CENTER-INVEST BANK GROUP

International Financial Reporting Standards
Condensed Consolidated Interim
Financial Information (unaudited) and
Report on Review
30 June 2018

CONTENTS

Report on Review of Condensed Consolidated Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Public Joint-stock company commercial Bank "Center-invest" and its subsidiary (the "Group") as of 30 June 2018 and the related condensed consolidated interim statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

27 August 2018

Moscow, Russian Federation

O. Kucherova, certified auditor (licence no. 01-000397), AO PricewaterhouseCoopers Audit

Audited entity: Public Joint-stock company commercial Bank "Center-invest"

Certificate of inclusion in the Unified State Register of Legal Entities issued on 26 August 2002 under registration No. 1026100001949

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

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations

BANK CENTER-INVEST

CENTER-INVEST BANK GROUP

Condensed Consolidated Interim Statement of Financial Position

In thousands of Russian Roubles	Note	30 June 2018 (unaudited)	31 December 2017
ASSETS			
Cash and cash equivalents		8 086 971	8 369 737
Mandatory cash balances with the Central Bank of the Russian Federation		688 609	662 931
Due from other banks		5 002 753	8 607 390
Loans to customers and finance lease receivables	6	86 752 949	80 146 601
Investment in associate		308 981	305 468
Investment properties		447 971	422 971
Premises, equipment and intangible assets		2 796 618	2 807 326
Other financial assets		554 086	701 569
Other assets		806 833	592 509
TOTAL ASSETS		**105 445 771**	**102 616 502**
LIABILITIES			
Customer accounts	7	89 445 021	87 217 936
Debt securities in issue	8	1 181 877	1 062 172
Borrowings from international financial institutions		1 201 070	996 297
Other financial liabilities		100 432	103 889
Other liabilities		1 013 682	275 139
Deferred income tax liability		166 948	320 549
TOTAL LIABILITIES		**93 109 030**	**89 975 982**
EQUITY			
Share capital		1 326 277	1 326 277
Share premium		2 078 860	2 078 860
Revaluation reserve for land and premises		1 302 743	1 306 152
Retained earnings		7 628 861	7 929 231
TOTAL EQUITY		**12 336 741**	**12 640 520**
TOTAL LIABILITIES AND EQUITY		**105 445 771**	**102 616 502**

27 August 2018

S. Yu. Smirnov
Chairman of the Executive Board

T. I. Ivanova
Chief Accountant

The notes set out on pages 5 to 47 form an integral part of this condensed consolidated interim financial information.

In thousands of Russian Roubles	Note	Six months ended 30 June 2018	Six months ended 30 June 2017	Three months ended 30 June 2018	Three months ended 30 June 2017
Interest income	9	5 393 621	5 585 855	2 608 936	2 814 426
Interest expense	9	(2 563 077)	(2 834 840)	(1 284 237)	(1 359 963)
Contributions to the state deposit insurance program	9	(224 719)	(165 362)	(113 496)	(82 832)
Net interest income		**2 605 825**	**2 585 653**	**1 211 203**	**1 371 631**
Provision for impairment of loans to customers and finance lease receivables	6	(819 052)	(650 504)	(226 978)	(435 082)
Provision for credit related commitments		17 308	-	9 854	-
Net interest income after impairment provision		**1 804 081**	**1 935 149**	**994 079**	**936 549**
Fee and commission income		665 259	629 583	348 642	325 807
Fee and commission expense		(222 542)	(184 197)	(140 018)	(92 543)
Gains less losses from operations with foreign currencies		28 043	30 787	13 913	19 171
Foreign exchange translation gains less losses		51 983	23 696	57 718	31 443
Losses less gains from foreign exchange spot transactions and other conversion operations on the interbank market		(19 544)	(11 360)	(33 872)	(21 313)
Other provisions and expenses		(8 831)	(149 771)	24 829	(77 602)
Result from disposal of investment property		-	(405 915)	-	(405 915)
Other operating income		20 717	35 061	9 133	11 295
Administrative and other operating expenses		(1 374 654)	(1 223 753)	(750 933)	(651 195)
Share of result of associate		3 514	(3 356)	(17 012)	(17 206)
Profit before tax		**948 026**	**675 924**	**506 479**	**58 491**
Income tax expense		(206 347)	(151 820)	(104 259)	(8 588)
Profit for the period		**741 679**	**524 104**	**402 220**	**49 903**
Other comprehensive income for the period		**-**	**-**	**-**	**-**
Total comprehensive income for the period		**741 679**	**524 104**	**402 220**	**49 903**

In thousands of Russian Roubles	**Six months ended 30 June 2018**	**Six months ended 30 June 2017**
Cash flows from operating activities		
Interest received	5 482 808	5 356 051
Interest paid	(2 484 265)	(2 951 260)
Contributions to the state deposit insurance scheme	(199 710)	(405 201)
Fees and commissions received	664 405	624 320
Fees and commissions paid	(218 618)	(180 670)
Gains less losses from trading in foreign currencies	28 043	30 787
Losses less gains from foreign exchange spot transactions and other conversion operations on the interbank market	(22 851)	(13 524)
Receipts from assignment of rights of claim	80 083	63 361
Repayment of debt previously written off	18 999	21 296
Other operating income received	20 320	34 968
Staff costs paid	(818 719)	(843 381)
Operating expenses paid	(362 850)	(380 805)
Income tax paid	(346 284)	(1 053)
Cash flows from operating activities before changes in operating assets and liabilities	**1 841 361**	**1 354 889**
Change in operating assets and liabilities		
Net change in mandatory cash balances with the Central Bank of the Russian Federation	(25 678)	(2 489)
Net change in due from other banks	3 601 000	4 309 710
Net change in loans to customers and finance lease receivables	(7 927 549)	(6 018 690)
Net change in other financial and other assets	96 156	(74 665)
Net change in due to other banks	-	(295 407)
Net change in customer accounts	1 910 098	362 790
Net change in promissory notes issued	(70 500)	(187 071)
Net change in other financial and other liabilities	(97 239)	57 860
Net cash used in operating activities	**(672 351)**	**(493 073)**
Cash flows from investing activities		
Acquisition of premises and equipment	(47 276)	(103 862)
Proceeds from disposal of premises and equipment	4 456	5 082
Investments in investment properties	(26 242)	(9 989)
Proceeds from disposal of investment properties	-	772 150
Acquisition of intangible assets	(31 673)	(11 004)
Net cash (used in)/from investing activities	**(100 735)**	**652 377**
Cash flows from financing activities		
Issue of bonds	212 567	214 070
Repurchase and repayment of bonds	(26 897)	(67 371)
Proceeds from borrowings from international financial institutions	400 000	1 000 000
Repayment of borrowings from international financial institutions	(200 000)	(179 860)
Repayment of subordinated loans	-	(1 688 835)
Dividends paid	-	(296 249)
Net cash from/(used in) financing activities	**385 670**	**(1 018 245)**
Effect of exchange rate changes on cash and cash equivalents	**104 650**	**(104 818)**
Net outflow of cash and cash equivalents	**(282 766)**	**(963 759)**
Cash and cash equivalents at the beginning of the period	8 369 737	9 629 681
Cash and cash equivalents at the end of the period	**8 086 971**	**8 665 922**

In thousands of Russian Roubles	Share capital	Share premium	Revaluation reserve for land and premises	Retained earnings	Total equity attributable to share-holders
Balance at 1 January 2017	**1 326 277**	**2 078 860**	**1 353 140**	**6 752 956**	**11 511 233**
Profit for the period	-	-	-	524 104	524 104
Total comprehensive income for six months ended 30 June 2017	-	-	-	**524 104**	**524 104**
Dividends declared:					
- ordinary shares	-	-	-	(278 214)	(278 214)
- preference shares	-	-	-	(18 099)	(18 099)
Balance at 30 June 2017 (unaudited)	**1 326 277**	**2 078 860**	**1 353 140**	**6 980 747**	**11 739 024**
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	-	-	-	741 679	741 679
Total comprehensive income for six months ended 30 June 2018	-	-	-	**741 679**	**741 679**
Dividends declared:					
- ordinary shares	-	-	-	(603 641)	(603 641)
- preference shares	-	-	-	(18 099)	(18 099)
Transfer of revaluation surplus on land and premises to retained earnings	-	-	(3 409)	3 409	-
Balance at 30 June 2018 (unaudited)	**1 326 277**	**2 078 860**	**1 302 743**	**7 628 861**	**12 336 741**

1 Introduction

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for six months ended 30 June 2018 for Public Joint-stock company commercial Bank «Center-invest» (the “Bank”) and its 100% subsidiary OOO Center-Leasing (the “Group”).

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

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

In April 2018, the Bank received an order to create additional loan provision for impairment based on the Bank of Russia’s inspection results ended in January 2018 that was executed in April 2018. The provision created did not have a material effect on the Bank's performance.

At 30 June 2018 the Bank has four branches (31 December 2017: four) in the Russian Federation. Additionally, the Bank has a representative office in Moscow and 114 (31 December 2017: 115) sub-branches in the Rostov and Volgograd Regions, Moscow, Nizhny Novgorod, Stavropol and Krasnodar Regions.

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

The average number of the Group’s employees during six months ended 30 June 2018 was 1 486 (2017: 1 461; six months ended 30 June 2017: 1 454).

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

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

2 Operating Environment of the Group (Continued)

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

3 Summary of Significant Accounting Policies

Basis of preparation. This condensed consolidated interim c financial information has been prepared in accordance with IAS 34 and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards.

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

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 2017.

Changes to significant accounting policies resulting from the adoption of new and/or revised standards and interpretations. The Group introduced the following changes to its accounting policies resulting from the adoption of IFRS 9 at 1 January 2018. Under the transition provisions on IFRS 9 adoption, the Group did not adjust comparatives and presented them based on the previous accounting principles applied in accordance with IAS 39. Refer to Note 5 for detailed description of IFRS 9 adoption beffect.

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

2) the cash flow characteristics of the asset.

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

Financial assets – impairment – credit loss allowance for ECL. The Group assesses on a forward-looking basis the ECL for debt instruments measured at AC and FVOCI and for the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects:

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

2) the time value of money; and

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

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees (where those components can be separated from the loan), a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

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

1) A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months (12 month ECL).

2) If the Group identifies a significant increase in credit risk (SICR) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis (lifetime ECL).

3) If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL.

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

At 30 June 2018, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 62.7565 and EUR 1 = RR 72.9921 (31 December 2017: USD 1 = RR 57.6002, EUR 1 = RR 68.8668; 30 June 2017: USD 1 = RR 59.0855, EUR 1 = RR 67.4993).

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

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

A 10% increase or decrease in actual credit loss experience compared to the ECL estimates calculated at 30 June 2018 would result in an increase or decrease in credit loss allowances of RR 679 012 thousand (31 December 2017: RR 630 547 thousand; 30 June 2017: 563 881 thousand), respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There were no instruments which failed the SPPI test during the reporting period and as at 30 June 2018.

5 Adoption of New or Revised Standards and Interpretations

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

The Group recognised adjustments to the carrying amounts of financial assets and liabilities at the date of initial application in the opening retained earnings of the current period.

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

The impact of the IFRS 9 adoption on the Group is disclosed below.

In thousands of Russian Roubles	**Measurement category**		**Carrying value per IAS 39 (closing balance at 31 December 2017)**	**Effect**		**Carrying value per IFRS 9 (opening balance at 1 January 2018)**
	IAS 39	**IFRS 9**		**ECL**	**Reclas-sification**	
Cash and cash equivalents	Loans and receivables (L&R)	AC	**8 369 737**	-	-	**8 369 737**
Mandatory cash balances with the Central Bank of the Russian Federation	L&R	AC	**662 931**	-	-	**662 931**
Due from other banks	L&R	AC	**8 607 390**	-	-	**8 607 390**
Loans to customers and finance lease receivables	L&R	AC	**80 146 601**	(401 976)	-	**79 744 625**
Total loans and advances to customers			**80 146 601**	**(401 976)**	-	**79 744 625**
Other financial assets	L&R	AC	701 569	-	-	701 569
Total other financial assets			**701 569**	-	-	**701 569**
Total financial assets			**98 488 228**	**(401 976)**	-	**98 086 252**
Provision for credit related commitments			-	**(127 672)**	-	**(127 672)**

As at 31 December 2017, all of the Group's financial liabilities, except for foreign exchange SPOT contracts, were carried at amortised cost. The Group's financial liabilities, except for foreign exchange SPOT contracts, were still classified as measured at amortised cost. Starting from 1 January 2018, foreign exchange SPOT contracts were reclassified from FVTPL measurement category under IAS 39 to FVTPL (mandatory) measurement category under IFRS 9. There were no other changes in measurement of financial liabilities.

The below disclosure provides reconciliation of the carrying amounts of financial instruments by classes from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018 as well as describes the reasons for such reclassifications:

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

(a) Cash and cash equivalents

All classes of cash and cash equivalents were reclassified from L&R measurement category under IAS 39 to AC measurement category under IFRS 9 at the transition date. Due to insignificance of ECLs for cash and cash equivalent balances, the Group did not recognise any credit loss allowance for such balances at 1 January 2018 and in subsequent periods.

(b) Due from other banks balances

All classes of due from other banks balances were reclassified from L&R measurement category under IAS 39 to AC measurement category under IFRS 9. Due to insignificance of ECLs on due to other banks balances, the Group did not recognise any credit loss allowance for such balances at 1 January 2018 and thereafter.

(c) Loans to customers and finance lease receivables

All classes of loans to customers and finance lease receivables were reclassified from L&R measurement category under IAS 39 to AC measurement category under IFRS 9 with recognition of credit loss allowance at the transition date as follows:

In thousands of Russian Roubles	**Carrying value per IAS 39 (closing balance at 31 December 2017)**	**ECL**	**Carrying value per IFRS 9 (opening balance at 1 January 2018)**
Loans to small and medium-sized enterprises	26 067 530	(188 398)	25 879 132
Loans to individuals - mortgage loans	25 988 393	(64 529)	25 923 864
Loans to individuals – consumer loans and car loans	20 603 488	7 427	20 610 915
Corporate loans	7 254 309	(156 056)	7 098 253
Finance lease receivables	232 881	(420)	232 461
Total loans to customers and finance lease receivables	**80 146 601**	**(401 976)**	**79 744 625**

(d) Other financial assets

All classes of other financial assets were reclassified from L&R measurement category under IAS 39 to AC measurement category under IFRS 9. Due to insignificance of ECLs on other financial assets, the Group did not recognise any credit loss allowance for such balances at 1 January 2018.

Adoption of IFRS 15. The Group has adopted IFRS 15, *Revenue from Contracts with Customers*, with the date of initial application of 1 January 2018, which did not result in any material impact on the Group.

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9, Financial Instruments, with IFRS 4, Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

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 June 2018 and 31 December 2017 are disclosed in the table below:

In thousands of Russian Roubles	30 June 2018	31 December 2017
Loans to small and medium-sized enterprises (SME loans)	32 755 001	27 909 532
Loans to individuals - mortgage loans	30 624 416	27 035 643
Loans to individuals – consumer loans and car loans	22 297 693	22 828 714
Corporate loans	7 619 372	8 042 611
Finance lease receivables (lease)	201 639	233 591
Total loans to customers and finance lease receivables before provision for impairment	**93 498 121**	**86 050 091**
Provision for impairment of loans to customers and finance lease receivables (IAS 39)	-	(5 903 490)
Credit loss allowance (IFRS 9)	(6 745 172)	(6 305 466)
Total loans to customers and finance lease receivables (IAS 39)	**-**	**80 146 601**
Total loans to customers and finance lease receivables (IFRS 9)	**86 752 949**	**79 744 625**

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			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Mortgage loans								
At 1 January 2018	**286 699**	**17 005**	**808 075**	**1 111 779**	**25 696 586**	**157 958**	**1 181 099**	**27 035 643**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(7 854)	23 067	(15 213)	-	(703 983)	726 708	(22 725)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1 002)	(7 963)	8 965	-	(89 792)	(69 332)	159 124	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	29 859	(1 409)	(28 450)	-	58 115	(15 616)	(42 499)	-
Issued during the period	72 186			72 186	6 469 975	-	-	6 469 975
Repaid during the period	(30 529)	(528)	(55 536)	(86 593)	(2 744 753)	(27 442)	(94 117)	(2 866 312)
Changes to ECL measurement model assumptions	(104 664)	19 878	30 458	(54 328)				
Changes in accrued interest, exchange differences and other movements	284	248	13 746	14 278	12 561	2 231	(7 440)	7 352
Total movements with impact on credit loss allowance charge for the period	**(41 720)**	**33 293**	**(46 030)**	**(54 457)**	**3 002 123**	**616 549**	**(7 657)**	**3 611 015**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(40 845)	(40 845)	-	-	(40 845)	(40 845)
Assignment	-	-	(766)	(766)	(673)	-	(8 358)	(9 031)
Unwinding of discount (for Stage 3)	-	-	27 634	27 634	-	-	27 634	27 634
At 30 June 2018	**244 979**	**50 298**	**748 068**	**1 043 345**	**28 698 036**	**774 507**	**1 151 873**	**30 624 416**
Recovery of loans previously written off	-	-	271	271	-	-	-	-

6 Loans to Customers and Finance Lease Receivables (Continued)

In thousands of Russian Roubles	**Credit loss allowance**				**Gross carrying amount**			
	Stage 1 (12-month ECL)	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Consumer loans and car loans								
At 1 January 2018	**434 127**	**15 441**	**1 768 231**	**2 217 799**	**20 515 244**	**169 340**	**2 144 130**	**22 828 714**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(13 988)	35 764	(21 776)	-	(635 926)	663 693	(27 767)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4 004)	(8 465)	12 469	-	(175 885)	(87 936)	263 821	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	16 071	(1 629)	(14 442)	-	32 884	(14 816)	(18 068)	-
Issued during the period	110 929			110 929	5 173 981			5 173 981
Repaid during the period	(110 743)	(2 260)	(118 892)	(231 895)	(5 268 196)	(121 519)	(173 623)	(5 563 338)
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)	4 002	(16 889)	(25 448)
Total movements with impact on credit loss allowance charge for the period	**(74 015)**	**12 242**	**53 713**	**(8 060)**	**(885 703)**	**443 424**	**27 474**	**(414 805)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs			(164 799)	(164 799)	-	-	(167 998)	(167 998)
Assignment	-	-	(231)	(231)	(2 796)	-	(2 031)	(4 827)
Unwinding of discount (for Stage 3)			56 609	56 609	-	-	56 609	56 609
At 30 June 2018	**360 112**	**27 683**	**1 713 523**	**2 101 318**	**19 626 745**	**612 764**	**2 058 184**	**22 297 693**
Recovery of loans previously written off	-	-	17 167	17 167	-	-	-	-

6 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Loans to SME								
At 1 January 2018	**301 803**	**1 201**	**1 727 396**	**2 030 400**	**24 979 384**	**238 521**	**2 691 627**	**27 909 532**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(48 299)	53 886	(5 587)	-	(646 177)	657 010	(10 833)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(6 333)	(1 199)	7 532	-	(867 876)	(238 298)	1 106 174	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	114	(2)	(112)	-	415	(214)	(201)	-
Issued during the period	130 789	10 707	2 326	143 822	13 676 294	122 103	4 766	13 803 163
Repaid during the period	(69 351)	-	5 661	(63 690)	(8 288 917)	(126 795)	(146 310)	(8 562 022)
Changes to ECL measurement model assumptions	(51 255)	(27 103)	632 574	554 216	-	-	-	-
Changes in accrued interest, exchange differences and other movements	(559)	5	11 521	10 967	(49 574)	564	2 755	(46 255)
Total movements with impact on credit loss allowance charge for the period	**(44 894)**	**36 294**	**653 915**	**645 315**	**3 824 165**	**414 370**	**956 351**	**5 194 886**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(244 783)	(244 783)	-	-	(244 783)	(244 783)
Assignment	-	-	(100 537)	(100 537)	(44 325)	-	(122 352)	(166 677)
Unwinding of discount (for Stage 3)	-	-	62 043	62 043	-	-	62 043	62 043
At 30 June 2018	**256 909**	**37 495**	**2 098 034**	**2 392 438**	**28 759 224**	**652 891**	**3 342 886**	**32 755 001**
Recovery of loans previously written off	-	-	1 561	1 561				

6 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Corporate loans								
At 1 January 2018	**490 747**	**168 949**	**284 662**	**944 358**	**6 330 418**	**1 163 268**	**548 925**	**8 042 611**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(413 423)	413 423	-	-	(2 828 862)	2 828 862	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(25 746)	-	25 746	-	(168 347)	-	168 347	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	-	-	-	-
Issued during the period	8 734	30 972	51 980	91 686	856 418	167 160	171 114	1 194 692
Repaid during the period	(30 584)	(337)	(53 805)	(84 726)	(1 460 291)	(414 745)	(101 877)	(1 976 913)
Changes to ECL measurement model assumptions	(10 976)	11 930	182 207	183 161	-	-	-	-
Changes in accrued interest, exchange differences and other movements	559	40 895	18 153	59 607	49 574	251 575	51 553	352 702
Total movements with impact on credit loss allowance charge for the period	**(471 436)**	**496 883**	**224 281**	**249 728**	**(3 551 508)**	**2 832 852**	**289 137**	**(429 519)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	-	-	-	-	-
Assignment	-	-	(46)	(46)	-	-	(1 096)	(1 096)
Unwinding of discount (for Stage 3)	-	-	7 376	7 376	-	-	7 376	7 376
At 30 June 2018	**19 311**	**665 832**	**516 273**	**1 201 416**	**2 778 910**	**3 996 120**	**844 342**	**7 619 372**
Recovery of loans previously written off	-	-	-	-				

6 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Lease								
At 1 January 2018	**-**	**-**	**1 130**	**1 130**	**229 039**	**2 291**	**2 261**	**233 591**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	-	326	(326)	-	(80)	732	(652)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	-	-	-	-	(2 113)	2 113	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	-	-	-	-
Issued during the period	-	-	-	-	51 065	-	-	51 065
Repaid during the period	-	-	(650)	(650)	(81 539)	(179)	(1 299)	(83 017)
Changes to ECL measurement model assumptions	5 823	(305)	657	6 175	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**5 823**	**21**	**(319)**	**5 525**	**(30 554)**	**(1 560)**	**162**	**(31 952)**
Movements without impact on credit loss allowance charge for the period:	-	-	-	-	-	-	-	-
At 30 June 2018	**5 823**	**21**	**811**	**6 655**	**198 485**	**731**	**2 423**	**201 639**

6 Loans to Customers and Finance Lease Receivables (Continued)

Movements in the provision for impairment during six months ended 30 June 2017 are as follows:

In thousands of Russian Roubles	Mortgage loans	Consumer loans and car loans	Loans to SME	Corporate loans	Lease	Total
Provision for impairment at 1 January 2017	765 462	2 011 858	1 899 765	752 269	4 475	5 433 829
Provision for impairment during the period	37 276	233 365	177 261	226 239	(2 341)	671 800
Provision on assigned loans written off	-	(12 490)	(7 927)	-	-	(20 417)
Amounts written off during the period as uncollectible	(8 512)	(114 032)	(119 692)	(162 421)	-	(404 657)
Provision for impairment at 30 June 2017	**794 226**	**2 118 701**	**1 949 407**	**816 087**	**2 134**	**5 680 555**
Recovery of loans previously written off	329	13 955	7 012	-	-	21 296

The provision for impairment differs from the amount presented in consolidated interim statement of profit or loss and other comprehensive income, due to recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year. Analysis by credit quality of loans and advances to customers outstanding at 31 December 2017 is as follows:

In thousands of Russian Roubles	Mortgage loans	Consumer loans and car loans	Loans to SME	Corporate loans	Lease	Total
Current and not impaired						
Individually significant borrowers						
A2-rated	-	-	9 946	726 055	-	736 001
A3-rated	-	-	563 431	-	-	563 431
B1-rated	-	-	-	4 215 137	-	4 215 137
Claims assessed on a portfolio basis						
Mortgage loans	25 294 624	-	-	-	-	25 294 624
Consumer loans	-	18 440 619	-	-	-	18 440 619
Car loans	-	1 854 690	-	-	-	1 854 690
Agriculture	-	-	7 630 410	748 699	-	8 379 109
Trade	-	-	8 833 107	639 029	-	9 472 136
Manufacturing	-	-	3 506 260	583 808	-	4 090 068
Other	-	-	4 808 030	580 957	-	5 388 987
Lease	-	-	-	-	229 039	229 039
Total current and not impaired	**25 294 624**	**20 295 309**	**25 351 184**	**7 493 685**	**229 039**	**78 663 841**

6 Loans to Customers and Finance Lease Receivables (Continued)

In thousands of Russian Roubles	Mortgage loans	Consumer loans and car loans	Loans to SME	Corporate loans	Lease	Total
Past due but not impaired						
Claims assessed on a portfolio basis						
1 to 90 days overdue	573 077	441 113	69 968	-	-	1 084 158
Total past due but not impaired	**573 077**	**441 113**	**69 968**	**-**	**-**	**1 084 158**
Impaired						
Claims assessed on a portfolio basis						
up to 180 days overdue	224 701	328 186	477 721	541 761	3 538	1 575 907
over 180 days overdue	943 241	1 764 106	2 010 659	7 165	1 014	4 726 185
Total impaired	**1 167 942**	**2 092 292**	**2 488 380**	**548 926**	**4 552**	**6 302 092**
Total loans to customers and finance lease receivables before provision for impairment	**27 035 643**	**22 828 714**	**27 909 532**	**8 042 611**	**233 591**	**86 050 091**
Less impairment provision	(1 047 250)	(2 225 226)	(1 842 002)	(788 302)	(710)	(5 903 490)
Total loans to customers and finance lease receivables	**25 988 393**	**20 603 488**	**26 067 530**	**7 254 309**	**232 881**	**80 146 601**

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

In thousands of Russian Roubles	Six months ended 30 June 2018	Six months ended 30 June 2017
Assigned balance rights of claim for loans to customers and finance leases	185 512	80 763
Provision for impairment of assigned claims	(110 737)	(18 652)
Sales price	74 775	62 111
Net result from assignment of balance rights of claim	**-**	**-**

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

6 Loans to Customers and Finance Lease Receivables (Continued)

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

In thousands of Russian Roubles	30 June 2018 Amount	%	31 December 2017 Amount	%
Individuals (total), incl.	52 922 109	56.6	49 864 357	57.9
- mortgage loans	*30 624 416*	*32.8*	*27 035 643*	*31.4*
- consumer loans	*20 612 399*	*22.0*	*20 835 112*	*24.2*
- car loans	*1 685 294*	*1.8*	*1 993 602*	*2.3*
Agriculture	13 153 257	14.1	9 086 365	10.6
Trade	10 915 947	11.7	10 487 269	12.2
Manufacturing	7 170 808	7.6	6 963 539	8.1
Transport	4 282 785	4.6	4 314 986	5.0
Construction	1 979 405	2.1	1 719 918	2.0
Other	3 073 810	3.3	3 613 657	4.2
Total loans to customers and finance lease receivables before provision for impairment	**93 498 121**	**100,0**	**86 050 091**	**100,0**

At 30 June 2018, the Group had 10 major borrowers with aggregate loan balance amounting to RR 8 469 192 thousand, or 9.1% of the loan portfolio and finance lease receivables (31 December 2017: RR 8 337 613 thousand or 9.7%).

The carrying amount of loans and advances to customers approximates their fair value at 30 June 2018 and 31 December 2017. (Refer to Note 16). Information on related party balances is disclosed in Note 17.

7 Customer Accounts

In thousands of Russian Roubles	**30 June 2018**	**31 December 2017**
State and public organisations		
- Current/settlement accounts	526 795	173 789
- Term deposits	57 178	15 061
Other legal entities		
- Current/settlement accounts	13 404 271	14 419 864
- Term deposits	2 365 751	2 153 598
Individuals		
- Current/demand accounts	8 004 240	6 963 109
- Term deposits	65 086 786	63 492 515
Total customer accounts	**89 445 021**	**87 217 936**

At 30 June 2018, the total aggregate balance of 10 largest clients of the Group was RR 2 447 491 thousand or 2.7% of customer accounts (31 December 2017: RR 2 283 121 thousand or 2.6% of customer accounts).

The carrying value of each class of customer accounts approximates their fair value at 30 June 2018, 30 June 2017 and 31 December 2017 (Note 16). Information on related party balances is disclosed in Note 17.

8 Debt Securities in Issue

In thousands of Russian Roubles	**30 June 2018**	**31 December 2017**
Bonds	770 283	589 652
Promissory notes	411 594	472 520
Total debt securities in issue	**1 181 877**	**1 062 172**

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-01P01**	**CIN-01P02**	**CIN-01P03**	**CIN-01P04**	**CINBO-BO7**	**CINBO-BO10**
Par value, RR	1,000	1,000	1,000	1,000	1,000	1,000
Number	300 000	60 112	226 633	159 569	3 265 000	3 000 000
Initial placement date	June 2017	July 2017	October 2017	April 2018	November 2013	May 2014
Maturity date	July 2018	August 2018	January 2019	October 2021	November 2018	May 2019
Next offer date	-	-	October 2018	October 2018	-	November 2018
At 30 June 2018:						
Number of bonds in issue	299 501	59 629	226 033	159 569	8 667	93 934
- including purchased by the subsidiary	359	351	-	-	-	-
Coupon rate, %	8.90	8.40	9.30	8.25	8.50	8.25
At 31 December 2017						
Number of bonds in issue	300 000	60 112	183 653	-	8 667	122 608
- including purchased by the subsidiary	359	9 857	3 094	-	-	777
Coupon rate, %	8.90	8.40	9.30	-	8.50	9.20

The carrying value of debt securities in issue approximates their fair value at 30 June 2018 and 31 December 2017 (Refer to Note 16).

9 Interest Income and Expense

In thousands of Russian Roubles	Six months ended 30 June 2018	Six months ended 30 June 2017
Interest income		
Loans to individuals	3 071 302	3 040 209
Corporate loans	2 048 228	2 373 864
Short-term deposits with the Central Bank of the Russian Federation, amounts due from and accounts with other banks	253 801	145 057
Finance income arising from leasing	20 290	26 725
Total interest income	**5 393 621**	**5 585 855**
Interest expense		
Term deposits and accounts of individuals	(2 343 367)	(2 617 758)
Term deposits and accounts of legal entities	(113 243)	(108 379)
Borrowings from international financial institutions, subordinated debt and term placements of other banks	(56 087)	(93 762)
Bonds in issue	(34 950)	(10 622)
Promissory notes issued	(15 430)	(4 319)
Total interest expense	**(2 563 077)**	**(2 834 840)**
Contributions to the state deposit insurance program	(224 719)	(165 362)
Net interest income	**2 605 825**	**2 585 653**

9 Interest Income and Expense (Continued)

In thousands of Russian Roubles	Three months ended 30 June 2018	Three months ended 30 June 2017
Interest income		
Loans to individuals	1 519 195	1 546 612
Corporate loans	979 345	1 224 390
Short-term deposits with the Central Bank of the Russian Federation, amounts due from and accounts with other banks	102 014	30 196
Finance income arising from leasing	8 382	13 228
Total interest income	**2 608 936**	**2 814 426**
Interest expense		
Term deposits and accounts of individuals	(1 167 373)	(1 268 501)
Term deposits and accounts of legal entities	(60 450)	(52 267)
Borrowings from international financial institutions, subordinated debt and term placements of other banks	(29 888)	(32 717)
Bonds in issue	(18 652)	(5 151)
Promissory notes issued	(7 874)	(1 327)
Total interest expense	**(1 284 237)**	**(1 359 963)**
Contributions to the state deposit insurance program	(113 496)	(82 832)
Net interest income	**1 211 203**	**1 371 631**

10 Dividends

	30 June 2018		30 June 2017	
In thousands of Russian Roubles	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Dividends for prior calendar year declared during the reporting period	603 641	18 099	278 214	18 099
Dividends paid during the period	-	-	(278 214)	(18 034)
Other movements	-	-	-	-
Dividends payable	**603 641**	**18 099**	-	**65**

In June 2018, the Bank declared dividends 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.

In June 2017, the Bank declared dividends 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 3.3 per share. Most of the dividends for 2016 were paid in June 2017.

Dividends were declared and paid in Russian Roubles. A part of declared dividends was not claimed.

11 Segment Analysis

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

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

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

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

Factors that management used to identify the reportable segments

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

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

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

Measurement of operating segment profit or loss, assets and liabilities

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

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

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

11 Segment Analysis (Continued)

Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for six months ended 30 June 2018 is set out below:

In thousands of Russian Roubles	Lending	Treasury	Retail banking	Total
Six months ended 30 June 2018				
External revenues:				
Interest income	5 082 193	253 801	44 617	5 380 611
Fee and commission income and other operating income	220 117	348 013	373 306	941 436
Total revenues	**5 302 310**	**601 814**	**417 923**	**6 322 047**
Interest expense	-	(219 736)	(2 381 589)	(2 601 325)
Provision for impairment	(614 494)	8 342	(674)	(606 826)
Fee and commission expenses and other expenses	(121 715)	(41 904)	(141 256)	(304 875)
Segment result	**4 566 101**	**348 516**	**(2 105 596)**	**2 809 021**
Total reportable segment assets	**85 622 880**	**5 229 753**	**-**	**90 852 633**
Total reportable segment liabilities	**-**	**(14 363 541)**	**(76 977 087)**	**(91 340 628)**

Segment information for the reportable segments for six months ended 30 June 2017 is set out below:

In thousands of Russian Roubles	Lending	Treasury	Retail banking	Total
Six months ended 30 June 2017				
External revenues:				
Interest income	5 065 647	145 057	55 116	5 265 820
Fee and commission income and other operating income	214 518	329 155	331 976	875 649
Total revenues	**5 280 165**	**474 212**	**387 092**	**6 141 469**
Interest expense	-	(215 690)	(2 657 184)	(2 872 874)
Provision for impairment	(1 045 797)	1 715	(892)	(1 044 974)
Fee and commission expenses and other expenses	(23 731)	(45 907)	(98 330)	(167 968)
Segment result	**4 210 637**	**214 330**	**(2 369 314)**	**2 055 653**
Total reportable segment assets	**78 600 456**	**1 915 265**	**-**	**80 515 721**
Total reportable segment liabilities	**-**	**(13 110 739)**	**(69 784 144)**	**(82 894 883)**

Reconciliation of reportable segment profit or loss, assets and liabilities

In thousands of Russian Roubles	Six months ended 30 June 2018	Six months ended 30 June 2017
Total revenues for reportable segments	**6 322 047**	**6 141 469**
Accrual method application to fee and commission income	(6 923)	4 030
Fair value remeasurement of financial assets	7 514	(904)
Recognition of interest income on impaired loans	(143 787)	164 485
Foreign exchange translation gains less losses	(51 983)	(23 696)
Gains less losses from conversion operations on the interbank market	22 851	13 524
Consolidation effect	7 080	4 207
Other	(49 159)	(21 829)
Total consolidated revenues	**6 107 640**	**6 281 286**

11 Segment Analysis (Continued)

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

In thousands of Russian Roubles	**Six months ended 30 June 2018**	**Six months ended 30 June 2017**
Total reportable segment result	**2 809 021**	**2 055 653**
Administrative expenses	(1 517 621)	(1 649 826)
Effective interest method application	(35 062)	3 415
Fair value remeasurement of financial assets and liabilities	10 821	1 260
Recognition of interest income on impaired loans	(125 747)	164 485
Recalculation of provision for impairment	(71 555)	271 056
Consolidation effect	(761)	(2 443)
Events after the end of the reporting period	(128 401)	(116 133)
Amortisation recalculation	22 925	15 177
Other	(15 594)	(66 720)
Profit before tax	**948 026**	**675 924**

In thousands of Russian Roubles	**30 June 2018**	**31 December 2017**
Total reportable segment assets	90 852 633	**88 072 595**
Unallocated assets	13 482 284	13 642 075
Recalculation of provision for impairment	3 860	(143 135)
Recognition of interest income on impaired loans	1 175 264	1 198 838
Application of effective interest rate method to fee and commission income	(237 651)	(232 452)
Finance lease adjustment	(26 910)	(36 959)
Consolidation effect	259 845	253 848
Other	(63 554)	(138 308)
Total consolidated assets	**105 445 771**	**102 616 502**

In thousands of Russian Roubles	**30 June 2018**	**31 December 2017**
Total reportable segment liabilities	**91 340 628**	**88 877 257**
Unallocated liabilities	1 929 934	1 263 983
Application of effective interest rate method to fee and commission expenses	(7 723)	(10 029)
Consolidation effect	(153 809)	(155 229)
Total consolidated liabilities	**93 109 030**	**89 975 982**

Major customers

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

12 Assets and Liabilities by Currency and Expected Maturity

Currency risk. The table below summarises the Group's exposure to currency risk at 30 June 2018 and 31 December 2017:

	At 30 June 2018				At 31 December 2017			
In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Foreign exchange spot contracts**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Foreign exchange spot contracts**	**Net position**
Russian Roubles	97 243 951	(88 711 088)	417 783	**8 950 646**	94 491 422	(86 207 960)	741 890	**9 025 352**
US Dollars	2 986 759	(2 381 819)	(429 631)	**175 309**	3 197 805	(2 377 778)	(744 553)	**75 474**
Euro	813 177	(816 466)	11 759	**8 470**	786 019	(776 138)	689	**10 570**
Other	40 148	(19 027)	1 422	**22 543**	46 117	(16 444)	-	**29 673**
Total	**101 084 035**	**(91 928 400)**	**1 333**	**9 156 968**	**98 521 363**	**(89 378 320)**	**(1 974)**	**9 141 069**

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

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

Liquidity risk. The maturity analysis of assets and liabilities at 30 June 2018 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No defined maturity	Total
Assets								
Cash and cash equivalents	8 086 971	-	-	-	-	-	-	8 086 971
Mandatory cash balances with the Central Bank of Russian Federation	688 609	-	-	-	-	-	-	688 609
Due from other banks	5 002 753	-	-	-	-	-	-	5 002 753
Loans to customers and finance lease receivables	2 307 133	3 888 713	8 694 111	13 675 644	36 333 271	21 854 077	-	86 752 949
Investment in associate	-	-	-	-	-	-	308 981	308 981
Investment properties	-	-	-	-	294 284	-	153 687	447 971
Premises, equipment and intangible assets	-	-	-	-	-	-	2 796 618	2 796 618
Other financial assets	409 230	4 284	3 661	-	130 914	-	5 997	554 086
Other assets	14 558	23 813	22 365	472 500	273 597	-	-	806 833
Total assets	**16 509 254**	**3 916 810**	**8 720 137**	**14 148 144**	**37 032 066**	**21 854 077**	**3 265 283**	**105 445 771**
Liabilities								
Customer accounts	12 832 768	6 966 779	7 528 414	32 859 889	29 257 171	-	-	89 445 021
Debt securities in issue	435 985	243 508	471 402	30 982	-	-	-	1 181 877
Borrowings from international financial institutions	-	-	203 383	604 244	393 443	-	-	1 201 070
Other financial liabilities	71 671	4 015	2 305	16 800	5 641	-	-	100 432
Deferred income tax liability	-	-	-	-	-	-	166 948	166 948
Other liabilities	729 438	120 610	5 179	103 663	54 792	-	-	1 013 682
Total liabilities	**14 069 862**	**7 334 912**	**8 210 683**	**33 615 578**	**29 711 047**	**-**	**166 948**	**93 109 030**
Net liquidity gap at 30 June 2018	**2 439 392**	**(3 418 102)**	**509 454**	**(19 467 434)**	**7 321 019**	**21 854 077**	**3 098 335**	**12 336 741**
Cumulative liquidity gap at 30 June 2018	**2 439 392**	**(978 710)**	**(469 256)**	**(19 936 690)**	**(12 615 671)**	**9 238 406**	**12 336 741**	**-**

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

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

The maturity analysis at 31 December 2017 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No defined maturity	Total
Assets								
Cash and cash equivalents	8 369 737	-	-	-	-	-	-	8 369 737
Mandatory cash balances with the Central Bank of Russian Federation	662 931	-	-	-	-	-	-	662 931
Due from other banks	8 607 390	-	-	-	-	-	-	8 607 390
Loans to customers and finance lease receivables	1 921 806	4 311 159	5 122 396	13 828 970	34 706 814	20 255 456	-	80 146 601
Investment in associate	-	-	-	-	-	-	305 468	305 468
Investment properties	-	-	-	-	296 149	-	126 822	422 971
Premises, equipment and intangible assets	-	-	-	-	-	-	2 807 326	2 807 326
Other financial assets	184 742	74 090	3 957	122 190	310 593	-	5 997	701 569
Other assets	16 923	26 782	9 148	246 148	293 508	-	-	592 509
Total assets	**19 763 529**	**4 412 031**	**5 135 501**	**14 197 308**	**35 607 064**	**20 255 456**	**3 245 613**	**102 616 502**
Liabilities								
Customer accounts	10 596 655	2 795 815	8 094 917	23 248 142	42 482 407	-	-	87 217 936
Debt securities in issue	756 336	55 553	214 952	35 331	-	-	-	1 062 172
Borrowings from international financial institutions	-	-	204 511	200 000	591 786	-	-	996 297
Other financial liabilities	65 140	10 246	2 035	7 614	18 854	-	-	103 889
Other liabilities							320 549	320 549
Deferred income tax liability	86 768	141 861	84	15 193	31 233	-	-	275 139
Total liabilities	**11 504 899**	**3 003 475**	**8 516 499**	**23 506 280**	**43 124 280**	**-**	**320 549**	**89 975 982**
Net liquidity gap at 31 December 2017	**8 258 630**	**1 408 556**	**(3 380 998)**	**(9 308 972)**	**(7 517 216)**	**20 255 456**	**2 925 064**	**12 640 520**
Cumulative liquidity gap at 31 December 2017	**8 258 630**	**9 667 186**	**6 286 188**	**(3 022 784)**	**(10 540 000)**	**9 715 456**	**12 640 520**	**-**

13 Credit Risk Management

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

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

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

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

Such risks are monitored on a regular basis.

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

Large Credit Committee of the Bank's Head Office approves credit limits for borrowers or groups of related borrowers with aggregate outstanding balances in the range from RR 10 million (2017: RR 10 million) (without positive credit history) and RR 20 million (2017: RR 20 million) (with positive credit history) to 25% (2017: 25%) of capital calculated in accordance with the requirements of the Central Bank of the Russian Federation. This Committee is also responsible for issuing guidance to lower level credit committees.

Small Credit Committees of the Bank's Head Office approve loans to borrowers and groups of related borrowers with aggregate outstanding balances less than RR 10 million (2017: RR 10 million) (without positive credit history) and RR 20 million (2017: RR 20 million) (with positive credit history). At present, there are two small credit committees functioning at the Bank's Head Office which approve credit limits for small businesses and retail clients.

13 Credit Risk Management (Continued)

The Bank's authorised persons take individual decisions on transactions with legal entities and retail clients under the standard lending programmes. The Bank's Executive Board Chairman issues an order to approve a list of the above persons and personal limits for each of them that should not exceed RR 3 million (2017: no more than RR 3 million).

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

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

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

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

Expected credit loss (ECL) measurement – definitions

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

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

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

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

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

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

13 Credit Risk Management (Continued)

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

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

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

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

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

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

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

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

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

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

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

13 Credit Risk Management (Continued)

For loans to individuals:

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

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

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

For individual borrowers:

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

For corporate borrowers:

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

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

13 Credit Risk Management (Continued)

ECL measurement – description of estimation techniques

General principle

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

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

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

The Group carries out two separate approaches for ECL measurement:

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

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

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

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

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

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

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

13 Credit Risk Management (Continued)

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

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

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

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

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

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

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

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

ECL measurement for off-balance sheet financial instruments.

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

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

13 Credit Risk Management (Continued)

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

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

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

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

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

14 Capital Adequacy

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

In thousands of Russian Roubles	**30 June 2018**	**31 December 2017**
Tier 1 capital		
Share capital	1 326 277	1 326 277
Share premium	2 078 860	2 078 860
Retained earnings	7 628 861	7 929 231
Total tier 1 capital	**11 033 998**	**11 334 368**
Tier 2 capital		
Revaluation reserve for land and premises	1 302 743	1 306 152
Total tier 2 capital	**1 302 743**	**1 306 152**
Total capital	**12 336 741**	**12 640 520**
Risk-weighted assets	**79 276 229**	**75 345 679**
Capital adequacy	15.6%	16.8%

15 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. At 30 June 2018, the Group was engaged in litigation proceedings in relation to claims from borrowers and lessees. A provision of RR 3 306 thousand (31 December 2017: RR 10 657 thousand) has been made as internal professional advice has indicated that it is likely that a loss will eventuate.

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

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

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

The table below contains an analysis of credit related commitments by credit quality at 30 June 2018 based on credit risk stages. The system of credit risk classification by stages applied by the Group and the approach to assessment of expected credit losses, including definition of default and significant increase in credit risk in relation to credit related commitments are disclosed in Note 13.

In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Commitments to extend credit or credit lines that are revocable only in response to a material adverse change:				
- legal entities	4 523 851	1 013	13 924	4 538 788
- individuals	1 726 986	-	-	1 726 986
Financial guarantees issued	1 968 764	-	-	1 968 764
Unrecognised gross amount	**8 219 601**	**1 013**	**13 924**	**8 234 538**
Provision for credit related commitments	(106 363)	(322)	(3 679)	(110 364)

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 June 2018, fair value of credit related commitments was RR 25 844 thousand (31 December 2017: RR 33 358 thousand).

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

Assets pledged and restricted. At 30 June 2018, due from other banks balances and “overnight” deposits with other banks of RR 107 941 thousand (31 December 2017: RR 99 072 thousand) are placed as a cover for international payment cards transactions. In addition, mandatory cash balances with the CBRF of RR 688 609 thousand (31 December 2017: RR 662 931 thousand) represent mandatory reserve deposits which are not available to finance the Bank’s day-to-day operations.

Compliance with covenants. The Group is subject to certain covenants mainly relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and a claim on early repayment of the loan. At 30 June 2018 and 31 December 2017, the Group was in compliance with all the covenants.

16 Fair Value

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

(a) Recurring fair value measurements

Recurring fair value measurements are those that other IFRSs require or permit in the statement of financial position at the end of each reporting period. Level 3 includes non-financial assets: investments in an associate, investment properties, land and premises of the Group.

(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:

	30 June 2018			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL ASSETS				
Cash and cash equivalents	4 039 829	4 047 142	-	8 086 971
Mandatory cash balances with the Central Bank of Russian Federation		688 609	-	688 609
Due from other banks	-	5 002 753	-	5 002 753
Loans and advances to customers	-	-	89 033 207	86 752 949
- Loans to small and medium-sized enterprises	-	-	*30 433 161*	*30 362 563*
- Corporate loans	-	-	*6 427 360*	*6 417 956*
- Loans to individuals – consumer and car loans	-	-	*20 615 745*	*20 196 375*
- Mortgage loans	-	-	*31 362 967*	*29 581 071*
- Finance lease receivables	-	-	*193 974*	*194 984*
Other financial assets	-	-	546 756	546 756
TOTAL	**4 039 829**	**9 738 504**	**89 579 963**	**101 078 038**

	31 December 2017			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL ASSETS				
Cash and cash equivalents	3 724 781	4 644 956	-	8 369 737
Mandatory cash balances with the Central Bank of Russian Federation	-	662 931	-	662 931
Due from other banks	-	8 607 390	-	8 607 390
Loans and advances to customers	-	-	82 467 975	80 146 601
- Loans to small and medium-sized enterprises	-	-	*26 091 487*	*26 067 530*
- Corporate loans	-	-	*7 255 403*	*7 254 309*
- Loans to individuals – consumer and car loans	-	-	*21 041 563*	*20 603 488*
- Mortgage loans	-	-	*27 846 182*	*25 988 393*
- Finance lease receivables	-	-	*233 340*	*232 881*
Other financial assets	-	-	695 572	695 572
TOTAL	**3 724 781**	**13 915 277**	**83 163 547**	**98 482 231**

16 Fair Value (Continued)

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

	30 June 2018			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL LIABILITIES				
Customer accounts	-	-	89 445 021	89 445 021
Debt securities in issue	-	-	1 181 877	1 181 877
- Promissory notes	-	-	*411 594*	*411 594*
- Bonds issued on domestic market	-	-	*770 283*	*770 283*
Borrowings from international financial institutions	-	-	1 201 070	1 201 070
Other financial liabilities	-	-	100 432	100 432
TOTAL	**-**	**-**	**91 928 400**	**91 928 400**

	31 December 2017			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL LIABILITIES				
Customer accounts	-	-	87 217 936	87 217 936
Debt securities in issue	590 145	-	472 520	1 062 172
- Promissory notes	-	-	*472 520*	*472 520*
- Bonds issued on domestic market	*590 145*	-	-	*589 652*
Borrowings from international financial institutions	-	-	996 297	996 297
Other financial liabilities	-	-	101 915	101 915
TOTAL	**590 145**	**-**	**88 788 668**	**89 378 320**

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

17 Related Party Transactions

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

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

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

	30 June 2018		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Correspondent accounts with banks	168 537	-	-
Gross amount of loans and advances to customers (contractual interest rate: 8.8% – 13.2%)	-	32 446	6 844
Customer accounts (contractual interest rate: 0.01% – 8.3%)	-	726	58 153
Bonds issued (coupon rate: 9.5% – 10.9%)	-	-	9 753

	31 December 2017		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Correspondent accounts with banks	172 099	-	-
Gross amount of loans and advances to customers (contractual interest rate: 9.5% – 13.5%)	-	78 408	6 064
Customer accounts (contractual interest rate: 0.01% – 8.3%)	-	4 508	73 353
Bonds issued (coupon rate: 8.4% – 9.3%)	-	-	8 868

	Six months ended 30 June 2018		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Interest income	-	3 628	309
Interest expense	-	-	(2 497)
Fee and commission income	-	631	15
Administrative expenses excluding management remuneration	-	-	(739)

17 Related Party Transactions (Continued)

In thousands of Russian Roubles	Six months ended 30 June 2017 Major shareholders	Associate	Executive Board and Board of Directors
Interest income	-	7 233	401
Interest expense	(82 756)	-	(1 766)
Fee and commission income	-	609	8
Administrative expenses excluding management remuneration	-	-	(895)

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

Shareholder	30 June 2018 Equity share, %	30 June 2018 Voting rights, %	31 December 2017 Equity share, %	31 December 2017 Voting rights, %
European Bank for Reconstruction and Development	17.82	19.74	17.82	19.74
DEG (Deutsche Investitions und Entwicklungsgesellschaft GmbH)	14.57	16.14	14.57	16.14
Vasiliy Vasilievich Vysokov	11.10	12.30	11.10	12.30
Tatiana Nikolaevna Vysokova	10.96	12.13	10.96	12.13
ResponsAbility Participations AG, ResponsAbility SICAV (Lux) Micro and SME Finance Leaders	9.05	10.03	9.05	10.03
Erste Bank	9.09	9.01	9.09	9.01
Firebird Funds	8.22	9.11	8.22	9.11
Rekha Holdings Limited	6.77	7.49	6.77	7.49

Key management compensation is presented below:

In thousands of Russian Roubles	Six months ended 30 June 2018 Expense	Six months ended 30 June 2018 Accrued liability	Six months ended 30 June 2017 Expense	Six months ended 30 June 2017 Accrued liability
Short-term benefits:				
- Salaries	11 629	-	14 803	-
- Short-term and other bonuses	55 836	-	58 105	-
Long-term bonus scheme	1 349	29 223	979	21 189
Total	68 814	29 223	73 887	21 189

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

At 30 June 2018 and 31 December 2017, the Group’s Board of Directors consisted of seven persons and its Executive Board included five persons.

18 Events after the End of the Reporting Period

On 26 July 2018, the Analytical Credit Rating Agency (ACRA) assigned Public Joint-stock company commercial Bank “Center-invest” A(RU) rating with a stable outlook based on the national scale. The A-level rating on ACRA’s scale confirms that the Bank has moderately high creditworthiness as compared to other credit institutions in the Russian Federation.