowances for financial debt instruments, the key principle of which is timely reflection of deterioration or improvement of the credit quality of debt financial instruments based on current and forward-looking information.

The amount of expected credit losses recognized as an ECL allowance depends on the degree of credit quality deterioration since initial recognition of a debt financial instrument.

Credit risk classification system. Each level of credit risk is assigned a certain degree of solvency, using a single scoring system:

- *minimum credit risk* - high credit quality with low expected credit risk;
- *low credit risk* - sufficient credit quality with medium credit risk;
- *moderate credit risk* - medium credit quality with satisfactory credit risk;
- *high credit risk* - low credit quality with unsatisfactory credit risk, high probability of default;
- *default* - assets that meet the definition of default.

To assess credit risk and classify financial instruments by credit risk level, the Group uses 2 approaches: the internal scoring system or external ratings assigned by independent international rating agencies (S&P, Fitch and Moody's).

For investment securities, interbank loans and deposits the Bank uses external ratings assigned to counterparties by independent international rating agencies (S&P, Moody's and Fitch), which are then adjusted to the Bank's internal rating scale.

Creditworthiness grade	International rating scale of long-term creditworthiness of foreign credit rating agencies			Bank internal credit grade reconciled to the rating of a foreign rating agency
	S&P Global Ratings	Fitch Ratings	Moody's Investors Service	
Minimum credit risk	From AAA to BBB	From AAA to BBB	From Aaa to Baa2	A1
Low credit risk	From BBB- to BB-	From BBB- to BB-	From Baa3 to Ba3	B1
Moderate credit risk	From B+ to B-	From B+ to B-	From B1 to B3	B9
High credit risk	From CCC+ to CCC-	From CCC+ to CCC-	From Caa1 to Caa3	C1-C3
Default	CC	CC	Ca	D

The rating can be adjusted upwards or downwards, depending on the impact of respective additional factors.

The Group applies internal ratings to assess credit risk for the following financial instruments that are not rated by external international rating agencies: loans to legal entities and individually significant loans to individuals.

Credit risk	Internal bank rating
Minimum credit risk	From 21 to 25
Low credit risk	From 16 to 20
Moderate credit risk	From 11 to 15
High credit risk	From 5 to 10
Default	Below 5

If the client has no rating assigned by a credit rating agency (international or national), the rating under the Bank's scale is determined on the basis of analysis of the client's financial position.

The rating score depends on quantitative and qualitative indicators, threatening negative trends in the client's operations and other factors taken into account for expert adjustment of the rating.

Translation from the Russian original

For financial instruments assessed on a group (portfolio) basis, the average annual probability of default (PD) is determined on the basis of a quarterly analysis of migrations of financial instruments between groupings with any or no impairment, depending on the age of overdue debt. The average annual PD is estimated using migration indicators of overdue debt (probability of transition of the segment of the financial instruments portfolio from one delinquency group to another) separately by type of financial instrument.

To assess and classify financial instruments assessed on a group (portfolio) basis by credit risk level, the Bank categorises them into groupings using the basic criterion - the age of overdue debt on a financial instrument:

Credit risk level	Grouping
Minimum credit risk	Current (not past due)
Low credit risk	<i>Less than 1 month past due</i>
Moderate credit risk	From 1 to 3 months past due
High credit risk	From 1 to 3 months past due
Default	Over 3 months past due

The rating models are regularly reviewed by the Credit Department, tested by the Bank on the basis of actual data on defaults and are updated, if necessary. The Group regularly verifies the accuracy of the ratings, calculates and evaluates the predictive ability of the models, irrespective of the method applied.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available. Such ratings and the corresponding default probability ranges apply to the following financial instruments: interbank loans and deposits, investments in debt securities (government, corporate and municipal bonds and eurobonds).

For financial assets that are not impaired, expected credit losses are usually measured on the basis of default risk over one or two different time periods, depending on whether there has been a significant increase in the borrower's credit risk since initial recognition.

For financial assets that are purchased or originated credit-impaired (POCI assets), the ECL is always measured as a lifetime ECL (Stage 3), so at the reporting date the Group recognizes only cumulative changes in expected credit losses over the entire period.

The Group may use three separate approaches to estimate expected credit losses:

- individual assessment;
- collective assessment: internal ratings are assessed individually, but the same credit risk parameters (e.g. Probability of Default, LGD) are applied for the same credit risk ratings and homogeneous credit portfolio segments in the process of calculating expected credit losses);
- assessment based on external ratings.

The Group assesses the following types of loans on an individual basis: loans to legal entities, individually significant loans to individuals.

The Group assesses the following types of loans on a collective basis: loans to individuals if no specific information about the borrower is available. This approach includes aggregation of the portfolio into homogeneous segments on the basis of specific information about borrowers.

The Group evaluates external ratings for the following types of loans: interbank loans, debt securities issued by banks and legal entities.

Principles of measurement on an individual basis: measurement of expected credit losses on an individual basis is carried out by determining the probability-weighted ECL amount through evaluation of a range of possible outcomes. The Group determines at least two possible outcomes for each loan, one of which results in a credit loss, despite the likelihood of occurrence of such a scenario. Individual assessment is primarily based on the expert judgment of the Credit Department's professionals. Expert judgements are regularly tested to mitigate the difference between the estimates and actual losses.

Translation from the Russian original

Principles of measurement on a collective basis: to assess the stages of risk and estimate the ECL allowance on a collective basis, the Group combines its loans into segments on the basis of shared credit risk characteristics to ensure that exposure to risk within the grouping has a homogeneous pattern.

Examples of shared credit risk characteristics include: the type of a client, the type of a product and the number of days the debt is past due.

In respect of loans secured by real estate, cash and liquid securities (for example, REPO), the Group estimates a loss in the event of default (LGD) on the basis of specific characteristics of the collateral value, such as the projected collateral value, discounts on sale for prior periods and other factors.

The Group is exposed to the risk of early repayment through provision of loans with a fixed interest rate. The financial result and the Group's equity for the current year and at the end of the reporting period would not be materially affected by changes in rates at early repayment, as such loans are carried at amortised cost and the amount due on early repayment corresponds or nearly corresponds to the amortised cost of loans to customers.

Market risk. The Group takes on exposure to market risk arising from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Board sets acceptable risk limits and monitors them on a regular basis. However, the use of this approach does not prevent losses beyond these limits in the event of more significant market movements.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk accepted.

The market risk is assessed by the Bank in accordance with the requirements of CBR Regulation No. 511-P of 3 December 2015 "On Procedure of Market Risk Calculation by Credit Institutions".

Geographical risk.

The geographical concentration of the Group's assets and liabilities as at 31 December 2018 is presented in the table below:

	Russia	OECD*	Other countries	Total
Assets				
Cash and cash equivalents	4 334 023	14 871	9 934	4 358 828
Mandatory cash balances with the Central Bank of the Russian Federation	411 938	-	-	411 938
Due from other banks	4 122 032	-	-	4 122 032
Loans to customers	36 649 410	-	290	36 649 700
Investment securities	3 292 394	-	-	3 292 394
Non-current assets held for sale	2 119 609	-	-	2 119 609
Investment property	409 527	-	-	409 527
Premises and equipment	1 608 615	-	-	1 608 615
Other assets	383 389	186	445	384 020
Current tax assets	23 269	-	-	23 269
Deferred tax assets	521 239	-	-	521 239
Total assets	53 875 445	15 057	10 669	53 901 171
Liabilities				
Due to other banks	162	-	14 020	14 182
Customer accounts	39 909 472	250 354	3 484 843	43 644 669
Debt securities issued	4 372 529	-	-	4 372 529
Other liabilities	557 526	90	-	557 616
Total liabilities	44 839 689	250 444	3 498 863	48 588 996
Net balance sheet position	9 035 756	(235 387)	(3 488 194)	5 312 175
Credit related commitments	8 712 443	-	-	8 712 443

* OECD- Organisation for Economic Co-operation and Development

Translation from the Russian original

The geographical concentration of the Group's assets and liabilities as at 31 December 2017 is presented in the table below:

	Russia	OECD*	Other countries	Total
Assets				
Cash and cash equivalents	4 311 746	36 304	34 380	4 382 430
Mandatory cash balances with the Central Bank of the Russian Federation	372 794	-	-	372 794
Due from other banks	5 086 878	-	-	5 086 878
Loans to customers	37 080 922	9 660	298	37 090 880
Financial assets available for sale	3 432 831	-	-	3 432 831
Investments held to maturity	133 012	-	-	133 012
Non-current assets held for sale	1 760 393	-	-	1 760 393
Premises and equipment	1 525 388	-	-	1 525 388
Investment property	125 633	-	-	125 633
Other assets	93 946	24	445	94 415
Current tax assets	22 490	-	-	22 490
Deferred tax assets	513 082	-	-	513 082
Total assets	54 459 115	45 988	35 123	54 540 226
Liabilities				
Due to other banks	800 770	9 135	24 019	833 924
Customer accounts	40 538 072	86 360	823 879	41 448 311
Other borrowed funds	-	-	1 978 991	1 978 991
Debt securities issued	6 402 035	-	-	6 402 035
Other liabilities	186 856	73	-	186 929
Total liabilities	47 927 733	95 568	2 826 889	50 850 190
Net balance sheet position	6 531 382	(49 580)	(2 791 766)	3 690 036
Credit related commitments	9 169 612	-	-	9 169 612

Translation from the Russian original

Currency risk. The Group takes on exposure to effects of fluctuations in the foreign currency exchange rates on its financial position and cash flows. *The Board of Directors* sets limits on the level of exposure by currency and in total for both overnight and intra-day positions and controls them on a daily basis. The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2018.

	RUB	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	2 125 375	1 187 556	948 051	97 846	4 358 828
Mandatory cash balances with the Central Bank of the Russian Federation	411 938	-	-	-	411 938
Due from other banks	3 310 993	164 862	646 177	-	4 122 032
Loans to customers	32 915 219	3 414 040	320 441	-	36 649 700
Investment securities	-	1 391 032	1 901 362	-	3 292 394
Non-current assets held for sale	2 119 609	-	-	-	2 119 609
Investment property	409 527	-	-	-	409 527
Premises and equipment	1 608 615	-	-	-	1 608 615
Other assets	383 834	186	-	-	384 020
Current tax assets	23 269	-	-	-	23 269
Deferred tax assets	521 239	-	-	-	521 239
Total assets	43 829 618	6 157 676	3 816 031	97 846	53 901 171
Liabilities					
Due to other banks	14 023	96	63	-	14 182
Customer accounts	33 073 649	7 129 567	3 408 328	33 125	43 644 669
Debt securities issued	1 235 223	3 013 357	123 949	-	4 372 529
Other liabilities	521 843	30 472	5 301	-	557 616
Total liabilities	34 844 738	10 173 492	3 537 641	33 125	48 588 996
Net balance sheet position	8 984 880	(4 015 816)	278 390	64 721	5 312 175
Net off-balance sheet position	(4 234 939)	4 554 509	(280 337)	(39 233)	
Net balance and off-balance sheet position	4 749 941	538 693	(1 947)	25 488	5 312 175
Credit related commitments	8 145 198	408 864	158 381	-	8 712 443

Translation from the Russian original

As at 31 December 2017, the Group had the following positions in currencies:

	RUB	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	2 737 033	921 954	643 189	80 254	4 382 430
Mandatory cash balances with the Central Bank of the Russian Federation	372 794	-	-	-	372 794
Due from other banks	4 426 196	58 460	594 140	8 082	5 086 878
Loans to customers	33 396 365	3 678 174	10 813	5 528	37 090 880
Financial assets available for sale	-	1 237 687	2 195 144	-	3 432 831
Investments held to maturity	133 012	-	-	-	133 012
Non-current assets held for sale	1 760 393	-	-	-	1 760 393
Premises and equipment	1 525 388	-	-	-	1 525 388
Investment property	125 633	-	-	-	125 633
Other assets	93 854	561	-	-	94 415
Current tax assets	22 490	-	-	-	22 490
Deferred tax assets	513 082	-	-	-	513 082
Total assets	45 106 240	5 896 836	3 443 286	93 864	54 540 226
Liabilities					
Due to other banks	824 679	5 729	3 516	-	833 924
Customer accounts	33 343 874	5 499 476	2 541 091	63 870	41 448 311
Other borrowed funds	-	585 874	1 393 117	-	1 978 991
Debt securities issued	3 552 436	2 601 074	248 525	-	6 402 035
Other liabilities	185 110	1 738	63	18	186 929
Total liabilities	37 906 099	8 693 891	4 186 312	63 888	50 850 190
Net balance sheet position	7 200 141	(2 797 055)	(743 026)	29 976	3 690 036
Net off-balance sheet position	(3 249 912)	2 419 550	830 052	310	-
Net balance and off-balance sheet position	3 950 229	(377 505)	87 026	30 286	3 690 036
Credit related commitments	9 001 149	158 232	10 231	-	9 169 612

The Group places funds in foreign currencies. Depending on the revenue stream of the borrower, appreciation of foreign currencies against the Russian Rouble may adversely affect the borrower's repayment ability and therefore increases the likelihood of future losses on loans.

The table below shows the change in the financial result and equity due to possible fluctuations of exchange rates used at the end of the reporting period, if all other conditions remain unchanged. Reasonably expected exchange rate changes for each currency were projected on the basis of historical information on maximum daily exchange rate fluctuations in December 2018.

	31 December 2018	
	Effect on profit or loss before taxation	Effect on equity
USD appreciation by 5%	26 935	21 548
USD depreciation by 5%	(26 935)	(21 548)
EUR appreciation by 6%	(117)	(94)
EUR depreciation by 6%	117	94

Translation from the Russian original

The table below shows the change in the financial result and equity due to possible fluctuations of exchange rates used at the end of the reporting period, if all other conditions remain unchanged. Reasonably expected exchange rate changes for each currency were projected on the basis of historical information on maximum daily exchange rate fluctuations in December 2017.

	31 December 2017	
	Effect on profit before taxation	Effect on comprehensive income
USD appreciation by 3%	(11 325)	(9 060)
USD depreciation by 3%	11 325	9 060
EUR appreciation by 2%	1 741	1 393
EUR depreciation by 2%	(1 741)	(1 393)

The risk was calculated only for cash balances in currencies other than the Group's functional currency. The impact of changes in exchange rates of other currencies on the Group's profit and equity is not significant.

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Group is exposed to risk via daily calls from customers on its available cash resources from customer accounts, maturing deposits, loan draw downs, payments on guarantees and cash-settled derivative financial instruments. The Group does not accumulate cash resources to meet calls on all liabilities mentioned above, as based on the existing practice, it is possible to forecast with a sufficient degree of certainty the required level of cash funds necessary to meet the above obligations. The liquidity risk is managed by the Risk Management Department of the Group.

The Group is keen on maintaining stable financing predominantly consisting of deposits of legal entities, deposits of individuals and debt securities issued, and also on investing funds in diversified liquid asset portfolios to be able to meet unexpected liquidity needs quickly and unhampered.

To manage its liquidity, the Group is required to analyse the level of liquid assets needed to settle the liabilities on their maturity by providing access to various sources of financing, drawing up plans to solve the problems with financing and exercising control over compliance of the balance sheet liquidity ratios with the laws and regulations. The Bank calculates the liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of the Russian Federation. These ratios include:

- Quick liquidity ratio (N2) calculated as a ratio of highly liquid assets and liabilities on demand. The minimum ratio set by the CBR is 15%. As at 31 December 2018, this ratio was 115.6% (2017: 178.6%).
- Current liquidity ratio (N3) calculated as a ratio of liquid assets and liabilities maturing within 30 calendar days. The minimum ratio set by the CBR is 50%. As at 31 December 2018, this ratio was 150.7% (2017: 263.0%).
- Long-term liquidity ratio (N4) calculated as a ratio of assets maturing in more than 1 year to equity and liabilities maturing in more than 1 year. The maximum ratio set by the CBR is 120%. As at 31 December 2018, this ratio was 35.6% (2017: 33.1%).

The Group's departments provide information on movements of financial assets and liabilities. On the basis of this information the Treasury Department monitors daily liquidity position and, if necessary, raises funds from financial markets, mostly interbank loans, thereby managing quick liquidity.

Based on data provided by the Consolidated Reporting Department, the Risk Management Department of the Group performs a regular liquidity risk analysis and liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions to manage current and long-term liquidity.

The table below shows the liabilities by their remaining contractual maturity. The amounts in the table represent contractual undiscounted cash flows, including total liabilities. These undiscounted cash flows differ from the amounts recorded in the consolidated statement of financial position as the carrying amounts are based on discounted cash flows.

In those cases when the amount to be paid is not fixed, the amount in the table is determined on the basis of conditions prevailing at the reporting date. Foreign currency payments are translated using the CBR exchange rates effective at the reporting date.

Translation from the Russian original

The table below shows the maturity analysis of financial liabilities as at 31 December 2018:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities					
Due to other banks	14 182	-	-	-	14 182
Customer accounts	17 866 304	12 354 966	10 608 174	3 875 628	44 705 072
Debt securities issued	514 941	709 193	466 810	2 997 797	4 688 741
Total potential future payments under financial liabilities	18 395 427	13 064 159	11 074 984	6 873 425	49 407 995

The table below shows the maturity analysis of financial liabilities as at 31 December 2017:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
Due to other banks	33 266	812 493	-	-	845 759
Customer accounts	13 262 211	8 193 377	13 093 850	8 691 515	43 240 953
Other borrowed funds	36 935	54 586	67 323	2 484 646	2 643 490
Debt securities issued	954 967	1 367 319	525 169	4 267 376	7 114 831
Total potential future payments under financial liabilities	14 287 379	10 427 775	13 686 342	15 443 537	53 845 033

Customer accounts are reflected in the above analysis by the term to maturity. However, in accordance with the Civil Code of the Russian Federation, individuals have the right to withdraw funds from accounts before maturity in which case they lose the accrued interest.

The Group does not use the above undiscounted amounts in the maturity analysis to monitor the liquidity profile. Instead, the Group monitors the expected maturity limits presented in the table below as at 31 December 2018:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	4 358 828	-	-	-	-	4 358 828
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	411 938	411 938
Due from other banks	4 122 032	-	-	-	-	4 122 032
Loans to customers	838 411	6 325 366	13 226 104	16 259 819	-	36 649 700
Investment securities	3 292 394	-	-	-	-	3 292 394
Non-current assets held for sale	-	-	2 119 609	-	-	2 119 609
Investment property	-	-	-	-	409 527	409 527
Premises and equipment	-	-	-	-	1 608 615	1 608 615
Other assets	12 704	371 316	-	-	-	384 020
Current tax assets	-	23 269	-	-	-	23 269
Deferred tax assets	-	-	-	-	521 239	521 239
Total assets	12 624 369	6 719 951	15 345 713	16 259 819	2 951 319	53 901 171
Liabilities						
Due to other banks	14 182	-	-	-	-	14 182
Customer accounts	17 840 480	12 121 631	10 064 062	3 618 496	-	43 644 669
Debt securities issued	513 666	693 060	447 518	2 718 285	-	4 372 529
Other liabilities	177 827	157 916	116 443	105 430	-	557 616
Total liabilities	18 546 155	12 972 607	10 628 023	6 442 211	-	48 588 996
Net liquidity gap						
as at 31 December 2018	(5 921 786)	(6 252 656)	4 717 690	9 817 608	2 951 319	5 312 175
Cumulative liquidity gap						
as at 31 December 2018	(5 921 786)	(12 174 442)	(7 456 752)	2 360 856	5 312 175	

Translation from the Russian original

The table below presents the analysis by expected maturities as at 31 December 2017:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
Assets						
Cash and cash equivalents	4 382 430	-	-	-	-	4 382 430
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	372 794	372 794
Due from other banks	5 076 905	9 973	-	-	-	5 086 878
Loans to customers	834 009	9 174 220	12 134 311	14 948 340	-	37 090 880
Financial assets available for sale	3 432 831	-	-	-	-	3 432 831
Investments held to maturity	-	-	133 012	-	-	133 012
Non-current assets held for sale	-	-	1 760 393	-	-	1 760 393
Premises and equipment	-	-	-	-	1 525 388	1 525 388
Investment property	-	-	-	-	125 633	125 633
Other assets	41 666	51 539	1 210	-	-	94 415
Current tax assets	-	22 490	-	-	-	22 490
Deferred tax assets	-	-	-	-	513 082	513 082
Total assets	13 767 841	9 258 222	14 028 926	14 948 340	2 536 897	54 540 226
Liabilities						
Due to other banks	33 266	800 658	-	-	-	833 924
Customer accounts	13 248 828	8 033 138	12 393 332	7 773 013	-	41 448 311
Other borrowed funds	-	-	-	1 978 991	-	1 978 991
Debt securities issued	939 926	1 310 856	473 083	3 678 170	-	6 402 035
Other liabilities	95 143	35 422	56 364	-	-	186 929
Total liabilities	14 317 163	10 180 074	12 922 779	13 430 174	-	50 850 190
Net liquidity gap						
as at 31 December 2017	(549 322)	(921 852)	1 106 147	1 518 166	2 536 897	3 690 036
Cumulative liquidity gap						
as at 31 December 2017	(549 322)	(1 471 174)	(365 027)	1 153 139	3 690 036	

The above analysis is based on expected maturities and therefore the entire portfolio of financial assets at fair value through profit or loss is classified as "On demand and less than 1 month" in accordance with management's assessment of the portfolio liquidity.

In the opinion of the Group's management, the matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental for successful management of the Group. It is unusual for the banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

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

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

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

Translation from the Russian original

The Group is exposed to interest rate risk, principally as a result of lending at fixed interest rates, in amounts and for periods, which differ from those of term borrowings at fixed interest rates. In practice, interest rates are generally fixed on a short-term basis. Also, interest rates fixed contractually on both assets and liabilities are usually renegotiated upon mutual consent to reflect current market conditions.

The Credit Committee and the Board set limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored on a regular basis.

The table below summarises the Group's exposure to interest rate risk as at 31 December 2018. Included in the table are the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	-	-	-	-	4 358 828	4 358 828
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	411 938	411 938
Due from other banks	2 749 542	-	-	-	1 372 490	4 122 032
Loans to customers	838 411	6 325 366	13 226 104	16 259 819	-	36 649 700
Investment securities	3 292 394	-	-	-	-	3 292 394
Non-current assets held for sale	-	-	-	-	2 119 609	2 119 609
Investment property	-	-	-	-	409 527	409 527
Premises and equipment	-	-	-	-	1 608 615	1 608 615
Other assets	-	-	-	-	384 020	384 020
Current tax assets	-	-	-	-	23 269	23 269
Deferred tax assets	-	-	-	-	521 239	521 239
Total assets	6 880 347	6 325 366	13 226 104	16 259 819	11 209 535	53 901 171
Liabilities						
Due to other banks	14 020	-	-	-	162	14 182
Customer accounts	6 015 595	12 121 631	10 064 062	3 618 496	11 824 885	43 644 669
Debt securities issued	513 666	693 060	447 518	2 718 285	-	4 372 529
Other liabilities	-	-	-	-	557 616	557 616
Total liabilities	6 543 281	12 814 691	10 511 580	6 336 781	12 382 663	48 588 996
Net interest rate gap						
as at 31 December 2018	337 066	(6 489 325)	2 714 524	9 923 038	(1 173 128)	5 312 175
Cumulative interest rate gap						
as at 31 December 2018	337 066	(6 152 259)	(3 437 735)	6 485 303	5 312 175	

Translation from the Russian original

The table below summarises the Group's exposure to interest rate risk as at 31 December 2017.

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non- interest bearing	Total
Assets						
Cash and cash equivalents	-	-	-	-	4 382 430	4 382 430
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	372 794	372 794
Due from other banks	4 302 263	9 973	-	-	774 642	5 086 878
Loans to customers	834 009	9 174 220	12 134 311	14 948 340	-	37 090 880
Financial assets available for sale	3 432 831	-	-	-	-	3 432 831
Investments held to maturity	-	-	133 012	-	-	133 012
Non-current assets held for sale	-	-	-	-	1 760 393	1 760 393
Premises and equipment	-	-	-	-	1 525 388	1 525 388
Investment property	-	-	-	-	125 633	125 633
Other assets	-	-	-	-	94 415	94 415
Current tax assets	-	-	-	-	22 490	22 490
Deferred tax assets	-	-	-	-	513 082	513 082
Total assets	8 569 103	9 184 193	12 267 323	14 948 340	9 571 267	54 540 226
Liabilities						
Due to other banks	24 019	800 658	-	-	9 247	833 924
Customer accounts	6 646 756	8 033 138	12 393 332	7 773 013	6 602 072	41 448 311
Other borrowed funds	-	-	-	1 978 991	-	1 978 991
Debt securities issued	939 926	1 310 856	473 083	3 678 170	-	6 402 035
Other liabilities	-	-	-	-	186 929	186 929
Total liabilities	7 610 701	10 144 652	12 866 415	13 430 174	6 798 248	50 850 190
Net interest rate gap as at 31 December 2017	958 402	(960 459)	(599 092)	1 518 166	2 773 019	3 690 036
Cumulative interest rate gap as at 31 December 2017	958 402	(2 057)	(601 149)	917 017	3 690 036	

As at 31 December 2018 and 2017, changes in interest rates, if any, would not have a material effect on comprehensive income, as all the above liabilities and financial instruments have a fixed interest rate.

The Group performs monitoring of financial instrument interest rates. The table below shows interest rates on the basis of reports that were analysed by the Group's key executives as at 31 December 2018 and 31 December 2017:

	2018			2017		
	RUB	USD	EUR	RUB	USD	EUR
Assets						
Due from other banks	7.4%	-	-	7.3%	-	-
Loans to customers	12.2%	6.5%	5.7%	13.9%	7.4%	11.7%
Liabilities						
Due to other banks	-	-	-	10.0%	-	-
Customer accounts						
- current and settlement accounts	1.0%	-	-	1.0%	-	-
- term deposits	8.2%	2.2%	1.5%	8.8%	1.8%	1.5%
Other borrowed funds	-	-	-	-	6.8%	6.8%
Debt securities issued	7.5%	4.1%	1.9%	9.5%	2.2%	1.4%

The "-" sign in the table above means that the Group does not have assets or liabilities in the corresponding currency.

Translation from the Russian original

27. Capital Management

The Group's capital management has the following objectives: to observe the capital requirements established by the Central Bank of the Russian Federation, in particular, deposit insurance system requirements; to ensure the Group's ability to operate as a going concern and to sustain the capital base at the level maintaining capital adequacy ratio at 8% in accordance with the CBR requirements.

As at 31 December 2018, the minimum values of the Bank's core capital adequacy ratio, the fixed capital adequacy ratio and equity (capital) adequacy ratio are 4.5%, 6.0% and 8.0%, respectively (2017: 4.5%, 6.0% and 8.0%, respectively). Control over compliance with capital adequacy ratios established by the Central Bank of the Russian Federation is carried out daily based on forecast and actual data, as well as through monthly reports containing relevant calculations, which are controlled by the Bank's Board.

The table below shows the regulatory capital structure based on the Bank's reports prepared in accordance with the requirements of the Russian legislation:

	2018	2017
Fixed capital adequacy ratio	5 422 684	5 814 522
Additional capital	1 143 564	1 265 589
Total regulatory capital	6 566 248	7 080 111

The Bank's equity (capital) adequacy ratio as at 31 December 2018 calculated in accordance with the existing capital requirements established by the Central Bank of the Russian Federation, amounted to 10.2% (2017: 11.2%). The minimum admissible value of this ratio is set by the Bank of Russia at 10%.

28. Contingent Liabilities

Legal issues. In the ordinary course of business, the Group is subject to legal actions and complaints. The Group's management believes that the ultimate liability (if any), arising from such legal actions and complaints, will not have a material adverse effect on the Group's financial position and performance results in future.

Tax legislation. Russian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Besides, the Russian tax legislation on financial instruments (including derivative transactions) is characterized by uncertainty and complexity of interpretation. Management's interpretation of such legislation as applied to the transactions and activity of the Group's companies may be challenged by the relevant regional and federal authorities. Current trends in the Russian Federation have shown that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, tax authorities can make claims on those transactions and accounting methods for which they had not previously submitted claims. As such, the Group may be assessed significant additional taxes, penalties and interest. Fiscal periods remain open to review by tax authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation entitles the tax authorities to make adjustments and accruals in respect of all "controlled" transactions (except for those conducted at state regulated prices and tariffs) if the transaction price deviates upwards or downwards from the market price by more than 20%.

The transfer pricing rules as were in effect in 2010-2011 were vaguely drafted, which left the tax authorities and courts much room for their practical interpretation. The Russian transfer pricing legislation effective as at 1 January 2012 sets stricter transfer pricing rules. In 2010 and 2011, the Company determined its tax liabilities arising from transactions with related parties using actual transaction prices. There is a possibility that once the new transfer pricing rules in Russia take effect, or once the tax authorities change their practices in or approaches to interpreting and applying the transfer pricing rules effective until 2012, the tax authorities may challenge the prices applied by the Group under such transactions in the future.

Translation from the Russian original

Besides, the Group operates in various tax jurisdictions and comprises companies incorporated outside the Russian Federation and subject to taxation at different rates and in accordance with other legislations. The Group's tax liabilities are determined on the assumption that these companies do not have a permanent representation in the Russian Federation and, accordingly, are not subject to income tax in the Russian Federation. Russian tax legislation does not clearly define the rules of taxation for foreign companies. It is possible that with development of such rules and changes in the approaches taken by the Russian tax authorities, the status of all or some of the Group's foreign companies under which they are not taxed in the Russian Federation may be challenged in Russia.

The interpretations of different authorities could differ and if the authorities were successful in sustaining their position, additional taxes and related fines and penalties may be assessed, the effect of which cannot be reliably estimated, but could be significant to the financial position of the Group.

As at 31 December 2018, the management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained by controlling bodies. Management believes that the Group has accrued all applicable taxes.

Credit related commitments. The main objective of these instruments is to provide funds to customers when necessary. The total outstanding contractual amount of guarantees, letters of credit and undrawn credit lines does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. However, as there is a potential risk, a provision for credit related commitments in respect of issued guarantees is made in the consolidated statement of financial position within other liabilities depending on the customer's financial position. With respect to credit-related commitments and undrawn credit lines, the Group is less exposed to the risk of loss since in the case of impairment of loans issued the Group will not pay the remaining amounts. Therefore, a provision for these credit related commitments is equal to zero.

Credit related commitments of the Group are as follows:

	2018	2017
Guarantees issued	5 196 870	6 268 628
Undrawn credit lines	3 670 350	2 802 211
Letters of credit	180 025	98 773
Less: ECL allowance for credit related commitments	(334 802)	-
Total credit related commitments	8 712 443	9 169 612

Liabilities under letters of credit are secured by funds on the Group's customer accounts in the amount of RUB 180 025 thousand (2017: RUB 98 773 thousand).

The total outstanding debt on unused credit lines, letters of credit and contractual guarantees does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Below is analysis of movements in the ECL allowance for credit related commitments:

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	227 742	248 718	-	476 460
Recognition of credit related commitments	231 685	32 525	-	264 210
Changes in credit risk	(156 580)	238 746	-	82 166
Transfer to Stage 3	-	(488 034)	488 034	-
Realisation of claim under paid guarantee	-	-	(488 034)	(488 034)
ECL allowance as at 31 December 2018	302 847	31 955	-	334 802

Translation from the Russian original

Below is credit quality analysis of credit related commitments as at 31 December 2018 based on credit risk levels.

	Stage 1	Stage 2	Total
Credit related commitments			
Minimum credit risk	7 067 878	-	7 067 878
Low credit risk	1 721 998	-	1 721 998
Moderate credit risk	198 587	58 782	257 369
Total credit related commitments	8 988 463	58 782	9 047 245
Less: ECL allowance for credit related commitments	(302 847)	(31 955)	(334 802)
Total credit related commitments, net of ECL allowance	8 685 616	26 827	8 712 443

29. Fair Value of Financial Instruments

Quoted financial instruments in active markets provide the best evidence of fair value. As no readily available market exists for the major part of the Group's financial instruments, the fair value shall be estimated based on current market conditions and the specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realise in a market exchange from the sale of its full holdings of a particular instrument.

Below is the estimated fair value of the Group's financial instruments as at 31 December 2018 and 31 December 2017:

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	4 358 828	4 358 828	4 382 430	4 382 430
Due from other banks	4 122 032	4 122 032	5 086 878	5 086 878
Loans to customers	36 649 700	36 649 700	37 090 880	37 090 880
Investment securities	3 292 394	3 292 394	-	-
Financial assets available for sale	-	-	3 432 831	3 432 831
Investments held to maturity	-	-	133 012	144 857
Financial liabilities				
Due to other banks	14 182	14 182	833 924	833 924
Customer accounts	43 644 669	43 644 669	41 448 311	41 448 311
Other borrowed funds	-	-	1 978 991	1 978 991
Debt securities issued	4 372 529	4 372 529	6 402 035	6 402 035

The Group uses the following methods and assumptions to estimate the fair value of the following financial instruments:

Financial instruments carried at fair value. Cash and cash equivalents and financial assets at fair value through other comprehensive income are presented in the consolidated statement of financial position at fair value.

Due from other banks. The estimated fair value of fixed interest-bearing placements is based on discounted cash flows using prevailing money market interest rates for instruments with similar credit risk and maturity. The Group's management believes that the fair values of due from other banks as at 31 December 2018 and 31 December 2017 do not materially differ from their respective carrying amounts, due to their short-term nature.

Loans to customers. Loans to customers are recorded net of impairment provision. The estimated fair value of loans to customers represents the discounted amount of the estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates. The management believes that fair values of loans to customers as at 31 December 2018 and 31 December 2017 do not materially differ from the respective carrying amounts. This is primarily due to the existing practice to renegotiate interest rates to reflect current market conditions.

Translation from the Russian original

Due to other banks. The fair value of due to other banks maturing within three months approximates their carrying amount due to their relatively short-term maturity. The fair value of due to other banks maturing within more than 3 months is the present value of expected cash flows discounted at appropriate market rates at the end of the reporting year. The Group's management believes that fair values of due to other banks as at 31 December 2018 and 31 December 2017 do not materially differ from their respective carrying amounts. This is due to a relatively short-term maturity of these liabilities.

Customer accounts. The estimated fair value of liabilities with no stated maturity represents the amount payable at the creditor's request. The estimated fair value of fixed interest bearing placements and other borrowings without a quoted market price is based on discounted cash flows using interest rates for debt instruments with similar maturity. The Group's management believes that fair values of customer accounts as at 31 December 2018 and 31 December 2017 do not materially differ from their respective carrying amounts. This is primarily due to the fact that it is practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates.

Debt securities issued. The estimated fair value of debt securities issued at fixed interest rate is calculated on the basis of discounted cash flows using the prevailing market interest rate on debt instruments with similar credit risk characteristics and maturities.

Other borrowed funds. The fair value of other fixed interest rate borrowings is based on discounted cash flows using interest rates for debt instruments with similar maturity. The estimated fair value of other borrowed funds approximates their carrying amount, as these instruments do not have market quotations, similar instruments and are attracted under special conditions.

Below is the fair value hierarchy of assets stated in the consolidated statement of financial position as at 31 December 2018 and 31 December 2017 at fair value, and assets and liabilities for which fair values are disclosed separately. Level 1 includes assets and liabilities traded in an active market, whose fair value is determined on the basis of market quotations. Level 2 includes assets and liabilities whose fair value is determined using different valuation models. These models are based on observable market data on market conditions and other factors that may affect the fair value of an asset or liability. Level 3 includes assets and liabilities whose fair value is determined using judgement and also where models used for determining the fair value incorporate at least one input that cannot be based on observable market data.

	Level 1	Level 3	Total
Financial assets			
Financial assets at fair value through other comprehensive income	3 292 394	-	3 292 394
Non-financial assets			
Buildings	-	1 493 887	1 493 887
Investment property	-	409 527	409 527
Total assets measured at fair value	3 292 394	1 903 414	5 195 808

The hierarchy of assets measured at fair value in the consolidated financial statements as at 31 December 2017 is as follows:

	Level 1	Level 3	Total
Financial assets			
Financial assets available for sale	3 432 831	-	3 432 831
Non-financial assets			
Buildings	-	1 419 910	1 419 910
Investment property	-	125 633	125 633
Total assets measured at fair value	3 432 831	1 545 543	4 978 374

Translation from the Russian original

The Bank uses the following methods and assumptions for measurement of non-financial assets for which the fair value is disclosed separately:

Premises and equipment (buildings and land) and investment property. The fair values of premises and equipment (buildings and land) and investment property of the Group were determined using the sales comparison approach. The valuation was performed by an independent valuer in accordance with the Russian Federal Standards, standards of the Russian Union of Appraisers and IVS. To determine fair value, the sales comparison method (market approach) was used. The independent valuer applied different adjustment factors to the market prices of property items comparable to the Group's investment property, buildings and land to derive the market value of the property under valuation. The adjustment factors comprise factors for the quality of the property, its location and environment, transport accessibility and other individual physical characteristics, approximating the used analogues to property under valuation.

Below is reconciliation of opening and closing balances of assets carried at fair value which are categorised within Level 3 of the fair value hierarchy:

	2017	Depreciation charged	Transfer from non-current assets held for sale	2018
Premises and equipment (buildings and land)	1 419 910	(29 252)	103 229	1 493 887
Investment property	125 633	-	283 894	409 527

	2016	Depreciation charged	Additions	Revaluation (Note 10)	2017
Premises and equipment (buildings and land)	1 421 451	(18 871)	710	16 620	1 419 910
Investment property	155 634	-	-	(30 001)	125 633

Below is a hierarchy of assets and liabilities not carried at fair value in the consolidated financial statements, for which the fair value is disclosed as at 31 December 2018 and 31 December 2017:

	2018	Level 3 2017
Financial assets		
Due from other banks	4 122 032	5 086 878
Loans to customers	36 649 700	37 090 880
Investments held to maturity	-	133 012
Non-current assets held for sale	2 119 609	1 501 181
Financial liabilities		
Due to other banks	14 182	833 924
Customer accounts	43 644 669	41 448 311
Other borrowed funds	-	1 978 991
Debt securities issued	4 372 529	6 402 035

The Group's liabilities with respect to customers are subject to the State Deposit Insurance Program, as described in Note 1. The fair value of these liabilities reflects measures undertaken to support credit quality.

Translation from the Russian original

30. Reconciliation of Classes of Financial Instruments with Measurement Categories

In accordance with IAS 9 *Financial Instruments* the Group classifies/allocates its financial assets into the following categories: a) financial assets at fair value through profit or loss; b) financial assets at fair value through other comprehensive income c) financial assets at amortised cost.

As at 31 December 2017, the Group classified its financial assets in the following categories in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*: 1) financial assets at fair value through profit or loss, 2) investments held to maturity; 3) loans and receivables, 4) financial assets available for sale.

At the same time, in accordance with IFRS 7 *Financial Instruments: Disclosures* the Group discloses different classes of financial instruments.

The table below shows reconciliation of classes of financial assets with the above measurement categories as at 31 December 2018:

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
Assets				
Cash and cash equivalents	4 358 828	-	-	4 358 828
Due from other banks				
- Loans and deposits with other banks	-	1 801 338	-	1 801 338
- Funds with credit institutions for clearing purposes	-	1 372 490	-	1 372 490
- Deposits with CBR	-	800 335	-	800 335
- Promissory notes of other banks	-	147 869	-	147 869
Loans to customers				
- Loans to legal entities	-	32 631 529	-	32 631 529
- Consumer loans to individuals	-	3 178 448	-	3 178 448
- Mortgage loans to individuals	-	831 922	-	831 922
- Car loans to individuals	-	7 801	-	7 801
Investment securities				
- Eurobonds of the Russian Federation	-	-	359 803	359 803
- Corporate eurobonds	-	-	2 932 591	2 932 591
Total financial assets	4 358 828	40 771 732	3 292 394	48 422 954
Non-financial assets				5 478 217
Total assets				53 901 171

Translation from the Russian original

The table below shows reconciliation of classes of financial assets with the above measurement categories as at 31 December 2017:

	Financial assets at fair value through profit or loss	Financial assets available for sale	Investments held to maturity	Loans and receivables	Total
Cash and cash equivalents	4 382 430	-	-	-	4 382 430
Due from other banks					
- Deposits with CBR	-	-	-	3 501 989	3 501 989
- Current accounts with other banks	-	-	-	660 782	660 782
- Funds with credit institutions for clearing purposes	-	-	-	113 860	113 860
- Discounted promissory notes	-	-	-	9 973	9 973
- Loans and deposits with other banks	-	-	-	800 274	800 274
Loans to customers					
- Loans to legal entities	-	-	-	34 411 687	34 411 687
- Consumer loans to individuals	-	-	-	1 655 855	1 655 855
- Mortgage loans to individuals	-	-	-	965 036	965 036
- Car loans to individuals	-	-	-	34 776	34 776
- Housing loans to individuals	-	-	-	23 526	23 526
Investment securities					
- Eurobonds of the Russian Federation	-	322 226	-	-	322 226
- Corporate eurobonds	-	3 110 605	-	-	3 110 605
- Corporate bonds	-	-	133 012	-	133 012
Total financial assets	4 382 430	3 432 831	133 012	42 177 758	50 126 031
Non-financial assets					4 414 195
Total assets					54 540 226

All financial liabilities of the Group, except for derivative financial instruments, are carried at amortised cost. Derivative financial instruments are classified as at fair value through profit or loss.

31. Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form.

In the normal course of business the Group enters into transactions with its major shareholders, directors, and other related parties. These transactions include settlements, loan issuance, deposit taking, issuance of guarantees, trade financing and foreign currency transactions. According to the Group's policy, the terms of all related party transactions are equivalent to those prevailing in arm's length transactions.

Translation from the Russian original

The outstanding balances at the year end and asset transactions with related parties for 2018 are as follows:

	Shareholders	Directors and key management personnel	Other related parties*	Total
Loans to customers				
Loans to customers as at 1 January (gross)	480	3 081	-	3 561
Changes in related parties	60 257	-	-	60 257
Loans to customers issued during the year	22 253	36 176	200 000	258 429
Loans to customers repaid during the year	(13 912)	(10 667)	-	(24 579)
Loans to customers as at 31 December (gross)	69 078	28 590	200 000	297 668
ECL allowance				
ECL allowance as at 1 January	-	1 302	-	1 302
Net charge/(recovery) of ECL allowance during the year	297	(1 239)	2 880	1 938
ECL allowance as at 31 December	297	63	2 880	3 240
Loans to customers as at 1 January (less impairment provision)	480	1 779	-	2 259
Loans to customers as at 31 December (less ECL allowance)	68 781	28 527	197 120	294 428

The outstanding balances at the year end and asset transactions with related parties for 2017 are as follows:

	Shareholders	Directors and key management personnel	Other related parties*	Total
Loans to customers				
Loans to customers as at 1 January (gross)	1 001	2 468	303 743	307 212
Loans to customers issued during the year	8 617	9 963	-	18 580
Loans to customers repaid during the year	(9 138)	(9 350)	(303 743)	(322 231)
Loans to customers as at 31 December (gross)	480	3 081	-	3 561
Provision for impairment of loans to customers				
Provision for impairment of loans to customers as at 1 January	-	-	49 106	49 106
Provision/(recovery of provision) for impairment of loans to customers during the year	-	1 302	(49 106)	(47 804)
Provision for impairment of loans to customers as at 31 December	-	1 302	-	1 302
Loans to customers as at 1 January (less provision for impairment)	1 001	2 468	254 637	258 106
Loans to customers as at 31 December (less provision for impairment)	480	1 779	-	2 259

* Other related parties include companies controlled by management and shareholders of the Bank.

Translation from the Russian original

The outstanding balances at the year end and liability transactions with related parties for 2018 are as follows:

	Shareholders	Directors and key management personnel	Other related parties*	Total
Customer accounts and securities issued				
Customer accounts and securities issued as at 1 January	54 771	20 079	26 845	101 695
Changes in related parties	12 350	-	-	12 350
Customer accounts and securities issued, received during the year	5 591 883	237 082	1 239 850	7 068 815
Customer accounts and securities issued, repaid during the year	(5 537 820)	(235 364)	(1 253 903)	(7 027 087)
Customer accounts and securities issued as at 31 December	121 184	21 797	12 792	155 773

The outstanding balances at the year end and liability transactions with related parties for 2017 are as follows:

	Shareholders	Directors and key management personnel	Other related parties*	Total
Customer accounts and securities issued				
Customer accounts and securities issued as at 1 January	608 127	16 052	35 481	659 660
Customer accounts and securities issued, received during the year	4 103 707	192 967	936 694	5 233 368
Customer accounts and securities issued, repaid during the year	(4 657 063)	(188 940)	(945 330)	(5 791 333)
Customer accounts and securities issued as at 31 December	54 771	20 079	26 845	101 695

Information on forgiveness of perpetual subordinated loans from the Bank's shareholders is disclosed in Note 18.

Income and expense items arising from related party transactions for the year 2018 are as follows:

	Shareholders	Directors and key management personnel	Other related parties*	Total
Interest income	13 700	1 974	5 898	21 572
Interest expense	13 448	1 223	-	14 671
Operating income	1 456	70	2 426	3 952
Operating expense	-	21	-	21

Income and expense items arising from related party transactions for the year 2017 are as follows:

	Shareholders	Directors and key management personnel	Other related parties*	Total
Interest income	29	426	17	472
Interest expense	5 813	1 376	-	7 189
Gains less losses from dealing in foreign currency	1 615	(19)	39	1 635
Operating income	1 981	149	465	2 595
Operating expense	1 475	417	-	1 892

* Other related parties include companies controlled by management and shareholders of the Bank.

Translation from the Russian original

There were no payments made or remuneration paid to members of the Board of Directors and the Bank's Board in 2018 (2017: RUB 17 000 thousand).

32. Events after the Reporting Period

On 5 March 2019, the Bank acquired a 50% interest in LLC RM-Invest for RUB 100 thousand.

On 22 April 2019, the Bank acquired a subsidiary, LLC Constructiv, with a 99% ownership interest for RUB 100 000 thousand.

A.V. Shitov
Chairman of the Board



24 April 2019

E.M. Vlasova
Chief Accountant

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Partner
BDO Unicon AO


D.A. Taradov

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