Consolidated Financial Statements in accordance with International Financial Reporting Standards and Independent Auditor's Report CENTER-INVEST BANK GROUP

31 December 2019

Independent Auditor's Report

To the Shareholders and Board of Directors of Public Joint-stock company commercial Bank "Center-invest"

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

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

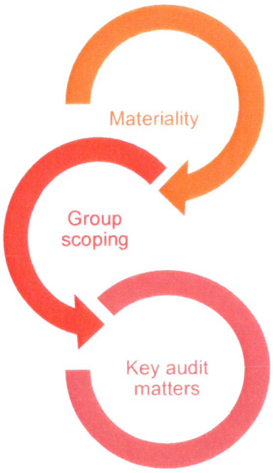
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall Group materiality: RR 93 million, which represents approximately 5% of profit before tax net of gain from a bargain purchase of Joint-Stock Company Ptitsefabrika Belokalitvinskaya for the year ended 31 December 2019. Refer to Note 37 for detailed information.

- We conducted audit work at the Bank. The Bank's total assets account for around 99% of the Group's total assets as at 31 December 2019 net of intercompany balances.
- We performed substantive audit procedures on the Bank's subsidiaries on a sample basis to verify the most material amounts of assets, liabilities, income and expenses.

- Recognition of control obtained over Joint-Stock Company Ptitsefabrika Belokalitvinskaya;
- ECL allowance for loans and advances to customers.

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

Materiality

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

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

Overall Group materiality	RR 93 million
How we determined it	5% of profit before tax net of gain from a bargain purchase of Joint-Stock Company Ptitsefabrika Belokalitvinskaya for the year ended 31 December 2019.

Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. The gain from a bargain purchase of Joint-Stock Company Ptitsefabrika Belokalitvinskaya was excluded from this indicator because this gain does not relate to the Bank's core activity and has been achieved through a one-off transaction. We chose 5 % which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Recognition of control obtained over Joint-Stock Company Ptitsefabrika Belokalitvinskaya We draw your attention to this matter because a business combination with Joint-Stock Company Ptitsefabrika Belokalitvinskaya has had a significant impact on the Group's consolidated financial statements. Recognition of this business combination requires management's significant judgements in assessing the consideration transferred (because this acquisition was performed on a non-cash basis) and measuring assets and liabilities of the acquiree at fair value at the acquisition date. The material acquired assets include premises, equipment and inventory of Joint-Stock Company Ptitsefabrika Belokalitvinskaya. Revenue and cost of sales for the period from the acquisition date to the reporting date are recognised in the Group's consolidated statement of profit or loss and other comprehensive income and are material. Note 3, *Significant Accounting Policies*, Note 4, *Critical Accounting Estimates, and Judgements in Applying Accounting Policies*, Note 9, *Loans to Customers and Finance Lease Receivables*, Note 11, *Premises, Equipment and Intangible Assets*, Note 15, *Other Assets*, Note 24, *Other Operating Income*, Note 25, *Administrative and Other Operating Expenses*, and Note 37, *Business Combinations*, included in the financial statements present the details of these events.	To assess whether control over Joint-Stock Company Ptitsefabrika Belokalitvinskaya was recorded appropriately, we performed the following audit procedures: • Reviewed the related settlement agreements to identify the acquier, acquisition date and consideration transfered; • Assessed methodology applied by the Bank's management to calculate the consideration transferred and assess fair value of the identifiable assets acquired and liabilities assumed. • Reviewed and critically analysed the key management's inputs, assumptions and data used in assessing the consideration transferred and fair value of identifiable assets acquired and liabilities assumed for material components; • Checked appropriateness of consolidation entries for the business combination with Joint-Stock Company Ptitsefabrika Belokalitvinskaya on a sample basis; • Recalculated the gain from a bargain purchase. Where applicable we engaged PwC's valuation experts to check whether the valuation model used is appropriate and perform an independent review of the measurements prepared by the Bank's management and built-in key assumptions. We assessed sufficiency of the related disclosures in these consolidated financial statements.

pwc

Expected credit loss allowance for corporate loans

We have focused on this issue because the portfolio of corporate loans is material and professional judgements required for calculation of the related allowance are also significant.

Expected credit loss (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).

The Group applies a three-stage ECL model based on changes in credit quality since initial recognition of a loan.

Generally, ECLs represent a product of the following credit risk parameters: exposure at default (EAD), probability of default (PD) and loss given default (LGD). The resulting ECL is adjusted upwards or downwards depending on the effects of a macroeconomic adjustment. The Group estimates ECLs on an individual basis for individually significant and credit-impaired loans.

Individual assessment of ECLs is performed by weighing estimated credit losses for different potential outcomes against probability of each outcome based on the effective interest rate. The Group identifies at least two possible scenarios for each loan, one of which is based on the assumption of negative developments regardless of the probability of such scenario. The individual assessment is based on the available information on expected cash inflows and cash outflows and expert judgements of experienced employees of the credit risk departments.

To assess risk stages and calculate loss allowance on a portfolio basis, the Group stratifies its loans into segments based on the common credit risk characteristics so that risk exposure within the group is homogeneous.

Note 3, *Significant Accounting Policies*, Note 4 *Critical Accounting Estimates, and Judgements in Applying Accounting Policies*, Note 9, *Loans to Customers and Finance Lease Receivables*, and Note 26, *Financial Risk Management*, included in the consolidated financial statements contain the detailed information on impairment provisions for loans to customers.

We assessed the key principles of methodology and related ECL allowance calculation techniques for compliance with IFRS.

We tested (on a sample basis) the corporate loans, which were not classified into stages 2 or 3 of credit quality change by the management, and made our own judgement on whether such classification is appropriate.

We tested (on a sample basis) corporate loans for which individual allowance was calculated.

We tested whether significant increases in credit risk or defaults were identified in a timely manner, examined the calculation of discounted cash flows made by the management, critically assessed assumptions and compared assessments with the confirmed information on past events, current conditions and forecast future economic environment.

We tested (on a sample basis) the management's segmentation of corporate loans based on general credit risk characteristics and made our own judgement on whether such segmentation is appropriate. We tested the principles and operation of the ECL models on a portfolio basis as well as the data and assumptions used. Our work included comparison of the key assumptions (such as EAD, PD, LGD and macroeconomic adjustment) to our own knowledge and statistical data accumulated by the Group; sample tests of the inputs used to calculate the allowance; recalculation based on the confirmed data; and analytical procedures (comparison with retrospective data and market indicators).

How we tailored our Group audit scope

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

We performed audit work on the Bank. In addition, we used our professional judgement to scope our audit procedures for the Bank's subsidiaries and performed analytical procedures and detailed tests to determine whether we collected sufficient audit evidence with regard to the Bank's subsidiaries.

We also performed audit procedures on preparation of the Group's consolidated financial statements.

Other information

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

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

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

If, based on the work we have performed on the other information that we obtained after the date of this auditor' s report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

We have identified the following based on our examination:

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

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

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

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

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

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

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

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

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

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

The certified auditor responsible for the audit resulting in this independent auditor's report is Kopaneva Elena Igorevna.

AO PricewaterhouseCoopers Audit

16 March 2020

Moscow, Russian Federation

E.I. Kopaneva, Engagement Leader (qualification certificate No. 01-000398), AO PricewaterhouseCoopers Audit

Audited entity: Public Joint-Stock Company Commercial Bank "Center-invest"

Record made in the Unified State Register of Legal Entities on 26 August 2002 under State Registration Number 1026100001949

Taxpayer identification number 6163011391

62 Sokolova Avenue, Rostov-on-Don, Russian Federation, 344000

Independent auditor:
AO PricewaterhouseCoopers Audit

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

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

Taxpayer identification number 7705051102

Member of Self-regulated organisation of auditors Association "Sodruzhestvo"

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

CONTENTS

Independent Auditor's Report

Consolidated Financial Statements

Consolidated Statement of Financial Position 1
Consolidated Statement of Profit or Loss and Other Comprehensive Income 2
Consolidated Statement of Changes in Equity 3
Consolidated Statement of Cash Flows 4

Notes to the Consolidated Financial Statements

1 Introduction 5
2 Operating Environment of the Group 5
3 Significant Accounting Policies 6
4 Critical Accounting Estimates and Judgements in Applying Accounting Policies 19
5 Adoption of New or Revised Standards and Interpretations 22
6 New Accounting Pronouncements 24
7 Cash and Cash Equivalents 27
8 Due from Other Banks 28
9 Loans to Customers and Finance Lease Receivables 28
10 Investment in Associate 44
11 Premises, Equipment and Intangible Assets 45
12 Right-of-Use Assets and Lease Liabilities 46
13 Investment Properties 47
14 Other Financial Assets 47
15 Other Assets 50
16 Customer Accounts 50
17 Debt Securities in Issue 51
18 Borrowings from International Financial Institutions 52
19 Other Financial Liabilities 53
20 Other Liabilities 53
21 Share Capital 54
22 Interest Income and Expense 54
23 Fee and Commission Income and Expense 55
24 Other operating income 56
25 Administrative and Other Operating Expenses 56
26 Income Taxes 56
27 Dividends 58
28 Reconciliation of Liabilities Arising from Financing Activities 59
29 Financial Risk Management 59
30 Segment Analysis 77
31 Management of Capital 81
32 Contingencies and Commitments 82
33 Foreign Exchange Spot Contracts 86
34 Fair Value 87
35 Presentation of Financial Instruments by Measurement Category 91
36 Related Party Transactions 91
37 Business Combination 93
38 Events After the End of the Reporting Period 94

In thousands of Russian Roubles	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	7	11 052 495	8 712 015
Mandatory cash balances with the Central Bank of Russian Federation		763 172	740 650
Due from other banks	8	14 502 371	9 708 809
Loans to customers and finance lease receivables	9	85 055 005	88 022 690
Investment in associate	10	292 096	293 363
Investment properties	13	1 450 172	510 371
Premises, equipment and intangible assets	11	3 761 311	2 804 609
Right-of-use assets	12	144 274	-
Other financial assets	14	1 019 233	750 328
Other assets	15	1 376 417	386 828
Current income tax prepayment		104 434	236 390
TOTAL ASSETS		**119 520 980**	**112 166 053**
LIABILITIES			
Customer accounts	16	99 443 062	95 238 192
Debt securities in issue	17	2 115 221	1 325 096
Borrowings from international financial institutions	18	2 612 025	1 720 816
Other financial liabilities	19	295 343	190 881
Other liabilities	20	326 477	267 404
Lease liabilities	12	150 939	-
Deferred income tax liability	26	358 564	296 018
TOTAL LIABILITIES		**105 301 631**	**99 038 407**
EQUITY			
Share capital	21	1 326 277	1 326 277
Share premium	21	2 078 860	2 078 860
Revaluation reserve for land and premises		1 228 156	1 262 206
Retained earnings		9 682 312	8 460 303
Net assets attributable to the Bank's shareholders		**14 315 605**	**13 127 646**
Non-controlling interest		**(96 256)**	**-**
TOTAL EQUITY		**14 219 349**	**13 127 646**
TOTAL LIABILITIES AND EQUITY		**119 520 980**	**112 166 053**

Approved for issue and signed on 16 March 2020.

L.N. Simonova
Management Board Chairman

T.I. Ivanova
Chief Accountant

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

In thousands of Russian Roubles	Note	2019	2018
Interest income calculated using the effective interest method	22	10 898 583	11 041 929
Interest and other similar expense	22	(5 422 759)	(5 110 005)
Net margin on interest and similar income		**5 475 824**	**5 931 924**
Credit loss allowance	9	(761 595)	(1 521 431)
Provision for credit related commitments	32	(5 726)	14 818
Net margin on interest and similar income after credit loss allowance		**4 708 503**	**4 425 311**
Fee and commission income	23	1 809 049	1 473 223
Fee and commission expense	23	(537 478)	(492 899)
Gains less losses from operations with foreign currencies		73 662	71 403
Foreign exchange translation (losses less gains) / gains less losses		(66 895)	109 003
Gains less losses / (losses less gains) from spot currency transactions and other conversion operations on the interbank market		47 151	(49 456)
Other provisions and expenses	14,32	(168 705)	(150 833)
Investment properties revaluation	13	-	58 871
Other operating income	24	478 835	68 515
Contributions to the state deposit insurance scheme		(531 867)	(463 671)
Administrative and other operating expenses	25	(3 572 777)	(3 112 671)
Depreciation of right-of-use assets	12	(56 171)	-
Gain from a bargain purchase	37	144 686	-
Share of result of associate	10	(1 267)	(12 104)
Profit before tax		**2 326 726**	**1 924 692**
Income tax expense	26	(533 219)	(392 120)
PROFIT FOR THE YEAR		**1 793 507**	**1 532 572**
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**1 793 507**	**1 532 572**
Profit attributable to:			
Bank's shareholders		1 809 669	1 532 572
Non-controlling interest		(16 162)	-
Total comprehensive income attributable to the Bank's shareholders and non-controlling interest		**1 793 507**	**1 532 572**

In thousands of Russian Roubles	Note	Share capital	Share premium	Revaluation reserve for land and premises	Retained earnings	Non-controlling interest	Total equity
Balance at 1 January 2018		**1 326 277**	**2 078 860**	**1 306 152**	**7 929 231**	**-**	**12 640 520**
Effect of IFRS 9 first-time adoption – remeasurement of expected credit losses		-	-	-	(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 year		-	-	-	1 532 572	-	**1 532 572**
Total comprehensive income for 2018		**-**	**-**	**-**	**1 532 572**	**-**	**1 532 572**
Dividends declared:							
- ordinary shares	27	-	-	-	(603 641)	-	**(603 641)**
- preference shares	27	-	-	-	(18 099)	-	**(18 099)**
Other movements	27	-	-	-	12	-	**12**
Transfer of revaluation surplus on land and premises to retained earnings		-	-	(43 946)	43 946	-	**-**
Balance at 31 December 2018		**1 326 277**	**2 078 860**	**1 262 206**	**8 460 303**	**-**	**13 127 646**
Profit for the year		-	-	-	1 809 669	(16 162)	**1 793 507**
Total comprehensive income for 2019		**-**	**-**	**-**	**1 809 669**	**(16 162)**	**1 793 507**
Dividends declared:							
- ordinary shares	27	-	-	-	(603 641)	-	**(603 641)**
- preference shares	27	-	-	-	(18 099)	-	**(18 099)**
Other movements	27	-	-	-	30	-	**30**
Transfer of revaluation surplus on land and premises to retained earnings		-	-	(34 050)	34 050	-	**-**
Business combinations	37	-	-	-	-	(80 094)	**(80 094)**
Balance at 31 December 2019		**1 326 277**	**2 078 860**	**1 228 156**	**9 682 312**	**(96 256)**	**14 219 349**

In thousands of Russian Roubles	Note	2019	2018
Cash flows from operating activities			
Interest income calculated using the effective interest method received		10 619 987	11 186 903
Interest paid		(4 897 097)	(4 954 483)
Contributions to the state deposit insurance scheme		(511 338)	(432 144)
Fees and commissions received		1 808 947	1 462 853
Fees and commissions paid		(533 708)	(492 899)
Gains less losses from trading in foreign currencies		73 662	71 403
Gains less losses / (losses less gains) from spot currency transactions and other conversion operations on the interbank market		50 632	(54 911)
Receipts from assignment of rights of claim on loans and advances to customers	9	245 061	101 106
Repayment of debt previously written off		51 567	36 939
Other operating income received		33 857	64 420
Staff costs paid		(1 829 733)	(1 875 881)
Operating expenses paid		(1 571 148)	(1 233 818)
Income tax paid		(348 721)	(397 926)
Cash flows from operating activities before changes in operating assets and liabilities		**3 191 968**	**3 481 562**
Change in operating assets and liabilities			
Net change in mandatory cash balances with the Central Bank of the Russian Federation		(22 522)	(77 719)
Net change in due from other banks		(4 800 000)	(1 099 000)
Net change in loans to customers and finance lease receivables		(689 226)	(9 725 826)
Net change in other financial and other assets		226 773	72 498
Net change in due to other banks		(1 861)	-
Net change in customer accounts		4 063 755	7 321 988
Net change in promissory notes issued		556 381	(175 617)
Net change in other financial and other liabilities		52 788	(18 530)
Net cash from / (used in) operating activities		**2 578 056**	**(220 644)**
Cash flows from investing activities			
Acquisition of premises and equipment	11	(327 598)	(110 381)
Proceeds from disposal of premises and equipment	11	23 602	9 654
Acquisition of intangible assets	11	(61 485)	(62 664)
Investments in investment properties	13	(99 916)	(28 529)
Proceeds from disposal of investment properties	13	3 456	-
Business combinations	37	170	-
Net cash used in investing activities		**(461 771)**	**(191 920)**
Cash flows from financing activities			
Issue of bonds	17	629 772	860 709
Repurchase and repayment of bonds	17	(393 251)	(440 452)
Proceeds from borrowings from international financial institutions	18	2 075 500	1 100 000
Repayment of borrowings from international financial institutions	18	(1 200 000)	(400 000)
Dividends paid	27	(621 710)	(621 803)
Repayment of principal of lease liabilities	12	(36 729)	-
Net cash from financing activities		**453 582**	**498 454**
Effect of exchange rate changes on cash and cash equivalents		**(229 387)**	**256 388**
Net increase in cash and cash equivalents		**2 340 480**	**342 278**
Cash and cash equivalents at the beginning of the year	7	8 712 015	8 369 737
Cash and cash equivalents at the end of the year	7	**11 052 495**	**8 712 015**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2019 for Public Joint-stock company commercial Bank «Center-invest» (the “Bank”) and its subsidiaries (the “Group”).

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with Russian regulations.

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 license issued by the Central Bank of the Russian Federation (“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 case of the withdrawal of a licence from the Bank or a CBRF imposed moratorium on payments.

There are no beneficial owners, as there are no individuals who ultimately have the ability to control the Bank.

At 31 December 2019, the Bank had 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.

Under the Settlement Agreement, in April 2019, the Bank acquired 88.28% of shares in the share capital of Joint-Stock Company Ptitsefabrika Belokalitvinskaya. The principal activity of Joint-Stock Company Ptitsefabrika Belokalitvinskaya is poultry breeding: raising oviparous poultry, production and sale of eggs, poultry meat, production of fodder and crop products. Information on the business combination is disclosed in Note 37.

Shares in capital of subsidiaries at 31 December 2019 and 31 December 2018 are as follows:

(%)	31 December 2019	31 December 2018
LLC Centre-Leasing	100.00	100.00
JSC Ptitsefabrika Belokalitvinskaya	88.28	-

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 2019 was 1 760 (2018: 1 487).

Presentation currency. These consolidated financial statements are presented in thousands of Russian Roubles (“RR thousands”), 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 (Note 32). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019. The operating environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Group’s operations. 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.

2 Operating Environment of the Group (Continued)

The Bank operates primarily in the South of Russia. For a whole number of indicators, like in the previous years, the South of Russia exceeds average growth rates, namely for industrial production index; positive dynamics of development are demonstrated in the consumer market, and support structure for small and medium businesses is improving. The major industry of the region is agriculture; as part of implementing the Rostov Region government programme “Agribusiness Development and Regulation of Agricultural Products, Commodities and Food Market” for 2019-2030, events are conducted to ensure sustainable development of the Rostov Region agribusiness complex and rural areas. The management believes that these developments improve competitive advantages of the South of Russia.

For the purpose of measurment of expected credit losses (“ECL”), the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 29 provides more information of how the Group incorporated forward-looking information in the ECL models.

3 Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises and equipment and financial instruments categorised at fair value through profit or loss (“FVTPL”). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16 effective from 1 January 2019, these policies have been consistently applied to all the periods presented, unless otherwise stated. *Refer to Note 5.*

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor’s returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee’s activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

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

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

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

3 Significant Accounting Policies (Continued)

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

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. Post-acquisition changes in Group's share of net assets of associates are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 quoted 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. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date. Prior to 1 January 2013, the quoted market price used for financial assets was the current bid price; the quoted market price for financial liabilities was the current asking price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly voluntary transaction between market participants at the measurement date under current market conditions. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

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 34.

3 Significant Accounting Policies (Continued)

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.

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 allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the 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 consolidated 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 expected cash flows on initial recognition instead of contractual payments.

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

After the initial recognition, an allowance for expected credit losses ("ECL") is recognised for financial assets measured at AC and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss.

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 currency swaps that are traded in an active market. Inputs include the Bank of Russia's official rate and interbank credit market rates (MOSPRIME, LIBOR) in accordance with currency swap maturities because a swap is a transaction in which assets in different currencies are exchanged over time.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

3 Significant Accounting Policies (Continued)

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages its assets in order to generate cash flows – whether the Group'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"); or

(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 ("SPPI"). 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 the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Financial 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 exposures 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:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) the time value of money; and

(iii) 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.

3 Significant Accounting Policies (Continued)

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition under IFRS 9:

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 or until contractual maturity, if shorter (“12 Months 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, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). Refer to Note 29 for a description of how the Group determines when a SICR has occurred.
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. The Group’s definition of credit impaired assets and definition of default is explained in Note 29.

For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL. Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Financial assets – 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 write-off represents a derecognition event. 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, however, there is no reasonable expectation of 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 consolidated statement of cash flows.

Modification of financial assets. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, insertion of new or additional collateral or credit enhancement that significantly affect the credit risk associated with the asset, or a significant extension of a loan when the borrower is in financial difficulty.

If the modified terms are substantially different the rights to cash flows from the original asset are deemed to have expired and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

3 Significant Accounting Policies (Continued)

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 amortised cost, except for: (i) 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 and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – modification. An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions 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 considered. 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).

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash within one day. All short term interbank placements, beyond overnight placements, are included in due from other banks. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at AC.

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

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at AC.

Loans to customers. Loans to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans to customers are carried at AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI.

Impairment allowances are determined based on the forward-looking ECL models. Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

3 Significant Accounting Policies (Continued)

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement using a discount rate determined at inception. The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease. The inception of the lease is considered to be the date of the lease agreement, or the date of commitment, if earlier. For purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall specifically set forth the principal terms of the transaction.

The Group records finance lease receivables in the amount equal to the net investment in the lease. Net investment in the lease is calculated as the aggregate of the minimum lease payments, representing the amounts guaranteed by the lessee and any unguaranteed residual value (together, gross investment in the lease), discounted at the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the present value of the gross investment in the lease to be equal to the fair value of the leased asset.

The difference between the gross investment in the lease and the net investment in the lease represents unearned financial income. The unearned finance income is amortised over the lease term using the discount rate implicit in the lease.

Initial direct costs incurred by lessors include amounts such as intermediary activities, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by a sales and marketing team. In case of a finance lease direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Any advances made to the supplier after the date of the inception of the lease and before the date of commencement of the lease term, are recorded as prepayments within other financial assets. Payments received by the Group from the lessee before the commencement of the lease term are recorded as advances received within other financial liabilities. These amounts are adjusted against finance lease receivables on the date of commencement of the lease term.

Credit loss allowance is recognised in accordance with the general ECL model. The ECL is determined in the same way as for loans and advances measured at AC and recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases.

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

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the acquisition method of accounting with fair value of the settled loan representing the purchase consideration (refer to the accounting policy for consolidation).

Credit related commitments. The Group issues financial guarantees and commitments to provide loans. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees and commitments to provide loans 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.

3 Significant Accounting Policies (Continued)

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 and where the Group cannot separately distinguish the ECL on the undrawn loan component from 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.

Investment properties. Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. Fair value of the Group's investment property is determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Earned rental income is recorded in profit or loss for the year within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately.

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

Land and premises of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises and equipment being revalued. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset, or as the asset is used by the Group; In the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. If there is no market based evidence of fair value, fair value is estimated using an income approach. Costs of minor repairs and day-to-day maintenance are expensed when incurred.

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

Other premises and equipment include office and computer equipment and are stated at cost, less accumulated depreciation and provision for impairment, where required.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the consolidated statement of profit and loss and other comprehensive income.

3 Significant Accounting Policies (Continued)

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment and right of use assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives at the following annual rates:

	Useful lives in years
Buildings	40-50
Other	5
Right of use assets	Shorter of useful life and the term of the underlying lease

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

Intangible assets. Intangible assets are stated at cost less depreciation. The Group's intangible assets have definite useful life and primarily include capitalised computer software and software licenses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 to 10 years. Under certain circumstances the Group may decide to extend useful lives.

Inventories. Inventories are carried at the lower of cost or net realisable value. The cost of inventories released to production or otherwise disposed of is determined on a first-in, first-out basis. The cost of finished goods and work in progress includes raw materials and supplies, direct labour, other direct costs and related production overheads (based on normal operating capacity) and does not include borrowing costs. Net realisable value is the estimated selling price in the course of normal business less estimated completion cost and costs to sell. Inventories are recorded within other assets in the consolidated statement of financial position.

Biological assets. Biological assets of the Group consist of unharvested crops (grain crops) and livestock (poultry). Consumable livestock and unharvested crops are classified as other assets of the Group in the consolidated statement of financial position. Biological assets are measured at fair value less estimated point-of-sale costs.

Accounting for leases by the Group as a lessee from 1 January 2019. The Group leases land, office premises and equipment. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is recorded within "Interest and other similar expense" of the consolidated statement of profit or loss and other comprehensive income. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In the consolidated statement of profit or loss and other comprehensive income, depreciation of a right-of-use asset is recorded separately.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives payable;
- variable lease payments that depend on an index or a rate.

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

3 Significant Accounting Policies (Continued)

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

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

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight line basis. Short-term lease includes lease of an asset for a term of less than 12 months.

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

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

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

Accounting for operating leases by the Group as a lessee prior to 1 January 2019. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Accounting for finance leases by the Group as a lessee prior to 1 January 2019. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in premises and equipment at the commencement of the lease at the lower of the fair value of the leased asset, and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in other borrowed funds. The interest cost is charged to profit or loss for the year over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life, or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative financial liabilities are carried at AC. If the Group purchases its own debt, the liability is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

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

***Debt securities in issue**.* Debt securities in issue include promissory notes and debentures issued by the Group. Debt securities are stated at AC. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

Borrowings from international financial institutions. Borrowings (including subordinated loans) are recorded from the moment of provision of cash funds to the Group. The non-derivative financial liabilities are carried at AC.

3 Significant Accounting Policies (Continued)

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, are carried at their fair value. All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in the consolidated statement of profit and loss and other comprehensive income. The Group does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for consolidated financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Tax deduction for lease payments is allocated to depreciation of right of use asset and interest cost on the lease liability. As a result, no temporary differences arise upon initial recognition of a new lease where the Group is a lessee.

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

Deferred income tax is not recognised on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Group controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

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

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital and share premium. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

3 Significant Accounting Policies (Continued)

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Group with account for IFRS profit are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit according to the statutory financial statements.

Interest income and expense. Interest income and expense are recorded for all debt instruments in the consolidated statement of profit or loss and other comprehensive income 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 i f 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.

Fee and commission income, other income and expenses. All other fee and commission income, other income and other expenses are generally recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Sales revenue from agricultural produce. Sales revenue from agricultural produce is income arising in the course of the ordinary activities of the Group's component. This revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the subsidiary expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised less VAT. Sales revenue from agricultural produce is recorded within other operating income in the Group's consolidated statement of profit or loss and other comprehensive income.

Cost of sales of agricultural produce. The cost of agricultural produce includes raw materials and supplies, direct labour, other direct costs and related production overheads (based on normal operating capacity) and does not include borrowing expenses. Cost of sales of agricultural produce is recorded within administrative and other operating expenses in the Group's consolidated statement of profit or loss and other comprehensive income and recorded on a first-in, first-out basis.

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

3 Significant Accounting Policies (Continued)

Sales and purchases of foreign currencies and currency conversion. The Group sells and purchases foreign currencies in the cash offices and through the bank accounts, as well as exchanges foreign currencies. The transactions are performed at the exchange rates established by the Group, which are different from the official spot exchange rates at the particular dates. The differences between the official rates and Group rates are recognised as gains less losses from trading in foreign currencies at a point in time when a particular performance obligation is satisfied.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Group's functional and presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the 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 year-end official exchange rates of the CBRF are recognised in the consolidated statement of profit or loss and other comprehensive income (as foreign exchange translation gains less losses).

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

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off 1) must not be contingent on a future event and 2) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

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

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Management Board responsible for making operating decisions. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Presentation of consolidated statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 29 for analysis of financial instruments by expected maturity.

3 Significant Accounting Policies (Continued)

The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that that are not analysed in Note 29.

	31 December 2019		
	Amounts expected to be recovered or settled		
In thousands of Russian Roubles	Within 12 months after the reporting period	After 12 months after the reporting period	Total
Assets			
Investment in associate	-	292 096	**292 096**
Investment properties	-	1 450 172	**1 450 172**
Premises, equipment and intangible assets	-	3 761 311	**3 761 311**
Right-of-use assets	40 459	103 815	**144 274**
Other assets	609 238	767 179	**1 376 417**
Current income tax prepayment	104 434	-	**104 434**
Liabilities			
Deferred income tax liability	-	358 564	**358 564**
Other liabilities	255 721	70 756	**326 477**

	31 December 2018		
	Amounts expected to be recovered or settled		
In thousands of Russian Roubles	Within 12 months after the reporting period	After 12 months after the reporting period	Total
Assets			
Investment in associate	-	293 363	**293 363**
Investment properties	-	510 371	**510 371**
Premises, equipment and intangible assets	-	2 804 609	**2 804 609**
Other assets	166 301	220 527	**386 828**
Current income tax prepayment	236 390	-	**236 390**
Liabilities			
Deferred income tax liability	-	296 018	**296 018**
Other liabilities	226 376	41 028	**267 404**

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 and estimates in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

ECL measurement. Calculation and measurement of ECLs is an area that requires significant judgement and involves determination of methodology, models and data inputs. Refer to Note 29 for the ECL measurement approach. The following components of ECL calculation have the major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), loss given default ("LGD"), as well as macromodels and analysis of scenarios for credit-impaired loans. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

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

A 10% increase or decrease in PD estimates at 31 December 2019 would result in an increase or decrease in total expected credit loss allowances of RR 68 342 thousand (31 December 2018: by RR 49 251 thousand).

A 10% increase or decrease in LGD estimates at 31 December 2019 would result in an increase or decrease in total expected credit loss allowance of RR 390 004 thousand (at 31 December 2018: RR 409 728 thousand).

Significant increase in credit risk ("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 lifetime of a financial instrument at the end of the reporting 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 judgements include: identifying behavioural indicators of increases in credit risk prior to delinquency and incorporating appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 29.

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by RR 2 055 681 thousand as of 31 December 2019 (31 December 2018: RR 2 194 131 thousand higher).

Determining the 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 had 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.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund 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 sale. For this business model, the collection of contractual cash flow is incidental.

Assessment whether cash flows are solely payments of principal and interest ("SPPI"). Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement.

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

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. The Group applied a threshold of 5% to determine whether differences against benchmark instruments are significant. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI and the instrument is then carried at FVTPL.

The Group's loan agreements allow adjusting interest rates in response to certain macro-economic or regulatory changes. Management applied judgement and assessed that competition in the banking sector and the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI.

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

Financial assets – modification. When financial assets are contractually modified (e.g. renegotiated), the Group assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgement. In particular, the Group applies judgement in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

Write-off policy. 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. Determining the possibility of loan recovery requires judgement. Loans are deemed unrecoverable if all recovery measures (including the sale of collateral) have been taken and indicate that it is impossible and/or unreasonable to carry out further actions on loan recovery.

Valuation of investment properties. Investment property is stated at its fair value based on reports prepared by an independent appraiser at the end of each reporting period. Given the absence of a highly liquid market for non-residential premises and land in Rostov-on-Don, the Rostov Region and other regions of the South of Russia, the Group and the independent appraiser have used professional judgements on comparability of the existing real estate sale deals and available data on transactions with land and real estate between third parties (Notes 13). If the price per square meter of premises had increased (decreased) by 10%, the total value of investment properties in the balance sheet would have increased (decreased) by RR 71 040 thousand (2018: RR 11 993 thousand), respectively.

Impairment of investments in associate. The Group management considered impairment of its investment in the associate (Note 10), a heat and power enterprise of heat systems Teploenergo (TEPTS), taking into consideration the valuation by an independent appraiser and discussions of the value with potential investors in this industry. As a result of the analysis, the Group management concluded that no impairment of carrying value of this investment was required. This conclusion largely depends on the correct assessment of 1) further growth of tariffs for services of TEPTS, 2) further solvency of clients of TEPTS, 3) discount rate applied to future cash flows, 4) well proven practice of TEPTS of including payment shortages into the future year tariffs. These parameters largely depend on the macroeconomic situation and the level of governmental regulation in the Russian Federation. Refer to Note 2. The Group set up a provision for non-performing receivables of TEPTS, which the management believes adequate.

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

Lease term determination. The Group leases office buildings from third parties under contracts which do not have contractual maturity dates and are automatically renewed unless either party submits a termination notice within the period specified in the contract before the expected termination date. The lease term for such contracts has been determined as 3 years.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 32.

5 Adoption of New or Revised Standards and Interpretations

IFRS 16 "Leases". The Group has implemented IFRS 16 "Leases" retrospectively from 1 January 2019 with certain practical expedients and has not restated comparatives for the 2018 reporting year in accordance with IFRS 16 transition period provisions. Therefore, reclassifications and adjustments related to changes in lease accounting requirements are reported as at 1 January 2019.

In the transition to IFRS 16, the Group recognised lease liabilities in respect of leases that were previously classified as "operating leases" under the provisions of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rates at 1 January 2019. At 1 January 2019, the lessee's weighted average incremental borrowing rate applied to lease liabilities was 10%.

5 Adoption of New or Revised Standards and Interpretations (Continued)

Upon first-time adoption of IFRS 16, the Group applied the following practical expedients as allowed by the standard:

- application of the single discount rate to the portfolio of leases with similar features;
- reliance on previous identification results for onerous lease contracts in assessing impairment of right-of-use assets;
- recognition of operating leases with the remaining lease period of less than 12 months at 1 January 2019 as short-term leases;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In respect of leases previously classified as finance leases, the Group recognised the carrying amount of the leased assets at the carrying amount of the right-of-use asset and lease liabilities at the lease liability amount as at the date of transition to the new standard. Principles of assessment outlined in IFRS 16 have been applied only from 1 January 2019.

The table below provides reconciliation of operating lease commitments as at 31 December 2018 with lease liabilities recognised at 1 January 2019:

In thousands of Russian Roubles	**1 January 2019**
Total future minimum lease payments for non-cancellable operating leases at 31 December 2018	**93 983**
Finance lease liabilities recognised at 1 January 2019	240 338
Effect of discounting to present value	(52 670)
Less short-term leases not recognised as a liability	(1 285)
Less low-value leases not recognised as a liability	(92 698)
Lease liabilities recognised at 1 January 2019	**187 668**
Right-of-use assets at 1 January 2019	**187 668**

Change in the accounting policies affected the following items in the consolidated statement of financial position as at 1 January 2019:

In thousands of Russian Roubles	**Impact of adopting IFRS 16**
Increase in right-of-use assets	187 668
Decrease in trade and other receivables	(187 668)
Decrease in borrowings	(187 668)
Increase in lease liabilities	187 668

Related right-of-use assets were recognised in the amount equal to the lease liabilities adjusted for prepaid or accrued lease payments under the lease contract recognised in the balance sheet at 31 December 2018. There were no onerous lease contracts requiring adjustment of right-of-use assets at the date of the first-time adoption of the standard.

5 Adoption of New or Revised Standards and Interpretations (Continued)

The recognised right-of-use assets relate to the following types of assets:

In thousands of Russian Roubles	**31 December 2019**	**1 January 2019**
Properties for own use	144 005	187 264
Equipment	269	404
Total right-of-use assets	**144 274**	**187 668**

The Group's management has chosen not to reassess whether a contract is or contains a lease at the date of the first-time adoption of the standard. Instead, the Group relies on assessment of the contracts concluded prior to the transition to the new standard performed under IAS 17 and IFRIC 4 "Determining whether an Arrangement Contains a Lease".

Other new standards and interpretations. The following amended standards and interpretations became effective for the Group from 1 January 2019, but did not have any material impact on the Group:

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

6 New Accounting Pronouncements

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

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

6 New Accounting Pronouncements (Continued)

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of materiality and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of materiality is consistent across all IFRSs. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBOR'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'.

6 New Accounting Pronouncements (Continued)

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

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

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

7 Cash and Cash Equivalents

In thousands of Russian Roubles	31 December 2019	31 December 2018
Cash on hand	4 995 737	4 148 825
Cash balances with the CBRF (other than mandatory reserve deposits)	3 098 631	3 123 033
Correspondent accounts and overnight placements with other banks		
- settlement accounts with trading systems	1 355 690	91 069
- Russian Federation	804 771	1 075 034
- other countries	797 666	274 054
Total cash and cash equivalents	**11 052 495**	**8 712 015**

The table below discloses the credit quality analysis of cash and cash equivalents balances based on credit risk grades at 31 December 2019. Refer to Note 29 for the description of the Group's credit risk grading system.

In thousands of Russian Roubles	Cash balances with the CBRF (other than mandatory reserve deposits)	Correspondent accounts and overnight placements with other banks	Total
- Excellent	3 098 631	2 927 815	**6 026 446**
- Good	-	30 312	**30 312**
Total cash and cash equivalents, excluding cash on hand	**3 098 631**	**2 958 127**	**6 056 758**

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

In thousands of Russian Roubles	Cash balances with the CBRF (other than mandatory reserve deposits)	Correspondent accounts and overnight placements with other banks	Total
- Excellent	3 123 033	1 438 632	**4 561 665**
- Good	-	1 525	**1 525**
Total cash and cash equivalents, excluding cash on hand	**3 123 033**	**1 440 157**	**4 563 190**

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Group did not recognise any credit loss allowance for cash and cash equivalents. Refer to Note 29 for the ECL measurement approach.

Investing transactions that did not require the use of cash and cash equivalents, and were excluded from the consolidated statement of cash flows are as follows:

In thousands of Russian Roubles	Notes	2019	2018
Non-cash investing activities			
Acquisition of investment property as a result of overdue loan settlement	13	843 340	-
Non-core assets obtained by the Bank as a result of overdue loan settlement	15	652 776	120 903
Non-cash investing activities		**1 496 116**	**120 903**

7 Cash and Cash Equivalents (Continued)

At 31 December 2019, the Group had two counterparty banks (31 December 2018: two counterparty banks) with aggregate cash and cash equivalents exceeding RR 100 000 million. The total aggregate amount of these balances was RR 1 171 493 thousand (2018: RR 1 075 080 thousand) or 10.6% of cash and cash equivalents (2018: 12.3%).

Settlement accounts with trading systems represent balances with the Moscow Stock Exchange and its subsidiary.

Balances on correspondent accounts and overnight placements are not collateralised.

Interest rate analysis of cash and cash equivalents is disclosed in Note 29.

8 Due from Other Banks

In thousands of Russian Roubles	Country	31 December 2019	31 December 2018
Short-term deposits with the Central Bank of the Russian Federation	Russia	14 502 371	9 708 809
Total due from other banks		**14 502 371**	**9 708 809**

By their credit quality, balances due from other banks as at 31 December 2019 and during the year 2019 are included in Stage 1 (12-month ECL) with the level “excellent” for the purposes of ECL measurement.

ECLs on due from other banks are insignificant, therefore, the Group did not make a loss allowance for due to other banks. Refer to Note 29 for the ECL measurement approach.

Carrying value of each class of amounts due from other banks approximates fair value at 31 December 2019 and 31 December 2018. Refer to Note 34.

Interest rate analysis of amounts due from other banks is disclosed in Note29.

9 Loans to Customers and Finance Lease Receivables

Below are presented gross carrying value and credit loss allowance for loans to customers and finance lease receivables measured at amortised cost at 31 December 2019 and 31 December 2018:

In thousands of Russian Roubles	31 December 2019	31 December 2018
Corporate loans	35 411 303	39 116 526
Loans to individuals – mortgage loans	36 458 473	34 597 317
Loans to individuals – consumer loans and car loans	19 132 251	21 070 344
Finance lease receivables	196 371	172 319
Total loans to customers and finance lease receivables before credit loss allowance	**91 198 398**	**94 956 506**
Expected credit loss allowance	(6 143 393)	(6 933 816)
Total loans to customers and finance lease receivables	**85 055 005**	**88 022 690**

The tables below show 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:

9 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 2019	**302 497**	**354 854**	**3 282 829**	**3 940 180**	**29 981 949**	**2 448 493**	**6 686 084**	**39 116 526**
Movements with impact on credit loss allowance charge for the period:								
Issued to new and existing customers during the period	151 161	738	72 028	**223 927**	20 093 135	33 721	138 076	**20 264 932**
Transfers:				**-**				**-**
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(2 304)	2 304	-	**-**	(225 245)	225 245	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(12 496)	(196 526)	209 022	**-**	(1 111 436)	(1 336 897)	2 448 333	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	6 113	(6 113)	-	**-**	178 845	(178 845)	-	**-**
Repaid during the period	(162 676)	(9 727)	(489 988)	**(662 391)**	(19 291 579)	(216 667)	(1 956 673)	**(21 464 919)**
Changes to ECL measurement model assumptions	(45 049)	114 846	991 344	**1 061 141**	-	-	-	**-**
Changes in accrued interest, exchange differences and other movements	-	(15 599)	255 929	**240 330**	46	(85 906)	417 877	**332 017**
Total movements with impact on credit loss allowance charge for the period	**(65 251)**	**(110 077)**	**1 038 335**	**863 007**	**(356 234)**	**(1 559 349)**	**1 047 613**	**(867 970)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(532 943)	**(532 943)**	-	-	(532 943)	**(532 943)**
Assignment	-	-	(234 616)	**(234 616)**	-	-	(454 185)	**(454 185)**
Business combination	-	-	(708 353)	**(708 353)**	-	-	(1 850 125)	**(1 850 125)**
At 31 December 2019	**237 246**	**244 777**	**2 845 252**	**3 327 275**	**29 625 715**	**889 144**	**4 896 444**	**35 411 303**
Recovery of loans previously written off	-	-	11 903	**11 903**				

9 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**
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 to new and existing customers during the period	63 251	-	-	**63 251**	8 449 410	-	-	**8 449 410**
Transfers:								
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(3 307)	19 585	(16 278)	**-**	(441 809)	468 855	(27 046)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1 200)	(8 687)	9 887	**-**	(160 373)	(170 400)	330 773	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	25 642	(13 208)	(12 434)	**-**	261 328	(240 669)	(20 659)	**-**
Repaid during the period	(46 827)	(2 116)	(147 067)	**(196 010)**	(6 286 860)	(69 237)	(236 874)	**(6 592 971)**
Changes to ECL measurement model assumptions	(78 526)	(2 055)	168 659	**88 078**	-	-	-	**-**
Changes in accrued interest, exchange differences and other movements	17	307	13 506	**13 830**	1 060	5 590	22 179	**28 829**
Total movements with impact on credit loss allowance charge for the period	**(40 950)**	**(6 174)**	**16 273**	**(30 851)**	**1 822 756**	**(5 861)**	**68 373**	**1 885 268**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(2 559)	**(2 559)**	-	-	(2 559)	**(2 559)**
Assignment	-	-	(3 329)	**(3 329)**	-	-	(21 553)	**(21 553)**
At 31 December 2019	**203 988**	**28 963**	**766 053**	**999 004**	**34 542 942**	**656 099**	**1 259 432**	**36 458 473**
Recovery of loans previously written off	-	-	737	**737**				

9 Loans to Customers and Finance Lease Receivables (Continued)

In thousands of Russian Roubles	Credit loss allowance Stage 1 (12-month ECL)	Credit loss allowance Stage 2 (lifetime ECL)	Credit loss allowance Stage 3 (lifetime ECL)	Credit loss allowance Total	Gross carrying amount Stage 1 (12-month ECL)	Gross carrying amount Stage 2 (lifetime ECL)	Gross carrying amount Stage 3 (lifetime ECL)	Gross carrying amount 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 to new and existing customers during the period	116 068	-	-	**116 068**	7 361 605	-	-	**7 361 605**
Transfers:								
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(5 780)	10 684	(4 904)	**-**	(344 032)	350 286	(6 254)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(3 625)	(8 616)	12 241	**-**	(206 933)	(137 262)	344 195	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	15 206	(4 894)	(10 312)	**-**	133 787	(120 894)	(12 893)	**-**
Repaid during the period	(130 995)	(4 436)	(256 823)	**(392 254)**	(8 623 265)	(227 900)	(338 002)	**(9 189 167)**
Changes to ECL measurement model assumptions	(64 289)	(2 337)	299 402	**232 776**	-	-	-	**-**
Changes in accrued interest, exchange differences and other movements	(17)	255	23 686	**23 924**	(1 060)	5 660	28 404	**33 004**
Total movements with impact on credit loss allowance charge for the period	**(73 432)**	**(9 344)**	**63 290**	**(19 486)**	**(1 679 898)**	**(130 110)**	**15 450**	**(1 794 558)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(114 845)	**(114 845)**	-	-	(115 419)	**(115 419)**
Assignment	-	-	(6 940)	**(6 940)**	-	(742)	(27 374)	**(28 116)**
At 31 December 2019	**223 729**	**12 789**	**1 578 004**	**1 814 522**	**16 962 919**	**374 331**	**1 795 001**	**19 132 251**
Recovery of loans previously written off	-	-	38 927	**38 927**				

9 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**
Finance lease receivables								
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 to new and existing customers during the period	1 268	-	3	**1 271**	135 504	-	298	**135 802**
Transfers:								
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	-	-	-	**-**	-	-	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(13)	-	13	**-**	(1 503)	-	1 503	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	**-**	-	-	-	**-**
Repaid during the period	(863)	-	(637)	**(1 500)**	(110 329)	-	(1 421)	**(111 750)**
Changes to ECL measurement model assumptions	(69)	-	790	**721**	-	-	-	**-**
Changes in accrued interest, exchange differences and other movements	-	-	-	**-**	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**323**	**-**	**169**	**492**	**23 672**	**-**	**380**	**24 052**
Movements without impact on credit loss allowance charge for the period:	-	-	-	-	-	-	-	-
At 31 December 2019	**1 751**	**-**	**841**	**2 592**	**194 487**	**-**	**1 884**	**196 371**

9 Loans to Customers and Finance Lease Receivables (Continued)

The tables below show changes in credit loss allowance and gross carrying amount for loans to customers and finance lease receivables during 2018:

	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	**792 550**	**170 150**	**2 012 058**	**2 974 758**	**31 309 802**	**1 401 789**	**3 240 552**	**35 952 143**
Movements with impact on credit loss allowance charge for the period:								
Issued to new and existing customers during the period	229 726	72 557	444 359	**746 642**	22 292 632	465 494	1 294 467	**24 052 593**
Transfers:								
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(280 571)	284 618	(4 047)	**-**	(2 115 384)	2 123 230	(7 846)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(15 124)	(170 001)	185 125	**-**	(1 469 833)	(1 387 640)	2 857 473	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	239	-	(239)	**-**	430	-	(430)	**-**
Repaid during the period	(330 546)	(149)	(50 115)	**(380 810)**	(19 991 373)	(264 884)	(385 906)	**(20 642 163)**
Changes to ECL measurement model assumptions	(94 993)	(21 779)	1 166 606	**1 049 834**	-	-	-	**-**
Changes in accrued interest, exchange differences and other movements	1 216	19 458	182 022	**202 696**	-	110 504	378 911	**489 415**
Total movements with impact on credit loss allowance charge for the period	**(490 053)**	**184 704**	**1 923 711**	**1 618 362**	**(1 283 528)**	**1 046 704**	**4 136 669**	**3 899 845**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(670 649)	**(670 649)**	-	-	(670 649)	**(670 649)**
Assignment	-	-	(111 634)	**(111 634)**	(44 325)	-	(149 831)	**(194 156)**
Unwinding of discount (for Stage 3)	-	-	129 343	**129 343**	-	-	129 343	**129 343**
At 31 December 2018	**302 497**	**354 854**	**3 282 829**	**3 940 180**	**29 981 949**	**2 448 493**	**6 686 084**	**39 116 526**
Recovery of loans previously written off	-	-	2 615	**2 615**				

9 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 to new and existing customers during the period	146 770	-	-	**146 770**	13 154 853	-	-	**13 154 853**
Transfers:								
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(7 025)	35 928	(28 903)	**-**	(629 694)	672 870	(43 176)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(3 440)	(7 261)	10 701	**-**	(308 303)	(63 496)	371 799	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	41 272	(4 755)	(36 517)	**-**	96 856	(42 386)	(54 470)	**-**
Repaid during the period	(58 933)	(1 618)	(123 974)	**(184 525)**	(5 302 000)	(65 816)	(204 752)	**(5 572 568)**
Changes to ECL measurement model assumptions	(160 689)	(4 475)	133 802	**(31 362)**	-	-	-	**-**
Changes in accrued interest, exchange differences and other movements	284	313	18 033	**18 630**	12 561	2 830	(1 255)	**14 136**
Total movements with impact on credit loss allowance charge for the period	**(41 761)**	**18 132**	**(26 858)**	**(50 487)**	**7 024 273**	**504 002**	**68 146**	**7 596 421**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(52 425)	**(52 425)**	-	-	(52 424)	**(52 424)**
Assignment	-	-	(758)	**(758)**	(673)	-	(9 284)	**(9 957)**
Unwinding of discount (for Stage 3)	-	-	27 634	**27 634**	-	-	27 634	**27 634**
At 31 December 2018	**244 938**	**35 137**	**755 668**	**1 035 743**	**32 720 186**	**661 960**	**1 215 171**	**34 597 317**
Recovery of loans previously written off	-	-	543	**543**	-	-	-	**-**

9 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**
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 to new and existing customers during the period	186 990	-	-	**186 990**	8 886 707	-	-	**8 886 707**
Transfers:								
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(12 985)	27 643	(14 658)	**-**	(607 839)	626 495	(18 656)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(8 362)	(8 247)	16 609	**-**	(374 355)	(85 086)	459 441	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	16 354	(1 753)	(14 601)	**-**	39 115	(20 890)	(18 225)	**-**
Repaid during the period	(202 473)	(3 616)	(235 218)	**(441 307)**	(9 800 698)	(188 017)	(363 997)	**(10 352 712)**
Changes to ECL measurement model assumptions	(116 210)	(7 596)	327 775	**203 969**				
Changes in accrued interest, exchange differences and other movements	(284)	261	39 897	**39 874**	(12 561)	3 341	(5 066)	**(14 286)**
Total movements with impact on credit loss allowance charge for the period	**(136 970)**	**6 692**	**119 804**	**(10 474)**	**(1 869 631)**	**335 843**	**53 497**	**(1 480 291)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(307 758)	**(307 758)**	-	-	(328 177)	**(328 177)**
Assignment	4	-	(938)	**(934)**	(2 796)	-	(4 266)	**(7 062)**
Unwinding of discount (for Stage 3)	-	-	57 160	**57 160**	-	-	57 160	**57 160**
At 31 December 2018	**297 161**	**22 133**	**1 636 499**	**1 955 793**	**18 642 817**	**505 183**	**1 922 344**	**21 070 344**
Recovery of loans previously written off	-	-	33 782	**33 782**	-	-	-	**-**

9 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**
Finance lease receivables								
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 to new and existing customers during the period	-	-	-	**-**	98 656	-	-	**98 656**
Transfers:								
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	-	-	-	**-**	-	-	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	-	-	**-**	(80)	(1 215)	1 295	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	212	-	(212)	**-**	424	-	(424)	**-**
Repaid during the period	-	-	(814)	**(814)**	(157 224)	(1 076)	(1 628)	**(159 928)**
Changes to ECL measurement model assumptions	1 216	-	568	**1 784**	-	-	-	**-**
Total movements with impact on credit loss allowance charge for the period	**1 428**	**-**	**(458)**	**970**	**(58 224)**	**(2 291)**	**(757)**	**(61 272)**
Movements without impact on credit loss allowance charge for the period:	-	-	-	-	-	-	-	-
At 31 December 2018	**1 428**	**-**	**672**	**2 100**	**170 815**	**-**	**1 504**	**172 319**

9 Loans to Customers and Finance Lease Receivables (Continued)

The credit loss allowance for loans to customers and finance lease receivables recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 29. Main movements presented above:

- Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes to model assumptions, including changes in PDs, EADs and LGDs in the period, arising from update of inputs to ECL models;
- Foreign exchange translations of assets denominated in foreign currencies and other movements;
- Write-offs of allowances related to assets that were written off during the period; and
- Business combination.

The credit loss allowance during 2019 does not equal the amount presented in the consolidated statement of profit or loss and other comprehensive income, due to the recovery of RR 51 567 thousand previously written off as uncollectible (2018: RR 36 940 thousand). The recovered amounts were credited directly to the provisions line in profit or loss for the year.

The credit quality of loans carried at amortised cost is as follows at 31 December 2019:

In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Corporate loans				
- Excellent	12 745 445	-	-	**12 745 445**
- Good	16 880 270	56 074	-	**16 936 344**
- Satisfactory	-	833 070	-	**833 070**
- Special monitoring	-	-	1 285 452	**1 285 452**
- Default	-	-	3 610 992	**3 610 992**
Gross carrying amount	**29 625 715**	**889 144**	**4 896 444**	**35 411 303**
Credit loss allowance	(237 246)	(244 777)	(2 845 252)	**(3 327 275)**
Carrying amount	**29 388 469**	**644 367**	**2 051 192**	**32 084 028**

9 Loans to Customers and Finance Lease Receivables (Continued)

In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Mortgage loans				
- Excellent	481 422	-	-	**481 422**
- Good	34 061 520	407 903	-	**34 469 423**
- Satisfactory	-	248 196	-	**248 196**
- Special monitoring	-	-	263 596	**263 596**
- Default	-	-	995 836	**995 836**
Gross carrying amount	**34 542 942**	**656 099**	**1 259 432**	**36 458 473**
Credit loss allowance	(203 988)	(28 963)	(766 053)	**(999 004)**
Carrying amount	**34 338 954**	**627 136**	**493 379**	**35 459 469**

In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Consumer loans and car loans				
- Excellent	300 006	-	-	**300 006**
- Good	16 662 913	174 740	-	**16 837 653**
- Satisfactory	-	199 591	-	**199 591**
- Special monitoring	-	-	112 362	**112 362**
- Default	-	-	1 682 639	**1 682 639**
Gross carrying amount	**16 962 919**	**374 331**	**1 795 001**	**19 132 251**
Credit loss allowance	(223 729)	(12 789)	(1 578 004)	**(1 814 522)**
Carrying amount	**16 739 190**	**361 542**	**216 997**	**17 317 729**

In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Finance lease receivables				
- Excellent	183 751	-	-	**183 751**
- Good	10 736	-	-	**10 736**
- Satisfactory	-	-	-	**-**
- Special monitoring	-	-	1 804	**1 804**
- Default	-	-	80	**80**
Gross carrying amount	**194 487**	**-**	**1 884**	**196 371**
Credit loss allowance	(1 751)	-	(841)	**(2 592)**
Carrying amount	**192 736**	**-**	**1 043**	**193 779**

9 Loans to Customers and Finance Lease Receivables (Continued)

For description of the credit risk grading used in the tables above refer to Note 29.

The credit quality of the loans carried at amortised cost is as follows at 31 December 2018:

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Corporate loans				
- Excellent	11 937 192	-	-	**11 937 192**
- Good	18 044 757	258 439	-	**18 303 196**
- Satisfactory	-	2 190 054	-	**2 190 054**
- Special monitoring	-	-	3 581 333	**3 581 333**
- Default	-	-	3 104 751	**3 104 751**
Gross carrying amount	**29 981 949**	**2 448 493**	**6 686 084**	**39 116 526**
Credit loss allowance	(302 497)	(354 854)	(3 282 829)	**(3 940 180)**
Carrying amount	**29 679 452**	**2 093 639**	**3 403 255**	**35 176 346**

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Mortgage loans				
- Excellent	675 354	-	-	**675 354**
- Good	32 044 832	398 003	-	**32 442 835**
- Satisfactory	-	263 957	-	**263 957**
- Special monitoring	-	-	182 945	**182 945**
- Default	-	-	1 032 226	**1 032 226**
Gross carrying amount	**32 720 186**	**661 960**	**1 215 171**	**34 597 317**
Credit loss allowance	(244 938)	(35 137)	(755 668)	**(1 035 743)**
Carrying amount	**32 475 248**	**626 823**	**459 503**	**33 561 574**

9 Loans to Customers and Finance Lease Receivables (Continued)

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Consumer loans and car loans				
- Excellent	335 972	-	-	**335 972**
- Good	18 306 845	236 896	-	**18 543 741**
- Satisfactory	-	268 287	-	**268 287**
- Special monitoring	-	-	174 011	**174 011**
- Default	-	-	1 748 333	**1 748 333**
Gross carrying amount	**18 642 817**	**505 183**	**1 922 344**	**21 070 344**
Credit loss allowance	(297 161)	(22 133)	(1 636 499)	**(1 955 793)**
Carrying amount	**18 345 656**	**483 050**	**285 845**	**19 114 551**

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Finance lease receivables				
- Excellent	140 258	-	-	**140 258**
- Good	30 557	-	-	**30 557**
- Satisfactory	-	-	-	**-**
- Special monitoring	-	-	1 424	**1 424**
- Default	-	-	80	**80**
Gross carrying amount	**170 815**	**-**	**1 504**	**172 319**
Credit loss allowance	(1 428)	-	(672)	**(2 100)**
Carrying amount	**169 387**	**-**	**832**	**170 219**

Information about the assigned rights of claim on loans and finance leases is presented below:

In thousands of Russian Roubles	2019	2018
Assigned on-balance sheet rights of claim on loans to customers and finance leases	487 096	211 175
Provision for impairment of assigned rights of claim	(244 885)	(113 326)
Sales price	242 211	97 849
Net result from assignment of on-balance sheet rights of claim	-	**-**
Assigned rights of claim previously written off as uncollectible	16 758	-
Sales price	2 850	-
Net result from assignment of rights of claim previously written off as uncollectible	**2 850**	-

9 Loans to Customers and Finance Lease Receivables (Continued)

Net result from assignment of rights of claim on loans previously written off as uncollectible was recognised in the consolidated 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 loans to customers and finance lease receivables are as follows:

	31 December 2019		31 December 2018	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals (total), incl.	55 590 724	61.0	55 667 661	58.6
mortgage loans	*36 458 473*	*40.0*	*34 597 317*	*36.4*
consumer loans	*18 013 206*	*19.8*	*19 631 471*	*20.7*
car loans	*1 119 045*	*1.2*	*1 438 873*	*1.5*
Agriculture	14 216 725	*15.5*	13 469 586	14.2
Trade	8 149 409	8.9	9 755 316	10.3
Manufacturing	5 894 086	6.5	6 717 206	7.1
Transport	2 647 844	2.9	4 300 520	4.5
Construction	1 629 397	*1.8*	1 658 873	1.7
Other	3 070 213	3.4	3 387 344	3.6
Total loans to customers and finance lease receivables before credit loss allowance	**91 198 398**	**100.0**	**94 956 506**	**100.0**

At 31 December 2019, the Group had 10 major borrowers with aggregate loans amounting to RR 6 771 093 thousand, or 7.4% of the loan portfolio and finance lease receivables before credit loss allowance (2018: RR 8 987 138 thousand, or 9.5%).

At 31 December 2019, the Group had a major group of borrowers with aggregate loans amounting to RR 1 367 120 thousand, or 3.9% of the corporate loan portfolio before credit loss allowance (2018: RR 1 612 513 thousand, or 4.1%).

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

Information about collateral for loans to customers and finance lease receivables as at 31 December 2019 is as follows:

In thousands of Russian Roubles	**Corporate loans**	**Mortgage loans**	**Consumer loans and car loans**	**Finance lease receivables**	**Total**
Claims collateralised by:	**35 014 016**	**36 199 487**	**13 274 995**	**196 371**	**84 684 869**
- *real estate*	15 090 961	30 862 145	2 929 349	-	**48 882 455**
- *tradable securities*	350 000	-	4 221	-	**354 221**
- *motor vehicles*	5 363 211	8 584	4 451 390	136 590	**9 959 775**
- *agricultural machines*	4 652 993	-	86 017	2 291	**4 741 301**
- *equipment and other property*	1 736 065	301 856	31 382	57 490	**2 126 793**
- *pledge of rights*	23 352	4 263 403	26 897	-	**4 313 652**
- *goods in turnover*	822 330	-	1 121	-	**823 451**
- *third parties' guarantees*	6 975 104	763 499	5 744 618	-	**13 483 221**
Unsecured exposures	**397 287**	**258 986**	**5 857 256**	**-**	**6 513 529**
Total loans to customers and finance lease receivables before credit loss allowance	**35 411 303**	**36 458 473**	**19 132 251**	**196 371**	**91 198 398**

9 Loans to Customers and Finance Lease Receivables (Continued)

Information about collateral for loans to customers and finance lease receivables as at 31 December 2018 is as follows:

In thousands of Russian Roubles	Corporate loans	Mortgage loans	Consumer loans and car loans	Finance lease receivables	Total
Claims collateralised by:	**37 279 270**	**34 362 674**	**14 979 630**	**172 319**	**86 793 893**
- *real estate*	17 865 671	28 559 254	3 294 218	-	**49 719 143**
- *tradable securities*	51 199	-	46 252	-	**97 451**
- *motor vehicles*	5 473 630	16 998	5 431 444	129 461	**11 051 533**
- *agricultural machines*	4 052 863	-	105 361	9 281	**4 167 505**
- *equipment and other property*	1 605 126	244 700	38 915	33 577	**1 922 318**
- *pledge of rights*	14 228	4 740 307	24 502	-	**4 779 037**
- *goods in turnover*	1 109 340	-	1 123	-	**1 110 463**
- *third parties' guarantees*	7 107 213	801 415	6 037 815	-	**13 946 443**
Unsecured exposures	**1 837 256**	**234 643**	**6 090 714**	**-**	**8 162 613**
Total loans to customers and finance lease receivables before credit loss allowance	**39 116 526**	**34 597 317**	**21 070 344**	**172 319**	**94 956 506**

The carrying value of loans to customers and finance lease receivables was allocated based on liquidity of the assets taken as collateral.

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets at 31 December 2019 is as follows.

	Over-collateralised assets		Under-collateralised assets	
In thousands of Russian Roubles	Carrying amount of assets	Value of collateral	Carrying amount of assets	Value of collateral
Credit impaired assets:				
Corporate loans	1 479 976	2 084 195	3 416 468	622 222
Mortgage loans	1 143 376	2 940 865	116 056	73 323
Consumer loans and car loans	793 431	2 203 383	1 001 570	232 715
Finance lease receivables	1 884	2 664	-	-

9 Loans to Customers and Finance Lease Receivables (Continued)

The effect of collateral on credit impaired assets at 31 December 2018 is as follows.

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of Russian Roubles	**Carrying amount of assets**	**Value of collateral**	**Carrying amount of assets**	**Value of collateral**
Credit impaired assets:				
Corporate loans	1 029 047	2 643 269	5 657 037	1 107 202
Mortgage loans	1 109 109	2 666 211	106 062	71 586
Consumer loans and car loans	975 624	2 518 347	946 720	259 853
Finance lease receivables	1 504	4 765	-	-

The fair value of residential real estate at the end of the reporting period was estimated by indexing the values determined by the Group's internal credit staff at the time of loan inception for the average increases in residential real estate prices by city and region. The fair value of other real estate and other assets was determined by the credit department using analysis of comparable offers in the open market, subject to information available on specific features of assets being evaluated based on the Group's internal guidelines. Provision for impairment reflects the risk that the management will not be able to change the right of ownership and take possession of the collateral on a particular loan, or the amount received from the disposal of the collateral will be insufficient.

The outstanding contractual amounts of loans and advances to customers that were subsequently written off but no more than three years ago and are still subject to enforcement activity were as follows:

In thousands of Russian Roubles	**31 December 2019**	**31 December 2018**
Corporate loans	1 321 795	1 042 939
Consumer loans and car loans	533 993	682 718
Mortgage loans	61 194	60 311
Finance lease receivables	-	1 205
Total	**1 916 982**	**1 787 173**

The Group's policy is to complete legal enforcement steps that were initiated even though the loans were written off as there is no reasonable expectation of recovery.

As at 31 December 2019 and 31 December 2018, there were no loans to customers pledged to secure liabilities to other counterparties.

Carrying value of each class of loans to customers and finance lease receivables approximates their fair value at 31 December 2019 and 31 December 2018. Refer to Note 34.

Geographical, maturity and interest rate analyses are disclosed in Note 29. Information on related party balances is disclosed in Note 36.

10 Investment in Associate

Before December 2007, JSC TEPTS Teploenergo was a subsidiary of Center-invest Bank. Following the additional share issue in December 2007, Center-invest Bank Group holds 47.31% in the share capital of JSC TEPTS Teploenergo and EBRD holds 25.00%. The core activity of the company is heat energy generation, transmission and distribution in the town of Taganrog, Rostov Region.

The table below summarises the movements in the carrying amount of the Group's investment in the associate.

In thousands of Russian Roubles	2019	2018
Carrying amount at 1 January	**293 363**	**305 468**
Share of result of associate	(1 267)	(12 104)
Carrying amount at 31 December	**292 096**	**293 363**

Summarised financial information on this associate, including total assets, liabilities, revenues and profit or loss, was as follows:

In thousands of Russian Roubles	31 December 2019	31 December 2018
Total current assets	150 206	173 586
Total non-current assets	635 530	645 738
Total current liabilities	(85 033)	(113 485)
Total non-current liabilities	(83 300)	(85 751)
Revenue	599 785	586 921
Loss	(2 679)	(25 585)
% shares held	47.31%	47.31%

11 Premises, Equipment and Intangible Assets

In thousands of Russian Roubles	Notes	Land and premises	Other premises and equipment	Intangible assets	Total
Carrying amount at 1 January 2018		**2 335 712**	**186 822**	**284 792**	**2 807 326**
Cost or valuation					
Opening balance		2 386 011	1 299 328	340 680	4 026 019
Additions		23 136	87 245	62 664	173 045
Disposals		(19 003)	(36 329)	(1 226)	(56 558)
Cost or valuation at the end of 2018		**2 390 144**	**1 350 244**	**402 118**	**4 142 506**
Accumulated depreciation/amortisation					
Opening balance		50 299	1 112 506	55 888	1 218 693
Depreciation/amortisation charge	25	46 124	77 177	30 922	154 223
Disposals		(153)	(33 639)	(1 227)	(35 019)
Accumulated depreciation/amortisation at the end of 2018		**96,270**	**1 156 044**	**85 583**	**1 337 897**
Carrying amount at 31 December 2018		**2 293 874**	**194 200**	**316 535**	**2 804 609**
Cost or valuation					
Opening balance		2 390 144	1 350 244	402 118	4 142 506
Additions		44 883	282 715	61 485	389 083
Disposals		(25 543)	(48 231)	-	(73 774)
Business combination	37	615 311	218 288	-	833 599
Cost or valuation at the end of 2019		**3 024 795**	**1 803 016**	**463 603**	**5 291 414**
Accumulated depreciation/amortisation					
Opening balance		96 270	1 156 044	85 583	1 337 897
Depreciation/amortisation charge	25	46 918	81 733	69 998	198 649
Disposals		-	(47 015)	-	(47 015)
Business combination	25	9 330	31 242	-	40 572
Accumulated depreciation/amortisation at the end of 2019		**152 518**	**1 222 004**	**155 581**	**1 530 103**
Carrying amount at 31 December 2019		**2 872 277**	**581 012**	**308 022**	**3 761 311**

As at 31 December 2019 and 31 December 2018, no independent valuation of premises and land was carried out, as there were no significant changes in the real estate market of the South Federal District in 2019 and 2018.

Net book value of intangible assets includes investments into the following software: SAP for Banking, SAP Business Warehouse data storage, TranzWare processing centre, CFT settlement centre, SAP Process Integration, GEMINI IBSC remote banking service system, SAP Human Capital Management, Terrasoft XRM Bank and other.

At 31 December 2019, carrying value of land and premises would have been RR 1 520 752 thousand (2018: RR 893 686 thousand), had the assets been recorded at cost less depreciation. The amount reconciles to the carrying value of the premises as follows:

11 Premises, Equipment and Intangible Assets (Continued)

In thousands of Russian Roubles	31 December 2019	31 December 2018
Land and premises at revalued amount less depreciation in the consolidated statement of financial position	**2 872 277**	**2 293 874**
Revaluation reserve for land and premises presented in equity net of income tax	(1 228 156)	(1 262 206)
Deferred tax liability on revaluation	(307 039)	(315 552)
Revaluation reserve for land and premises disposed at the reporting date	68 251	62 225
Deferred tax related to revaluation of land and premises disposed at the reporting date	17 063	15 556
Impairment of land and premises previously recognised in the consolidated statement of profit or loss	98 356	99 789
Land and premises at cost less accumulated depreciation	**1 520 752**	**893 686**

12 Right-of-Use Assets and Lease Liabilities

Until 31 December 2018 leases of premises and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

The right-of-use assets are analysed by leased assets in the table below.

In thousands of Russian Roubles	Land	Premises	Equipment	Total
Carrying amount at 1 January 2019	**2 939**	**184 325**	**404**	**187 668**
Additions	-	12 777	-	**12 777**
Depreciation charge	(367)	(55 669)	(135)	**(56 171)**
Carrying amount at 31 December 2018	**2 572**	**141 433**	**269**	**144 274**

Interest income on lease liabilities amounted to RR 19 404 thousand.

Expenses relating to short-term leases and to leases of low-value assets that are not shown as short-term leases are included in administrative and other operating expenses.

In thousands of Russian Roubles	2019
Expense relating to leases of low-value assets that are not shown above as short-term leases	37 855
Expense relating to short-term leases	914

Total cash outflow from leases was RR 101 507 thousand in 2019.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

A number of the Group’s premises and equipment lease contracts include extension and termination options. They are used to maximise operating flexibility in managing assets utilised in the Group’s activities. Most of such extension and termination options can be exercised by the Group rather than the related lessee.

13 Investment Properties

In thousands of Russian Roubles	2019	2018
Investment properties at fair value at 1 January	**510 371**	**422 971**
Additions	943 257	28 529
Disposals	(3 456)	-
Fair value gains	-	58 871
Investment properties at fair value at 31 December	**1 450 172**	**510 371**

Investment properties are fair valued by independent qualified valuer on an annual basis on 31 December or at the time when they are recorded in the Group's balance sheet.

Additions during 2019 include properties amounting to RR 843 340 thousand obtained as a repossessed collateral for loans from the Group's major borrower. In addition to investment property, other assets for a total of RR 542 133 thousand were obtained from the same borrower (refer to Note 15). After these transactions this borrower's outstanding balance was fully repaid as at 31 December 2019. These properties were mostly represented by port areas and port facilities. They were leased out under an operating lease to the same borrowers for the periods from one year to five years with the right of early termination of the lease as agreed by the parties. The total amount of lease payments under the agreement is comparable to the amount of interest income on the loan. The Group intends to sell these properties within the period from one year to five years. The fair value of these properties was assessed by independent qualified appraisers' firms Lendrod-Expert LLC and Expert Office of Donexpertiza of the Rostov Region Commerce Chamber Association to record the properties on the Group's balance sheet.

As at 31 December 2019, no independent valuation of the Group's other investment properties was carried out, as there were no significant changes in the real estate market of the South Federal District in 2019.

As at 31 December 2018, the above properties were valued by an independent firm of appraisers, OOO AF Center-Audit, Rostov-on-Don, who hold a recognised and relevant professional qualification and who have recent professional experience in valuation of assets of similar location and category. The valuation was based on market value determined using the comparative approach. To determine the fair value of land plots, the appraiser adjusted the value of similar assets (the asking price of plots similar to those subject to valuation) for key price forming parameters of the assets: designation of the land plot, adjustments for bargaining over price, for location within the city, location in relation to main transport routes and houses, the area, the set of transferred rights, etc. To determine the fair value of premises and facilities, the appraiser adjusted the market value of similar assets for their accumulated depreciation.

14 Other Financial Assets

In thousands of Russian Roubles	31 December 2019	31 December 2018
Trade receivables and prepayments	894 628	690 042
Trade receivables with Joint-Stock Company Ptitsefabrika Belokalitvinskaya	112 369	-
Plastic cards receivables	91 818	116 843
Other	65 726	55 681
Less credit loss allowance	(145 308)	(112 238)
Total other financial assets	**1 019 233**	**750 328**

The primary factor that the Group considers in determining whether a receivable is impaired is its overdue status.

14 Other Financial Assets (Continued)

The following table explains the changes in the gross carrying amount and in the credit loss allowance for other financial assets under simplified ECL model between the beginning and the end of the annual period.

In thousands of Russian Roubles	2019 Gross carrying amount	2019 Credit loss allowance	2019 Total	2018 Gross carrying amount	2018 Credit loss allowance	2018 Total
Trade receivables						
Balance at 1 January	**690 042**	**(74 271)**	**615 771**	**577 032**	**(22 425)**	**554 607**
New originated or purchased	537 633	(16 350)	**521 283**	422 123	(2 792)	**419 331**
Financial assets derecognised during the period	(333 047)	6 769	**(326 278)**	(309 113)	3 055	**(306 058)**
Business combination	112 369	(15 006)	**97 363**	-	-	**-**
Changes in estimates and assumptions	-	(7 297)	**(7 297)**	-	(52 109)	**(52 109)**
Total credit loss allowance charge in profit or loss for the period	**-**	(31 884)	**(31 884)**	-	(51 846)	**(51 846)**
Balance at 31 December	**1 006 997**	**(106 155)**	**900 842**	**690 042**	**(74 271)**	**615 771**
Plastic cards receivables						
Balance at 1 January	**116 843**	**(3 132)**	**113 711**	**104 537**	**(271)**	**104 226**
New originated or purchased	105 409	(1 748)	**103 661**	48 724	(730)	**47 994**
Financial assets derecognised during the period	(130 434)	2 989	**(127 445)**	(36 418)	25	**(36 393)**
Changes in estimates and assumptions	-	(2 291)	**(2 291)**	-	(2 156)	**(2 156)**
Total credit loss allowance charge in profit or loss for the period	**-**	(1 050)	**(1 050)**	-	(2 861)	**(2 861)**
Balance at 31 December	**91 818**	**(4 182)**	**87 636**	**116 843**	**(3 132)**	**113 711**

14 Other Financial Assets (Continued)

In thousands of Russian Roubles	2019 Gross carrying amount	2019 Credit loss allowance	2019 Total	2018 Gross carrying amount	2018 Credit loss allowance	2018 Total
Other financial assets						
Balance at 1 January	**55 681**	**(34 835)**	**20 846**	**53 135**	**(10 439)**	**42 696**
New originated or purchased	37 132	(5 342)	**31 790**	11 146	(211)	**10 935**
Financial assets derecognised during the period	(27 087)	5 589	**(21 498)**	(8 600)	675	**(7 925)**
Changes in estimates and assumptions	-	(383)	**(383)**	-	(24 860)	**(24 860)**
Total credit loss allowance charge in profit or loss for the period	**-**	(136)	**(136)**	-	(24 396)	**(24 396)**
Balance at 31 December	**65 726**	**(34 971)**	**30 755**	**55 681**	**(34 835)**	**20 846**

Carrying value of each class of other financial assets approximates fair value at 31 December 2019 and 31 December 2018. The fair value of other financial assets is disclosed in Note 34.

15 Other Assets

In thousands of Russian Roubles	31 December 2019	31 December 2018
Repossessed collateral	753 624	217 582
Biological assets	288 136	-
Inventories	115 316	42 247
Prepaid taxes and recoverable taxes (other than income tax)	123 944	56 260
Prepayments to suppliers of equipment for leasing purposes	29 231	13 364
Deferred prepaid expenses	25 355	29 290
Other	40 811	28 085
Total other assets	**1 376 417**	**386 828**

The details of repossessed collateral recorded on the Group's balances in 2019 are presented in Note 13.

As at 31 December 2019, the Group's inventory also includes RR 51 979 thousand of properties. These properties and biological assets of the Group were obtained as a result of business combination with Joint-Stock Company Ptitsefabrika Belokalitvinskaya. Business combinations are disclosed in Note 37.

Repossessed collateral represents real estate and other assets acquired by the Group in the course of overdue loans settlement. The Group expects to dispose of the assets in the foreseeable future. The assets do not meet the definition of non-current assets held for sale, and are classified as inventories in accordance with IAS 2 "Inventories". The assets were initially recognised at fair value when acquired.

16 Customer Accounts

In thousands of Russian Roubles	31 December 2019	31 December 2018
State and public organisations		
- Current/settlement accounts	204 051	200 960
- Term deposits	69 347	112 698
Other legal entities		
- Current/settlement accounts	15 994 897	16 338 748
- Term deposits	2 742 102	2 591 920
Individuals		
- Current/demand accounts	7 770 847	9 337 418
- Term deposits	72 661 818	66 656 448
Total customer accounts	**99 443 062**	**95 238 192**

State and public organisations exclude government owned profit oriented businesses.

16 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

In thousands of Russian Roubles	31 December 2019 Amount	%	31 December 2018 Amount	%
Individuals	80 432 665	80.9	75 993 866	79.8
Trade	4 995 134	5.0	5 082 066	5.3
Agriculture	3 615 116	3.6	2 883 977	3.0
Construction	1 738 842	1.7	2 426 623	2.5
Manufacturing	1 795 565	1.8	2 045 905	2.1
Transport	1 100 923	1.1	1 163 754	1.2
Other	5 764 817	5.9	5 642 001	5.9
Total customer accounts	**99 443 062**	**100.0**	**95 238 192**	**100.0**

At 31 December 2019, the total aggregate balance of 10 largest clients of the Group was RR 2 326 275 thousand, or 2.3% of total customer accounts (2018: RR 2 311 721 thousand, or 2.4% of total customer accounts).

Carrying value of each class of customer accounts approximates fair value at 31 December 2018 and 31 December 2019. Refer to Note 34.

Geographical, maturity and interest rate analyses are disclosed in Note 29. Information on related party balances is disclosed in Note 36.

17 Debt Securities in Issue

In thousands of Russian Roubles	31 December 2019	31 December 2018
Bonds	1 231 854	1 012 092
Promissory notes	883 367	313 004
Total debt securities in issue	**2 115 221**	**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**	**CIN-01P06**	**CINBO-BO10**
Par value, RR	1 000	1 000	1 000	1 000	1 000
Number	226 633	750 000	600 000	250 000	3 000 000
Initial placement date	October 2017	April 2018	September 2018	November 2019	May 2014
Maturity	January 2019	October 2021	March 2022	November 2020	May 2019
Next offer date	-	April 2020	September 2020	November 2020	-
At 31 December 2019					
Number of bonds in issue	-	656 059	412 075	250 000	-
- including purchased by the subsidiary	-	-	-	911	-
Coupon rate, %	-	8.50	7.50	8.00	-
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

17 Debt Securities in Issue (Continued)

At 31 December 2019, the Group had promissory notes in issue held by one counterparty (2018: one counterparty) with balances above RR 150 000 thousand. The aggregate balance of these funds was RR 756 272 thousand (2018: RR 231 805 thousand), or 85.6% (2018: 74.1%) of the total promissory notes issued.

On 12 November 2019, the Moscow Exchange included the Center-invest bank's exchange-traded bonds for a total of RR 250 million (CIN-01P06) in the Green Bond Segment of the Sustainability Sector. This is the first issue of the "green" bank bonds in Russia.

The carrying amount of debt securities in issue approximates their fair value at 31 December 2019 and 31 December 2018. Refer to Note 34.

Geographical, currency, maturity and interest rate analyses of debt securities in issue are disclosed in Note 29.

18 Borrowings from International Financial Institutions

The principal conditions of these loans are as follows:

In thousands of Russian Roubles	**Currency**	**Rate of borrowing**	**Original issue date**	**Repayable in tranches by:**	**Balance at 31 December 2019**	**Balance at 31 December 2018**
Black Sea Trade and Development Bank (Greece)	RR	10.15%-10.56%	June 2017	December 2021	996 882	1 090 301
ResponsAbility	RR	10.75%	September 2019	September 2020	988 591	-
Symbiotics SA	RR	9.5%-10.0%	February 2019	March 2022	626 552	-
Eurasian Development Bank (EDB)	RR	9.1%	May 2018	July 2019	-	630 515
Total borrowings from international financial institutions	**-**		**-**	**-**	**2 612 025**	**1 720 816**

The carrying value of borrowings from international financial institutions approximates fair value at 31 December 2019 and 31 December 2018. Refer to Note 34.

Geographical, maturity and interest rate analyses are disclosed in Note 29. Information on covenants related to borrowings from international financial institutions is disclosed in Note 32.

19 Other Financial Liabilities

Other financial liabilities comprise the following:

In thousands of Russian Roubles	Notes	31 December 2019	31 December 2018
Provisions for credit related commitments	32	118 580	112 854
Trade payables		53 068	6 374
Advances from customers under receivables assignment agreements		66 500	-
Prepayment received under lease contracts		25 983	17 004
Deferred income from issued guarantees		13 895	19 113
Plastic card payables		1 063	24 687
Other		16 254	10 849
Total other financial liabilities		**295 343**	**190 881**

Provision for credit related commitments includes provision for obligations to extend loans and loan facilities and provision for issued financial guarantees. Information on credit related commitments is disclosed in Note 32.

20 Other Liabilities

In thousands of Russian Roubles	Notes	31 December 2019	31 December 2018
Deposit Insurance Agency		140 543	120 014
Accrued employee benefit costs		125 877	104 153
Taxes payable other than on income		33 557	32 437
Provisions for contingent liabilities	32	1 549	929
Other		24 951	9 871
Total other liabilities		**326 477**	**267 404**

Movements in the provision for contingent liabilities during 2019 and 2018 are as follows:

In thousands of Russian Roubles	2018	2018
Provision for contingent liabilities at 1 January	**929**	**10 657**
Provision for liabilities and charges during the year	7 618	(8 254)
Utilisation of provision during the year	(6 998)	(1 474)
Provision for contingent liabilities at 31 December	**1 549**	**929**

The provision for contingent liabilities includes a provision for legal claims brought against the Group by borrowers and lessees. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the accrued amounts. Refer to Note 32.

21 Share Capital

In thousands of Russian Roubles except for number of shares	Number of outstanding shares: Ordinary shares	Number of outstanding shares: Preference shares with a par value of RR 4	Number of outstanding shares: Preference shares with a par value of RR 1 000	Ordinary shares	Preference shares	Share premium	Total
At 1 January 2018	**84 307 507**	**123 125**	**90 000**	**1 230 354**	**95 923**	**2 078 860**	**3 405 137**
At 31 December 2018	**84 307 507**	**123 125**	**90 000**	**1 230 354**	**95 923**	**2 078 860**	**3 405 137**
At 31 December 2019	**84 307 507**	**123 125**	**90 000**	**1 230 354**	**95 923**	**2 078 860**	**3 405 137**

The nominal registered amount of the Bank's share capital, prior to restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002, is RR 933 568 thousand (2018: RR 933 568 thousand). As at 31 December 2019 and 2018, all of the Bank's outstanding shares were authorised, issued and fully paid in. All ordinary shares have a nominal value of RR 10 per share (2018: RR 10 per share). Each share carries one vote.

The preference shares have a par value of RR 4 and RR 1 000 and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. The preference shares are not redeemable. Preference share dividends are set at 20 % p.a. (2018: 20 % p.a.) and rank above ordinary dividends. If no preference dividends are declared, the preference shareholders obtain the right to vote as ordinary shareholders until the dividends are paid.

Share premium represents the excess of contributions received over the nominal value of shares issued.

22 Interest Income and Expense

In thousands of Russian Roubles	**2019**	**2018**
Interest income calculated using the effective interest method		
Corporate loans	3 815 845	3 787 476
Mortgage loans	3 496 838	3 156 926
Consumer loans and car loans	2 491 818	3 059 268
Short-term deposits with the Central Bank of the Russian Federation, amounts due from and accounts with other banks	621 786	612 776
Impaired loans	439 220	387 540
Finance income from leasing operations	33 076	37 943
Total interest income calculated using the effective interest method	**10 898 583**	**11 041 929**
Interest and other similar expense		
Term deposits and accounts of individuals	(4 705 264)	(4 638 476)
Borrowings from international financial institutions	(280 246)	(127 560)
Term deposits of legal entities	(148 346)	(130 383)
Current accounts of legal entities	(100 372)	(104 881)
Bonds in issue	(90 566)	(69 883)
Promissory notes issued	(43 986)	(38 822)
Due to the Central Bank of the Russian Federation	(34 575)	-
Lease liabilities	(19 404)	-
Total interest expense	**(5 422 759)**	**(5 110 005)**
Net interest income	**5 475 824**	**5 931 924**

23 Fee and Commission Income and Expense

	2019			
In thousands of Russian Roubles	Retail banking	Corporate banking	Investment banking	Total
Fee and commission income				
- Settlement transactions	108 654	727 582	-	**836 236**
- Plastic card transactions	220 257	351 925	-	**572 182**
- Cash transactions	-	298 947	-	**298 947**
- Guarantees issued	18	38 232	-	**38 250**
- Currency transactions	-	22 173	-	**22 173**
- Other	5 332	35 929	-	**41 261**
Total fee and commission income	**334 261**	**1 474 788**	**-**	**1 809 049**
Fee and commission expense				
- Plastic card transactions	(364 602)	-	-	**(364 602)**
- Settlement and currency transactions	-	(86 096)	-	**(86 096)**
- Cash collection	-	(46 099)	-	**(46 099)**
- Collateral authentication and valuation, mortgage registration	(27 337)	(8 866)	-	**(36 203)**
- Mobilisation of resources	-	-	(1 322)	**(1 322)**
- Guarantees received	-	(760)	-	**(760)**
- Other	-	(92)	(2 304)	**(2 396)**
Total fee and commission expense	**(391 939)**	**(141 913)**	**(3 626)**	**(537 478)**
Net fee and commission income	**(57 678)**	**1 332 875**	**(3 626)**	**1 271 571**

	2018			
In thousands of Russian Roubles	Retail banking	Corporate banking	Investment banking	Total
Fee and commission income				
- Settlement transactions	111 683	472 399	-	**584 082**
- Plastic card transactions	203 660	294 747	-	**498 407**
- Cash transactions	-	262 115	-	**262 115**
- Guarantees issued	127	53 695	-	**53 822**
- Currency transactions	-	33 547	-	**33 547**
- Other	5 157	36 093	-	**41 250**
Total fee and commission income	**320 627**	**1 152 596**	**-**	**1 473 223**
Fee and commission expense				
- Plastic card transactions	(290 235)	-	-	**(290 235)**
- Settlement and currency transactions	-	(91 838)	-	**(91 838)**
- Cash collection	-	(51 890)	-	**(51 890)**
- Collateral authentication and valuation, mortgage registration	(35 105)	(15 791)	-	**(50 896)**
- Mobilisation of resources	-	-	(1 289)	**(1 289)**
- Guarantees received	-	(2 351)	-	**(2 351)**
- Other	-	(969)	(3 431)	**(4 400)**
Total fee and commission expense	**(325 340)**	**(162 839)**	**(4 720)**	**(492 899)**
Net fee and commission income	**(4 713)**	**989 757**	**(4 720)**	**980 324**

24 Other operating income

In thousands of Russian Roubles	2019	2018
Sales revenue from agricultural produce	440 172	-
Other	38 663	68 515
Total fee and commission income	**478 835**	**68 515**

25 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Notes	2019	2018
Salary		1 782 928	1 777 593
Expenses related to Joint-Stock Company Ptitsefabrika Belokalitvinskaya		447 043	-
Maintenance and lease of premises and equipment		263 969	330 161
Consulting and information services		236 688	165 882
Taxes other than on income		145 672	129 282
Depreciation of premises and equipment	11	169 223	123 301
Repair of premises and equipment		64 834	71 801
Telecommunications and postal charges		98 895	104 549
Amortisation of intangible assets	11	69 998	30 922
Benefits paid to the Board of Directors		65 113	67 730
Advertising and marketing services		33 388	31 753
Other staff costs		31 582	44 450
Insurance		23 577	22 955
Security		23 047	30 919
Stationary		22 634	25 094
Business trip and entertaining costs		16 098	19 054
Maintenance and repair of motor vehicles		16 280	17 971
Other		61 808	119 254
Total administrative and other operating expenses		**3 572 777**	**3 112 671**

Included in staff costs are contributions to statutory pension of RR 282 498 thousand, social security fund and obligatory medical insurance fund of RR 105 020 thousand (2018: RR 277 851 thousand and RR 104 423 thousand, respectively).

Expenses related to Joint-Stock Company Ptitsefabrika Belokalitvinskaya include cost of selling agricultural produce of RR 423 105 thousand and other expenses incurred on the poultry farm's operations.

26 Income Taxes

(a) Components of income tax expense

Income tax expense comprises the following:

In thousands of Russian Roubles	2019	2018
Current income tax expense	480 677	310 721
Deferred tax	52 542	81 399
Income tax expense for the year	**533 219**	**392 120**

26 Income Taxes (Continued)

(b) Reconciliation between income tax and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Group's 2019 income is 20% (2018: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	2019	2018
Profit before tax	**2 326 726**	**1 924 692**
Expected tax charge at statutory rate (2019: 20%; 2018: 20%)	465 345	384 938
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	67 874	7 182
Income tax expense for the year	**533 219**	**392 120**

(c) Deferred taxes analysed by type of temporary difference

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

In thousands of Russian Roubles	1 January 2019	Credited/(charged) to profit or loss	Business combination	31 December 2019
Loans to customers	69 771	(69 771)	-	-
Other assets and accruals	101 387	(46 746)	-	54 641
Other liabilities and accruals	34 991	2 650	-	37 641
Other	4 223	144 435	-	148 658
Total deferred tax assets	**210 372**	**30 568**	**-**	**240 940**
Loans to customers	-	(64 860)	-	(64 860)
Premises and equipment	(301 854)	(6 350)	-	(308 204)
Investment in associate	(54 686)	253	-	(54 433)
Other	(149 850)	(12 153)	(10 004)	(172 007)
Total deferred tax liability	**(506 390)**	**(83 110)**	**(10 004)**	**(599 504)**
Less offsetting with deferred tax assets	210 372	30 568	-	240 940
Net deferred tax liability	**(296 018)**	**(52 542)**	**(10 004)**	**(358 564)**

26 Income Taxes (Continued)

In thousands of Russian Roubles	1 January 2018	Credited/(charged) to profit or loss	Credited / (charged) directly to equity as a result of IFRS 9 adoption	31 December 2018
Loans to customers	19 296	(55 455)	105 930	69 771
Other assets and accruals	127 852	(26 465)	-	101 387
Other liabilities and accruals	10 611	24 380	-	34 991
Other	3 843	380	-	4 223
Total deferred tax asset	**161 602**	**(57 160)**	**105 930**	**210 372**
Premises and equipment	(298 602)	(3 252)	-	(301 854)
Investment in associate	(57 106)	2 420	-	(54 686)
Other	(126 443)	(23 407)	-	(149 850)
Total deferred tax liability	**(482 151)**	**(24 239)**	**-**	**(506 390)**
Less offsetting with deferred tax assets	161 602	(57 160)	105 930	210 372
Net deferred tax liability	**(320 549)**	**(81 399)**	**105 930**	**(296 018)**

The main part of the net deferred tax asset is expected to be settled in more than 12 months, or has no stated maturity.

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

27 Dividends

	31 December 2019		31 December 2018	
In thousands of Russian Roubles	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Dividends declared during the period	603 641	18 099	603 641	18 099
Dividends paid during the period	(603 641)	(18 069)	(603 641)	(18 087)
Other movements	-	30	-	12

In June 2019, the Bank declared dividends for 2018 on preference shares with a par value of RR 1 000 – RR 200 per share, on preference shares with a par value of RR 4 – RR 0.8 per share and on ordinary shares – RR 7.16 per share. Most of the dividends for 2018 were paid in August 2019.

In June 2018, the Bank declared dividends for 2017 on preference shares with a par value of RR 1 000 – RR 200 per share, on preference shares with a par value of RR 4 – RR 0.8 per share and on ordinary shares – RR 7.16 per share. Most of the dividends for 2017 were paid in July 2018.

27 Dividends (Continued)

Dividends were declared for payment in Russian Roubles. A part of declared dividends was not claimed by shareholders. Dividends not claimed within three years are returned to retained earnings.

28 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

	Liabilities from financing activities			
In thousands of Russian Roubles	**Bonds in issue**	**Borrowings from international financial institutions**	**Lease liabilities**	**Total**
Liabilities from financing activities at 1 January 2018	**589 652**	**996 297**	**-**	**1 585 949**
Cash flows	420 257	700 000	-	**1 120 257**
Other non-cash movements	2 183	24 519	-	**26 702**
Liabilities from financial activities at 31 December 2018	**1 012 092**	**1 720 816**	**-**	**2 732 908**
Transition to IFRS 16 "Leases".	-	-	187 668	**187 668**
Liabilities from financing activities at 1 January 2019	**1 012 092**	**1 720 816**	**187 668**	**2 920 576**
Cash flows	236 521	875 500	(36 729)	**1 075 292**
Other non-cash movements	(16 759)	15 709	-	**(1 050)**
Liabilities from financing activities at 31 December 2019	**1 231 854**	**2 612 025**	**150 939**	**3 994 818**

29 Financial Risk Management

The Group manages the whole range of risks it faces in the course of its operations. The focus is placed on the following risks: credit risk (including credit risk arising on interbank transactions, securities transactions and retail and corporate sectors), market risk (including currency, equity and interest rate risks), liquidity risk, operational risk (including legal, innovation and project risks), concentration risk, reputational risk, strategic risk, compliance risks, macroeconomic and political risks (including regional, banking industry, country and global economic risks) and key man risk.

The Bank's risk management function is viewed as a set of activities aimed to protect its assets.

29 Financial Risk Management (Continued)

The Group uses the following main risk management tools:

- Limiting accepted risks and risk concentration by setting limits;
- Managing positions;
- Creating collateral;
- Insuring risks;
- Covering risks by adequate reserves level;
- Covering risks by adequate capital level;
- Monitoring compliance with internal procedures and regulations;
- Improving business processes and procedures for transactions, assessments and risk acceptance.

The Bank manages risks on the basis of the document "Risk Management Policy of Public Join-Stock Company Commercial Bank "Center-invest" approved by the Bank's Board of Directors in September 2019. The policy regulates the Bank's risk management strategy, main requirements and strategy implementation procedures; mandatory business lines and types of risks to be monitored; interaction in the process of managing the Bank's risks.

The risk management strategy described in this document includes:

- balanced risk-taking by the bank based on correlation with the bank's risk appetite and profitability of business lines;
- priority of lending operations development with a focus on loans to individuals and small and medium-sized businesses engaged in real sectors of economy;
- mitigation and evaluation of market risks associated with assets on a regular basis;
- active risk management and consideration of their interdependence in management decision-making;
- adequate capital and reserves management.

Credit risk. Due to the business model used by the Bank, its 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 Bank's 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;

29 Financial Risk Management (Continued)

- 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 body (credit committees structure);
- 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 in the consolidated statement of financial position. For issued financial guarantees, commitments to extend credit, undrawn credit lines, the maximum exposure to credit risk is the amount of the commitment.

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.

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 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.

29 Financial Risk Management (Continued)

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 approaches in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies two approaches – an Internal Risk-Based (IRB) rating system or risk grades estimated by external international rating agencies (Standard & Poor's - "S&P", Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Past due days	Corresponding ratings of external international rating agencies (S&P)	Corresponding PD interval
Excellent	no more than 5	AAA to BB+	0.0%-1%
Good	6 – 30	BB+ – B+	1%-21%
Satisfactory	31 – 60	B, B-	21%-51%
Special monitoring	61 – 90	CCC+ – CC-	51%-99.9%
Default	over 90	C, D-I, D-II	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with a low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management;
- *Default* – facilities in which a default has occurred.

The IRB system is designed internally and ratings are estimated by management. The Group uses *a model-based system:* in this system, credit risk ratings are assigned by internally developed statistical models with the limited involvement of credit officers.

The Group applies IRB systems for measuring credit risk for the following financial assets: corporate loans, retail loans and finance lease receivables.

29 Financial Risk Management (Continued)

The rating models are regularly reviewed by the credit department and updated if necessary. The Group verifies the accuracy of ratings on a regular basis.

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 is determined by evaluating a range of possible outcomes.

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

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 the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. The Group's management estimates that 12-month and lifetime CCFs are basically the same.

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. The expected losses are discounted to present value at the end of the reporting period.

Discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit. As a matter of exception from determining the lifetime exposure based on contractual maturity, for credit cards issued to individuals, the lifetime exposure is measured over a period that is based on expected life of the credit card contracts, based on internal statistics, and equals one year on average.

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

The *12-month ECL* model represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

29 Financial Risk Management (Continued)

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets represent financial assets which are credit impaired at initial recognition.

Low credit risk financial assets (Stage 1) – assets and 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 corporate loans issued to and bonds issued by legal entities:

- 31 to 90 days past due except where it is reasonable to believe that this past-due status does not represent a SICR 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;

For loans to individuals:

- 31 to 90 days past due;
- 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 CBRF Regulation No. 590-P "On the Procedure for Making Loan Loss Provisions and Provisions for Loan Debts and Similar Debts by Credit Institutions";
- 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.

The assessment whether or not there has been a SICR since initial recognition is performed on an individual basis and on a portfolio basis. For corporate and retail loans measured at amortised cost, a SICR is assessed by monitoring the criteria set out below.

29 Financial Risk Management (Continued)

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 basis according to CBRF Regulation No. 590-P "On the Procedure for Making Loan Loss Provisions and Provisions for Loan Debts and Similar Debts by Credit Institutions";
- 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;
- 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 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.

ECL measurement – description of estimation techniques

General principle

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement.

- Stage 1 – for 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.

29 Financial Risk Management (Continued)

- 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. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

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 liabilities 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 EIR. The Group defines at least two possible outcomes for each loan, one of which is based on the assumption of negative outcome 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, 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.

In general, ECL is the product of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The general approach used for ECL calculation is stated below.

29 Financial Risk Management (Continued)

Two types of PDs are used for calculating ECL:

- 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 supportable 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 for off-balance sheet accounts includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment (ExOff). CCF for undrawn credit lines opened for legal entities and individuals, credit cards issued to individuals and financial guarantees is defined based on statistical analysis of exposure at default. CCF for overdrafts is defined as 100% since the limits can be used by the customers at any time.

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 the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

29 Financial 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 forecast, the projections and likelihoods of 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.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. The Bank manages market risks and monitors corresponding limits on a regular basis. Market risks are managed in respect of each component and in general on the basis of the following principles:

- Ongoing monitoring of trading transactions;
- Setting limits on financial investments;
- Setting limits on homogeneous financial instrument portfolios;
- Monitoring and evaluation of the level of market risk;
- Covering market risks through ensuring an adequate capital level.

The management sets limits in respect of the level of capital allocated for coverage of market risk.

At 31 December 2019, the level of market risk was RR 4 778 thousand under a limit of RR 1 866 271 thousand (2018: RR 6 805 thousand under a limit of RR 1 773 307 thousand).

Currency risk. The Group is exposed to currency risk associated with losses resulting from fluctuations of market values of open positions in different currencies. Exposure to currency risk is evaluated on the basis of VaR. The size of the currency position is regulated through matching assets and liabilities balances in foreign currencies. The Group seeks to decrease the open currency position, thereby decreasing its exposure to currency risk. The Bank manages its currency position by using currency swaps and forwards in the interbank market and other transactions. The Group is not exposed to the risks associated with changes in precious metals' prices due to the absence of such transactions.

29 Financial Risk Management (Continued)

At 31 December 2019, the ten day VaR level was RR 1 593 thousand (2018: RR 2 268 thousand).

Since VaR is used for management of certain risks, for the purpose of these consolidated financial statements the level of currency risk is examined on the basis of simple sensitivity, calculated based on open currency position of the Group at the reporting date.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

In thousands of Russian Roubles	31 December 2019 Monetary financial assets	Monetary financial liabilities	Foreign exchange spot contracts	Net position	31 December 2018 Monetary financial assets	Monetary financial liabilities	Foreign exchange spot contracts	Net position
Russian Roubles	109 497 853	(101 847 853)	-	**7 650 000**	103 719 579	(94 814 679)	438 774	**9 343 674**
US Dollars	2 123 696	(2 026 973)	-	**96 723**	2 937 653	(2 400 087)	(459 316)	**78 250**
Euro	705 776	(718 696)	-	**(12 920)**	1 226 277	(1 240 901)	21 460	**6 836**
Other	64 951	(23 068)	-	**41 883**	47 503	(19 318)	2 562	**30 747**
Total	**112 392 276**	**(104 616 590)**	**-**	**7 775 686**	**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.

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

In thousands of Russian Roubles	2019 Impact on profit or loss	Impact on profit or loss	2018 Impact on profit or loss	Impact on equity
US Dollar strengthening by 11% (2018: 21%)	8 512	8 512	13 146	13 146
US dollar weakening by 11% (2018: 21%)	(8 512)	(8 512)	(13 146)	(13 146)
Euro strengthening by 13% (2018: 15%)	(1 344)	(1 344)	820	820
Euro weakening by 13% (2018: 15%)	1 344	1 344	(820)	(820)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

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

Interest rate risk is managed based on the analysis of the structure of the Group's assets and liabilities by interest repricing dates.

The management monitors exposure to interest rate risk on a quarterly basis and sets limits on the level of interest rate risk that may be undertaken.

29 Financial Risk Management (Continued)

The Group evaluates new products from the perspective of their impact on interest rate risk. The Treasury Department of the Group operates daily within approved limits on the level of interest rate risk whereas the Risk Management Department independently monitors compliance of actual level of interest rate to the approved limits.

To manage interest rate risk, the Group uses fixed and floating interest rates for attracted funds.

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

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	Over one year	Non-interest bearing assets	Total
31 December 2019							
Total financial assets	31 186 334	5 616 784	5 326 895	13 636 172	56 620 075	6 016	**112 392 276**
Total financial liabilities	(26 151 462)	(4 649 327)	(8 298 422)	(3 939 037)	(61 578 342)	-	**(104 616 590)**
Net interest sensitivity gap at 31 December 2019	**5 034 872**	**967 457**	**(2 971 527)**	**9 697 135**	**(4 958 267)**	**6 016**	**7 775 686**

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	Over one year	Non-interest bearing assets	Total
31 December 2018							
Total financial assets	22 828 119	6 281 599	5 093 247	15 940 995	57 784 535	5 997	107 934 492
Total financial liabilities	(30 801 107)	(9 748 610)	(18 970 846)	(6 706 546)	(32 247 876)	-	(98 474 985)
Net interest sensitivity gap at 31 December 2018	**(7 972 988)**	**(3 467 011)**	**(13 877 599)**	**9 234 449**	**25 536 659**	**5 997**	**9 459 507**

All of the Group's debt instruments reprice within five years (2018: all reprice within five years).

At 31 December 2019, if interest rates had been 200 basis points lower/higher, with all other variables held constant, profit for the year would have been RR107 303 thousand (2018: if interest rates had been 200 basis points higher/lower, profit would have been RR 533 594thousand) higher/lower, due to the structure and repricing timing of attracted and invested funds.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by the Group's key management personnel.

29 Financial Risk Management (Continued)

	2019				2018			
In % p.a.	**RR**	**USD**	**EUR**	**Other**	**RR**	**USD**	**EUR**	**Other**
Assets								
Due from other banks								
- Placements with the Central Bank of the Russian Federation	6.0	-	-	-	7.6	-	-	-
Loans and advances to customers:								
- Corporate loans	8.1	4.0	-	-	10.9	4.0	-	-
- Loans to SME	11.9	-	-	-	12.3	-	-	-
- Loans to individuals – consumer loans	12.8	4.0	-	-	13.6	4.0	-	-
- Loans to individuals – car loans	12.6	-	-	-	12.9	-	-	-
- Loans to individuals – mortgage loans	9.9	12.4	-	-	10.3	12.4	-	-
Finance lease receivables	19.0	-	-	-	19.0	-	-	-
Liabilities								
Customer accounts								
- Current accounts of legal entities	0.9	-	-	-	0.8	-	-	-
- Demand deposits of individuals	0.2	-	-	-	0.2	0.1	0.1	0.1
- Term deposits of legal entities	4.9	-	-	-	5.7	1.5	-	-
- Term deposits of individuals	7.0	1.7	-	0.1	6.7	1.4	0.1	0.1
Promissory notes issued	6.6	-	-	-	6.8	-	-	-
Bonds in issue	7.8	-	-	-	8.4	-	-	-
Lease liabilities	10.0	-	-	-				
Loans from international financial institutions.	10.3	-	-	-	9.8	-	-	-

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

Other price risk. The Group has limited exposure to debt securities price risk.

The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity for the year and at the current reporting date would not have been significantly impacted by changes in early repayment rates because such loans are carried at amortised cost and the early repayment amount is at or close to the amortised cost of loans to customers.

29 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 31 December 2019 is set out below:

In thousands of Russian Roubles	Russia	USA	Europe	Other countries	Total
Financial assets					
Cash and cash equivalents	10 254 829	673 389	124 277	-	**11 052 495**
Mandatory cash balances with CBRF	763 172	-	-	-	**763 172**
Due from other banks	14 502 371	-	-	-	**14 502 371**
Loans to customers and finance lease receivables	84 586 715	-	468 219	71	**85 055 005**
Other financial assets	1 019 233	-	-	-	**1 019 233**
Total financial assets	**111 126 320**	**673 389**	**592 496**	**71**	**112 392 276**
Financial liabilities					
Customer accounts	99 289 164	3 578	91 274	59 046	**99 443 062**
Debt securities in issue	2 115 221	-	-	-	**2 115 221**
Borrowings from international financial institutions	-	-	2 612 025	-	**2 612 025**
Other financial liabilities	295 343	-	-	-	**295 343**
Lease liabilities	150 939	-	-	-	**150 939**
Total financial liabilities	**101 850 667**	**3 578**	**2 703 299**	**59 046**	**104 616 590**
Net position in on-balance sheet financial instruments	**9 275 653**	**669 811**	**(2 110 803)**	**(58 975)**	**7 775 686**
Credit related commitments (Note 32)	**8 847 370**	-	-	-	**8 847 370**

Assets, liabilities and credit related commitments have been classified based on the country in which the counterparty is located. Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

The geographical concentration of the Group's financial assets and liabilities at 31 December 2018 is set out below:

In thousands of Russian Roubles	Russia	USA	Europe	Other countries	Total
Financial assets					
Cash and cash equivalents	8 437 961	71 951	197 713	4 390	**8 712 015**
Mandatory cash balances with CBRF	740 650				**740 650**
Due from other banks	9 708 809	-	-	-	**9 708 809**
Loans to customers and finance lease receivables	87 330 388	-	691 655	647	**88 022 690**
Other financial assets	750 328	-	-	-	**750 328**
Total financial assets	**106 968 136**	**71 951**	**889 368**	**5 037**	**107 934 492**
Financial liabilities					
Customer accounts	95 096 549	1 370	64 518	75 755	**95 238 192**
Debt securities in issue	1 325 096	-	-	-	**1 325 096**
Borrowings from international financial institutions	-	-	1 090 301	630 515	**1 720 816**
Other financial liabilities	190 881	-	-	-	**190 881**
Total financial liabilities	**96 612 526**	**1 370**	**1 154 819**	**706 270**	**98 474 985**
Net position in on-balance sheet financial instruments	**10 355 610**	**70 581**	**(265 451)**	**(701 233)**	**9 459 507**
Credit related commitments (Note 32)	**8 866 368**	**-**	**-**	**-**	**8 866 368**

29 Financial Risk Management (Continued)

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of the capital. Refer to Note 8.

Liquidity risk. Liquidity risk is determined as the risk of facing difficulties associated with the transformation of assets into cash required for repayment of liabilities upon maturity, the real cost of the asset remaining unchanged.

The Asset and Liability Committee of the Bank is a regulatory and consultative body in charge of liquidity risk management. It coordinates actions of the Bank's units that have a direct or indirect impact on liquidity and cooperates with the Credit Committee in respect of liquidity issues.

Operational liquidity management is carried out by the Bank's Treasury on a daily basis through maintaining the overall liquidity reserve, consisting of balances on the Bank's correspondent accounts, cash on hand, due from other banks – primary liquidity reserve, and high liquid securities – secondary liquidity reserve. The Treasury monitors the Bank's payment position on a daily basis.

Efficient liquidity management is ensured through forecasting and reviewing liquidity gaps calculated as the difference between assets and liabilities (including off-balance sheet positions) by maturity. Based on forecast data, the Bank prepares a schedule of future cash receipts and payments and sets its own liquidity surplus (deficit) ratios. These are approved by the Audit and Compliance Committee at the Board of Directors, regularly controlled by the Asset and Liability Committee and are used in the current operations of the Bank.

The liquidity management of the Group requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of the Russian Federation. These ratios are:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly liquid assets to liabilities payable on demand. The ratio was 172.4% at 31 December 2019 (2018: 113.1%);
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 472.2% at 31 December 2019 (2018: 196.8%);
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The ratio was 55.3% at 31 December 2019 (2018: 58.3%).

The table below shows liabilities at 31 December 2019 by their remaining contractual maturity. The liability amounts disclosed in the table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the amount in the consolidated statement of financial position is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

29 Financial Risk Management (Continued)

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	Total
Liabilities						
Customer accounts	25 534 380	2 273 666	7 849 099	4 144 875	68 243 174	**108 045 194**
Debt securities in issue	537 391	274 449	71 918	188 977	1 228 170	**2 300 905**
Borrowings from international financial institutions	-	51 497	410 109	1 164 501	1 051 399	**2 677 506**
Other credit related commitments	165 631	1 242 597	1 402 839	4 121 699	1 947 361	**8 880 127**
Other Financial Liabilities	147 620	18 679	20 358	82 504	25 102	**294 263**
Lease liabilities	42 316	-	-	57	108 566	**150 939**
Total potential future payments for financial liabilities	**26 427 338**	**3 860 888**	**9 754 323**	**9 702 613**	**72 603 772**	**122 348 934**

Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment disclosed in the above maturity analysis because the Group does not generally expect the third party to draw funds under the agreement. Contingent liabilities are disclosed in Note 32.

The maturity analysis of financial instruments 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	Total
Liabilities						
Customer accounts	30 510 579	9 478 308	17 626 663	6 151 879	31 832 514	95 599 943
Debt securities in issue	760 068	66 480	227 196	36 419	-	1 090 163
Borrowings from international financial institutions	-	2 640	670 518	549 684	660 733	1 883 575
Gross settled forwards	518 189	-	-	-	-	518 189
Other credit related commitments	297 801	1 605 783	1 428 124	3 318 780	2 215 879	8 866 367
Other Financial Liabilities	55 946	12 259	3 475	72 569	27 519	171 768
Total potential future payments for financial liabilities	**32 142 583**	**11 165 470**	**19 955 976**	**10 129 331**	**34 736 645**	**108 130 005**

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

29 Financial Risk Management (Continued)

The Group does not use the above maturity analysis of liabilities to manage liquidity. Instead, the Group monitors expected maturities, which may be summarised as follows at 31 December 2019.

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	11 052 495	-	-	-	-	-	-	**11 052 495**
Mandatory cash balances with the Central Bank of the Russian Federation	763 172	-	-	-	-	-	-	**763 172**
Due from other banks	14 502 371	-	-	-	-	-	-	**14 502 371**
Loans to customers and finance lease receivables	1 761 780	4 190 253	4 968 758	13 491 682	33 855 116	26 787 416	-	**85 055 005**
Other financial assets	778 484	157 676	2 652	-	74 405	-	6 016	**1 019 233**
Total assets	**28 858 302**	**4 347 929**	**4 971 410**	**13 491 682**	**33 929 521**	**26 787 416**	**6 016**	**112 392 276**
Liabilities								
Customer accounts	2 125 476	1 946 423	7 352 195	3 274 273	84 744 695	**-**	**-**	**99 443 062**
Debt securities in issue	534 949	271 517	726 552	582 203	-	-	-	**2 115 221**
Borrowings from international financial institutions	-	51 496	399 317	1 160 942	1 000 270	-	-	**2 612 025**
Other financial liabilities	147 620	18 679	20 358	82 504	25 102	1 080	-	**295 343**
Lease liabilities	42 316	-	-	57	99 875	8 691	-	**150 939**
Total potential future payments for financial liabilities	**2 850 361**	**2 288 115**	**8 498 422**	**5 099 979**	**85 869 942**	**9 771**	**-**	**104 616 590**
Liquidity gap arising from financial instruments at 31 December 2019	**26 007 941**	**2 059 814**	**(3 527 012)**	**8 391 703**	**(51 940 421)**	**26 777 645**	**6 016**	**7 775 686**
Cumulative liquidity gap at 31 December 2019	**26 007 941**	**28 067 755**	**24 540 743**	**32 932 446**	**(19 007 975)**	**7 769 670**	**7 775 686**	

29 Financial Risk Management (Continued)

The above analysis is 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 Bank of Russia that can be used in case of the need.

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 the 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**
Other financial assets	495 509	217 482	3 244	-	28 096	-	5 997	**750 328**
Total assets	**21 404 578**	**4 541 897**	**4 769 659**	**14 368 776**	**38 050 683**	**24 792 902**	**5 997**	**107 934 492**
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**
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**
Total potential future payments for financial liabilities	**575 406**	**9 751 250**	**18 970 845**	**6 703 907**	**62 473 577**	**-**	**-**	**98 474 985**
Liquidity gap arising from financial instruments at 31 December 2018	**20 829 172**	**(5 209 353)**	**(14 201 186)**	**7 664 869**	**(24 422 894)**	**24 792 902**	**5 997**	**9 459 507**
Cumulative liquidity gap at 31 December 2018	**20 829 172**	**15 619 819**	**1 418 633**	**9 083 502**	**(15 339 392)**	**9 453 510**	**9 459 507**	

29 Financial Risk Management (Continued)

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

The management of the Group believes that in spite of a substantial liquidity gap, diversification of liabilities by number and type of creditors, the past experience and liability dynamics in 2019 and 2018 would indicate that these funds provide a stable source of funding for the Group.

Operational risk. To ensure efficient risk management, the Bank has created an operational risk monitoring and management system. Currently, the Bank uses the Base Indicative Approach (BIA) to operational risk evaluation. Operational risks are managed on the basis of the regulation approved by the Bank's Executive Board. This activity includes the following:

- ongoing collecting and analysing information on operating losses;
- identifying sources of operational risk in the credit institution's activity;
- identifying and preventing fraud in banking transactions;
- developing regulations and actions for decreasing the level of operational risk;
- covering risks by maintaining adequate capital level.

The Bank implemented an efficient system for identifying and preventing fraud transactions with plastic cards and in remote banking service systems. The Bank's information security and continuity are ensured by the Bank's Information Security Policy developed on the basis of ISO and approved by the Board of Directors. The Bank has adopted the set of documents on the Bank of Russia's standardisation "Ensuring Information Security of the Banking System of the Russian Federation". The Bank has a policy that insures its property interests associated with ownership, use and disposal of the Bank's property and also with unforeseen expenses (losses) incurred by the Bank in its operations.

Offsetting financial assets and financial liabilities. Repurchase receivables are offset against liabilities under repo agreements if contractual obligations are not performed.

30 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.

30 Segment Analysis (Continued)

(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 and leasing. 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 adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

(i) for operating decisions, the latest non-consolidated information not adjusted for subsequent events is used;

(ii) income taxes are not allocated to segments;

(iii) loan provisions are recognised based IFRS 9 and interpretations issued by the Central Bank of Russian Federation, and can be different from provisions reported under IFRS;

(iv) commission income related to lending and commission expenses on borrowings are recognised immediately rather than deferred using the effective interest method;

(v) 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;

(vi) funds are generally reallocated between segments ignoring internal interest rates.

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

30 Segment Analysis (Continued)

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

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

In thousands of Russian Roubles	Lending and leasing	Treasury	Retail banking	Total
2019				
External revenues:				
Interest income	10 035 865	621 786	71 595	**10 729 246**
Fee and commission income and other operating income	378 146	1 327 853	862 245	**2 568 244**
Total revenues	**10 414 011**	**1 949 639**	**933 840**	**13 297 490**
Interest expense	-	(692 153)	(4 804 404)	**(5 496 557)**
Impairment loss provision	73 379	17 932	(30 477)	**60 834**
Fee and commission expenses and other expenses	(520 918)	(101 673)	(365 841)	**(988 432)**
Segment result	**9 966 472**	**1 173 745**	**(4 266 882)**	**6 873 335**
Total segment assets	**86 602 374**	**15 962 200**	**-**	**102 564 574**
Total segment liabilities	**-**	**(17 018 533)**	**(87 295 707)**	**(104 314 240)**

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

In thousands of Russian Roubles	Lending and leasing	Treasury	Retail banking	Total
2018				
External revenues:				
Interest income	10 204 991	612 775	84 977	**10 902 743**
Fee and commission income and other operating income	434 488	818 581	802 370	**2 055 439**
Total revenues	**10 639 479**	**1 431 356**	**887 347**	**12 958 182**
Interest expense	-	(471 202)	(4 725 175)	**(5 196 377)**
Impairment loss provision	(1 687 888)	11 570	(924)	**(1 677 242)**
Fee and commission expenses and other expenses	(138 622)	(106 979)	(312 409)	**(558 010)**
Segment result	**8 812 969**	**864 745**	**(4 151 161)**	**5 526 553**
Total segment assets	**86 461 001**	**9 896 947**	**-**	**96 357 948**
Total segment liabilities	**-**	**(16 691 219)**	**(81 036 427)**	**(97 727 646)**

30 Segment Analysis (Continued)

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

In thousands of Russian Roubles	2019	2018
Total revenues for reportable segments	**13 297 490**	**12 958 182**
Effective interest method application	-	(16 032)
Fair value remeasurement of financial assets	-	14 155
Recognition of additional interest income on impaired loans	(10 128)	(178 841)
Foreign exchange translation gains less losses / (losses less gains)	66 895	(109 003)
(Losses less gains) / gains less losses from conversion operations on interbank market	(50 632)	54 911
Consolidation effect	7 499	7 049
Joint-Stock Company Ptitsefabrika Belokalitvinskaya	329 830	-
Other	(5 180)	(99 111)
Total consolidated revenues	**13 635 774**	**12 631 310**

Total consolidated revenues comprise interest income, fee and commission income, gains less losses on transactions with trading securities, foreign currency, income from assignment, repayment of debt earlier written off and other operating income.

In thousands of Russian Roubles	2019	2018
Total reportable segment result	**6 873 335**	**5 526 553**
Administrative expenses	(3 741 319)	(3 835 803)
Effective interest method application	-	(107 874)
Fair value remeasurement of financial assets and liabilities	(3 391)	19 610
Recognition of additional interest income on impaired loans	(9 740)	(149 442)
Remeasurement of provision for impairment	(893 565)	530 974
Consolidation effect	1 914	(13 718)
Joint-Stock Company Ptitsefabrika Belokalitvinskaya	(1 115)	-
Events after the end of the reporting period	(163 651)	(102 112)
Amortisation remeasurement	26 250	35 924
Other	238 008	20 580
Profit before tax	**2 326 726**	**1 924 692**

In thousands of Russian Roubles	2019	2018
Total reportable segment assets	**102 564 574**	**96 357 948**
Unallocated assets	18 119 151	14 182 933
Remeasurement of provision for impairment	46 671	635 625
Attributing interest income on impaired loans	-	1 146 165
Application of effective interest rate method to fee and commission income	(25 469)	(246 777)
Finance lease adjustment	(7 710)	(23 344)
Consolidation effect	215 945	241 337
Joint-Stock Company Ptitsefabrika Belokalitvinskaya	(1 327 113)	-
Other	(65 069)	(127 834)
Total consolidated assets	**119 520 980**	**112 166 053**
Total reportable segment liabilities	**104 314 240**	**97 727 646**
Unallocated liabilities	1 154 770	1 482 233
Application of effective interest rate method to fee and commission expenses	(15 898)	(15 215)
Consolidation effect	(151 234)	(156 257)
Joint-Stock Company Ptitsefabrika Belokalitvinskaya	(197)	-
Total consolidated liabilities	**105 301 681**	**99 038 407**

30 Segment Analysis (Continued)

Unallocated assets include cash, premises and equipment and intangible assets, investment properties and other assets, unallocated liabilities – other liabilities.

(f) Analysis of revenues by products and services

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

(g) Major customers

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

31 Management of Capital

The Group's objectives when managing capital are: (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%. Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank's Chairman of the Executive Board and Chief Accountant. Other objectives of capital management are evaluated annually.

The Group and the Bank are also subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated in April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated in November 2005), commonly known as Basel I. The composition of the Group's capital calculated in accordance with Basel I is as follows:

In thousands of Russian Roubles	**31 December 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	9 682 312	8 460 303
Business combination	(96 256)	-
Total tier 1 capital	**12 991 193**	**11 865 440**
Tier 2 capital		
Revaluation reserve for land and premises	1 228 156	1 262 206
Total tier 2 capital	**1 228 156**	**1 262 206**
Total equity	**14 219 349**	**13 127 646**

At 31 December 2019, the Bank's capital adequacy ratio, calculated in accordance with Basel I is 18.4% (2018: 16.7%).

The management of the Bank believes that the Group and the Bank complied with all regulatory capital requirements throughout 2019 and 2018. Information on covenants related to borrowings is disclosed in Note 32.

32 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 December 2019, the Group was engaged in litigation proceedings in relation to claims from borrowers and lessees. Provision for such proceedings was made in the amount of RR 1 549 thousand (2018: RR 929 thousand), as professional advice has indicated that it is likely that a loss will eventuate. Refer to Note 20.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax liability assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of RR 27 487 thousand (2018: RR 13 744 thousand). These tax risks primarily relate to potential additional calculation of income tax on income of foreign entities, which the Bank should have charged as a tax agent when making interest payments to non-resident banks under interest-bearing loans received in previous periods (Note 18).

These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

Capital expenditure commitments. At 31 December 2019 and 2018, the Group did not have contractual capital expenditure commitments in respect of premises and equipment, and software and other intangible assets.

Future cash outflows related to lease contracts as at 31 December 2019. At 31 December 2019, the Group had no long-term leases of land plots with rentals linked to cadastral value, buildings with daily rental indexation based on the Consumer Price Index or buildings with extension options. Therefore the Group had no future cash outflows not recorded in its lease liabilities as at 31 December 2019.

32 Contingencies and Commitments (Continued)

Compliance with covenants. The Group is subject to certain covenants 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.

The Group was in compliance with covenants at 31 December 2019 and 31 December 2018.

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 or borrowings.

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.

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2019 is as follows. Refer to Note 29 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to credit related commitments.

In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Commitments to extend credit or loan facilities, which are revocable only if loans become past due, to:				
- legal entities	5 873 171	470	27 520	**5 901 161**
- individuals	1 511 113	-	37	**1 511 150**
Financial guarantees issued	1 435 059	-	-	**1 435 059**
Unrecognised gross amount	**8 819 343**	**470**	**27 557**	**8 847 370**
Provision for credit related commitments	**(104 393)**	**(13)**	**(14 174)**	**(118 580)**

32 Contingencies and Commitments (Continued)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2018 is as follows.

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Commitments to extend credit or loan facilities, which are revocable only if loans become past due, to:				
- 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)**

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2018 is as follows:

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Commitments to extend credit or loan facilities, which are revocable only if loans become past due, to legal entities:				
- Excellent	2 755 217	-	-	**2 755 217**
- Good	3 117 954	470	-	**3 118 424**
- Satisfactory	-	-	-	**-**
- Special monitoring	-	-	27 520	**27 520**
Gross carrying amount	**5 873 171**	**470**	**27 520**	**5 901 161**
Credit loss allowance	(50 651)	(13)	(14 174)	**(64 838)**
Carrying amount	**5 822 520**	**457**	**13 346**	**5 836 323**

32 Contingencies and Commitments (Continued)

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Commitments to extend credit or loan facilities, which are revocable only if loans become past due, to individuals				
- Excellent	31 018	-	-	**31 018**
- Good	1 480 095	-	-	**1 480 095**
- Satisfactory	-	-	-	**-**
- Special monitoring	-	-	37	**37**
Gross carrying amount	**1 511 113**	**-**	**37**	**1 511 150**
Credit loss allowance	(50 310)	-	-	**(50 310)**
Carrying amount	**1 460 803**	**-**	**37**	**1 460 840**

At 31 December 2019, financial guarantees issued are classified into Stage 1 (12-month ECLs) for ECL measurement purposes and total RR 1 435 059 thousand, including RR 962 481 thousand ("excellent" level) and RR 472 578 thousand ("good" level). Credit loss allowance for financial guarantees issued at 31 December 2019 amounts to RR 3 432 thousand.

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2018 is as follows.

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Commitments to extend credit or loan facilities, which are revocable only if loans become past due, to legal entities				
- Excellent	2 611 545	-	-	**2 611 545**
- Good	2 704 046	27 423	-	**2 731 469**
- Satisfactory	-	9 346	-	**9 346**
- Special monitoring	-	4	23 619	**23 623**
Gross carrying amount	**5 315 591**	**36 773**	**23 619**	**5 375 983**
Credit loss allowance	(46 150)	(2 770)	(6 889)	**(55 809)**
Carrying amount	**5 269 441**	**34 003**	**16 730**	**5 320 174**

32 Contingencies and Commitments (Continued)

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Commitments to extend credit or loan facilities, which are revocable only if loans become past due, to individuals				
- Excellent	93 258	-	-	**93 258**
- Good	1 655 031	-	-	**1 655 031**
Gross carrying amount	**1 748 289**	**-**	**-**	**1 748 289**
Credit loss allowance	(52 388)	-	-	**(52 388)**
Carrying amount	**1 695 901**	**-**	**-**	**1 695 901**

At 31 December 2018, financial guarantees issued are classified into Stage 1 (12-month ECLs) for ECL measurement purposes and total RR 1 742 096 thousand, including RR 1 243 969 thousand ("excellent" level) and RR 498 127 thousand ("good" level). Credit loss allowance for financial guarantees issued at 31 December 2018 amounts to RR 4 657 thousand.

Refer to Note 29 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to credit related commitments.

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 December 2019, fair value of credit related commitments was RR 14 537 thousand (31 December 2018: RR 19 113 thousand).

All undrawn credit facilities 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 December 2019, due from other banks balances and overnight deposits with other banks of RR 106 478 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 763 172 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.

33 Foreign Exchange Spot Contracts

The table below sets out fair values at the end of the reporting period of currencies receivable or payable under foreign exchange spot contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts are short term in nature.

33 Foreign Exchange Spot Contracts (Continued)

In thousands of Russian Roubles	2019 Contracts with positive fair value	2019 Contracts with negative fair value	2018 Contracts with positive fair value	2018 Contracts with negative fair value
Foreign exchange spot contracts: fair value at the end of the reporting period				
- USD receivable on settlement (+)	-	-	12 056	-
- USD payable on settlement (-)	-	-	(462 660)	(8 711)
- EUR receivable on settlement (+)	-	-	-	26 726
- EUR payable on settlement (-)	-	-	(5 266)	-
- CNY receivable on settlement (+)	-	-	-	2 562
- RR receivable on settlement (+)	-	-	471 631	8 695
- RR payable on settlement (-)	-	-	(12 036)	(29 516)
Net fair value of foreign exchange spot contracts	**-**	**-**	**3 725**	**(244)**

Foreign exchange spot contracts entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. The contracts have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of foreign exchange spot contracts can significantly fluctuate from time to time.

34 Fair Value

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 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 (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies 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.

34 Fair Value (Continued)

(a) Recurring fair value measurements

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

In thousands of Russian Roubles	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Financial assets								
Other financial assets								
- Other securities at FVTPL	-	-	6 016	**6 016**	-	-	5 997	**5 997**
- Spot transactions	-	-	-	**-**	-	3 481	-	**3 481**
Non-financial assets								
- Investment properties	-	-	1 450 172	**1 450 172**	-	-	510 371	**510 371**
- Premises and land (Note 4)	-	-	2 872 277	**2 872 277**	-	-	2 293 874	**2 293 874**
Total assets recurring fair value measurements	**-**	**-**	**4 328 465**	**4 328 465**	**-**	**3 481**	**2 810 242**	**2 813 723**

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2019 (2018: none).

Due to absence of the current active market for the Group's premises and investment property categorised as Level 3, the estimation of fair value of these assets includes assumptions not directly supportable by observed market prices or rates.

Assessment by management of fair value of the Group’s premises and equipment and investment property has been performed by using the sales comparison method, which involves a review of available market data on sales offers of comparable properties and making adjustments in the prices to reflect the differences between the properties offered and the properties owned by the Group. The principal assumptions applied in valuation models of fair value include adjustments to price of similar items for location and area of specific properties of the Group.

34 Fair Value (Continued)

(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 of Russian Roubles	31 December 2019 Level 1	Level 2	Level 3	Carrying amount
FINANCIAL ASSETS				
Cash and cash equivalents	11 052 495	-	-	**11 052 495**
Mandatory cash balances with the Central Bank of the Russian Federation	-	763 172	-	**763 172**
Due from other banks	-	14 502 371	-	**14 502 371**
Loans and advances to customers	-	-	86 398 260	**84 861 226**
- Corporate loans	-	-	31 874 409	**32 084 028**
- Loans to individuals – consumer and car loans	-	-	17 554 414	**17 317 729**
- Mortgage loans	-	-	36 969 437	**35 459 469**
Finance lease receivables	-	-	209 473	**193 779**
Other financial assets	-	-	1 013 217	**1 013 217**
NON-FINANCIAL ASSETS				
- Investment in associate	-	-	292 096	**292 096**
TOTAL	**11 052 495**	**15 265 543**	**87 913 046**	**112 678 356**

In thousands of Russian Roubles	31 December 2018 Level 1	Level 2	Level 3	Carrying amount
FINANCIAL ASSETS				
Cash and cash equivalents	8 712 015	-	-	**8 712 015**
Mandatory cash balances with the Central Bank of the Russian Federation	-	740 650	-	**740 650**
Due from other banks	-	9 708 809	-	**9 708 809**
Loans and advances to customers	-	-	88 211 738	**87 852 471**
- Corporate loans	-	-	35 018 304	**35 176 346**
- 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	**8 7112 015**	**10 449 459**	**89 415 475**	**108 218 377**

34 Fair Value (Continued)

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

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

In thousands of Russian Roubles	31 December 2019 Level 1	Level 2	Level 3	Carrying amount
FINANCIAL LIABILITIES				
Customer accounts	-	99 443 062	-	**99 443 062**
Debt securities in issue	-	-	2 115 221	**2 115 221**
- Promissory notes	-	-	*883 367*	***883 367***
- Bonds issued on domestic market	-	-	*1 231 854*	***1 231 854***
Borrowings from international financial institutions	-	*2 612 025*	-	***2 612 025***
Other financial liabilities	-	-	*295 343*	***295 343***
TOTAL	**-**	**102 055 087**	**2 410 564**	**104 465 651**

In thousands of Russian Roubles	31 December 2018 Level 1	Level 2	Level 3	Carrying amount
FINANCIAL LIABILITIES				
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	**-**	**96 959 008**	**1 515 977**	**98 474 985**

The fair values in Level 2 and Level 3 of fair value hierarchy were estimated using the discounted cash flow valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Discount rates used depend on the currency, maturity of the instrument and credit risk of the counterparty. These main discount rates are analysed below:

In thousands of Russian Roubles	**2019**	**2018**
RR		
Loans to customers		
Loans to small and medium-sized businesses	10.7 – 12.2%	10.1 – 12.2%
Corporate loans	8.8 – 10.6%	9.6 – 11.4%
Loans to individuals – consumer loans	12.1 – 12.3%	12.8 – 13.0%
Loans to individuals – car loans	11.1 – 12.5%	10.7 – 13.8%
Loans to individuals – mortgage loans	8.9 – 9.1%	8.9 – 9.2%
Finance lease receivables	15.7 - 19.1%	15.7-19.1%
Customer accounts		
Term deposits of individuals	2.0 – 8.5%	2.0 – 8.0%
Term deposits of enterprises	2.0 – 8.3%	3.0 – 7.0%
Borrowings from international financial institutions	9.5-10.8%	8.8-10.6%

34 Fair Value (Continued)

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

In thousands of Russian Roubles	**2019**	**2018**
Currency		
Loans to customers		
- Corporate loans and loans to SME	4.0%	4.0%
Loans to individuals – consumer loans	4.0%	4,0%
Mortgage loans	4.0%	4.0%
Customer accounts		
Term deposits of individuals	0.1 – 3.0%	0.1-2.0%

Current rates on the Group's liabilities approximate market rates as they relate to short-term instruments or instruments with floating rates.

The Group’s liabilities to its customers are subject to state deposit insurance scheme. The fair value of these liabilities reflects these credit enhancements.

35 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 “Financial Instruments” classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) financial assets at FVOCI, and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition.

As at 31 December 2019 and 31 December 2018, all financial assets were designated as “Financial assets at amortised cost”, except for foreign exchange spot contracts and other securities at fair value through profit and loss.

As at 31 December 2019 and 31 December 2018, all financial liabilities of the Group are recorded at amortised cost.

36 Related Party Transactions

For the purpose of these consolidated financial statements, 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 consolidated financial statements of the Group include the following transactions and balances with related parties:

36 Related Party Transactions (Continued)

	31 December 2019		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Correspondent accounts with banks	98 433	-	-
Gross amount of loans and advances to customers (contractual interest rate: 8.0%-13.5%)	-	-	5 801
Customer accounts (contractual interest rate: 0.01% − 7.25%)		15 118	104 966
Borrowings from international financial institutions (contractual interest rate: 9.5%)	988 591	-	-
Bonds issued (coupon rate: 7.5%-8.5%)	-	-	37 869

	2019		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Amounts lent to related parties during the year	-	297 000	-
Amounts repaid by related parties during the year	-	65 000	-

	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

	2018		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Amounts lent to related parties during the year	-	40 000	3 000
Amounts repaid by related parties during the year	-	170 000	8 915

	2019		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Interest income	-	1 502	737
Interest expense	(59 664)	(697)	(7 653)
Fee and commission income	-	1 335	31
Administrative expenses excluding management remuneration	-	-	1 453

	2018		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Interest income	-	6 616	469
Interest expense	(164)	-	(4 864)
Fee and commission income	-	1 559	26
Administrative expenses excluding management remuneration	-	-	(6 014)

36 Related Party Transactions (Continued)

Major shareholders mean shareholders holding over five percent of the Bank's voting shares. The major shareholders of the Bank at 31 December 2019 and 31 December 2018 are as follows:

	2019		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

Compensation paid to members of the Executive Board and Board of Directors is presented below:

	2019		2018	
In thousands of Russian Roubles	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries	26 924	-	25 387	-
- Short-term and other bonuses	61 019	-	59 512	-
Long-term bonus scheme	13 560	52 039	9 691	37 565
Total	**101 503**	**52 039**	**94 590**	**37 565**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services. Long-term bonuses fall due within three years after their accrual, provided the qualified employees reach the targets set. The liability accrued as at 31 December 2019 falls due in the years 2020, 2021 and 2022.

Benefits paid to the key management personnel of the subsidiaries for 2019 were RR 2 031 thousand (2018: RR 1 585 thousand).

In 2019, the Board of Directors consisted of seven persons (2018: seven persons). As at the end of 2019, the Group’s Executive Board consisted of five persons (2018: five persons)

37 Business Combination

On 9 April 2019, the Bank received shares in Joint-Stock Company Ptitsefabrika Belokalitvinskaya for a total of RR 378 thousand as part of its loan repayment under the settlement agreement. As a result of the transaction, the Group’s share in the new subsidiary reached 88.28%.

The fair value of the buyer’s newly issued shares was determined based on an independent appraiser’s professional valuation using the discounted cash flows model at the end of the business day as at the acquisition date.

The below table summarises the values of identifiable assets and liabilities of Joint-Stock Company Ptitsefabrika Belokalitvinskaya as at the acquisition date.

37 Business Combination (Continued)

In thousands of Russian Roubles	**Attributed fair value**
Cash and cash equivalents	170
Premises and equipment	833 599
Other financial assets	33 907
Other assets	359 600
Deferred tax liabilities	(10 004)
Other liabilities	(10 530)
Fair value of identifiable net assets of subsidiary	**1 206 742**
The Bank's loans less provision	**1 141 772**
Less non-controlling interest	(80 094)
Gain from a bargain purchase / (goodwill)	**144 686**
Total purchase consideration	**378**
Less non-cash consideration	(378)
Less cash and cash equivalents of subsidiary acquired	(170)
Net cash and cash equivalents flow on acquisition	**170**

From the acquisition date to 31 December 2019, operations of Joint-Stock Company Ptitsefabrika Belokalitvinskaya resulted in the Group's net profit reduction by RR 36 946 thousand. Had the acquisition been made on 1 January 2019, the entity's operations would have caused a RR 170 011 thousand reduction in the Group's net profit. The details on income and expenses of Joint-Stock Company Ptitsefabrika Belokalitvinskaya within the Group's financial results from the acquisition date to 31 December 2019 are presented in Notes 24 and 25.

The non-controlling interest represents share in net assets of the acquiree attributable to owners of non-controlling interest.

38 Events After the End of the Reporting Period

In 2020, the Russian Rouble significantly weakened against major foreign currencies on the back of a decrease in the global oil prices. The Group's management monitors the developments and takes necessary actions.