CENTER-INVEST BANK GROUP

International Financial Reporting Standards
Condensed Consolidated Interim
Financial Information (unaudited)
30 September 2018

CONTENTS

BANK CENTER-INVEST

CENTER-INVEST BANK GROUP

Condensed Consolidated Interim Statement of Financial Position

In thousands of Russian Roubles	Note	30 September 2018 (unaudited)	31 December 2017
ASSETS			
Cash and cash equivalents		7 810 246	8 369 737
Mandatory cash balances with the Central Bank of the Russian Federation		729 514	662 931
Due from other banks		10 808 285	8 607 390
Loans to customers and finance lease receivables	6	85 598 729	80 146 601
Investment in associate		290 013	305 468
Investment properties		447 983	422 971
Premises, equipment and intangible assets		2 797 923	2 807 326
Other financial assets		544 256	701 569
Other assets		845 535	592 509
TOTAL ASSETS		**109 872 484**	**102 616 502**
LIABILITIES			
Customer accounts	7	93 303 567	87 217 936
Debt securities in issue	8	1 493 495	1 062 172
Borrowings from international financial institutions		1 435 475	996 297
Other financial liabilities		109 666	103 889
Other liabilities		407 725	275 139
Deferred income tax liability		267 286	320 549
TOTAL LIABILITIES		**97 017 214**	**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		8 147 390	7 929 231
TOTAL EQUITY		**12 855 270**	**12 640 520**
TOTAL LIABILITIES AND EQUITY		**109 872 484**	**102 616 502**

29 November 2018

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

S. Yu. Smirnov
Chairman of the Executive Board

T. I. Ivanova
Chief Accountant

In thousands of Russian Roubles	Note	Nine months ended 30 September 2018	Nine months ended 30 September 2017	Three months ended 30 September 2018	Three months ended 30 September 2017
Interest income	9	8 226 332	8 492 865	2 832 711	2 907 010
Interest expense	9	(3 840 436)	(4 178 220)	(1 277 359)	(1 343 380)
Contributions to the state deposit insurance program	9	(343 657)	(252 015)	(118 938)	(86 653)
Net interest income		**4 042 239**	**4 062 630**	**1 436 414**	**1 476 977**
Provision for impairment of loans to customers and finance lease receivables	6	(1 074 445)	(1 037 974)	(255 393)	(387 470)
Provision for credit related commitments		23 879	-	6 571	-
Net interest income after impairment provision		**2 991 673**	**3 024 656**	**1 187 592**	**1 089 507**
Fee and commission income		1 037 479	994 747	372 220	365 164
Fee and commission expense		(359 471)	(314 184)	(136 929)	(129 987)
Gains less losses from operations with foreign currencies		47 812	46 468	19 769	15 681
Foreign exchange translation gains less losses		77 430	10 600	25 447	(13 096)
Losses less gains from foreign exchange spot transactions and other conversion operations on the interbank market		(33 025)	11 449	(13 481)	22 809
Other provisions and expenses		(25 853)	(162 604)	(17 022)	(12 833)
Result from disposal of investment property		-	(405 915)	-	-
Other operating income		27 106	44 509	6 389	9 448
Administrative and other operating expenses		(2 131 873)	(2 030 394)	(757 219)	(806 641)
Share of result of associate		(15 455)	(28 469)	(18 969)	(25 113)
Profit before tax		**1 615 823**	**1 190 863**	**667 797**	**514 939**
Income tax expense		(355 615)	(255 890)	(149 268)	(104 070)
Profit for the period		**1 260 208**	**934 973**	**518 529**	**410 869**
Other comprehensive income for the period		**-**	**-**	**-**	**---**
Total comprehensive income for the period		**1 260 208**	**934 973**	**518 529**	**410 869**

In thousands of Russian Roubles	**Nine months ended 30 September 2018**	**Nine months ended 30 September 2017**
Cash flows from operating activities		
Interest received	8 292 149	8 232 852
Interest paid	(3 714 960)	(4 184 846)
Contributions to the state deposit insurance scheme	(313 206)	(488 033)
Fees and commissions received	1 030 089	987 220
Fees and commissions paid	(356 413)	(310 783)
Gains less losses from trading in foreign currencies	47 812	46 468
Losses less gains from foreign exchange spot transactions and other conversion operations on the interbank market	(34 291)	15 165
Receipts from assignment of rights of claim	85 292	423 541
Repayment of debt previously written off	26 119	42 753
Other operating income received	26 612	44 373
Staff costs paid	(1 275 722)	(1 356 281)
Operating expenses paid	(849 375)	(627 155)
Income tax paid	(346 498)	(8 787)
Cash flows from operating activities before changes in operating assets and liabilities	**2 617 608**	**2 816 487**
Change in operating assets and liabilities		
Net change in mandatory cash balances with the Central Bank of the Russian Federation	(66 583)	(41 271)
Net change in due from other banks	(2 199 000)	(3 288 776)
Net change in loans to customers and finance lease receivables	(6 822 863)	(5 211 744)
Net change in other financial and other assets	72 110	(111 392)
Net change in due to other banks	-	(295 407)
Net change in customer accounts	5 634 860	5 004 085
Net change in promissory notes issued	104 283	111 650
Net change in other financial and other liabilities	(2 744)	38 629
Net cash used in operating activities	**(662 329)**	**(978 039)**
Cash flows from investing activities		
Acquisition of premises and equipment	(75 284)	(127 286)
Proceeds from disposal of premises and equipment	4 490	6 083
Investments in investment properties	(29 193)	(9 989)
Proceeds from disposal of investment properties	-	772 150
Acquisition of intangible assets	(40 974)	(20 988)
Net cash (used in)/from investing activities	**(140 961)**	**619 970**
Cash flows from financing activities		
Issue of bonds	715 929	360 112
Repurchase and repayment of bonds	(412 890)	(89 469)
Proceeds from borrowings from international financial institutions	600 000	1 000 000
Repayment of borrowings from international financial institutions	(200 000)	(179 860)
Repayment of subordinated loans	-	(1 688 835)
Dividends paid	(621 740)	(296 251)
Net cash from/(used in) financing activities	**81 299**	**(894 303)**
Effect of exchange rate changes on cash and cash equivalents	**162 500**	**(113 521)**
Net outflow of cash and cash equivalents	**(559 491)**	**(1 365 893)**
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	**7 810 246**	**8 263 788**

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	-	-	-	934 973	934 973
Total comprehensive income for nine months ended 30 September 2017	**-**	**-**	**-**	**934 973**	**934 973**
Dividends declared:					
- ordinary shares	-	-	-	(278 214)	(278 214)
- preference shares	-	-	-	(18 099)	(18 099)
Balance at 30 September 2017 (unaudited)	**1 326 277**	**2 078 860**	**1 353 140**	**7 391 616**	**12 149 893**
Balance at 31 December 2017	**1 326 277**	**2 078 860**	**1 306 152**	**7 929 231**	**12 640 520**
Effect of initial application of IFRS 9 – revaluation of ECL	-	-	-	(423 718)	(423 718)
Restated balance at 1 January 2018	**1 326 277**	**2 078 860**	**1 306 152**	**7 505 513**	**12 216 802**
Profit for the period	-	-	-	1 260 208	1 260 208
Total comprehensive income for nine months ended 30 September 2018	**-**	**-**	**-**	**1 260 208**	**1 260 208**
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 September 2018 (unaudited)	**1 326 277**	**2 078 860**	**1 302 743**	**8 147 390**	**12 855 270**

1 Introduction

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for nine months ended 30 September 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 September 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 nine months ended 30 September 2018 was 1 488 (2017: 1 461; nine months ended 30 September 2017: 1 459).

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 September 2018, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 65.5906 and EUR 1 = RR 76.2294 (31 December 2017: USD 1 = RR 57.6002, EUR 1 = RR 68.8668; 30 September 2017: USD 1 = RR 58.0169, EUR 1 = RR 68.4483).

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 September 2018 would result in an increase or decrease in credit loss allowances of RR 688 670 thousand (31 December 2017: RR 630 547 thousand; 30 September 2017: 585 849 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 September 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 IAS 39	Measurement category IFRS 9	Carrying value per IAS 39 (closing balance at 31 December 2017)	Effect: ECL	Effect: Reclassification	Carrying value per IFRS 9 (opening balance at 1 January 2018)
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 September 2018 and 31 December 2017 are disclosed in the table below:

In thousands of Russian Roubles	**30 September 2018**	**31 December 2017**
Loans to small and medium-sized enterprises (SME loans)	30 574 964	27 909 532
Loans to individuals - mortgage loans	32 280 426	27 035 643
Loans to individuals – consumer loans and car loans	21 716 896	22 828 714
Corporate loans	7 722 808	8 042 611
Finance lease receivables (lease)	190 335	233 591
Total loans to customers and finance lease receivables before provision for impairment	**92 485 429**	**86 050 091**
Provision for impairment of loans to customers and finance lease receivables (IAS 39)	-	(5 903 490)
Credit loss allowance (IFRS 9)	(6 886 700)	(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)	**85 598 729**	**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)	(6 295)	28 578	(22 283)	-	(564 285)	597 572	(33 287)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2 899)	(6 889)	9 788	-	(259 765)	(61 074)	320 839	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	36 741	(3 220)	(33 521)	-	82 740	(32 666)	(50 074)	-
Issued during the period	105 599	-	-	105 599	9 464 743	-	-	9 464 743
Repaid during the period	(44 688)	(1 324)	(89 395)	(135 407)	(4 019 542)	(45 105)	(145 221)	(4 209 868)
Changes to ECL measurement model assumptions	(117 770)	26 751	131 719	40 700	-	-	-	-
Changes in accrued interest, exchange differences and other movements	284	301	16 718	17 303	12 561	2 759	(3 095)	12 225
Total movements with impact on credit loss allowance charge for the period	**(29 028)**	**44 197**	**13 026**	**28 195**	**4 716 452**	**461 486**	**89 162**	**5 267 100**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(40 845)	(40 845)	-	-	(40 845)	(40 845)
Assignment	-	-	(766)	(766)	(674)	-	(8 432)	(9 106)
Unwinding of discount (for Stage 3)	-	-	27 634	27 634	-	-	27 634	27 634
At 30 September 2018	**257 671**	**61 202**	**807 124**	**1 125 997**	**30 412 364**	**619 444**	**1 248 618**	**32 280 426**
Recovery of loans previously written off	-	-	410	410				

6 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Consumer loans and car loans								
At 1 January 2018	**434 127**	**15 441**	**1 768 231**	**2 217 799**	**20 515 244**	**169 340**	**2 144 130**	**22 828 714**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(13 086)	31 137	(18 051)	-	(592 556)	615 658	(23 102)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(6 222)	(8 020)	14 242	-	(284 732)	(83 726)	368 458	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	18 639	(1 807)	(16 832)	-	37 455	(16 485)	(20 970)	-
Issued during the period	152 073			152 073	7 173 095	-	-	7 173 095
Repaid during the period	(159 910)	(2 967)	(188 025)	(350 902)	(7 716 116)	(164 148)	(269 879)	(8 150 143)
Changes to ECL measurement model assumptions	(108 947)	(7 692)	253 580	136 941	-	-	-	-
Changes in accrued interest, exchange differences and other movements	(284)	251	37 585	37 552	(12 561)	3 224	(7 881)	(17 218)
Total movements with impact on credit loss allowance charge for the period	**(117 737)**	**10 902**	**82 499**	**(24 336)**	**(1 395 415)**	**354 523**	**46 626**	**(994 266)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs			(163 298)	(163 298)			(167 998)	(167 998)
Assignment	-	-	(363)	(363)	(2 861)	-	(3 302)	(6 163)
Unwinding of discount (for Stage 3)			56 609	56 609			56 609	56 609
At 30 September 2018	**316 390**	**26 343**	**1 743 678**	**2 086 411**	**19 116 968**	**523 863**	**2 076 065**	**21 716 896**
Recovery of loans previously written off	-	-	23 816	23 816				

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)	(4 120)	8 167	(4 047)	-	(360 268)	368 114	(7 846)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(8 533)	(1 199)	9 732	-	(1 014 232)	(238 298)	1 252 530	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	125	(2)	(123)	-	435	(214)	(221)	-
Issued during the period	171 636	40	99 127	270 803	16 486 195	3 384	176 564	16 666 143
Repaid during the period	(146 896)	-	(78 019)	(224 915)	(13 273 902)	(79 898)	(321 532)	(13 675 332)
Changes to ECL measurement model assumptions	(40 426)	(4 201)	796 416	751 789	-	-	-	-
Changes in accrued interest, exchange differences and other movements	(559)	388	17 178	17 007	(49 574)	32 760	14 626	(2 188)
Total movements with impact on credit loss allowance charge for the period	**(28 773)**	**3 193**	**840 264**	**814 684**	**1 788 654**	**85 848**	**1 114 121**	**2 988 623**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(244 270)	(244 270)	-	-	(244 270)	(244 270)
Assignment	-	-	(107 188)	(107 188)	(44 325)	-	(132 938)	(177 263)
Unwinding of discount (for Stage 3)	-	-	98 342	98 342	-	-	98 342	98 342
At 30 September 2018	**273 030**	**4 394**	**2 314 544**	**2 591 968**	**26 723 713**	**324 369**	**3 526 882**	**30 574 964**
Recovery of loans previously written off	-	-	1 894	1 894				

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)	(289 207)	289 207	-	-	(2 018 296)	2 018 296	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	-	-	-	-	-	-	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	-	-	-	-
Issued during the period	12 737	41 139	185 600	239 476	1 322 173	221 009	625 657	2 168 839
Repaid during the period	(112 690)	-	(51 591)	(164 281)	(2 628 064)	(154 058)	(97 585)	(2 879 707)
Changes to ECL measurement model assumptions	(78 768)	4 155	62 696	(11 917)	-	-	-	-
Changes in accrued interest, exchange differences and other movements	559	55 321	193	56 073	49 574	342 216	(11 368)	380 422
Total movements with impact on credit loss allowance charge for the period	**(467 369)**	**389 822**	**196 898**	**119 351**	**(3 274 613)**	**2 427 463**	**516 704**	**(330 446)**
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)	-	-	11 739	11 739	-	-	11 739	11 739
At 30 September 2018	**23 378**	**558 771**	**493 253**	**1 075 402**	**3 055 805**	**3 590 731**	**1 076 272**	**7 722 808**
Recovery of loans previously written off	-	-	-	-				

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**
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)	-	-	-	-	-	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	-	-	-	(80)	(1 429)	1 509	-
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	-	-	-	-
Issued during the period	-	-	-	-	76 753	-	-	76 753
Repaid during the period	-	-	(714)	(714)	(117 718)	(862)	(1 429)	(120 009)
Changes to ECL measurement model assumptions	5 585	-	921	6 506	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**5 585**	**-**	**207**	**5 792**	**(41 045)**	**(2 291)**	**80**	**(43 256)**
Movements without impact on credit loss allowance charge for the period:								
At 30 September 2018	**5 585**	**-**	**1 337**	**6 922**	**187 994**	**-**	**2 341**	**190 335**

6 Loans to Customers and Finance Lease Receivables (Continued)

Movements in the provision for impairment during nine months ended 30 September 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	238 900	283 752	366 903	194 937	(3 478)	1 081 014
Provision on assigned loans written off	-	(20 124)	(118 770)	(100 170)	(287)	(239 351))
Amounts written off during the period as uncollectible	(8 512)	(125 672)	(119 692)	(162 421)	-	(416 297)
Provision for impairment at 30 September 2017	**995 850**	**2 149 814**	**2 028 206**	**684 615**	**710**	**5 859 195**
Recovery of loans previously written off	570	27 676	14 507	-	-	42 753

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	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Assigned balance rights of claim for loans to customers and finance leases	193 628	662 894
Provision for impairment of assigned claims	(108 363)	(239 351)
Sales price	85 265	423 543
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 September 2018 Amount	%	31 December 2017 Amount	%
Individuals (total), incl.	53 997 322	58.4	49 864 357	57.9
- mortgage loans	*32 280 426*	*34.9*	*27 035 643*	*31.4*
- consumer loans	*20 141 034*	*21.8*	*20 835 112*	*24.2*
- car loans	*1 575 862*	*1.7*	*1 993 602*	*2.3*
Agriculture	11 989 218	13.0	9 086 365	10.6
Trade	10 247 528	11.1	10 487 269	12.2
Manufacturing	6 997 313	7.5	6 963 539	8.1
Transport	4 095 716	4.4	4 314 986	5.0
Construction	1 939 986	2.1	1 719 918	2.0
Other	3 218 346	3.5	3 613 657	4.2
Total loans to customers and finance lease receivables before provision for impairment	**92 485 429**	**100.0**	**86 050 091**	**100.0**

At 30 September 2018, the Group had 10 major borrowers with aggregate loan balance amounting to RR 8 135 811 thousand, or 8.8% 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 September 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 September 2018	31 December 2017
State and public organisations		
- Current/settlement accounts	282 513	173 789
- Term deposits	39 571	15 061
Other legal entities		
- Current/settlement accounts	16 240 010	14 419 864
- Term deposits	2 446 791	2 153 598
Individuals		
- Current/demand accounts	7 647 961	6 963 109
- Term deposits	66 646 721	63 492 515
Total customer accounts	**93 303 567**	**87 217 936**

At 30 September 2018, the total aggregate balance of 10 largest clients of the Group was RR 2 300 700 thousand or 2.5% 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 September 2018, 30 September 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 September 2018	31 December 2017
Bonds	903 517	589 652
Promissory notes	589 978	472 520
Total debt securities in issue	**1 493 495**	**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	CIN-01P05	CINBO-BO7	CINBO-BO10
Par value, RR	1,000	1,000	1,000	1,000	1 000	1,000	1,000
Number	300 000	60 112	226 633	600 000	600 000	3 265 000	3 000 000
Initial placement date	June 2017	July 2017	October 2017	April 2018	September 2018	November 2013	May 2014
Maturity date	July 2018	August 2018	January 2019	October 2021	March 2022	November 2018	May 2019
Next offer date	-	-	October 2018	October 2018	September 2019	-	November 2018
At 30 September 2018:							
Number of bonds in issue	-	-	223 788	600 000	62 832	8 667	93 934
- including purchased by the subsidiary	-	-	99	-	-	-	25 130
Coupon rate, %	-	-	9.60	8.25	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 September 2018 and 31 December 2017 (Refer to Note 16).

9 Interest Income and Expense

In thousands of Russian Roubles	**Nine months ended 30 September 2018**	**Nine months ended 30 September 2017**
Interest income		
Loans to individuals	4 721 427	4 604 160
Corporate loans	3 057 692	3 574 522
Short-term deposits with the Central Bank of the Russian Federation, amounts due from and accounts with other banks	417 927	273 318
Finance income arising from leasing	29 286	40 865
Total interest income	**8 226 332**	**8 492 865**
Interest expense		
Term deposits and accounts of individuals	(3 496 664)	(3 852 338)
Term deposits and accounts of legal entities	(173 531)	(155 523)
Borrowings from international financial institutions, subordinated debt and term placements of other banks	(90 492)	(142 916)
Bonds in issue	(55 460)	(22 142)
Promissory notes issued	(24 289)	(5 301)
Total interest expense	**(3 840 436)**	**(4 178 220)**
Contributions to the state deposit insurance program	**(343 657)**	**(252 015)**
Net interest income	**4 042 239**	**4 062 630**

9 Interest Income and Expense (Continued)

In thousands of Russian Roubles	Three months ended 30 September 2018	Three months ended 30 September 2017
Interest income		
Loans to individuals	1 650 125	1 563 951
Corporate loans	1 009 464	1 200 658
Short-term deposits with the Central Bank of the Russian Federation, amounts due from and accounts with other banks	164 126	128 261
Finance income arising from leasing	8 996	14 140
Total interest income	**2 832 711**	**2 907 010**
Interest expense		
Term deposits and accounts of individuals	(1 153 297)	(1 234 580)
Term deposits and accounts of legal entities	(60 288)	(47 144)
Borrowings from international financial institutions, subordinated debt and term placements of other banks	(34 405)	(49 154)
Bonds in issue	(20 510)	(11 520)
Promissory notes issued	(8 859)	(982)
Total interest expense	**(1 277 359)**	**(1 343 380)**
Contributions to the state deposit insurance program	(118 938)	(86 653)
Net interest income	**1 436 414**	**1 476 977**

10 Dividends

	30 September 2018		30 September 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	(603 641)	(18 099)	(278 214)	(18 034)
Other movements	-	-	-	-
Dividends payable	**-**	**-**	-	**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 nine months ended 30 September 2018 is set out below:

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

Segment information for the reportable segments for nine months ended 30 September 2017 is set out below:

In thousands of Russian Roubles	Lending	Treasury	Retail banking	Total
Nine months ended 30 September 2017				
External revenues:				
Interest income	7 733 652	273 317	81 067	8 088 036
Fee and commission income and other operating income	331 204	541 151	521 754	1 394 109
Total revenues	**8 064 856**	**814 468**	**602 821**	**9 482 145**
Interest expense	-	(323 868)	(3 916 109)	(4 239 977)
Provision for impairment	(1 154 264)	4 988	(690)	(1 149 966)
Fee and commission expenses and other expenses	(246 975)	(68 913)	(177 370)	(493 258)
Segment result	**6 663 617**	**426 675**	**(3 491 348)**	**3 598 944**
Total reportable segment assets	**77 053 067**	**9 505 663**	**-**	**86 558 730**
Total reportable segment liabilities	**-**	**(14 428 481)**	**(73 560 030)**	**(87 988 511)**

Reconciliation of reportable segment profit or loss, assets and liabilities

In thousands of Russian Roubles	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Total revenues for reportable segments	**9 588 787**	**9 482 145**
Accrual method application to fee and commission income	507	19 749
Fair value remeasurement of financial assets	13 127	5 589
Recognition of interest income on impaired loans	(150 849)	140 522
Foreign exchange translation gains less losses	(77 430)	(10 600)
Gains less losses from conversion operations on the interbank market	34 291	(15 165)
Consolidation effect	5 008	7 434
Other	(74 712)	(51 085)
Total consolidated revenues	**9 338 729**	**9 578 589**

11 Segment Analysis (Continued)

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

In thousands of Russian Roubles	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Total reportable segment result	**4 081 296**	**3 598 944**
Administrative expenses	(2 600 269)	(2 494 852)
Effective interest method application	(27 552)	18 521
Fair value remeasurement of financial assets and liabilities	14 393	2 173
Recognition of interest income on impaired loans	(131 070)	140 522
Recalculation of provision for impairment	409 079	206 899
Consolidation effect	(20 646)	(25 332)
Events after the end of the reporting period	(121 795)	(116 166)
Amortisation recalculation	32 495	23 197
Other	(20 108)	(163 043)
Profit before tax	**1 615 823**	**1 190 863**

In thousands of Russian Roubles	30 September 2018	31 December 2017
Total reportable segment assets	95 004 388	**88 072 595**
Unallocated assets	13 280 340	13 642 075
Recalculation of provision for impairment	541 490	(143 135)
Recognition of interest income on impaired loans	1 216 117	1 198 838
Application of effective interest rate method to fee and commission income	(230 996)	(232 452)
Finance lease adjustment	(23 498)	(36 959)
Consolidation effect	238 713	253 848
Other	(154 070)	(138 308)
Total consolidated assets	**109 872 484**	**102 616 502**

In thousands of Russian Roubles	30 September 2018	31 December 2017
Total reportable segment liabilities	**95 656 691**	**88 877 257**
Unallocated liabilities	1 521 051	1 263 983
Application of effective interest rate method to fee and commission expenses	(6 552)	(10 029)
Consolidation effect	(153 976)	(155 229)
Total consolidated liabilities	**97 017 214**	**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 September 2018 and 31 December 2017:

	At 30 September 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	101 667 079	(92 922 989)	302 268	**9 046 358**	94 491 422	(86 207 960)	741 890	**9 025 352**
US Dollars	2 827 276	(2 431 119)	(322 788)	**73 369**	3 197 805	(2 377 778)	(744 553)	**75 474**
Euro	950 653	(968 030)	19 812	**2 435**	786 019	(776 138)	689	**10 570**
Other	46 022	(19 357)	-	**26 665**	46 117	(16 444)	-	**29 673**
Total	**105 491 030**	**(96 341 495)**	**(708)**	**9 148 827**	**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 September 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	7 810 246	-	-	-	-	-	-	7 810 246
Mandatory cash balances with the Central Bank of Russian Federation	729 514	-	-	-	-	-	-	729 514
Due from other banks	10 808 285	-	-	-	-	-	-	10 808 285
Loans to customers and finance lease receivables	2 430 998	4 751 590	6 869 173	10 882 761	37 563 524	23 100 683	-	85 598 729
Investment in associate	-	-	-	-	-	-	290 013	290 013
Investment properties	-	-	-	-	291 357	-	156 626	447 983
Premises, equipment and intangible assets	-	-	-	-	-	-	2 797 923	2 797 923
Other financial assets	361 887	18 393	3 823	-	154 156	-	5 997	544 256
Other assets	53 027	18 614	263 229	222 157	288 508	-		845 535
Total assets	**22 193 957**	**4 788 597**	**7 136 225**	**11 104 918**	**38 297 545**	**23 100 683**	**3 250 559**	**109 872 484**
Liabilities								
Customer accounts	12 458 795	6 590 060	12 825 484	22 731 321	38 697 907	-	-	93 303 567
Debt securities in issue	1 016 383	271 446	205 666	-	-	-	-	1 493 495
Borrowings from international financial institutions	-	224 134	-	817 055	394 286	-	-	1 435 475
Other financial liabilities	85 283	5 044	8 396	5 507	5 436	-	-	109 666
Deferred income tax liability							267 286	267 286
Other liabilities	119 856	124 492	8 526	82 202	72 649	-	-	407 725
Total liabilities	**13 680 317**	**7 215 176**	**13 048 072**	**23 636 085**	**39 170 278**	**-**	**267 286**	**97 017 214**
Net liquidity gap at 30 September 2018	**8 513 640**	**(2 426 579)**	**(5 911 847)**	**(12 531 167)**	**(872 733)**	**23 100 683**	**2 983 273**	**12 855 270**
Cumulative liquidity gap at 30 September 2018	**8 513 640**	**6 087 061**	**175 214**	**(12 355 953)**	**(13 228 686)**	**9 871 997**	**12 855 270**	

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 September 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	8 147 390	7 929 231
Total tier 1 capital	**11 552 527**	**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	**12 855 270**	**12 640 520**
Risk-weighted assets	**77 116 018**	**75 345 679**
Capital adequacy	16.7%	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 September 2018, the Group was engaged in litigation proceedings in relation to claims from borrowers and lessees. A provision of RR 1 363 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 September 2018 based on credit risk stages. The system of credit risk classification by stages applied by the Group and the approach to assessment of expected credit losses, including definition of default and significant increase in credit risk in relation to credit related commitments are disclosed in Note 13.

In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Commitments to extend credit or credit lines that are revocable only in response to a material adverse change:				
- legal entities	5 054 231	17 987	5 395	5 077 613
- individuals	1 735 306	-	-	1 735 306
Financial guarantees issued	1 836 458	-	-	1 836 458
Unrecognised gross amount	**8 625 995**	**17 987**	**5 395**	**8 649 377**
Provision for credit related commitments	(98 885)	(3 361)	(1 547)	(103 793)

The total outstanding contractual amount of undrawn guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. At 30 September 2018, fair value of credit related commitments was RR 20 231 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 September 2018, due from other banks balances and "overnight" deposits with other banks of RR 112 816 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 729 514 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 September 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 September 2018			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL ASSETS				
Cash and cash equivalents	4 041 911	**3 768 335**	-	7 810 246
Mandatory cash balances with the Central Bank of Russian Federation	-	**729 514**	-	729 514
Due from other banks	-	**10 808 285**	-	10 808 285
Loans and advances to customers	-	-	88 881 997	85 598 729
- Loans to small and medium-sized enterprises	-	-	*30 233 631*	*27 982 996*
- Corporate loans	-	-	*6 553 374*	*6 647 406*
- Loans to individuals – consumer and car loans	-	-	*20 630 652*	*19 630 485*
- Mortgage loans	-	-	*31 280 315*	*31 154 429*
- Finance lease receivables	-	-	*184 025*	*183 413*
Other financial assets	-	-	538 259	538 259
TOTAL	**4 041 911**	**15 306 134**	**89 420 256**	**105 485 033**

	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 September 2018			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL LIABILITIES				
Customer accounts	-	-	93 303 567	93 303 567
Debt securities in issue	-	-	1 493 495	1 493 495
- Promissory notes	-	-	*589 978*	*589 978*
- Bonds issued on domestic market	-	-	*903 517*	*903 517*
Borrowings from international financial institutions	-	-	1 435 475	1 435 475
Other financial liabilities	-	-	108 958	108 958
TOTAL	**-**	**-**	**96 341 495**	**96 341 495**

	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 September 2018		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Correspondent accounts with banks	262 495	-	-
Gross amount of loans and advances to customers (contractual interest rate: 10.0% – 13.2%)	-	52 004	3 336
Customer accounts (contractual interest rate: 0.01% – 7.2%)	-	614	74 189
Bonds issued (coupon rate: 8.25% – 9.5%)	-	-	29 477

	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

	Nine months ended 30 September 2018		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Interest income	-	4 922	394
Interest expense	-	-	(3 629)
Fee and commission income	-	1 253	23
Administrative expenses excluding management remuneration	-	-	(4 048)

17 Related Party Transactions (Continued)

	Nine months ended 30 September 2017		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Interest income	-	9 889	549
Interest expense	(105 130)	-	(3 039)
Fee and commission income	-	847	14
Administrative expenses excluding management remuneration	-	-	(1 758)

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

	30 September 2018		31 December 2017	
Shareholder	**Equity share, %**	**Voting rights, %**	**Equity share, %**	**Voting rights, %**
European Bank for Reconstruction and Development	17,82	19,74	17.82	19.74
DEG (Deutsche Investitions und Entwicklungsgesellschaft GmbH)	14,57	16,14	14.57	16.14
Vasiliy Vasilievich Vysokov	11,10	12,30	11.10	12.30
Tatiana Nikolaevna Vysokova	10,96	12,13	10.96	12.13
ResponsAbility Participations AG, ResponsAbility SICAV (Lux) Micro and SME Finance Leaders	9,05	10,03	9.05	10.03
Erste Bank	9,09	9,01	9.09	9.01
Firebird Funds	8,22	9,11	8.22	9.11
Rekha Holdings Limited	6,77	7,49	6.77	7.49

Key management compensation is presented below:

	Nine months ended 30 September 2018		Nine months ended 30 September 2017	
In thousands of Russian Roubles	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries	18 771	-	27 953	-
- Short-term and other bonuses	58 950	-	58 296	-
Long-term bonus scheme	9 691	37 565	979	21 189
Total	**87 412**	**37 565**	87 228	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 September 2018 and 31 December 2017, the Group's Board of Directors consisted of seven persons and its Executive Board included five persons.