PJSC “BANK SAINT PETERSBURG” Group
International Financial Reporting Standards Consolidated Financial Statements and Independent Auditors’ Report

31 December 2019

CONTENTS

Independent Auditors' Report

To the Shareholders and Supervisory Board of PJSC "Bank Saint Petersburg"

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of PJSC "Bank Saint Petersburg" (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Code of Ethics for Professional Accountants' (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the International Code of Etics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

<table>
<tr><th colspan="2">Expected credit losses (‘ECL’) for loans to customers</th></tr>
<tr><td colspan="2">Please refer to Note 10 in the consolidated financial statements.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Loans to customers represent 55% of assets and are stated net of allowance for ECL that is estimated on a regular basis and is sensitive to assumptions used.

From 1 January 2018 the Group has been applying ECL valuation model, which requires management to apply professional judgement and to make assumptions related to timely identification of significant increase in credit risk and default events related to loans to customers, assessment of probability of default (PD) and loss given default (LGD), assessment of forward-looking information adjustment, expected cash flows forecast for Stage 3 loans.

Due to the significant volume of loans to customers, adoption of the ECL model and the related estimation uncertainty, this area is a key audit matter.</td><td>We engaged our own specialists in financial risk management to analyze the key aspects of the Group’s methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9.

To analyze adequacy of professional judgement and assumptions made by the management in relation to allowance for ECL estimate we performed the following procedures:
• For loans to legal entities we assessed and tested the design and operating effectiveness of the controls over allocation of loans into Stages of credit risk.
• For loans to legal entities, for which potential changes in ECL may have a significant impact on the consolidated financial statements, we tested whether Stages are correctly assigned by the Group by analyzing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group.
• For a sample of loans to legal entities, we tested the correctness of data inputs for PD, LGD and EAD calculation.
• For a sample of Stage 3 loans to legal entities, where ECL are assessed individually we critically assessed assumptions used by the Group to forecast future cash flows, including estimated proceeds from realizable collateral and their expected disposal terms based on our understanding and publicly available market information.
• For loans to individuals we tested the design and operating effectiveness of controls, including involvement of specialists in information risk management, over completeness and accuracy of data inputs into ECL calculation models, timely reflection of delinquency events and loan repayments in the underlying systems</td></tr>
</table>

	and allocation of loans into Stages. We agreed input data to supporting documents on a sample basis. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report of findings from procedures performed in accordance with the requirements of Federal Law No. 395-1, dated 2 December 1990, *On Banks and Banking Activity*

Management is responsible for the Group’s compliance with mandatory ratios and for maintaining internal controls and organizing risk management systems in accordance with the requirements established by the Bank of Russia.

In accordance with Article 42 of Federal Law No. 395-1, dated 2 December 1990 *On Banks and Banking Activity* (the “Federal Law”), we have performed procedures to examine:

— the Group’s compliance with mandatory ratios as at 1 January 2020 established by the Bank of Russia;

— whether the elements of the Group’s internal control and organization of its risk management systems comply with the requirements established by the Bank of Russia.

These procedures were selected based on our judgment, and were limited to the analysis, inspection of documents, comparison of the Bank’s internal policies, procedures and methodologies with the applicable requirements established by the Bank of Russia, and recalculations, comparisons and reconciliations of numerical data and other information.

Our findings from the procedures performed are reported below.

— Based on our procedures with respect to the Group’s compliance with the mandatory ratios established by the Bank of Russia, we found that the Group’s mandatory ratios, as at 1 January 2020, were within the limits established by the Bank of Russia.

  We have not performed any procedures on the accounting records maintained by the Group, other than those which we considered necessary to enable us to express an opinion as to whether the Group’s consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

— Based on our procedures with respect to whether the elements of the Group’s internal control and organization of its risk management systems comply with the requirements established by the Bank of Russia, we found that:

  - as at 31 December 2019, the Bank’s internal audit function was subordinated to, and reported to, the Supervisory Board, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks in accordance with the regulations and recommendations issued by the Bank of Russia;
  - the Bank’s internal documentation, effective on 31 December 2019, establishing the procedures and methodologies for identifying and managing the Group’s significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and for stress-testing, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the Bank of Russia;
  - as at 31 December 2019, the Bank maintained a system for reporting on the Group’s significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and on the Group’s capital;
  - the frequency and consistency of reports prepared by the Bank’s risk management and internal audit functions during 2019, which cover the Group’s credit, operational, market, interest rate, legal, liquidity and reputational risk management, was in compliance with the Bank’s internal documentation. The reports included observations made by the Bank’s risk management and internal audit functions as to their assessment of the effectiveness of the Group’s procedures and methodologies, and recommendations for improvement;
  - as at 31 December 2019, the Supervisory Board and Executive Management of the Bank had responsibility for monitoring the Group’s compliance with the risk limits and capital adequacy ratios established in the Bank’s internal documentation. In order to monitor the effectiveness of the Group’s risk management procedures and their consistent application during 2019, the Supervisory Board and Executive

Management of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

Procedures with respect to elements of the Group's internal control and organization of its risk management systems were performed solely for the purpose of examining whether these elements, as prescribed in the Federal Law and as described above, comply with the requirements established by the Bank of Russia.

The engagement partner on the audit resulting in this independent auditors' report is:

Акционерное общество ОГРН 1027700125628
КПМГ
KPMG
МОСКВА

Kouznetsov A. A.

JSC "KPMG"
Moscow, Russia
10 March 2020

(in thousands of Russian roubles)	Note	2019	2018
ASSETS			
Cash and cash equivalents	6	42 556 257	37 189 219
Mandatory reserve deposits with the Central Bank of the Russian Federation		3 885 964	3 705 423
Trading securities, including securities pledged under sale and repurchase agreements	7	44 211 961	80 647 485
Reverse sale and repurchase agreements	8	95 407 102	88 118 488
Derivative financial assets		5 350 855	6 877 095
Due from banks	9	28 022 486	32 368 148
Loans and advances to customers			
- loans and advances to legal entities	10	269 108 456	252 761 437
- loans and advances to individuals	10	98 961 198	86 022 149
Investment securities, including securities pledged under sale and repurchase agreements	11	54 499 668	56 772 409
Investment property	12	7 028 502	7 311 932
Property and equipment, intangible assets and right-of-use assets	13	14 798 047	14 182 855
Other assets	14	7 675 954	7 036 447
Long-term assets held-for-sale	15	2 144 829	410 402
TOTAL ASSETS		**673 651 279**	**673 403 489**
LIABILITIES			
Due to banks	16	158 566 775	147 818 484
Customer accounts			
- customer accounts of legal entities	17	161 375 925	157 691 830
- customer accounts of individuals	17	248 967 423	249 097 003
Financial liabilities at fair value	8	311 829	12 116 372
Derivative financial liabilities		7 394 070	2 939 196
Bonds issued	18	4 802 775	13 806 545
Promissory notes and deposit certificates issued	18	7 231 233	7 977 065
Other borrowed funds	20	-	1 465 719
Other liabilities	21	4 930 981	4 837 620
TOTAL LIABILITIES		**593 581 011**	**597 749 834**
EQUITY			
Share capital	22	3 781 734	3 781 734
Share premium	22	24 513 878	24 513 878
Treasury shares	22	(1 301 987)	(659 991)
Revaluation reserve for property and equipment		3 239 536	3 651 455
Revaluation reserve for investment securities		689 613	374 497
Foreign currency translation reserve		(8 989)	2 047
Retained earnings		49 156 483	42 903 490
TOTAL EQUITY ATTRIBUTABLE TO:			
SHAREHOLDERS OF THE BANK		**80 070 268**	**74 567 110**
NON-CONTROLLING INTEREST		**-**	**1 086 545**
TOTAL EQUITY		**80 070 268**	**75 653 655**
TOTAL LIABILITIES AND EQUITY		**673 651 279**	**673 403 489**

Approved for issue and signed on behalf of the Management Board on 10 March 2020.

P.V. Filimonenok
Acting Chairman of the Management Board

N.G. Tomilina
Chief Accountant

(in thousands of Russian roubles)	Note	2019	2018
Interest income calculated using the effective interest rate	23	44 998 156	40 848 123
Other interest income	23	3 495 398	5 190 449
Interest expense	23	(23 444 594)	(22 892 996)
Contributions to the deposit insurance system	23	(1 767 491)	(1 250 311)
Net interest income	23	**23 281 469**	**21 895 265**
Allowance for expected credit losses on debt financial assets	30	(6 735 906)	(7 713 605)
Net interest income after allowance for expected credit losses on debt financial instruments		**16 545 563**	**14 181 660**
Net losses from trading securities		(961 683)	(2 263 269)
Net gains from investment securities		154 956	323 166
Net gains from trading in foreign currencies, foreign exchange revaluation and from transactions with derivatives		121 060	5 913 128
Fee and commission income	24	8 915 649	7 325 637
Fee and commission expense	24	(2 158 961)	(2 082 555)
Allowance for credit related commitments and non-financial liabilities	14,21	(172 126)	(203 156)
Net gain on revaluation of loans at fair value through profit or loss		103 856	586 511
Net loss from investment property derecognition		(49 539)	-
Net loss from initial recognition of financial assets at fair value		(335 332)	-
Allowance for impairment of long-term assets held for sale and investment property	12,15	55 286	(1 164 457)
Other net operating income		1 584 989	1 637 873
Administrative and other operating expenses:			
- staff costs	25	(6 453 931)	(5 942 001)
- costs related to property and equipment	25	(2 535 065)	(1 960 338)
- other administrative and operating expenses		(5 096 787)	(5 145 150)
Profit before tax		**9 717 935**	**11 207 049**
Income tax expense	26	(1 812 044)	(2 160 121)
Profit for the year attributable to:			
Shareholders of the Bank		7 905 891	8 937 041
Non-controlling interest		-	109 887
Profit for the year		**7 905 891**	**9 046 928**

(in thousands of Russian roubles)	Note	2019	2018
Other comprehensive income (loss)			
Items of comprehensive income (loss) that are or will be reclassified subsequently to profit or loss			
Revaluation result and allowance for expected credit losses from investment securities measured at fair value through other comprehensive income transferred to profit or loss upon disposal		(147 064)	(409 972)
Net result from revaluation of investment securities measured at fair value through other comprehensive income (loss)		558 303	(879 540)
Deferred income tax recognised in equity related to components of other comprehensive (loss) income		(96 123)	241 791
Exchange differences on translation		(11 036)	3 498
Items of comprehensive income (loss) that will not be reclassified to profit or loss			
Result of disposal of equity securities measured at fair value through other comprehensive income		70 578	-
Other comprehensive income (loss) for the year after tax		**374 658**	**(1 044 223)**
Total comprehensive income for the year attributable to:			
Shareholders of the Bank		8 280 549	7 892 818
Non-controlling interest		-	109 887
Total comprehensive income for the year		**8 280 549**	**8 002 705**
Basic and diluted earnings per share (in Russian roubles per share)	27	**16.28**	**17.98**

P.V. Filimonenok
Acting Chairman of the Management Board

N.G. Tomilina
Chief Accountant

(in thousands of Russian roubles)	Note	Share capital	Share premium	Treasury shares	Revaluation reserve for property and equipment	Revaluation reserve for investment securities	Foreign currency translation reserve	Retained earnings	Total equity attributable to the shareholders of the Bank	Non-controlling interest	Total equity
Balance as at 31 December 2017		**3 781 734**	**24 513 878**	**-**	**3 651 455**	**1 264 691**	**(1 451)**	**37 109 430**	**70 319 737**	**590 392**	**70 910 129**
Effect of transition to IFRS 9		-	-	-	-	157 527	-	(2 331 493)	(2 173 966)	-	(2 173 966)
Balance as at 1 January 2018 restated with the consideration of the effect of transition to IFRS 9		**3 781 734**	**24 513 878**	**-**	**3 651 455**	**1 422 218**	**(1 451)**	**34 777 937**	**68 145 771**	**590 392**	**68 736 163**
Other comprehensive loss recognised directly in equity		-	-	-	-	(1 047 721)	3 498	-	**(1 044 223)**	-	**(1 044 223)**
Profit for the year		-	-	-	-	-	**-**	8 937 041	**8 937 041**	109 887	**9 046 928**
Total comprehensive income for 2018		**-**	**-**	**-**	**-**	**(1 047 721)**	**3 498**	**8 937 041**	**7 892 818**	**109 887**	**8 002 705**
Treasury shares of the Bank	22	-	-	(659 991)	-	-	**-**	-	**(659 991)**	-	**(659 991)**
Dividends declared											
- ordinary shares	28	-	-	-	-	-	**-**	(809 277)	**(809 277)**	-	**(809 277)**
- preference shares	28	-	-	-	-	-	**-**	(2 211)	**(2 211)**	-	**(2 211)**
Acquisition of a subsidiary		-	-	-	-	-	**-**	-	**-**	432 757	**432 757**
Sale of a subsidiary		-	-	-	-	-	**-**	-	**-**	(46 491)	**(46 491)**
Balance as at 31 December 2018		**3 781 734**	**24 513 878**	**(659 991)**	**3 651 455**	**374 497**	**2 047**	**42 903 490**	**74 567 110**	**1 086 545**	**75 653 655**

(in thousands of Russian roubles)	Note	Share capital	Share premium	Treasury shares	Revaluation reserve for property and equipment	Revaluation reserve for investment securities	Foreign currency translation reserve	Retained earnings	Total equity attributable to the shareholders of the Bank	Non-controlling interest	Total equity
Balance at 1 January 2019		**3 781 734**	**24 513 878**	**(659 991)**	**3 651 455**	**374 497**	**2 047**	**42 903 490**	**74 567 110**	**1 086 545**	**75 653 655**
Other comprehensive income (loss) recognised directly in equity		-	-	-	(411 919)	315 116	(11 036)	482 497	374 658	-	374 658
Profit for the year		-	-	-	-	-	-	7 905 891	7 905 891	-	7 905 891
Total comprehensive income for 2019		**-**	**-**	**-**	**(411 919)**	**315 116**	**(11 036)**	**8 388 388**	**8 280 549**	**-**	**8 280 549**
Treasury shares of the Bank	22	-	-	(641 996)	-	-	-	-	**(641 996)**	-	**(641 996)**
Dividends declared											
- ordinary shares		-	-		-	-	-	(1 808 826)	(1 808 826)	-	**(1 808 826)**
- preference shares		-	-	-	-	-	-	(2 211)	(2 211)		**(2 211)**
Redistribution of minority interest due to share repurchase		-	-	-	-	-	-	(324 358)	**(324 358)**	(1 086 545)	**(1 410 903)**
Balance as at 31 December 2019		**3 781 734**	**24 513 878**	**(1 301 987)**	**3 239 536**	**689 613**	**(8 989)**	**49 156 483**	**80 070 268**	**-**	**80 070 268**

P.V. Filimonenok
Acting Chairman of the Management Board

N.G. Tomilina
Chief Accountant

(in thousands of Russian roubles)	Note	2019	2018
Cash flows from operating activities			
Interest received on loans and correspondent accounts		38 363 840	34 579 252
Interest received on securities		7 063 821	8 305 595
Interest received on reverse sale and repurchase agreements		3 280 372	2 652 016
Interest paid on due to banks		(7 517 408)	(8 643 310)
Interest paid on customer accounts		(14 432 675)	(13 034 930)
Contributions to the deposit insurance system		(1 767 491)	(1 250 311)
Interest paid on other debt securities issued		(315 781)	(286 491)
Net losses from securities trading		(1 092 901)	(1 271 343)
Net gains (losses) from trading in foreign currencies and from transactions with derivatives		11 810 600	(4 381 549)
Fees and commissions received		8 940 783	7 277 614
Fees and commissions paid		(1 612 048)	(1 472 433)
Other operating income		1 790 472	1 359 712
Expenses on loyalty programs		(518 261)	(374 004)
Staff costs		(6 359 229)	(6 126 528)
Property and equipment costs		(1 120 914)	(919 405)
Administrative and other operating expenses		(5 540 439)	(4 578 377)
Income tax paid		(2 879 791)	(475 955)
Cash flows received from operating activities before changes in operating assets and liabilities		**28 092 950**	**11 359 553**
Changes in operating assets and liabilities			
Net increase in mandatory reserve deposits with the Central Bank of the Russian Federation		(180 541)	(684 938)
Net decrease (increase) in trading securities including pledged under repurchase agreement		36 263 152	(14 129 021)
Net increase under reverse sale and repurchase agreements		(13 307 162)	(16 560 035)
Net decrease in due from banks		4 372 751	2 874 768
Net increase in loans and advances to customers		(45 005 341)	(14 198 469)
Net increase in other assets		(952 470)	(1 586 432)
Net increase (decrease) in due to banks		15 083 043	(6 952 159)
Net increase in customer accounts		13 769 895	40 412 082
Net decrease in financial liabilities at fair value		(11 804 543)	(394 661)
Net decrease in other debt securities issued		(248 909)	(24 847)
Net (decrease) increase in other liabilities		(1 341 245)	589 784
Net cash received from operating activities		**24 741 580**	**705 625**
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets	13	(790 762)	(736 580)
Proceeds from disposal of property and equipment and intangible assets		252 640	17 046
Proceeds from investment securities		134 022	263 050
Acquisition of investment securities, including pledged under repurchase agreement		(51 184 311)	(35 175 100)
Proceeds from disposal of investment securities, including pledged under repurchase agreement		29 834 280	28 562 979
Repayment of investment securities		21 315 632	-
Proceeds from sale of investment property		295 000	907 119
(Acquisition) proceeds from sale of long-term assets held-for-sale		(1 684 665)	84 137
Net cash paid for acquisition of a subsidiary		-	(1 260 782)
Proceeds from sale of a subsidiary		-	17 949
Dividends received		4 224	9 872
Net cash used in investing activities		**(1 823 940)**	**(7 310 310)**

(in thousands of Russian roubles)	Note	2019	2018
Cash flows from financing activities			
Treasury shares	22	(641 996)	(659 991)
Repayment of other borrowed funds		(1 466 000)	(444 556)
Bonds issue		-	7 601 137
Purchase and redemption of bonds issued		(9 585 317)	(1 901 696)
Interest paid on bonds issued		(910 337)	(839 649)
Interest paid on other borrowed funds		(94 400)	(100 358)
Other payments		-	(47 635)
Dividends paid	28	(1 808 017)	(811 995)
Payment of lease commitments		(348 243)	-
Net cash (used in) received from financing activities		**(14 854 310)**	**2 795 257**
Effect of exchange rate changes on cash and cash equivalents		**(2 696 292)**	**1 800 137**
Net increase (decrease) in cash and cash equivalents		**5 367 038**	**(2 009 291)**
Cash and cash equivalents at the beginning of the year		37 189 219	39 198 510
Cash and cash equivalents at the end of the year	6	**42 556 257**	**37 189 219**

P.V. Filimonenok
Acting Chairman of the Management Board

N.G. Tomilina
Chief Accountant

1 Background

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2019 for PJSC "Bank Saint Petersburg" (the "Bank") and its subsidiaries, together referred to as the "Group" or "PJSC "Bank Saint Petersburg" Group"". The list of subsidiaries is disclosed in Note 35.

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as a result of the corporatization of the former Leningrad regional office of Zhilsotsbank. In 2014 the Bank was reorganised from Open Joint-Stock Company "Bank "Saint Petersburg" to Public Joint-Stock Company "Bank "Saint Petersburg" following the resolution of the extraordinary Shareholders' Meeting.

As at 31 December 2019 management of the Bank controls 50.58% of the Bank's ordinary shares (2018: 50.61%), of which: 24.95% of the Bank's ordinary shares are controlled by Mr. A.V. Savelyev (2018: 24.95%), 25.63% were controlled by management of the Bank, including 25.53% of the Bank's ordinary shares are owned by "Vernye Druzya" Management Company", LLC (2018: 25.66% were controlled by management of the Bank, including 25.53% of the ordinary shares of the Bank were owned by "Vernye Druzya" Management Company", LLC). NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED and CARISTAS LIMITED companies own 26.58% of the share capital of LLC "Vernye Druzya" Management Company" each (2018: NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED and CARISTAS LIMITED owned 26.58% of the share capital of LLC "Vernye Druzya" Management Company" each).

Mrs. O.A. Savelyeva owns indirectly 19.95% in LLC "Vernye Druzya" Management Company" and has a perpetual option to purchase a 100% interest in NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED companies (2018: Mrs. O.A. Savelyeva owned indirectly 19.95% in LLC "Vernye Druzya" Management Company" and had a perpetual option to purchase a 100% interest in NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED companies). The ultimate owners of NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED are the following representatives of the Bank's Management: K.B. Mironova, P.V. Filimonenok, the ultimate owner of CARISTAS LIMITED is V.G. Reutov (2018: the ultimate owners of NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED were the following representatives of the Bank's Management: K.B. Mironova, P.V. Filimonenok, V.G. Reutov).

The remaining ordinary shares of the Bank are owned as follows: 4.61% of the ordinary shares are owned by East Capital Group (2018: 5.84%), 4.83% of the ordinary shares are owned by the EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD) (2018: 4.83%).

Own ordinary shares acquired by the Bank by decisions of the Supervisory Board in accordance with Art. 72 of the Federal Law "On Joint-Stock Companies" comprise 4.80% of the total ordinary shares (2018: 2.40%). The shares purchased by the Bank do not provide the right to vote and are not taken into account when counting votes.

The remaining 35.18% of the ordinary shares are widely held (2018: 36.32%).

Principal activity. The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank has been operating under a general banking license issued by the Central Bank of the Russian Federation (the "CBRF") since 1997. The Bank takes part in the state deposit insurance system introduced by Federal Law No.177-FZ dated 23 December 2003 On Retail Deposit Insurance in the Russian Federation. The state deposit insurance system guarantees payment in the amount of 100% of total deposits placed with the bank, but limited to RUR 1 400 000, in the event the bank's license is revoked or the CBRF imposes a moratorium on payments.

As at 31 December 2019 the Bank had 5 branches within the Russian Federation: 3 branches in the North-West region of Russia, 1 branch in Moscow, 1 branch in Novosibirsk and 55 outlets (2018: 4 branches within the Russian Federation: 3 branches in the North-West region of Russia and 1 branch in Moscow, 60 outlets).

1 Background (continued)

Registered address and place of business. The Bank's registered address and place of business is: 64A Malookhtinskiy prospekt, Saint-Petersburg, Russia 195112.

Presentation currency of these consolidated financial statements. These consolidated financial statements are presented in thousands of Russian roubles (RUB thousand).

2 Operating Environment of the Group

The first half of 2019 for the Russian economy was characterised by a slowdown in economic growth. Low investment activity and restrained consumer growth were observed in Russia due to the decline in real disposable income of the population. Decrease in economic activity in the country in the first quarter is due to, among other things, the increase in the VAT rate from 18% to 20% from 1 January 2019, as well as the acceleration of inflation. At the same time, against the background of easing of monetary policy of key central banks of the world, the slowdown in growth in developing countries was suspended. At the same time, the risks of slowing down the global economy due to trade conflicts remained, which partly leveled off by the end of the year against the progress in trade negotiations between the U.S.A. and China, while inflation in most developed and developing countries remained depressed. The growth of the Russian economy in January – November 2019, according to estimates of the Ministry of Economic Development, in annual terms, was 1.3% YoY.

Inflation in Russia accelerated in the first quarter of the year due to an increase in VAT, reaching a maximum in March (5.3% YoY), after which it began to decline, slowing down to 3% YoY at the end of the year. Decrease in consumer price growth rates was facilitated by the policy of the CBRF and local factors: strengthening of the Russian currency against the U.S. dollar, exhaustion of the effect of VAT increase, as well as stabilization of fuel prices. A significant disinflationary effect was also exerted by the record-breaking lag in federal budget execution in terms of expenditures.

With inflation falling faster than forecast, inflation risks decreasing and the ruble strengthening, the CBRF in June 2019 switched to the easing of the monetary policy, and the key rate decreased to 6.25% by the end of the year.

In the first quarter of 2019, a number of draft laws introducing new sanctions against the Russian Federation were submitted to the U.S. Congress for consideration, but initiatives in the first half of the year did not develop. At the same time the volume of foreign investors' investments in Russian assets increased significantly against the background of the increased investors' demand for highly liquid assets. The Ministry of Finance placed federal loan bonds in the amount of more than RUB 2 trillion for the year, while the share of non-residents increased to 32% by the end of October.

During 2019, the budget rule remained in force, under which the CBRF in the interests of the Ministry of Finance buys foreign currency in the amount of additional oil and gas revenues of the federal budget in excess of the URALS oil price of USD 41.6 per barrel. From August to December 2018, the CBRF did not buy foreign currency and within the framework of the budget rule gave it to the Ministry of Finance from its own reserves. From February 2019, in order to compensate for the volume of foreign currency transactions from August to December, the Central Bank of the Russian Federation increased the planned volume of currency purchases for the Ministry of Finance by RUB 2.8 billion per day. However, due to the seasonally strong current account of the balance of payments and high demand for Russian assets, this did not exert a significant pressure on the Russian currency. The amount of funds allocated by the Ministry of Finance for the purchase of foreign currency was RUB 2.93 trillion, another RUB 644 billion was bought by the Central Bank of the Russian Federation in its interests, the total gold and foreign exchange reserves of the Central Bank of the Russian Federation and the National Welfare Fund increased by USD 55.2 billion.

The situation in the domestic financial markets stabilised after an episode of significant increase in volatility in December 2018. The US Dollar exchange rate decreased for most of the year from RUB 68 for USD 1 in January 2019 to RUB 61.7 for USD 1 in December 2019. The average URALS oil price was USD 64.24 per barrel. Due to the increase in oil prices and high demand for assets of developing countries, the Moscow Exchange index for January-December 2019 increased by 27.9% and the RTS index increased by 44.1%. Ten-year federal loan bonds yields declined by 2.3 percentage points against easing of the monetary policy.

2 Operating Environment of the Group (continued)

However, outbreak of coronavirus COVID-19 and its spread over the World, decrease in oil prices and significant devaluation of the Russian Rouble during first months of 2020, have further increased the uncertainties in the Russian business environment.

The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. In addition, the recent contraction in the capital and credit markets have further increased the level of economic uncertainty. In general, the current economic environment the Group operates in is characterised by significant growth of risks of different nature and general uncertainty bounding the strategic horizon for market participants and aggregated risk appetite.

The accompanied consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

Management of the Group believes that it makes all the necessary efforts to support the economic stability of the Group in the current environment.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

The information presented below reflects the Basis for the Preparation of Consolidated Financial Statements and Significant Accounting Policies.

Basis of presentation. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (the “IFRS”) based on the historical cost accounting rules, followed by fair value accounting of financial instruments at fair value and revaluation of buildings, trading securities, investment securities measured at fair value through other comprehensive income, financial liabilities recorded at fair value and derivative financial instruments. The principles of accounting policies applied in the preparation of these consolidated financial statements are set out below. These principles have been consistently applied to all periods presented in the consolidated financial statements, except for changes in accounting policies related to changes due to implementation of IFRS 16 *Leases*, described below, and except for changes in the presentation of comparative information regarding recognition of expenses on loyalty programs under plastic cards in a separate line within fee and commission expenses of the consolidated statement of comprehensive income.

***Consolidation*.** Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances, including cases when protective rights arising from collateral agreements on lending transactions become significant. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree if the business combination is achieved in stages) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. If the amount is negative (“negative goodwill”) it is recognised in profit or loss after the management has assessed whether all acquired assets and all assumed liabilities and contingencies are identified and analysed correctness of their estimate.

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as the purpose and structure of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variable returns of the investee.

Intercompany transactions, balances and unrealised gains arising from intercompany transactions are eliminated.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and its subsidiaries use uniform accounting policies consistent with the Group’s policies.

Effective interest rate. Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument precisely to:

- gross carrying amount of the financial asset; or
- amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments that are not credit-impaired assets the Group assesses future cash flows taking into account all contractual terms of this financial instrument but without considering expected credit losses. For credit-impaired financial assets the effective interest rate adjusted for credit risk is calculated using the amount of expected future cash flows including expected credit losses.

The effective interest rate calculation includes transaction costs as well as fees and charges paid or received that form an integral part of the effective interest rate. Transaction costs include additional expenses directly attributable to the acquisition or issue of the financial asset or liability.

Amortised cost and gross carrying amount. Amortised cost of a financial asset or liability is the value of the financial asset or liability at initial recognition less any principal repayments, plus or minus accumulated depreciation of the difference between the initial amount and payable amount at maturity calculated using the effective interest rate method and, with regard to financial assets, adjusted for estimated expected credit loss allowance (or impairment allowance before January 1, 2018).

Gross carrying amount of a financial asset measured at amortised cost is the amortised cost of the financial asset before adjustment for the amount of expected credit loss allowance.

Interest income and expenses calculation. When calculating interest income and expenses the effective interest rate is applied to the amount of the asset gross carrying amount (when the asset is not credit-impaired) or amortised cost of the liability. The effective interest rate is revised as a result of periodic revaluation of cash flows on instruments with a floating interest rate to reflect changes in market interest rates.

However, for financial assets that became credit-impaired subsequent to initial recognition, interest income is calculated through applying the effective interest rate to the amortised cost of the financial assets. If the financial asset is no longer credit-impaired, then the calculation of interest income reverts to the gross carrying amount.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset. The calculation of interest income on such assets does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Credit-Impaired Financial Assets.

Presentation of information. Interest income and expenses presented in the consolidated statement of profit or loss and other comprehensive income include:

- interest income and expenses on financial assets and financial liabilities measured at amortised cost calculated using the effective interest method;
- interest income on debt instruments measured at fair value through other comprehensive income (FVOCI) calculated using the effective interest basis;
- interest income on non-derivative debt financial instruments measured at fair value through profit or loss (FVTPL) is presented separately as “Other interest income”;
- interest expense on financial liabilities measured at amortised cost; and

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

- interest expenses on non-derivative debt financial liabilities measured at fair value through profit or loss.

Classification of financial instruments. Upon initial recognition, financial assets are classified as measured either at amortised cost or at fair value through other comprehensive income or at fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL based on the Group's assessment:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- on specified dates its contractual terms give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- on specified dates contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest income calculated using the effective interest rate method;
- expected credit losses (ECL) and their reversal; and
- foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value of the investment in other comprehensive income. This election is made on an investment-by-investment basis.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

Business model assessment. The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered by the Group includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest on the outstanding principal amount (SPPI criterion), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements);
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates);

The Group holds a portfolio of long-term fixed rate loans, for which the Group has the option to revise the interest rate following the change in the key rate set by the CBRF. Borrowers have an option to either accept the revised rate or repay the loan at face value without paying significant penalties. The Group has determined that contractual cash flows of these loans are solely payments of principal and interest because this option leads to the change of the interest rate in a way that is the consideration for the time value of money, credit risk, other basic lending risks and costs associated with the outstanding principal amount. Instead, the Group considers these loans as in essence floating rate loans.

Reclassification of financial instruments. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. Such changes are expected to be very infrequent. Such changes are determined by the Group's senior management as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties. Accordingly, a change in the Group's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when the Group has acquired, disposed of or terminated a business line.

Financial liabilities are not reclassified subsequent to their initial recognition.

Modification of financial assets and financial liabilities. If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus related transaction costs. Changes in cash flows on existing financial assets are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Group due to changes in the CBRF key rate, if the loan contract entitles the Group to do so.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different.

The following types of modifications are recognised by the Bank as significant based on qualitative assessment:

- change of the counterparty;
- change in the currency of the financial asset;
- change of the interest rate type;
- change in the lending regime;
- change in the contract terms affecting passing the SPPI test.

The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In making this evaluation the Group analogises to the guidance in IFRS 9 on the derecognition of financial assets.

If the cash flows of the modified asset carried at amortised cost or FVOCI are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original (initial) effective interest rate. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

For fixed-rate loans where the borrower has an option to prepay the loan at face value without significant penalty, the Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities The Group derecognises a financial liability when its conditions change in such a way that the cash flows of the modified liability change significantly. In this case, a new financial liability with modified terms is recognised at fair value. The difference between the carrying amount of the previous financial liability and the value of the new financial liability with modified terms is recognised in profit or loss. The consideration paid includes transferred non-financial assets, if any, and liabilities incurred, including a new modified financial liability.

The Group conducts a quantitative and qualitative assessment of the significance of modifying the conditions, analysing the qualitative factors, quantitative factors and the cumulative effect of qualitative and quantitative factors. The Group concludes that the modification of the conditions is significant, based on the following qualitative factors:

- change in the currency of the financial liability;
- changing the type of collateral or other means of improving the quality of the obligation;
- add conversion condition;
- change in the subordination of a financial liability.

For the purpose of quantification, conditions are considered to be significantly different if the present value of cash flows in accordance with new conditions, including payments of commissions minus received commissions, discounted at the original effective interest rate, differs by at least 10% of the discounted present value remaining cash flows from the original financial liability.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

If a modification of a financial liability does not result in derecognition, the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting difference is recognised as a gain or loss on the modification in profit or loss. For financial liabilities with a floating interest rate, the initial effective interest rate used in calculating the profit or loss from the modification is adjusted to reflect the current market conditions at the time of the modification. Costs incurred or fees paid as a result of modifications are recognised as adjustments to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by recalculating the effective interest rate of the instrument.

Impairment. The Group recognises an allowance for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group recognises estimated ECL allowances at an amount equal to lifetime ECL, except in the following instruments, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (Note 4).

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the generally accepted definition of 'investment-grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments that are subject to a 12-month expected credit loss are classified as Stage 1 financial instruments.

The expected credit losses for the entire term are defined as the expected credit losses as a result of all possible events of default on the financial instrument throughout the entire expected period of validity. Financial instruments that are not acquired or created credit-impaired assets for which a lifetime ECL is recognised, relate to the financial instruments of Stage 2 (if the credit risk of a financial instrument has increased significantly since its initial recognition, but financial instrument not credit-impaired) and Stage 3 (in case the financial instrument is credit-impaired).

Measurement of ECLs. ECL are a default probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts*: as the present value of the expected payments to reimburse the holder's credit losses less any amounts that the Group expects to recover.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

The calculation of expected credit losses is performed on an individual basis (for legal entities) or collective basis (for individuals). In order to calculate ECL the Group assesses the probability of default, exposure at default and loss given default. In case of an individual calculation, the assessment of the probability of default, exposure at default and loss given default is performed individually at each financial instrument level. In case of a collective calculation, the assessment of the probability of default and loss given default is similar for all financial instruments classified as the same class and at the same impairment stage, the assessment of exposure at default is performed at the financial instrument level.

Credit-impaired financial assets. At each reporting date, the Group assesses whether financial assets measured at amortised cost and debt financial assets measured at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events have a negative impact on the expected future cash flows from the financial asset.

Evidence that a financial asset is credit-impaired includes factors stated in Note 4.

A loan that has been renegotiated due to a deterioration in the borrower’s creditworthiness is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt (other financial assets) is credit-impaired, the Group considers the following factors.

- The market’s assessment of creditworthiness as reflected in the bond yields.
- The rating agencies’ assessments of creditworthiness.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt write-off.
- The international support mechanisms in place to provide the necessary support as ‘lender of last resort’ to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

Presentation of an allowance for expected credit losses in the consolidated statement of financial position

Estimated allowance amounts for expected credit losses are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost: as a decrease in the gross book value of these assets;
- loan commitments and financial guarantee agreements: generally, as a reserve;
- if the financial instrument contains both a claimed and unclaimed component and the Group cannot determine the expected credit losses on the loan commitment made separately from the expected credit losses on the already claimed part (loan issued): the Group represents the aggregate estimated loss allowance for both components. The cumulative amount is presented as a decrease in the gross book value of the claimed part (loan disbursed). Any excess of the value of the allowance for losses over the gross book value of the loan issued is presented as an allowance; and
- debt instruments measured at fair value through other comprehensive income: the allowance for losses is not recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the amount of the allowance for losses is disclosed and recognised as part of the fair value change allowance.

- ***Write-offs.*** Loans and debt securities are written off (either partially or in full) when there are no realistic expectations of their recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Foreign currency translation. The functional currency of the Group is the currency of the primary economic environment in which the Group operates. The functional currency of the Bank and the majority of its subsidiaries and the presentation currency of the Group's consolidated financial statements is the national currency of the Russian Federation, i.e. Russian Rouble.

Monetary assets and liabilities are translated into Russian Roubles at the official CBRF exchange rate at the respective reporting date. Foreign exchange gains and losses on monetary assets and liabilities translated at the CBRF official exchange rate as at the end of the year are included in the profit or loss for the year (as foreign exchange translation gains less losses). Non-monetary items are translated to the functional currency at the rate effective as at the date of the transaction. Effects of exchange rate differences on the fair value of equity securities are recorded as part of the fair value translation gain or loss.

As at 31 December 2019 the official rates of exchange used for translating foreign currency balances were USD 1 = RUB 61.9057 and EURO 1 = RUB 69.3406 (2018: USD 1 = RUB 69.4706 and EURO 1 = RUB 79.4605).

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within a day and are subject to insignificant change in value. All short-term interbank placements, including overnight deposits, are included in cash and cash equivalents, all other interbank placements are recognised in due from banks. Amounts that relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the CBRF. Mandatory reserve deposits with the CBRF are carried at amortised cost and represent non-interest bearing deposits in the CBRF that are not available to finance day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Trading securities. Trading securities are securities acquired for generating a profit from short-term fluctuations in price or trader's margin, or securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities as trading securities if it has a goal to manage the asset by sale and the securities correspond to the business model "other". The reclassification of trading securities is carried out exclusively in cases of a change in the business model for managing this financial asset.

Trading securities are carried at FVTPL. Interest earned on trading securities is presented as other interest income in profit or loss for the year. Dividends are included in other operating income when the Group's right to receive the dividend payment is established and provided the dividend is likely to be received. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

Due from banks. Amounts due from banks are recorded when the Group advances money to counterparty on fixed or determinable dates, at the same time the Group has no intention to carry out trade operations with the purpose of acquiring or rising accounts receivable which are not related to derivative financial instruments and have no quotation at the open market.

After initial recognition, due from banks are recognised at amortised cost if the business model for managing this financial asset meets the criteria of the asset retention business model for obtaining contractual cash flows and the SPPI test criteria. Due from banks can be recorded at fair value through profit or loss if the business model for managing this financial asset meets the criteria of the asset retention business model of asset retention for obtaining contractual cash flows and sales, but SPPI test criteria are not met.

Due from banks measured at amortised cost are initially measured at fair value plus additional direct transaction costs and subsequently at amortised cost using the effective interest method.

Loans and advances to customers. Loans and advances to customers caption in the consolidated statement of financial position includes:

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

- loans and advances to customers measured at amortised cost, they are initially measured at fair value plus incremental direct transactional costs and subsequently at their amortised cost using the effective interest method;

- loans and advances to customers mandatorily measured at FVTPL due to the non-conformance with SPPI test criteria, with changes recognised immediately in profit or loss.

Investment securities. Investment securities caption in the consolidated statement of financial position includes:

- debt investment securities measured at amortised cost, which are initially measured at fair value plus additional direct transaction costs and subsequently at amortised cost using the effective interest method;

- debt investment securities measured at fair value through other comprehensive income; and

- equity investment securities classified at the Group's discretion as at fair value through other comprehensive income.

The Group includes investment securities that the Group intends to hold for an indefinite period of time and which may be sold depending on the requirements for maintaining liquidity or as a result of changes in interest rates, exchange rates or stock prices into the category of investment securities measured at fair value through other comprehensive income if at the time of the acquisition they correspond to the business model of holding the asset to obtain contractual cash flows and sales and SPPI test criteria.

Changes in the fair value of debt investment securities measured at fair value through other comprehensive income are recognised directly in equity until the investment is derecognised, and the cumulative gain or loss is transferred from other comprehensive income to profit or loss for the year.

Dividends on equity securities at fair value through other comprehensive income are recognised in profit or loss when the Group’s right to receive payment is established and it is probable that the dividends will be collected.

The Group includes investment securities that the Group intends to hold during contractual terms in order to obtain contractual cash flows into the category of investment securities measured at amortised cost if they meet the criteria of the business model of asset retention for obtaining contractual cash flows and SPPI tests criteria. Investment securities measured at amortised cost are initially measured at fair value plus additional direct transaction costs and subsequently at amortised cost using the effective interest method.

Allowances for expected losses related to investment securities are recognised in profit or loss.

Advances. Advances are recognised if the Group makes a prepayment under a contract for services that are not yet provided and are recorded at amortised cost.

Sale and repurchase agreements. Sale and repurchase agreements (“repo agreements”), which in fact provide a lender’s return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. In such cases they are classified within “Trading securities, including securities pledged under sale and repurchase agreements” and “Investment securities, including securities pledged under sale and repurchase agreements”. The respective liabilities are recognised within “Due to banks” or “Customer accounts” line items depending on the counterparty.

Securities purchased under agreements to resell (“reverse repo agreements”), which provide the Group with a creditor’s return, are recorded as “Reverse sale and repurchase agreements”. The difference between the sale and repurchase price is treated as interest income and accrued over the life of the reverse repo agreements using the effective interest method.

If the assets purchased under a sale and repurchase agreement are sold to third parties, the obligation to return the securities is recorded as a financial liability at fair value in the consolidated statement of financial position.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Securitisation. For securitised financial assets, the Group considers both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Group over the other entity.

When the Group, in substance, controls the entity to which financial assets have been transferred, the entity is included in these consolidated financial statements and the transferred assets are recognised in the Group's consolidated statement of financial position.

When the Group has transferred financial assets to another entity, but has retained substantially all the risks and rewards relating to the transferred assets, the transferred assets are recognised in the Group's consolidated statement of financial position.

When the Group transfers substantially all the risks and rewards relating to the transferred assets to an entity that it does not control, the assets are derecognised in the Group's consolidated statement of financial position.

Promissory notes purchased. Promissory notes purchased are included in due from banks or loans and advances to customers, based on their economic substance and are recorded and subsequently remeasured and accounted in accordance with the accounting policies for these categories of assets.

Property and equipment. Property and equipment are stated at cost adjusted to the equivalent of purchasing power of the Russian Rouble at December 31, 2002 for assets acquired prior to January 1, 2003, or revalued amounts, as described below, less accumulated depreciation and impairment, where required.

Buildings and facilities of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the buildings being revalued. Any increase in the carrying value as a result of revaluation is recognised in other comprehensive income and in revaluation reserve in equity. Any decrease in value accounted against previous increases of the same asset is recognised in other comprehensive income and reduces the revaluation reserve previously recognised in equity. All other decreases in value are recognised in profit or loss for the year. The revaluation reserve for property and equipment included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset.

Construction in progress is carried at cost less impairment where required. Upon completion, assets are transferred to property and equipment and recognised at their carrying amount at the moment of transfer. Construction in progress is not depreciated until the asset is available for use.

All other items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Costs of minor repairs and maintenance are recognised when incurred. Costs of replacing major parts or components of property and equipment are capitalised and the replaced part is retired.

If there are indicators of impairment, the management evaluates the recoverable amount, which is the greater of the asset's fair value less costs to sell and value in use. The decrease in carrying amount is charged to profit or loss to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gain or loss on disposal is the difference between the amount of revenue and the carrying value and is recognised in profit or loss for the year.

Depreciation. Land is not depreciated. Depreciation on other items of property and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

Buildings: 50 years;

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Office and computer equipment: 5 years;

Leasehold improvements: over the term of the underlying lease.

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

Intangible assets. All intangible assets of the Group have definite useful lives and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Capitalised computer software is amortised on a straight-line basis over expected useful lives of 3 to 4 years. All other costs associated with computer software, e.g. its maintenance, are recognised when incurred.

Investment property. Investment property is property not occupied by the Group and held either to earn rental income or for capital appreciation or for both.

Investment property is stated at acquisition cost less accumulated amortisation and impairment (if necessary). In case of indications of impairment of investment property the Group evaluates its recoverable amount, which is calculated as the higher of its value in use and fair value less disposal costs. A decrease in carrying value of investment property to its recoverable amount is recognised in profit or loss. Impairment loss recognised in previous years is recovered if there was a change in estimates used to evaluate the recoverable amount of the asset.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs are recognised as expenses as incurred. If the owner occupies the investment property, it is transferred to the category "Property and Equipment".

The Group applied **IFRS 16 *Leases*** from the effective date of January 1, 2019.

Right-of-use assets and lease liabilities. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. According to this model, the lessee shall recognise right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group applied IFRS 16 using a modified approach and, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

Definition of a lease. Previously, the Group determined at contract inception whether an arrangement was or contained a lease under *IFRIC 4 Determining Whether an Arrangement Contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease.

Under IFRS 16, a contract is a lease or contains a lease relationship if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

In transitioning to IFRS 16, the Group decided to take advantage of practical simplification, which allows us not to revise the results of our previous valuation of transactions in order to identify leases. The Group applied IFRS 16 only to those contracts that were previously identified as leases. Contracts that have not been identified as leases in accordance with IAS 17 and KR IFRS 4 have not been remeasured. Accordingly, the definition of a lease in accordance with IFRS 16 was applied only to contracts entered into or amended on or after 1 January 2019.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use assets and lease liabilities are disclosed in lines "Premises, equipment, intangible assets and right-of-use assets" and "Other liabilities" in the relevant consolidated statement of financial position of the Group.

The Group leases a number of properties classified as investment property. The Group classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor do not differ from those applicable to IAS 17.

Long-term assets held for sale. Long-term assets and disposal groups (which may include both long-term and short-term assets) are presented in the consolidated statement of financial position as long-term assets held for sale if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting date. These assets are classified as held for sale when all of the following conditions are met: (a) assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to find a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Long-term assets and disposal groups held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Held-for-sale property and equipment (included in the disposal group) are not depreciated or amortised.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Liabilities directly associated with the disposal groups that will be transferred in the disposal transaction are presented separately in the consolidated statement of financial position.

Due to banks. Amounts due to banks are recorded when cash or other assets are advanced to the Group by counterparty banks. Non-derivative financial liabilities are carried at amortised cost.

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

Debt securities issued. Debt securities issued include bonds, promissory notes and certificates of deposit issued by the Group. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other income.

Other borrowed funds. Other borrowed funds include liabilities to credit and legal entities and financial institutions attracted for target financing and are carried at amortised cost.

Derivative financial instruments. Derivative financial instruments are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are recognised as gains less losses in accordance with the nature of transaction in profit or loss. The Group does not apply hedge accounting.

Income taxes. Tax expenses are provided for in the consolidated financial statements in accordance with the effective Russian legislation using tax rates and legislative regulations enacted or substantively enacted by the reporting date. The income tax charge comprises current tax charge and deferred tax and is recognised in profit or loss for the year except if it is recognised as other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, as other comprehensive income or directly in equity.

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

Deferred income tax is calculated on the basis of balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply in the period when the temporary differences or deferred tax losses will be realised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. Uncertain tax positions are reassessed by management at every reporting date. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the reporting date.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Provisions for liabilities and future expenses. Provisions for liabilities and future expenses are non-financial liabilities of uncertain timing or amount. Related provisions are provided for in the consolidated financial statements where the Group has liabilities (legal or constructive) as a result of a past event, it is highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Accounts payable Payables are recognised when the counterparty performed its obligations under the transaction and are carried at amortised cost.

Credit and non-credit related commitments. The Group enters into credit related commitments, including commitments to provide loans, letters of credit and financial guarantees.

Financial guarantees and letters of credit represent irrevocable commitments 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 letters of credit are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Documentary letters of credit, which are written obligations of the Group to make payments on behalf of clients within a specified amount when certain conditions are met, are secured by appropriate supplies of goods or cash deposits and, accordingly, have a lower risk level than direct lending.

Loan commitments include the unused portion of the loan amounts. With respect to loan commitments, the Group is potentially exposed to credit risk, but the likely amount of loss is less than the total amount of unused commitments, since most loan commitments depend on clients 'compliance with certain credit requirements. The Group controls the term remaining until the repayment of credit commitments, since usually more long-term liabilities have a higher level of credit risk than short-term liabilities.

Liabilities of non-credit nature mainly include performance guarantees - these are contracts that provide for receiving compensation if the other party does not fulfill the obligation specified in the contract. Such contracts do not transfer credit risk. Guarantee contract represents the probability of insured accident (that is failure to fulfill the liabilities stipulated by the contract by the other party under the contract). Performance guarantees are initially recognised at fair value, confirmed, as a rule, by the amount of the consideration received. This amount is amortised on a straight-line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Bank has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as loans and receivables within other assets upon transfer of the loss compensation to the guarantee's beneficiary. In cases where the amount of consideration is received on a periodic basis, the remuneration received is recognised in revenue on a straight-line basis over the life of the contract.

The Group does not have issued commitments to provide loans at fair value through profit or loss. The Group recognises an allowance for losses on other loan commitments.

Share premium. When shares are issued, the excess of contributions received, net of transaction costs, over the nominal value of the shares issued is recorded as share premium in equity.

Preference shares. Preference shares that are not mandatorily redeemable and with discretionary dividends, are classified as equity.

Dividends. Dividends in relation to own equity instruments are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the consolidated financial statements are approved for issue are disclosed in the *Subsequent events* note. The statutory accounting reports are the basis for payment of dividends and other profit distribution.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Income and expense recognition except interest income and expense. A contract with a customer that results in a recognised financial instrument in the consolidated financial statements of the Group may be partially within the scope of IFRS 9 and partially within the scope of IFRS 15. In this case, the Group first applies IFRS 9, to separate and evaluate the part of the contract that falls within the scope of IFRS 9, and then applies IFRS 15 to the remainder of this contract.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Fiduciary assets. Assets held by the Group in its own name, but as requested by and at the expense of third parties, are not reported in the consolidated statement of financial position. The analysis of such balances and transactions is presented in Note 32. Commissions received from fiduciary activities are shown in fee and commission income.

Offsetting. Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group has a legal right to offset the recognised amounts if this right is not due to a future event and is legally enforceable both in the ordinary course of business and in the event of default, insolvency or bankruptcy of the Group or any of its counterparties.

Accounting for the effects of hyperinflation. The Russian Federation previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit effective at the reporting date.

The characteristics of the economic environment of the Russian Federation indicate that hyperinflation ceased from January 1, 2003. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit effective as at December 31, 2002 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index, published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992.

Staff costs and related contributions. Wages, salaries, contributions to insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

***Segment reporting*.** Segment reporting is prepared based on the internal management reports regularly reviewed by the chief operating decision maker of the Group. Segments with a majority of revenue, financial result or assets equal to at least ten percent of those from all the segments are reported separately.

4 Significant Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts of assets and liabilities recognised in the consolidated financial statements. Estimates and judgments are continually reassessed 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 professional judgments and estimates in the process of applying the accounting policies. Judgments 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:

4 Significant Accounting Estimates and Judgments in Applying Accounting Policies (continued)

Expected credit losses. Amounts of allowance for expected credit losses are presented in the consolidated statement of financial position in the following way:

- *financial assets measured at amortised cost:* as a decrease of the gross carrying amount of such assets;
- *loan commitments and financial guarantee agreements*: generally, as a provision;
- *debt instruments measured at FVOCI*: an expected credit loss allowance is not recognised in the consolidated statement of financial position since the carrying amount of such assets is their fair value. However, the amount of the expected credit loss allowance is disclosed and recognised in the revaluation reserve for changes in fair value.

The key inputs into the measurement of ECLs are the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters will be derived from internally developed statistical models.

Expected credit losses for positions subject to credit risk related to Stage 1 are calculated by multiplying the PD by losses if default takes place within 12 months after the measurement date. The amount of losses is calculated as the averaged value of LGD by EAD for 12 months.

PD estimates are made based on statistical models using rating tools tailored to the various categories of counterparties. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

The Group estimates LGD parameters based on the history of recovery rates with regard to impaired financial assets. The LGD models consider the structure of the financial instruments, types of counterparties and collateral.

With regard to financial assets originating during transactions in financial markets international rating agencies’ statistics is used to assess PD and LGD.

EAD represents the expected exposure in the event of a default. The Group will derive the EAD from the current exposure as at the reporting date considering expected changes to the current amount allowed under the contract, including amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, where the contract provides for the Group to cancel the undrawn loan commitment and the Group reasonably believes that this right limits exposure to credit losses, EAD is assumed to be zero if the contract does not provide for such a possibility, or this right does not fully limit exposure to credit losses, EAD represents expected amounts that can be claimed under the contract, evaluation of which is carried out on the basis of historical observations and forecasts. For financial guarantee contracts, the EAD value is the amount payable at the time the financial guarantee is executed.

The Group assumes that probability of default forecasts and amounts of loss given default can differ from historical figures. Due to this the Group adjusts historical PD and LGD figures.

The Group includes forward-looking information both in the assessment for a significant increase in credit risk since the initial recognition of the financial instrument, and in the assessment of expected credit losses. The Group considers two economic scenarios: the baseline scenario and the pessimistic scenario. The baseline scenario is based on information used by the Group in strategic planning and budgeting. External information taken into account includes economic data and forecasts published by the CBRF.

The Group identified a list of key factors affecting the assessment of credit risk and credit losses for each portfolio of financial instruments and, using historical data analysis, assessed the relationship between macroeconomic variables, credit risk and credit losses.

As a key factor, the forecast of GDP is defined. The projected ratios between the key indicator and default events, and the levels of losses for various portfolios of financial assets were developed based on the analysis of historical data for the last 7 years.

4 Significant Accounting Estimates and Judgments in Applying Accounting Policies (continued)

The Group allocates each legal entity to a credit risk rating based on variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk ratings are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the type of borrower.

Credit risk ratings are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates – e.g. the difference in the risk of default between credit risk ratings 1 and 2 is smaller than the difference between credit risk rating 2 and 3.

A credit risk rating for each legal entity is allocated at initial recognition. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk rating as compared to that assigned on initial recognition.

For financial assets of individuals the risk estimate is revised only if information about overdue amounts appears or when the customer requests renegotiation of loan agreements.

The monitoring usually includes the analysis of the following data.

Factors influencing the credit risk rating of a financial instrument and accounted for when determining a significant increase of credit risk with regard to legal entities	Factors accounted for when determining a significant increase of credit risk with regard to corporate and individual clients
• Data obtained as a result of a regular analysis of information about borrowers – for example, audited financial statements, management information, budgets, forecasts and plans. Examples of indicators that are given particular attention are: sectoral affiliation of the borrower, debt burden, profitability, liquidity ratios, the business model of the borrower, compliance with restrictive conditions ("covenants"), management quality	• Information about payments, including information about the status of overdue amounts
• Data of credit rating agencies, publications in press, information about changes of external credit ratings	• Requests for the renegotiation of loan agreements and satisfaction of such requests
• Actual and expected significant changes in political, regulatory and technological environment of the borrower or its business	• Current and expected changes of financial, economic conditions and business environment

For financial assets originated from transactions in financial markets medium credit risk ratings issued by international rating agencies for several prior periods are used and, in their absence, the ratings issued by ACRA are used for Russian entities. In case of absence of ratings issued by international rating agencies and ACRA, the corresponding rating issued by Expert RA is used.

The Group assigns internal credit ratings to corporate borrowers based on the accumulated statistics of defaults. The Group concludes that the credit risk related to a financial instrument has increased significantly since its initial recognition if, based on modelling methods used by the Group, it has been determined that the PD figure for the remaining life increased more than 3 times since initial recognition for clients with the highest ratings and more than 2 times for clients with good, medium and low ratings. When assessing for a significant increase of credit risk remaining lifetime expected credit losses are adjusted for the change of repayment term.

Grades of credit risk. To assess expected credit losses the Group classifies financial instruments into one of the following stages depending on the change of the credit quality of a financial asset since its initial recognition:

- Stage 1. Financial instruments with no significant increase of credit risk after their initial recognition. The amount of impairment is determined as the amount of expected credit losses over 12 months;
- Stage 2. Financial instruments with significant increase of credit risk after their initial recognition but with no impairment indicators. The amount of impairment is determined as the amount of expected credit losses over the lifetime of the instrument.
- Stage 3. Impaired financial instruments. For impaired financial instruments of legal entities expected credit losses are measured on an individual basis based on expected cash flows from debts collection. For impaired financial instruments of individual clients expected credit losses are measured based on expected cash flows as per historical figures of losses given default depending on the term of delinquency.

4 Significant Accounting Estimates and Judgments in Applying Accounting Policies (continued)

Analysis for indicators of a significant increase of credit risk and impairment of loans and credit related commitments is performed at each reporting date:

- if indicators of a significant increase in credit risk are identified with no indicators of impairment, loans and credit related commitments classified into Stage 1 are transferred into Stage 2;
- if indicators of impairment are identified, loans and credit related commitments classified into Stage 1 are transferred into Stage 3;
- if indicators of impairment are identified, loans and credit related commitments classified into Stage 2 are transferred into Stage 3;
- if indicators of impairment disappear, loans and credit related commitments are transferred from Stage 3 into Stage 2. The period during which loans and credit related commitments are classified as Stage 2 (recovery period) if there are no indicators of impairment that existed in the past is 90 days.

  After the end of the recovery period and when there are no indicators of significant increase in the credit risk, the loans are transferred to Stage 1;
- if indicators of a significant increase in credit risk disappear, loans and credit related commitments are transferred from Stage 2 into Stage 1;
- in exceptional cases, when indicators of impairment disappear and there are no indicators of a significant increase in credit risk, loans and credit related commitments can be transferred from Stage 3 into Stage 1.

For the loans that were impaired at initial recognition the expected credit loss allowance is measured based on expected credit losses over the lifetime of the loan.

Significant increase in credit risk. Occurrence of at least one of the following events is an indicator of a significant increase in credit risk:

- delinquency by 31 to 90 days;
- significant decrease of the external or internal rating of a corporate borrower since the initial recognition of a financial instrument;
- prolongation of the term for principal amount or provision of the grace period for interest payments performed due to financial distress of the client;
- for individual borrowers – in the absence of a current default period of 31 to 90 days, availability of repaid debt overdue for 90 days or more within the last 90 days (recovery period);
- delinquency by 6 to 30 days for interbank loans.

Occurrence of at least one of the following events is an indicator of impairment:

- delinquency by 90 or more days;
- bankruptcy or liquidation of the borrower;
- decrease of the interest rate to a level significantly lower compared to the market one due to financial distress of the client;
- other indicators of financial difficulties of the borrower and an actual threat of non-fulfillment or improper fulfillment by the borrower of its obligations towards the Bank;
- delinquency by 30 or more days for interbank loans.

Default. The fact of recognition of a financial asset as impaired.

4 Significant Accounting Estimates and Judgments in Applying Accounting Policies (continued)

Revaluation of buildings. The fair values of buildings are determined by using valuation methods and are based on their market value. Market values of buildings are estimated by an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of buildings of similar location and category. The market value is assessed using sales comparison approach, i.e. comparison with other buildings that were sold or are offered for sale. Direct capitalisation or cost methods were used for unique objects. To the extent that the assessed fair value of buildings differs by 10%, their carrying amount will change by RUB 1 220 377 thousand (before deferred tax) as at 31 December 2019 (2018: RUB 1 234 447 thousand).

5 Adoption of New or Revised Standards and Interpretations

A number of new standards and interpretations came into force starting from January 1, 2019.The Group adopted these amendments and interpretations after they became effective.

The Group is not required to make any adjustments when transitioning to IFRS 16 for leases in which it acts as a lessor.

Transition to IFRS 16 Leases. The Group has adopted IFRS 16 Leases from 1 January 2019.

The main adjustments to the accounting policy of the Group related to the application of IFRS 16 are as follows:

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019.

Right-of-use assets are measured at an amount equal to the lease liability less any previous lease payments. The approach is applied to all real estate leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

On transition to IFRS 16, the Group recognised additional right-of-use assets, and additional lease liabilities, without recognising the impact on retained earnings.

In estimating lease liabilities for leases classified as operating leases, the Group discounted the lease payments using its incremental borrowing rate as at 1 January 2019. The applied weighted average rate is 8.25% - 8.75% for contracts providing for payment in Russian rubles, and 2.25% for contracts with payment in foreign currency.

Below is the comparison of contractual obligations under operating lease with recognised obligation under IFRS 16:

(in thousands of Russian roubles)	
Future lease payments under operating leases as at 31 December 2018	974 519
Future lease payments discounted using the incremental borrowing rate	792 255
Recognition exemption for leases of low-value assets and for leases with less than 12 months of lease term	(15 400)
Lease liabilities recognised at 1 January 2019	**776 855**

6 Cash and Cash Equivalents

(in thousands of Russian roubles)	2019	2018
Cash on hand	8 890 425	8 923 623
Cash balances with the CBRF (other than mandatory reserve deposits)	17 362 596	10 566 270
Correspondent accounts and overnight placements with banks of		
- the Russian Federation	850 532	928 430
- other countries	1 775 564	1 032 922
Settlement accounts with trading systems	13 677 140	15 737 974
Total cash and cash equivalents	**42 556 257**	**37 189 219**

Correspondent accounts and overnight placements with banks of the Russian Federation and settlement accounts with trading systems are mainly represented by balances with Russian stock exchanges and clearing houses.

As at 31 December 2019 and 31 December 2018, cash and cash equivalents did not include credit-impaired assets.

As at 31 December 2019 the Group has 1 counterparty with aggregated balances greater than 10% of the Group’s equity except the CBRF (2018:1 counterparty). The total aggregate amount of this counterparty’s balances is RUB 12 402 753 thousand as at 31 December 2019 (2018: RR 14 098 857 thousand).

Currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 30.

7 Trading Securities including those Pledged under Repurchase Agreements

(in thousands of Russian roubles)	2019	2018
Debt trading securities		
Coupon bonds of the Bank of Russia	32 271 940	22 083 220
Corporate Eurobonds	322 914	2 419 246
Corporate bonds	70 748	5 307 043
Eurobonds of the Russian Federation	-	159 468
Federal loan bonds	-	68 124
Total debt trading securities	**32 665 602**	**30 037 101**
Equity securities	558 516	749 329
Total trading securities	**33 224 118**	**30 786 430**
Debt trading securities pledged under repurchase agreements		
Corporate bonds	10 211 730	19 580 485
Corporate Eurobonds	415 672	4 910 791
Federal loan bonds	360 441	-
Coupon bonds of the Bank of Russia	-	25 276 629
Total debt trading securities pledged under repurchase agreements	**10 987 843**	**49 767 905**
Equity securities	-	93 150
Total trading securities pledged under repurchase agreements	**10 987 843**	**49 861 055**
Total trading securities including those pledged under repurchase agreements	**44 211 961**	**80 647 485**

7 Trading Securities including those Pledged under Repurchase Agreements (continued)

As at 31 December 2019 debt trading securities, including those pledged under repurchase agreements, are measured at fair value, which also reflects the credit risk associated with these securities (2018: at fair value).

The Group's debt securities are divided by the level of credit risk on the basis of averaging the values of credit ratings of issuers (in their absence - the credit ratings of debt securities issues), assigned by the international rating agencies Moody's, S&P and Fitch, in the absence of ratings from international rating agencies for Russian issuers ratings from ACRA are used:

Group A - securities of issuers with an average credit rating not lower than "BBB-".

Group B - securities of issuers with an average credit rating between "BB-" and "BB+".

Group C - securities of issuers with an average credit rating between "B-" and "B+".

Group D - non-default securities of issuers with an average credit rating lower than "B-" or not rated.

The following table provides an analysis of debt trading securities and debt trading securities pledged under repurchase agreements by credit quality as at 31 December 2019:

(in thousands of Russian roubles)	**Coupon bonds of the Bank of Russia**	**Corporate bonds**	**Corporate Eurobonds**	**Federal loan bonds**	**Total**
Debt trading securities					
Neither overdue, nor impaired					
Group A	32 271 940	5	-	-	32 271 945
Group B	-	61	322 914	-	322 975
Group D	-	70 682	-	-	70 682
Total debt trading securities	**32 271 940**	**70 748**	**322 914**	**-**	**32 665 602**
Debt trading securities pledged under repurchase agreements					
Neither overdue, nor impaired					
Group A	-	6 532 802	-	360 441	6 893 243
Group B	-	3 678 928	415 672	-	4 094 600
Total debt trading securities pledged under repurchase agreements	**-**	**10 211 730**	**415 672**	**360 441**	**10 987 843**
Total debt trading securities, including those pledged under repurchase agreements	**32 271 940**	**10 282 478**	**738 586**	**360 441**	**43 653 445**

7 Trading Securities including those Pledged under Repurchase Agreements (continued)

The following table provides an analysis of debt trading securities and debt trading securities pledged under repurchase agreements by credit quality as at 31 December 2018:

(in thousands of Russian roubles)	Coupon bonds of the Bank of Russia	Corporate bonds	Corporate Eurobonds	Eurobonds of the Russian Federation	Federal loan bonds	Total
Debt trading securities						
Neither overdue, nor impaired						
Group A	22 083 220	3 461 953	2 176 508	159 468	68 124	27 949 273
Group B	-	1 658 280	-	-	-	1 658 280
Group C	-	33 290	-	-	-	33 290
Group D	-	153 520	242 738	-	-	396 258
Total debt trading securities	**22 083 220**	**5 307 043**	**2 419 246**	**159 468**	**68 124**	**30 037 101**
Debt trading securities pledged under repurchase agreements						
Neither overdue, nor impaired						
Group A	25 276 629	6 436 442	4 492 707	-	-	36 205 778
Group B	-	13 144 043	418 084	-	-	13 562 127
Total debt trading securities pledged under repurchase agreements	**25 276 629**	**19 580 485**	**4 910 791**	**-**	**-**	**49 767 905**
Total debt trading securities, including those pledged under repurchase agreements	**47 359 849**	**24 887 528**	**7 330 037**	**159 468**	**68 124**	**79 805 006**

The Bank is licensed by the Federal Financial Markets Service of the Russian Federation to carry out operations with securities.

Securities provided or sold under sale agreements with an obligation to repurchase are transferred to a third party as collateral for the funds raised. These financial assets may be re-pledged or sold by counterparties in the absence of a case of non-fulfillment by the Group of their obligations, but the counterparty undertakes to return the securities upon expiration of the contract. The Group determined that it retains virtually all the risks and rewards of ownership of these securities, and thus does not derecognise them.

These transactions are conducted under conditions that are common and customary for standard lending, borrowing and lending of securities, as well as in accordance with the requirements set by the exchanges, where the Group acts as an intermediary.

Analysis of trading securities, including those pledged under repurchase agreements, by currency structure, maturity and analysis of interest rates are presented in Note 30.

8 Reverse Sale and Repurchase Agreements

(in thousands of Russian roubles)	2019	2018
Reverse sale and repurchase agreements with banks	80 775 607	74 719 249
Reverse sale and repurchase agreements with customers	14 631 495	13 399 239
Total reverse sale and repurchase agreements	**95 407 102**	**88 118 488**

As at 31 December 2019 securities purchase agreements subject to repurchase were agreements concluded with customers and banks were secured with federal loan bonds, corporate Eurobonds, corporate bonds (2018: federal bonds, corporate Eurobonds, corporate bonds).

As at 31 December 2019 the Group had active agreements for the purchase of securities subject to a reverse sale with an organization performing the functions of a central counterparty in the financial market in the amount of RUB 52 613 849 thousand (2018: RUB 52 362 311 thousand).

As at 31 December 2019 the Group had 1 counterparty with aggregated balances under sale and repurchase agreements exceeding 10% of equity of the Group (2018: 3 counterparties). As at 31 December 2019 the aggregate amount under these agreements with these counterparties was RUB 16 798 823 thousand (2018: RUB 34 463 313 thousand).

As at 31 December 2019 the fair value of securities pledged under securities purchase agreements subject to repurchase was RUB 103 493 766 thousand (2018: 98 942 480 thousand), of which pledged under sale and repurchase agreements are securities with a fair value of RUB 78 574 129 thousand (2018: RUB 36 582 884 thousand), as at 31 December 2019 the Group sold securities with the fair value of RUB 311 829 thousand (2018: the Group sold securities with the fair value of RUB 12 116 372 thousand). In all cases, the amount of collateral for individual transactions is equal to or exceeds the amount of debt under the transaction.

As at 31 December 2019 and 31 December 2018, the debt under reverse sale and repurchase agreements is divided by credit quality depending on the credit rating of the counterparty assigned by the rating agencies Moody's, S&P and Fitch (in their absence ratings issued by ACRA are used for Russian financial institutions):

Group A - financial institutions with an average credit rating not lower than "BBB-".

Group B - financial institutions with average credit rating between "BB-" and "BB+".

Group C - financial institutions with average credit rating between "B-" and "B+".

Group D - non-default financial institutions with an average credit rating lower than "B-" or not rated.

8 Reverse Sale and Repurchase Agreements (continued)

The table below represents the analysis of reverse sale and repurchase agreements by credit quality and the corresponding allowances for expected credit losses as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or issued impaired securities	Total
Group A	75 831 341	-	-	-	**75 831 341**
Group B	5 228 582	-	-	-	**5 228 582**
Group D	14 347 179	-	-	-	**14 347 179**
Total gross carrying amount of reverse sale and repurchase agreements	**95 407 102**	**-**	**-**	**-**	**95 407 102**
Allowance for expected credit losses	**-**	**-**	**-**	**-**	**-**
Total reverse sale and repurchase agreements	**95 407 102**	**-**	**-**	**-**	**95 407 102**

The table below represents the analysis of reverse sale and repurchase agreements by credit quality and the corresponding allowances for expected credit losses as at 31 December 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or issued impaired securities	Total
Group A	62 512 929	-	-	-	**62 512 929**
Group B	13 105 016	-	-	-	**13 105 016**
Group D	12 500 543	-	-	-	**12 500 543**
Total gross carrying amount of reverse sale and repurchase agreements	**88 118 488**	**-**	**-**	**-**	**88 118 488**
Allowance for expected credit losses	**-**	**-**	**-**	**-**	**-**
Total reverse sale and repurchase agreements	**88 118 488**	**-**	**-**	**-**	**88 118 488**

The analysis of reverse sale and repurchase agreements by currency structure and maturity is presented in Note 30. The analysis of interest rates of reverse sale and repurchase agreements is presented in Note 30.

9 Due from Banks

(in thousands of Russian roubles)	**2019**	**2018**
Term placements with banks	28 025 742	32 423 081
Allowance for expected credit losses	(3 256)	(54 933)
Total due from banks	**28 022 486**	**32 368 148**

As at 31 December 2019 the Group had 1 counterparty with aggregated loan balances each exceeding 10% of equity of the Group (2018: 2 counterparties). As at 31 December 2019 the aggregate amount of loans issued to these counterparties was RUB 15 291 630 thousand (2018: RUB 22 452 022 thousand).

9 Due from Banks (continued)

During 2019 and 2018, there were no transfers between the stages of impairment of due from banks.

Below is the analysis of changes in allowance for expected credit losses during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses as at 1 January	**54 933**	**-**	**-**	**-**	**54 933**
New assets received or acquired	38 783	-	-	-	**38 783**
Disposal of the allowance due to the repayment of loans	(90 460)	-	-	-	**(90 460)**
Total allowance for expected credit losses as at 31 December	**3 256**	**-**	**-**	**-**	**3 256**

Below is the analysis of changes in the allowance for expected credit losses during 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses as at 1 January	**729**	**-**	**-**	**-**	**729**
New assets received or acquired	161 558	-	-	-	**161 558**
Disposal of the allowance due to the repayment of loans	(107 354)	-	-	-	**(107 354)**
Total allowance for expected credit losses as at 31 December	**54 933**	**-**	**-**	**-**	**54 933**

As at 31 December 2019 and 31 December 2018, term deposits are divided by credit quality depending on the credit rating of the credit institution assigned by Moody's, S&P and Fitch rating agencies (in their absence for Russian credit institutions the ratings from ACRA are used):

Group A - credit institutions with an average credit rating not lower than "BBB-".

Group B - credit institutions with an average credit rating between "BB-" and "BB+.

Group C - credit institutions with an average credit rating between "B-" and "B+".

Group D - non-default credit institutions with an average rating lower than "B-" or without ratings.

The table below contains the analysis by credit quality of amounts due from banks measured at amortised cost and the related allowances for expected credit losses as at 31 December 2019:

9 Due from Banks (continued)

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Group A	23 406 304	-	-	-	**23 406 304**
Group B	4 619 438	-	-	-	**4 619 438**
Total gross carrying value of due from banks	**28 025 742**	**-**	**-**	**-**	**28 025 742**
Expected credit losses allowance	**(3 256)**	**-**	**-**	**-**	**(3 256)**
Total due from banks	**28 022 486**	**-**	**-**	**-**	**28 022 486**

The table below contains the analysis by credit quality of amounts due from banks measured at amortised cost and the related allowances for expected credit losses as at 31 December 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Group A	8 970 642	-	-	-	8 970 642
Group B	20 194 201	-	-	-	20 194 201
Group C	2 856 956	-	-	-	2 856 956
Group D	401 282	-	-	-	401 282
Total gross carrying value of due from banks	**32 423 081**	**-**	**-**	**-**	**32 423 081**
Expected credit losses allowance	**(54 933)**	**-**	**-**	**-**	**(54 933)**
Total due from banks	**32 368 148**	**-**	**-**	**-**	**32 368 148**

Lending to banks is carried out on the basis of a system of limits. The method of determining the limits is presented in Note 30. The existing portfolio of interbank loans is a tool for the short-term placement of temporarily free funds.

Due from banks are not secured. Due from banks are not past due or impaired.

Analysis of due from banks by currency structure and maturity is presented in Note 30. Analysis of interest rates on due from banks is presented in Note 30.

10 Loans and Advances to Customers

(in thousands of Russian roubles)	2019	2018
Loans measured at amortised cost		
Loans to legal entities		
- loans to finance working capital	182 215 956	166 532 253
- investment loans	79 935 005	97 325 766
- loans to entities financed by the government	29 408 637	20 594 945
Loans to individuals		
- mortgage loans	67 014 562	59 978 042
- car loans	5 310 244	3 539 665
- consumer loans to VIP clients	3 806 736	5 381 120
- other consumer loans	26 823 910	20 837 495
Allowance for expected credit losses	(33 376 585)	(36 500 280)
Loans measured at fair value		
Loans to legal entities	6 931 189	1 094 580
Total loans and advances to customers	**368 069 654**	**338 783 586**

Below is the analysis of changes in allowance for expected credit losses on loans and advances to customers during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses as at 1 January	**4 733 948**	**3 711 739**	**27 459 601**	**594 992**	**36 500 280**
Transfer to 12-months expected credit losses	22 532	(12 120)	(10 412)	-	-
Transfer to lifetime expected credit losses - non-impaired assets	(555 153)	663 293	(108 140)	-	-
Transfer to lifetime expected credit losses - impaired assets	(14 830)	(945 756)	960 586	-	-
New assets received or acquired	3 159 823	-	-	-	**3 159 823**
Net charge for creation/(recovery) of allowance for expected credit losses	(2 251 354)	2 040 983	6 729 046	843 994	**7 362 669**
Disposal of the allowance due to the repayment of loans	(1 732 624)	(462 660)	(1 490 381)	-	**(3 685 665)**
Unwinding of discount in respect of ECL present value	-	-	1 057 630	-	**1 057 630**
Derecognition of loans	-	-	(137 619)	-	**(137 619)**
Amounts written-off as non-recoverable during the period	-	-	(10 570 533)	-	**(10 570 533)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(310 000)	-	**(310 000)**
Total allowance for expected credit losses as at 31 December	**3 362 342**	**4 995 479**	**23 579 778**	**1 438 986**	**33 376 585**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on loans and advances to customers during 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses as at 1 January	**6 042 576**	**4 699 450**	**24 092 065**	**277 570**	**35 111 661**
Transfer to 12-months expected credit losses	258 468	(203 138)	(55 330)	-	-
Transfer to lifetime expected credit losses - non-impaired assets	(435 431)	449 838	(14 407)	-	-
Transfer to lifetime expected credit losses - impaired assets	(226 290)	(208 804)	435 094	-	-
New assets received or acquired	2 182 485	-	-	-	**2 182 485**
Net charge for creation/(recovery) of allowance for expected credit losses	(1 338 223)	(374 385)	9 779 600	279 134	**8 346 126**
Disposal of the allowance due to the repayment of loans	(1 749 637)	(651 222)	(444 036)	-	**(2 844 895)**
Unwinding of discount in respect of ECL present value	-	-	1 622 587	38 288	**1 660 875**
Amounts written-off as non-recoverable during the period	-	-	(6 958 828)	-	**(6 958 828)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(997 144)	-	**(997 144)**
Total allowance for expected credit losses as at 31 December	**4 733 948**	**3 711 739**	**27 459 601**	**594 992**	**36 500 280**

Below is the analysis of changes in allowance for expected credit losses on loans to finance working capital during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on loans to finance working capital as at 1 January	**2 170 524**	**952 036**	**16 606 543**	**102 141**	**19 831 244**
Transfer to lifetime expected credit losses - non-impaired assets	(472 290)	478 287	(5 997)	-	-
Transfer to lifetime expected credit losses - impaired assets	(8 126)	(140 915)	149 041	-	-
New assets received or acquired	2 270 782	-	-	-	**2 270 782**
Net charge for creation/(recovery) of allowance for expected credit losses	(1 485 843)	1 195 229	965 580	12 219	**687 185**
Disposal of the allowance due to the repayment of loans	(754 291)	(400 339)	(284 545)	-	**(1 439 175)**
Unwinding of discount in respect of ECL present value	-	-	753 343	-	**753 343**
Derecognition of loans	-	-	(137 619)	-	**(137 619)**
Amounts written-off as non-recoverable during the period	-	-	(7 916 724)	-	**(7 916 724)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(6 910)	-	**(6 910)**
Total allowance for expected credit losses on loans to finance working capital as at 31 December	**1 720 756**	**2 084 298**	**10 122 712**	**114 360**	**14 042 126**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on loans to finance working capital during 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on loans to finance working capital as at 1 January	**2 730 557**	**1 484 610**	**15 047 448**	**40 819**	**19 303 434**
Transfer to 12-months expected credit losses	123 859	(123 859)	-	-	-
Transfer to lifetime expected credit losses - non-impaired assets	(192 343)	192 343	-	-	-
Transfer to lifetime expected credit losses - impaired assets	(161 772)	(41 719)	203 491	-	-
New assets received or acquired	1 018 940	-	-	-	**1 018 940**
Net charge for creation/(recovery) of allowance for expected credit losses	(215 966)	(216 508)	5 974 290	61 322	**5 603 138**
Disposal of the allowance due to the repayment of loans	(1 132 751)	(342 831)	(16 899)	-	**(1 492 481)**
Unwinding of discount in respect of ECL present value	-	-	1 154 721	-	**1 154 721**
Amounts written-off as non-recoverable during the period	-	-	(4 963 685)	-	**(4 963 685)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(792 823)	-	**(792 823)**
Total allowance for expected credit losses on loans to finance working capital as at 31 December	**2 170 524**	**952 036**	**16 606 543**	**102 141**	**19 831 244**

Below is the analysis of changes in allowance for expected credit losses on investment loans during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on investment loans as at 1 January	**2 149 527**	**2 623 150**	**6 648 154**	**492 851**	**11 913 682**
Transfer to 12-months expected credit losses	-	-	-	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(77 250)	77 250	-	-	**-**
Transfer to lifetime expected credit losses - impaired assets	-	(724 970)	724 970	-	**-**
New assets received or acquired	212 871	-	-	-	**212 871**
Net charge for creation/(recovery) of allowance for expected credit losses	(652 481)	511 551	4 906 054	831 775	**5 596 899**
Disposal of the allowance due to the repayment of loans	(887 812)	(51 329)	(204 422)	-	**(1 143 563)**
Unwinding of discount in respect of ECL present value	-	-	220 999	-	**220 999**
Amounts written-off as non-recoverable during the period	-	-	(1 506 911)	-	**(1 506 911)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(55 633)	-	**(55 633)**
Total allowance for expected credit losses on investment loans as at 31 December	**744 855**	**2 435 652**	**10 733 211**	**1 324 626**	**15 238 344**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on investment loans during 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on investment loans as at 1 January	**2 880 844**	**2 937 449**	**6 206 388**	**236 751**	**12 261 432**
Transfer to 12-months expected credit losses	56 025	(56 025)	-	-	-
Transfer to lifetime expected credit losses - non-impaired assets	(241 168)	241 168	-	-	-
Transfer to lifetime expected credit losses - impaired assets	(58 180)	(126 538)	184 718	-	-
New assets received or acquired	913 408	-	-	-	**913 408**
Net charge for creation/(recovery) of allowance for expected credit losses	(905 897)	(76 615)	1 778 735	217 812	**1 014 035**
Disposal of the allowance due to the repayment of loans	(495 505)	(296 289)	(292 767)	-	**(1 084 561)**
Unwinding of discount in respect of ECL present value	-	-	222 529	38 288	**260 817**
Amounts written-off as non-recoverable during the period	-	-	(1 446 197)	-	**(1 446 197)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(5 252)	-	**(5 252)**
Total allowance for expected credit losses on investment loans as at 31 December	**2 149 527**	**2 623 150**	**6 648 154**	**492 851**	**11 913 682**

Below is the analysis of changes in allowance for expected credit losses on loans to entities financed by the government during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on loans to entities financed by the government as at 1 January	**49 804**	**-**	**991 377**	**-**	**1 041 181**
Transfer to 12-months expected credit losses	-	-	-	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	-	-	-	-	**-**
Transfer to lifetime expected credit losses - impaired assets	-	-	-	-	**-**
New assets received or acquired	51 544	-	-	-	**51 544**
Net charge for creation/(recovery) of allowance for expected credit losses	(10 059)	-	(51 124)	-	**(61 183)**
Disposal of the allowance due to the repayment of loans	(13 056)	-	(846 011)	-	**(859 067)**
Unwinding of discount in respect of ECL present value	-	-	352	-	**352**
Amounts written-off as non-recoverable during the period	-	-	(70 966)	-	**(70 966)**
Loans and advances to customers sold during the period as non-recoverable	-	-	-	-	**-**
Total allowance for expected credit losses on loans to entities financed by the government as at 31 December	**78 233**	**-**	**23 628**	**-**	**101 861**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on loans to entities financed by the government during 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on loans to entities financed by the government as at 1 January	**48 381**	**193 070**	**144 154**	**-**	**385 605**
Transfer to 12-months expected credit losses	-	-	-	-	-
Transfer to lifetime expected credit losses - non-impaired assets	-	-	-	-	-
Transfer to lifetime expected credit losses - impaired assets	-	-	-	-	-
New assets received or acquired	33 049	-	-	-	**33 049**
Net charge for creation/(recovery) of allowance for expected credit losses	(15 352)	(193 070)	1 055 704	-	**847 282**
Disposal of the allowance due to the repayment of loans	(16 274)	-	-	-	**(16 274)**
Unwinding of discount in respect of ECL present value	-	-	-	-	**-**
Amounts written-off as non-recoverable during the period	-	-	(125 180)	-	**(125 180)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(83 301)	-	**(83 301)**
Total allowance for expected credit losses on loans to entities financed by the government as at 31 December	**49 804**	**-**	**991 377**	**-**	**1 041 181**

Below is the analysis of changes in allowance for expected credit losses on mortgage loans during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on mortgage loans as at 1 January	**78 043**	**56 137**	**449 277**	**-**	**583 457**
Transfer to 12-months expected credit losses	15 419	(7 915)	(7 504)	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(1 404)	42 253	(40 849)	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(703)	(26 825)	27 528	-	**-**
New assets received or acquired	74 750	-	-	-	**74 750**
Net charge for creation/(recovery) of allowance for expected credit losses	(19 563)	162 827	167 048	-	**310 312**
Disposal of the allowance due to the repayment of loans	(10 013)	(7 010)	(78 975)	-	**(95 998)**
Unwinding of discount in respect of ECL present value	-	-	7 756	-	**7 756**
Amounts written-off as non-recoverable during the period	-	-	(8 649)	-	**(8 649)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(6 943)	-	**(6 943)**
Total allowance for expected credit losses on mortgage loans as at 31 December	**136 529**	**219 467**	**508 689**	**-**	**864 685**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on mortgage loans during 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on mortgage loans as at 1 January	**107 892**	**47 965**	**256 930**	**-**	**412 787**
Transfer to 12-months expected credit losses	51 197	(17 918)	(33 279)	-	-
Transfer to lifetime expected credit losses - non-impaired assets	(395)	13 449	(13 054)	-	-
Transfer to lifetime expected credit losses - impaired assets	(1 064)	(19 454)	20 518	-	-
New assets received or acquired	29 736	-	-	-	**29 736**
Net charge for creation/(recovery) of allowance for expected credit losses	(88 017)	38 481	246 269	-	**196 733**
Disposal of the allowance due to the repayment of loans	(21 306)	(6 386)	(30 902)	-	**(58 594)**
Unwinding of discount in respect of ECL present value	-	-	37 800	-	**37 800**
Amounts written-off as non-recoverable during the period	-	-	(19 048)	-	**(19 048)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(15 957)	-	**(15 957)**
Total allowance for expected credit losses on mortgage loans as at 31 December	**78 043**	**56 137**	**449 277**	**-**	**583 457**

Below is the analysis of changes in allowance for expected credit losses on car loans during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on car loans as at 1 January	**13 820**	**5 976**	**60 367**	**-**	**80 163**
Transfer to 12-months expected credit losses	2	(2)	-	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(204)	1 888	(1 684)	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(326)	(4 886)	5 212	-	**-**
New assets received or acquired	39 000	-	-	-	**39 000**
Net charge for creation/(recovery) of allowance for expected credit losses	(16 985)	9 813	48 940	-	**41 768**
Disposal of the allowance due to the repayment of loans	(2 994)	(96)	(4 047)	-	**(7 137)**
Unwinding of discount in respect of ECL present value	-	-	4 772	-	**4 772**
Amounts written-off as non-recoverable during the period	-	-	(10 328)	-	**(10 328)**
Loans and advances to customers sold during the period as non-recoverable	-	-	-	-	**-**
Total allowance for expected credit losses on car loans as at 31 December	**32 313**	**12 693**	**103 232**	**-**	**148 238**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on car loans during 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on car loans as at 1 January	**9 478**	**2 683**	**52 198**	**-**	**64 359**
Transfer to 12-months expected credit losses	799	(636)	(163)	-	-
Transfer to lifetime expected credit losses - non-impaired assets	(43)	43	-	-	-
Transfer to lifetime expected credit losses - impaired assets	(163)	(641)	804	-	-
New assets received or acquired	10 395	-	-	-	**10 395**
Net charge for creation/(recovery) of allowance for expected credit losses	(4 079)	5 929	25 380	-	**27 230**
Disposal of the allowance due to the repayment of loans	(2 567)	(1 402)	(8 260)	-	**(12 229)**
Unwinding of discount in respect of ECL present value	-	-	5 568	-	**5 568**
Amounts written-off as non-recoverable during the period	-	-	(15 160)	-	**(15 160)**
Loans and advances to customers sold during the period as non-recoverable	-	-	-	-	**-**
Total allowance for expected credit losses on car loans as at 31 December	**13 820**	**5 976**	**60 367**	**-**	**80 163**

Below is the analysis of changes in allowance for expected credit losses on consumer loans to VIP clients during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on consumer loans to VIP clients as at 1 January	**82 385**	**-**	**1 569 623**	**-**	**1 652 008**
Transfer to 12-months expected credit losses	-	-	-	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	-	53 700	(53 700)	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(815)	-	815	-	**-**
New assets received or acquired	44 950	-	-	-	**44 950**
Net charge for creation/(recovery) of allowance for expected credit losses	36 263	(24 936)	(39 349)	-	**(28 022)**
Disposal of the allowance due to the repayment of loans	(18 508)	-	(5 265)	-	**(23 773)**
Unwinding of discount in respect of ECL present value	-	-	10 012	-	**10 012**
Amounts written-off as non-recoverable during the period	-	-	(692 035)	-	**(692 035)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(11 782)	-	**(11 782)**
Total allowance for expected credit losses on consumer loans to VIP clients as at 31 December	**144 275**	**28 764**	**778 319**	**-**	**951 358**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on consumer loans to VIP clients during 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	**Total**
Allowance for expected credit losses on consumer loans to VIP clients as at 1 January	**43 957**	**-**	**1 501 659**	**-**	**1 545 616**
Transfer to 12-months expected credit losses	-	-	-	-	-
Transfer to lifetime expected credit losses - non-impaired assets	-	-	-	-	-
Transfer to lifetime expected credit losses - impaired assets	(964)	-	964	-	-
New assets received or acquired	50 576	-	-	-	**50 576**
Net charge for creation/(recovery) of allowance for expected credit losses	2 886	-	352 027	-	**354 913**
Disposal of the allowance due to the repayment of loans	(14 070)	-	(42 975)	-	**(57 045)**
Unwinding of discount in respect of ECL present value	-	-	51 724	-	**51 724**
Amounts written-off as non-recoverable during the period	-	-	(269 618)	-	**(269 618)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(24 158)	-	**(24 158)**
Total allowance for expected credit losses on consumer loans to VIP clients as at 31 December	**82 385**	**-**	**1 569 623**	**-**	**1 652 008**

Below is the analysis of changes in allowance for expected credit losses on consumer loans during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	**Total**
Allowance for expected credit losses on consumer loans as at 1 January	**189 845**	**74 440**	**1 134 260**	**-**	**1 398 545**
Transfer to 12-months expected credit losses	7 111	(4 203)	(2 908)	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(4 005)	9 915	(5 910)	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(4 860)	(48 160)	53 020	-	**-**
New assets received or acquired	465 926	-	-	-	**465 926**
Net charge for creation/(recovery) of allowance for expected credit losses	(102 686)	186 499	731 897	-	**815 710**
Disposal of the allowance due to the repayment of loans	(45 950)	(3 886)	(67 116)	-	**(116 952)**
Unwinding of discount in respect of ECL present value	-	-	60 396	-	**60 396**
Amounts written-off as non-recoverable during the period	-	-	(364 920)	-	**(364 920)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(228 732)	-	**(228 732)**
Total allowance for expected credit losses on consumer loans as at 31 December	**505 381**	**214 605**	**1 309 987**	**-**	**2 029 973**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on consumer loans during 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on consumer loans as at 1 January	**221 467**	**33 673**	**883 288**	**-**	**1 138 428**
Transfer to 12-months expected credit losses	26 588	(4 700)	(21 888)	-	-
Transfer to lifetime expected credit losses - non-impaired assets	(1 482)	2 835	(1 353)	-	-
Transfer to lifetime expected credit losses - impaired assets	(4 147)	(20 452)	24 599	-	-
New assets received or acquired	126 381	-	-	-	**126 381**
Net charge for creation/(recovery) of allowance for expected credit losses	(111 798)	67 398	347 193	-	**302 793**
Disposal of the allowance due to the repayment of loans	(67 164)	(4 314)	(52 231)	-	**(123 709)**
Unwinding of discount in respect of ECL present value	-	-	150 245	-	**150 245**
Amounts written-off as non-recoverable during the period	-	-	(119 940)	-	**(119 940)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(75 653)	-	**(75 653)**
Total allowance for expected credit losses on consumer loans as at 31 December	**189 845**	**74 440**	**1 134 260**	**-**	**1 398 545**

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

	2019		**2018**	
(in thousands of Russian roubles)	**Amount**	**%**	**Amount**	**%**
Individuals	102 955 452	25,6	89 736 322	23,9
Trade	53 852 537	13,4	38 077 446	10,1
Leasing and financial services	45 381 314	11,3	26 588 470	7,1
Real estate	36 863 609	9,2	39 535 978	10,5
Budget-financed entities	29 408 637	7,3	20 594 945	5,5
Construction	29 029 365	7,2	40 348 431	10,8
Heavy machinery and shipbuilding	28 599 294	7,1	31 265 466	8,3
Production and food industry	28 034 925	7,0	26 288 336	7,0
Oil and gas extraction and transportation	10 625 487	2,6	24 715 300	6,6
Transport	8 570 906	2,1	12 143 785	3,2
Sports and health and entertainment organisations	7 252 989	1,8	6 790 473	1,8
Telecommunications	5 030 982	1,3	3 671 459	1,0
Energy	2 029 867	0,5	1 658 732	0,4
Chemical industry	1 720 988	0,4	1 736 826	0,5
Other	12 089 887	3,2	12 131 897	3,3
Gross carrying amount of loans and advances to customers	**401 446 239**	**100,0**	**375 283 866**	**100,0**

As at 31 December 2019 the 20 largest groups of the Group’s borrowers have aggregated loan amount of RUB 121 198 658 thousand (2018: RUB 117 743 616 thousand), which is 30.2% (2018: 31.4%) of the loan portfolio before expected credit losses allowance.

As at 31 December 2019 in a case of changing the amount of expected credit losses allowance by 1% the effect on the profit before taxes would be RUB 333 766 thousand (2018: RUB 365 003 thousand).

10 Loans and Advances to Customers (continued)

The table below presents an analysis of loans and advances to customers, measured at amortised cost, by credit quality and by corresponding allowance for expected credit losses as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	**Total**
Loans and advances to legal entities:					
Minimal credit risk	94 343 376	71 898	-	-	94 415 274
Low credit risk	95 287 061	2 541 675	-	-	97 828 736
Medium credit risk	33 755 973	21 805 688	-	-	55 561 661
High credit risk	-	10 687 518	-	-	10 687 518
Defaulted loans	-	-	29 569 389	3 497 020	33 066 409
Total gross carrying amount of loans and advances to legal entities	**223 386 410**	**35 106 779**	**29 569 389**	**3 497 020**	**291 559 598**
Allowance for expected credit losses	**(2 543 844)**	**(4 519 950)**	**(20 879 551)**	**(1 438 986)**	**(29 382 331)**
Total loans and advances to legal entities	**220 842 566**	**30 586 829**	**8 689 838**	**2 058 034**	**262 177 267**
Loans and advances to individuals:					
Not past due	95 618 320	796 325	660 309	-	97 074 954
Overdue:					
- less than 30 days	1 460 925	419 959	27 161	-	1 908 045
- from 31 to 90 days	-	680 068	25 013	-	705 081
- more than 90 days	-	-	3 267 372	-	3 267 372
Total gross carrying value of loans and advances to individual customers	**97 079 245**	**1 896 352**	**3 979 855**	**-**	**102 955 452**
Allowance for expected credit losses	**(818 498)**	**(475 529)**	**(2 700 227)**	**-**	**(3 994 254)**
Total loans and advances to individual customers	**96 260 747**	**1 420 823**	**1 279 628**	**-**	**98 961 198**
Total loans and advances to customers at amortised cost	**317 103 313**	**32 007 652**	**9 969 466**	**2 058 034**	**361 138 465**

10 Loans and Advances to Customers (continued)

The table below presents an analysis of loans and advances to individual customers, measured at amortised cost, by credit quality and by corresponding allowance for expected credit losses as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Mortgage loans to customers					
Not past due	63 544 891	593 597	128 491	-	64 266 979
Overdue:					
- less than 30 days	839 372	296 322	20 003	-	1 155 697
- from 31 to 90 days	-	377 709	12 436	-	390 145
- more than 90 days	-	-	1 201 741	-	1 201 741
Total gross carrying value of mortgage loans to customers	**64 384 263**	**1 267 628**	**1 362 671**	**-**	**67 014 562**
Allowance for expected credit losses	**(136 529)**	**(219 467)**	**(508 689)**	**-**	**(864 685)**
Total mortgage loans to customers	**64 247 734**	**1 048 161**	**853 982**	**-**	**66 149 877**
Car loans and advances to customers					
Not past due	4 939 570	9 323	2 041	-	4 950 934
Overdue:					
- less than 30 days	101 644	21 953	1 419	-	125 016
- from 31 to 90 days	-	39 927	3 706	-	43 633
- more than 90 days	-	-	190 661	-	190 661
Total gross carrying value of car loans to customers	**5 041 214**	**71 203**	**197 827**	**-**	**5 310 244**
Allowance for expected credit losses	**(32 313)**	**(12 693)**	**(103 232)**	**-**	**(148 238)**
Total car loans to customers	**5 008 901**	**58 510**	**94 595**	**-**	**5 162 006**
Consumer loans to VIP clients					
Not past due	2 745 577	47 125	498 794	-	3 291 496
Overdue:					
- less than 30 days	-	-	-	-	-
- from 31 to 90 days	-	-	-	-	-
- more than 90 days	-	-	515 240	-	515 240
Total gross carrying value of consumer loans to VIP clients	**2 745 577**	**47 125**	**1 014 034**	**-**	**3 806 736**
Allowance for expected credit losses	**(144 275)**	**(28 764)**	**(778 319)**	**-**	**(951 358)**
Total consumer loans to VIP clients	**2 601 302**	**18 361**	**235 715**	**-**	**2 855 378**
Consumer loans to customers					
Not past due	24 388 282	146 280	30 983	-	24 565 545
Overdue:					
- less than 30 days	519 909	101 684	5 739	-	627 332
- from 31 to 90 days	-	262 432	8 871	-	271 303
- more than 90 days	-	-	1 359 730	-	1 359 730
Total gross carrying value of consumer loans to customers	**24 908 191**	**510 396**	**1 405 323**	**-**	**26 823 910**
Allowance for expected credit losses	**(505 381)**	**(214 605)**	**(1 309 987)**	**-**	**(2 029 973)**
Total consumer loans to customers	**24 402 810**	**295 791**	**95 336**	**-**	**24 793 937**

10 Loans and Advances to Customers (continued)

The table below presents an analysis of loans and advances to customers, measured at amortised cost, by credit quality and by corresponding allowance for expected credit losses as at 31 December 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Loans and advances to legal entities:					
Minimal credit risk	89 831 910	472 601	-	-	90 304 511
Low credit risk	73 991 344	17 180 732	-	-	91 172 076
Medium credit risk	42 668 272	16 324 537	-	-	58 992 809
High credit risk	-	7 762 658	-	-	7 762 658
Default loans	-	-	34 134 374	2 086 536	36 220 910
Total gross carrying amount of loans and advances to legal entities	**206 491 526**	**41 740 528**	**34 134 374**	**2 086 536**	**284 452 964**
Allowance for expected credit losses	**(4 369 855)**	**(3 575 186)**	**(24 246 074)**	**(594 992)**	**(32 786 107)**
Total loans and advances to legal entities	**202 121 671**	**38 165 342**	**9 888 300**	**1 491 544**	**251 666 857**
Loans and advances to individuals:					
Not past due	84 217 775	-	771 028	-	84 988 803
Overdue:					
- less than 30 days	830 939	47 507	10 914	-	889 360
- from 31 to 90 days	-	408 755	60 620	-	469 375
- more than 90 days	-	-	3 388 784	-	3 388 784
Total gross carrying amount of loans and advances to individuals	**85 048 714**	**456 262**	**4 231 346**	**-**	**89 736 322**
Allowance for expected credit losses	**(364 093)**	**(136 553)**	**(3 213 527)**	**-**	**(3 714 173)**
Total loans and advances to individuals	**84 684 621**	**319 709**	**1 017 819**	**-**	**86 022 149**
Total loans and advances to customers at amortised cost	**286 806 292**	**38 485 051**	**10 906 119**	**1 491 544**	**337 689 006**

10 Loans and Advances to Customers (continued)

The table below presents an analysis of loans and advances to individual customers, measured at amortised cost, by credit quality and by corresponding allowance for expected credit losses as at 31 December 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	**Total**
Mortgage loans					
Not past due	57 934 148	-	166 893	-	58 101 041
Overdue:					
- less than 30 days	584 185	43 347	6 721	-	634 253
- from 31 to 90 days	-	232 015	54 983	-	286 998
- more than 90 days	-	-	955 750	-	955 750
Total gross carrying amount of mortgage loans to customers	**58 518 333**	**275 362**	**1 184 347**	**-**	**59 978 042**
Allowance for expected credit losses	**(78 043)**	**(56 137)**	**(449 277)**	**-**	**(583 457)**
Total mortgage loans to customers	**58 440 290**	**219 225**	**735 070**	**-**	**59 394 585**
Car loans					
Not past due	3 379 624	-	1 879	-	3 381 503
Overdue:					
- less than 30 days	41 898	1 093	-	-	42 991
- from 31 to 90 days	-	22 220	374	-	22 594
- more than 90 days	-	-	92 577	-	92 577
Total gross carrying amount of car loans to customers	**3 421 522**	**23 313**	**94 830**	**-**	**3 539 665**
Allowance for expected credit losses	**(13 820)**	**(5 976)**	**(60 367)**	**-**	**(80 163)**
Total car loans and advances to customers	**3 407 702**	**17 337**	**34 463**	**-**	**3 459 502**
Consumer loans to VIP clients					
Not past due	3 596 443	-	576 095	-	4 172 538
Overdue:					
- less than 30 days	-	-	-	-	-
- from 31 to 90 days	-	-	-	-	-
- more than 90 days	-	-	1 208 582	-	1 208 582
Total gross carrying amount of consumer loans to VIP clients	**3 596 443**	**-**	**1 784 677**	**-**	**5 381 120**
Allowance for expected credit losses	**(82 385)**	**-**	**(1 569 623)**	**-**	**(1 652 008)**
Total consumer loans and advances to VIP clients	**3 514 058**	**-**	**215 054**	**-**	**3 729 112**
Consumer loans					
Not past due	19 307 560	-	26 161	-	19 333 721
Overdue:					
- less than 30 days	204 856	3 067	4 193	-	212 116
- from 31 to 90 days	-	154 520	5 263	-	159 783
- more than 90 days	-	-	1 131 875	-	1 131 875
Total gross carrying amount of consumer loans to customers	**19 512 416**	**157 587**	**1 167 492**	**-**	**20 837 495**
Allowance for expected credit losses	**(189 845)**	**(74 440)**	**(1 134 260)**	**-**	**(1 398 545)**
Total consumer loans to customers	**19 322 571**	**83 147**	**33 232**	**-**	**19 438 950**

10 Loans and Advances to Customers (continued)

As at 31 December 2019 and 31 December 2018, loans and advances to customers are divided by credit quality into five categories of credit risk:

- Minimal credit risk - the probability of timely repayment of debt is high, a slight probability of a default.
- Low credit risk - the probability of timely repayment of debt is high, the low probability of default.
- Medium credit risk - the probability of timely repayment of debt is high, but there is a vulnerability in the presence of adverse commercial, financial and economic conditions.
- High credit risk - the possibility of timely repayment of debt depends on favorable commercial, financial and economic conditions.
- Default loans - assets with signs of credit impairment.

During 2018 financial assets in the amount of RUB 5 894 728 thousand were modified (before the modification), when the estimated loss allowance on them was estimated at an amount equal to the ECL for the entire term. The net loss from the modification amounted to RUB 352 272 thousand. There were no modifications during 2019.

Mortgage loans are secured by respective real estate. The amount of loans provided for the purchase of housing does not exceed 85% of the value of the acquired property. Car loans are secured by respective cars.

As at 31 December 2019 net carrying amount of credit-impaired corporate loans amounted to RUB 10 747 872 thousand (2018: RUB 11 379 844 thousand), and the value of collateral (mainly commercial real estate) available for these loans amounted to RUB 19 550 101 thousand (2018: RR 19 290 001 thousand). For each loan, the value of the collateral is limited to the maximum nominal amount of the loan originated.

	2019		**2018**	
(in thousands of Russian roubles)	**Net carrying amount**	**Collateral (mostly commercial real estate)**	**Net carrying amount**	**Collateral (mostly commercial real estate)**
Loans to legal entities				
Loans to finance working capital	6 692 602	10 323 877	7 501 833	14 340 403
Investment loans	4 038 342	9 224 132	3 876 931	4 803 152
Loans to entities financed by the government	16 928	2 092	1 080	146 446
Total	**10 747 872**	**19 550 101**	**11 379 844**	**19 290 001**

As at 31 December 2019 loans to legal entities include non-collateralised loans amounting to RUB 4 522 924 thousand (2018: RR 3 854 852 thousand).

10 Loans and Advances to Customers (continued)

The table below provides information on credit-impaired loans to individuals, taking into account the relationship between the loan amount and the value of the collateral ("LTV"). The LTV ratio is calculated as the ratio of the gross carrying amount of the loan to the value of collateral. Valuation of the collateral excludes any costs associated with the receipt and sale of this collateral. For credit-impaired loans, the value of the collateral is determined based on the most recent estimates.

(in thousands of Russian roubles)	2019				
	Gross carrying amount	Mortgage loans	Car loans	Consumer loans to VIP clients	Other Consumer loans
Credit-impaired loans to individuals					
Loans to collateral (LTV)					
< 50%	694 224	389 310	17 000	277 195	10 719
51-70%	852 398	440 308	36 325	374 371	1 394
> 70%	2 433 233	533 053	144 502	362 468	1 393 210
Total	**3 979 855**	**1 362 671**	**197 827**	**1 014 034**	**1 405 323**

(in thousands of Russian roubles)	2018				
	Gross carrying amount	Mortgage loans	Car loans	Consumer loans to VIP clients	Other Consumer loans
Credit-impaired loans to individuals					
Loans to collateral (LTV)					
< 50%	946 647	274 119	16 622	608 900	47 006
51-70%	554 010	302 417	21 617	222 179	7 797
> 70%	2 730 689	607 811	56 591	953 598	1 112 689
Total	**4 231 346**	**1 184 347**	**94 830**	**1 784 677**	**1 167 492**

As at 31 December 2019 consumer loans to VIP clients with LTV > 70% in the amount of RUB 362 468 thousand (2018: RUB 953 598 thousand) consist of loans in the amount of RUB 48 192 thousand without collateral (2018: RUB 628 569 thousand).

As at 31 December 2019 other consumer loans with LTV > 70% in the amount of RUB 1 393 210 thousand (2018: RUB 1 112 689 thousand) consist of loans in the amount of RUB 1 373 173 thousand without collateral (2018: RUB 1 074 620 thousand).

10 Loans and Advances to Customers (continued)

Below are the main factors for changing the allowance for expected credit losses during 2019:

	Effect: increase (decrease) in the allowance for expected credit losses		
(in thousands of Russian roubles)	Stage 1	Stage 2	Stage 3
Loans to finance working capital:			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 116 416 801 thousand	2 270 782	-	-
Changes attributable to loans with gross value 65 799 155 thousand rubles, including repayment and change in credit quality	(2 720 550)	1 132 262	1 452 023
Write-off of the portfolio amounted to RUB 7 916 724 thousand, following the recognition as non-recoverable	-	-	(7 916 724)
The loan portfolio sold amounted to RUB 6 910 thousand, following the recognition as non-recoverable	-	-	(6 910)
Investment loans:			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 15 183 550 thousand	212 871	-	-
Changes attributable to loans with gross value 64 751 455 thousand rubles, including repayment and change in credit quality	(1 617 543)	(187 498)	6 479 376
Write-off of the portfolio amounted to RUB 1 506 911 thousand, following the recognition as non-recoverable	-	-	(1 506 911)
The loan portfolio sold amounted to RUB 55 633 thousand, following the recognition as non-recoverable	-	-	(55 633)
Loans to entities financed by the government			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 17 401 593 thousand	51 544	-	-
Changes attributable to loans with gross value 12 007 044 thousand rubles, including repayment and change in credit quality	(23 115)	-	(896 783)
Write-off of the portfolio amounted to RUB 70 966 thousand, following the recognition as non-recoverable	-	-	(70 966)
Consumer loans to VIP clients			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 803 691 thousand	44 950	-	-
Changes attributable to loans with gross value 3 003 045 thousand rubles, including repayment and change in credit quality	16 940	28 764	(97 499)
Write-off of the portfolio amounted to RUB 692 035 thousand, following the recognition as non-recoverable	-	-	(692 035)
The loan portfolio sold amounted to RUB 11 782 thousand, following the recognition as non-recoverable	-	-	(11 782)

10 Loans and Advances to Customers (continued)

Below are the main factors for changing the allowance for expected credit losses during 2018:

	Effect: increase (decrease) in the allowance for expected credit losses		
(in thousands of Russian roubles)	Stage 1	Stage 2	Stage 3
Loans to finance working capital:			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 75 536 490 thousand	1 018 940	-	-
Changes attributable to loans with gross value 90 995 763 thousand rubles, including repayment and change in credit quality	(1 578 973)	(532 573)	7 376 925
Write-off of the portfolio amounted to RUB 4 963 685 thousand, following the recognition as non-recoverable	-	-	(4 963 685)
The loan portfolio sold amounted to RUB 792 823 thousand, following the recognition as non-recoverable	-	-	(792 823)
Invesment loans:			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 23 866 159 thousand	913 408	-	-
Changes attributable to loans with gross value 73 459 607 thousand rubles, including repayment and change in credit quality	(1 644 725)	(314 299)	1 931 979
Write-off of the portfolio amounted to RUB 1 446 197 thousand, following the recognition as non-recoverable	-	-	(1 446 197)
The loan portfolio sold amounted to RUB 5 252 thousand, following the recognition as non-recoverable	-	-	(5 252)
Mortgage loans			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 22 006 916 thousand	29 736	-	-
Changes attributable to loans with gross value 37 971 126 thousand rubles, including repayment and change in credit quality	(59 585)	8 169	227 355
Write-off of the portfolio amounted to RUB 19 048 thousand, following the recognition as non-recoverable	-	-	(19 048)
The loan portfolio sold amounted to RUB 15 957 thousand, following the recognition as non-recoverable	-	-	(15 957)

As at 31 December 2019 the Group has mortgage loans in the amount of RUB 5 080 587 thousand (2018: RUB 7 228 378 thousand) and the additional loan support in the amount of RUB 1 061 299 thousand (2018: RUB 1 104 060 thousand), transferred to the mortgage agent “MA BSPB 2” LLC, a structured company founded for the financing purposes. As at 31 December 2019 these mortgage loans and the additional loan support are pledged as collateral for the mortgage secured bonds with the gross carrying amount of RUB 4 802 775 thousand issued by the mortgage agent (2018: RUB 7 601 137 thousand). Please, see Note 18.

As at 31 December 2019 and 31 December 2018 loans and advances to customers include loans at fair value held by the Group to maturity.

Analysis of loans and advances to customers by currency structure and maturity is presented in Note 30. Analysis of interest rates of loans and advances to customers is presented in Note 30. Information on the fair value of loans and advances to customers is presented in Note 33. Information on related party transactions is presented in Note 34.

11 Investment Securities, including Securities Pledged under Repurchase Agreements

(in thousands of Russian roubles)	**2019**	**2018**
Debt investment securities measured at fair value through other comprehensive income		
Corporate bonds	-	5 106 864
Municipal bonds	44 738	430 192
Federal loan bonds	-	25 497
Debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements		
Corporate bonds	5 532 402	15 149 465
Municipal bonds	-	4 136 036
Corporate Eurobonds	-	4 135 214
Total debt investment securities measured at fair value through other comprehensive income	**5 577 140**	**28 983 268**
Equity securities	2 153 181	872 519
Total investment securities measured at fair value through other comprehensive income	**7 730 321**	**29 855 787**
Debt investment securities measured at amortised cost		
Corporate bonds	-	4 827 064
Corporate Eurobonds	-	1 957 239
Debt investment securities measured at amortised cost, pledged under repurchase agreements		
Corporate Eurobonds	23 989 334	12 044 636
Corporate bonds	22 856 384	8 143 920
Allowance for expected credit losses	(76 371)	(56 237)
Total debt investment securities measured at amortised cost	**46 769 347**	**26 916 622**
Total investment securities, including securities pledged under repurchase agreements	**54 499 668**	**56 772 409**

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Debt investment securities, measured at fair value through other comprehensive income, are divided by credit risk level based on averaging the values of issuers' credit ratings (in their absence - the credit ratings of debt securities issues) assigned by international rating agencies Moody's, S&P and Fitch (in the absence of ratings from international rating agencies, for Russian issuers ratings from ACRA are used).

Below is an analysis of debt investment securities measured at fair value through other comprehensive income, including those pledged under repurchase agreements, by credit quality as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	**Total**
Debt investment securities measured at fair value through other comprehensive income				
Group B	23 506	-	-	23 506
Group C	-	21 232	-	21 232
Total debt investment securities measured at fair value through other comprehensive income	**23 506**	**21 232**	**-**	**44 738**
Debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements				
Group A	2 930 646	-	-	2 930 646
Group B	2 601 756	-	-	2 601 756
Total debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements	**5 532 402**	**-**	**-**	**5 532 402**
Total debt investment securities, including securities pledged under repurchase agreements	**5 555 908**	**21 232**	**-**	**5 577 140**
Allowance for expected credit losses	**(7 257)**	**(340)**	**-**	**(7 597)**

For definition of groups refer to Note 7.

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Below is an analysis of debt investment securities measured at fair value through other comprehensive income, including those pledged under repurchase agreements by credit quality as at 31 December 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Total
Debt investment securities measured at fair value through other comprehensive income				
Group A	3 829 040	-	-	3 829 040
Group B	952 479	-	-	952 479
Group C	437 715	-	-	437 715
Group D	145 211	198 108	-	343 319
Total debt investment securities measured at fair value through other comprehensive income	**5 364 445**	**198 108**	**-**	**5 562 553**
Debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements				
Group A	8 790 568	-	-	8 790 568
Group B	14 630 147	-	-	14 630 147
Total debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements	**23 420 715**	**-**	**-**	**23 420 715**
Total debt investment securities, including securities pledged under repurchase agreements	**28 785 160**	**198 108**	**-**	**28 983 268**
Allowance for expected credit losses	**(69 991)**	**(6 984)**	**-**	**(76 975)**

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Below is the analysis of changes in the allowance for expected credit losses of debt investment securities measured at fair value through other comprehensive income during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Allowance for expected credit losses as at 1 January	**69 991**	**6 984**	**-**	**-**	**76 975**
New assets acquired or purchased	(615)	615	-	-	**-**
Net income from recovery of allowance for ECL	(11 369)	(275)	-	-	**(11 644)**
Disposal of the allowance due to sale and repayment of securities	(50 750)	(6 984)	-	-	**(57 734)**
Total allowance for expected credit losses at December 31	**7 257**	**340**	**-**	**-**	**7 597**

Below is the analysis of changes in the allowance for expected credit losses of debt investment securities measured at fair value through other comprehensive income during 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Allowance for expected credit losses as at 1 January	**135 913**	**21 614**	**-**	**-**	**157 527**
New assets acquired or purchased	5 976	-	-	-	**5 976**
Net income from recovery of allowance for ECL	(38 956)	(12 979)	-	-	**(51 935)**
Disposal of the allowance due to sale and repayment of securities	(32 942)	(1 651)	-	-	**(34 593)**
Total allowance for expected credit losses at December 31	**69 991**	**6 984**	**-**	**-**	**76 975**

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Below is an analysis of debt investment securities measured at amortised cost, including pledged under sale and repurchase agreements, by credit quality as of 31 December 2019:

(in thousands of Russian roubles)	**12-month ECLs**	**Lifetime expected credit losses - non-impaired assets**	**Lifetime expected credit losses - impaired assets**	**Total**
Debt investment securities measured at amortised cost pledged under sale and repurchase agreements				
Group A	33 893 153	-	-	33 893 153
Group B	12 952 565	-	-	12 952 565
Total debt investment securities, measured at amortised cost, pledged under sale and repurchase agreements	**46 845 718**	**-**	**-**	**46 845 718**
Allowance for expected credit losses	**(76 371)**	**-**	**-**	**(76 371)**
Total debt investment securities measured at amortised cost, including securities pledged under sale and repurchase agreements	**46 769 347**	**-**	**-**	**46 769 347**

Below is an analysis of changes in the allowance for expected credit losses of debt investment securities, measured at amortised cost during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Allowance for expected credit losses at January 1	**56 237**	**-**	**-**	**-**	**56 237**
New assets acquired or purchased	46 256	-	-	-	**46 256**
Net income from recovery of allowance for ECL	(16 724)	-	-	-	**(16 724)**
Disposal of the allowance due to repayment of securities	(9 398)	-	-	-	**(9 398)**
Total allowance for expected credit losses at December 31	**76 371**	**-**	**-**	**-**	**76 371**

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Below is an analysis of debt investment securities measured at amortised cost, including pledged under sale and repurchase agreements, by credit quality as of 31 December 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Total
Debt investment securities measured at amortised cost				
Group A	4 503 499	-	-	4 503 499
Group B	2 280 804	-	-	2 280 804
Total debt investment securities measured at amortised cost	**6 784 303**	**-**	**-**	**6 784 303**
Debt investment securities measured at amortised cost pledged under sale and repurchase agreements				
Group A	6 768 314	-	-	6 768 314
Group B	13 420 242	-	-	13 420 242
Total debt investment securities, measured at amortised cost, pledged under sale and repurchase agreements	**20 188 556**	**-**	**-**	**20 188 556**
Allowance for expected credit losses	**(56 237)**	**-**	**-**	**(56 237)**
Total debt investment securities measured at amortised cost, including securities pledged under sale and repurchase agreements	**26 916 622**	**-**	**-**	**26 916 622**

Below is an analysis of changes in the allowance for expected credit losses of debt investment securities, measured at amortised cost during 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Allowance for expected credit losses at January 1	**-**	**-**	**-**	**-**	**-**
New assets acquired or purchased	56 237	-	-	-	**56 237**
Total allowance for expected credit losses at December 31	**56 237**	**-**	**-**	**-**	**56 237**

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

The table below presents a reconciliation of significant changes in the gross carrying amount of debt securities measured at fair value through other comprehensive income, including those pledged under sale and repurchase agreements as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Balance as at 1 January	**28 785 160**	**198 108**	**-**	**-**	**28 983 268**
New assets acquired or purchased	(46 826)	46 826	-	-	-
Sale and repayment of securities	(23 199 085)	(198 107)	-	-	(23 397 192)
Other changes	16 659	(25 595)	-	-	(8 936)
Total balance of gross carrying amount of debt securities measured at fair value through other comprehensive income at 31 December	**5 555 908**	**21 232**	**-**	**-**	**5 577 140**

The table below presents a reconciliation of significant changes in the gross carrying amount of debt securities measured at amortised cost, including those pledged under sale and repurchase agreements as at 31 December 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Balance as at 1 January	**47 030 220**	**1 118 812**	**-**	**-**	**48 149 032**
New assets acquired or purchased	2 427 368	-	-	-	2 427 368
Sale and repayment of securities	(20 414 476)	(919 561)	-	-	(21 334 037)
Other changes	(257 952)	(1 143)	-	-	(259 095)
Total balance of gross carrying amount of debt securities measured at fair value through other comprehensive income at 31 December	**28 785 160**	**198 108**	**-**	**-**	**28 983 268**

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

The table below presents a reconciliation of significant changes in the gross carrying amount of debt securities measured at amortised cost, including those pledged under sale and repurchase agreements as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Balance as at January 1	**26 972 859**	**-**	**-**	**-**	**26 972 859**
New originated or acquired financial assets	27 231 110	-	-	-	23 231 110
Disposal of securities	(7 358 251)	-	-	-	(7 358 251)
Total balance of gross carrying amount of debt securities measured at amortised cost at December 31	**46 845 718**	**-**	**-**	**-**	**46 845 718**

The table below presents a reconciliation of significant changes in the gross carrying amount of debt securities measured at amortised cost, including those pledged under sale and repurchase agreements as at 31 December 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Balance as at January 1	**-**	**-**	**-**	**-**	**-**
New originated or acquired financial assets	26 972 859	-	-	-	26 972 859
Total balance of gross carrying amount of debt securities measured at amortised cost at December 31	**26 972 859**	**-**	**-**	**-**	**26 972 859**

Analysis of investment securities by currency structure, maturity and interest rate analysis is presented in Note 30.

12 Investment Property

(in thousands of Russian roubles)	2019	2018
Land	5 436 148	5 607 819
Premises	2 983 988	3 157 414
Impairment loss	(1 288 244)	(1 350 458)
Accumulated depreciation	(103 390)	(102 843)
Total investment property	**7 028 502**	**7 311 932**

Investment property is land, as well as buildings.

Below is information about changes in investment property:

(in thousands of Russian roubles)	2019	2018
Carrying amount before accumulated depreciation as at January 1	**7 414 775**	**8 167 839**
Transfers and disposals	(345 097)	265 335
Impairment gain (loss)	62 214	(1 018 399)
Carrying amount before accumulated depreciation as at December 31	**7 131 892**	**7 414 775**

The fair value of investment property as at 31 December 2019 and 31 December 2018 does not differ significantly from its carrying amount.

The estimates of fair values of investment property of the Group are obtained from an independent appraiser, who has experience in valuation of investment property of similar location and category. The fair value is assessed using the sales comparison approach, i.e. comparison with other premises that were sold or are offered for sale. The fair value estimate of investment property is classified to Level 3 of hierarchy.

13 Premises and Equipment, Intangible Assets and Right-of-Use Assets

(in thousands of Russian roubles)	Note	Premises	Office and computer equipment	Construction in progress	Intangible assets	Total
Cost as at January 1, 2018		12 372 637	5 088 595	37 545	653 084	18 151 861
Accumulated depreciation		(38 149)	(3 166 849)	-	(276 267)	(3 481 265)
Net book value as at January 1, 2018		**12 334 488**	**1 921 746**	**37 545**	**376 817**	**14 670 596**
Additions		16 433	515 440	70 725	133 982	736 580
Transfers between categories		5 978	46 991	(52 969)	-	-
Disposals		(49 389)	(18 941)	-	(90 172)	(158 502)
Depreciation charges	25	(296 624)	(656 855)	-	(112 340)	(1 065 819)
Net book value as at 31 December 2018		**12 010 886**	**1 808 381**	**55 301**	**308 287**	**14 182 855**
Cost as at 31 December 2018		12 344 700	5 447 717	55 301	696 885	18 544 603
Accumulated depreciation		(333 814)	(3 639 336)	-	(388 598)	(4 361 748)
Net book value as at 31 December 2018		**12 010 886**	**1 808 381**	**55 301**	**308 287**	**14 182 855**
Additions		43 738	563 629	110 845	72 550	790 762
Transfers between categories		24 861	45 961	(71 215)	393	-
Disposals		(197 050)	(22 062)	-	-	(219 112)
Depreciation charges	25	(291 647)	(665 505)	-	(109 117)	(1 066 269)
Net book value as at 31 December 2019		**11 590 788**	**1 730 404**	**94 931**	**272 113**	**13 688 236**
Cost as at 31 December 2018		12 207 054	5 745 893	94 931	751 161	18 799 039
Accumulated depreciation		(616 266)	(4 015 489)	-	(479 048)	(5 110 803)
Net book value as at 31 December 2019		**11 590 788**	**1 730 404**	**94 931**	**272 113**	**13 688 236**

Construction in progress in 2019 is mainly a re-equipment of the premises of branches and outlets.

At 31 December 2019 the Group performed an impairment test of premises, no impairment factors were identified. Fair value does not differ significantly from the carrying amount.

As at 31 December 2019 the carrying amount includes the revaluation of premises of the Group in the total amount of RUB 4 049 418 thousand (2018: RR 4 564 317 thousand), for which a deferred tax liability of RUB 809 882 thousand (2018: RUB 912 862 thousand) was recognised. The estimate of the fair value of premises relates to the Level 3 hierarchy.

If the Group's premises were reflected at the acquisition cost less accumulated depreciation, their carrying amount as at 31 December 2019 would be RUB 8 254 301 thousand (2018: RR 8 409 003 thousand).

13 Premises and Equipment, Intangible Assets and Right-of-Use Assets (continued)

Right-of-use assets mainly represent premises of branches and outlets. The table below represents the movements in the right-of-use assets in 2019:

(in thousands of Russian roubles)	2019
Rights of use of premises and equipment as at 1 January	**776 855**
Additions	183 240
Disposals	5 607
Prolongation of lease term	529 268
Accumulated depreciation	(385 159)
Rights of use of premises and equipment as at 31 December	**1 109 811**

14 Other Assets

(in thousands of Russian roubles)	Note	2019	2018
Plastic cards receivables		2 515 267	1 504 515
Overdue guarantee receivables		490 778	800 649
Settlements on commissions with clients		332 464	248 943
Settlements of real estate sales		22 660	813 519
Settlement of securities transactions		1 951	880 000
Allowance for expected credit losses		(487 011)	(418 269)
Total financial assets		**2 876 109**	**3 829 357**
Receivables and advances		2 137 608	653 245
Settlements on income tax		1 083 716	16 671
Deferred tax asset	26	241 561	148 919
Investments in associates		134 347	179 288
Rent receivables		88 348	91 261
Prepaid taxes other than income tax		46 861	86 308
Deferred expenses		5 047	1 015 101
Other		1 062 357	1 016 297
Total non-financial assets		**4 799 845**	**3 207 090**
Total other assets		**7 675 954**	**7 036 447**

There are no individually impaired and overdue assets among financial assets of the Group, except for overdue guarantee receivables.

Accounts receivable and advance payments include payments made by the Group in respect of software and hardware, as well as prepayment of repairs to existing fixed assets.

Analysis of other assets by currency structure and maturity is presented in Note 30.

14 Other Assets (continued)

Below is the analysis of change in the allowance for expected credit losses for overdue guarantee receivables during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Acquired or originated credit-impaired assets	Total
Allowance for expected credit losses at January 1	**-**	**-**	**418 269**	**-**	**418 269**
Net expense from creation of the allowance for expected credit losses	-	-	42 498	-	**42 498**
Disposal of the allowance due to the repayment of guarantees	-	-	184 161	-	**184 161**
Amounts written-off as non-recoverable during the period	-	-	**(157 917)**	-	**(157 917)**
Total allowance for expected credit losses at December 31	**-**	**-**	**487 011**	**-**	**487 011**

Below is the analysis of change in the allowance for expected credit losses for overdue guarantee receivables during 2018:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Acquired or originated credit-impaired assets	Total
Allowance for expected credit losses at January 1	**-** **-**	**-** **-**	**804 117**	**-**	**804 117**
New assets acquired or purchased	-	-	115 710	-	**115 710**
Net expense from creation of the allowance for expected credit losses	-	-	243 332	-	**243 332**
Disposal of the allowance due to the repayment of guarantees	-	-	(229 826)	-	**(229 826)**
Amounts written-off as non-recoverable during the period	-	-	(515 064)	-	**(515 064)**
Total allowance for expected credit losses at December 31	**-**	**-**	**418 269**	**-**	**418 269**

15 Long-term Assets Held-for-Sale

(in thousands of Russian roubles)	**2019**	**2018**
Property	1 787 066	53 801
Land	559 655	551 505
Allowance for impairment	(201 892)	(194 904)
Total long-term assets held for sale	**2 144 829**	**410 402**

15 Long-term Assets Held-for-Sale (continued)

Long-term assets held for sale, are mainly represented by objects owned by the Group by obtaining control over collateral for loans and advances to customers. The Group's policy is to sell these assets as soon as possible.

Analysis of long-term assets held for sale by currency structure is presented in Note 30.

16 Due to Banks

(in thousands of Russian roubles)	**2019**	**2018**
Securities sale and repurchase agreements	133 696 477	119 205 664
Term placements of banks	24 384 542	28 070 126
Correspondent accounts of banks	485 756	542 694
Total due to banks	**158 566 775**	**147 818 484**

As at 31 December 2019 the Group had on-going sale and repurchase agreements with an organization acting as a central counterparty in the financial market in the amount of RUB 129 340 672 thousand (2018:RUB 115 156 043 thousand).

As at 31 December 2019 the Group did not have any counterparty, the aggregate balances on deposits of which exceeded 10% of the Group's equity (2018: 1 counterparty). At 31 December 2018 the aggregate amount of funds raised from the specified counterparty was RUB 10 004 245 thousand.

As at 31 December 2019 the banks' funds included agreements for the sale and repurchase of securities and for the return of collateral under securities loan agreements concluded with credit institutions in the amount of RUB 133 696 477 thousand (2018: RUB 119 205 664 thousand).

Securities transferred as collateral under these sale and repurchase agreements and lent are represented by securities:

from its own portfolio with a fair value of RUB 63 213 223 thousand (2018: RUB 93 470 326 thousand);

received by the Group under contracts for the purchase and reverse sale of securities (without initial recognition), the fair value of which is RUB 78 574 129 thousand (2018: RUB 36 514 509 thousand);

The Group received a subordinated loan from the State Corporation "Deposit Insurance Agency", under which the federal loan bonds with the fair value of RUB 16 131 625 thousand (2018: RUB 16 274 911 thousand) were transferred to the Group. As of 31 December 2019, these securities were not pledged under sale and repurchase agreements with credit organisations (2018: RUB 3 679 163 thousand).

Analysis of banks' funds by currency structure and maturity is presented in Note 30. Analysis of interest rates on banks' funds is presented in Note 30.

17 Customer Accounts

(in thousands of Russian roubles)	2019	2018
State and public organisations		
- Current/settlement accounts	32 009	15
	-	
Other legal entities		
- Current/settlement accounts	72 545 082	61 527 231
- Term deposits	88 798 834	86 818 615
- Securities sale and repurchase agreements	-	9 345 969
Individuals		
- Current accounts/demand deposits	74 207 009	65 669 586
- Term deposits	174 760 414	183 427 417
Total customer accounts	**410 343 348**	**406 788 833**

State and public organisations do not include commercial enterprises owned by the state.

As at 31 December 2019 and 31 December 2018, the Group had no counterparties (groups of clients), the total balances on accounts and deposits of which exceeded 10% of the Group’s equity.

As at 31 December 2019 customer accounts did not include any sale and repurchase agreements of securities concluded with corporates (2018: RR 9 345 969 thousand).

As at 31 December 2018, securities transferred as collateral under these sale and repurchase agreements and lent were represented by securities:

the federal loan bonds with the fair value of RUB 9 818 352 thousand received from the State Corporation “Deposit Insurance Agency” pledged under securities sale and repurchase agreements with the Federal Treasury);

received by the Group under contracts for purchase and reverse sale of securities (without initial recognition), the fair value of which amounted to RUB 68 375 thousand.

Economic sector concentrations within customer accounts are as follows:

	2019		2018	
(in thousands of Russian roubles)	**Amount**	**%**	**Amount**	**%**
Individuals	248 967 423	60,7	249 097 003	61,2
Construction	40 240 155	9,8	36 519 581	9,0
Trade	25 192 458	6,1	24 806 905	6,1
Manufacturing	17 929 568	4,4	19 888 282	4,9
Real estate	21 991 084	5,4	18 510 774	4,6
Art, science and education	18 384 841	4,5	12 415 707	3,1
Financial services	15 421 132	3,8	18 514 088	4,6
Transport	7 649 126	1,9	12 368 428	3,0
Communications	2 816 966	0,7	1 087 946	0,3
Public utilities	1 295 133	0,3	2 363 399	0,6
Medical institutions	889 880	0,2	752 213	0,2
Energy	580 938	0,1	535 146	0,1
Other	8 984 644	2,1	9 929 361	2,3
Total customer accounts	**410 343 348**	**100,0**	**406 788 833**	**100,0**

17 Customer Accounts (continued)

At 31 December 2019 deposits in the amount of RUB 3 294 853 thousand, which represent a security for irrevocable guarantees obligations (2018: RUB 2 052 242 thousand), as well as coverage on letters of credit in the amount of RUB 3 085 484 thousand (2018: RUB 3 760 279 thousand) are recognised in customer accounts.

The analysis of customer accounts by currency structure and maturity is presented in Note 30. The analysis of the interest rates of customer accounts is presented in Note 30.

Information on the fair value of customer accounts is presented in Note 33. Information on related party transactions is presented in Note 34.

18 Bonds Issued

(in thousands of Russian roubles)	2019	2018
Mortgage secured bonds issued by mortgage agents	4 802 775	7 992 072
Subordinated Eurobonds	-	5 814 473
Total bonds issued	**4 802 775**	**13 806 545**

In April 2019 in a planned manner, interest-bearing subordinated Eurobonds placed by the Group in October 2013, with face value in US dollars (one bond - 200 000 US dollars) in the amount of 500 pieces were redeemed. The issue was arranged by JP Morgan and VTB Capital. This issue was registered on the Irish Stock Exchange. As at 31 December 2018, the carrying amount of these bonds was USD 83 697 thousand, which was equal to RR 5 814 473 thousand. The maturity of the subordinated bonds was 22 April 2019. The nominal coupon rate was 10.75% per annum and the effective interest rate was 11.28% per annum.

In November 2016, a mortgage agent LLC MA BSPB issued mortgage-backed bonds with a total nominal value of RUB 3 702 530 thousand. The bonds were secured by collateral, which included mortgage loans and surety of JSC “AIZK”. The bonds had a coupon rate of 9.8% and a final contractual maturity date of 2043. In September 2019, by decision of the Issuer, bonds of LLC MA BSPB were repaid in full ahead of schedule. Loans previously comprising mortgage coverage in the amount of RUB 1 368 932 thousand were redeemed by the Bank (2018: part of bonds with a nominal value of RUB 1 836 147 thousand were redeemed by the Bank).

In December 2018 mortgage agent “MA BSPB 2” LLC issued mortgage secured bonds with the total nominal value of RR 7 547 025 thousand. Bonds are secured by collateral, which includes mortgage loans. The coupon rate of the bonds is 9.35% and final contractual maturity is 2045. The Analytical Credit Rating Agency (ACRA) assigned the rating AAA (ru.sf). As of 31 December 2019, there are no bonds purchased by the Bank.

The final maturity date of the mortgage secured bonds can differ from contractual in case of early repayment of mortgages pledged as security.

Currency and maturity analyses of bonds issued are disclosed in note in Note 30.

18 Bonds Issued (continued)

Reconciliation of movements of liabilities and cash flows from financing activities

	Liabilities		Equity				
(in thousands of Russian roubles)	**Bonds issued**	**Other borrowed funds**	**Share capital**	**Share premium**	**Treasury shares**	**Retained earnings**	**Total**
Balance as at January 1, 2019	**13 806 545**	**1 465 719**	**3 781 734**	**24 513 878**	**(659 991)**	**42 903 490**	**85 811 375**
Changes from financing cash flows							
Repurchase of own shares	-	-	-	-	(641 996)	-	(641 996)
Repayment	(9 585 317)	(1 466 000)	-	-	-	-	(11 051 317)
Interest paid	(910 337)	(94 400)	-	-	-	-	(1 004 737)
Dividends paid	-	-	-	-	-	(1 808 017)	(1 808 017)
Total changes from financing cash flows	**(10 495 654)**	**(1 560 400)**	**-**	**-**	**(641 996)**	**(1 808 017)**	**(14 506 067)**
Effect of changes in foreign currency rates	718 742	-	-	-	-	-	**718 742**
Interest expenses	773 142	94 681	-	-	-	-	**867 823**
Profit for the year	-	-	-	-	-	7 905 891	**7 905 891**
Other changes in equity	-	-	-	-	-	155 119	**155 119**
Balance as at 31 December 2019	**4 802 775**	**-**	**3 781 734**	**24 513 878**	**(1 301 987)**	**49 156 483**	**80 952 883**

19 Promissory Notes and Deposit Certificates Issued

(in thousands of Russian roubles)	**2019**	**2018**
Promissory notes	7 231 231	7 977 063
Deposit certificates	2	2
Total promissory notes and deposit certificates issued	**7 231 233**	**7 977 065**

Analysis of issued promissory notes and deposit certificates of deposit by structure of currencies and maturities is presented in Note 30. Analysis of the interest rates of issued promissory notes and deposit certificates is presented in Note 30.

20 Other Borrowed Funds

(in thousands of Russian roubles)	2019	2018
Subordinated loans	-	1 465 719
Total other borrowed funds	**-**	**1 465 719**

As at 31 December 2019 and 31 December 2018, the Group had no counterparties (or groups of counterparties), the total balances on accounts and deposits of which individually exceeded 10% of the Group’s equity.

In December 2019, in a planned manner, the subordinated loan from Vnesheconombank (VEB) in the amount of RR 1 466 000 thousand was repaid. As at 31 December 2018, the carrying amount of this loan was RR 1 465 719 thousand. The loan was raised at the rate of 8.00% per annum; in August 2010, the interest rate was reduced to 6.50% per annum.

In the event of the Bank’s liquidation, claims for the repayment of subordinated loans are subordinated to the claims of other creditors and depositors of the Bank.

The Group must comply with certain special conditions related to the attraction of subordinated loans. Failure to comply with these special conditions may have negative consequences for the Group, including an increase in the cost of borrowed funds and a declaration of default (except for subordinated loans). The Group complied with all the special conditions of the loan agreements as at 31 December 2018.

Analysis of other borrowed funds by currency structure and maturity is presented in Note 30.

21 Other Liabilities

(in thousands of Russian roubles)	Note	2019	2018
Lease liability		1 008 394	-
Insurance premium liability		443 959	332 387
Plastic cards payables		230 551	1 693 094
Accounts payable		122 818	103 191
Guarantees and import letters of credit		276 114	1 404
Dividends payable	28	9 077	6 057
Other		279 207	236 703
Total financial liabilities		**2 370 120**	**2 372 836**
Income tax payable		1 096 154	70 634
Amounts payable to employees		451 507	361 058
Taxes payable other than income tax		238 383	162 887
Allowance for non-financial commitments		133 107	229 783
Accrued expenses		115 130	167 515
Allowance for credit financial commitments		111 658	60 967
Deferred tax liability	26	-	837 457
Allowance for non-credit financial commitments		-	8 548
Other		414 922	565 935
Total non-financial liabilities		**2 560 861**	**2 464 784**
Total other liabilities		**4 930 981**	**4 837 620**

21 Other Liabilities (continued)

Below are movements in lease liabilities for 2019 (see Notes 3 and 13):

(in thousands of Russian roubles)	2019
Lease liability as at 1 January	**776 855**
Lease liabilities under new agreements for the reporting period	182 270
Interest payments made during the reporting period	69 115
Change in payment flows	5 607
Prolongation of lease terms	471 429
Gains from foreign exchange revaluation of agreements	(54 860)
Principal lease payments	(442 022)
Total lease liabilities as at 31 December	**1 008 394**

Below is an analysis of changes in the allowance for expected credit losses for credit liabilities during 2019 and 2018:

(in thousands of Russian roubles)	2019	2018
Allowance for expected credit losses as at 1 January	**60 967**	**92 250**
Creation (recovery) of allowance for credit liabilities during the year	50 691	(31 283)
Allowance for expected credit losses as at 31 December	**111 658**	**60 967**

Below is an analysis of changes in the allowance for impairment of non-financial liabilities during 2019 and 2018:

(in thousands of Russian roubles)	2019	2018
Allowance as at 1 January	**8 548**	**-**
(Recovery) creation of the allowance for non-financial liabilities during the year	(8 548)	8 548
Allowance as at 31 December	**-**	**8 548**

Below is an analysis of changes in the allowance for expected credit losses for non-credit liabilities during 2019 and 2018:

(in thousands of Russian roubles)	2019	2018
Allowance for expected credit losses as at 1 January	**229 783**	**133 107**
Creation (recovery) of allowance for non-credit liabilities during the year	(96 676)	96 676
Allowance for expected credit losses as at 31 December	**133 107**	**229 783**

Analysis of other liabilities by currency structure and maturity is presented in Note 30.

22 Share Capital

(in thousands of Russian roubles)	Number of outstanding ordinary shares (thousand units)	Number of outstanding preference shares (thousand units)	Ordinary shares	Preference shares	Share premium	Treasury shares	Total
As at 1 January 2018	**499 554**	**20 100**	**3 604 283**	**177 451**	**24 513 878**	**-**	**28 295 612**
Shares buy-back	(12 000)	-	-	-	-	(659 991)	(659 991)
As at 31 December 2018	**487 554**	**20 100**	**3 604 283**	**177 451**	**24 513 878**	**(659 991)**	**27 635 621**
Shares buy-back	(12 000)	-	-	-	-	(641 996)	(641 996)
As at 31 December 2019	**475 554**	**20 100**	**3 604 283**	**177 451**	**24 513 878**	**(1 301 987)**	**26 993 625**

As at 31 December 2019 the nominal registered amount of issued share capital of the Bank prior to restatement of capital contributions made before 1 January 2003 to the purchasing power equivalent of the Russian Rouble at 31 December 2002, is RUB 519 654 thousand (2018: RUB 519 654 thousand). As at 31 December 2019 all of the outstanding shares of the Bank are authorised, issued and fully paid in.

As at 31 December 2019 all ordinary shares have the nominal value of RUB 1 (one) per share (2018: RUB 1 per share). Each share carries one vote.

As at 31 December 2019 the Bank has one type of preference shares with the nominal value of RUB 1 (one) in the amount of 20 100 000 shares.

Preference shares grant the right to take part in the General Meeting of Shareholders with the right to vote on all issues of its competence, starting with the meeting, following the annual General Meeting of Shareholders, where notwithstanding the reasons, no decision on dividends payment was made or a decision on partial payment of dividends was made. If shareholders do not declare dividends on preference shares, the holders of preference shares are entitled to voting rights similar to ordinary shareholders until the dividends are paid. Preference shares are not cumulative.

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

On July 31, 2019, in accordance with paragraph 2 of Article 72 of the Federal Law “On Joint-Stock Companies”, the Supervisory Board of the Bank passed a resolution to acquire 12 000 thousand of outstanding ordinary registered shares of the Bank in book-entry form. The approved price of acquisition is RR 53.50 per share (Minutes No. 3 of July 31, 2019). The period during which the statements (expressions of will) of the shareholders about the sale of their shares or the withdrawal of such statements were received: from September 6, 2019 to October 7, 2019. Funds to shareholders for the shares acquired by the Bank were transferred from October 14 to October 22, 2019. The shares are credited to the treasury account of the Bank in the share register on October 23, 2019 after full payment.

In October 2018, the Bank repurchased 12 000 thousand outstanding ordinary registered shares of the Bank in book-entry form. The price of acquisition is RUB 55.00 per share. The shares were credited to the treasury account of the Bank in the share register. The Bank plans to include in the agenda of the annual meeting of shareholders the issue of the share capital reduction by repurchasing 12 000 thousand outstanding ordinary registered shares of the Bank in book-entry form.

23 Interest Income and Expense

(in thousands of Russian roubles)	2019	2018
Interest income calculated using the effective interest method		
Loans and advances to customers		
- loans and advances to legal entities	23 763 036	21 359 882
- loans and advances to individuals	12 164 836	10 964 226
Debt investment securities measured through other comprehensive income	1 450 988	3 241 104
Reverse sale and repurchase agreements	3 267 828	3 023 063
Debt investment securities measured at amortised cost	2 425 486	340 990
Due from banks	1 925 982	1 918 858
Other interest income		
Trading securities measured through profit or loss	3 218 636	4 889 031
Loans and advances to customers measured at fair value through profit or loss	276 762	301 418
Total interest income	**48 493 554**	**46 038 572**
Interest expenses		
Term deposits of individuals	9 669 318	8 459 686
Due to banks	7 458 779	8 372 529
Term deposits of legal entities	4 977 077	4 671 040
Bonds issued	773 142	833 045
Other debt securities issued	288 217	311 534
Current/settlement accounts	183 380	146 750
Other borrowed funds	94 681	98 412
Total interest expense	**23 444 594**	**22 892 996**
Contributions to the deposit insurance system	**1 767 491**	**1 250 311**
Net interest income	**23 281 469**	**21 895 265**

Information on related party transactions is disclosed in Note 34.

24 Fee and Commission Income and Expense

(in thousands of Russian roubles)	2019	2018
Fee and commission income		
Plastic cards and cheque settlements	3 456 062	3 041 680
Settlement transactions	3 216 904	2 809 102
Guarantees and letters of credit issued	1 024 510	801 436
Agency services for insurance contracts	584 451	62 895
Cash transactions	244 765	259 240
Cash collection	176 212	196 512
Custody operations	57 588	58 825
Foreign exchange transactions	2 471	2 911
Other	152 686	93 036
including revenues under Agreements, which are within the scope of IFRS 15:		
- recognised over time	*1 110 128*	*890 500*
- when the service is provided	*7 686 904*	*6 378 730*
Total revenues under Agreements, which are within the scope of IFRS 15:	*8 797 032*	*7 269 230*
Total fee and commission income	**8 915 649**	**7 325 637**
Fee and commission expenses		
Plastic cards and cheque settlements	1 046 886	966 823
Loyalty programs	546 913	610 122
Securities	215 713	198 350
Settlement transactions	179 417	164 652
Foreign exchange transactions	123 695	90 505
Guarantees and letters of credit	10 615	15 017
Banknote transactions	8 488	10 350
Other	27 234	26 736
Total fee and commission expense	**2 158 961**	**2 082 555**
Net fee and commission income	**6 756 688**	**5 243 082**

Depending on the type of the service commission income when not an integral part of the effective interest rate on a financial asset or liability is recognized either at a point of time or over time according to the pattern the Group fulfills a performance obligation under the contract:

- commission fee for settlement transactions and cash transfers is charged for the execution of payment order in accordance with tariffs depending on the type of the transaction and recognized as income at the moment of the transaction execution;
- commission fee on cash collection is paid in accordance with tariffs and is recognized as at the moment of the transaction execution;
- fees for asset management, custody and other management and consulting services are charged monthly based on fixed rates depending on the type of transaction and is recognized over time as the Bank provides the corresponding service;
- fees for agency services (for conducting or participating in negotiations on a transaction on behalf of the third party) are recognized at the moment the transaction is performed by the third party;

Information on related party transactions is disclosed in Note 34.

25 Administrative and Other Operating Expenses

(in thousands of Russian roubles)	Note		2018
Staff costs		6 453 931	5 942 001
Software costs		1 461 322	1 076 213
Depreciation and amortisation of premises, equipment and intangible assets	13	1 451 428	1 065 819
Other costs related to premises and equipment		1 083 637	894 519
Postal, cable and telecommunication expenses		597 953	507 808
Professional services		542 614	633 674
Security expenses		282 160	293 915
Information and consulting services		240 053	258 082
Rent expenses		195 523	594 780
Transportation costs		206 352	226 015
Taxes other than income tax		153 457	246 912
Advertising and marketing services		146 424	138 735
Charity expenses		83 343	58 661
Other administrative expenses		1 187 586	1 110 355
Total administrative and other operating expenses		**14 085 783**	**13 047 489**

26 Income Tax

Income tax expense comprises the following:

(in thousands of Russian roubles)	2019	2018
Current income tax expense	2 838 266	803 058
Deferred tax	(1 026 222)	1 357 063
Income tax expense for the year	**1 812 044**	**2 160 121**

The current income tax rate applicable to the majority of the Group's profits is 20% (2018: 20%). Below is a comparison of theoretical tax expenses with actual tax expenses:

(in thousands of Russian roubles)	2019	2018
Profit before tax	**9 717 935**	**11 207 049**
Expected tax charge at statutory rate	1 943 587	2 241 410
Non-deductible expenses	40 927	96 967
- Income from government securities taxed at different rates	(172 470)	(173 087)
- Tax benefits effect	-	(5 169)
Income tax expense for the year	**1 812 044**	**2 160 121**

Differences between IFRS and the tax legislation of the Russian Federation result in temporary differences between the carrying amount of assets and liabilities for the purposes of the consolidated financial statements under IFRS and for the purpose of calculating income tax. The tax implications of changes in these temporary differences are detailed below and are recorded at the rate of 20% (2018: 20%) with the exception of income on government securities taxed at the rate of 15% (2018: 15%).

26 Income Tax (continued)

(in thousands of Russian roubles)	December 31, 2018	Recognised in profit or loss	Recognised in equity	December 31, 2019
Tax effect of temporary differences				
Allowance for expected credit losses	(2 384 991)	1 011 870	-	(1 373 121)
Accrued income/expense	2 076 612	(1 146 773)	-	929 839
Valuation of bonds issued at amortised cost	(87 768)	87 768	-	-
Valuation of other borrowed funds at amortised cost	(54 987)	56 325	-	1 338
Valuation of investment securities at amortised cost	-	43 789	-	43 789
Valuation of trading and other securities at fair value	(231 021)	589 598	(96 123)	262 454
Premises and equipment	(1 153 416)	146 704	-	(1 006 712)
Other	1 147 033	236 941	-	1 383 974
Recognised deferred tax liability	**(688 538)**	**1 026 222**	**(96 123)**	**241 561**

(in thousands of Russian roubles)	December 31, 2017	Recognised in profit or loss	Recognised in equity	December 31, 2018
Tax effect of temporary differences				
Allowance for expected credit losses	(1 567 438)	(817 553)	-	(2 384 991)
Accrued income/expense	1 658 942	417 670	-	2 076 612
Valuation of bonds issued at amortised cost	(14 107)	(73 661)	-	(87 768)
Valuation of other borrowed funds at amortised cost	333	(55 320)	-	(54 987)
Valuation of trading and other securities at fair value	384 629	(857 441)	241 791	(231 021)
Premises and equipment	(1 257 812)	104 396	-	(1 153 416)
Other	639 314	507 719	-	1 147 033
Effect of IFRS 9	-	(582 873)	582 873	-
Recognised deferred tax liability	**(156 139)**	**(1 357 063)**	**824 664**	**(688 538)**

27 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year, net of own shares repurchased from shareholders.

As at 31 December 2019 the Bank does not have preference shares that potentially dilute earnings per share. Thus, diluted earnings per share are equal to basic earnings per share.

Basic earnings per share are calculated as follows:

(in thousands of Russian roubles)	2019	2018
Profit attributable to the Bank's shareholders	7 905 891	8 937 041
Less dividends on preference shares	(2 211)	(2 211)
Profit attributable to ordinary shareholders of the Bank	**7 903 680**	**8 934 830**
Weighted average number of ordinary shares in issue (thousands)	485 296	497 070
Basic earnings per share (expressed in RR per share)	**16.28**	**17.98**

28 Dividends

	2019		2018	
(in thousands of Russian roubles)	**Ordinary**	**Preference**	**Ordinary**	**Preference**
Dividends payable as at January 1	**6 057**	**-**	**6 564**	**-**
Dividends declared during the year	1 808 826	2 211	809 277	2 211
Dividends paid during the year	(1 805 806)	(2 211)	(809 784)	(2 211)
Dividends payable as at December 31	**9 077**	**-**	**6 057**	**-**
Dividends per share declared during the year (RR per share)	**3.71**	**0.11**	**1.62**	**0.11**

All dividends were declared and paid in Russian roubles.

29 Segment Analysis

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. The Management Board of the Bank performs the responsibilities of the chief operating decision maker.

Description of products and services that constitute sources of revenues of the reporting segments

The Group is organised on a basis of three main business segments:

- Corporate banking – settlement and current accounts, deposits, credit lines, loans and other credit facilities, foreign currency transactions with commercial and state entities.

- Operations on financial markets – financial instruments trading, loans and deposits on the interbank market, dealing in foreign exchange and derivative financial instruments.

- Retail banking – retail and private banking services, customer current accounts, deposits, retail investment products, custody services, credit and debit cards, consumer loans, mortgage and other loans to individuals and VIP clients.

Transactions between the business segments are performed on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income/expense for the segment, i.e. the balance of transfer incomes and expenses from reallocated financial resources between internal segments. Interest charged for these funds is based on market interest rates. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of assets and liabilities of the Group, but excluding some premises, equipment and intangible assets, long-term assets held-for-sale, investment property, other assets and liabilities and balances on taxation settlements.

The factors used by management to determine the reporting segments

The Group’s segments are strategic business units that offer different products and services for different clients. They are managed separately because they require different technology and marketing strategies and level of service.

Evaluation of profit or loss and assets of operating segments

The Management Board of the Bank analyses financial information prepared in accordance with the requirements of Russian accounting standards. This financial information differs in some aspects from the information prepared in accordance with IFRS:

(i) resources are usually redistributed among segments using internal interest rates set by the Treasury department. These interest rates are calculated based on the basic market interest rates, contractual maturity dates and observable actual maturity dates of customer accounts balances;

(ii) differences in the classification of securities to portfolios up to 2019;

(iii) income tax is not distributed to segments;

(iv) allowance for loans is recognised based on Russian legislation with adjustments of estimated allowance according to information available at the end of the reporting period, and not on the basis of the model of “expected credit losses” specified in IFRS 9;

(v) fee and commission income on lending operations is recognised immediately and not in the future periods using the effective interest rate method;

(vi) information on consolidated companies is not included;

(vii) IFRS 16 *Lease* requirements are not reflected.

29 Segment Analysis (continued)

The Management Board of the Bank evaluates the business segment results based on the amount of profit before income tax.

Information on profit or loss, assets and liabilities of reporting segments

Segment information for the Group’s main reporting business segments for the years ended 31 December 2019 and 31 December 2018 is set out below (in accordance with the management information).

(in thousands of Russian roubles)	**Corporate banking**	**Operations on financial markets**	**Retail banking**	**Unallocated**	**Total**
2019					
External revenues	27 843 119	12 536 734	13 825 915	-	**54 205 768**
Internal funding charge	(9 340 005)	1 617 058	7 722 947	-	**-**
Total revenues	**18 503 114**	**14 153 792**	**21 548 862**	**-**	**54 205 768**
Revenues comprise:					
- External interest income	22 947 095	12 462 079	10 366 434	-	45 775 609
- Fee and commission income	4 790 718	74 655	3 458 356	-	8 323 729
- Other operating income	105 305	-	1 125	-	106 430
Segment results	2 370 629	5 108 692	3 128 618	-	10 607 939
Unallocated costs	-	-	-	(4 049 298)	(4 049 298)
Profit before tax	**2 370 629**	**5 108 692**	**3 128 618**	**(4 049 298)**	**6 558 641**
Income tax expense				(808 199)	(808 199)
Profit (loss)	**2 370 629**	**5 108 692**	**3 128 618**	**(4 857 497)**	**5 750 442**
Total segment assets before allowance for expected credit losses	**304 310 359**	**269 934 160**	**100 464 265**	**33 715 160**	**708 423 944**
Other segment items					
Depreciation and amortisation charge	(212 679)	(32 916)	(222 166)	(221 074)	(688 835)
(Creation) recovery of allowance for expected credit losses	(6 162 324)	10 025	(1 954 020)	-	(8 106 319)

29 Segment Analysis (continued)

(in thousands of Russian roubles)	Corporate banking	Operations on financial markets	Retail banking	Unallocated	Total
2018					
External revenues	26 048 219	14 061 333	12 245 575	-	**52 355 127**
Internal funding charge	(9 581 165)	2 812 122	6 769 043	-	**-**
Total revenues	**16 467 054**	**16 873 455**	**19 014 618**	**-**	**52 355 127**
Revenues comprise:					
- External interest income	22 196 075	14 022 836	9 371 227	-	45 590 138
- Fee and commission income	3 812 214	38 497	2 873 757	-	6 724 468
- Other operating income	39 930	-	591	-	40 521
Segment results	**(2 236 745)**	**9 622 632**	**3 438 478**	**-**	**10 824 365**
Unallocated costs	-	-	-	(4 118 447)	(4 118 447)
Profit before tax	**(2 236 745)**	**9 622 632**	**3 438 478**	**(4 118 447)**	**6 605 918**
Income tax expense	-	-	-	(1 415 794)	(1 415 794)
Profit (loss)	**(2 236 745)**	**9 622 632**	**3 438 478**	**(5 534 241)**	**5 290 124**
Total segment assets before allowance for expected credit losses	**296 036 581**	**294 147 952**	**81 007 387**	**35 576 104**	**706 768 024**
Other segment items					
Depreciation and amortisation charge	(255 895)	(58 879)	(299 948)	(225 527)	(840 249)
(Creation) recovery of allowance for expected credit losses	(10 737 985)	151 165	(665 437)	-	(11 252 257)

29 Segment Analysis (continued)

A reconciliation of assets according to management information with IFRS consolidated financial statements results as at 31 December 2019 and 31 December 2018 is set out below:

(in thousands of Russian roubles)	2019	2018
Total reporting segment assets before allowance for expected credit losses	**708 423 944**	**706 768 024**
Adjustment of financial assets at amortised cost	(35 590 414)	(39 201 139)
Adjustments of income/expense accruals	(4 409 432)	3 341 384
Premises, equipment and intangible assets depreciation and fair value adjustments	1 727 868	696 240
Fair value and amortised cost adjustments	(288 528)	(1 523 609)
Income tax adjustments	241 405	(1 963 013)
Netting off of assets additionally recognised in management information	230 552	(1 284 484)
Other adjustments	777 758	(1 223 088)
Consolidation	2 538 126	7 793 174
Total assets under IFRS	**673 651 279**	**673 403 489**

A reconciliation of profit before tax according to management reporting with IFRS for the year ended 31 December 2019 and the year ended 31 December 2018:

(in thousands of Russian roubles)	2019	2018
Total reporting segment profit before tax	**6 558 641**	**6 605 918**
Adjustment of allowances	1 273 459	4 571 396
Adjustments of income/expense accruals	866 728	454 037
Premises, equipment and intangible assets depreciation and fair value adjustment	23 232	255 379
Fair value and amortised cost adjustments	388 552	596 614
Consolidation	635 045	(548 721)
Other adjustments	(27 722)	(727 574)
Total profit before tax under IFRS	**9 717 935**	**11 207 049**

Geographical information. The major part of the Group's activity is concentrated in the North-West region of the Russian Federation. Activity is also carried out in Moscow.

There are no external customers (groups of related customers) with individual income from operations exceeding 10% of total income from operations with such customers.

30 Risk Management, Corporate Governance and Internal Control

Corporate governance and internal control

Corporate governance system of the Group is based on full compliance with requirements of statutory legislation and the CBRF and protection of the shareholders' interests and considers world best practices to the largest possible extent. The Group fully complies with the legislation requirements concerning shareholders' rights observance.

The supreme managing body of the Bank is the General Shareholders' Meeting that makes strategic decisions on the Bank's operations in accordance with Federal Law No. 208-FZ dated December 26, 1995 *On Joint Stock Companies* and the Charter.

Functions of the counting commission of the General Shareholders' Meeting are performed by the Independent Registrar – JSC "Independent Registrar Company - R.O.S.T.» (before February 5, 2019 - JSC "Independent Registrar Company").

General activities of the Bank are managed by the Supervisory Board, except for areas that are in competence of the General Shareholders' Meeting. The Supervisory Board is elected and approved by the General Shareholders' Meeting. The Supervisory Board sets the key strategic directions of the Group's activity and supervises the performance of the executive management bodies.

On May 29, 2019, the annual General Shareholders' Meeting of PJSC "Bank "Saint-Petersburg" and the Supervisory Board meeting were held. According to the resolutions of these meetings the Committees of the Supervisory Board were created in accordance with the tasks and objectives of PJSC "Bank "Saint Petersburg".

As at 31 December 2019 the composition of the Bank's Supervisory Board is as follows:

Elena Viktorovna Ivannikova – Chairperson of the Supervisory Board, member of the Supervisory Board since 2005; Vladislav Stanislavovich Guz – Deputy Chairman of the Supervisory Board, member of the Bank's Supervisory Board since June 2014, Chairman of the Strategy Committee since 2019; Alexander Vasilyevich Savelyev – Chairman of the Management Board, elected to the Supervisory Board in 2001; Susan Gail Buyske – member of the Bank's Supervisory Board since April 2012, Chairperson of the Risk Management Committee since August 2012; Andrey Pavlovich Bychkov – member of the Bank's Supervisory Board since April 2010, Chairman of the Audit Committee since May 2016; Alexey Andreevich Germanovich – member of the Bank's Supervisory Board since June 2014, a senior independent Director since 2019; Alexander Ivanovich Polukeev – member of the Bank's Supervisory Board since June 2014; Andrey Mikhaylovich Zvyozdochkin – member of the Bank's Supervisory Board since May 2017; Pavel Anatolievich Kiryukhantsev, member of the Supervisory Board of the Bank since May 2018, elected Chairman of the Human Resources and Remuneration Committee since 2019.

As of 31 December 2019, Members of the Supervisory Board: Pavel Anatolievich Kiryukhantsev, Andrey Mikhaylovich Zvyozdochkin, Andrey Pavlovich Bychkov and Alexey Andreevich Germanovich are recognised as independent directors.

The Supervisory Board includes Committees established for the purpose of review and analysis of matters in competence of the Supervisory Board, preparation of recommendations on these matters for the Supervisory Board and execution of other functions vested to these Committees.

The primary objective of the Strategy Committee is to assist the Supervisory Board of the Bank in determining the Bank's long-term and mid-term strategy and priority business areas and to review major innovation and investment programs of the Bank.

The primary objective of the Risk Management Committee is to assist the Supervisory Board of the Bank in determining priority areas for the Bank's banking risk management efforts and to support appropriate risk management function within the Group.

The primary objectives of the Human Resources and Remuneration Committee are the support of the efficient HR policy of the Bank, recruitment of qualified experts to management positions and creation of necessary incentives for their successful work, preparation of recommendations for the Supervisory Board on applicants for the key management positions and development of principles and criteria for remuneration rates for the key management (personnel) of the Bank.

30 Risk Management, Corporate Governance and Internal Control (continued)

The primary objective of the Audit Committee is to assist the Supervisory Board in efficient assessment of and control over the Bank’s business and to control the completeness, accuracy and fairness of the Bank’s consolidated financial statements and the process of their preparation and presentation, and the performance of internal control and internal audit functions.

The Corporate Secretary’s Office is responsible for compliance with the requirements of current legislation, the Charter and other internal policies of the Bank concerning shareholders’ rights and protection of their interests during preparation and implementation of corporate action by the Bank. The Corporate Secretary’s Office also supports communications between the Bank and its shareholders, holding of General Shareholders’ Meetings and performance of the Supervisory Board and its Committees.

Operating activities of the Bank are managed by the sole executive body – the Chairman of the Management Board and the collective executive body – the Management Board of the Bank.

As at 31 December 2019 the composition of the Bank’s Management Board is as follows:

Alexander Vasilyevich Savelyev is the Chairman of the Bank’s Management Board.

Members of the Management Board: Pavel Vladimirovich Filimonenok, the first Deputy Chairman of the Management Board, member of the Management Board since December 2003; Konstantin Yurievich Balandin, Deputy Chairman of the Management Board, member of the Management Board since January 2008; Vyacheslav Yakovlevich Ermolin, Deputy Chairman of the Management Board, member of the Management Board since December 2017; Kirill Sergeevich Kuznetsov, senior Vice President and Director of the Moscow branch, member of the Management Board since December 25, 2019; Kristina Borisovna Mironova, Deputy Chairperson of the Management Board, member of the Management Board since August 2013; Vladimir Pavlovich Skatin, Deputy Chairman of the Management Board, member of the Management Board since June 2008.

By the resolution of the Supervisory Board of the Bank dated October 23, 2019, Vladimir Grigorievich Reutov was withdrawn from the Management Board.

Internal control

The Internal Audit Function is a structural unit of the Bank in charge of internal audit and an internal control body of the Bank. The Function operates under direct supervision of the Bank’s Supervisory Board. The Function reports directly to the Bank’s Supervisory Board. The Internal Audit Function employees report to the Chairman of the Bank’s Management Board in terms of remuneration and labour discipline matters.

The Function at least twice a year prepares reports on its performance to the Supervisory Board and the Management Board of the Bank, and monthly reports to the Audit Committee of the Supervisory Board of the Bank. The Function operates on an ongoing basis in accordance with the regularity principle, principles of independence, neutrality, professional competence and unhindered performance of its functions, conducting a regular independent assessment of the risk management and internal control systems (monitoring of the Bank’s internal control system) reliability and effectiveness, as well as the Bank’s corporate governance practice assessment.

The Function conducts internal reviews in the Bank’s divisions and in the Bank’s branch network. Any structural unit of the Bank or the Bank’s branch network and any employee can be subject to review.

During the reporting period there were changes in the internal control system bodies. Starting from December 2, 2019 the Internal Control Department was established, combining the previously decentralised compliance functions. The Internal Control Department is a structural division of the Bank and is independent in its activity from other structural divisions of the Bank. The Service operates under direct control of the Chairman of the Management Board of the Bank and reports to the Chairman of the Management Board of the Bank.

The Service has been created to assist to the Chairman of the Management Board of the Bank and the Management Board of the Bank in building the system of compliance control in the Bank, effective management of the compliance risk which arises in the course of the Bank’s activity (in creation of mechanisms of detection, identification, analysis, estimation, minimization, monitoring and control of compliance risk);

30 Risk Management, Corporate Governance and Internal Control (continued)

The Internal Control Department is comprised of:

The Controller of the professional participant of the securities market who is an officer of the Bank monitoring compliance of the Bank's activities as a professional participant of the securities market with the requirements of the legislation of the Russian Federation on the securities market, including regulatory acts of the Bank of Russia, regulatory acts of the federal executive body for the securities market, legislation of the Russian Federation on protection of rights and lawful interests of investors in the securities market, legislation of the Russian Federation on advertising, internal documents of the Bank related to its activities in the securities market. The Controller is independent in its activities from other structural units of the Bank. The Controller's activities are supervised by the Bank's Supervisory Board. The Controller of the professional participant of the securities market submits quarterly reports on internal control results to the Chairman of the Management Board and the Supervisory Board of the Bank;

The responsible officer who monitors compliance with the requirements of the Russian Federation legislation on countermeasures against unlawful insider information use and market abuse. The responsible officer is independent in its activities from other structural subdivisions of the Bank, acts under direct control of the Chairman of the Management Board of the Bank and reports to the Chairman of the Management Board of the Bank.

The Financial Monitoring Department is a structural unit of the Bank and operates under supervision of the Deputy Chairman of the Management Board in accordance with the Order on Allocation of Duties and Rights of the Bank’s Management. The Financial Monitoring Department key objectives are the organisation of work in the Bank aimed at preventing money laundering, terrorism and mass destruction weapons proliferation financing; the implementation of Internal Control Regulations, the fulfilment of the legislative requirements with regard to the identification, documentation of information and its submission to authorised bodies, documents and information storage, as well as personnel training.

Risk Management

- credit risk (including counterparty and concentration risk),
- market risk (including equity, interest rate of trade book, currency and commodity risks),
- interest rate of bank portfolio;
- liquidity risk (including concentration risk),
- operational risk (including legal risk);
- as well as other types of risks (compliance risk, strategic risk, reputational risk).

For each significant type of risk a corresponding management system was created to provide adequate risk assessment, including measures for its mitigation. The Group compares the amount of accepted risks with the size of its equity to guarantee its sufficiency at the level required by the CBRF, needed for performance of its obligations, including covenants, and for efficient use of equity.

Group’s risk management system promotes financial stability, improvement of the Bank’s activities efficiency, securing adequate protection of shareholders, customers, creditors, providing continuity of operations, upholding the reputation.

30 Risk Management, Corporate Governance and Internal Control (continued)

Group’s risk management system includes creation and implementation of risk management policies and procedures to be further updated depending on changes in the macroeconomic situation, current conditions of the banking system in the Russian Federation, and regulatory changes. The Group has developed a system of reporting on significant risks and equity (capital). As at 31 December 2019 the Group’s internal documentation establishing the procedures and methodologies for identification, managing and stress-testing of the Group’s significant risks, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the CBRF.

Key bodies performing the Group’s financial risk management functions are the Supervisory Board, the Bank’s Management Board, the Bank’s Asset and Liability Management Committee, the Bank’s Large Credit Committee, the Bad Debt and Investment Project Committee, the Technical Policy Committee, the Budget Committee, the Products and Processes Committee.

The Supervisory Board is responsible for consideration of risk at the strategic level. The Supervisory Board approves the Capital and Risk Management Policy, the compliance with which is supervised by consideration and approvals of the quarterly Group’s risk management reports, both consolidated and by types of risk. The Supervisory Board makes decisions on significant transactions, on transactions in respect of which there is an interest, on transactions with related parties exceeding limits established under the Group’s Credit Policy and on transactions, the amount of which equals to or exceeds 15% of the Bank’s equity.

The Management Board of the Bank is responsible for overall organisation of the Bank’s risk management system. The Management Board of the Bank is responsible for the control over timely and adequate identification of risks and their exposure, for development of policies and procedures necessary to limit risk exposures. The Management Board coordinates different department actions in case of threat or actual liquidity crisis, approves internal documents of the Bank in respect of risk management and risk management reports.

The Asset and Liability Management Committee is responsible for day-to-day financial risk management (except for credit risk).

The Asset and Liability Management Committee makes decisions on structural management of the balance sheet of the Group and the related liquidity risks, and on determining and changing market risk limits including interest rate risk. The Asset and Liability Management Committee coordinates the main principles and procedures of financial risk management (except for credit risk) and has the right to make decisions on financial risk management in case of emergency.

The main functions of the Budget Committee are planning, management optimisation and control of expenses for acquisition of resources for the operation of the Bank, long-term investments.

The Products and Processes Committee approves the concepts of new or changed products, considers information about the abnormal situations which occurred in the Bank’s activity.

The Technical Policy Committee of the Bank reviews management of operational risks, associated with information technologies and the IT infrastructure of the Bank.

The Management Board, the Large Credit Committee, the Bad Debt Committee are responsible for making decisions on management of credit risks. The Management Board approves the Credit Policy and makes decisions on credit risk-related transactions exceeding the limits stipulated in the Credit Policy for the Large Credit Committee. The Large Credit Committee makes decisions on credit transactions within the limits stipulated by the Management Board and in excess of the limits stipulated by the Management Board for the Bank’s officials as well as approves terms and conditions of standard programs of lending. The Bank’s Management Board sets limits for the Bank’s officials in making credit decisions. The officials make joint decisions, each decision being considered by representatives of the Corporate Business Unit and Risk Unit. It is deemed that a credit decision is made if it is approved by both representatives. The Bad Debt Committee makes decisions on credit and other operations within work with bad debts.

30 Risk Management, Corporate Governance and Internal Control (continued)

Decision making on loans to individuals and legal entities, granted on standard terms, is in competence of the Bank’s officials within individual powers stipulated by the Bank’s Management Board. The level of competence is defined based on deviations from the standard terms and the risk of these deviations.

The Banking Risks Department is responsible for implementation of the effective risk management system, and compliance with the acceptable level of total market, interest rate, operational (incl. legal), liquidity and reputational and credit risks in respect of financial institutes, counterparties and issuers. The Banking Risks Department monitors the risk management system in respect of the above mentioned risks, initiates the development of methods of assessment of current risk levels of the Bank, management procedures for these risks, compliance by the Bank’s departments with existing procedures and limits restricting the level of these risks. The Banking Risks Department is not subordinated to, and does not report to, divisions carrying the relevant risks.

The Banking Risks Department performs stress-tests based on scenario analysis for the purpose of timely identification of significant risks applicable to the Group that may significantly affect the financial sustainability of the Group. Steps to ensure financial stability of the Group are taken when required based on the results of stress-tests.

Current management of credit risks of the Group is mostly performed by its specialised subdivision, the Credit Risk Department, exercising operating control over credit risk levels. Bad assets management is carried out by a separate business subdivision – the Bad Debt Department.

Management is responsible for identifying and assessing risks, designing measures for prevention of risks and monitoring their effectiveness. Management constantly monitors the effectiveness of internal controls over risk management and introduces changes to existing controls if necessary.

In compliance with the Group’s internal documentation the Banking Risks Department and Internal Audit Function of the Bank on a periodical basis prepare reports, which cover the Group’s significant risks management. The reports include observations as to the assessment of the effectiveness of the Group’s procedures and methodologies, and recommendations for improvement.

Management believes that risk management system complies with the CBRF requirements and is appropriate for the scale, nature and complexity of operations.

Credit risk. The Group is exposed to credit risk which is the risk of financial loss if a borrower or counterparty fails to meet its contractual obligations.

The Group considers credit risk to include all financial assets recognised in the consolidated statement of financial position, except for assets deposited with the CBRF.

The approach of the Group to credit risk management is defined in the Credit Policy. The Credit Policy is aimed at formulation of the main principles of credit transactions of the Group and credit risk acceptance, providing for implementation of the Group’s strategy goals and objectives concerning the structure, volume and quality of the loan portfolio.

Risk management tools

To maintain credit risks at an appropriate level the Group uses the following risk management tools.

For certain borrowers:

- assessment of the borrowers’ financial positions at all loan process stages, starting from loan application;
- assessment of credit risk and formation of allowance for expected credit losses in the amount of possible losses from the transaction;

30 Risk Management, Corporate Governance and Internal Control (continued)

- structuring of credit transactions in compliance with the requirements of the Group;
- evaluation of the market value of collateral for a loan, control over availability and safety of collateral, and evaluation of financial position and creditworthiness of guarantors;
- request for credit reports from credit history bureau (“CHB”) and information in other external services, providing information on the client’s behaviour and taking this information into consideration when analysing the loan application and deciding whether to conclude the credit transaction;
- scoring evaluation of loan applications of individuals based on statistical models of risk assessment;
- determination of the internal credit rating of the borrower for legal entities based on statistical models of risk assessment;
- for credit transactions with financial institutions – assessment of financial position and credit risk of the counterparty during setting of limits for the counterparty;
- when setting limits on transactions with securities which bear credit risk – assessment of financial position and credit risk of the issuer;
- control over compliance with the requirements of the Credit Policy for setting the authorities on decision making in respect of credit operations, and control over the reflection of terms of credit transactions in the loan and other agreements, as approved by the authorised collective body or officials;
- control over timely performance of the borrowers’ obligations to the Group related to credit transactions;
- insurance of collateral.

For the loan portfolio in general:

- setting authorities for collective bodies and officials;
- setting and control over the limits of credit risk.

Reporting forms

Group’s management controls credit risks and the loan portfolio quality based on regular (daily, weekly and monthly) reports.

Limits set by the Group for credit risk management purposes:

The Group sets individual limits in respect of borrowers and groups of related borrowers. When setting a limit the Group takes into account all information available. When setting an individual limit, the Group performs comprehensive analysis of the financial statements, cash flows, available credit history of each borrower or a group of related borrowers, the needs of each borrower or the group of related borrowers for credit resources, as well as availability of loan repayment sources. The Group also takes into account the property pledged as collateral for the loan.

The Bank’s Credit Policy is applicable both to recognised and unrecognised financial instruments. The Credit Policy establishes unified procedures of transaction approvals, risk mitigating limits and monitoring procedures. The borrower is entitled to use any products offered by the Bank supporting the use of unrecognised Bank’s commitments for lending (guarantees, unsecured letters of credit, credit facilities, etc.) within established limits.

30 Risk Management, Corporate Governance and Internal Control (continued)

The Bank uses the system of limits restricting the maximum debt of counterparty banks and financial companies, corporate counterparties when conducting transactions in the financial lending market and performing purchase and sale of financial assets, including foreign exchange transactions, associated with counterparty credit risk. The respective limits are set for each counterparty of the Bank on the basis of a creditworthiness analysis.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk of financial assets is as follows:

(in thousands of Russian roubles)	**2019**	**2018**
Assets		
Cash and cash equivalents	16 303 236	17 699 326
Trading securities	43 653 445	79 805 006
Reverse sale and repurchase agreements	95 407 102	88 118 488
Due from banks	28 022 486	32 368 148
Loans and advances to customers	368 069 654	338 783 586
Investment securities	52 346 487	55 899 890
Other financial assets	2 876 109	3 580 414
Total maximum exposure	**606 678 519**	**616 254 858**

For the analysis of collateral held against loans and advances to customers and concentration of credit risk refer to Note 10.

The maximum exposure to credit risk from credit related commitments at the reporting date is presented in Note 32.

The following table shows the reconciliation between:

- the amounts presented in the reconciliation of the expected credit losses at the beginning and at the end of the period by classes of financial instruments presented in Notes 9, 10 and 11; and
- item “allowance for expected credit losses on debt financial assets” of the consolidated statement of comprehensive income.

(in thousands of Russian roubles)	Due from banks	Loans and advances to customers	Debt investment securities measured at fair value through other comprehensive income	Debt investment securities measured at amortised cost	**Total**
New assets acquired or purchased	38 783	3 159 823	-	46 256	3 244 862
Net expense from charge for (income from recovery of) allowance for expected credit losses	-	7 362 669	(11 644)	(16 724)	7 334 301
Disposal of an allowance as a result of repayment of loans	(90 460)	(3 685 665)	(57 734)	(9 398)	(3 843 257)
Total creation (recovery) of allowance for expected credit losses as of December 31	**(51 677)**	**6 836 827**	**(69 378)**	**20 134**	**6 735 906**

30 Risk Management, Corporate Governance and Internal Control (continued)

Country risk. Country risk of the Group is almost fully determined by the country risk of the Russian Federation. The exposure to geographical risk of other countries is limited since substantially all assets and liabilities of the Group are concentrated in the Russian Federation.

Foreign economic activity involves correspondent accounts opened in foreign banks, transactions on international exchanges via foreign brokers, transactions on the money market and servicing export-import transactions of own clients.

Country risks are minimised by means of cooperation with the most reliable banks of developed countries. Lately, the amount of transactions with the biggest Asian financial organisations has been increased to diversify access to the markets.

Saint Petersburg is the largest center of the North-Western part of the Russian Federation with a diversified economy. This is why the Bank's historic business concentration on providing services to individuals and legal entities in Saint Petersburg is an advantage for the Group.

Market risks: The Group is exposed to market risk arising from open positions in currency, interest rate and equity instruments that are exposed to general and specific market movements. These are defined as follows:

- currency risk - risk of losses due to exchange rate fluctuations;
- interest rate risk - risk of losses due to fluctuations of market interest rates;
- commodity risk – risk of losses due to fluctuations of commodity market instruments prices;
- other price (equity) risk - risk of losses due to movements in quotations of the equity instrument.

The Banking Risks Department is responsible for developing methods of appraisal of the current level of market risks (including interest rate risk), management procedures for these risks, and for identification and analysis of the current risk level.

The Treasury Department is responsible for development of procedures of operational management of interest rate risk.

Market risk management is defined as a method of limitation of possible losses from open positions which can be incurred by the Group within a set period of time due to movements in exchange rates, securities quotations and interest rates by way of establishing a system of position limits on financial instruments and sensitivity limits, as well as stop-loss limits (maximum loss limits, in case of violation of which the position is closed), limits on possible change of present value of instruments and VaR limits (limits on maximum VaR).

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates, prices and interest rates over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VAR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and assets.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid assets as follows:

- the use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those that are of an extreme nature;
- a 1-day holding period assumes that all positions can be liquidated or hedged within that period;
- the use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR estimate;
- since VaR is only calculated on the end-of-day balances, it does not necessarily reflect exposures that may arise on positions during the trading day;
- the VaR measure is dependent upon the position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

30 Risk Management, Corporate Governance and Internal Control (continued)

When evaluating the market risk, the Group relies not only on VaR calculation, but also introduces other additional limits mentioned above (position limits and stop-loss limits).

In 2019, the Bank changed its approach to VaR limitation: VaR limits are set not by types of financial instruments, but by divisions assuming market risk:

The VaR estimates by divisions as at 31 December 2019 and 31 December 2018 are as follows:

(in millions of Russian roubles)

Division	2019	2018
Algorithmic Trading Management	70	27
Money and Currency Market Management	374	188
RUB-denominated Bond Desk	119	743
Eurobond Desk	23	89
Customer Service Management	4	107
Aggregated VaR	361	809

The VaR estimates stated above are calculated for the trading portfolio of securities and portfolio of investment securities measured at fair value through profit/loss or other comprehensive income, for the open currency position of the Bank and for the portfolio of derivative instruments (including commodities instruments).

Proposals to set market risk limits used by the Bank (hereinafter, VaR-limits) are prepared by the Banking Risks Department. Limits are set via decision of the Bank's Management Board, Large Credit Committee, Assets and Liabilities Management Committee in accordance with their authorities. The compliance with market risk limits is monitored by the Operating Department (back-office) on a daily basis.

Currency risk. Currency risk is the risk of changes in income or carrying value of the Group's financial instruments due to exchange rate fluctuations.

The Department of Financial Markets Operations currently manages the open currency position within the limits set by the Asset and Liability Management Committee.

For currency risk management purposes the Group also uses the system of mandatory limits established by the CBRF, including limits on open positions in a foreign currency (up to 10% of the capital calculated in accordance with the CBRF regulations) and the limit on the total open position in all foreign currencies (up to 20% of the capital calculated in accordance with the CBRF regulations).

The Group follows a conservative currency risk management policy and opens currency positions primarily in the currencies most frequently used in the Russian Federation (US Dollars and EUR).

The Group takes into account changes in foreign currency volatility levels by preparing and submitting for approval of the Asset and Liability Management Committee proposals concerning changes in internal limits of currency risks.

30 Risk Management, Corporate Governance and Internal Control (continued)

The table below summarises the exposure to foreign currency exchange rate risk of the Group as at 31 December 2019. The Group does not use this currency risk analysis for management purposes.

(in thousands of Russian roubles)	RUB	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	24 341 056	2 380 243	14 962 690	872 268	42 556 257
Mandatory reserve deposits with the Central Bank of the Russian Federation	3 885 964	-	-	-	3 885 964
Trading securities, including securities pledged under sale and repurchase agreements	43 330 531	850 172	-	31 258	44 211 961
Reverse sale and repurchase agreements	27 921 128	48 727 911	18 758 063	-	95 407 102
Derivative financial assets	5 350 855	-	-	-	5 350 855
Due from banks	26 832 923	615 958	573 605	-	28 022 486
Loans and advances to customers					
- loans and advances to corporate customers	202 578 690	34 709 737	31 820 029	-	269 108 456
loans and advances to individuals	97 546 439	151 350	1 263 409	-	98 961 198
Investment securities, including securities pledged under sale and repurchase agreements	28 347 308	18 827 099	6 797 722	527 539	54 499 668
Investment property	7 028 502	-	-	-	7 028 502
Property, equipment, intangible assets and right-of-use assets	14 371 978	-	426 069	-	14 798 047
Other assets	7 186 398	258 226	230 077	1 253	7 675 954
Long-term assets held for sale	2 144 829	-	-	-	2 144 829
Total assets	**490 866 601**	**106 520 696**	**74 831 664**	**1 432 318**	**673 651 279**
Liabilities					
Due to banks	90 372 317	67 560 756	633 702	-	158 566 775
Customer accounts					
- accounts of legal entities	139 520 679	13 603 070	7 914 685	337 491	161 375 925
- accounts of individuals	180 446 176	53 320 853	14 870 617	329 777	248 967 423
Financial liabilities at fair value	311 829	-	-	-	311 829
Derivative financial liabilities	7 394 070	-	-	-	7 394 070
Bonds issued	4 802 775	-	-	-	4 802 775
Promissory notes and deposit certificates issued	3 501 034	3 348 559	381 640	-	7 231 233
Other liabilities	4 525 481	11 007	394 493	-	4 930 981
Total liabilities	**430 874 361**	**137 844 245**	**24 195 137**	**667 268**	**593 581 011**
Less fair value of currency derivatives	2 024 336	-	-	-	2 024 336
Net recognised position, excluding currency derivative financial instruments	**62 016 576**	**(31 323 549)**	**50 636 527**	**765 050**	**82 094 604**
Currency derivatives	**10 776 253**	**38 638 890**	**(50 667 566)**	**(771 913)**	**(2 024 336)**
Net recognised position, including currency derivative financial instruments	**72 792 829**	**7 315 341**	**(31 039)**	**(6 863)**	**80 070 268**

30 Risk Management, Corporate Governance and Internal Control (continued)

The table below summarises the exposure to foreign currency exchange rate risk of the Group as at 31 December 2018. The Group does not use this currency risk analysis for management purposes.

(in thousands of Russian roubles)	RUB	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	17 142 191	3 046 252	15 520 475	1 480 301	37 189 219
Mandatory reserve deposits with the Central Bank of the Russian Federation	3 705 423	-	-	-	3 705 423
Trading securities, including securities pledged under sale and repurchase agreements	72 983 412	2 988 636	930 963	3 744 474	80 647 485
Reverse sale and repurchase agreements	58 333 529	25 670 776	4 114 183	-	88 118 488
Derivative financial assets	6 877 095	-	-	-	6 877 095
Due from banks	29 371 338	188 078	2 808 732	-	32 368 148
Loans and advances to customers					
- loans and advances to corporate customers	173 894 971	41 023 802	37 842 664	-	252 761 437
loans and advances to individuals	83 913 231	259 976	1 848 942	-	86 022 149
Investment securities, including securities pledged under sale and repurchase agreements	35 283 798	15 413 242	6 075 369	-	56 772 409
Investment property	7 311 932	-	-	-	7 311 932
Property, equipment and intangible assets	14 182 855	-	-	-	14 182 855
Other assets	6 457 405	319 440	256 530	3 072	7 036 447
Long-term assets held for sale	410 402	-	-	-	410 402
Total assets	**509 867 582**	**88 910 202**	**69 397 858**	**5 227 847**	**673 403 489**
Liabilities					
Due to banks	124 523 121	22 499 762	795 601	-	147 818 484
Customer accounts	307 798 688	70 757 059	27 630 083	603 003	406 788 833
Financial liabilities at fair value	11 903 879	212 493	-	-	12 116 372
Derivative financial liabilities	2 939 196	-	-	-	2 939 196
Bonds issued	7 992 072	5 814 473	-	-	13 806 545
Promissory notes and deposit certificates issued	3 780 357	3 285 179	911 529	-	7 977 065
Other borrowed funds	1 465 719	-	-	-	1 465 719
Other liabilities	4 800 143	18 762	18 715	-	4 837 620
Total liabilities	**465 203 175**	**102 587 728**	**29 355 928**	**603 003**	**597 749 834**
Less fair value of currency derivatives	(3 620 102)	-	-	-	(3 620 102)
Net recognised position, excluding currency derivative financial instruments	**41 044 305**	**(13 677 526)**	**40 041 930**	**4 624 844**	**72 033 553**
Currency derivatives	**36 051 718**	**12 798 136**	**(40 280 228)**	**(4 949 524)**	**3 620 102**
Net recognised position, including currency derivative financial instruments	**77 096 023**	**(879 390)**	**(238 298)**	**(324 680)**	**75 653 655**

30 Risk Management, Corporate Governance and Internal Control (continued)

The table below summarises the foreign currency exchange rate risk for monetary financial instruments of the Group as at 31 December 2019:

(in thousands of Russian roubles)	Monetary financial assets	Monetary financial liabilities	Derivative financial instruments	Net currency position
Russian roubles	455 901 994	419 856 100	10 776 253	46 822 147
USD	105 262 210	137 839 421	38 638 890	6 061 679
EUR	74 387 836	23 810 938	(50 667 566)	(90 668)
Other	1 399 811	667 268	(771 913)	(39 370)
Total	**636 951 851**	**582 173 727**	**(2 024 336)**	**52 753 788**

The table below summarises the foreign currency exchange rate risk for monetary financial instruments of the Group as at 31 December 2018:

(in thousands of Russian roubles)	Monetary financial assets	Monetary financial liabilities	Derivative financial instruments	Net currency position
Russian roubles	475 297 621	459 477 478	36 051 720	51 871 863
USD	87 760 182	102 578 751	12 798 137	(2 020 432)
EUR	69 367 766	29 354 235	(40 280 228)	(266 697)
Other	5 201 513	603 003	(4 949 527)	(351 017)
Total	**637 627 082**	**592 013 467**	**3 620 102**	**49 233 717**

The Group's derivatives position represents the fair value at the reporting date of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount). The net total represents the fair value of the currency derivative financial instruments.

An analysis of potential changes (sensitivity) of profit after tax and equity to changes in the foreign currency exchange rates (based on the positions of monetary financial instruments operating as of 31 December 2019 and 31 December 2018, and the simplified scenario of reducing or increasing the US dollar and euro in relation to the Russian ruble by 10%) can be represented as follows (despite the fact that all other variable characteristics remain unchanged):

(in thousands of Russian roubles)	At 31 December 2019	At 31 December 2018
10% appreciation of USD against RUB	484 934	(161 635)
10% depreciation of USD against RUB	(484 934)	161 635
10% appreciation of EUR against RUB	(7 253)	(21 336)
10% depreciation of EUR against RUB	7 253	21 336

Movements in other currency exchange rates will have no material effect on the profit or loss of the Group. Movements of currency exchange rates by 10% are for indicative purposes only, the real movements of other currency exchange rates may differ.

30 Risk Management, Corporate Governance and Internal Control (continued)

Interest rate risk, including interest rate risk of bank portfolio. The Group is exposed to fluctuations in market interest rates which can affect its financial position and cash flows. As a result of such changes interest margins and accordingly profit of the Group may decrease.

The table below summarises the effective interest rates by currency for major financial instruments. The analysis is prepared based on effective rates as at 31 December 2019 and 31 December 2018 used for amortisation of the respective assets/liabilities.

	2019				2018			
% p.a.	**RUB**	**USD**	**EUR**	**Other**	**RUB**	**USD**	**EUR**	**Other**
Assets								
Debt trading securities, including securities pledged under sale and repurchase agreements	6.32	4.04	-	-	8.21	5.75	2.98	2.21
Reverse sale and repurchase agreements	6.62	2.17	0.77	-	7.18	3.40	0.45	-
Due from banks	6.25	0.35	0.0	-	7.74	0.66	1.53	-
Loans and advances to customers	9.57	4.25	3.62	-	9.93	5.63	4.09	-
Investment securities, including securities pledged under sale and repurchase agreements								
- measured at FVOCI	6.2	-	-	-	8.30	3.83	-	-
- measured at amortised cost	6.68	2.82	1.21	0.49	8.93	5.18	1.38	-
Liabilities								
Due to banks	6.30	1.63	0.00	-	7.47	2.99	0.00	0.00
Customer accounts								
- current and settlement accounts	0.46	0.0	0.0	0.0	0.29	0.00	0.00	0.00
- term deposits								
- individuals	5.93	2.71	0.53	-	6.32	3.07	0.76	1.30
- legal entities	5.24	0.91	0.54	0.0	6.07	2.59	0.39	-
Bonds issued	9.35	-	-	-	9.37	11.28	-	-
Promissory notes and deposit certificates issued	7.20	2.74	0.20	0.00	7.96	3.10	1.36	-
Other borrowed funds	-	-	-	-	6.69	-	-	-

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

Interest rate risk management represents management of assets and liabilities of the Group to maximise profit from possible fluctuations in interest rates under conditions of compliance with stated limits.

Group’s interest rate risk management is performed centrally on continuing basis by the Management Board of the Bank, the Asset and Liability Management Committee, the Banking Risks Department. The Treasury Department, the Financial Markets Operations Department are responsible for the current management of interest gaps.

The Group uses the following interest rate risk management tools:

- approval of structure of limits and restrictions for interest rate risk;
- approval of the asset and liability structure;
- management of interest rates and their limits for different financial instruments;
- implementation and facilitation of new banking products;
- approval of methods (procedures) for interest rate risk evaluation;
- financial instrument transactions;

30 Risk Management, Corporate Governance and Internal Control (continued)

To evaluate interest rate risk, management of the Group uses a report on interest rate risk, which includes interest rate risk indicators and a GAP report (with a breakdown by main currencies for each calculated item). To evaluate interest rate risk in currency, calculations are additionally detailed by interest rate components: risk-free curve of interest rates in currency and premium for country risk of the Russian Federation.

The main criterion for interest rate risk evaluation is the change in the present value of the Bank's claims and liabilities in the most unfavourable scenario of interest rate changes (capital at interest rate risk). Capital at interest rate risk is calculated separately by currencies, by "currency-term", by risk factors and aggregated for each calculated item. In order to limit interest rate risk, the Group has set information limits on capital at interest rate risk.

The indicator of annual net interest income change is used as an additional evaluation criterion in the most unfavorable interest rate change scenario.

To assess the structure of the Bank's sensitivity to interest rate risk, GAP reports additionally detailed by main balance sheet items are used.

An analysis of sensitivity of profit or loss and equity to changes in the interest rate components based on a simplified scenario of a 1% parallel fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2019 and 31 December 2018, is as follows.

(in thousands of Russian roubles)	**2019**	**2018**
RUB		
1% parallel fall	(894 732)	(1 076 747)
1% parallel rise	890 628	1 088 392
USD risk-free interest rate		
1% parallel fall	400 953	255 588
1% parallel rise	(401 133)	(255 852)
USD margin for geographical risk of the Russian Federation		
1% parallel fall	430 229	82 109
1% parallel rise	(427 356)	(70 340)
EUR risk-free interest rate		
1% parallel fall	(509 867)	(179 357)
1% parallel rise	484 659	178 447
EUR margin for geographical risk of the Russian Federation		
1% parallel fall	(255 466)	36 211
1% parallel rise	230 258	(37 122)
All currencies and components of interest rate		
1% parallel fall	(861 808)	(979 471)
1% parallel rise	833 842	995 959

Apart from above measures the Group calculates the potential effect of interest rate GAPs per annum that is a change in the present value of claims and liabilities of the Bank for the next year in case of change in the interest rates in accordance with expectations (the forecasted yield curve).

Commodity risk. The Group is exposed to open position risk with regard to commodity instruments due to movements in their quotations on commodity market.

The limits for items with breakdown by underlying assets are set based on liquidity and volatility of commodity market instruments evaluation.

Other price (equity) risk. The Group is exposed to open position risk with regard to equity instruments due to movements in their quotations on equity market.

The limits for particular issuers are set based on analysis of the credit quality of the security issuer and evaluation of liquidity and volatility of financial instruments.

30 Risk Management, Corporate Governance and Internal Control (continued)

If the risk becomes material the mitigation arrangements are determined by the Management Board of the Bank.

Liquidity risk. Liquidity risk arises when the maturities of assets and liabilities do not match. The Group is exposed to daily calls on its available cash resources from customer accounts, overnight deposits, current accounts, term deposits, loan draw downs, guarantees and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a required amount of cash to meet these obligations can be forecasted with a sufficient certainty.

The purpose of liquidity management is to create and maintain the structure of assets and liabilities of the Group by categories and maturities which will enable the Group to ensure timely payments of its obligations and meeting demands of the Group’s customers. The Group forms liquidity reserves sufficient to provide normal operation of the Bank during a certain period in case of unforeseen outflow of resources caused by macroeconomic events or events directly connected with the Bank. In accordance with the results of analysis of the macroeconomic conditions or the state of the banking market, as well as the general trends in the Group’s activity, management may demand higher amounts of liquidity, if required.

The Group seeks to maintain a diversified and stable structure of funding sources. The Group invests the funds in diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. In spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and past experience indicate that these customer accounts provide a long-term and stable source of funding.

The basis for managing short-term liquidity (less than three months) is making liquidity provisions sufficient not only for current standard activities but also to provide the Bank with the funds during a period of possible unplanned funds withdrawal caused by macroeconomic events or events directly associated with the Bank.

Liquidity management is regulated by the Risks and Capital Management Policy approved by the Bank’s Supervisory Board. Additional liquidity evaluation and management limitations are set in the internal regulations developed for the purpose of the Policy development:

- Managing the volume and structure of the liquid assets portfolio. Management maintains a portfolio of liquid assets (including trading securities) that can be used for prompt and loss-free funding;

- In certain cases, management may impose restrictions on some transactions to regulate the structure of assets and liabilities of the Group. The limits are set when other instruments of liquidity management are insufficient in terms of extent and length of impact.

The Bank performs current liquidity management (for the period of up to seven days) on a daily basis. It is implemented based on statistical and chronological analysis of the balances of customer current accounts, forecasted customer deposits, movement of funds on accounts and analysis of the information on obligations and requirements of the Bank under term contracts in short-term periods. This analytical data serves as a basis for management of the Bank’s monetary position.

Short-term (for the period of up to three months) liquidity monitoring ensures creation of an asset portfolio which may cover all needs of the current liquidity management within the planning time horizon as well as provide the Bank with the funds in case of possible client funds withdrawal. The parameters of possible funds withdrawal are set and reviewed periodically by the Asset and Liability Management Committee and the Management Board.

30 Risk Management, Corporate Governance and Internal Control (continued)

Long-term (over three months) liquidity monitoring is based on analysis of the Group's liquidity gaps. The Group evaluates the liquidity gap through comparison of assets and liabilities by their terms. When allocating assets and liabilities to different term categories the Group takes into account both the contractual term and expected maturity and the statistical data on sustainability, and for securities it uses estimated disposal period of the portfolio without significant effect on the market price. The Group regards equity as a long-term funding source and, therefore, accounts for it by the longest remaining maturity period. Results of assets and liabilities allocation by maturity and liquidity index calculation are performed in general report for all currencies and reports for each currency with total amount of assets or liabilities exceeding 5% of total balance. The Bank's regulations state minimum value of liquidity indices.

When performing its operating activity the Bank also focuses on compliance with the requirements of the CBRF on maintaining sufficient liquidity ratios (instant liquidity ratio - N2, current liquidity ratio - N3, long-term liquidity ratio - N4).

According to the daily calculations, as at 31 December 2019 and 31 December 2018 the Bank complied with the liquidity ratios established by the CBRF.

30 Risk Management, Corporate Governance and Internal Control (continued)

Below is the IFRS liquidity position of the Group at 31 December 2019. The Group does not use the presented analysis by contractual maturity for liquidity management purposes. The following table shows assets and liabilities of the Group by their remaining contractual maturity, with the exception of financial instruments measured at fair value through profit or loss for the period and investment securities measured at fair value through other comprehensive income, which are shown in the category “Demand and less than 1 month” and overdue loans and advances to customers, which are shown in the category “From 6 to 12 months”.

(in thousands of Russian roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years or no maturity**	**Total**
Assets						
Cash and cash equivalents	42 556 257	-	-	-	-	42 556 257
Mandatory reserve deposits with the Central Bank of the Russian Federation	2 312 356	823 351	432 355	317 889	13	3 885 964
Trading securities, including securities pledged under sale and repurchase agreements	44 211 961	-	-	-	-	44 211 961
Reverse and sale repurchase agreements	47 731 581	38 330 878	9 344 643	-	-	95 407 102
Derivative financial assets	1 422 390	3 165 521	493 669	269 275	-	5 350 855
Due from banks	11 635 835	16 386 651	-	-	-	28 022 486
Loans and advances to customers						
- loans and advances to legal entities	13 857 823	91 323 739	39 779 084	100 348 929	23 798 881	269 108 456
- loans and advances to individuals	248 959	480 311	1 504 281	26 748 418	69 979 229	98 961 198
Investment securities, including securities pledged under sale and repurchase agreements	7 730 321	-	1 267 235	38 446 223	7 055 889	54 499 668
Investment property	-	-	-	-	7 028 502	7 028 502
Property and equipment, intangible assets and right-of-use assets	-	-	933	514 150	14 282 964	14 798 047
Other assets	1 029 914	3 991 195	700 786	1 405 077	548 982	7 675 954
Long-term assets held for sale	-	-	2 144 829	-	-	2 144 829
Total assets	**172 737 397**	**154 501 646**	**55 667 815**	**168 049 961**	**122 694 460**	**673 651 279**
Liabilities						
Due to banks	156 784 103	506 021	581 695	694 956	-	158 566 775
Customer accounts						
- accounts of legal entities	125 394 351	27 202 725	7 116 628	1 661 142	1 079	161 375 925
- accounts of individuals	118 781 807	59 740 057	38 538 416	31 906 798	345	248 967 423
Financial liabilities at fair value	311 829	-	-	-	-	311 829
Derivative financial liabilities	913 829	1 813 761	1 719 537	1 398 543	1 548 400	7 394 070
Bonds issued	-	-	-	-	4 802 775	4 802 775
Promissory notes and deposit certificates issued	1 068 239	1 594 614	3 513 201	396 748	658 431	7 231 233
Other liabilities	906 783	2 265 883	222 644	995 269	540 402	4 930 981
Total liabilities	**404 160 941**	**93 123 061**	**51 692 121**	**37 053 456**	**7 551 432**	**593 581 011**
Net liquidity gap	**(231 423 544)**	**61 378 585**	**3 975 694**	**130 996 505**	**115 143 028**	**80 070 268**
Cumulative liquidity gap as at 31 December 2019	**(231 423 544)**	**(170 044 959)**	**(166 069 265)**	**(35 072 760)**	**80 070 268**	

30 Risk Management, Corporate Governance and Internal Control (continued)

Below is the IFRS liquidity position of the Group at 31 December 2018:

(in thousands of Russian roubles)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years or no maturity	Total
Assets						
Cash and cash equivalents	37 189 219	-	-	-	-	37 189 219
Mandatory reserve deposits with the Central Bank of the Russian Federation	1 884 497	929 366	612 715	278 839	6	3 705 423
Trading securities, including securities pledged under sale and repurchase agreements	80 647 485	-	-	-	-	80 647 485
Reverse and sale repurchase agreements	72 531 337	15 587 151	-	-	-	88 118 488
Derivative financial assets	1 317 895	2 047 699	150 508	2 669 316	691 677	6 877 095
Due from banks	10 174 750	22 193 398	-	-	-	32 368 148
Loans and advances to customers						
- loans and advances to legal entities	12 221 912	63 644 173	49 986 468	109 557 152	17 351 732	252 761 437
- loans and advances to individuals	349 389	608 719	1 725 979	22 882 873	60 455 189	86 022 149
Investment securities, including securities pledged under sale and repurchase agreements	29 855 787	-	6 072 592	17 446 252	3 397 778	56 772 409
Investment property	-	-	-	-	7 311 932	7 311 932
Property, equipment and intangible	-	-	-	-	14 182 855	14 182 855
Other assets	1 788 268	1 891 737	2 156 980	88 973	1 110 489	7 036 447
Long-term assets held for sale	-	-	410 402	-	-	410 402
Total assets	**247 960 539**	**106 902 243**	**61 115 644**	**152 923 405**	**104 501 658**	**673 403 489**
Liabilities						
Due to banks	146 333 407	331 707	93 884	1 059 486	-	147 818 484
Customer accounts	206 415 320	102 269 928	67 414 698	30 687 186	1 701	406 788 833
Financial liabilities at fair value	12 116 270	102	-	-	-	12 116 372
Derivative financial liabilities	328 748	1 423 970	329 230	851 211	6 037	2 939 196
Bonds issued	-	5 814 473	-	-	7 992 072	13 806 545
Promissory notes and deposit certificates issued	1 076 967	3 437 217	1 737 321	1 129 112	596 448	7 977 065
Other borrowed funds	-	-	1 465 719	-	-	1 465 719
Other liabilities	2 913 037	799 207	161 804	126 008	837 564	4 837 620
Total liabilities	**369 183 749**	**114 076 604**	**71 202 656**	**33 853 003**	**9 433 822**	**597 749 834**
Net liquidity gap	**(121 223 210)**	**(7 174 361)**	**(10 087 012)**	**119 070 402**	**95 067 836**	**75 653 655**
Cumulative liquidity gap as at 31 December 2018	**(121 223 210)**	**(128 397 571)**	**(138 484 583)**	**(19 414 181)**	**75 653 655**	

Group's management believes that available undrawn credit lines of RR 136 136 000 thousand (2018: RR 92 200 000 thousand) in total and assessment of stability of customer accounts in unstable environment will fully cover the Group's liquidity gap in the tables above.

30 Risk Management, Corporate Governance and Internal Control (continued)

In accordance with Russian legislation, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their contract maturity dates. The amounts of such deposits by contractual maturity as at 31 December 2019 and 31 December 2018 is as follows:

(in thousands of Russian Roubles)	**2019**	**2018**
Demand and less than 1 month	44 739 995	22 961 016
From 1 to 6 months	59 734 941	69 233 857
From 6 to 12 months	38 378 335	61 319 457
From 1 to 5 years	31 906 798	29 912 785
More than 5 years	345	302
Total time deposits of individuals	**174 760 414**	**183 427 417**

The main differences between liquidity tables compiled on the data of IFRS consolidated financial statements by contractual maturity and presented above and the tables prepared by the Group for management purposes are as follows:

1. The total assets differ because the allowance for expected credit losses for loans and advances to customers recorded by the Group is presented on the liabilities side for management purposes, whereas for purposes of IFRS consolidated financial statements loans and advances to customers are reduced by the allowance;

2. The Bank applies internal methods to determine the maturity of deposits on demand since these deposits are considered to be a long-term source of funding. Therefore, current accounts of legal entities and individuals have longer maturity periods in calculating liquidity for management purposes;

3. The Bank also applies internal methods to account for the trading securities portfolio that take into account market conditions and actual opportunities to sell and use assets as collateral.

The tables below show distribution of financial liabilities as at 31 December 2019 and 31 December 2018 by remaining contractual maturity. The amounts in the tables reflect contractual undiscounted cash flows and differ from the amounts in the consolidated statement of financial position which are based on discounted cash flows. The Bank does not use the presented analysis of undiscounted cash flows in its liquidity management.

30 Risk Management, Corporate Governance and Internal Control (continued)

As at 31 December 2019:

(in thousands of Russian roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
Liabilities						
Non-derivative financial liabilities						
Due to banks	157 281 080	528 645	599 333	715 786	-	159 124 844
Customer accounts	244 184 802	88 331 225	47 496 094	36 611 871	1 953	416 625 945
Financial liabilities at fair value	311 829					311 829
Bonds issued	-	779 222	752 122	4 324 288	-	5 855 632
Promissory notes and deposit certificates issued	1 068 693	1 596 656	3 523 735	398 411	1 525 688	8 113 183
Other financial liabilities	917 767	-	-	-	-	917 767
Derivative financial instruments						
- inflow	(323 099 640)	-	-	-	-	(323 099 640)
- outflow	324 918 075	-	-	-	-	324 918 075
Total future undiscounted cash flows	**405 582 606**	**91 235 748**	**52 371 284**	**42 050 356**	**1 527 641**	**592 767 635**

As at 31 December 2018:

(in thousands of Russian roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
Liabilities						
Non-derivative financial liabilities						
Due to banks	146 587 056	338 812	104 354	1 088 348	-	148 118 570
Customer accounts	206 550 021	103 758 154	70 194 226	33 130 160	2 022	413 634 583
Financial liabilities at fair value	12 116 270	-	-	-	-	12 116 270
Bonds issued	11	6 056 302	34 517	1 157 197	14 479 095	21 727 122
Promissory notes and deposit certificates issued	1 101 164	3 463 709	1 810 680	1 206 276	1 532 628	9 114 457
Other borrowed funds	-	46 731	1 513 514	-	-	1 560 245
Other financial liabilities	2 040 449	-	-	-	-	2 040 449
Derivative financial instruments						
- inflow	(343 550 051)	-	-	-	-	(343 550 051)
- outflow	339 279 297	-	-	-	-	339 279 297
Total future undiscounted cash flows	**364 124 217**	**113 663 708**	**73 657 291**	**36 581 981**	**16 013 745**	**604 040 942**

Credit related commitments are disclosed in Note 32.

30 Risk Management, Corporate Governance and Internal Control (continued)

Operational risk (including legal risk). The Group manages operational risk by mitigating it to the acceptable level through undertaking certain measures and actions to prevent events and conditions which may originate the risk, and by insuring those types of operational risks which cannot be managed.

In order to manage legal risk, the majority of banking operations are carried out with the use of standard forms of legal documents. In other cases, all non-standard forms are approved before their use in the process of the corresponding operations.

To prevent or liquidate in a timely manner the consequences of a potential interruption of the daily activity of the Group or its divisions in case of non-standard and emergency situations, internal documents have been developed that define a system of actions aimed to ensure the Group's business continuity and/or recovery in the event of such non-standard and emergency situations. To implement these actions, the Bank’s reserve platforms with emergency workstations for critical business processes have been organised. Additionally, instructions have been developed for employees of the Group which define actions to be taken in different emergency situations.

31 Capital Management

The objectives when managing Group’s capital are (i) to comply with the capital requirements set by the CBRF, ii) to safeguard the Group’s ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio of 8% based on the April 1998 Basel Prudential Requirements for Banks (Basel I), to comply with the capital requirements and capital adequacy ratio in accordance with financial covenants set in borrowing agreements signed by the Group.

Under the current capital requirements set by the CBRF the Group has to maintain a ratio of own funds (capital) to risk weighted assets (N. 20.0) of at least 8.0%, base capital adequacy ratio (N. 20.1) of at least 4.5%, core capital adequacy ratio (N. 20.2) of at least 6.0%. The Group shall maintain a reserve for all its capital adequacy ratios, which is set by the CBRF in addition to these ratios: a capital adequacy mark-up and a countercyclical mark-up. The capital adequacy mark-up in 2019 increased quarterly by 0.125% and amounted to: 1.875% in Q1, 2.000% in Q2, 2.125% in Q3 and 2.250% in Q4. As at 31 December 2019 the countercyclical mark-up was 0.006%.

Base capital, core capital and own funds (capital) and capital adequacy ratios based on reports prepared by the Group under Russian statutory accounting standards are as follows:

(in thousands of Russian roubles)	**2019**	**2018**
Total capital	81 759 434	73 971 427
Base capital	63 239 023	54 141 166
Core capital	63 239 023	54 141 166
Capital adequacy ratio (N.20.0)	14.77%	13.67%
Base capital adequacy ratio (N.20.1)	11.50%	10.09%
Core capital adequacy ratio (N.20.2)	11.50%	10.09%

31 Capital Management (continued)

The capital adequacy ratio set by the CBRF is managed by the Treasury Department through monitoring and forecasting its components.

The Accounting Department performs calculations of the capital adequacy ratios on a daily basis. As at 31 December 2019 and 31 December 2018, the capital adequacy ratios were within the limits established by the CBRF.

In September 2015, the Group raised a subordinated loan from the State Corporation "Deposit Insurance Agency" in the form of federal loan bonds in the total nominal amount of RR 14 594 500 thousand. As at 31 December 2019 the fair value of the federal loan bonds is RUB 16 131 625 thousand (2018: RUB 16 274 911 thousand). The interest rate is the coupon rate on the federal loan bonds plus 1% p.a. The loan maturity is from 2025 to 2034, depending on the terms of the respective bonds issue.

The Group is subject to certain specific restrictions on the sale of large blocks of federal loan bonds obtained under a subordinated loan from the State Corporation "Deposit Insurance Agency". The Group complied with all restrictions in 2019 and 2018.

The Bank has no intention to hold excess capital and (in case the capital adequacy ratio N1.2 exceeds 9.75%) is ready to distribute capital to shareholders through dividends or share buyback (see Note 22).

Arrangements to safeguard the Group's ability to continue as a going concern are performed under the Strategic Development Plan of the Bank and divided into long-term and short-term capital management.

In the long-term, the Bank plans its business scope under strategic and financial plans. The development of these plans includes the identification of risks coverage needs for three years and one year, respectively. When the required amount of capital is determined, the Bank plans the sources of its increase: borrowings on capital markets, share issue and approximate scope thereof. The target scope of business and the amount of capital, as well as the sources of the capital increase, are approved collectively by the following management bodies and in the following order: the Assets and Liabilities Management Committee, the Management Board of the Bank, the Supervisory Board of the Bank.

In the short-term, taking into account the required compliance with the CBRF requirements, the Bank determines the capital surplus/deficit for the period from one to three months and develops the plan to increase assets based on the results. In some cases, management uses administrative measures to influence the structure of assets and liabilities through interest rate policy and, in exceptional cases, through setting limits for certain banking transactions. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

31 Capital Management (continued)

Below is the capital and capital adequacy ratio of the Bank calculated in accordance with Basel I, IFRS data:

(in thousands of Russian roubles)	2019	2018
Equity	**96 065 620**	**91 811 646**
Level 1	**76 035 235**	**71 510 783**
Paid-in share capital	3 781 734	3 781 734
Reserves and profit	73 670 361	67 417 368
including:		
- Share premium	24 513 878	24 513 878
- Retained earnings	49 156 483	42 903 490
Non-controlling interest	-	1 086 545
Goodwill	(114 873)	(114 873)
Treasury shares	(1 301 987)	(659 991)
Level 2	**20 030 385**	**20 300 863**
Revaluation reserve for property and equipment	3 239 536	3 651 455
Revaluation reserve for investment securities	689 613	374 497
Subordinated loans	16 101 236	16 274 911
Risk weighted assets	**552 584 743**	**533 698 491**
Risk weighted banking assets	469 929 473	445 137 540
Risk weighted trading assets	20 255 513	42 368 988
Risk weighted off-balance-sheet assets	62 399 757	46 191 963
Total capital adequacy ratio	**17.38%**	**17.20%**
Tier 1 capital adequacy ratio	**13.76%**	**13.40%**

The Group was in compliance with the creditors' minimum capital adequacy ratio requirements as at 31 December 2019 and 31 December 2018.

32 Contingencies and Derivative Financial Instruments

Litigations. From time to time and in the normal course of business, third parties' claims against the Group are received. On the basis of its own estimates, management of the Group is of the opinion that no material losses will be incurred by the Group in respect of known claims, except for one suit, and accordingly loss provision with regard to this litigation in the amount of RUB 133 107 thousand has been recognised in these consolidated financial statements within provisions for credit and non-credit related commitments and non-financial commitments (Note 21) as at 31 December 2019.

Tax Legislation. Russian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past will be challenged. In October 2010, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of scrutiny by tax authorities.

As a result, significant additional taxes, penalties and interest may be charged. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover a longer period.

32 Contingencies and Derivative Financial Instruments (continued)

Management believes that its interpretation of the relevant legislation is appropriate and the tax, currency legislation and customs positions of the Group will be sustained. Accordingly, as at 31 December 2019 and 31 December 2018, no provision for potential tax liabilities was recorded.

Capital expenditure commitments. As at 31 December 2019 the Group had no contractual capital expenditure commitments in respect of reconstruction and purchase of real estate (2018: none).

Compliance with covenants. The Group must observe certain covenants primarily relating to loan agreements with foreign and international financial institutions. Covenants include:

General conditions in relation to operations, such as business conduct and reasonable prudence, conformity with legal requirements of the country in which the Group is located, maintenance of accurate accounting records, implementation of controls, performance of independent audits, etc.;

Restrictive covenants, including constraints (without lender's consent) in respect of dividend payments and other distributions, changes in the shareholder structure, limits on use of assets and some agreements;

Financial covenants, such as meeting certain capital adequacy requirements, credit portfolio diversification, limitation of risks associated with related and unrelated parties, overdue balances to the Group's capital ratio, maintaining a certain level of reserves to cover risks, control over the expenses to income ratio.

Reporting requirements obliging the Group to provide its audited consolidated financial statements to the lender, as well as certain additional financial information and any other documents upon request.

Non-compliance with such covenants may result in negative consequences for the Group including an increase in the cost of borrowings and default.

The management of the Group believes that as at 31 December 2019 and 31 December 2018 the Group was in compliance with all covenants.

Credit and non-credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Performance guarantees are contracts that provide for the Group to pay monetary compensation to one party under the contract if the other party fails to meet its contractual obligation.

Documentary letters of credit, which are written undertakings by the Group to execute payments on behalf of customers within an agreed amount provided certain conditions are met, are collateralised with the respective shipments of goods or cash deposits. Loan commitments include the unused portion of amounts authorised by the Group's management for lending.

Guarantees and letters of credit, which represent the Group's irrevocable obligations to make payments in the event that a customer fails to fulfill its obligations to third parties have the same credit risk as loans.

32 Contingencies and Derivative Financial Instruments (continued)

Credit and non-credit related commitments are as follows:

(in thousands of Russian roubles)	Note	2019	2018
Revocable undrawn credit facilities		47 133 159	34 641 616
Import letters of credit		2 571 524	1 400 686
Financial guarantees issued		2 308 821	-
Allowance for expected credit losses	21	(111 658)	(69 515)
Total credit related commitments		**51 901 846**	**35 981 335**

As at 31 December 2019 the Bank issued non-financial guarantees in the amount of RUB 59 575 827 thousand (2018: RUB 45 885 929 thousand).

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash claims, as these obligations may expire or terminate without funds being granted to the borrower. The maturities of credit related commitments depend on types of guarantees and undrawn credit lines and are mainly classified into the category of "On demand and less than 1 month".

The table below shows information on collateral for financial guarantees issued (net of allowance for expected credit losses) by types (excluding overcollateralisation) as of 31 December 2019 and 31 December 2018:

(in thousands of Russian roubles)	2019	2018
Surety	901 105	-
Deposits	58 537	-
Promissory notes	43 511	-
No collateral	1 279 693	-
Total	**2 282 846**	**-**

32 Contingencies and Derivative Financial Instruments (continued)

Fiduciary assets. These assets are not included in the consolidated statement of financial position, as they are not the Group’s assets. Nominal values disclosed below are normally different from the fair values of the respective securities. In accordance with the common business practices, no insurance coverage is provided for these fiduciary assets.

The fiduciary assets fall into the following categories:

(in thousands of Russian roubles)	**2019 Nominal value**	**2018 Nominal value**
Corporate shares held in custody of:		
- National Depository Centre	1 262 797	1 262 772
- other registrars and depositories	946 113	1 041 386
Corporate shares in USD held in custody of:		
- National Depository Centre	41	46
Municipal bonds held in custody of:		
- St. Petersburg Settlement and Depository Centre	58	58
- National Depository Centre	1 293	1 293
Bonds of the Russian Federation federal authorities held in custody of:		
- National Depository Centre	-	620 960
Corporate bonds held in custody of:		
- National Depository Centre	1 173 231	648 479
- other registrars and depositories	139	139
Eurobonds in USD held in custody of:		
- National Depository Centre	3 921 417	2 513 377
Eurobonds in EUR held in custody of:		
- National Depository Centre	1 350 387	693 213
Eurobonds in pounds sterling held in custody of:		
- National Depository Centre	108 086	45 731
Eurobonds in CHF held in custody of:		
- National Depository Centre	38 162	-

Assets in custody also include USD-denominated shares of foreign funds held by the National Depository Centre with a market value of RUB 30 965 thousand (2018 - nil).

Derivative financial instruments. Currency derivative financial instruments with which the Group conducts operations have either potentially favorable conditions (and are assets), or potentially unfavorable conditions (and are liabilities) as a result of fluctuations in foreign exchange rates. The total fair value of derivatives may vary significantly over time.

The fair value of accounts receivable or payable for currency and interest derivative contracts entered into by the Group at the reporting date by currency is presented in the table below. The table includes contracts with the settlement date after the end of the relevant reporting period. The amounts for these transactions are shown in detail - before offsetting positions (and payments) for each counterparty.

32 Contingencies and Derivative Financial Instruments (continued)

	2019		2018	
(in thousands of Russian roubles)	Asset forwards	Liability forwards	Asset forwards	Liability forwards
Foreign exchange forwards:				
fair values, at the reporting date, of:				
- USD receivable on settlement (+)	20 918 731	103 211 533	114 463 565	21 896 132
- USD payable on settlement (-)	(84 290 799)	(6 913 977)	(91 106 618)	(51 575 040)
- EUR receivable on settlement (+)	16 779 663	44 048 823	15 665 966	4 052 946
- EUR payable on settlement (-)	(21 946 520)	(84 236 746)	(40 577 745)	(18 601 498)
- RUB receivable on settlement (+)	81 158 680	6 949 380	90 523 506	50 002 688
- RUB payable on settlement (-)	(8 794 975)	(64 311 144)	(85 835 940)	(2 777 243)
- Other currency receivable on settlement (+)	79 871	16 326	67 958	109 377
- Other currency payable on settlement (-)	(858 391)	(97 312)	(24 956)	(5 099 827)
Total on foreign exchange forwards	**3 046 260**	**(1 333 117)**	**3 175 736**	**(1 992 465)**

	2019		2018	
(in thousands of Russian roubles)	Asset futures	Liability futures	Asset futures	Liability futures
Foreign exchange futures:				
fair values, at the reporting date, of:				
- USD receivable on settlement (+)	49 778	2 883 760	23 143 571	3 666 314
- USD payable on settlement (-)	(15 683 044)	(751 025)	(16 359 137)	(19 203 130)
- EUR receivable on settlement (+)	157	1 786 349	1 970	302 745
- EUR payable on settlement (-)	(3 625 404)	(136)	(1 121 823)	(2 789)
- RUB receivable on settlement (+)	19 331 099	749 449	17 585 550	19 154 203
- RUB payable on settlement (-)	(130 635)	(4 685 752)	(23 067 941)	(4 093 808)
- Other currency receivable on settlement (+)	80 863	6 884	89	13 599
- Other currency payable on settlement (-)	-	(154)	(15 749)	(15)
Total on foreign exchange futures	**22 814**	**(10 625)**	**166 530**	**(162 881)**

32 Contingencies and Derivative Financial Instruments (continued)

	2019		2018	
(in thousands of Russian roubles)	**Asset forwards**	**Liability forwards**	**Asset forwards**	**Liability forwards**
Interest rate forwards:				
fair values, at the reporting date, of:				
- USD receivable on settlement (+)	6 265 337	16 267 155	27 882 986	-
- USD payable on settlement (-)	(3 318 559)	-	-	-
- EUR payable on settlement (-)	-	(3 473 514)	-	-
- RUB receivable on settlement (+)	9 855 174	16 955 994	8 250 781	8 719 166
- RUB payable on settlement (-)	(10 573 775)	(35 727 344)	(32 977 329)	(9 451 483)
Total on interest rate forwards	**2 228 177**	**(5 977 709)**	**3 156 438**	**(732 317)**

	2019		2018	
(in thousands of Russian roubles)	**Asset unlisted options**	**Liability unlisted options**	**Asset unlisted options**	**Liability unlisted options**
Unlisted options:				
fair values, at the reporting date, of:				
- RUB transactions	284	(182)	20 160	(592)
- USD transactions	-	-	13 998	(24 505)
- EUR transactions	6 470	(6 708)	-	-
Total on unlisted options	**6 754**	**(6 890)**	**34 158**	**(25 097)**
Net fair value of derivative financial instruments	**5 304 005**	**(7 328 341)**	**6 532 862**	**(2 912 760)**

33 Fair Value of Financial Instruments

Methods and assumptions used in measurement of fair value.

The fair value is the price that can be obtained from the sale of an asset or paid when transferring a liability when conducting a transaction on a voluntary basis in the main market at the measurement date. The best confirmation of the fair value is the quotation of a financial instrument in an active market.

The estimated fair value of financial instruments was calculated by the Group based on available market information (if available) and proper valuation methods. However, in order to interpret market information in order to determine fair value, it is necessary to apply professional judgment. The economy of the Russian Federation continues to show some of the characteristics of emerging markets, and economic conditions continue to limit the volume of activity in financial markets. Market quotations may be outdated or reflect the sale price at low prices and, therefore, do not reflect the fair value of financial instruments. In determining the fair value of financial instruments, management uses all available market information.

The fair value of instruments with floating interest rates is usually equal to their carrying amount. The fair value of instruments with a fixed interest rate and a fixed maturity that does not have market prices is based on discounted cash flows using current interest rates for new instruments with similar credit risk and a similar maturity.

The Group estimates the fair values of financial instruments reflected in the consolidated statement of financial position using the following fair value hierarchy, taking into account the materiality of the data used to form the estimates:

- Level 1: Quotes in an active market (unadjusted) for identical financial instruments.
- Level 2: Valuation methods based on market data available directly (that is, quotes) or indirectly (that is, data derived from quotes). This category includes instruments valued using: market quotations in active markets for similar instruments, market quotations for identical or similar instruments in markets not considered active, or other valuation methods, all of which are used directly or indirectly based on observable market values data.
- Level 3: Valuation techniques based on unobservable market data. This category includes instruments that are estimated using information that is not based on observable market data, while such unobservable data have a significant impact on the valuation of the instrument. This category includes instruments that are valued on the basis of quotations for similar instruments in respect of which the use of significant unobservable adjustments or judgments is required to reflect the difference between instruments.

Management uses professional judgment to categorise financial instruments into categories of the fair value measurement hierarchy. If observable data requiring significant adjustments are used to estimate fair value, this estimate relates to Level 3.

Obligations to banks and customers for the return of securities received under purchase agreements with an obligation to resell and sold by the Group are carried at fair value.

33 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognised at fair value by evaluation categories as at 31 December 2019:

(in thousands of Russian roubles)	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
Trading securities, including pledged under sale and repurchase agreements			
- Bank of Russia coupon bonds	32 271 940	-	-
- Corporate bonds	7 590 578	2 691 900	-
- Corporate Eurobonds	738 586	-	-
- Federal loan bonds	360 441	-	-
- Corporate shares	102	-	558 414
Loans and advances to legal entities at fair value	-	-	6 931 189
Investment securities valued through other comprehensive income, including securities pledged under sale and repurchase agreements			
- Corporate bonds	3 800 093	1 732 309	-
- Municipal bonds	44 738	-	-
- Equity securities	714 350	-	1 438 831
Derivative financial assets	-	5 350 855	-
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	**45 520 828**	**9 775 064**	**8 928 434**
FINANCIAL LIABILITIES			
Financial liabilities at fair value	311 829	-	-
Derivative financial liabilities	-	7 394 070	-
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE	**311 829**	**7 394 070**	**-**

In 2019 debt securities with a carrying value of RUB 348 477 thousand were transferred from Level 2 to Level 1 of the fair value hierarchy, since the frequency and volume of trading in the market for such debt securities began to meet the criteria of an active market.

As at 31 December 2019 corporate equity securities with carrying value of RUB 31 258 thousand were transferred from Level 1 to Level 3 of the fair value hierarchy as the frequency and volume of trading in such equity securities market ceased to meet the criteria of an active market. Management used a valuation technique to determine the fair value of these equity securities where all significant inputs were based on observable market data. Also, as of 31 December 2019 corporate debt securities with a carrying value of RUB 2 998 987 thousand were transferred from Level 1 to Level 2 of the fair value hierarchy, since the frequency and volume of trading in the market for such debt securities no longer satisfied the criteria of an active market. Management used a valuation technique to determine the fair value of these equity securities where all significant inputs were based on observable market data.

33 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognised at fair value by evaluation categories as at 31 December 2018:

(in thousands of Russian roubles)	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
Trading securities, including pledged under sale and repurchase agreements			
- Bank of Russia coupon bonds	47 359 849	-	-
- Corporate bonds	24 065 724	821 804	-
- Corporate Eurobonds	7 330 037	-	-
- Corporate shares	273 166	-	569 313
- Eurobonds of the Russian Federation	159 468	-	-
- Federal loan bonds	68 124	-	-
Loans and advances to legal entities at fair value	-	-	1 094 580
Investment securities valued through other comprehensive income, including securities pledged under sale and repurchase agreements			
- Corporate bonds	19 454 190	802 139	-
- Municipal bonds	4 566 228	-	-
- Corporate Eurobonds	4 135 214	-	-
- Federal loan bonds	25 497	-	-
- Equity securities	668 199	-	204 320
Derivative financial assets	-	6 877 095	-
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	**108 105 696**	**8 501 038**	**1 868 213**
FINANCIAL LIABILITIES			
Financial liabilities at fair value	12 116 372	-	-
Derivative financial liabilities	-	2 939 196	-
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE	**12 116 372**	**2 939 196**	**-**

The table below presents the reconciliation of incoming and outgoing assets classified as Level 3 of the fair value assessment hierarchy as of 31 December 2019:

(in thousands of Russian roubles)	Level 3 incoming value at January 1, 2019	Income reflected in profit and loss	Income/Loss reflected in OCI	Disposals	Acquisitions	Transfer to Level 3	Level 3 outgoing value as at 31 December 2019
Loans to legal entities at fair value	1 094 580	380 618	-	(1 499 547)	6 955 538	-	6 931 189
Investment securities, including securities pledged under sale and repurchase agreements	204 320	-	(15 885)	(85 505)	1 335 901	-	1 438 831
Trading securities, including pledged under sale and repurchase agreements	569 313	(42 157)	-	-	-	31 258	558 414
Total Level 3 assets	**1 868 213**	**338 461**	**(15 885)**	**(1 585 052)**	**8 291 439**	**31 258**	**8 928 434**

33 Fair Value of Financial Instruments (continued)

The table below presents the reconciliation of incoming and outgoing assets classified as Level 3 of the fair value assessment hierarchy as of 31 December 2018:

(in thousands of Russian roubles)	Level 3 incoming value at January 1, 2019	Income reflected in profit and loss	Disposals	Acquisitions	Level 3 outgoing value as at 31 December 2019
Loans to legal entities at fair value	879 766	586 511	(1 466 277)	1 094 580	1 094 580
Investment securities, including securities pledged under sale and repurchase agreements	192 647	7 785	-	3 888	204 320
Trading securities, including pledged under sale and repurchase agreements	280 980	166 141	(2 395)	124 587	569 313
Total Level 3 assets	**1 353 393**	**760 437**	**(1 468 672)**	**1 223 055**	**1 868 213**

Evaluation of loans to legal entities at fair value

As at 31 December 2019, the Group classifies the rights of claim under financing transactions of a specialised company established for the purpose of acquiring loans from other banks to individuals into financial assets measured at fair value through profit or loss.

Claim rights are valued based on the expected cash flow on acquired portfolios with the observed and expected default. Market value is estimated by the Group's risk assessment division on a quarterly basis. In assessing the market value, assumptions regarding the expected default on the acquired portfolios and market discount rate for assets having similar risk level were used. With an increase in the expected default rate per annum of 1.0%, the market value of the acquired rights of claim decreases by 0.4%. With an increase in the market discount rate of 1.0%, the market value of the acquired rights of claim decreases by 1.3%.

Evaluation of investment securities, including those pledged under sale and repurchase agreements. Securities measured at fair value through other comprehensive income are an investment in shares or non-listed shares of companies that are estimated based on information not observed at the market.

The fair value of securities measured at fair value through other comprehensive income was determined by the Group based on the results of external appraisers using the net asset valuation method. For the purpose of comparison, the company-analogue method (capital market) was used, but the results of it were not taken into account when determining the fair value of financial assets, since the multipliers were determined on the basis of data of companies operating in foreign jurisdictions and in addition the shares are minority stake.

The increase/decrease in the amount of net assets of companies used by the Group in the valuation model by 1.0%, leads to increase of the carrying amount by RUB 17 807 thousand and decrease by RUB 17 807 thousand respectively (31 December 2018: increase of the carrying amount by RUB 2 043 thousand and decrease by RUB 2 043 thousand respectively).

Evaluation of trading securities, including those pledged under sale and repurchase agreements Evaluation of BSPB CAPITAL VPF L.P. investments in the capital of companies in the amount of RUB 569 313 thousand. The fair value of the Fund’s investments was determined in accordance with the International Guidelines for the Evaluation of Private Equity and Venture Funds (Private Equity and Venture Capital Valuation (IPEV)) based on the adjusted business value / revenue multiplier of public international companies according to industry.

The estimated weighted average adjusted multiplier “business value / revenue” was 5.2. The increase/decrease in the amount of multiplier by 1.0%, leads to increase/decrease of the carrying amount of the financial instrument by RUB 5 272 thousand.

33 Fair Value of Financial Instruments (continued)

The table below shows the fair values of financial assets carried at amortised cost at 31 December 2019 and 31 December 2018:

	2019		2018	
(in thousands of Russian roubles)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets carried at amortised cost				
Debt investment securities measured at amortised cost, pledged under repurchase agreements	46 769 347	48 473 771	26 916 622	27 053 445
Loans and advances to customers				
Loans to legal entities				
- loans to finance working capital	168 173 830	168 961 492	146 701 009	147 918 663
- investment loans	64 696 661	65 049 855	85 412 084	84 476 677
- loans to entities financed by government	29 306 776	28 344 438	19 553 764	18 903 809
Loans to individuals				
- mortgage loans	66 149 831	75 296 086	59 394 585	63 163 245
- car loans	5 162 006	5 195 185	3 459 502	3 505 547
- consumer loans to VIP clients	2 855 378	2 830 040	3 729 112	3 567 424
- other consumer loans	24 793 937	25 872 356	19 438 950	20 575 405
TOTAL	**407 907 763**	**420 023 223**	**364 605 628**	**369 164215**

The following table provides fair values of financial liabilities carried at amortised cost as at 31 December 2019 and 31 December 2018:

	2018		2017	
(in thousands of Russian roubles)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities carried at amortised cost				
Customer accounts				
State and public organisations				
- Current/settlement accounts	32 009	32 009	15	15
Other legal entities				
- Current/settlement accounts	72 545 082	72 545 082	61 527 231	61 527 231
- Term deposits	88 798 834	88 976 445	86 818 615	86 929 401
- Securities sale and repurchase agreements	-	-	9 345 969	9 345 969
Individuals				
- Current accounts/demand deposits	74 207 009	74 207 009	65 669 586	65 669 586
- Term deposits	174 760 414	179 110 955	183 427 417	186 097 050
Bonds issued				
- Subordinated Eurobonds	-	-	5 814 473	5 909 442
- Mortgage secured bonds issued by mortgage agent	4 802 775	4 345 685	7 992 072	8 075 102
Promissory notes and deposit certificates issued				
- Promissory notes	7 231 231	7 835 559	7 977 063	8 283 713
- Deposit certificates	2	2	2	2
Other borrowed funds				
- Subordinated loans	-	-	1 465 719	1 442 021
TOTAL	**422 377 356**	**427 052 746**	**430 038 162**	**433 279 532**

33 Fair Value of Financial Instruments (continued)

Trading securities, including securities pledged under sale and repurchase agreements, investment securities, including securities pledged under sale and repurchase agreements, measured at fair value through other comprehensive income, derivative financial instruments are measured at fair value in the consolidated financial statements.

The Group estimates that the fair value of financial assets and liabilities, except those disclosed in the tables above, does not differ significantly from their book value.

The fair value hierarchies of financial assets and liabilities presented in the tables above are the following: issued bonds - Level 1, issued promissory notes and deposit certificates - Level 2, customer deposits – Level 2, other borrowed funds - Level 3, loans and advances to customers - Level 3.

Loans and receivables carried at amortised cost. The fair value of instruments with floating interest rates usually equals their carrying value. If market situation significantly changes the interest rates on loans and advances to customers and loans to banks with fixed interest rate may be revised. Interest rates on loans to customers issued just before the reporting date do not significantly differ from current interest rates on new instruments with similar credit risk and maturity date. If interest rates on earlier issued loans, according to the Group estimates, significantly differ from current interest rates for similar instruments as at the reporting date, the Group determines the estimated fair value for these loans. The estimate is based on discounted cash flows using current interest rates determined based on available market information for new instruments with similar credit risk and maturity date. Discounting rates depend on currency, maturity date and counterparty.

The following table provides analysis of interest rates on loans and advances to customers as at 31 December 2019 and 31 December 2018

	2019	**2018**
Loans and advances to customers:		
Loans and advances to legal entities	1.27% - 12.50% per annum	2.82% - 13.84% per annum
Loans and advances to individuals	1.83% - 16.00% per annum	4.16% - 15.31% per annum

Financial liabilities carried at amortised cost. The estimated fair value of fixed interest rate and fixed maturity instruments that do not have a market price is based on discounted cash flows using interest rates determined on the basis of available information from the market for new instruments with similar credit risk and similar maturity. Discount rates used depend on the currency and maturity of the instrument and as of December 31, 2019 range from 0.01% to 8.30% per annum (2018: from 0.01% to 10.0% per annum).

The estimated fair value of other financial assets, including trade and business receivables, approximates their amortised cost, taking into account the short-term nature of the assets.

34 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely to the legal form. The family of Mr. A.V. Savelyev, through the ownership of the Bank's shares and the option to purchase interest in the companies currently controlled by the members of the Bank's management (see Note 1), is the majority ultimate beneficiary of the Bank.

In the normal course of business, the Group conducts transactions with shareholders, management of the Group and other related parties.

34 Related Party Transactions (continued)

As at 31 December 2019 the outstanding balances with related parties are as follows:

(in thousands of Russian roubles)	**Shareholders**	**Group’s Management**	**Other related parties**
Loans and advances to customers (contractual interest rates 6.91%-18.00% p.a.)	-	7 980	74
Allowance for expected credit losses	-	(113)	(1)
Customer accounts (contractual interest rates 0.01%-8.55% p.a.)	6 201 905	1 342 778	871 364

The income and expense items for transactions with related parties, other than compensation to the members of the Supervisory Board and the Management Board of the Bank, for the year ended 31 December 2019 are as follows:

(in thousands of Russian roubles)	**Shareholders**	**Group’s Management**	**Other related parties**
Interest income	4	6 947	-
Interest expenses	(252 928)	(52 800)	(18 478)
(Charge) recovery of allowance for expected credit losses	-	950	-
Fee and commission income	577	528	2 868

Aggregate amounts lent to and repaid by related parties during 2019 are:

(in thousands of Russian roubles)	**Shareholders**	**Group’s Management**	**Other related parties**
Amounts lent to related parties during the year measured at amortised cost	11 402	66 265	2 477
Amounts repaid by related parties during the period measured at amortised cost	11 402	130 889	2 515

34 Related Party Transactions (continued)

As at 31 December 2018, the outstanding balances with related parties are as follows:

(in thousands of Russian roubles)	**Shareholders**	**Group’s Management**	**Other related parties**
Loans and advances to customers (contractual interest rates 3.00%–24.90% p.a.)	-	72 604	112
Allowance for expected credit losses	-	(1 063)	(1)
Customer accounts (contractual interest rates 0.01% - 10.05% p.a.)	4 310 141	1 547 880	540 755

The income and expense items for transactions with related parties, other than compensation to the members of the Supervisory Board and the Management Board of the Bank, for the year ended 31 December 2018 are as follows:

(in thousands of Russian roubles)	**Shareholders**	**Group’s Management**	**Other related parties**
Interest income	490	7 518	-
Interest expenses	(163 426)	(55 151)	(33 375)
(Charge) recovery of allowance for expected credit losses	1	(793)	(1)
Fee and commission income	486	638	3 596

Aggregate amounts lent to and repaid by related parties during 2018 are:

(in thousands of Russian roubles)	**Shareholders**	**Group’s Management**	**Other related parties**
Amounts lent to related parties during the year measured at amortised cost	6 906	147 017	112
Amounts repaid by related parties during the period measured at amortised cost	7 512	129 036	-

In 2019 total remuneration of members of the Supervisory Board and the Management Board of the Bank, including pension contributions and discretionary bonuses, amounts to RR 414 896 thousand (2018: RUB 444 487 thousand).

35 Consolidation of Companies

The Group's consolidated financial statements include the following subsidiaries:

Name	Country of incorporation	Ownership, % December 31, 2019	Ownership, % December 31, 2018	Type of business
LLC BSPB Trading	Russian Federation	-	100%	Operations on financial market
LLC BSPB Capital	Russian Federation	100%	100%	Securities management
4th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Real estate investment
10th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Real estate investment
13th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Direct investment
16th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Direct investment
17th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Direct investment
Venture Project, Combined CEIF	Russian Federation	100%	100%	Direct and venture capital investment
BSPB CAPITAL VPF L.P.	Jersey, Channel Islands	100%	100%	Direct and venture capital investment

In December 2018, the Group decided to liquidate the subsidiary BSPB-Trading LLC in 2019. The entry on the termination of the company's activities in the Unified State Register of Legal Entities was made on 18 April 2019.

BSPB Capital LLC is an asset management enterprise. The Bank uses this company to expand the range of investment products, including trust management of the customers' assets.

4th Nevsky Fund, Combined CEIF, 10th Nevsky Fund, Combined CEIF, 13th Nevsky Fund, Combined CEIF, 16th Nevsky Fund, Combined CEIF, and 17th Nevsky Fund, Combined CEIF are funds specialised in real estate and other assets management to increase their cost.

Venture Project, Combined CEIF is a fund established for direct investing and investing in ventures.

BSPB CAPITAL VPF L.P operates as an investor, sells, exchanges and distributes investments in accordance with the investment policy under management of BSPB Capital GP Ltd.

The Bank used BSPB Finance PLC, a structured entity, for issue of bonds on the international capital market (refer to Note 18).

BSPb Finance PLC is the issuer of a structured product - loan participation notes issued exclusively for the purpose of granting loans to the Bank. Bonds are secured instruments and the issuer pledges all amounts received and/or to be received under loan agreements concluded with the Bank. The Bank reimburses all non-recurring and current expenses related to the provision and servicing of the loan.

The Bank used a structured enterprise, MA BSPB LLC, as part of its securitization program financed by the Group. MA BSPB LLC operates according to predetermined criteria, which are part of the initial structure of the enterprise (Note 10). The Group decided to liquidate MA BSPB LLC in connection with early redemption and repayment of bonds of the structured entity.

The Bank uses a structured enterprise, MA BSPB LLC, as part of its securitization program financed by the Group. MA BSPB LLC operates according to predetermined criteria, which are part of the initial structure of the enterprise (Note 10). The group decided to liquidate MA BSPB LLC in connection with the early redemption and redemption of bonds of a structured enterprise.

35 Consolidation of Companies (continued)

MA BSPB 2 LLC is an entity of the Group established for securitization purposes, which is financed by the Group under the securitization program. MA BSPB 2 LLC operates according to predetermined criteria, which are part of the initial structure of the company. Except for the daily servicing of mortgage loans (which is performed by the Group on the basis of a service agreement), key decisions are required only in the event of default, in such cases only the Group can make such decisions. In addition, the Group is exposed to variable returns from its participation in MA BSPB LLC through the provision of a credit line to this company by the Bank. As a result, the Management concluded that the Group controls the specified company and its financial statements were included in the consolidated financial statements as at December 31, 2019 and as at December 31, 2018.