BANK CENTER-INVEST

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

CENTER-INVEST BANK GROUP

31 March 2019

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CENTER-INVEST BANK GROUP

Condensed Consolidated Interim Statement of Financial Position

In thousands of Russian Roubles	Note	31 March 2019 (unaudited)	31 December 2018
ASSETS			
Cash and cash equivalents		10 286 759	8 712 015
Mandatory cash balances with the Central Bank of the Russian Federation		714 243	740 650
Due from other banks		500 185	9 708 809
Loans to customers and finance lease receivables	6	90 837 161	88 022 690
Investment in associate		158 048	293 363
Investment properties		510 371	510 371
Premises, equipment and intangible assets		2 850 121	2 804 609
Right-of-use assets		136 612	-
Other financial assets		736 487	750 328
Other assets		355 167	386 828
Current income tax prepayment		206 837	236 390
TOTAL ASSETS		**107 291 991**	**112 166 053**
LIABILITIES			
Due to Central Bank of the Russian Federation		3 001 562	-
Customer accounts	7	85 653 022	95 238 192
Debt securities in issue	8	1 429 928	1 325 096
Borrowings from international financial institutions		2 580 664	1 720 816
Other financial liabilities		170 783	190 881
Other liabilities		381 097	267 404
Lease liabilities		138 218	-
Deferred income tax liability		427 115	296 018
TOTAL LIABILITIES		**93 782 389**	**99 038 407**
EQUITY			
Share capital		1 326 277	1 326 277
Share premium		2 078 860	2 078 860
Revaluation reserve for land and premises		1 262 206	1 262 206
Retained earnings		8 842 259	8 460 303
TOTAL EQUITY		**13 509 602**	**13 127 646**
TOTAL LIABILITIES AND EQUITY		**107 291 991**	**112 166 053**

30 May 2019

S. Yu. Smirnov
Chairman of the Executive Board

Публичное акционерное общество коммерческий банк "Центр-инвест" Рег. №2225 г. Ростов-на-Дону

T. I. Ivanova
Chief Accountant

In thousands of Russian Roubles	Note	Three months ended 31 March 2019	2018
Interest income calculated using the effective interest method	9	2 718 255	2 784 685
Interest and other similar expense	9	(1 206 755)	(1 278 840)
Net margin on interest and similar income		**1 511 500**	**1 505 845**
Credit loss allowance	6	(263 534)	(592 074)
Provision for credit related commitments		23 287	7 454
Net margin on interest and similar income after credit loss allowance		**1 271 253**	**921 225**
Fee and commission income		390 066	316 617
Fee and commission expense		(128 168)	(82 524)
Gains less losses from operations with foreign currencies		13 712	14 130
Foreign exchange translation losses less gains		(36 090)	(5 735)
Gains less losses from foreign exchange spot transactions and other conversion operations on the interbank market		32 017	14 328
Other provisions and expenses		(26 569)	(33 660)
Other operating income		6 531	11 584
Contributions to the state deposit insurance program		(129 708)	(111 223)
Administrative and other operating expenses		(712 938)	(623 721)
Share of result of associate		27 632	20 526
Profit before tax		**707 738**	**441 547**
Income tax expense		(162 732)	(102 088)
PROFIT FOR THE PERIOD		**545 006**	**339 459**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**545 006**	**339 459**

In thousands of Russian Roubles	Three months ended 31 March 2019	Three months ended 31 March 2018
Cash flows from operating activities		
Interest income calculated using the effective interest method received	2 396 833	2 740 374
Interest paid	(1 107 894)	(1 148 586)
Contributions to the state deposit insurance scheme	(120 014)	(88 487)
Fees and commissions received	387 883	314 302
Fees and commissions paid	(126 572)	(72 147)
Gains less losses from trading in foreign currencies	13 712	14 130
Gains less losses from foreign exchange spot transactions and other conversion operations on the interbank market	33 028	13 954
Receipts from assignment of rights of claim on loans and advances to customers	57 220	74 799
Repayment of debt previously written off	10 742	10 770
Other operating income received	4 942	11 559
Staff costs paid	(278 294)	(438 545)
Operating expenses paid	(267 873)	(159 286)
Income tax paid	(2 082)	(137 608)
Cash flows from operating activities before changes in operating assets and liabilities	**1 001 631**	**1 135 229**
Change in operating assets and liabilities		
Net change in mandatory cash balances with the Central Bank of the Russian Federation	26 407	(11 371)
Net change in due from other banks	9 200 000	2 501 000
Net change in loans to customers and finance lease receivables	(3 008 099)	(2 535 785)
Net change in other financial and other assets	42 800	(28 203)
Net change in due to other banks	3 000 000	-
Net change in customer accounts	(9 425 391)	(1 545 995)
Net change in promissory notes issued	139 636	119 501
Net change in other financial and other liabilities	(21 416)	50 506
Net cash from/ (used in) operating activities	**955 569**	**(315 118)**
Cash flows from investing activities		
Acquisition of premises and equipment	(34 693)	(12 432)
Proceeds from disposal of premises and equipment	906	-
Acquisition of intangible assets	(24 694)	(9 903)
Investments in investment properties	(1 126)	-
Net cash used in investing activities	**(59 607)**	**(22 335)**
Cash flows from financing activities		
Issue of bonds	206 680	52 980
Repurchase and repayment of bonds	(223 725)	(10 955)
Proceeds from borrowings from international financial institutions	830 000	-
Net cash from financing activities	**812 955**	**42 025**
Effect of exchange rate changes on cash and cash equivalents	(134 173)	17 452
Net increase/(decrease) in cash and cash equivalents	**1 574 744**	**(277 976)**
Cash and cash equivalents at the beginning of the period	8 712 015	8 369 737
Cash and cash equivalents at the end of the period	**10 286 759**	**8 091 761**

In thousands of Russian Roubles	Share capital	Share premium	Revaluation reserve for land and premises	Retained earnings	Total equity
Balance at 31 December 2017	**1 326 277**	**2 078 860**	**1 306 152**	**7 929 231**	**12 640 520**
Effect of initial application of IFRS 9 – revaluation of ECL	-	-	-	(423 718)	(423 718)
Restated balance at 1 January 2018	**1 326 277**	**2 078 860**	**1 306 152**	**7 505 513**	**12 216 802**
Profit for the period	-	-	-	339 459	339 459
Total comprehensive income for three months ended 31 March 2018	-	-	-	**339 459**	**339 459**
Dividends declared:					
- ordinary shares	-	-	-	-	-
- preference shares	-	-	-	-	-
Balance at 31 March 2018 (unaudited)	**1 326 277**	**2 078 860**	**1 306 152**	**7 844 972**	**12 556 261**
Balance at 31 December 2018	**1 326 277**	**2 078 860**	**1 262 206**	**8 460 303**	**13 127 646**
Profit for the period	-	-	-	545 006	545 006
Total comprehensive income for three months ended 31 March 2019	-	-	-	**545 006**	**545 006**
Dividends declared:					
- ordinary shares	-	-	-	-	-
- preference shares	-	-	-	-	-
Effect of acquisition share in an associate	-	-	-	(163 050)	**(163 050)**
Balance at 31 March 2019 (unaudited)	**1 326 277**	**2 078 860**	**1 262 206**	**8 842 259**	**13 509 602**

1 Introduction

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" for three months ended 31 March 2019 for Public Joint-stock company commercial Bank «Center-invest» (the "Bank") and its 100% subsidiary OOO Center-Leasing (the "Group").

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares.

Principal activity. The Group's principal business activities are corporate and retail banking and leasing operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation (the "CBRF") since 1992. The Bank participates in the state deposit insurance program, which was introduced by Federal Law No. 177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in the case of the withdrawal of a licence of a bank or the CBRF imposed moratorium on payments.

At 31 March 2019 the Bank has four branches (31 December 2018: four) in the Russian Federation. Additionally, the Bank has a representative office in Moscow and 112 (31 December 2018: 113) sub-branches in the Rostov and Volgograd Regions, Moscow, Nizhny Novgorod, Stavropol and Krasnodar Regions.

Registered address and place of business. The Bank's registered address is: 62 Sokolova Street, Rostov-on-Don, Russian Federation, 344000.

The average number of the Group's employees during three months ended 31 March 2019 was 1 474 (2018: 1 487; three months ended 31 March 2018: 1 482).

Presentation currency. This condensed consolidated interim financial information is presented in thousands of Russian roubles ("RR thousand"), unless otherwise stated.

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The Group's management does not expect any material negative impact of these sanctions on the financial position and financial performance of the Group. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

The Bank operates primarily in the South of Russia. Due to a diversified by industry economic structure, the South of Russia demonstrates more dynamic and stable development trends than most other Russian regions. The growth rate demonstrated by the main industry of the region, agriculture, significantly exceeds Russia's average level. Stable growth is attributable to natural and climatic factors, well developed infrastructure, the structure of economy diversified by activity and characterised by high share of small and medium-sized enterprises. The management believes that these developments improve competitive advantages of the South of Russia.

2 Operating Environment of the Group (Continued)

For the purpose of measurement of expected credit losses ("ECL") the Group uses forward-looking information, including forecasts of macroeconomic variables. The Group considers these forecasts to represent its best estimate of the possible outcomes. As with any economic forecasts, however, the projections and likelihoods of its occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

3 Summary of Significant Accounting Policies

Basis of preparation. This condensed consolidated interim c financial information has been prepared in accordance with IAS 34 and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards.

This condensed consolidated interim financial information does not contain all notes that are required for the full set of consolidated financial information.

Financial instruments - key measurement terms. 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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 16.

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

3 Summary of Significant Accounting Policies (Continued)

Amortised cost (AC) is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for expected credit losses.

Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

For assets that are purchased or originated credit-impaired (POCI) at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the amortised cost of the asset on initial recognition instead of its gross carrying amount and incorporates ECL in estimated future cash flows.

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

Following the initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), resulting in an accounting loss being recognised immediately after the asset is initially recognised.

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

The Group uses a mathematically based algorithm to determine the fair value of foreign exchange swaps that are traded in an active market. Inputs include the CBRF official rate and interbank credit market rates (MOSPRIME, LIBOR) in accordance with foreign exchange swap maturities because a swap is a transaction in which assets in different currencies are exchanged over time.

3 Summary of Significant Accounting Policies (Continued)

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI or AC. The classification and subsequent measurement of debt financial assets depend on:

1) the Group's business model for managing the asset; and

2) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Bank's objective is:

i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"); or

ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell");

iii) if neither of i) and ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Group in determining the business model for its financial assets.

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

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. However, if the contractual terms of the asset are modified, the Group considers if the contractual cash flows continue to be consistent with a basic lending arrangement in assessing whether the modification is substantial. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

3 Summary of Significant Accounting Policies (Continued)

Financial assets – impairment – credit loss allowance for ECL. The Group assesses on a forward-looking basis the ECL for debt instruments measured at AC and FVOCI and for the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises 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) the time value of money; and

3) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees (where those components can be separated from the loan), a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, an allowance for ECL 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’ model for impairment, 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.

For financial assets that are purchased or originated credit-impaired, the ECL is always measured as a lifetime ECL.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due in full however there is no reasonable expectation of full recovery.

Recovery of loans previously written off. Subsequent recovery of loans previously written off directly reduces credit loss allowance within profit or loss for the year. Cash flows resulting from repayment of written off loans are shown separately as repayment of debt previously written off in the condensed consolidated interim statement of cash flows.

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 others, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, insertion of collateral or credit enhancement that significantly affect the credit risk associated with the asset, significant extension of the loan when the borrower is in financial difficulty.

3 Summary of Significant Accounting Policies (Continued)

If the modified terms are substantially different so that the rights to cash flows from the original asset are deemed to have expired, 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 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. Difference in the carrying amounts are recognised in the 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, by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in the profit or loss for the period.

Financial assets – derecognition (other than through a substantial modification). The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial liabilities – classification and subsequent measurement – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for:

- financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition;
- financial guarantee contracts and loan commitments.

Financial liabilities – modification. The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial liabilities – derecognition (other than through a substantial modification). Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3 Summary of Significant Accounting Policies (Continued)

Credit related commitments. The Group issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans 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; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the amount of the loss allowance determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a liability. For contracts that include both a loan and an undrawn commitment where the Group cannot separately identify the ECL on the undrawn loan component from those on the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

Interest income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. 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 FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to gross carrying amount of financial assets, except for:

i) financial assets that have become credit-impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC (net of the ECL provision); and

ii) financial assets that are purchased or originated credit-impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis over the period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs, usually on a straight-line basis.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, over the period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs, usually on a straight-line basis. Asset management fees relating to investment funds are recognised over the period in which services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs, usually on a straight-line basis. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

3 Summary of Significant Accounting Policies (Continued)

Changes to significant accounting policies resulting from the adoption of new and/or revised standards and interpretations. The Group introduced the following changes to its accounting policies resulting from the adoption of IFRS 16 from 1 January 2019.

Right-of-use assets and lease liabilities. From 1 January 2019, leases, where the Group is the lessee, are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease term includes any non-cancellable and optional extension periods which have been assessed as reasonably certain to be exercised under IFRS 16.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Interim period tax estimate. Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, i.e. the estimated weighted average annual effective income tax rate is applied to the pre-tax income for the interim period.

Foreign currency translation. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at period-end official exchange rates of the CBRF, are recognised in the consolidated statement of profit or loss and other comprehensive income.

At 31 March 2018, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 64.7347 and EUR 1 = RR 72.7230 (31 December 2018: USD 1 = RR 69.4706, EUR 1 = RR 79.4605; 31 March 2018: USD 1 = RR 57.2649, EUR 1 = RR 70.5618).

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

ECL measurement. Calculation and measurement of ECLs is an area of significant judgement, and implies methodology, models and data inputs. The following components of ECL calculation have the major impact on credit loss allowance for ECLs: default definition, SICR, PD, EAD, LGD, macromodels and analysis of scenarios for credit-impaired loans. The Group regularly reviews and validates models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

SICR. In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the expected life of a financial instrument at the reporting

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

date with the risk of default at the date of initial recognition. IFRS 9 requires an assessment of relative increases in credit risk rather than the identification of a specific level of credit risk at the reporting date. In this assessment, the Group considers a range of indicators: including behavioural indicators based on historical information as well as reasonable and supportable forward-looking information available without undue cost and effort. The most significant judgments include: identifying behavioural indicators of increases in credit risk prior to delinquency and incorporating appropriate forward-looking information into the assessment, either at an individual instrument, or on a portfolio level.

Determining business model and applying SPPI test. In determining the appropriate measurement category for debt financial instruments, the Group applies two assessments: the business model assessment for managing the assets and the SPPI test based on contractual cash flows characteristics on initial recognition. The business model assessment is determined on a certain level of aggregation and the Group was required to apply judgement to determine the level at which 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, may also be 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 value of the sales to 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.

FVTPL business model is the residual category and it also includes those financial assets, which are managed with the objective of realising cash flows solely through the sale. For this business model, the collection of contractual cash flow is incidental.

The assessment of the SPPI criterion performed on initial recognition of financial assets involves the use of significant estimates in quantitative testing and it requires considerable judgement in deciding when it is necessary to apply a quantitative test, which scenarios are reasonably possible and should be considered and in interpreting the results of the quantitative testing (i.e. determining what represents a significant difference in cash flows). The key contractual features subject to a qualitative or quantitative assessment of SPPI are the following:

i) Modified time value of money: in some cases the time value of money component may be modified so that it does not provide consideration for only the passage of time, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In assessing the assets with a modified time value of money, the Group compares the undiscounted contractual cash flows of the asset under assessment to the cash flows of a “benchmark” instrument (the cash that would arise if the time value of money was not modified). The effect of the modified time value of money is considered in each reporting period and cumulatively over the life of the instrument. ii) Contractual terms that change the timing or amount of contractual cash flows: for such financial assets, the Group compares the contractual cash flows that could arise before and after the change to assess if both sets of the cash flows meet the SPPI criterion. If the cash flows before and after the change are significantly different, the asset does not meet the SPPI criterion. In some cases, a qualitative assessment may be sufficient. Examples of terms that would pass the SPPI test include:

   (a) if the contractual terms include a prepayment option, the SPPI criterion is met if the prepayment amount substantially represents the contractual par amount and accrued contractual interest plus a reasonable compensation for the early termination of the contract;

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

(b) for assets with prepayment options acquired at a discount to a contractual par amount, the SPPI criterion is met if the fair value of the prepayment feature is insignificant on initial recognition;

(c) if the contractual terms include initial interest-free or low-interest periods, the SPPI test is met if these terms are offered to customers as incentives and they merely result in reducing the overall margin earned by the Group on the respective loan products;

(d) if the contractual terms include cross-selling clauses, which provide for a reduction in the interest rate based on performance achieved by a customer on other products or upon entering into another contract with the Group, the SPPI test is met if such clauses merely result in reducing the Group's profit margin and do not introduce the features inconsistent with a basic lending arrangement;

(e) for contractual terms that are introduced solely as a result of legislation and give the regulatory authority power to impose changes (e.g. bail-in clauses), the SPPI criterion is considered to be met if such terms are incorporated in such a way that they do not form part of the contract, i.e. they merely acknowledge the existence of the legislation and do not give the Group any discretion in changing the cash flows (i.e. such terms would be automatically removed from the contract if the legislation changes);

(f) if the contractual terms allow the Group discretion in adjusting interest rates in response to certain macro-economic, regulatory changes, or irrespective of the market situation, the SPPI criterion is met if the Group concludes that competition in the banking sector and practical ability of the borrower to refinance the loans would prevent it from setting the interest rates at above-market level.

ii) Non-recourse feature where the Group's right of recourse is contractually limited only to the assets (financial or non-financial) securing the respective loan: for loans with such features, the Group "looks through" to the underlying assets or cash flows to determine whether they are sufficient to fully satisfy the Group's claim. A similar approach is applied to the instruments which do not include contractual non-recourse clauses but their repayment depends solely on performance of certain projects or assets (in-substance, non-recourse). If the non-recourse feature limits the cash flows in a manner inconsistent with the SPPI criterion, the instrument is measured at FVTPL.

There were no instruments which failed the SPPI test during the reporting period and as at 31 March 2019.

5 Adoption of New or Revised Standards and Interpretations

IFRS 16 "Leases". From 1 January 2019 the Group has 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 was required by IAS 17 and, instead, introduces a single lessee accounting model. The Group applied the standard using the modified retrospective method, without restatement of comparatives. The Group recognized a right-of-use asset of RR 148.0 million against a corresponding lease liability on 1 January 2019.

6 Loans to Customers and Finance Lease Receivables

Gross carrying amount and credit loss allowance amount for loans to customers and finance lease receivables at AC by classes at 31 March 2019 and 31 December 2018 are disclosed in the table below:

In thousands of Russian Roubles	**31 March 2019**	**31 December 2018**
Loans to small and medium-sized enterprises (SME loans)	33 206 606	30 867 285
Loans to individuals - mortgage loans	35 892 314	34 597 317
Loans to individuals – consumer loans and car loans	20 420 312	21 070 344
Corporate loans	8 233 409	8 249 241
Finance lease receivables (lease)	152 298	172 319
Total loans to customers and finance lease receivables before provision for impairment	**97 904 939**	**94 956 506**
Credit loss allowance	(7 067 778)	(6 933 816)
Total loans to customers and finance lease receivables	**90 837 161**	**88 022 690**

The following tables disclose changes in credit loss allowance and gross carrying amount for loans to customers and finance lease receivables between the beginning and the end of the reporting period:

6 Loans to Customers and Finance Lease Receivables (Continued)

In thousands of Russian Roubles	Credit loss allowance Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Gross carrying amount Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Mortgage loans								
At 1 January 2019	**244 938**	**35 137**	**755 668**	**1 035 743**	**32 720 186**	**661 960**	**1 215 171**	**34 597 317**
Movements with impact on credit loss allowance charge for the period:								
Issued during the period	21 552	-	-	**21 552**	2 879 029	-	-	**2 879 029**
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(1 914)	24 119	(22 205)	**-**	(255 749)	292 643	(36 894)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(117)	(5 621)	5 738	**-**	(15 552)	(99 704)	115 256	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	9 514	(7 567)	(1 947)	**-**	142 110	(138 875)	(3 235)	**-**
Repaid during the period	(11 486)	(523)	(22 055)	**(34 064)**	(1 539 125)	(18 640)	(40 577)	**(1 598 342)**
Changes to ECL measurement model assumptions	(81)	(7 311)	61 823	**54 431**	-	-	-	**-**
Changes in accrued interest, exchange differences and other movements	-	176	7 346	**7 522**	-	3 046	11 993	**15 039**
Total movements with impact on credit loss allowance charge for the period	**17 468**	**3 273**	**28 700**	**49 441**	**1 210 713**	**38 470**	**46 543**	**1 295 726**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	**-**	-	-	-	**-**
Assignment	-	-	(229)	**(229)**	-	-	(729)	**(729)**
At 31 March 2019	**262 406**	**38 410**	**784 139**	**1 084 955**	**33 930 899**	**700 430**	**1 260 985**	**35 892 314**
Recovery of loans previously written off	-	-	311	**311**				

6 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Consumer loans and car loans								
At 1 January 2019	**297 161**	**22 133**	**1 636 499**	**1 955 793**	**18 642 817**	**505 183**	**1 922 344**	**21 070 344**
Movements with impact on credit loss allowance charge for the period:								
Issued during the period	31 202	-	-	**31 202**	1 888 486	-	-	**1 888 486**
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(3 301)	12 246	(8 945)	**-**	(205 184)	216 592	(11 408)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(285)	(5 904)	6 189	**-**	(15 516)	(84 479)	99 995	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	5 983	(4 579)	(1 404)	**-**	113 791	(112 081)	(1 710)	**-**
Repaid during the period	(41 604)	(1 052)	(89 696)	**(132 352)**	(2 385 228)	(54 477)	(106 306)	**(2 546 011)**
Changes to ECL measurement model assumptions	(26 901)	(5 984)	67 175	**34 290**				**-**
Changes in accrued interest, exchange differences and other movements	-	88	12 823	**12 911**	-	2 256	15 456	**17 712**
Total movements with impact on credit loss allowance charge for the period	**(34 906)**	**(5 185)**	**(13 858)**	**(53 949)**	**(603 651)**	**(32 189)**	**(3 973)**	**(639 813)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	2 381	**2 381**	-	-	(1 581)	**(1 581)**
Assignment	-	-	(2 067)	**(2 067)**	-	-	(8 638)	**(8 638)**
At 31 March 2019	**262 255**	**16 948**	**1 622 955**	**1 902 158**	**18 039 166**	**472 994**	**1 908 152**	**20 420 312**
Recovery of loans previously written off	-	-	7 660	**7 660**				

6 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Loans to SME								
At 1 January 2019	**278 597**	**2 208**	**2 399 773**	**2 680 578**	**27 041 378**	**162 744**	**3 663 163**	**30 867 285**
Movements with impact on credit loss allowance charge for the period:								
Issued during the period	67 080	160	66	**67 306**	7 277 681	15 947	1 285	**7 294 913**
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(534)	534	-	**-**	(128 415)	128 415	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4 332)	(167)	4 499	**-**	(362 960)	(20 170)	383 130	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	**-**	-	-	-	**-**
Repaid during the period	(24 669)	(32)	(53 564)	**(78 265)**	(4 502 367)	(15 157)	(92 589)	**(4 610 113)**
Changes to ECL measurement model assumptions	(28 298)	634	265 303	**237 639**	-	-	-	**-**
Changes in accrued interest, exchange differences and other movements	(1 652)	220	10 863	**9 431**	(190 138)	12 277	21 813	**(156 048)**
Total movements with impact on credit loss allowance charge for the period	**7 595**	**1 349**	**227 167**	**236 111**	**2 093 801**	**121 312**	**313 639**	**2 528 752**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(704)	**(704)**	-	-	(704)	**(704)**
Assignment	-	-	(139 695)	**(139 695)**	-	-	(188 727)	**(188 727)**
At 31 March 2019	**286 192**	**3 557**	**2 486 541**	**2 776 290**	**29 135 179**	**284 056**	**3 787 371**	**33 206 606**
Recovery of loans previously written off	-	-	2 771	**2 771**				

6 Loans to Customers and Finance Lease Receivables (Continued)

In thousands of Russian Roubles	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-month ECL)	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Corporate loans								
At 1 January 2019	**23 900**	**352 646**	**883 056**	**1 259 602**	**2 940 571**	**2 285 749**	**3 022 921**	**8 249 241**
Movements with impact on credit loss allowance charge for the period:								
Issued during the period	3 694	4 263	56 089	**64 046**	409 471	22 690	198 061	**630 222**
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(12)	12	-	**-**	(971)	971	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(7)	7	**-**	-	(781)	781	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	**-**	-	-	-	**-**
Repaid during the period	(3 990)	(29 381)	(16 479)	**(49 850)**	(719 683)	(103 119)	(357)	**(823 159)**
Changes to ECL measurement model assumptions	(1 843)	10 330	13 858	**22 345**	-	-	-	**-**
Changes in accrued interest, exchange differences and other movements	1 652	7 922	(2 701)	**6 873**	190 138	43 249	(56 282)	**177 105**
Total movements with impact on credit loss allowance charge for the period	**(499)**	**(6 861)**	**50 774**	**43 414**	**(121 045)**	**(36 990)**	**142 203**	**(15 832)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	**-**	-	-	-	**-**
Assignment	-	-	-	**-**	-	-	-	**-**
At 31 March 2019	**23 401**	**345 785**	**933 830**	**1 303 016**	**2 819 526**	**2 248 759**	**3 165 124**	**8 233 409**
Recovery of loans previously written off	-	-	-	-				

6 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Lease								
At 1 January 2019	**1 428**	**-**	**672**	**2 100**	**170 815**	**-**	**1 504**	**172 319**
Movements with impact on credit loss allowance charge for the period:								
Issued during the period	-	-	-	**-**	17 164	-	-	**17 164**
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	-	-	-	**-**	-	-	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	-	-	**-**	-	-	-	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	**-**	-	-	-	**-**
Repaid during the period	(4 505)	-	(635)	**(5 140)**	(35 915)	-	(1 270)	**(37 185)**
Changes to ECL measurement model assumptions	4 399	-	-	**4 399**	-	-	-	**-**
Total movements with impact on credit loss allowance charge for the period	**(106)**	**-**	**(635)**	**(741)**	**(18 751)**	**-**	**(1 270)**	**(20 021)**
Movements without impact on credit loss allowance charge for the period:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 March 2019	**1 322**	**-**	**37**	**1 359**	**152 064**	**-**	**234**	**152 298**

6 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Mortgage loans								
At 1 January 2018	**286 699**	**17 005**	**808 075**	**1 111 779**	**25 696 586**	**157 958**	**1 181 099**	**27 035 643**
Movements with impact on credit loss allowance charge for the period:								
Issued during the period	32 142	-	-	**32 142**	2 880 832	-	-	**2 880 832**
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(2 257)	6 169	(3 912)	**-**	(202 300)	208 144	(5 844)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(498)	(8 274)	8 772	**-**	(44 599)	(73 354)	117 953	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	25 869	(2 257)	(23 612)	**-**	57 354	(22 082)	(35 272)	**-**
Repaid during the period	(15 769)	(237)	(37 003)	**(53 009)**	(1 423 245)	(6 590)	(46 065)	**(1 475 900)**
Changes to ECL measurement model assumptions	(25 520)	15 325	70 679	**60 484**	-	-	-	**-**
Changes in accrued interest, exchange differences and other movements	21	171	8 658	**8 850**	964	1 493	12 742	**15 199**
Total movements with impact on credit loss allowance charge for the period	**13 988**	**10 897**	**23 582**	**48 467**	**1 269 006**	**107 611**	**43 514**	**1 420 131**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	-	-	-	-	**-**
Assignment	-	-	(1 018)	**(1 018)**	-	-	(8 358)	**(8 358)**
At 31 March 2018	**300 687**	**27 902**	**830 639**	**1 159 228**	**26 965 592**	**265 569**	**1 216 255**	**28 447 416**
Recovery of loans previously written off	-	-	150	**150**				

6 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Consumer loans and car loans								
At 1 January 2018	**434 127**	**15 441**	**1 768 231**	**2 217 799**	**20 515 244**	**169 340**	**2 144 130**	**22 828 714**
Movements with impact on credit loss allowance charge for the period:								
Issued during the period	53 411	-	-	**53 411**	2 474 010	-	-	**2 474 010**
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(3 641)	11 799	(8 158)	**-**	(164 378)	174 725	(10 347)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2 031)	(9 072)	11 103	**-**	(92 370)	(93 479)	185 849	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	23 125	(2 460)	(20 665)	**-**	54 143	(27 895)	(26 248)	**-**
Repaid during the period	(57 530)	(867)	(68 585)	**(126 982)**	(2 753 056)	(15 626)	(83 503)	**(2 852 185)**
Changes to ECL measurement model assumptions	(28 917)	3 353	159 596	**134 032**				**-**
Changes in accrued interest, exchange differences and other movements	(21)	188	18 997	**19 164**	(964)	2 406	24 898	**26 340**
Total movements with impact on credit loss allowance charge for the period	**(15 604)**	**2 941**	**92 288**	**79 625**	**(482 615)**	**40 131**	**90 649**	**(351 835)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	**-**	-	-	-	**-**
Assignment	-	-	(306)	**(306)**	-	-	(2 031)	**(2 031)**
At 31 March 2018	**418 523**	**18 382**	**1 860 213**	**2 297 118**	**20 032 629**	**209 471**	**2 232 748**	**22 474 848**
Recovery of loans previously written off	-	-	5 488	**5 488**				

6 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Loans to SME								
At 1 January 2018	**301 803**	**1 201**	**1 727 396**	**2 030 400**	**24 979 384**	**238 521**	**2 691 627**	**27 909 532**
Movements with impact on credit loss allowance charge for the period:								
Issued during the period	295 391	558	2 110 928	**2 406 877**	6 518 774	-	200	6 518 974
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(303)	1 843	(1 540)	**-**	(81 002)	83 988	(2 986)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(3 660)	(814)	4 474	**-**	(640 357)	(178 611)	818 968	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	2 270	(2)	(2 268)	**-**	4 223	(214)	(4 009)	-
Repaid during the period	(32 774)	(20)	17 186	**(15 608)**	(4 553 342)	(21 226)	(40 299)	(4 614 867)
Changes to ECL measurement model assumptions	(267 336)	(2 208)	(1 628 428)	**(1 897 972)**	-	-	-	-
Changes in accrued interest, exchange differences and other movements	-	2	7 575	**7 577**	-	330	37 329	37 659
Total movements with impact on credit loss allowance charge for the period	**(6 412)**	**(641)**	**507 927**	**500 874**	**1 248 296**	**(115 733)**	**809 203**	**1 941 766**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	-	-	-	-	-
Assignment	-	-	(116 820)	(116 820)	(44 325)	-	(137 038)	(181 363)
At 31 March 2018	**295 391**	**560**	**2 118 503**	**2 414 454**	**26 183 355**	**122 788**	**3 363 792**	**29 669 935**
Recovery of loans previously written off	-	-	5 132	5 132				

6 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Corporate loans								
At 1 January 2018	**490 747**	**168 949**	**284 662**	**944 358**	**6 330 418**	**1 163 268**	**548 925**	**8 042 611**
Movements with impact on credit loss allowance charge for the period:								
Issued during the period	410 368	171 664	329 035	**911 067**	631 681	101 945	76 115	**809 741**
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	-	-	-	-	-	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	-	-	-	-	-	-	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	-	-	-	-
Repaid during the period	(72 418)	(2 284)	(10 085)	**(84 787)**	(1 271 013)	(121 726)	(17 118)	**(1 409 857)**
Changes to ECL measurement model assumptions	(418 329)	(166 665)	(273 515)	**(858 509)**	-	-	-	-
Changes in accrued interest, exchange differences and other movements	-	1 917	3 178	**5 095**	80 367	19 171	6 160	**105 698**
Total movements with impact on credit loss allowance charge for the period	**(80 379)**	**4 632**	**48 613**	**(27 134)**	**(558 965)**	**(610)**	**65 157**	**(494 418)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	**-**	-	-	-	**-**
Assignment	-	-	(47)	**(47)**	-	-	(1 097)	**(1 097)**
At 31 March 2018	**410 368**	**173 581**	**333 228**	**917 177**	**5 771 453**	**1 162 658**	**612 985**	**7 547 096**
Recovery of loans previously written off	-	-	-	-				

6 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Lease								
At 1 January 2018	**-**	**-**	**1 130**	1 130	**229 039**	**2 291**	**2 261**	**233 591**
Movements with impact on credit loss allowance charge for the period:								
Issued during the period	-	-	-	-	25 556	-	-	25 556
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	-	-	-	-	-	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	-	-	-	-	(2 130)	2 130	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	-	-	-	-
Repaid during the period	-	-	(53)	(53)	(42 317)	(161)	(107)	(42 585)
Changes to ECL measurement model assumptions	-	-	1 065	1 065	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**-**	**-**	**1 012**	**1 012**	**(16 761)**	**(2 291)**	**2 023**	**(17 029)**
Movements without impact on credit loss allowance charge for the period:	-	-	-	-	-	-	-	-
At 31 March 2018	**-**	**-**	**2 142**	**2 142**	**212 278**	**-**	**4 284**	**216 562**

6 Loans to Customers and Finance Lease Receivables (Continued)

The provision for impairment differs from the amount presented in consolidated interim statement of profit or loss and other comprehensive income, due to recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the period.

Analysis by credit quality of loans to individuals carried at AC is as follows at 31 March 2019:

In thousands or Russian Roubles	**Stage 1 12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Mortgage loans				
- Excellent	622 148	2 174	-	**624 322**
- Good	31 783 130	408 942	18 569	**32 210 641**
- Satisfactory	1 525 619	280 984	48 319	**1 854 922**
- Special monitoring	-	8 332	126 196	**134 528**
- Default	-	-	1 067 901	**1 067 901**
Gross carrying amount	**33 930 897**	**700 432**	**1 260 985**	**35 892 314**
Credit loss allowance	262 406	38 410	784 139	**1 084 955**
Carrying amount	**33 668 491**	**662 022**	**476 846**	**34 807 359**
Consumer loans and car loans				
- Excellent	312 145	1 339	-	**313 484**
- Good	17 228 248	187 407	3 716	**17 419 371**
- Satisfactory	498 776	269 175	19 866	**787 817**
- Special monitoring	-	15 067	93 809	**108 876**
- Default	-	-	1 790 764	**1 790 764**
Gross carrying amount	**18 039 169**	**472 988**	**1 908 155**	**20 420 312**
Credit loss allowance	262 255	16 948	1 622 955	**1 902 158**
Carrying amount	**17 776 914**	**456 040**	**285 200**	**18 518 154**

9 Loans to Customers and Finance Lease Receivables (Continued)

Analysis by credit quality of loans to corporate customers carried at AC is as follows at 31 March 2019:

In thousands or Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Loans to SMEs				
- Excellent	11 907 661	39 951	-	**11 947 612**
- Good	16 321 935	231 508	64 661	**16 618 104**
- Satisfactory	905 583	12 597	7 071	**925 251**
- Special monitoring	-	-	740 784	**740 784**
- Default	-	-	2 974 855	**2 974 855**
Gross carrying amount	**29 135 179**	**284 056**	**3 787 371**	**33 206 606**
Credit loss allowance	286 192	3 557	2 486 541	**2 776 290**
Carrying amount	**28 848 987**	**280 499**	**1 300 830**	**30 430 316**
Corporate loans				
- Excellent	502 295	954	-	**503 249**
- Good	1 425 551	114 686	-	**1 540 237**
- Satisfactory	891 679	783 213	-	**1 674 892**
- Special monitoring	-	1 349 906	3 159 054	**4 508 960**
- Default	-	-	6 071	**6 071**
Gross carrying amount	**2 819 525**	**2 248 759**	**3 165 125**	**8 233 409**
Credit loss allowance	23 401	345 785	933 830	**1 303 016**
Carrying amount	**2 796 124**	**1 902 974**	**2 231 295**	**6 930 393**

9 Loans to Customers and Finance Lease Receivables (Continued)

The credit quality of loans to individuals carried at AC is as follows at 31 December 2018:

In thousands or Russian Roubles	Stage 1 12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Mortgage loans				
- Excellent	675 353	12 793	-	**688 146**
- Good	30 464 418	385 210	25 267	**30 874 895**
- Satisfactory	1 580 414	247 291	45 803	**1 873 508**
- Special monitoring	-	16 666	111 875	**128 541**
- Default	-	-	1 032 227	**1 032 227**
Gross carrying amount	**32 720 185**	**661 960**	**1 215 172**	**34 597 317**
Credit loss allowance	(244 938)	(35 137)	(755 668)	**(1 035 743)**
Carrying amount	**32 475 247**	**626 823**	**459 504**	**33 561 574**
Consumer loans and car loans				
- Excellent	335 972	5 056	-	**341 028**
- Good	17 857 674	231 840	3 416	**18 092 930**
- Satisfactory	449 171	257 168	56 271	**762 610**
- Special monitoring	-	11 118	114 324	**125 442**
- Default	-	-	1 748 334	**1 748 334**
Gross carrying amount	**18 642 817**	**505 182**	**1 922 345**	**21 070 344**
Credit loss allowance	(297 161)	(22 133)	(1 636 499)	**(1 955 793)**
Carrying amount	**18 345 656**	**483 049**	**285 846**	**19 114 551**

9 Loans to Customers and Finance Lease Receivables (Continued)

The credit quality of loans to corporate customers carried at AC is as follows at 31 December 2018:

In thousands or Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Loans to SMEs				
- Excellent	10 883 319	-	-	**10 883 319**
- Good	15 508 771	145 701	5 216	**15 659 688**
- Satisfactory	649 288	7 382	85 417	**742 087**
- Special monitoring	-	9 660	473 853	**483 513**
- Default	-	-	3 098 678	**3 098 678**
Gross carrying amount	**27 041 378**	**162 743**	**3 663 164**	**30 867 285**
Credit loss allowance	(278 597)	(2 208)	(2 399 773)	**(2 680 578)**
Carrying amount	**26 762 781**	**160 535**	**1 263 391**	**28 186 707**
Corporate loans				
- Excellent	1 053 872	-	-	**1 053 872**
- Good	1 886 172	112 736	-	**1 998 908**
- Satisfactory	526	2 172 231	-	**2 172 757**
- Special monitoring	-	781	3 016 850	**3 017 631**
- Default	-	-	6 073	**6 073**
Gross carrying amount	**2 940 570**	**2 285 748**	**3 022 923**	**8 249 241**
Credit loss allowance	(23 900)	(352 646)	(883 056)	**(1 259 602)**
Carrying amount	**2 916 670**	**1 933 102**	**2 139 867**	**6 989 639**

Credit risk grading used in the table above is based on the scale developed internally by the Group.

6 Loans to Customers and Finance Lease Receivables (Continued)

Information about assigned rights of claim for loans and financial leases is presented below:

In thousands of Russian Roubles	Three months ended 31 March 2019	Three months ended 31 March 2018
Assigned balance rights of claim for loans to customers and finance leases	198 094	192 849
Provision for impairment of assigned claims	(141 991)	(118 191)
Sales price	56 103	74 658
Net result from assignment of balance rights of claim	**-**	**-**

Net result from assignment of the rights of claim for loans previously written off as uncollectible was recognised in the consolidated interim statement of profit or loss and other comprehensive income within other operating income. No right of recourse is provided in the assignment agreements.

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

	31 March 2019		31 December 2018	
In thousands of Russian Roubles	Amount	%	Amount	%
Individuals (total), incl.	56 312 626	57.5	55 667 661	58.6
- mortgage loans	*35 892 314*	*36.7*	34 597 317	36.4
- consumer loans	*19 106 441*	*19.5*	19 631 471	20.7
- car loans	*1 313 871*	*1.3*	1 438 873	1.5
Agriculture	15 567 062	15.9	13 469 586	14.2
Trade	9 880 695	10.1	9 755 316	10.3
Manufacturing	6 858 071	7.0	6 717 206	7.1
Transport	4 195 184	4.3	4 300 520	4.5
Construction	1 712 167	1.7	1 658 873	1.7
Other	3 379 134	3.5	3 387 344	3.6
Total loans to customers and finance lease receivables before provision for impairment	**97 904 939**	**100.0**	**94 956 506**	**100.0**

At 31 March 2019, the Group had 10 major borrowers with aggregate loan balance amounting to RR 9 494 286 thousand, or 9.7% of the loan portfolio and finance lease receivables (31 December 2018: RR 8 987 138 thousand or 9.5%).

The carrying amount of loans and advances to customers approximates their fair value at 31 March 2019 and 31 December 2018. (Refer to Note 16). Information on related party balances is disclosed in Note 17.

7 Customer Accounts

In thousands of Russian Roubles	31 March 2019	31 December 2018
State and public organisations		
- Current/settlement accounts	283 527	200 960
- Term deposits	58 504	112 698
Other legal entities		
- Current/settlement accounts	11 870 989	16 338 748
- Term deposits	2 174 218	2 591 920
Individuals		
- Current/demand accounts	7 492 816	9 337 418
- Term deposits	63 772 968	66 656 448
Total customer accounts	**85 653 022**	**95 238 192**

At 31 March 2019, the total aggregate balance of 10 largest clients of the Group was RR 2 275 307 thousand or 2.7% of customer accounts (31 December 2018: RR 2 311 721 thousand or 2.4% of customer accounts).

The carrying value of each class of customer accounts approximates their fair value at 31 March 2019, 31 March 2018 and 31 December 2018 (Note 16). Information on related party balances is disclosed in Note 17.

8 Debt Securities in Issue

In thousands of Russian Roubles	31 March 2019	31 December 2018
Bonds	988 204	1 012 092
Promissory notes	441 724	313 004
Total debt securities in issue	**1 429 928**	**1 325 096**

Each bond has a par value of RR 1,000 and an embedded put option at par value of the bond exercisable at the moment of coupon income change.

Issue	**CIN-01P03**	**CIN-01P04**	**CIN-01P05**	**CINBO-BO10**
Par value, RR	1,000	1,000	1 000	1,000
Number	226 633	600 000	600 000	3 000 000
Initial placement date	October 2017	April 2018	September 2018	May 2014
Maturity date	January 2019	October 2021	March 2022	May 2019
Next offer date	-	April 2019	September 2019	May 2019
At 31 March 2019:				
Number of bonds in issue	-	600 000	412 075	57 968
- including purchased by the subsidiary	-	410	16	5 960
Coupon rate, %	-	8.25	8.25	8.25
At 31 December 2018				
Number of bonds in issue	223 688	599 406	206 511	57 976
- including purchased by the subsidiary	-	410	-	5 960
Coupon rate, %	9.80	8.25	8.25	8.25

The carrying value of debt securities in issue approximates their fair value at 31 March 2019 and 31 December 2018 (Refer to Note 16).

9 Interest Income and Expense

In thousands of Russian Roubles	Three months ended 31 March 2019	Three months ended 31 March 2018
Interest income calculated using the effective interest method		
Loans to individuals	1 552 704	1 552 107
Corporate loans	1 056 835	1 068 883
Short-term deposits with the Central Bank of the Russian Federation, amounts due from and accounts with other banks	101 582	151 787
Finance income arising from leasing	7 134	11 908
Total interest income	**2 718 255**	**2 784 685**
Interest expense		
Term deposits and accounts of individuals	1 075 583	1 175 994
Term deposits and accounts of legal entities	57 978	52 793
Borrowings from international financial institutions	44 577	26 199
Bonds in issue	18 939	16 298
Promissory notes issued	5 857	7 556
Due to Central Bank of the Russian Federation	3 821	-
Total interest expense	**1 206 755**	**1 278 840**
Net interest income	**1 511 500**	**1 505 845**

10 Dividends

By 31 March 2019, the Bank was not yet declared dividends for 2018 in connection with the holding of the General meeting of shareholders in June 2019. By 31 March 2018, the Bank was not yet declared dividends for 2017 in connection with the holding of the General meeting of shareholders in June 2018.

In June 2018, the Bank declared dividends on preference shares with a par value of RR 1 000 – RR 200 per share and on preference shares with a par value of RR 4 – RR 0.8 per share. In June 2018 the Bank declared dividends on ordinary shares – RR 7.16 per share.

11 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Executive Board of the Bank.

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

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

- Lending – representing retail and corporate lending services, leasing, factoring and bank guarantees issued.
- Treasury – representing financial instruments trading, borrowings on domestic and international markets, management of liquidity and foreign currency position of the Group, correspondent and current accounts, corporate deposits.
- Retail banking – representing private banking services to individuals, deposits, investment savings products, custody, credit and debit cards, municipal payments. This segment does not include loans to individuals other than lending through plastic cards.

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

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

The Group has identified the following operating segments: lending activities, leasing, retail, securities, treasury, correspondent and current accounts, and plastic cards. Lending and leasing have been aggregated into one reportable segment – lending. Correspondent and current accounts, securities, and treasury have been aggregated into one reportable segment - treasury. Retail and plastic cards have been aggregated into one segment - retail banking.

In addition, the Bank's Executive Board reviews the major categories of general and administrative expenses, however, these expenses are not allocated to the above segments and they are not taken into consideration in allocating resources to segments and assessing their performance.

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

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

- for operating decisions, the latest non-consolidated information not adjusted to events after the end of the reporting period is used;
- income taxes are not allocated to segments;
- loan provisions are recognised based on management judgement and availability of information, rather than based on the ECL model prescribed in IFRS 9;
- commission income related to lending and commission expenses on borrowings are recognised immediately rather than deferred using the effective interest method;
- finance income arising from leasing is recognised as services provided, advances from lessees are recognised as income pro rata during the period of the leasing agreement;
- funds are generally reallocated between segments ignoring internal interest rates.

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

11 Segment Analysis (Continued)

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

Segment information for the reportable segments for three months ended 31 March 2019 is set out below:

In thousands of Russian Roubles	Lending	Treasury	Retail banking	Total
Three months ended 31 March 2019				
External revenues:				
Interest income	2 523 182	101 582	23 324	2 648 088
Fee and commission income and other operating income	43 447	229 533	211 995	484 975
Total revenues	**2 566 629**	**331 115**	**235 319**	**3 133 063**
Interest expense	-	(132 991)	(1 112 216)	(1 245 207)
Provision for impairment	(679 931)	2 556	(256)	(677 631)
Fee and commission expenses and other expenses	(143 567)	(17 904)	(76 910)	(238 381)
Segment result	**1 743 131**	**182 776**	**(954 063)**	**971 844**
Total reportable segment assets	**90 773 826**	**746 640**	**-**	**91 520 466**
Total reportable segment liabilities	**-**	**(16 968 105)**	**(75 818 405)**	**(92 786 510)**

Segment information for the reportable segments for three months ended 31 March 2018 is set out below:

In thousands of Russian Roubles	Lending	Treasury	Retail banking	Total
Three months ended 31 March 2018				
External revenues:				
Interest income	2 527 840	151 786	22 399	2 702 025
Fee and commission income and other operating income	101 640	168 698	175 477	445 815
Total revenues	**2 629 480**	**320 484**	**197 876**	**3 147 840**
Interest expense	-	(102 803)	(1 194 173)	(1 296 976)
Provision for impairment	(141 181)	4 268	(507)	(137 420)
Fee and commission expenses and other expenses	(118 704)	(13 789)	(55 781)	(188 274)
Segment result	**2 369 595**	**208 160**	**(1 052 585)**	**1 525 170**
Total reportable segment assets	**80 555 069**	**6 292 842**	-	**86 847 911**
Total reportable segment liabilities	-	**(13 384 262)**	**(74 118 829)**	**(87 503 091)**

(e) Reconciliation of reportable segment profit or loss, assets and liabilities

In thousands of Russian Roubles	Three months ended 31 March 2019	Three months ended 31 March 2018
Total revenues for reportable segments	**3 133 063**	**3 147 840**
Accrual method application to fee and commission income	(4 402)	(1 738)
Fair value remeasurement of financial assets	71	2 335
Recognition of interest income on impaired loans	(4 576)	(2 526)
Foreign exchange translation gains less losses	36 090	5 735
Gains less losses from conversion operations on the interbank market	(33 028)	(13 954)
Consolidation effect	28 861	23 372
Other	(27 288)	(34 048)
Total consolidated revenues	**3 128 791**	**3 127 016**

11 Segment Analysis (Continued)

(e) Reconciliation of reportable segment profit or loss, assets and liabilities (continued)

Total consolidated revenues comprise interest income, fee and commission income and other income.

In thousands of Russian Roubles	**Three months ended 31 March 2019**	**Three months ended 31 March 2018**
Total reportable segment result	**971 844**	**1 525 170**
Administrative expenses	(807 315)	(637 492)
Effective interest method application	(4 402)	(35 504)
Fair value remeasurement of financial assets and liabilities	18 173	2 709
Recognition of interest income on impaired loans	(4 106)	5 504
Recalculation of provision for impairment	596 533	(349 042)
Consolidation effect	28 751	21 419
Events after the end of the reporting period	(160 447)	(116 218)
Amortisation recalculation	7 773	11 295
Other	60 934	13 706
Profit before tax	**707 738**	**441 547**

In thousands of Russian Roubles	**31 March 2019**	**31 December 2018**
Total reportable segment assets	**91 520 466**	**96 357 948**
Unallocated assets	16 171 963	14 182 933
Recalculation of provision for impairment	(352 430)	635 625
Recognition of interest income on impaired loans	–	1 146 165
Application of effective interest rate method to fee and commission income	(4 402)	(246 777)
Finance lease adjustment	(16 441)	(23 344)
Consolidation effect	100 669	241 337
Other	(127 834)	(127 834)
Total consolidated assets	**107 291 991**	**112 166 053**

In thousands of Russian Roubles	**31 March 2019**	**31 December 2018**
Total reportable segment liabilities	**92 786 510**	**97 727 646**
Unallocated liabilities	1 168 474	1 482 233
Application of effective interest rate method to fee and commission expenses	(16 292)	(15 215)
Consolidation effect	(156 303)	(156 257)
Total consolidated liabilities	**93 782 389**	**99 038 407**

Major customers

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

12 Assets and Liabilities by Currency and Expected Maturity

Currency risk. The table below summarises the Group's exposure to currency risk at 31 March 2019 and 31 December 2018:

	At 31 March 2019				At 31 December 2018			
In thousands of Russian Roubles	Monetary financial assets	Monetary financial liabilities	Foreign exchange spot contracts	Net position	Monetary financial assets	Monetary financial liabilities	Foreign exchange spot contracts	Net position
Russian Roubles	99 618 132	(89 997 350)	414 758	**10 035 540**	103 719 579	(94 814 679)	438 774	**9 343 674**
US Dollars	2 752 419	(1 952 351)	(744 875)	**55 193**	2 937 653	(2 400 087)	(459 316)	**78 250**
Euro	639 871	(859 763)	329 726	**109 834**	1 226 277	(1 240 901)	21 460	**6 836**
Other	61 942	(26 495)	2 862	**38 309**	47 503	(19 318)	2 562	**30 747**
Total	**103 072 364**	**(92 835 959)**	**2 471**	**10 238 876**	**107 931 012**	**(98 474 985)**	**3 480**	**9 459 507**

The above analysis includes only monetary assets and liabilities. The Group's management believes that investments in equities and non-monetary assets will not give rise to any material currency risk.

12 Assets and Liabilities by Currency and Expected Maturity (Continued)

Liquidity risk. The maturity analysis of assets and liabilities at 31 March 2019 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**No defined maturity**	**Total**
Assets								
Cash and cash equivalents	10 286 759	-	-	-	-	-	-	**10 286 759**
Mandatory cash balances with the Central Bank of Russian Federation	714 243	-	-	-	-	-	-	**714 243**
Due from other banks	500 185	-	-	-	-	-	-	**500 185**
Loans to customers and finance lease receivables	2 614 942	2 859 740	5 882 419	16 056 417	37 448 657	25 974 986	-	**90 837 161**
Investment in associate	-	-	-	-	-	-	158 048	**158 048**
Investment properties	-	-	-	-	353 746	-	156 625	**510 371**
Premises, equipment and intangible assets	-	-	-	-	-	-	2 850 121	**2 850 121**
Other financial assets	464 180	196 139	3 484	-	66 687	-	5 997	**736 487**
Other assets	36 372	33 478	12 826	250 935	365 005	-	-	**698 616**
Total assets	**14 616 681**	**3 089 357**	**5 898 729**	**16 307 352**	**38 234 095**	**25 974 986**	**3 170 791**	**107 291 991**
Liabilities								
Customer accounts	693 519	9 700 038	3 720 772	3 402 389	68 136 304	-	-	**85 653 022**
Debt securities in issue	1 022 490	55 714	80 185	271 539	-	-	-	**1 429 928**
Due to Central Bank of the Russian Federation	3 001 562	-	-	-	-	-	-	**3 001 562**
Borrowings from international financial institutions	-	651 186	215 714	400 001	1 313 763	-	-	**2 580 664**
Other financial liabilities	44 100	21 582	4 337	74 890	25 874	-	-	**170 783**
Deferred income tax liability	-	-	-	-	-	-	427 115	**427 115**
Other liabilities	133 395	179 876	84	20 112	185 848	-	-	**519 315**
Total liabilities	**4 895 066**	**10 608 396**	**4 021 092**	**4 168 931**	**69 661 789**	**-**	**427 115**	**93 782 389**
Net liquidity gap at 31 March 2019	**9 721 615**	**(7 519 039)**	**1 877 637**	**12 138 421**	**(31 427 694)**	**25 974 986**	**2 743 676**	**13 509 602**
Cumulative liquidity gap at 31 March 2019	**9 721 615**	**2 202 576**	**4 080 213**	**16 218 634**	**(15 209 060)**	**10 765 926**	**13 509 602**	

The above and below analyses are based on expected maturities. Therefore, a part of customer accounts was categorised as later maturities because diversification of customer accounts by size and type of balances and constant inflow of new balances shows that customer accounts represent a long-term and stable source of finance. The expected negative gap in the table above is planned to be covered by continuous attracting of customer accounts. The Bank also has opened credit lines with the CBRF that can be used in case of the need.

12 Assets and Liabilities by Currency and Expected Maturity (Continued)

The maturity analysis at 31 December 2018 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No defined maturity	Total
Assets								
Cash and cash equivalents	8 712 015	-	-	-	-	-	-	**8 712 015**
Mandatory cash balances with the Central Bank of Russian Federation	740 650	-	-	-	-	-	-	**740 650**
Due from other banks	9 708 809	-	-	-	-	-	-	**9 708 809**
Loans to customers and finance lease receivables	1 747 595	4 324 415	4 766 415	14 368 776	38 022 587	24 792 902		**88 022 690**
Investment in associate	-	-	-	-	-	-	293 363	**293 363**
Investment properties	-	-	-	-	353 745	-	156 626	**510 371**
Premises, equipment and intangible assets					-		2 804 609	**2 804 609**
Other financial assets	495 509	217 482	3 244	-	28 096	-	5 997	**750 328**
Other assets	42 116	337 960	7 414	15 201	220 527	-	-	**623 218**
Total assets	**21 446 694**	**4 879 857**	**4 777 073**	**14 383 977**	**38 624 955**	**24 792 902**	**3 260 595**	**112 166 053**
Liabilities								
Customer accounts	269 277	9 436 100	17 573 620	6 108 631	61 850 564	**-**	**-**	**95 238 192**
Debt securities in issue	250 009	297 451	767 510	10 126	-	-	-	**1 325 096**
Due to Central Bank of the Russian Federation	-	-	-	-	-	-	-	**-**
Borrowings from international financial institutions	-	2 640	624 356	508 528	585 292	-	-	**1 720 816**
Other financial liabilities	56 120	15 059	5 359	76 622	37 721	-	-	**190 881**
Deferred income tax liability	-	-	-	-	-	-	296 018	**296 018**
Other liabilities	31 480	161 569	84	33 243	41 028	-	-	**267 404**
Total liabilities	**606 886**	**9 912 819**	**18 970 929**	**6 737 150**	**62 514 605**	**-**	**296 018**	**99 038 407**
Net liquidity gap at 31 December 2018	**20 839 808**	**(5 032 962)**	**(14 193 856)**	**7 646 827**	**(23 889 650)**	**24 792 902**	**2 964 577**	**13 127 646**
Cumulative liquidity gap at 31 December 2018	**20 839 808**	**15 806 846**	**1 612 990**	**9 259 817**	**(14 629 833)**	**10 163 069**	**13 127 646**	

13 Credit Risk Management

Credit risk management. Due to the business model used by the Bank, credit risk is key for the Group's business. Therefore, management is focused on credit risk management.

The Bank manages credit risks on the basis of the following principles:

- Avoiding risks by forgoing transactions that do not comply with the credit policy;
- Focusing on building long-term relationships with customers rather than making quick profits;
- Using comprehensive arrangements to secure loans issued, including adequately valued collateral and other credit security;
- Setting concentration limits, limits per one borrower (a group of related borrowers) covering on-balance sheet and off-balance sheet risks and using selective approaches and procedures for credit risk assessment and decision-making policies depending on the products, risk exposure associated with a transaction, amount of total outstanding loans per borrower (group);
- Managing credit risk 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;
- Developing and continuously improving techniques for borrower assessment enabling adequate evaluation of the level of risk associated with loans and other credit instruments;
- Limiting officials' authority in making lending decisions without consideration by collegial bodies (credit committees);
- Improving quality of the loan portfolio and minimising risks associated with decision-making by collegial bodies through the multi-level system of the Bank's credit committees;
- Organising regular effective monitoring of the borrowers' financial position and collateral, prevention and collection of overdue debt;
- Taking preventive actions on non-performing loans through individual work with customers who show signs of potential problems.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. For issued financial guarantees, commitments to extend credit and undrawn credit lines, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 15.

Such risks are monitored on a regular basis.

Lending transactions are approved according to individual decision-making limits and through the structure of credit committees:

Large Credit Committee of the Bank's Head Office approves credit limits for borrowers or groups of related borrowers with aggregate outstanding balances in the range from RR 10 million (2018: RR 10 million) (without positive credit history) and RR 20 million (2018: RR 20 million) (with positive credit history) to 25% (2018: 25%) of capital calculated in accordance with the requirements of the Central Bank of the Russian Federation. This Committee is also responsible for issuing guidance to lower level credit committees.

Small Credit Committees of the Bank's Head Office approve loans to borrowers and groups of related borrowers with aggregate outstanding balances less than RR 10 million (2018: RR 10 million) (without positive credit history) and RR 20 million (2018: RR 20 million) (with positive credit history). At present, there are two small credit committees functioning at the Bank's Head Office which approve credit limits for small businesses and retail clients.

13 Credit Risk Management (Continued)

The Bank's authorised persons take individual decisions on transactions with legal entities and retail clients under the standard lending programmes. The Bank's Executive Board Chairman issues an order to approve a list of the above persons and personal limits for each of them that should not exceed RR 3 million (2018: no more than RR 3 million).

Loan applications from the clients are processed on the basis of standardised procedures and passed on to an individual having a personal decision-making limit or to the relevant Credit Committee for approval of credit limit after completion of preparation, authorisation and monitoring procedures.

In order to monitor credit risk, credit officers are monitoring the borrowers based on a structured analysis of borrowers' business and financial performance in conformity with the requirements of the Central Bank of the Russian Federation and the Bank's internal regulations. Any significant exposures to customers and groups of related customers with deteriorating creditworthiness are reported to, and reviewed by the appropriate Credit Committees, the Risk Management Committee and the Committee for Problem Loans. The Group uses quality categories in compliance with regulations of the Central Bank of the Russian Federation. The Bank takes preventive actions, performs monitoring and implements a set of measures aimed at collection of overdue debts.

Additionally, in 2013, to minimize credit risks, the Bank set up a control group comprised of the most experienced employees of the Head Office and branches. Loans are allocated among them in a non-systematic manner and through a random sampling technique on a monthly basis. The control group reviews compliance of an issued loan with the Bank's requirements (decision of an authorised body, correct and full documentation, quality of monitoring, etc.). The Group's credit departments review the ageing analysis of outstanding loans and follow up past due balances.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the 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 assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

Expected credit loss (ECL) measurement – definitions

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and should be determined by evaluating a range of possible outcomes.

An ECL on a loan cannot be lower than that set in para. 285 of the International Convergence of Capital Measurement and Capital Standards: a Revised Framework (Basel II).

An ECL measurement is based on four components used by the Group:

Exposure at Default (EAD) – an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Probability of Default (PD) – an estimate of the likelihood of default to occur over a given time period.

Loss Given Default (LGD) – an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

13 Credit Risk Management (Continued)

Discount Rate – a tool to discount an expected loss from the present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument.

Lifetime period – the maximum period over which ECL should be measured. For loans with fixed maturity, the lifetime period is equal to the remaining contractual period. For loan commitments and financial guarantee contracts, this is the maximum contractual period over which an entity has a present contractual obligation to extend credit. For credit cards issued to individuals, it is the period that is based on internal statistics, and it is equal to one year.

Lifetime ECL – losses that result from all possible default events over the remaining lifetime period of the financial instrument.

12-month ECL – ECLs resulting from default events on a financial instrument that are possible within 12 months after the reporting date that are limited by the remaining contractual life of the financial instrument.

Forward-looking information – the information that includes the key macroeconomic variables impacting credit risk and expected credit losses for each portfolio segment (an economic cycle phase, expected external evens with a significant impact, etc.). When performing its operations, the Group assumes that under IFRS 9 the comprehensive ECL measurement framework implies the need to take into account forward-looking information.

Credit Conversion Factor (CCF) – a coefficient that shows that the probability of conversion of an off-balance sheet amounts to exposure on the balance sheet within a defined period. It can be calculated for a 12-month or lifetime period. Based on the analysis performed, the Group considers that 12-month and lifetime CCFs are the same.

Purchased originally credit impaired (POCI) financial assets - financial assets that are credit-impaired upon initial recognition.

Low credit risk financial assets (Stage 1) – assets, loans with no SICR indicators, including those with an investment grade defined by external rating agencies or corresponding ratings defined by internal risk models. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has generally not been rebutted.

Significant increase in credit risk (SICR) (Stage 2) – the SICR assessment is performed on an individual basis and on a portfolio basis. The Group considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met, the most significant of which are:

For loans issued to legal entities and bonds issued by the legal entities:

- 31 to 90 days past due except where it is reasonable to believe that this past-due status does not represent a significant increase in credit risk on the loan;
- inclusion of a loan in the “watch list” in accordance with the internal credit risk monitoring procedures due to deterioration of the borrower’s financial position, potential restructuring, industry downfall, etc.;
- provision by the Bank of favourable terms due to economic or judicial reasons associated with the borrower's financial problems, which the Bank would not have otherwise undertaken provided that its failure to provide such favourable terms would have resulted in the loan being classified to the SICR category;

13 Credit Risk Management (Continued)

For loans to individuals:

- 31 to 90 days past due inclusively;
- a borrower is included in category 4 on a portfolio basis and in category 3 on an individual basis with over 30% allowance according to the CBRF Regulation No. 590-P "Procedure for Credit Institutions Provisioning for Loans and Equivalent Debt";
- multiple violations of payment schedule over the past three months with overall past-due period of 21 or more days.

If there are reasonable grounds to believe that SICR criteria are no longer met, an instrument should be classified to Stage 1. When monitoring assets transferred to Stage 2, the Group also monitors criteria triggering such transfers to see whether they persist or change.

Default and credit-impaired assets (Stage 3) – assets that can be subject to the criteria indicative of their actual/potential past-due status exceeding 90 days, the most significant of which are:

For individual borrowers:

- loans which are over 90 days past due on any type of payments (principal and/or interest);
- death of a borrower;
- insolvency of a borrower;
- a borrower has other credit-impaired loans;
- bankruptcy of a borrower;
- a borrower is included in category 5 and in category 4 on an individual according to CBRF Regulation No. 590-P "Procedure for Credit Institutions Provisioning for Loans and Equivalent Debt";
- a significant change in the initial contractual terms that resulted in improvement of conditions for a borrower up to the "non-market level".

For corporate borrowers:

- more than 90 days past due;
- significant financial difficulties experienced by a borrower with his default (bankruptcy) or persistent insolvency being a probable outcome;
- a default rating assigned to a borrower by a Russian or international rating agency;
- providing by the Bank of favourable terms due to economic or judicial reasons associated with the borrower's financial problems, which the Bank would not have otherwise undertaken provided that such favourable terms would have resulted in classification of the loan as defaulted.

An instrument is no longer considered to be defaulted (i.e. it is no longer past due) if it meets none of the default criteria at the reporting date.

13 Credit Risk Management (Continued)

ECL measurement – description of estimation techniques

General principle

For non-POCI financial assets, ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether the credit risk of the borrower has increased significantly since initial recognition. This approach can be summarised in a three-stage model for ECL measurement:

- Stage 1 - a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition, loss allowance is based on 12-month ECLs.
- Stage 2 - if a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired, loss allowance is based on lifetime ECLs.
- Stage 3 - if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3 and loss allowance is based on lifetime ECLs.

ECL for POCI financial assets is always measured on a lifetime basis (Stage 3), so at the reporting date, the Group only recognises the cumulative changes in lifetime expected credit losses.

The Group carries out two separate approaches for ECL measurement:

- assessment on an individual basis;
- assessment on a collective (portfolio) basis: the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the homogeneous segments of the loan portfolio.

The Group performs an assessment on an individual basis for individually significant loans with the aggregate outstanding debt for all classes of financial assets and credit related commitments accounting for 5% or more of the Group's equity at the date preceding the date of assessment.

The Group performs an assessment on a portfolio basis for all other financial assets. This approach incorporates aggregating the portfolio into homogeneous segments based on borrower-specific information, such as industry segment, delinquency and the historical data on losses.

Principles of assessment on individual basis – ECL assessments on an individual basis are done by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome considering effective interest rate. The Group defines at least two possible outcomes for each loan, one of which leads to credit loss in spite of the probability of such a scenario. Individual assessment is mainly based on the information on expected cash inflows and outflows and expert judgement of experienced officers from the credit risk department. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

Principles of assessment on portfolio basis – to assess the staging of exposure and to measure a loss allowance on a collective basis, the Group combines its exposures into segments on the basis of shared credit risk characteristics, such as that exposures to risk within a group are homogeneous.

Loans to individuals are assessed on a portfolio basis using two main features: homogeneity of loans (mortgage, car, consumer loans, and plastic cards) and stage of impairment.

Loans to legal entities are assessed on a portfolio basis by impairment stage and collateral. Loans classified to Stages 1 and 2 are additionally segmented by industry; loans classified to Stage 3 are segmented by past-due period.

13 Credit Risk Management (Continued)

In general, ECL is the multiplication of the following credit risk parameters: EAD, PD and LGD (definitions of the parameters are provided above). The general approach used for ECL calculation is stated below.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD:

- 12-month PDs – the estimated probability of a default occurring within the next 12 months (or over the remaining life of the financial instrument if less than 12 months). This parameter is used to calculate 12-month ECLs. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for forward-looking information when appropriate.
- Lifetime PDs - the estimated probability of a default occurring over the remaining life of the financial instrument. This parameter is used to calculate lifetime ECLs for Stage 2 exposures. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for forward-looking information when appropriate.

To calculate lifetime PD, the Group uses different statistical approaches depending on the segment and product type, considering the historical data on defaults and losses and extrapolating the trends to longer periods for which no default data is available based on the current phase of the economic cycle and other available information.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support.

The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event.

For particular segments of the corporate loan portfolio, secured and unsecured retail products, LGD is calculated on a collective basis based on the latest available recovery statistics taking into account time value of money.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

ECL measurement for off-balance sheet financial instruments.

The ECL measurement of off-balance sheet accounts consists of the same steps described above for the balance sheet exposures and differs with respect to consideration of credit conversion factor (CCF), i.e. assumption on the share of off-balance sheet liabilities which will be used by the customer and will be on balance sheet at the time of default. CCF for undrawn credit lines of legal entities, credit cards issued to individuals and financial guarantees is defined based on statistical analysis of exposure at default.

Forward-looking information incorporated in the ECL models. The assessment of the SICR and the calculation of ECLs both incorporate forward-looking information and adjustment of statistical and expert models on its basis. The impact of forward-looking information on the PD, EAD and LGD vary by financial instrument. Forecasts of these economic variables (the "base economic scenario") are provided annually, except for any emerging significant external events which require adjustment of the assessment, and provide the best estimate of the economy over the next year. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have historically had on default rates and on the components of LGD and EAD.

13 Credit Risk Management (Continued)

In addition to the base economic scenario, the Group also provides other possible scenarios. Only reasonably probable rather than any possible scenarios are considered. The number of scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. For each scenario, an expectation coefficient is determined that reflects deviation of the expected level of defaults from that statistically calculated. The Group determines one of the scenarios as a basis and uses the expectation coefficient for this scenario to adjust PD which will be used in calculations. If different impacts of expected macroeconomic changes are identified with regard to different industries and, therefore, different portfolios, an individual expectation coefficient is set for each individual industry.

The resulting ECL is adjusted upwards or downwards after considering the above impacts.

As with any economic forecasts the projections and likelihoods of its occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Backtesting – the Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed at least once a year.

The results of backtesting the ECL measurement methodology are communicated to Group management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

14 Capital Adequacy

The composition of the Group's capital calculated in accordance with the Basel Accord is as follows:

In thousands of Russian Roubles	**31 March 2019**	**31 December 2018**
Tier 1 capital		
Share capital	1 326 277	1 326 277
Share premium	2 078 860	2 078 860
Retained earnings	8 842 259	8 460 303
Total tier 1 capital	**12 247 396**	**11 865 440**
Tier 2 capital		
Revaluation reserve for land and premises	1 262 206	1 262 206
Total tier 2 capital	**1 262 206**	**1 262 206**
Total capital	**13 509 602**	**13 127 646**
Risk-weighted assets	**79 892 218**	**78 831 574**
Capital adequacy	16.9%	16.7%

15 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. At 31 March 2019, the Group was engaged in litigation proceedings in relation to claims from borrowers and lessees. A provision of RR 2 541 thousand (31 December 2018: RR 929 thousand) has been made as internal professional advice has indicated that it is likely that a loss will eventuate.

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

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

The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The table below contains an analysis of credit related commitments by credit quality at 31 March 2019 based on credit risk stages. The system of credit risk classification by stages applied by the Group and the approach to assessment of expected credit losses, including definition of default and significant increase in credit risk in relation to credit related commitments are disclosed in Note 13.

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Commitments to extend credit or credit lines that are revocable only in response to a material adverse change:				
- legal entities	4 351 108	14 914	14 091	**4 380 113**
- individuals	1 713 646	-	-	**1 713 646**
Financial guarantees issued	1 143 318	-	-	**1 143 318**
Unrecognised gross amount	**7 208 072**	**14 914**	**14 091**	**7 237 077**
Provision for credit related commitments	(85 471)	(165)	(3 931)	**(89 567)**

The table below contains an analysis of credit related commitments by credit quality at 31 March 2018 based on credit risk stages. The system of credit risk classification by stages applied by the Group and the approach to assessment of expected credit losses, including definition of default and significant increase in credit risk in relation to credit related commitments are disclosed in Note 13.

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Commitments to extend credit or credit lines that are revocable only in response to a material adverse change:				
- legal entities	5 315 591	36 773	23 619	**5 375 983**
- individuals	1 748 289	-	-	**1 748 289**
Financial guarantees issued	1 742 096	-	-	**1 742 096**
Unrecognised gross amount	**8 805 976**	**36 773**	**23 619**	**8 866 368**
Provision for credit related commitments	**(103 195)**	**(2 770)**	**(6 889)**	**(112 854)**

The total outstanding contractual amount of undrawn guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. At 31 March 2019, fair value of credit related commitments was RR 20 104 thousand (31 December 2018: RR 19 113 thousand).

All undrawn credit lines can be automatically closed upon failure by the borrower to meet the requirements of the loan agreement. The fair value of such commitments is equal to zero.

Assets pledged and restricted. At 31 March 2019, due from other banks balances and "overnight" deposits with other banks of RR 111 344 thousand (31 December 2018: RR 119 489 thousand) are placed as a cover for international payment cards transactions. In addition, mandatory cash balances with the CBRF of RR 714 243 thousand (31 December 2018: RR 740 650 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day-to-day operations.

Compliance with covenants. The Group is subject to certain covenants mainly relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and a claim on early repayment of the loan. At 31 March 2019 and 31 December 2018, the Group was in compliance with all the covenants.

16 Fair Value

Fair value measurements are analysed by level in the fair value hierarchy as follows: (1) Level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (2) Level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (3) Level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies professional judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that other IFRSs require or permit in the consolidated statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In thousands or Russian Roubles	31 March 2019				31 December 2018			
	1 Level	**2 Level**	**3 Level**	**Total**	**1 Level**	**2 Level**	**3 Level**	**Total**
Assets at fair value								
Financial assets								
Other financial assets								
- Other securities at FVTPL	-	-	5 997	5 997	-	-	5 997	**5 997**
- Spot transactions	-	2 470	-	2 470	-	3 481	-	**3 481**
Non-financial assets								
- Investment properties	-	-	510 371	510 371	-	-	510 371	**510 371**
- Premises and land (Note 4)	-	-	2 282 472	2 282 472	-	-	2 293 874	**2 293 874**
Total assets with recurring fair value measurements	**-**	**2 470**	**2 798 840**	**2 801 310**	**-**	**3 481**	**2 810 242**	**2 813 723**

16 Fair Value (Continued)

In thousands or Russian Roubles	31 March 2019				31 December 2018			
	1 Level	2 Level	3 Level	Total	1 Level	2 Level	3 Level	Total
Liabilities at fair value								
Financial liabilities								
Other financial liabilities								
- Spot transactions	-	-	-	-	-	-	-	-
Total liabilities recurring fair value measurements	-	-	-	-	-	-	-	-

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

In thousands or Russian Roubles	31 March 2019			
	Level 1	Level 2	Level 3	Carrying amount
FINANCIAL ASSETS				
Cash and cash equivalents	4 449 497	5 837 262	-	**10 286 759**
Mandatory cash balances with the Central Bank of Russian Federation	-	714 243	-	**714 243**
Due from other banks	-	500 185	-	**500 185**
Loans and advances to customers	-	-	92 087 719	**90 837 160**
- Loans to small and medium-sized businesses	-	-	*30 284 190*	***30 430 316***
- Corporate loans	-	-	*6 870 350*	***6 930 393***
- Loans to individuals – consumer and car loans	-	-	*18 711 552*	***18 518 154***
- Mortgage loans	-	-	*36 070 972*	***34 807 359***
- Finance lease receivables	-	-	*150 655*	***150 938***
Other financial assets	-	-	728 020	**728 020**
NON-FINANCIAL ASSETS				
- Investment in associate			158 048	***158 048***
TOTAL	**4 449 497**	**7 051 690**	**93 124 442**	**103 375 353**

In thousands or Russian Roubles	31 December 2018			
	Level 1	Level 2	Level 3	Carrying amount
FINANCIAL ASSETS				
Cash and cash equivalents	4 148 825	4 563 190	-	**8 712 015**
Mandatory cash balances with the Central Bank of Russian Federation	-	740 650	-	**740 650**
Due from other banks	-	9 708 809	-	**9 708 809**
Loans and advances to customers	-	-	88 381 262	**88 022 690**
- Loans to small and medium-sized businesses	-	-	28 104 389	**28 186 707**
- Corporate loans	-	-	6 913 915	**6 989 639**
- Loans to individuals – consumer and car loans	-	-	19 347 494	**19 114 551**
- Mortgage loans	-	-	33 845 940	**33 561 574**
- Finance lease receivables	-	-	169 524	**170 219**
Other financial assets	-	-	740 850	**740 850**
NON-FINANCIAL ASSETS				
- Investment in associate	-	-	293 363	**293 363**
TOTAL	**4 148 825**	**15 012 649**	**89 415 475**	**108 218 377**

16 Fair Value (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

	31 March 2018			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL LIABILITIES				
Due to Central Bank of the Russian Federation	-	-	3 001 562	**3 001 562**
Customer accounts	-	-	85 653 022	**85 653 022**
Debt securities in issue	-	-	1 429 928	**1 429 928**
- Promissory notes	-	-	*441 724*	***441 724***
- Bonds issued on domestic market	-	-	*988 204*	***988 204***
Borrowings from international financial institutions	-	-	*2 580 664*	***2 580 664***
Other financial liabilities	-	-	*170 783*	***170 783***
TOTAL	**-**	**-**	**92 835 959**	**92 835 959**

	31 December 2018			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL LIABILITIES				
Due to Central Bank of the Russian Federation	-	-	-	-
Customer accounts	-	-	95 238 192	**95 238 192**
Debt securities in issue	-	-	1 325 096	**1 325 096**
- Promissory notes	-	-	313 004	**313 004**
- Bonds issued on domestic market	-	-	1 012 092	**1 012 092**
Borrowings from international financial institutions	-	-	1 720 816	**1 720 816**
Other financial liabilities	-	-	190 881	**190 881**
TOTAL	**-**	**-**	**98 474 985**	**98 474 985**

The Group's liabilities to its customers are subject to state deposit insurance program as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

17 Related Party Transactions

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

The Group's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

The condensed consolidated interim financial information of the Group includes the following transactions and balances with related parties:

	31 March 2019		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Correspondent accounts with banks	130 619	-	-
Gross amount of loans and advances to customers (contractual interest rate: 10.0%)	-	-	4 207
Customer accounts (contractual interest rate: 0.01% – 7.25%)	-	320	41 738
Bonds issued (coupon rate: 8.25%)	-	-	31 158

	31 December 2018		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Correspondent accounts with banks	191 989	-	-
Gross amount of loans and advances to customers (contractual interest rate: 9.5% – 13.5%)	-	24 153	4 000
Customer accounts (contractual interest rate: 0.01% – 8.3%)	-	7 616	65 209
Bonds issued (coupon rate: 8.25% – 9.8%)	-	-	29 325

	Three months ended 31 March 2019		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Interest income	-	29 369	127
Interest expense	-	-	(1 154)
Fee and commission income	-	323	5
Administrative expenses excluding management remuneration	-	-	(242)

17 Related Party Transactions (Continued)

	Three months ended 31 March 2018		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Interest income	-	2 258	152
Interest expense	-	-	(1 050)
Fee and commission income	-	1 117	7
Administrative expenses excluding management remuneration	-	-	(739)

Major shareholders mean shareholders holding over five percent of the Bank's voting shares. The major shareholders of the Bank are:

	31 March 2019		31 December 2018	
Shareholder	**Equity share, %**	**Voting rights, %**	**Equity share, %**	**Voting rights, %**
European Bank for Reconstruction and Development	17,82	19,74	17.82	19.74
DEG (Deutsche Investitions und Entwicklungsgesellschaft GmbH)	14,57	16,14	14.57	16.14
Vasiliy Vasilievich Vysokov	11,10	12,30	11.10	12.30
Tatiana Nikolaevna Vysokova	10,96	12,13	10.96	12.13
ResponsAbility Participations AG, ResponsAbility SICAV (Lux) Micro and SME Finance Leaders	9,05	10,03	9.05	10.03
Erste Bank	9,09	9,01	9.09	9.01
Firebird Funds	8,22	9,11	8.22	9.11
Rekha Holdings Limited	6,77	7,49	6.77	7.49

Key management compensation is presented below:

	Three months ended 31 March 2019		Three months ended 31 March 2018	
In thousands of Russian Roubles	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries	6 965	-	5 433	-
- Short-term and other bonuses	683	-	172	-
Long-term bonus scheme	-	37 565	663	28 537
Total	**7 648**	**37 565**	**6 268**	**28 537**

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

At 31 March 2019 and 31 December 2018, the Group's Board of Directors consisted of seven persons and its Executive Board included five persons.

18 Events after the End of the Reporting Period

In April the Group's share in the share capital AO Belokalitvenskaya Poultry Farm JSC increased and amounted to 88.28%.