



CENTER-INVEST BANK GROUP

**International Financial Reporting Standards
Condensed Consolidated Interim
Financial Information (unaudited)
30 September 2019**

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	Note	30 September 2019 (unaudited)	31 December 2018
<i>(in thousands of Russian Roubles)</i>			
ASSETS			
Cash and cash equivalents		9 660 274	8 712 015
Mandatory cash balances with the Central Bank of Russian Federation		748 919	740 650
Balances with the Central Bank of the Russian Federation		15 710 426	9 708 809
Loans to customers and finance lease receivables	6	85 672 240	88 022 690
Investment in associate		291 676	293 363
Investment properties		535 415	510 371
Premises and equipment and intangible assets		3 726 293	2 804 609
Right-of-use assets	3,4	142 707	-
Other financial assets		884 388	750 328
Other assets	7	1 126 977	386 828
Current income tax prepayment		33 252	236 390
TOTAL ASSETS		118 532 567	112 166 053
LIABILITIES			
Due to the Central Bank of the Russian Federation		1 013 443	-
Due to other banks	8	1 184 678	-
Customer accounts	9	96 642 365	95 238 192
Debt securities in issue	10	1 992 777	1 325 096
Borrowings from international financial institutions	11	2 978 651	1 720 816
Other financial liabilities		211 232	190 881
Other liabilities		361 673	267 404
Lease liabilities	3,4	147 295	-
Deferred income tax liability		275 646	296 018
TOTAL LIABILITIES		104 807 760	99 038 407
EQUITY			
Share capital		1 326 277	1 326 277
Share premium		2 078 860	2 078 860
Revaluation reserve for land and premises		1 262 206	1 262 206
Retained earnings		9 123 497	8 460 303
Net assets attributable to the Bank's shareholders		13 790 840	13 127 646
Non-controlling interest		(66 033)	-
TOTAL EQUITY		13 724 807	13 127 646
TOTAL LIABILITIES AND EQUITY		118 532 567	112 166 053

29 November 2019


L.N. Simonova
acting Management Board Chairman


T.I. Ivanova
Chief Accountant

(in thousands of Russian Roubles)	Note	Nine months ended 30 September		Three months ended 30 September	
		2019	2018	2019	2018
Interest income calculated using the effective interest method	12	8 145 937	8 226 332	2 795 892	2 832 711
Interest and other similar expense	12	(3 916 422)	(3 840 436)	(1 406 967)	(1 277 359)
Net margin on interest and similar income		4 229 515	4 385 896	1 388 925	1 555 352
Credit loss allowance	6	(1 014 328)	(1 074 445)	(79 467)	(255 393)
Recovery of provision for credit related commitments		2 506	23 879	14 869	6 571
Net margin on interest and similar income after credit loss allowance		3 217 693	3 335 330	1 324 327	1 306 530
Fee and commission income		1 321 887	1 037 479	511 140	372 220
Fee and commission expense		(398 712)	(359 471)	(138 002)	(136 929)
Gains less losses from trading in foreign currencies		43 074	47 812	17 221	19 769
Foreign exchange translation (Losses less gains)/ Gains less losses		(40 485)	77 430	2 766	25 447
Gains less losses / (Losses less gains) from spot currency transactions and other conversion operations on the interbank market		41 618	(33 025)	1 606	(13 481)
Other provisions and expenses		(220 285)	(25 853)	(163 085)	(17 022)
Other operating income		288 115	27 106	195 185	6 389
Contributions to the state deposit insurance scheme		(391 324)	(343 657)	(135 740)	(118 938)
Administrative and other operating expenses	13	(2 548 507)	(2 131 873)	(939 981)	(757 219)
Financial result from business combinations	21	337 990	-	-	-
Share of result of associate		(1 687)	(15 455)	(26 085)	(18 969)
Profit before tax		1 649 377	1 615 823	649 352	667 797
Income tax expense		(375 581)	(355 615)	(168 981)	(149 268)
Profit for the period		1 273 796	1 260 208	480 371	518 529
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		1 273 796	1 260 208	480 371	518 529
Profit attributable to:					
Bank's shareholders		1 284 934	1 260 208	484 648	518 529
Non-controlling interest		(11 138)	-	(4 277)	-
Total comprehensive income attributable to the Bank's shareholders and non-controlling interest		1 273 796	1 260 208	480 371	518 529

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
<i>(in thousands of Russian Roubles)</i>		
Cash flows from operating activities		
Interest received	7 879 688	8 292 149
Interest paid	(3 668 888)	(3 714 960)
Contributions to the state deposit insurance scheme	(375 599)	(313 206)
Fees and commissions received	1 321 785	1 030 089
Fees and commissions paid	(393 782)	(356 413)
Gains less losses from trading in foreign currencies	43 074	47 812
Gains less losses / (Losses less gains) from spot currency transactions and other conversion operations on the interbank market	45 099	(34 291)
Receipts from assignment of rights of claim	238 608	85 292
Repayment of debt previously written off	37 117	26 119
Other operating income received	6 049	26 612
Staff costs paid	(1 189 691)	(1 275 722)
Operating expenses paid	(1 167 130)	(849 375)
Income tax paid	(200 892)	(346 498)
Cash flows from operating activities before changes in operating assets and liabilities	2 575 438	2 617 608
Change in operating assets and liabilities		
Net change in mandatory cash balances with the Central Bank of the Russian Federation	(8 269)	(66 583)
Net change in due from other banks	(6 000 000)	(2 199 000)
Net change in loans to customers and finance lease receivables	(289 950)	(6 822 863)
Net change in other financial and other assets	189 790	72 110
Net change in due to Central Bank of the Russian Federation and other banks	2 168 080	-
Net change in customer accounts	1 448 292	5 634 860
Net change in promissory notes issued	639 636	104 283
Net change in other financial and other liabilities	(20 599)	(2 744)
Net cash from/(used in) operating activities	702 418	(662 329)
Cash flows from investing activities		
Acquisition of premises and equipment	(187 091)	(75 284)
Proceeds from disposal of premises and equipment	5 239	4 490
Acquisition of intangible assets	(61 485)	(40 974)
Investments in investment properties	(28 500)	(29 193)
Proceeds from sale of investment property	3 456	-
Net cash used in investing activities	(268 381)	(140 961)
Cash flows from financing activities		
Issue of bonds	340 885	715 929
Repurchase and repayment of bonds	(315 695)	(412 890)
Proceeds from borrowings from international financial institutions	2 075 500	600 000
Repayment of borrowings from international financial institutions	(800 000)	(200 000)
Dividends paid	(621 691)	(621 740)
Net cash from financing activities	678 999	81 299
Effect of exchange rate changes on cash and cash equivalents	(164 777)	162 500
Net increase/(decrease) in cash and cash equivalents	948 259	(559 491)
Cash and cash equivalents at the beginning of the period	8 712 015	8 369 737
Cash and cash equivalents at the end of the period	9 660 274	7 810 246

The notes set out on pages 5 to 39 form an integral part of this condensed consolidated interim financial information.

	Note	Share capital	Share premium	Fund of land and premises revaluation	Retained earnings	Non-controlling interest	Total equity
<i>(in thousands of Russian Roubles)</i>							
Balance at 31 December 2017		1 326 277	2 078 860	1 306 152	7 929 231	-	12 640 520
Effect of initial application of IFRS 9 – revaluation of ECL		-	-	-	(423 718)	-	(423 718)
Restated balance at 1 January 2018		1 326 277	2 078 860	1 306 152	7 505 513	-	12 216 802
Profit for the period		-	-	-	1 260 208	-	1 260 208
Total comprehensive income for nine months of 2018		-	-	-	1 260 208	-	1 260 208
Dividends declared:							
- ordinary shares	14	-	-	-	(603 641)	-	(603 641)
- preference shares	14	-	-	-	(18 099)	-	(18 099)
Transfer of revaluation surplus on land and premises to retained earnings		-	-	(3 409)	3 409	-	-
Balance at 30 September 2018 (unaudited)		1 326 277	2 078 860	1 302 743	8 147 390	-	12 855 270
Balance at 31 December 2018		1 326 277	2 078 860	1 262 206	8 460 303	-	13 127 646
Profit for the period		-	-	-	1 284 934	(11 138)	1 273 796
Total comprehensive income for nine months of 2019		-	-	-	1 284 934	(11 138)	1 273 796
Dividends declared:							
- ordinary shares	14	-	-	-	(603 641)	-	(603 641)
- preference shares	14	-	-	-	(18 099)	-	(18 099)
Business combinations	21	-	-	-	-	(54 895)	(54 895)
Balance at 30 September 2019 (unaudited)		1 326 277	2 078 860	1 262 206	9 123 497	(66 033)	13 724 807

The notes set out on pages 5 to 39 form an integral part of this condensed consolidated interim financial information.

1. Introduction

This condensed consolidated interim financial information of Public Joint-stock company commercial Bank “Center-invest” (hereinafter, the “Bank”) and its subsidiaries (hereinafter referred to as the “Group”) has been prepared for nine months ended 30 September 2019 in accordance with International Accounting Standard 34 “Interim Financial Reporting” (hereinafter, “IAS 34”).

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

Principal activity. The Group’s principal business activities are corporate and retail banking and leasing operations within the Russian Federation. The Bank has operated under a full banking licence issued by the Central Bank of the Russian Federation (“CBRF”) since 1992. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law No. 177-FZ, *Deposits of Individuals Insurance in Russian Federation*, dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in the case of the withdrawal of a licence of a bank or 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 30 September 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 subsidiary’s acquisition is disclosed Note 21.

Interest in subsidiaries at 30 September 2019 and 31 December 2018 is as follows:

(%)	30 September 2019	31 December 2018
OOO Centre-Leasing	100.00	100.00
Joint-Stock Company “Ptitsefabrika Belokalitvinskaya”	88.28	-

Registered address and place of business. The Bank’s registered address is: 62 Sokolov Avenue, Rostov-on-Don, Russian Federation, 344000.

The average number of the Group’s employees during nine months ended 30 September 2019 was 1 765 people (2018: 1 487 people; nine months ended 30 September 2018: 1 488 people).

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

2. Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Stable 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 measuring 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 5 provides more information of how the Group incorporated forward-looking information in the ECL models.

3. Summary of Significant Accounting Policies

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

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

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this condensed consolidated interim financial information as compared with the Group’s annual consolidated financial statements for the year ended 31 December 2018.

IFRS 16 “Leases”. The Group introduced the following changes to its accounting policies resulting from the adoption of IFRS 16 at 1 January 2019.

The Group adopted IFRS 16 “Leases” using modified retrospective method and a number of practical expedients (Note 4). From 1 January 2019, the date of transition to the new standard, lease agreements 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 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 Expenses” of the statement of profit or loss and other comprehensive income. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. In the condensed consolidated interim statement of profit or loss and other comprehensive income, depreciation of a right-of-use asset is recorded within “Other Provisions and Expenses”.

Assets and 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. Summary of 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 costs.

As an exception, the Group keeps records of short-term leases and leases of low-value property, reflecting lease payments as an 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).

This measurement is subject to review upon the occurrence of a significant event or a significant change in circumstances that affects the initial measurement and is under the lessee's control.

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 FIFO 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 expenses. Net realisable value is the estimated selling price in the course of normal business less estimated completion cost and costs to sell.

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

Consolidated financial statements. 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.

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

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

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.

3. Summary of Significant Accounting Policies (Continued)

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

4. Adoption of New or Revised Standards and Interpretations

IFRS 16 “Leases”. The Group has adopted IFRS 16 retrospectively from 1 January 2019 with certain simplifications and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions of IFRS 16. The reclassifications and the adjustments arising from the new leasing requirements are therefore recognised as of 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles 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. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10%.

For leases previously classified as finance leases the Group recognised the carrying amount of the leased asset and lease liability as the carrying amount of the right-of-use asset and the lease liability at the date of initial application, respectively. The measurement principles of IFRS 16 are only applied after 1 January 2019.

The following table represents reconciliation of operating lease commitments reported as of 31 December 2018 and lease liability recognised at 1 January 2019:

<i>(in thousands of Russian Roubles)</i>		1 January 2019
Lease commitments at 31 December 2018		331 106
Adjustment of lease commitments:		
- short-term leases recognised on a straight-line basis as expense;		(2 909)
- low-value leases recognised on a straight-line basis as expense as a result of		
different treatment of extension and termination options;		(94 797)
Effect of discounting		(50 880)
Lease liability recognised at 1 January 2019		182 520
Right-of-use assets at 1 January 2019		182 520

The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

In applying IFRS 16 for the first time, the Group has used the following practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous in assessing whether the right-of-use asset is impaired);
- the accounting for operating leases with a remaining lease term of less than 12 months as 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.

4. Adoption of New or Revised Standards and Interpretations (Continued)

The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying 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 September 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).

There were no new standards or interpretations issued and not yet effective, information about which is not included in the last annual financial statements of the Group for the year ended 31 December 2018. The Group continues assessing the effects of new standards and interpretations that are not yet effective and will disclose their known or reasonably estimable effects as soon as they become available.

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

Estimates and judgements were consistent with those made in the annual financial statements for the year ended 31 December 2018:

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of the same methodology, models and data inputs as at 31 December 2018. The following components have a significant impact on credit loss allowance: definition of default, SICR, probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”), as well as models of macro-economic scenarios. 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.

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.

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.

A 10% increase or decrease in PD estimates at 30 September 2019 would result in an increase or decrease in total expected credit loss allowances of RR 76 745 thousand. (31 December 2018: by RR 49 251 thousand).

A 10% increase or decrease in LGD estimates at 30 September 2019 would result in an increase or decrease in total expected credit loss allowances of RR 376 244 thousand (at 31 December 2018: RR 409 728 thousand).

6. Loans to Customers and Finance Lease Receivables

Gross carrying amount and credit loss allowance amount for loans to customers and finance lease receivables at AC by classes at 30 September 2019 and 31 December 2018 are disclosed in the table below:

<i>(in thousands of Russian Roubles)</i>	30 September 2019	31 December 2018
Loans to legal entities and finance lease receivables	36 532 731	39 288 845
Loans to individuals – mortgage loans	36 094 275	34 597 317
Loans to individuals – consumer loans and car loans	19 426 855	21 070 344
Total loans to customers and finance lease receivables before estimated allowance for credit losses	92 053 861	94 956 506
Expected credit loss allowance	(6 381 621)	(6 933 816)
Total loans to customers and finance lease receivables	85 672 240	88 022 690

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

6. Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(in thousands of Russian Roubles)</i>								
Loans to legal entities and finance lease receivables								
At 1 January 2019	303 925	354 854	3 283 501	3 942 280	30 152 764	2 448 493	6 687 588	39 288 845
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Issued during the period	128 563	6 411	17 164	152 138	15 772 259	90 816	31 417	15 894 492
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(8 093)	248 838	(240 745)	-	(792 816)	2 197 152	(1 404 336)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(5 276)	(196 480)	201 756	-	(468 698)	(1 332 933)	1 801 631	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	6 263	(6 263)	-	-	192 867	(192 867)	-	-
Repaid during the period	(117 170)	(6 748)	(192 101)	(316 019)	(15 302 692)	(429 831)	(351 676)	(16 084 199)
Changes to ECL measurement model assumptions	(64 611)	193 132	780 570	909 091	-	-	-	-
Changes in accrued interest, exchange differences and other movements	-	(25 290)	255 622	230 332	57	(116 319)	(1 463 017)	(1 579 279)
Total movements with impact on credit loss allowance charge for the period	(60 324)	213 600	822 266	975 542	(599 023)	216 018	(1 385 981)	(1 768 986)
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	(532 943)	(532 943)	-	-	(532 943)	(532 943)
Assignment	-	-	(234 616)	(234 616)	-	-	(454 185)	(454 185)
Business combinations	-	-	(708 352)	(708 352)	-	-	-	-
At 30 September 2019	243 601	568 454	2 629 856	3 441 911	29 553 741	2 664 511	4 314 479	36 532 731
Recovery of loans previously written off	-	-	9 515	9 515				

6. Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(in thousands of Russian Roubles)</i>								
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
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Issued during the period	47 155	-	-	47 155	6 299 209	-	-	6 299 209
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(2 838)	19 142	(16 304)	-	(379 141)	406 231	(27 090)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1 028)	(6 131)	7 159	-	(137 242)	(115 347)	252 589	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	21 349	(11 625)	(9 724)	-	224 801	(208 644)	(16 157)	-
Repaid during the period	(34 367)	(1 957)	(89 681)	(126 005)	(4 608 512)	(60 583)	(139 025)	(4 808 120)
Changes to ECL measurement model assumptions	(34 109)	1 318	148 571	115 780	-	-	-	-
Changes in accrued interest, exchange differences and other movements	17	235	13 023	13 275	1 060	4 326	21 304	26 690
Total movements with impact on credit loss allowance charge for the period	(3 821)	982	53 044	50 205	1 400 175	25 983	91 621	1 517 779
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	(2 559)	(2 559)	-	-	(2 559)	(2 559)
Assignment	-	-	(3 137)	(3 137)	-	-	(18 262)	(18 262)
At 30 September 2019	241 117	36 119	803 016	1 080 252	34 120 361	687 943	1 285 971	36 094 275
Recovery of loans previously written off	-	-	628	628				

6. Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(in thousands of Russian Roubles)</i>								
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
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Issued during the period	90 606	-	-	90 606	5 637 814	-	-	5 637 814
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(6 361)	24 563	(18 202)	-	(341 899)	365 128	(23 229)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2 703)	(8 700)	11 403	-	(154 566)	(136 612)	291 178	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	13 624	(4 932)	(8 692)	-	135 491	(124 697)	(10 794)	-
Repaid during the period	(101 505)	(3 587)	(206 403)	(311 495)	(6 713 666)	(190 217)	(269 767)	(7 173 650)
Changes to ECL measurement model assumptions	(28 890)	(12 474)	265 181	223 817	-	-	-	-
Changes in accrued interest, exchange differences and other movements	(17)	223	22 564	22 770	(1 060)	5 170	27 022	31 132
Total movements with impact on credit loss allowance charge for the period	(35 246)	(4 907)	65 851	25 698	(1 437 886)	(81 228)	14 410	(1 504 704)
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	(115 905)	(115 905)	-	-	(114 431)	(114 431)
Assignment	-	-	(6 128)	(6 128)	-	(742)	(23 612)	(24 354)
At 30 September 2019	261 915	17 226	1 580 317	1 859 458	17 204 931	423 213	1 798 711	19 426 855
Recovery of loans previously written off	-	-	26 974	26 974				

6. 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 nine months of 2018:

	Credit loss allowance			Gross carrying amount				
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
(in thousands of Russian Roubles)								
Loans to legal entities and finance lease receivables								
At 1 January 2018	792 550	170 150	2 013 188	2 975 888	31 538 841	1 404 080	3 242 813	36 185 734
Movements with impact on credit loss allowance charge for the period:								
Issued during the period	184 373	41 179	284 727	510 279	17 885 121	224 393	802 221	18 911 735
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(293 327)	297 374	(4 047)	-	(2 378 564)	2 386 410	(7 846)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(8 533)	(1 199)	9 732	-	(1 014 312)	(239 727)	1 254 039	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	125	(2)	(123)	-	435	(214)	(221)	-
Repaid during the period	(259 586)	-	(130 324)	(389 910)	(16 019 684)	(234 818)	(420 546)	(16 675 048)
Changes to ECL measurement model assumptions	(113 609)	(46)	860 033	746 378	-	-	-	-
Changes in accrued interest, exchange differences and other movements	-	55 709	17 371	73 080	-	374 976	3 258	378 234
Total movements with impact on credit loss allowance charge for the period	(490 557)	393 015	1 037 369	939 827	(1 527 004)	2 511 020	1 630 905	2 614 921
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(244 270)	(244 270)	-	-	(244 270)	(244 270)
Assignment	-	-	(107 234)	(107 234)	(44 325)	-	(134 034)	(178 359)
Unwinding of discount (for Stage 3)	-	-	110 081	110 081	-	-	110 081	110 081
At 30 September 2018	301 993	563 165	2 809 134	3 674 292	29 967 512	3 915 100	4 605 495	38 488 107
Recovery of loans previously written off	-	-	1 864	1 864				

6. Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(in thousands of Russian Roubles)</i>								
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
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Issued during the period	105 599	-	-	105 599	9 464 743	-	-	9 464 743
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(6 295)	28 578	(22 283)	-	(564 285)	597 572	(33 287)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2 899)	(6 889)	9 788	-	(259 765)	(61 074)	320 839	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	36 741	(3 220)	(33 521)	-	82 740	(32 666)	(50 074)	-
Repaid during the period	(44 688)	(1 324)	(89 395)	(135 407)	(4 019 542)	(45 105)	(145 221)	(4 209 868)
Changes to ECL measurement model assumptions	(117 770)	26 751	131 719	40 700	-	-	-	-
Changes in accrued interest, exchange differences and other movements	284	301	16 718	17 303	12 561	2 759	(3 095)	12 225
Total movements with impact on credit loss allowance charge for the period	(29 028)	44 197	13 026	28 195	4 716 452	461 486	89 162	5 267 100
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	(40 845)	(40 845)	-	-	(40 845)	(40 845)
Assignment	-	-	(766)	(766)	(674)	-	(8 432)	(9 106)
Unwinding of discount (for Stage 3)	-	-	27 634	27 634	-	-	27 634	27 634
At 30 September 2018	257 671	61 202	807 124	1 125 997	30 412 364	619 444	1 248 618	32 280 426
Recovery of loans previously written off	-	-	410	410				

6. Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(in thousands of Russian Roubles)</i>								
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
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Issued during the period	110 929	-	-	110 929	7 173 095	-	-	7 173 095
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(13 086)	31 137	(18 051)	-	(592 556)	615 658	(23 102)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(6 222)	(8 020)	14 242	-	(284 732)	(83 726)	368 458	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	18 639	(1 807)	(16 832)	-	37 455	(16 485)	(20 970)	-
Repaid during the period	(110 743)	(2 260)	(118 892)	(231 895)	(7 716 116)	(164 148)	(269 879)	(8 150 143)
Changes to ECL measurement model assumptions	(71 996)	(11 482)	165 963	82 485	-	-	-	-
Changes in accrued interest, exchange differences and other movements	(284)	314	30 391	30 421	(12 561)	3 224	(7 881)	(17 218)
Total movements with impact on credit loss allowance charge for the period	(74 015)	12 242	53 713	(8 060)	(1 395 415)	354 523	46 626	(994 266)
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Write-offs	-	-	(164 799)	(164 799)	-	-	(167 998)	(167 998)
Assignment	-	-	(231)	(231)	(2 861)	-	(3 302)	(6 163)
Unwinding of discount (for Stage 3)	-	-	56 609	56 609	-	-	56 609	56 609
At 30 September 2018	360 112	27 683	1 713 523	2 101 318	19 116 968	523 863	2 076 065	21 716 896
Recovery of loans previously written off	-	-	17 167	17 167				

6. Loans to Customers and Finance Lease Receivables (Continued)

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

Main movements disclosed 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.

The credit quality of the loans carried at amortised cost is as follows at 30 September 2019:

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(in thousands of Russian Roubles)</i>				
Corporate loans				
- Excellent	12 735 019	-	-	12 735 019
- Good	16 656 978	407 203	-	17 064 181
- Satisfactory	-	2 257 306	-	2 257 306
- Special monitoring	-	-	824 998	824 998
- Default	-	-	3 487 689	3 487 689
Gross carrying amount	29 391 997	2 664 509	4 312 687	36 369 193
Credit loss allowance	(242 193)	(568 454)	(2 629 026)	(3 439 673)
Carrying amount	29 149 804	2 096 055	1 683 661	32 929 520
Mortgage loans				
- Excellent	548 542	-	-	548 542
- Good	33 571 818	458 871	-	34 030 689
- Satisfactory	-	229 071	-	229 071
- Special monitoring	-	-	241 085	241 085
- Default	-	-	1 044 888	1 044 888
Gross carrying amount	34 120 360	687 942	1 285 973	36 094 275
Credit loss allowance	(241 117)	(36 119)	(803 016)	(1 080 252)
Carrying amount	33 879 243	651 823	482 957	35 014 023

6. Loans to Customers and Finance Lease Receivables (Continued)

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(in thousands of Russian Roubles)</i>				
Consumer loans and car loans				
- Excellent	237 883	-	-	237 883
- Good	16 967 046	201 062	-	17 168 108
- Satisfactory	-	222 155	-	222 155
- Special monitoring	-	-	130 697	130 697
- Default	-	-	1 668 012	1 668 012
Gross carrying amount	17 204 929	423 217	1 798 709	19 426 855
Credit loss allowance	(261 915)	(17 226)	(1 580 317)	(1 859 458)
Carrying amount	16 943 014	405 991	218 392	17 567 397

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

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(in thousands of Russian Roubles)</i>				
Corporate loans				
- Excellent	11 937 191	-	-	11 937 191
- Good	18 044 757	258 437	-	18 303 194
- Satisfactory	-	2 190 054	-	2 190 054
- Special monitoring	-	-	3 581 336	3 581 336
- Default	-	-	3 104 751	3 104 751
Gross carrying amount	29 981 948	2 448 491	6 686 087	39 116 526
Credit loss allowance	(302 497)	(354 854)	(3 282 829)	(3 940 180)
Carrying amount	29 679 451	2 093 637	3 403 258	35 176 346

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(in thousands of Russian Roubles)</i>				
Mortgage loans				
- Excellent	675 353	-	-	675 353
- Good	32 044 832	398 003	-	32 442 835
- Satisfactory	-	263 957	-	263 957
- Special monitoring	-	-	182 945	182 945
- Default	-	-	1 032 227	1 032 227
Gross carrying amount	32 720 185	661 960	1 215 172	34 597 317
Credit loss allowance	(244 938)	(35 137)	(755 668)	(1 035 743)
Carrying amount	32 475 247	626 823	459 504	33 561 574

6. Loans to Customers and Finance Lease Receivables (Continued)

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(in thousands of Russian Roubles)</i>				
Consumer loans and car loans				
- Excellent	335 972	-	-	335 972
- Good	18 306 845	236 896	-	18 543 741
- Satisfactory	-	268 286	-	268 286
- Special monitoring	-	-	174 011	174 011
- Default	-	-	1 748 334	1 748 334
Gross carrying amount	18 642 817	505 182	1 922 345	21 070 344
Credit loss allowance	(297 161)	(22 133)	(1 636 499)	(1 955 793)
Carrying amount	18 345 656	483 049	285 846	19 114 551

The credit risk classification by classes used in the tables above is based on the borrowers' credit quality scale developed by the Group.

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

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
<i>(in thousands of Russian Roubles)</i>		
Assigned balance rights of claim for loans to customers and finance leases	480 043	185 512
Provision for impairment of assigned claims	(243 881)	(110 737)
Sales price	236 162	74 775
Net result from assignment of balance rights of claim	-	-
Assigned rights of claim previously written off as uncollectable	16 758	-
Sales price	2 850	-
Net result of assignment of the right of claim previously written off as uncollectable	2 850	-

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

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

	30 September 2019		31 December 2018	
<i>(in thousands of Russian Roubles)</i>	Amount	%	Amount	%
Individuals (total), incl.	55 521 130	60.4	55 667 661	58.6
- mortgage loans	36 094 275	39.2	34 597 317	36.4
- consumer loans	18 269 929	19.9	19 631 471	20.7
- car loans	1 156 926	1.3	1 438 873	1.5
Agriculture	13 743 128	14.9	13 469 586	14.2
Trade	8 326 234	9.0	9 755 316	10.3
Manufacturing	5 801 820	6.3	6 717 206	7.1
Transport	3 721 601	4.0	4 300 520	4.5
Construction	1 974 174	2.2	1 658 873	1.7
Other	2 965 774	3.2	3 387 344	3.6
Total loans to customers and finance lease receivables before provision for impairment	92 053 861	100.0	94 956 506	100.0

6. Loans to Customers and Finance Lease Receivables (Continued)

At 30 September 2019, the Group had 10 major borrowers with aggregate loan balance amounting to RR3 7 327 321 thousand, or 8.0% of the loan portfolio and finance lease receivables (31 December 2018: RR 8 987 138 thousand, or 9.5%).

The carrying amount of loans and advances to customers approximates their fair value at 30 September 2019 and December 2018. (Note 19). Information on related party balances is disclosed in Note 20.

7. Other Assets

<i>(in thousands of Russian Roubles)</i>	30 September 2019	31 December 2018
Inventories	544 668	42 247
Reposessed collateral	325 476	217 582
Prepaid taxes and recoverable taxes (other than income tax)	51 962	56 260
Prepayments to suppliers of equipment for leasing purposes	32 195	13 364
Deferred prepaid expenses	25 355	29 290
Equipment purchased for leasing purposes	2 144	4 173
Other	145 177	23 912
Total other assets	1 126 977	386 828

Inventories include, but are not limited to property received from a business combination merger with Joint-Stock Company "Ptitsefabrika Belokalitvinskaya". Business combinations are disclosed in Note 21.

Reposessed collateral represents real estate and other assets acquired by the Group in the course settlement of overdue loans. 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.

8. Due to Other Banks

The principal conditions of these loans are as follows:

	Currency	Rate of borrowing	Original issue date	Repayable in tranches by:	Balance at 30 September 2019	Balance at 31 December 2018
<i>(in thousands of Russian Roubles)</i>						
Erste Group Bank	US dollars	4.89%	April 2019	April 2020	1 184 678	-
Total due to other banks	-	-	-	-	1 184 678	-

The carrying amount of due to other banks approximates their fair value at 30 September 2019 (Note 19). Information on related party balances is disclosed in Note 20.

9. Customer Accounts

(in thousands of Russian Roubles)

	30 September 2019	31 December 2018
State and public organisations		
- Current/settlement accounts	363 475	200 960
- Term deposits	32 638	112 698
Other legal entities		
- Current/settlement accounts	15 302 229	16 338 748
- Term deposits	2 777 133	2 591 920
Individuals		
- Current/demand accounts	7 110 822	9 337 418
- Term deposits	71 056 068	66 656 448
Total customer accounts	96 642 365	95 238 192

As of 30 September 2019, total aggregate balance of 10 largest clients of the Group was RR 2 567 205 thousand, or 2.7% of customer accounts (31 December 2018: RR 2 311 721 thousand, or 2.4% of customer accounts).

The carrying value of each class of customer accounts approximates their fair value at 30 September 2019, 30 September 2018 and 31 December 2018 (Note 19). Information on related party balances is disclosed in Note 20.

10. Debt Securities in Issue

(in thousands of Russian Roubles)

	30 September 2019	31 December 2018
Bonds	1 031 447	1 012 092
Promissory notes	961 330	313 004
Total debt securities in issue	1 992 777	1 325 096

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

Issue	CIN-01P03	CIN-01P04	CIN-01P05	CINBO-BO10
Par value, RR	1 000	1 000	1 000	1 000
Number	226 633	900 000	600 000	3 000 000
Initial placement date	October 2017	April 2018	September 2018	May 2014
Maturity date	January 2019	October 2021	March 2022	May 2019
Next offer date	-	October 2019	December 2019	-
at 30 September 2019				
Number of bonds in issue	-	713 852	396 859	-
- including purchased by the subsidiary	-	4 819	-	-
Coupon rate, %	-	8.50	8.25	-
at 31 December 2018				
Number of bonds in issue	223 688	599 406	206 511	57 976
- including purchased by the subsidiary	-	410	-	5 960
Coupon rate, %	9.80	8.25	8.25	8.25

As of 30 September 2019, the Group issued Russian Roubles denominated promissory notes with a par value of RR 940 100 thousand, at an interest rate of 6.8%-7.8% and contractual maturity date in July 2019 - January 2020.

11. Debt Securities in Issue (Continued)

At 31 December 2018, the Group issued Russian Roubles denominated promissory notes with a par value of RR 245 200 thousand, at an interest rate of 6.7%-7.1% and contractual maturity date in January 2019 - November 2020, and an interest-free, US dollars denominated promissory note with a par value of USD 867 thousand and contractual maturity date in March 2019.

The carrying amount of debt securities in issue approximates their fair value at 30 September 2019 and 31 December 2018 (Note 19). Information on related party transactions is disclosed in Note 20.

11. Borrowings from International Financial Institutions

The principal conditions of these loans are as follows:

	Currency	Rate of borrowing	Original issue date	Repayable in tranches by:	Balance at 30 September 2019	Balance at 31 December 2018
<i>(in thousands of Russian Roubles)</i>						
Black Sea Trade and Development Bank (Greece)	Russian Roubles	10.15%-10.56%	June 2017	March 2022	1 407 015	1 090 301
Eurasian Development Bank (EDB)	Russian Roubles	9.1%	May 2018	July 2019	-	630 515
Symbiotics	Russian Roubles	9.5%-10.0%	February 2019	March 2022	610 746	-
responsAbility	Russian Roubles	9.5%	September 2019	September 2020	960 890	-
Total borrowings from international financial institutions	-		-	-	2 978 651	1 720 816

The carrying amount of borrowings from international financial institutions approximates their fair value at 30 September 2019 and 31 December 2018 (Note 19).

12. Interest Income and Expense

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
<i>(in thousands of Russian Roubles)</i>		
Interest income		
Loans to individuals	4 654 692	4 721 427
Corporate loans	3 132 322	3 057 692
Short-term deposits with the Central Bank of the Russian Federation, amounts due from and accounts with other banks	336 196	417 927
Finance income arising from leasing	22 727	29 286
Total interest income calculated using the effective interest method	8 145 937	8 226 332
Interest expense		
Term deposits and accounts of individuals	(3 427 456)	(3 496 664)
Term deposits and accounts of legal entities	(182 309)	(173 531)
Borrowing from international financial institutions and term placements of other banks	(175 237)	(90 492)
Bonds in issue	(65 079)	(55 460)
Promissory notes issued	(33 416)	(24 289)
Due to the Central Bank of the Russian Federation	(19 236)	-
Lease liabilities	(13 689)	-
Total interest expense	(3 916 422)	(3 840 436)
Net interest income	4 229 515	4 385 896

12. Interest Income and Expense (Continued)

<i>(in thousands of Russian Roubles)</i>	Three months ended 30 September 2019	Three months ended 30 September 2018
Interest income		
Loans to individuals	1 546 062	1 650 125
Corporate loans	1 049 271	1 009 464
Short-term deposits with the Central Bank of the Russian Federation, amounts due from and accounts with other banks	192 368	164 126
Finance income arising from leasing	8 191	8 996
Total interest income calculated using the effective interest method	2 795 892	2 832 711
Interest expense		
Term deposits and accounts of individuals	(1 234 981)	(1 153 297)
Term deposits and accounts of legal entities	(63 248)	(60 288)
Borrowing from international financial institutions and term placements of other banks	(53 992)	(34 405)
Bonds in issue	(23 580)	(20 510)
Promissory notes issued	(16 153)	(8 859)
Due to the Central Bank of the Russian Federation	(10 450)	-
Lease liabilities	(4 563)	-
Total interest expense	(1 406 967)	(1 277 359)
Net interest income	1 388 925	1 555 352

13. Administrative and Other Operating Expenses

<i>(in thousands of Russian Roubles)</i>	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Salary	1 224 287	1 211 205
Maintenance and lease of premises and equipment	211 218	212 860
Consulting and information services	148 923	132 983
Taxes other than on income	101 369	95 682
Depreciation of premises and equipment	90 440	92 923
Telecommunications and postal charges	78 862	70 528
Repair of premises and equipment	78 395	42 384
Benefits paid to the Board of Directors	62 342	64 511
Amortisation of intangible assets	53 544	24 380
Other staff costs	29 103	25 737
Advertising and marketing services	24 135	18 967
Insurance	21 568	19 303
Security	21 139	22 807
Stationary	18 701	16 172
Business trip and entertaining costs	10 854	12 674
Maintenance and repair of motor vehicles	8 771	12 939
Other	364 856	55 818
Total administrative and other operating expenses	2 548 507	2 131 873

13. Administrative and Other Operating Expenses (Continued)

<i>(in thousands of Russian Roubles)</i>	Three months ended 30 September 2019	Three months ended 30 September 2018
Salary	441 992	455 322
Maintenance and lease of premises and equipment	72 861	68 855
Consulting and information services	40 428	44 377
Taxes other than on income	28 717	37 146
Depreciation of premises and equipment	29 995	30 182
Telecommunications and postal charges	19 372	23 455
Repair of premises and equipment	28 484	19 050
Benefits paid to the Board of Directors	4 655	6 378
Amortisation of intangible assets	18 072	6 219
Other staff costs	10 685	10 603
Advertising and marketing services	4 452	6 871
Insurance	8 240	5 321
Security	5 016	7 988
Stationary	7 018	5 470
Business trip and entertaining costs	2 703	4 815
Maintenance and repair of motor vehicles	2 539	5 058
Other	214 752	20 109
Total administrative and other operating expenses	939 981	757 219

14. Dividends Payable

<i>(in thousands of Russian Roubles)</i>	30 September 2019		30 September 2018	
	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)	(18 050)	(603 641)	(18 099)
Dividends payable	-	49	-	-

In September 2019, the Bank declared dividends on preference shares for 2018 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 September 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.

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.

15. 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, market (including currency, equity and interest rate risks), liquidity, operational, strategic, legal, reputational, macroeconomic and political risks.

The risk management purpose, policies and procedures and assessment methods applied by the Group during the nine months ended 30 September 2019 correspond to the purposes, policies and procedures applied in 2018.

15. Financial Risk Management (Continued)

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.

The table below summarises the Group's exposure to currency risk at 30 September 2019 and 31 December 2018:

<i>In thousan ds of Russian Roubles</i>	At 30 September 2019				At 31 December 2018			
	Monetary financial assets	Monetary financial liabilities	Foreign exchange spot contracts	Net position	Monetary financial assets	Monetary financial liabilities	Foreign exchange spot contracts	Net position
Russian Roubles	107 803 177	(99 884 605)	-	7 918 572	103 719 579	(94 814 679)	438 774	9 343 674
US Dollars	3 885 700	(3 294 617)	-	591 083	2 937 653	(2 400 087)	(459 316)	78 250
Euros	939 942	(828 755)	-	111 187	1 226 277	(1 240 901)	21 460	6 836
Other	47 428	(15 169)	-	32 259	47 503	(19 318)	2 562	30 747
Total	112 676 247	(104 023 146)	-	8 653 101	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.

15. Financial Risk Management (Continued)

Liquidity risk. The maturity analysis of assets and liabilities at 30 September 2019 is as follows:

	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
<i>(in thousands of Russian Roubles)</i>								
Assets								
Cash and cash equivalents	9 660 274	-	-	-	-	-	-	9 660 274
Mandatory cash balances with the Central Bank of Russian Federation	748 919	-	-	-	-	-	-	748 919
Balances with the Central Bank of the Russian Federation	15 710 426	-	-	-	-	-	-	15 710 426
Loans to customers and finance lease receivables	2 222 955	4 729 194	7 130 244	10 666 716	34 639 243	26 283 888	-	85 672 240
Investment in associate	-	-	-	-	-	-	291 676	291 676
Investment properties	-	-	-	-	351 018	-	184 397	535 415
Premises and equipment and intangible assets	-	-	-	-	-	-	3 726 293	3 726 293
Right-of-use assets	1 268	-	41 116	-	92 763	7 560	-	142 707
Other financial assets	683 563	78 309	11 384	-	105 116	-	6 016	884 388
Other assets	33 200	17 513	626 028	94 044	356 192	-	-	1 126 977
Current income tax prepayment	-	33 252	-	-	-	-	-	33 252
Total assets	29 060 605	4 858 268	7 808 772	10 760 760	35 544 332	26 291 448	4 208 382	118 532 567
Liabilities								
Due to the Central Bank of the Russian Federation	24 721	-	25 000	277 306	686 416	-	-	1 013 443
Due to other banks	26 132	-	-	1 158 546	-	-	-	1 184 678
Customer accounts	1 424 066	2 027 436	1 993 468	8 591 585	82 605 810	-	-	96 642 365
Debt securities in issue	131 887	265 879	574 300	-	1 020 711	-	-	1 992 777
Borrowings from international financial institutions	-	416 731	5 665	1 352 394	1 203 861	-	-	2 978 651
Other financial liabilities	90 837	27 387	10 941	59 745	21 587	735	-	211 232
Other liabilities	101 971	178 375	236	12 424	68 667	-	-	361 673
Lease liability	1 308	-	42 424	-	95 786	7 777	-	147 295
Deferred income tax liability	-	-	-	-	-	-	275 646	275 646
Total liabilities	1 800 922	2 915 808	2 652 034	11 452 000	85 702 838	8 512	275 646	104 807 760
Net liquidity gap at 30 September 2019	27 259 683	1 942 460	5 156 738	(691 240)	(50 158 506)	26 282 936	3 932 736	13 724 807
Cumulative liquidity gap at 30 September 2019	27 259 683	29 202 143	34 358 881	33 667 641	(16 490 865)	9 792 071	13 724 807	-

15. Financial Risk Management (Continued)

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

	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
<i>(in thousands of Russian Roubles)</i>								
Assets								
Cash and cash equivalents	8 712 015	-	-	-	-	-	-	8 712 015
Mandatory cash balances with the Central Bank of Russian Federation	740 650	-	-	-	-	-	-	740 650
Balances with the Central Bank of the Russian Federation	9 708 809	-	-	-	-	-	-	9 708 809
Loans to customers and finance lease receivables	1 747 595	4 324 415	4 766 415	14 368 776	38 022 587	24 792 902	-	88 022 690
Investment in associate	-	-	-	-	-	-	293 363	293 363
Investment properties	-	-	-	-	353 745	-	156 626	510 371
Premises and equipment and intangible assets	-	-	-	-	-	-	2 804 609	2 804 609
Other financial assets	495 509	217 482	3 244	-	28 096	-	5 997	750 328
Other assets	42 116	337 960	7 414	15 201	220 527	-	-	623 218
Total assets	21 446 694	4 879 857	4 777 073	14 383 977	38 624 955	24 792 902	3 260 595	112 166 053
Liabilities								
Customer accounts	269 277	9 436 100	17 573 620	6 108 631	61 850 564	-	-	95 238 192
Debt securities in issue	250 009	297 451	767 510	10 126	-	-	-	1 325 096
Borrowings from international financial institutions	-	2 640	624 356	508 528	585 292	-	-	1 720 816
Other financial liabilities	56 120	15 059	5 359	76 622	37 721	-	-	190 881
Deferred income tax liability	-	-	-	-	-	-	296 018	296 018
Other liabilities	31 480	161 569	84	33 243	41 028	-	-	267 404
Total liabilities	606 886	9 912 819	18 970 929	6 737 150	62 514 605	-	296 018	99 038 407
Net liquidity gap at 31 December 2018	20 839 808	(5 032 962)	(14 193 856)	7 646 827	(23 889 650)	24 792 902	2 964 577	13 127 646
Cumulative liquidity gap at 31 December 2018	20 839 808	15 806 846	1 612 990	9 259 817	(14 629 833)	10 163 069	13 127 646	-

16. 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 chief operating decision maker (CODM) are performed by the Executive Board of the Bank.

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

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

- Lending – representing retail and corporate lending services, leasing, factoring and bank guarantees issued.
- Treasury – representing financial instruments trading, borrowings on domestic and international markets, management of liquidity and foreign currency position of the Group, settlement and current accounts, corporate deposits.
- Retail banking – representing private banking services to individuals, settlement accounts, 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 banking, securities, treasury, correspondent and current accounts, and plastic cards. Lending and leasing have been aggregated into one reportable segment – lending. Correspondent and current accounts, securities, and treasury have been aggregated into one reportable segment - treasury. Retail banking and plastic cards have been aggregated into one segment - retail banking.

In addition, the Bank's Management 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:

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

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

16. Segment Analysis (Continued)
(d) Information about reportable segment profit or loss, assets and liabilities

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

<i>(in thousands of Russian Roubles)</i>	Lending and leasing	Treasury	Retail banking	Total
Nine months ended 30 September 2019				
<i>External revenues:</i>				
Interest income	7 627 261	336 198	56 925	8 020 384
Fee and commission income and other operating income	287 257	1 037 046	642 975	1 967 278
Total income	7 914 518	1 373 244	699 900	9 987 662
Interest expense	-	(492 644)	(3 505 311)	(3 997 955)
Impairment provision	(105 359)	10 280	(29 357)	(124 436)
Fee and commission expenses and other expenses	(519 334)	(73 200)	(266 305)	(858 839)
Segment result	7 289 825	817 680	(3 101 073)	5 006 432
Total segment assets	87 071 417	15 851 796	-	102 923 213
Total segment liabilities	-	(18 882 671)	(85 033 242)	(103 915 913)

Segment information for the reportable segments for nine months ended 30 September 2018 is set out below:

<i>(in thousands of Russian Roubles)</i>	Lending and leasing	Treasury	Retail banking	Total
Nine months ended 30 September 2018				
<i>External revenues:</i>				
Interest income	7 660 297	417 928	65 453	8 143 678
Fee and commission income and other operating income	306 738	552 466	585 905	1 445 109
Total income	7 967 035	970 394	651 358	9 588 787
Interest expense	-	(343 645)	(3 558 392)	(3 902 037)
Impairment provision	(1 186 441)	9 690	(964)	(1 177 715)
Fee and commission expenses and other expenses	(130 380)	(68 428)	(228 931)	(427 739)
Segment result	6 650 214	568 011	(3 136 929)	4 081 296
Total segment assets	83 979 202	11 025 186	-	95 004 388
Total segment liabilities	-	(15 749 174)	(79 907 517)	(95 656 691)

16. Segment Analysis (Continued)
(e) Reconciliation of reportable segment profit or loss, assets and liabilities

<i>(in thousands of Russian Roubles)</i>	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Total reportable segment income	9 987 662	9 588 787
Effective interest method application	-	507
Fair value remeasurement of financial assets	90	13 127
Recognition of additional interest income on impaired loans	(6 536)	(150 849)
Foreign exchange translation (losses less gains)/ Gains less losses	40 485	(77 430)
Gains less losses / (Losses less gains) from conversion operations on the interbank market	(45 099)	34 291
Consolidation effect	(3 995)	5 008
Joint-Stock Company "Ptitsefabrika Belokalitvinskaya"	213 072	-
Other	(4 104)	(74 712)
Total consolidated revenues	10 181 575	9 338 729

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

<i>(in thousands of Russian Roubles)</i>	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Total reportable segment result	5 006 432	4 081 296
Administrative expenses	(2 676 471)	(2 600 269)
Effective interest method application	-	(27 552)
Fair value remeasurement of financial assets and liabilities	(3 391)	14 393
Recognition of additional interest income on impaired loans	(6 149)	(131 070)
Remeasurement of provision for impairment	(821 018)	409 079
Consolidation effect	100	(20 646)
Joint-Stock Company "Ptitsefabrika Belokalitvinskaya"	289 383	-
Events after the end of the reporting period	(178 051)	(121 795)
Amortisation remeasurement	23 451	32 495
Other	15 091	(20 108)
Profit before tax	1 649 377	1 615 823

<i>(in thousands of Russian Roubles)</i>	Three months ended 30 September 2019	Three months ended 30 September 2018
Total reportable segment income	3 404 555	3 266 740
Effective interest method application	-	7 430
Fair value remeasurement of financial assets	15 215	5 613
Recognition of additional interest income on impaired loans	(5 346)	(7 062)
Foreign exchange translation gains less losses / (Losses less gains)	(2 766)	(25 447)
(Losses less gains) / Gains less losses from conversion operations on interbank market	(1 606)	11 440
Consolidation effect	(31 178)	(2 072)
Joint-Stock Company "Ptitsefabrika Belokalitvinskaya"	165 698	-
Other	1 665	(25 553)
Total consolidated revenues	3 546 237	3 231 089

16. Segment Analysis (Continued)

<i>(in thousands of Russian Roubles)</i>	Three months ended 30 September 2019	Three months ended 30 September 2018
Total reportable segment result	1 288 226	1 272 275
Administrative expenses	(957 389)	(1 082 648)
Effective interest method application	-	7 510
Fair value remeasurement of financial assets and liabilities	-	3 572
Recognition of additional interest income on impaired loans	(5 020)	(5 323)
Remeasurement of provision for impairment	383 839	480 634
Consolidation effect	(25 004)	(19 885)
Joint-Stock Company "Ptitsefabrika Belokalitvinskaya"	(39 810)	-
Events after the end of the reporting period	(6 469)	6 606
Amortisation remeasurement	8 917	9 570
Other	2 062	(4 514)

Profit before tax	649 352	667 797
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<i>(in thousands of Russian Roubles)</i>	30 September 2019	31 December 2018
Total reportable segment assets	102 923 213	96 357 948
Unallocated assets	16 620 012	14 182 933
Remeasurement of provision for impairment	18 381	635 625
Attributing interest income on impaired loans	-	1 146 165
Application of effective interest rate method to fee and commission income	(48 570)	(246 777)
Finance lease adjustment	(9 257)	(23 344)
Consolidation effect	224 279	241 337
Joint-Stock Company "Ptitsefabrika Belokalitvinskaya"	(1 212 070)	-
Other	16 579	(127 834)

Total consolidated assets	118 532 567	112 166 053
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<i>(in thousands of Russian Roubles)</i>	30 September 2019	31 December 2018
Total reportable segment liabilities	103 915 913	97 727 646
Unallocated liabilities	1 081 731	1 482 233
Application of effective interest rate method to fee and commission expenses	(20 241)	(15 215)
Consolidation effect	(155 904)	(156 257)
Joint-Stock Company "Ptitsefabrika Belokalitvinskaya"	(13 739)	-

Total consolidated liabilities	104 807 760	99 038 407
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Major customers

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

17. 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 Management Board and Chief Accountant. Other objectives of capital management are evaluated annually.

17. Management of Capital (Continued)

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 April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. The composition of the Group's capital calculated in accordance with Basel I is as follows:

<i>(in thousands of Russian Roubles)</i>	30 September 2019	31 December 2018
<i>Tier 1 capital</i>		
Share capital	1 326 277	1 326 277
Share premium	2 078 860	2 078 860
Retained earnings	9 123 497	8 460 303
Business combinations	(66 033)	-
Total tier 1 capital	12 462 601	11 865 440
<i>Tier 2 capital</i>		
Revaluation reserve for premises and equipment	1 262 206	1 262 206
Total tier 2 capital	1 262 206	1 262 206
Total equity	13 724 807	13 127 646
Risk weighted assets	77 432 307	78 831 574
Capital adequacy	17.7%	16.7%

18. Contingent Liabilities

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. At 30 September 2019, the Group was engaged in litigation proceedings in relation to claims from borrowers and lessees. Provision for losses related to such proceedings was made in the amount of RR 8 087 thousand (31 December 2018: RR 929 thousand), as professional advice has indicated that it is likely that loss in the said amount will be incurred.

Tax legislation. 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 noncompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. 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 practical application of the transfer pricing rules, that such prices could be challenged. The impact of such developments cannot be reliably estimated, however it may be significant to the financial position and/or the overall operations of the Group.

18. Contingent Liabilities (Continued)

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 (31 December 2018: RR 13 144 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 11).

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 this condensed consolidated interim financial information if these are challenged by the authorities.

Included in the above disclosed amount of possible obligations for uncertain tax positions are RR 27 487 thousand (31 December 2018: RR 13 144 thousand) for which the inspection rights of tax authorities have expired, but which may be challenged by regulatory bodies under certain circumstances. In management's estimate, no losses are anticipated from these contingent liabilities.

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 30 September 2019 is as follows.

<i>(in thousands of Russian Roubles)</i>	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Commitments to extend credit or loan facilities that are revocable only in response to a material adverse change:				
- legal entities	4 509 732	7 888	4 249	4 521 869
- individuals	1 549 817	-	279	1 550 096
Financial guarantees issued	1 312 751	-	-	1 312 751
Unrecognised gross amount	7 372 300	7 888	4 528	7 384 716
Provision for credit related commitments	(78 318)	(883)	(2 206)	(81 407)

18. 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.

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

The total outstanding contractual amount of undrawn guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. At 30 September 2019, fair value of credit related commitments was RR 14 738 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 30 September 2019, due from other banks balances and overnight deposits with other banks of RR 110 725 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 748 919 thousand (31 December 2018: RR 740 650 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day-to-day operations.

Compliance with covenants. The Group is subject to certain covenants primarily 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 30 September 2019 and 31 December 2018.

19. Fair Value

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

19. Fair Value (Continued)
(a) Recurring fair value measurements

Recurring fair value measurements are those that the other IFRS require or permit in the condensed consolidated interim 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)	30 September 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	-	-	535 415	535 415	-	-	510 371	510 371
- Premises and land	-	-	2 772 594	2 772 594	-	-	2 293 874	2 293 874
Total assets recurring fair value measurements	-	-	3 314 025	3 314 025	-	3 481	2 810 242	2 813 723

(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)	30 September 2019			
	Level 1	Level 2	Level 3	Carrying amount
FINANCIAL ASSETS				
Cash and cash equivalents	9 660 274	-	-	9 660 274
Mandatory cash balances with the Central Bank of Russian Federation	-	748 919	-	748 919
Balances with the Central Bank of the Russian Federation	-	15 710 426	-	15 710 426
Loans and advances to customers	-	-	85 778 748	85 672 240
- Loans to legal entities and finance lease receivables	-	-	33 013 753	33 090 821
- Loans to individuals – consumer and car loans	-	-	17 685 206	17 567 396
- Mortgage loans	-	-	35 079 789	35 014 023
Other financial assets	-	-	878 372	878 372
NON-FINANCIAL ASSETS				
- Investment in associate	-	-	291 676	291 676
TOTAL	9 660 274	16 459 345	86 948 796	112 961 907
(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
Balances with the Central Bank of the Russian Federation	-	9 708 809	-	9 708 809
Loans and advances to customers	-	-	88 381 262	88 022 690
- Loans to legal entities and finance lease receivables	-	-	35 187 828	35 346 565
- Loans to individuals – consumer and car loans	-	-	19 347 494	19 114 551
- Mortgage loans	-	-	33 845 940	33 561 574
Other financial assets	-	-	740 850	740 850
NON-FINANCIAL ASSETS				
- Investment in associate	-	-	293 363	293 363
TOTAL	8 712 015	10 449 459	89 415 475	108 218 377

19. Fair Value (Continued)

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

	30 September 2019			
	Level 1	Level 2	Level 3	Carrying amount
<i>(in thousands of Russian Roubles)</i>				
FINANCIAL LIABILITIES				
Due to the Central Bank of the Russian Federation	-	1 013 443	-	1 013 443
Due to other banks	-	1 184 678	-	1 184 678
Customer accounts	-	96 642 365	-	96 642 365
Debt securities in issue	-	-	1 992 777	1 992 777
- <i>Promissory notes</i>	-	-	961 330	961 330
- <i>Bonds issued on domestic market</i>	-	-	1 031 447	1 031 447
Borrowings from international financial institutions	-	2 978 651	-	2 978 651
Other financial liabilities	-	-	211 232	211 232
TOTAL	-	101 819 137	2 204 009	104 023 146

	31 December 2018			
	Level 1	Level 2	Level 3	Carrying amount
<i>(in thousands of Russian Roubles)</i>				
FINANCIAL LIABILITIES				
Customer accounts	-	95 238 192	-	95 238 192
Debt securities in issue	-	-	1 325 096	1 325 096
- <i>Promissory notes</i>	-	-	313 004	313 004
- <i>Bonds issued on domestic market</i>	-	-	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 Group's liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

20. Related Party Transactions

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

The Group's internal 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.

20. Related Party Transactions (Continued)

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

	30 September 2019		
	Major shareholders	Associate	Executive Board and Board of Directors
<i>(in thousands of Russian Roubles)</i>			
Correspondent accounts with banks	428 065	-	-
Gross amount of loans and advances to customers (contractual interest rate: 7.0-18.0%)	-	8 491	6 827
Due to other banks (contractual interest rate: 4.89%)	1 184 678	-	-
Customer accounts (contractual interest rate: 0.01% – 7.5%)	-	1 249	121 422
Borrowings from international financial institutions (contractual interest rate: 9.5%)	960 890	-	-
Bonds issued (coupon rate: 8.25%-9.8%)	-	-	32 757
	31 December 2018		
	Major shareholders	Associate	Executive Board and Board of Directors
<i>(in thousands of Russian Roubles)</i>			
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
	Nine months ended 30 September 2019		
	Major shareholders	Associate	Executive Board and Board of Directors
<i>(in thousands of Russian Roubles)</i>			
Interest income	-	628	552
Interest expense	(33 038)	(697)	(3 982)
Fee and commission income	-	1 034	21
Administrative expenses excluding management remuneration	-	-	(454)
	Nine months ended 30 September 2018		
	Major shareholders	Associate	Executive Board and Board of Directors
<i>(in thousands of Russian Roubles)</i>			
Interest income	-	4 922	394
Interest expense	-	-	(3 629)
Fee and commission income	-	1 253	23
Administrative expenses excluding management remuneration	-	-	(4 048)
	Three months ended 30 September 2019		
	Major shareholders	Associate	Executive Board and Board of Directors
<i>(in thousands of Russian Roubles)</i>			
Interest income	-	223	310
Interest expense	(21 430)	(195)	(1 798)
Fee and commission income	-	288	5
Administrative expenses excluding management remuneration	-	-	(212)

20. Related Party Transactions (Continued)

	Three months ended 30 September 2018		
	Major shareholders	Associate	Executive Board and Board of Directors
<i>(in thousands of Russian Roubles)</i>			
Interest income	-	1 294	85
Interest expense	-	-	(1 132)
Fee and commission income	-	622	8
Administrative expenses excluding management remuneration	-	-	(3 309)

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

Shareholder	30 September 2019		31 December 2018	
	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:

	Nine months ended 30 September 2019		Nine months ended 30 September 2018	
	Compensation	Accrued liability	Compensation	Accrued liability
<i>(in thousands of Russian Roubles)</i>				
<i>Short-term benefits:</i>				
- Salaries	20 012	-	18 771	-
- Short-term and other bonuses	60 664	-	58 950	-
<i>Long-term bonus scheme</i>	13 560	52 039	9 691	37 565
Total	94 236	52 039	87 412	37 565

	Three months ended 30 September 2019		Three months ended 30 September 2018	
	Compensation	Accrued liability	Compensation	Accrued liability
<i>(in thousands of Russian Roubles)</i>				
<i>Short-term benefits:</i>				
- Salaries	7 339	-	7 142	-
- Short-term and other bonuses	4 203	-	3 114	-
<i>Long-term bonus scheme</i>	13 560	11 698	8 342	8 342
Total	25 102	11 698	18 598	8 342

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

At 30 September 2019 and 31 December 2018, the Group's Board of Directors consisted of seven persons and its Executive Board included five persons.

21. Business Combinations

On 9 April 2019, under the Settlement Agreement, the Bank received against its loan repayment shares in Joint-Stock Company "Ptitsefabrika Belokalitvinskaya" for a total of RR 378 thousand. As a result of the transaction, the Group's share in the new subsidiary was 88.28%.

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

At the approval date of this condensed consolidated interim financial information, the Group did not complete the fair value measurement of assets in the acquired entity. The below table summarises the assets acquired and all of the liabilities assumed of Joint-Stock Company "Ptitsefabrika Belokalitvinskaya" as of the acquisition date.

<i>(unaudited)</i> <i>(in thousands of Russian Roubles)</i>	Attributed fair value
Cash and cash equivalents	170
Premises and equipment	833 599
Other financial assets	33 907
Other assets	577 835
Deferred income tax liability	(10 004)
Other liabilities	(10 531)
Total net identifiable assets	1 424 976
<hr/>	
The Bank's loans less provision	1 141 881
Less: non-controlling interest	(54 895)
Gain on a bargain purchase	337 990

The acquired subsidiary contributed revenue of RR 277 442 thousand and profit of RR 100 507 thousand to the Group for the period from the date of acquisition to 30 September 2019. If the acquisition had taken place on 1 January 2019, then the Group's gain for nine months ended 30 September 2019 would have been RR 316 634 thousand and its loss for nine months ended 30 September 2019 would have totalled RR 157 444 thousand.

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

22. Events after the End of the Reporting Period

In October 2019 the Bank repaid ahead of schedule the loan from Erste Group Bank AG amounting to USD 18 million.

In November 2019 the Bank launched Russia's first green bonds amounting to RR 250 million.