

Report on Review of Interim Financial Information  
***Joint stock company***  
***Russian Agricultural Bank***  
***and its subsidiaries***  
for the three-month period ended 31 March 2020

*May 2020*

**Report on Review of Interim Financial Information**  
**Joint stock company Russian Agricultural Bank and its subsidiaries**

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## Report on Review of Interim Financial Information

To the Shareholder and Supervisory Board of  
Joint stock company Russian Agricultural Bank

### **Introduction**

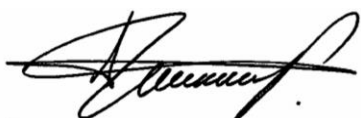
We have reviewed the accompanying interim condensed consolidated financial statements of Joint stock company Russian Agricultural Bank and its subsidiaries, which comprise the interim consolidated statement of financial position as at 31 March 2020, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-month period then ended, and selected explanatory notes (interim financial information). Management of Joint stock company Russian Agricultural Bank is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

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

## **Conclusion**

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



G.A. Shinin  
Partner  
Ernst & Young LLC

25 May 2020

## **Details of the entity**

Name: Joint stock company Russian Agricultural Bank  
Record made in the State Register of Legal Entities on 22 October 2002, State Registration Number 1027700342890.  
Address: Russia 119034, Moscow, Gagarinsky pereulok, 3.

## **Details of the auditor**

Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.  
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".  
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.


**Russian Agricultural Bank Group**  
**Interim Consolidated Statement of Financial Position**  
**as at 31 March 2020**

<i>In millions of Russian Roubles</i>	Note	31 March 2020 (unaudited)	31 December 2019
<b>Assets</b>			
Cash and cash equivalents		574 363	403 564
Mandatory cash balances with the Bank of Russia		22 774	22 334
Trading securities	5	21 449	21 974
Due from other banks		36 936	50 543
Derivative financial instruments	19	26 111	18 265
Loans and advances to customers	6	2 279 713	2 164 906
Investment securities	7	449 377	432 303
Current income tax assets		635	597
Deferred income tax asset		16 298	16 298
Intangible assets		7 765	7 423
Premises, equipment and right-of-use assets		50 906	51 470
Other assets		27 841	24 938
Assets classified as held for sale		1 270	1 134
<b>Total assets</b>		<b>3 515 438</b>	<b>3 215 749</b>
<b>Liabilities</b>			
Derivative financial instruments	19	9 544	4 782
Due to other banks	8	96 742	109 519
Customer accounts	9	2 768 523	2 486 108
Promissory notes issued		62 609	47 358
Bonds issued	10	172 070	174 954
Current income tax liability		557	469
Deferred income tax liability		1 633	2 221
Other liabilities		54 995	56 999
<b>Total liabilities before subordinated debts</b>		<b>3 166 673</b>	<b>2 882 410</b>
Subordinated debts		157 381	134 089
<b>Total liabilities</b>		<b>3 324 054</b>	<b>3 016 499</b>
<b>Equity</b>			
Share capital		440 233	440 233
Perpetual bonds	11	51 649	48 398
Revaluation reserve for premises		2 819	2 829
Revaluation reserve for investment securities at fair value through other comprehensive income		(1 360)	6 733
Accumulated loss		(301 852)	(298 842)
<b>Equity attributable to the Bank's shareholder</b>		<b>191 489</b>	<b>199 351</b>
<b>Non-controlling interest</b>		<b>(105)</b>	<b>(101)</b>
<b>Total equity</b>		<b>191 384</b>	<b>199 250</b>
<b>Total liabilities and equity</b>		<b>3 515 438</b>	<b>3 215 749</b>

Approved for issue and signed on behalf of the Management Board on 25 May 2020.

  
 B.P. Listov  
 Chairman of the Management Board



  
 E.A. Romankova  
 Deputy Chairman of the Management Board, Chief Accountant

**Russian Agricultural Bank Group**  
**Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**for the three months ended 31 March 2020**

<b>(Unaudited)</b> <i>In millions of Russian Roubles</i>	<b>Note</b>	<b>For the three months ended 31 March</b>	
		<b>2020</b>	<b>2019</b>
Interest income at effective interest rate	12	57 508	59 653
Other interest income	12	2 016	1 281
Interest expense	12	(40 119)	(44 230)
<b>Net interest income</b>		<b>19 405</b>	<b>16 704</b>
Credit loss expense	13	(9 626)	(8 815)
<b>Net interest income after credit loss expense</b>		<b>9 779</b>	<b>7 889</b>
Fee and commission income	14	5 084	5 255
Fee and commission expense	14	(741)	(561)
Losses net of gains from trading securities		(269)	(43)
Losses net of gains from financial instruments and loans to customers at fair value through profit or loss		(2 385)	(970)
Gains less losses/(losses net of gains) from investment securities at fair value through other comprehensive income		843	(731)
Foreign exchange translation gains less losses/(losses net of gains)		9 976	(10 157)
(Losses net of gains)/gains less losses from derivative financial instruments		(6 103)	12 797
Gains less losses from dealing in foreign currencies		410	1 192
Gains from non-banking activities		6 489	3 274
Losses from non-banking activities		(5 877)	(2 789)
Other operating income		598	298
Administrative and other operating expenses		(16 582)	(13 834)
<b>Profit before tax</b>		<b>1 222</b>	<b>1 620</b>
Income tax expense		(604)	(1 067)
<b>Profit for the period</b>		<b>618</b>	<b>553</b>
<b>Profit is attributable to:</b>			
Shareholder of the Bank		622	513
Non-controlling interest		(4)	40
<b>Profit for the period</b>		<b>618</b>	<b>553</b>
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</b>			
Debt securities at fair value through other comprehensive income:			
- Net losses on debt securities at fair value through other comprehensive income		(7 765)	(180)
- Realised revaluation reserve on debt securities (at disposal)		(843)	731
- Changes in allowance for expected credit losses of debt securities at fair value through other comprehensive income		389	(414)
Income tax		126	(115)
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax</b>		<b>(8 093)</b>	<b>22</b>
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>			
- Net gains on equity securities at fair value through other comprehensive income		-	24
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax</b>		<b>-</b>	<b>24</b>
<b>Total other comprehensive income</b>		<b>(8 093)</b>	<b>46</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(7 475)</b>	<b>599</b>
<b>Total comprehensive (loss)/income for the period is attributable to:</b>			
Shareholder of the Bank		(7 471)	559
Non-controlling interest		(4)	40
<b>Total other comprehensive (loss)/income for the period</b>		<b>(7 475)</b>	<b>599</b>

The notes set out on pages 9 to 38 form an integral part of these interim condensed consolidated financial statements.

**Russian Agricultural Bank Group**  
**Interim Consolidated Statement of Changes in Equity**  
**for the three months ended 31 March 2020**

<i>In millions of Russian Roubles</i>	Attributable to shareholder of the Bank						Non-controlling interest	Total equity
	Share capital	Perpetual bonds	Revaluation reserve for premises	Revaluation reserve for investment securities	Accumulated loss	Total		
<b>Balance at 31 December 2018</b>	<b>410 598</b>	<b>38 376</b>	<b>2 890</b>	<b>(3 769)</b>	<b>(298 074)</b>	<b>150 021</b>	<b>1 700</b>	<b>151 721</b>
Profit for the period, net of tax	-	-	-	-	513	513	40	553
Other comprehensive income for the period, net of tax	-	-	-	46	-	46	-	46
<b>Total comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>513</b>	<b>559</b>	<b>40</b>	<b>599</b>
Disposal of subsidiaries	-	-	-	-	-	-	(1 803)	(1 803)
Realised revaluation reserve for equity securities at fair value through other comprehensive income	-	-	-	(24)	24	-	-	-
Depreciation of revaluation reserve for premises	-	-	(10)	-	10	-	-	-
Foreign exchange translation of perpetual bonds	-	(237)	-	-	237	-	-	-
Coupon paid and due under perpetual bonds	-	-	-	-	(399)	(399)	-	(399)
Tax effect recognized on perpetual bonds	-	-	-	-	80	80	-	80
<b>Balance at 31 March 2019 (unaudited)</b>	<b>410 598</b>	<b>38 139</b>	<b>2 880</b>	<b>(3 747)</b>	<b>(297 609)</b>	<b>150 261</b>	<b>(63)</b>	<b>150 198</b>
<b>Balance at 31 December 2019</b>	<b>440 233</b>	<b>48 398</b>	<b>2 829</b>	<b>6 733</b>	<b>(298 842)</b>	<b>199 351</b>	<b>(101)</b>	<b>199 250</b>
Profit for the period, net of tax	-	-	-	-	622	622	(4)	618
Other comprehensive loss for the period, net of tax	-	-	-	(8 093)	-	(8 093)	-	(8 093)
<b>Total comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8 093)</b>	<b>622</b>	<b>(7 471)</b>	<b>(4)</b>	<b>(7 475)</b>
Realised revaluation reserve for equity securities at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Depreciation of revaluation reserve for premises	-	-	(10)	-	10	-	-	-
Foreign exchange translation of perpetual bonds	-	3 251	-	-	(3 251)	-	-	-
Coupon paid and due under perpetual bonds	-	-	-	-	(391)	(391)	-	(391)
<b>Balance at 31 March 2020 (unaudited)</b>	<b>440 233</b>	<b>51 649</b>	<b>2 819</b>	<b>(1 360)</b>	<b>(301 852)</b>	<b>191 489</b>	<b>(105)</b>	<b>191 384</b>

The notes set out on pages 9 to 38 form an integral part of these interim condensed consolidated financial statements.

**Russian Agricultural Bank Group**  
**Interim Consolidated Statement of Cash Flows**  
**for the three months ended 31 March 2020**

<b>(Unaudited)</b> <i>In millions of Russian Roubles</i>	<b>Note</b>	<b>For the three months ended 31 March</b>	
		<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>			
Interest received		56 803	60 468
Interest paid		(33 565)	(41 081)
Income received from trading in securities and financial instruments at fair value through profit or loss		27	40
(Expenses incurred)/income received from derivative financial instruments		(12 008)	7 902
Income received from dealing in foreign currencies		691	1 198
Fees and commissions received		5 057	5 314
Fees and commissions paid		(740)	(561)
Other operating income received		(325)	506
Net income received from insurance operations		3 304	1 371
Income received from non-banking activities		2 309	1 645
Losses incurred from non-banking activities		(2 580)	(2 258)
Administrative and other operating expenses paid		(14 257)	(9 793)
Taxes paid		(1 037)	(821)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>3 679</b>	<b>23 930</b>
<b>Changes in operating assets and liabilities</b>			
<i>Net (increase)/decrease in operating assets</i>			
Mandatory cash balances with the Bank of Russia		(439)	(439)
Trading securities		(170)	(871)
Due from other banks		16 911	(16 723)
Loans and advances to customers		(42 675)	(87 136)
Other assets		(2 634)	4 428
<i>Net increase/(decrease) in operating liabilities</i>			
Due to other banks		(18 217)	(74 536)
Customer accounts		216 371	237 482
Promissory notes issued		12 574	(484)
Other liabilities		(5 180)	16 220
<b>Net cash from operating activities</b>		<b>180 220</b>	<b>101 871</b>
<b>Cash flows from investing activities</b>			
Acquisition of premises and equipment		(671)	(255)
Proceeds from disposal of premises and equipment		334	168
Acquisition of intangible assets		(592)	(14)
Acquisition of investment securities at FVTPL		(220)	-
Acquisition of investment securities at FVTPL (mandatory)		(24 668)	(6 250)
Acquisition of investment securities at FVOCI		(57 305)	(148 926)
Proceeds from redemption and sales of investment securities at FVOCI		61 641	212 272
Acquisition of investment securities at amortised cost		(2 928)	(3 971)
Proceeds from redemption of investment securities at amortised cost		6 564	85
<b>Net cash (used in)/from investing activities</b>		<b>(17 845)</b>	<b>53 109</b>
<b>Cash flows from financing activities</b>			
Amounts paid on perpetual bonds		(723)	(723)
Buy back of subordinated debts		(4 495)	(288)
Proceeds from sale of previously bought back subordinated debts		1 408	-
Proceeds from bonds issue		2 481	-
Buy back of bonds issued at or prior to put option date		(4 876)	(3)
Proceeds from sale of previously bought back bonds issued on domestic market		-	242
Repayment of bonds and Eurobonds issued		(1 153)	-
Payments in respect of lease obligations (IFRS 16)		(152)	(127)
Proceeds from sale of non-controlling interests in consolidated mutual funds		12	18
Payments on disposal of non-controlling interests in consolidated mutual funds		(19)	(1)
<b>Net cash used in financing activities</b>		<b>(7 517)</b>	<b>(882)</b>
Effect of exchange rate changes on cash and cash equivalents		15 941	(10 056)
Effect of expected credit losses on cash and cash equivalents		-	5
<b>Net increase in cash and cash equivalents</b>		<b>170 799</b>	<b>144 047</b>
Cash and cash equivalents at the beginning of the period		403 564	390 585
<b>Cash and cash equivalents at the end of the period</b>		<b>574 363</b>	<b>534 632</b>

The notes set out on pages 9 to 38 form an integral part of these interim condensed consolidated financial statements.



## **1 Introduction**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") for the three months ended 31 March 2020 for Joint Stock Company Russian Agricultural Bank (the "Bank") and its subsidiaries (together referred to as the "Group").

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

The Bank's only shareholder is the Russian Federation acting through the Federal Agency for Managing State Property which holds the Bank's issued and outstanding ordinary shares (78.66% from total share capital (31 December 2019: 78.66% from total share capital)), the Ministry of Finance of the Russian Federation which holds the Bank's issued and outstanding preference shares (5.69% from total share capital (31 December 2019: 5.69% from total share capital)) and the State Corporation "Deposit Insurance Agency" which holds the Bank's issued and outstanding preference shares (15.65% from total share capital (31 December 2019: 15.65% from total share capital)).

The Group's structure comprises of the Bank and its subsidiaries. Principal subsidiaries of the Bank are Joint-stock company "RSHB-Insurance" (ownership interest of the Bank is 100%), RSHB Capital S.A. (Luxembourg) (structured entity incorporated for Eurobonds issue for the Bank), "RSHB Factoring" Limited Liability Company (ownership interest of the Bank is 100%), "RSHB Leasing" Limited Liability Company (ownership interest of the Bank is 100%) and 34 companies operating in agricultural and other industries and mutual funds.

**Principal activity.** The Bank's principal business activity is commercial and retail banking operations in the Russian Federation with emphasis on lending to agricultural enterprises. The main objectives of the Bank are:

- To participate in realisation of the monetary policy of the Russian Federation in the area of agricultural production;
- To develop within the agricultural industry a national system of lending to the domestic agricultural producers; and
- To maintain an effective and uninterrupted performance of the settlement system in the area of agricultural production across the Russian Federation.

The Bank has operated under a full banking license issued by the Bank of Russia since 13 June 2000. The Bank participates in the State deposit insurance scheme, which was introduced by Federal Law # 177-FZ *Deposits of Individuals Insurance in Russian Federation* dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual and/or individual entrepreneur current accounts and deposits up to RR 1 400 thousand per individual or individual entrepreneur in case of the withdrawal of a licence of a bank or the Bank of Russia imposed moratorium on payments.

The Bank has 66 (31 December 2019: 66) branches within the Russian Federation. The Bank's registered address is 119034 Russia, Moscow, Gagarinsky pereulok, 3. The Bank's principal place of business is 123112 Russia, Moscow, Presnenskaya naberezhnaya, 10, building 2.

The number of the Group's employees as at 31 March 2020 was 31 130 (31 December 2019: 31 147).

**Presentation currency.** These interim condensed consolidated financial statements are presented in Russian Roubles ("RR"). All amounts are expressed in RR millions unless otherwise stated.

## **2 Operating Environment of the Group**

**Russian Federation.** Continuing international sanctions against some Russian companies, including Joint stock company Russian Agricultural Bank, and citizens still have a negative impact on the Russian economy.

In connection with the recent progression of the coronavirus pandemic (COVID-19), many countries, including the Russian Federation, introduced quarantine measures, which had a significant impact on the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures to minimize its consequences can affect the activities of companies from various industries.

On the basis of the available information the impact of this outbreak on the macroeconomic forecasts is incorporated into the Bank's IFRS9 estimates of expected credit loss provisions in 2020, however, due to the high level of uncertainty, actual results may differ from expected forecast estimates.

## **2 Operating Environment of the Group (Continued)**

In the context of evolving of the coronavirus infection pandemic, the Bank of Russia decided to implement a set of measures to support consumers of financial services, reduce risks for their financial well-being in the future, namely:

- Measures to protect the interests of citizens affected by the spread of the pandemic, and to ensure the availability of payments to the public;
- Measures to support lending to small and medium-sized businesses;
- Measures to support mortgage lending;
- Measures to support the capacity of the financial sector to provide financial resources to the economy;
- Measures to reduce the regulatory and supervisory burden on financial institutions.

At March 2020, in Russia there was a significant decrease in the ruble exchange rate against the Dollar and the euro, a decrease in oil prices and stock indices.

Currently, the Russian economy is affected by the deteriorating market situation and the slowdown of economic growth in other countries of the world. During the 1st quarter of 2020, there was instability in the capital markets and a deterioration in liquidity in the banking sector.

The Group monitors its current liquidity position on a daily basis and considers it sufficient for the sustainable functioning of the Group. If necessary, the Group expects to use liquidity support instruments provided by the Bank of Russia.

Due to the drop in quotations of securities on world and Russian markets, the Group may face a significant decrease in their value and other instruments remeasured at fair value, which could have a significant negative impact on the financial results of the Group in 2020.

Such an economic environment has a significant impact on the Bank's operations and financial position. Management takes all necessary measures to ensure the sustainability of the Bank's operations. However, the future consequences of the current economic situation are difficult to predict, and current expectations and management estimates may differ from actual results.

During the three months ended 31 March 2020, the following were the key changes in selected macro-economic indicators:

- The Bank of Russia exchange rate depreciated from RR 61.9057 to RR 77.7325 per US Dollar;
- The Bank of Russia key rate decreased from 6.25% p.a. to 6.00% p.a.;
- The RTS stock exchange index decreased from 1 548.9 to 1 014.4.

## **3 Summary of Significant Accounting Policies**

**Basis of preparation.** These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS.

The functional currency of the Bank and its subsidiaries, and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles. As at 31 March 2020 the principal rates of exchange used for translating foreign currency balances were USD 1 = RR 77.7325 (31 December 2019: USD 1 = RR 61.9057), EUR 1 = RR 85.7389 (31 December 2019: EUR 1 = RR 69.3406).

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the changes introduced due to implementation of new and/or revised standards and interpretations as at 1 January 2020 or as at the date indicated, noted below.

### 3 Summary of Significant Accounting Policies (Continued)

**IFRS 17 Insurance Contracts.** In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. In 2020, the Group will continue to assess the potential effect of IFRS 17 on its consolidated financial statements.

**Amendments to IFRS 3 Definition of a Business.** In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, these amendments did not affect the Group on the date of transition.

**Amendments to IAS 1 and IAS 8 Definition of Material.** In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material did not have a significant impact on the Group's consolidated financial statements.

**Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7.** *Interest Rate Benchmark Reform* Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments came into effect from 1 January 2020 and did not have a significant impact on the Group's consolidated financial statements.

#### 4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The accounting estimates and judgements applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2019.

Judgements that have the most significant effect on the amounts recognised in the interim condensed consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

**Impairment losses on financial assets.** The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs. Thus, the functional dependence of the level of defaults on macroeconomic factors is determined by evaluating the regression between the values of the default level and various transformations of this indicator taking into account macroeconomic factors such as GDP growth rate, growth rate of the agro-industrial complex, oil prices, inflation rate, etc.;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

**Fair value of financial instruments.** Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 20.

**Fair value of derivatives.** The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect fair reported values. Refer to Note 19.

**Deferred income tax asset recognition.** The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter.

The business plan is based on management expectations that are believed to be reasonable under the circumstances and approved by the management of the Bank. A key assumption in the business plan is to obtain profits in subsequent financial years through widening of product range and client base.

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

**Structured entities.** The Group considers RSHB Capital S.A. incorporated for Eurobonds issue for the Bank as consolidated structured entity under IFRS 12 requirements. As at 31 March 2020 the Group guarantees all obligations of the consolidated structured entity represented by subordinated debts in the amount of RR 28 279 million (31 December 2019: subordinated debts in the amount of RR 24 295 million). During three months ended 31 March 2020 and the year ended 31 December 2019 the Group did not provide any other financial support to the consolidated structured entity. The Group has no other current obligation or intention neither to provide financial or other support to the consolidated structured entity nor to assist it in obtaining financial support.

Holding Corporate Eurobonds in the trading and investment portfolios of the Group is considered under IFRS 12 requirements as interest in unconsolidated structured entities. Maximum exposure equals to carrying value of Corporate Eurobonds.

#### 5 Trading Securities

<i>In millions of Russian Roubles</i>	<b>31 March 2020 (unaudited)</b>	<b>31 December 2019</b>
Federal loan bonds (OFZ)	16 320	16 839
Corporate bonds	5 093	4 949
Corporate shares	36	186
<b>Total trading securities</b>	<b>21 449</b>	<b>21 974</b>

Trading securities are carried at fair value which also reflects any credit risk related write-downs.

Refer to Note 20 for the disclosure of fair value hierarchy for trading securities.

#### 6 Loans and Advances to Customers

<i>In millions of Russian Roubles</i>	<b>31 March 2020 (unaudited)</b>	<b>31 December 2019</b>
<b>Loans to legal entities</b>	<b>2 045 525</b>	<b>1 942 145</b>
- Loans to corporates	2 026 338	1 923 038
- Lending for food interventions	19 187	19 107
<b>Loans to individuals</b>	<b>477 504</b>	<b>473 008</b>
<b>Total loans and advances to customers at amortised cost (before impairment)</b>	<b>2 523 029</b>	<b>2 415 153</b>
Less: allowance for impairment	(307 676)	(306 038)
<b>Total loans and advances to customers at amortised cost</b>	<b>2 215 353</b>	<b>2 109 115</b>
Loans to customers at fair value through profit or loss	64 360	55 791
<b>Total loans and advances to customers</b>	<b>2 279 713</b>	<b>2 164 906</b>

Lending for food interventions is represented by loans to the company under the control of the Russian Federation.

As at 31 March 2020, the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 689 879 million, or 27% of total loans and advances to customers before impairment (31 December 2019: the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 636 343 million, or 26% of total loans and advances to customers before impairment).

Certain loans to customers did not meet the SPPI criterion. Therefore, Group classifies these loans as financial assets at FVTPL.

The Group makes estimates and judgments, which are constantly analyzed based on statistical data, forecast information, and management experience, including expectations regarding future events that are reasonable in the light of current circumstances.

## 6 Loans and Advances to Customers (Continued)

In order to objectively reflect the influence of the prevailing macroeconomic conditions and in accordance with the recommendations of the IASB and the European Banking Organization, the Group specified the following approaches to assessing the level of expected credit losses that have the most significant impact on its assessment in the consolidated financial statements:

- Used an updated forecast of macroeconomic indicators;
- Increased the weighted assessment of credit losses on loans assessed on a collective basis for borrowers from individual industries who were most affected by the deteriorating situation as a result of the spread of coronavirus infection.

Reflection of the changed macroeconomic conditions using the approaches indicated above did not cause a significant increase in the cost of risk in the first quarter of 2020.

An analysis of changes in the ECL allowances during the three months ended 31 March 2020 is, as follows:

<i>(Unaudited)</i>					
<i>In millions of Russian Roubles</i>					
	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Loans to legal entities</b>					
<b>ECL as at 1 January 2020</b>	<b>13 320</b>	<b>21 721</b>	<b>236 372</b>	<b>1 409</b>	<b>272 822</b>
Transfers to Stage 1	458	(458)	-	-	-
Transfers to Stage 2	(1 359)	2 117	(758)	-	-
Transfers to Stage 3	(17)	(2 445)	2 462	-	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	303	735	2 422	(253)	<b>3 207</b>
Unwind of discount (recognised in interest income)	-	-	1 355	-	<b>1 355</b>
Amounts written off	-	-	(937)	-	<b>(937)</b>
Foreign exchange adjustments	496	2 425	1 113	-	<b>4 034</b>
Allowance for loans sold during the period	-	-	(6 899)	-	<b>(6 899)</b>
Recovery of loans previously written off sold during the period	-	-	132	-	<b>132</b>
Recovery of loans previously written off	-	-	46	-	<b>46</b>
<b>ECL as at 31 March 2020</b>	<b>13 201</b>	<b>24 095</b>	<b>235 308</b>	<b>1 156</b>	<b>273 760</b>

<i>(Unaudited)</i>					
<i>In millions of Russian Roubles</i>					
	Stage 1	Stage 2	Stage 3	Total	
<b>Loans to individuals</b>					
<b>ECL as at 1 January 2020</b>	<b>2 677</b>	<b>879</b>	<b>29 659</b>	<b>33 215</b>	
Transfers to Stage 1	94	(93)	(1)	-	
Transfers to Stage 2	(85)	499	(414)	-	
Transfers to Stage 3	(88)	(581)	669	-	
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	575	437	472	<b>1 484</b>	
Unwind of discount (recognised in interest income)	-	-	125	<b>125</b>	
Amounts written off	-	-	(98)	<b>(98)</b>	
Allowance for loans sold during the period	-	-	(810)	<b>(810)</b>	
<b>ECL as at 31 March 2020</b>	<b>3 173</b>	<b>1 141</b>	<b>29 602</b>	<b>33 916</b>	

## 6 Loans and Advances to Customers (Continued)

An analysis of changes in the ECL allowances during the three months ended 31 March 2019 is, as follows:

<i>(Unaudited)</i>				
<i>In millions of Russian Roubles</i>				
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to legal entities</b>				
<b>ECL as at 1 January 2019</b>	<b>34 330</b>	<b>4 083</b>	<b>262 187</b>	<b>300 600</b>
Transfers to Stage 1	85	(85)	-	-
Transfers to Stage 2	(9 456)	14 604	(5 148)	-
Transfers to Stage 3	(289)	(179)	468	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	(4 878)	(856)	13 132	<b>7 398</b>
Unwind of discount (recognised in interest income)	-	-	1 107	<b>1 107</b>
Amounts written off	-	-	(1 081)	<b>(1 081)</b>
Foreign exchange adjustments	(155)	(313)	(68)	<b>(536)</b>
Allowance for loans sold during the period	-	-	(8 108)	<b>(8 108)</b>
Recovery of loans previously written off sold during the period	-	-	39	<b>39</b>
Recovery of loans previously written off	-	-	90	<b>90</b>
Disposal of subsidiaries	-	-	7 608	<b>7 608</b>
<b>ECL as at 31 March 2019</b>	<b>19 637</b>	<b>17 254</b>	<b>270 226</b>	<b>307 117</b>

<i>(Unaudited)</i>				
<i>In millions of Russian Roubles</i>				
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to individuals</b>				
<b>ECL as at 1 January 2019</b>	<b>1 389</b>	<b>758</b>	<b>29 664</b>	<b>31 811</b>
Transfers to Stage 1	94	(94)	-	-
Transfers to Stage 2	(52)	542	(490)	-
Transfers to Stage 3	(55)	(482)	537	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	1 171	264	668	<b>2 103</b>
Unwind of discount (recognised in interest income)	-	-	59	<b>59</b>
Amounts written off	-	-	(6)	<b>(6)</b>
Allowance for loans sold during the period	-	-	(162)	<b>(162)</b>
<b>ECL as at 31 March 2019</b>	<b>2 547</b>	<b>988</b>	<b>30 270</b>	<b>33 805</b>

Refer to Note 20 for the disclosure of fair value of each class of loans and advances to customers and fair value hierarchy for loans and advances to customers. The information on related party transactions is disclosed in Note 21.

## 7 Investment Securities

Investment securities including those pledged under repurchase agreements comprise:

	31 March 2020 <i>(unaudited)</i>	31 December 2019
<i>In millions of Russian Roubles</i>		
Investment securities at fair value through other comprehensive income	344 456	346 709
Investment securities at amortised cost	54 795	58 966
Investment securities at fair value through profit or loss	226	582
Investment securities at fair value through profit or loss (mandatory)	49 900	26 046
<b>Total investment securities</b>	<b>449 377</b>	<b>432 303</b>

## 7 Investment Securities (Continued)

<i>In millions of Russian Roubles</i>	31 March 2020 (unaudited)	31 December 2019
<b>Investment securities at fair value through other comprehensive income</b>		
Federal loan bonds (OFZ)	189 094	207 662
Corporate bonds	106 991	98 274
Corporate Eurobonds	42 624	34 292
State Eurobonds	3 503	1 778
Municipal and subfederal bonds	2 116	3 079
Bank of Russia bonds	-	1 496
<b>Total debt securities at fair value through other comprehensive income</b>	<b>344 328</b>	<b>346 581</b>
<b>Equity securities</b>		
Corporate shares	128	128
<b>Total equity securities at fair value through other comprehensive income</b>	<b>128</b>	<b>128</b>
<b>Total investment securities at fair value through other comprehensive income</b>	<b>344 456</b>	<b>346 709</b>

<i>In millions of Russian Roubles</i>	31 March 2020 (unaudited)	31 December 2019
<b>Investment securities at amortised cost</b>		
Corporate bonds	37 453	42 608
Municipal and subfederal bonds	9 801	10 811
Federal loan bonds (OFZ)	6 669	4 832
Corporate Eurobonds	1 221	897
Less: allowance for impairment	(349)	(182)
<b>Total investment securities at amortised cost</b>	<b>54 795</b>	<b>58 966</b>

<i>In millions of Russian Roubles</i>	31 March 2020 (unaudited)	31 December 2019
<b>Investment securities at fair value through profit or loss</b>		
Credit linked notes	226	582
<b>Total debt securities at fair value through profit or loss</b>	<b>226</b>	<b>582</b>

<i>In millions of Russian Roubles</i>	31 March 2020 (unaudited)	31 December 2019
<b>Investment securities at fair value through profit or loss (mandatory)</b>		
Corporate bonds	47 203	23 175
Credit linked notes	1 965	2 045
Investments in mutual funds	69	78
<b>Total debt securities at fair value through profit or loss (mandatory)</b>	<b>49 237</b>	<b>25 298</b>
<b>Equity securities</b>		
Corporate shares	663	748
<b>Total investment securities at fair value through profit or loss (mandatory)</b>	<b>49 900</b>	<b>26 046</b>

Refer to Note 20 for the disclosure of the fair value hierarchy for investment securities.



## 8 Due to Other Banks

<i>In millions of Russian Roubles</i>	<b>31 March 2020 (unaudited)</b>	<b>31 December 2019</b>
Correspondent accounts and overnight placements of other banks	28 365	12 262
Borrowings from other banks with term to maturity:		
- repo deals less than 30 days	108	-
- less than 30 days	3 247	35 141
- from 31 to 180 days	117	25
- from 181 days to 1 year	45	36
- from 1 year to 3 years	7 337	317
- more than 3 years	12 172	16 458
Borrowings from the Bank of Russia with term to maturity:		
- less than 30 days	104	27
- from 31 to 180 days	397	409
- from 181 days to 1 year	2	353
- from 1 year to 3 years	44 848	44 491
<b>Total due to other banks</b>	<b>96 742</b>	<b>109 519</b>

Refer to Note 20 for the disclosure of the fair value and fair value hierarchy for due to other banks. The information on related party transactions is disclosed in Note 21.

## 9 Customer Accounts

<i>In millions of Russian Roubles</i>	<b>31 March 2020 (unaudited)</b>	<b>31 December 2019</b>
State and public organisations		
- Current/settlement accounts	29 364	28 256
- Term deposits	613 683	354 879
Other legal entities		
- Current/settlement accounts	238 766	206 259
- Term deposits	643 604	705 279
Individuals		
- Current/demand accounts	123 845	107 475
- Term deposits	1 119 261	1 083 960
<b>Total customer accounts</b>	<b>2 768 523</b>	<b>2 486 108</b>

State and public organisations exclude state-controlled joint stock companies.

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Russian Roubles</i>	<b>31 March 2020 (unaudited)</b>		<b>31 December 2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Individuals	1 243 106	45	1 191 435	48
State and public organisations	643 047	23	383 135	15
Manufacturing	206 437	7	215 968	9
Agriculture	125 338	5	99 805	4
Construction	109 707	4	125 279	5
Insurance	70 494	3	53 345	2
Trading	63 973	2	77 977	3
Financial services and pension funds	61 186	2	113 214	5
Real estate	25 005	1	52 529	2
Other	220 230	8	173 421	7
<b>Total customer accounts</b>	<b>2 768 523</b>	<b>100</b>	<b>2 486 108</b>	<b>100</b>

Refer to Note 20 for the disclosure of the fair value and fair value hierarchy for customer accounts. The information on related party transactions is disclosed in Note 21.

10 Bonds Issued

<i>In millions of Russian Roubles</i>	<b>31 March 2020 (unaudited)</b>	<b>31 December 2019</b>
Bonds issued on domestic market	172 070	174 954
<b>Total bonds issued</b>	<b>172 070</b>	<b>174 954</b>

As at 31 March 2020, bonds issued consist of Russian Roubles denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Issue date	Maturity date	Put option date	Coupon rate	Coupon payment
<b>Bonds issued on domestic market</b>						
Russian Roubles	3 218	12 July 2011	29 June 2021	-	8.15%	6 months
Russian Roubles	1 058	14 July 2011	1 July 2021	-	8.15%	6 months
Russian Roubles	1 309	15 July 2011	2 July 2021	-	8.15%	6 months
Russian Roubles	4 117	8 November 2011	26 October 2021	30 April 2020	8.00%	6 months
Russian Roubles	305	16 April 2012	4 April 2022	8 April 2020	8.30%	6 months
Russian Roubles	43	23 October 2012	11 October 2022	15 October 2020	8.20%	6 months
Russian Roubles	523	25 October 2012	13 October 2022	19 April 2021	8.20%	6 months
Russian Roubles	10 000	23 April 2013	11 April 2023	14 April 2022	8.30%	6 months
Russian Roubles	1 484	30 July 2013	18 July 2023	21 January 2021	7.40%	6 months
Russian Roubles	4 978	22 November 2013	10 November 2023	16 November 2021	8.85%	6 months
Russian Roubles	5 000	10 October 2014	27 September 2024	4 October 2022	7.40%	3 months
Russian Roubles	5 000	13 October 2014	30 September 2024	5 October 2022	7.40%	3 months
Russian Roubles	661	26 December 2014	13 December 2024	22 December 2020	8.60%	3 months
Russian Roubles	5 146	11 February 2015	29 January 2025	3 February 2023	6.50%	3 months
Russian Roubles	783	26 February 2015	13 February 2025	24 August 2020	7.40%	3 months
Russian Roubles	2 820	30 October 2015	17 October 2025	28 April 2020	7.95%	3 months
Russian Roubles	10 000	31 March 2017	25 September 2020	-	9.50%	6 months
Russian Roubles	10 000	26 June 2017	21 June 2021	-	8.65%	6 months
Russian Roubles	7 000	3 October 2017	28 September 2021	-	8.40%	6 months
Russian Roubles	5 000	5 December 2017	9 December 2020	-	8.10%	6 months
Russian Roubles	25 000	14 March 2018	9 March 2022	-	7.40%	6 months
Russian Roubles	13 000	19 October 2018	14 October 2022	-	9.00%	6 months
Russian Roubles	19 900	29 November 2018	22 November 2038	-	10.50%	6 months
Russian Roubles	10 000	4 April 2019	2 April 2020	-	8.35%	6 months
Russian Roubles	10 000	25 June 2019	22 June 2021	-	8.15%	6 months
Russian Roubles	5 000	15 November 2019	10 November 2023	-	7.00%	6 months
Russian Roubles	5 000	13 November 2019	2 November 2022	-	6.75%	1 month
Russian Roubles	2 481	5 February 2020	25 January 2023	-	6.05%	1 month

## 10 Bonds Issued (Continued)

As at 31 December 2019, bonds issued consist of Russian Roubles denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Issue date	Maturity date	Put option date	Coupon rate	Coupon payment
<b>Bonds issued on domestic market</b>						
Russian Roubles	572	10 February 2010	29 January 2020	-	8.30%	6 months
Russian Roubles	581	11 February 2010	30 January 2020	-	8.30%	6 months
Russian Roubles	3 218	12 July 2011	29 June 2021	-	8.15%	6 months
Russian Roubles	1 058	14 July 2011	1 July 2021	-	8.15%	6 months
Russian Roubles	1 309	15 July 2011	2 July 2021	-	8.15%	6 months
Russian Roubles	4 117	8 November 2011	26 October 2021	30 April 2020	8.00%	6 months
Russian Roubles	305	16 April 2012	4 April 2022	8 April 2020	8.30%	6 months
Russian Roubles	43	23 October 2012	11 October 2022	15 October 2020	8.20%	6 months
Russian Roubles	523	25 October 2012	13 October 2022	19 April 2021	8.20%	6 months
Russian Roubles	10 000	23 April 2013	11 April 2023	14 April 2022	8.30%	6 months
Russian Roubles	1 484	30 July 2013	18 July 2023	21 January 2021	7.40%	6 months
Russian Roubles	21	30 September 2013	18 September 2023	25 March 2020	8.30%	6 months
Russian Roubles	4 978	22 November 2013	10 November 2023	16 November 2021	8.85%	6 months
Russian Roubles	5 000	10 October 2014	27 September 2024	4 October 2022	7.40%	3 months
Russian Roubles	5 000	13 October 2014	30 September 2024	5 October 2022	7.40%	3 months
Russian Roubles	661	26 December 2014	13 December 2024	22 December 2020	8.60%	3 months
Russian Roubles	10 000	11 February 2015	29 January 2025	7 February 2020	15.00%	3 months
Russian Roubles	783	26 February 2015	13 February 2025	24 August 2020	7.40%	3 months
Russian Roubles	2 820	30 October 2015	17 October 2025	28 April 2020	7.95%	3 months
Russian Roubles	10 000	31 March 2017	25 September 2020	-	9.50%	6 months
Russian Roubles	10 000	26 June 2017	21 June 2021	-	8.65%	6 months
Russian Roubles	7 000	3 October 2017	28 September 2021	-	8.40%	6 months
Russian Roubles	5 000	5 December 2017	9 December 2020	-	8.10%	6 months
Russian Roubles	25 000	14 March 2018	9 March 2022	-	7.40%	6 months
Russian Roubles	13 000	19 October 2018	14 October 2022	-	9.00%	6 months
Russian Roubles	19 900	29 November 2018	22 November 2038	-	10.50%	6 months
Russian Roubles	10 000	4 April 2019	2 April 2020	-	8.35%	6 months
Russian Roubles	10 000	25 June 2019	22 June 2021	-	8.15%	6 months
Russian Roubles	5 000	15 November 2019	10 November 2023	-	7.00%	6 months
Russian Roubles	5 000	13 November 2019	2 November 2022	-	6.75%	1 month

Refer to Note 20 for the disclosure of the fair value and fair value hierarchy for bonds issued.

## 11 Perpetual Bonds

As at 31 March 2020, the Group's perpetual bonds in circulation equal to RR 51 649 million (as at 31 December 2019: RR 48 398 million).

As at 31 March 2020, perpetual bonds consist of Russian Roubles, US Dollars and Euros denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Carrying amount, in millions of Russian Roubles	Issue date	Call option date	Coupon rate	Coupon payment
Russian Roubles	10 000	10 000	25 April 2018	12 April 2028	9.00%	6 months
Russian Roubles	5 000	5 000	15 July 2016	3 July 2026	14.50%	6 months
Russian Roubles	5 000	5 000	18 July 2016	6 July 2026	14.50%	6 months
Russian Roubles	5 000	5 000	5 October 2016	23 September 2026	14.25%	6 months
Russian Roubles	4 902	4 902	26 April 2018	13 April 2028	9.00%	6 months
Russian Roubles	5 000	5 000	22 November 2018	9 November 2028	10.10%	6 months
US Dollars	50	3 887	17 December 2018	4 December 2028	9.00%	6 months
Euros	150	12 861	12 December 2019	5 June 2025	5.00%	6 months

## 11 Perpetual Bonds (Continued)

As at 31 December 2019, perpetual bonds consist of Russian Roubles, US Dollars and Euros denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Carrying amount, in millions of Russian Roubles	Issue date	Call option date	Coupon rate	Coupon payment
Russian Roubles	10 000	10 000	25 April 2018	12 April 2028	9.00%	6 months
Russian Roubles	5 000	5 000	15 July 2016	3 July 2026	14.50%	6 months
Russian Roubles	5 000	5 000	18 July 2016	6 July 2026	14.50%	6 months
Russian Roubles	5 000	5 000	5 October 2016	23 September 2026	14.25%	6 months
Russian Roubles	4 902	4 902	26 April 2018	13 April 2028	9.00%	6 months
Russian Roubles	5 000	5 000	22 November 2018	9 November 2028	10.10%	6 months
US Dollars	50	3 095	17 December 2018	4 December 2028	9.00%	6 months
Euros	150	10 401	12 December 2019	5 June 2025	5.00%	6 months

## 12 Interest Income and Expense

(Unaudited)

In millions of Russian Roubles

For the three months ended 31 March

	2020	2019
<b>Interest income on debt financial assets carried at amortised cost</b>		
Loans and advances to legal entities	34 255	34 513
Loans and advances to individuals	13 310	12 695
Cash equivalents	2 601	2 013
Investment securities at amortised cost including pledged under repurchase agreements	820	928
Due from other banks	603	1 125
	<b>51 589</b>	<b>51 274</b>
<b>Interest income on debt financial assets carried at fair value through other comprehensive income</b>		
Investment securities at FVOCI including pledged under repurchase agreements	5 919	8 379
	<b>5 919</b>	<b>8 379</b>
<b>Total interest income at effective interest rate</b>	<b>57 508</b>	<b>59 653</b>
Investment securities at fair value through profit or loss	844	33
Loans to customers at fair value through profit or loss	602	430
Trading securities	570	818
<b>Total other interest income</b>	<b>2 016</b>	<b>1 281</b>
<b>Interest expense at effective interest rate</b>		
Term deposits of legal entities	(13 668)	(19 449)
Term deposits of individuals	(16 022)	(14 530)
Bonds issued	(3 683)	(3 270)
Subordinated debts	(2 370)	(2 449)
Current/settlement accounts	(2 200)	(1 679)
Term deposits of the Bank of Russia	(959)	(1 017)
Term deposits of other banks	(547)	(773)
Promissory notes issued	(541)	(802)
<b>Total interest expense at effective interest rate</b>	<b>(39 990)</b>	<b>(43 969)</b>
Lease liabilities	(129)	(261)
<b>Total other interest expense</b>	<b>(129)</b>	<b>(261)</b>
<b>Net interest income</b>	<b>19 405</b>	<b>16 704</b>

The information on related party transactions is disclosed in Note 21.

### 13 Credit Loss Expense

The table below shows the ECL charges on financial instruments recorded in the income statement for the three months ended 31 March 2020:

<i>(Unaudited)</i>						
<i>In millions of Russian Roubles</i>						
	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents		-	-	-	-	-
Due from other banks		3	-	-	-	3
Loans to customers at amortised cost	6	377	2 636	6 143	(253)	8 903
Debt securities measured at amortised cost		166	-	-	-	166
Debt securities measured at FVOCI		391	-	-	-	391
Other financial assets		-	-	111	-	111
Credit related commitments		63	(12)	1	-	52
<b>Total credit loss expense</b>		<b>1 000</b>	<b>2 624</b>	<b>6 255</b>	<b>(253)</b>	<b>9 626</b>

The table below shows the ECL charges on financial instruments recorded in the income statement for the three months ended 31 March 2019:

<i>(Unaudited)</i>						
<i>In millions of Russian Roubles</i>						
	Note	Stage 1	Stage 2	Stage 3	Total	
Cash and cash equivalents		(5)	-	-	(5)	
Due from other banks		(107)	-	1	(106)	
Loans to customers at amortised cost	6	(13 535)	13 401	9 099	8 965	
Debt securities measured at amortised cost		86	-	-	86	
Debt securities measured at FVOCI		(375)	(39)	-	(414)	
Other financial assets		-	-	336	336	
Credit related commitments		(45)	(2)	-	(47)	
<b>Total credit loss expense</b>		<b>(13 981)</b>	<b>13 360</b>	<b>9 436</b>	<b>8 815</b>	

### 14 Fee and Commission Income and Expense

<i>(Unaudited)</i>	For the three months ended 31 March	
	2020	2019
<i>In millions of Russian Roubles</i>		
<b>Fee and commission income</b>		
Commission on cash and settlements transactions	2 066	2 387
Fees for sale of insurance contracts	1 442	1 130
Commission on banking cards	972	895
Commission on guarantees issued	339	403
Fees for currency control	78	69
Commission received from the Deposit Insurance Agency	4	32
Other	183	339
<b>Total fee and commission income</b>	<b>5 084</b>	<b>5 255</b>
<b>Fee and commission expense</b>		
Commission on settlement transactions	(609)	(441)
Commission on cash collection	(73)	(72)
Other	(59)	(48)
<b>Total fee and commission expense</b>	<b>(741)</b>	<b>(561)</b>
<b>Net fee and commission income</b>	<b>4 343</b>	<b>4 694</b>

**15 Gains less Losses from Non-banking Activities**

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	<b>For the three months ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
Sales of goods	1 673	1 373
Including:		
- sugar	1 049	338
- feed	198	158
- meat and dairy products	143	128
- grain (including storage and processing)	19	32
- other goods and services	264	717
Cost of goods sold	(1 580)	(1 111)
(Provision)/recovery of provision for impairment for trade receivables, prepayments and other financial assets	106	(79)
Net income from insurance operations	1 041	692
Other non-banking income	509	316
Other non-banking expenses	(1 137)	(706)
<b>Total gains less losses from non-banking activities</b>	<b>612</b>	<b>485</b>

Net income from insurance operations is as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	<b>For the three months ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
<b>Insurance premiums</b>		
Premium earned	4 756	2 138
Reinsurers share in premiums earned	(534)	(553)
<b>Net insurance premiums earned</b>	<b>4 222</b>	<b>1 585</b>
<b>Insurance benefits and claims</b>		
Net claims incurred during the period	(3 205)	(679)
Acquisition costs	(181)	(198)
Reinsurers share in claims incurred during the period	205	(16)
<b>Net insurance benefits and claims</b>	<b>(3 181)</b>	<b>(893)</b>
<b>Net income from insurance operations</b>	<b>1 041</b>	<b>692</b>

**16 Significant Risk Concentrations**

As at 31 March 2020, correspondent accounts and deposits with other banks with original maturities less than one month within cash and cash equivalents included no balances individually above 10% of the Group's equity (31 December 2019: correspondent accounts and deposits with other banks with original maturities less than one month within cash and cash equivalents included balances with two Russian banking groups with rating of the parent bank at Baa3 (Moody's) and two OECD banking groups with rating of the parent bank not lower than A3 (Moody's), individually above 10% of the Group's equity, in the amount of RR 241 319 million, or 60% of total cash and cash equivalents).

As at 31 March 2020, cash and cash equivalents included the balances with the Bank of Russia in the total amount of RR 466 928 million, or 81% of total cash and cash equivalents (31 December 2019: RR 74 594 million, or 18% of total cash and cash equivalents).

As at 31 March 2020, due from other banks included no balances individually above 10% of the Group's equity (31 December 2019: due from other banks included the balances with one Russian banking group with rating of the parent bank not lower than BBB- (S&P) individually above 10% of the Group's equity, in the amount of RR 24 714 million, or 49% of total due from other banks).

## **16 Significant Risk Concentrations (Continued)**

As at 31 March 2020, due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 45 351 million, or 47% of total due to other banks (31 December 2019: due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 45 280 million, or 41% of total due to other banks).

As at 31 March 2020 and 31 December 2019, due to other banks included no balances, individually above 10% of the Group's equity. As at 31 March 2020, due to other banks included the balances with two OECD banking groups with rating of the parent bank not lower than Aa3 (Moody's) and two Russian banking groups with rating of the parent bank not lower than ruBB+ (national rating) in aggregate above 10% of the Group's equity, in the amount of RR 19 937 million, or 21% of total due to other banks (31 December 2019: due to other banks included the balances with one OECD banking group with rating of the parent bank at A (S&P) and one Russian banking group with rating of the parent bank at BB+ (S&P) in aggregate above 10% of the Group's equity, in the amount of RR 25 860 million, or 24% of total due to other banks).

As at 31 March 2020, customer accounts included balances with seven customers each above 10% of the Group's equity (31 December 2019: balances with eight customers each above 10% of the Group's equity). The aggregate balance of these customers was RR 828 726 million, or 30% of total customer accounts (31 December 2019: RR 566 833 million, or 23% of total customer accounts).

## **17 Segment Analysis**

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Management Board has been identified as the CODM.

The Management Board of the Bank performs geographic analysis of the Bank's operations and therefore the Bank's regional branches have been designated as operating segments.

Taking into account the administrative-territorial division of Russia, federal districts of the Russian Federation have been designated as reportable segments.

The Management Board of the Bank assesses efficiency of operating segments based on a financial performance measure prepared from statutory accounting data.

The accounting policy of the operating segments is based on Russian Accounting Rules (RAR) and differs from policies described in the summary of significant accounting policies in the Group's last annual consolidated financial statements.

## 17 Segment Analysis (Continued)

Segment reporting of the Group's revenue and profit/(loss) for the three months ended 31 March 2020 and for the three months ended 31 March 2019 and segment reporting of the Group's assets and liabilities at 31 March 2020 and 31 December 2019 are as follows:

<i>In millions of Russian Roubles</i>	Head office	Central federal district	Far-Eastern federal district	Volga federal district	North-West federal district	North-Caucasian federal district	Siberian federal district	Ural federal district	Southern federal district	Total
<b>For the three months ended 31 March 2020 (unaudited)</b>										
<b>Revenue from external customers</b>	<b>18 561</b>	<b>14 859</b>	<b>2 318</b>	<b>7 688</b>	<b>4 071</b>	<b>2 142</b>	<b>3 417</b>	<b>1 523</b>	<b>7 521</b>	<b>62 100</b>
- Interest income from loans and advances to customers, due from other banks and other placed funds	18 117	13 384	1 947	6 710	3 656	1 781	2 788	1 353	6 919	56 655
- Net fee and commission income from credit related operations	444	1 475	371	978	415	361	629	170	602	5 445
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	(23 433)	17 463	13 153	(3 907)	650	(392)	(4 316)	(1 482)	5 529	3 265
Interest expenses from due to other banks, customer accounts and bonds issued	(18 458)	(8 694)	(1 132)	(4 503)	(2 926)	(793)	(2 382)	(1 157)	(1 509)	(41 554)
(Provision)/recovery of provision for impairment	1 481	(3 967)	(415)	(749)	(930)	(485)	223	(161)	225	(4 778)
Administrative and maintenance expense	(10 691)	(619)	(173)	(486)	(194)	(214)	(356)	(115)	(231)	(13 079)
- Including depreciation charge	(583)	(82)	(18)	(66)	(28)	(37)	(57)	(15)	(29)	(915)
Other expenses less other income*	(1 384)	27	(81)	(116)	(359)	(215)	(228)	3	(124)	(2 477)
Current income tax expense	(326)	-	-	-	-	-	-	-	-	(326)
<b>(Loss)/profit of reportable segments</b>	<b>(34 250)</b>	<b>19 069</b>	<b>13 670</b>	<b>(2 073)</b>	<b>312</b>	<b>43</b>	<b>(3 642)</b>	<b>(1 389)</b>	<b>11 411</b>	<b>3 151</b>
<b>Intersegment income/(expense)**</b>	<b>37 194</b>	<b>(17 470)</b>	<b>(13 504)</b>	<b>2 388</b>	<b>(1 017)</b>	<b>(670)</b>	<b>2 978</b>	<b>1 517</b>	<b>(11 416)</b>	<b>-</b>

\* Other expenses less other income include losses from disposal of loans under cession agreements.

\*\* Intersegment income and expense are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.



17 Segment Analysis (Continued)

<i>In millions of Russian Roubles</i>	Head office	Central federal district	Far-Eastern federal district	Volga federal district	North-West federal district	North-Caucasian federal district	Siberian federal district	Ural federal district	Southern federal district	Total
<b>For the three months ended 31 March 2019 (unaudited)</b>										
<b>Revenue from external customers</b>	<b>19 696</b>	<b>14 342</b>	<b>1 955</b>	<b>7 968</b>	<b>4 509</b>	<b>2 245</b>	<b>3 476</b>	<b>1 509</b>	<b>7 674</b>	<b>63 374</b>
- Interest income from loans and advances to customers, due from other banks and other placed funds	19 326	12 887	1 669	7 093	4 105	1 862	2 882	1 354	7 037	58 215
- Net fee and commission income from credit related operations	370	1 455	286	875	404	383	594	155	637	5 159
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	11 328	(6 609)	(1 373)	1 217	243	389	616	359	(2 572)	3 598
Interest expenses from due to other banks, customer accounts and bonds issued	(21 983)	(8 166)	(1 505)	(4 707)	(2 851)	(790)	(2 246)	(1 365)	(1 580)	(45 193)
Recovery of provision/(provision) for impairment*	3 044	(184)	186	2 984	(618)	(2 372)	(851)	(426)	(2 046)	(283)
Administrative and maintenance expense	(8 837)	(517)	(138)	(416)	(174)	(159)	(304)	(98)	(185)	(10 828)
- Including depreciation charge	(497)	(68)	(17)	(58)	(24)	(28)	(48)	(12)	(25)	(777)
Other expenses less other income*	(4 570)	132	(206)	86	-	163	(224)	14	89	(4 516)
Current income tax expense	(598)	-	-	-	-	-	-	-	-	(598)
<b>(Loss)/profit of reportable segments</b>	<b>(1 920)</b>	<b>(1 002)</b>	<b>(1 081)</b>	<b>7 132</b>	<b>1 109</b>	<b>(524)</b>	<b>467</b>	<b>(7)</b>	<b>1 380</b>	<b>5 554</b>
<b>Intersegment income/(expense)**</b>	<b>9 257</b>	<b>446</b>	<b>1 551</b>	<b>(3 603)</b>	<b>(729)</b>	<b>(1 967)</b>	<b>(1 738)</b>	<b>(247)</b>	<b>(2 970)</b>	<b>-</b>
<b>Total assets</b>										
31 March 2020 (unaudited)	2 291 602	1 171 248	155 115	505 161	276 341	146 259	225 040	99 881	378 993	5 249 640
31 December 2019	2 636 408	1 322 088	165 916	579 168	326 669	185 111	260 877	126 275	446 421	6 048 933
<b>Total liabilities</b>										
31 March 2020 (unaudited)	2 152 652	1 152 052	141 409	507 009	275 924	146 192	228 579	101 269	367 584	5 072 670
31 December 2019	2 462 709	1 321 962	165 883	578 943	326 565	185 088	260 775	126 275	446 415	5 874 615

\* Other expenses less other income include losses from disposal of loans under cession agreements.

\*\* Intersegment income and expense are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

## 17 Segment Analysis (Continued)

Reconciliation of profit of the reportable segments results is as follows:

<i>(Unaudited)</i>	<b>For the three months ended 31 March</b>	
<i>In millions of Russian Roubles</i>	<b>2020</b>	<b>2019</b>
<b>Total profit of reportable segments (after tax)</b>	<b>3 151</b>	<b>5 554</b>
Adjustments for impairment (ECL)	(4 373)	(3 107)
Results of non-reportable segments, including the effect of consolidation*	(604)	(7 819)
Accounting for financial instruments at fair value	(1 267)	644
Adjustment of deferred tax	430	3 699
Gains less losses from revaluation of other financial instruments at fair value through profit or loss	(1 219)	16
Adjustment of accrued staff costs	36	105
Reclassification of perpetual bonds to equity	4 510	1 043
Adjustments of financial assets and liabilities carried at amortised cost	220	333
Other	(266)	85
<b>The Group's profit under IFRS (after tax)</b>	<b>618</b>	<b>553</b>

\* Non-reportable segments are represented by subsidiaries of the Group.

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

- Adjustments for impairment arises mainly due to the different consolidation perimeter in the RAR and IFRS statements.
- Adjustments of derivative financial instruments to their fair value arise from the difference in the accounting treatment of currency swaps under RAR (which are the basis for management reporting) and IFRS reporting. Under RAR foreign exchange swaps are recognised as back-to-back deposits, whereas in IFRS financial statements such transactions are recognised at fair value. Refer to Note 19. Providing reconciliation, accounting for deals described above under RAR assumes also adjustments related to interest income/expense and total assets of reportable segments.
- Adjustments to fair value of financial assets including derivative financial assets (both at initial recognition and subsequent measurement) resulted from application of different valuation techniques and input data.
- Balances of intercompany settlements related to regional branches of the Bank are presented under RAR as assets and liabilities, while in IFRS such balances are shown on a net basis.
- Adjustments of deferred income tax expense and accrued staff costs arise from the timing difference in recognition of certain expenses (mainly related to bonuses paid after the end of the reporting period) under RAR compared to IFRS and regulatory requirements of tax-filing date.

All other adjustments also result from the differences between RAR (used as the basis for management reporting) and IFRS.

## 18 Contingencies and Commitments

**Legal proceedings.** From time to time in the normal course of business, claims against the Group are received. As at 31 March 2020, based on its own estimates and both internal and external professional advice the Group's management is of the opinion that no material losses will be incurred in respect of the claims in excess of the amounts already provided for in these interim condensed consolidated financial statements (31 December 2019: Group's management is of the opinion that no material losses will be incurred in respect of the claims in excess of the amounts already provided for in consolidated financial statements).

## 18 Contingencies and Commitments (Continued)

**Tax contingencies.** Certain provisions of Russian tax, currency and customs legislation as currently in effect are vaguely drafted which may often result in their different interpretation (which, inter alia, may apply retrospectively), inconsistent and selective application and frequent and unpredictable changes. Interpretation of this legislation by the Group in relation to the operations and activities of the Group may be challenged by the respective state authorities. The tax authorities may be taking a more assertive position in their interpretation of the applicable legislation, in carrying out tax audits and in making tax assessments. Consequently, the tax authorities may challenge transactions and tax accounting methods that have not been challenged in the past.

Fiscal periods remain open and subject to review by the tax authorities in course of the on-site tax audits for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

Russian transfer pricing legislation allows the Russian tax authority under certain circumstances to apply transfer pricing adjustments and impose additional profits tax and VAT liabilities in respect of all controlled transactions if the transaction price differs from the market level of prices determined for tax purposes and such deviation resulted in the underpayment of the tax to the revenue. The list of controlled transactions includes transactions performed with interdependent parties (with certain exceptions) and certain types of cross-border transactions. Special transfer pricing rules apply to transactions with securities, derivatives and interest.

During three months ended 31 March 2020, the Group determined its tax liabilities arising from the controlled transactions using actual transaction prices.

Due to the absence of the stable practice of the application of the Russian transfer pricing legislation, the Russian tax authorities may challenge the level of prices applied by the Russian companies of the Group for tax purposes under the “controlled” transactions and accrue additional tax liabilities in relation to such transactions, unless the Group is able to demonstrate that the respective transactions are arms’ length for tax purposes.

As at 31 March 2020, the Management of the Group believes that its interpretation of the applicable legislation is reasonable and will be sustained.

**Capital expenditure commitments.** As at 31 March 2020, the Group has contractual capital expenditure commitments of RR 1 744 million (31 December 2019: RR 1 950 million).

**Compliance with covenants.** The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including an increase of the borrowing costs and announcement of the default. The Group’s Management believes that the Group is in compliance with the covenants.

**Credit related commitments.** The primary purpose of these instruments is to ensure that funds are available to a customer as required. Financial guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

## 18 Contingencies and Commitments (Continued)

**Performance guarantees.** Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs.

Outstanding credit related commitments and performance guarantees are as follows:

<i>In millions of Russian Roubles</i>	<b>31 March 2020 (unaudited)</b>	<b>31 December 2019</b>
Undrawn credit lines	106 851	97 741
Letters of credit	2 523	2 529
Less: provisions for ECL	(561)	(508)
<b>Total credit related commitments</b>	<b>108 813</b>	<b>99 762</b>
Performance guarantees	119 129	101 820
Less: provision	-	-
<b>Total credit related commitments and performance guarantees</b>	<b>227 942</b>	<b>201 582</b>

An analysis of changes in the ECLs during the three months ended 31 March 2020 are, as follows:

<i>In millions of Russian Roubles</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECLs as at 1 January 2020</b>	<b>497</b>	<b>12</b>	<b>-</b>	<b>509</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(1)	(11)	12	-
Impact on period end ECL of exposures transferred between stages during the period (including expense on new issue and income from repayments)	64	(1)	(11)	<b>52</b>
<b>ECLs as at 31 March 2020</b>	<b>560</b>	<b>-</b>	<b>1</b>	<b>561</b>

An analysis of changes in the ECLs during the three months ended 31 March 2019 are, as follows:

<i>(Unaudited) In millions of Russian Roubles</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECLs as at 1 January 2019</b>	<b>654</b>	<b>2</b>	<b>-</b>	<b>656</b>
Transfers to Stage 1	1	(1)	-	-
Transfers to Stage 2	(4)	4	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period	(42)	(5)	-	<b>(47)</b>
<b>ECLs as at 31 March 2019</b>	<b>609</b>	<b>-</b>	<b>-</b>	<b>609</b>

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

## 18 Contingencies and Commitments (Continued)

Credit related commitments and performance guarantees are denominated in currencies as follows:

<i>In millions of Russian Roubles</i>	<b>31 March 2020 (unaudited)</b>	<b>31 December 2019</b>
Russian Roubles	216 161	189 500
Euros	3 721	5 411
US Dollars	8 060	6 671
<b>Total credit related commitments</b>	<b>227 942</b>	<b>201 582</b>

**Assets pledged and restricted.** The Group had the following assets pledged and restricted:

<i>In millions of Russian Roubles</i>	<b>31 March 2020 (unaudited)</b>	<b>31 December 2019</b>
Assets pledged under loan agreements with banks (including the Bank of Russia)	12 393	13 084

As at 31 March 2020, mandatory cash balances with the Bank of Russia in the amount of RR 22 774 million (31 December 2019: RR 22 334 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 31 March 2020 and 31 December 2019, assets pledged under loan agreements with banks (including the Bank of Russia) mainly include loans and advances to customers pledged to the Bank of Russia under loan agreements in accordance with the Bank of Russia Act # 4801-U *On the Forms and Conditions of Refinancing of Credit Institutions Secured by Assets* dated 22 May 2018.

## 19 Derivative Financial Instruments

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties. As a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms, derivative financial instruments are recognized as assets (in case of positive fair value) or liabilities (in case of negative fair value).

As at 31 March 2020, in the aggregate amount of foreign exchange swaps with original settlement dates of more than 30 working days exists swaps structured as loans issued by the Group in Japanese yens (31 December 2019: in Japanese yens) to one large OECD bank with maturities from March 2023 to May 2023, and deposits in Russian Roubles received from the same counterparties with the same maturities ("back-to-back loans").

**19 Derivative Financial Instruments (Continued)**

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 March 2020 and covers the contracts with settlement dates after the respective end of the reporting period:

<i>In millions of Russian Roubles</i>	<b>Principal or agreed amount at fair value of assets receivable</b>	<b>Principal or agreed amount at fair value of assets payable</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
<b>Forwards and swaps</b>				
- Currency	226 971	(215 912)	14 565	(3 510)
- Securities	123 821	(117 201)	9 308	(2 688)
- Precious metals	2 353	(2 381)	-	(28)
- Interest rate	8 218	(8 354)	677	(813)
- Currency-interest rate	25 116	(26 059)	1 561	(2 504)
<b>Options</b>	49	(50)	-	(1)
<b>Total derivative financial instruments</b>	<b>386 528</b>	<b>(369 957)</b>	<b>26 111</b>	<b>(9 544)</b>

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 December 2019 and covers the contracts with settlement dates after the respective end of the reporting period:

<i>In millions of Russian Roubles</i>	<b>Principal or agreed amount at fair value of assets receivable</b>	<b>Principal or agreed amount at fair value of assets payable</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
<b>Forwards and swaps</b>				
- Currency	205 718	(199 746)	6 949	(977)
- Securities	134 271	(127 728)	8 974	(2 337)
- Precious metals	1 097	(1 097)	-	-
- Interest rate	5 277	(5 180)	942	(845)
- Currency-interest rate	26 335	(25 558)	1 400	(623)
<b>Total derivative financial instruments</b>	<b>372 698</b>	<b>(359 309)</b>	<b>18 265</b>	<b>(4 782)</b>

As at 31 March 2020 and 31 December 2019, the Group had no foreign exchange swaps with fair value individually above 10% of the Group's equity.

Refer to Note 20 for the disclosure of fair value hierarchy for derivative financial instruments. The information on related party transactions is disclosed in Note 21.

## 20 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

**Financial instruments carried at fair value.** Trading securities, investment securities at fair value through other comprehensive income, and related trading and investment securities pledged under repurchase agreements are carried on the interim consolidated statement of financial position at their fair value based on quoted market prices and valuation techniques with all material inputs observable.

Financial instruments at fair value through profit or loss and derivative financial instruments are carried on the interim consolidated statement of financial position at their fair value based on valuation technique with inputs observable in markets. Derivative financial instruments are measured at fair value as assets when fair value is positive and as liabilities when fair value is negative. The Group uses discounted cash flow techniques with observable market data inputs as offshore and onshore yield curves, as well as market data, reflecting the distribution of the probability of default over time.

Certain loans to customers did not meet the SPPI criterion. Therefore, these loans are classified by the Group as financial assets at FVTPL.

The Group determines the fair value in relation to securities that are not traded in an active market as a price of a security, which can be determined taking into account the specific conditions of the transaction, the circulation characteristics of the security and other indicators, information about which may serve as a basis for such a calculation, including the involvement of an independent appraiser to assess the fair value.

**Cash and cash equivalents** are carried at amortised cost which approximates current fair value.

**Loans and receivables.** The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate bearing placements is based on discounted cash flows using current market interest rates for instruments with similar credit risk and similar maturity.

Loans at fair value through profit or loss are valued using a combination of approaches. Where appropriate, loans are valued with reference to observable prices of debt securities issued by the borrower or by comparable entities. In other cases, valuation is performed using internal models based on present value techniques or, in some circumstances (for example, in respect of cash flow from assets held as collateral), external valuation reports. The non-observable inputs to the models include adjustments for credit, market and liquidity risks associated with the expected cash flows from the borrower's operations or in respect of collateral valuation.

**Investment securities carried at amortised cost.** The fair value for investment securities carried at amortised cost is based on quoted market prices and valuation techniques with all material inputs observable.

**Liabilities carried at amortised cost.** The fair value of bonds issued is based on market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and similar remaining maturity.

## 20 Fair Value of Financial Instruments (Continued)

### (a) Fair value of financial instruments carried at amortised cost and at fair value

<i>In millions of Russian Roubles</i>	31 March 2020 (unaudited)		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets carried at amortised cost</b>				
Cash and cash equivalents	574 363	574 363	403 564	403 564
Mandatory cash balances with the Bank of Russia	22 774	22 774	22 334	22 334
Due from other banks	36 936	34 095	50 543	47 079
Loans and advances to customers				
- Loans to corporates	1 752 714	1 765 482	1 650 485	1 656 182
- Lending for food interventions	19 051	19 051	18 838	18 838
- Loans to individuals	443 588	430 639	439 792	432 753
Investment securities				
- Corporate bonds	37 134	37 371	42 454	42 991
- Municipal and subfederal bonds	9 785	10 008	10 793	11 349
- Federal Loan bonds (OFZ)	6 658	6 664	4 824	4 905
- Corporate Eurobonds	1 218	1 218	895	895
Other financial assets	10 378	10 378	9 109	9 109
<b>Total financial assets carried at amortised cost</b>	<b>2 914 599</b>	<b>2 912 043</b>	<b>2 653 631</b>	<b>2 649 999</b>
Financial assets carried at fair value	506 502	506 502	469 367	469 367
<b>Total financial assets</b>	<b>3 421 101</b>	<b>3 418 545</b>	<b>3 122 998</b>	<b>3 119 366</b>
<b>Financial liabilities carried at amortised cost</b>				
Due to other banks				
- Term borrowings from other banks	23 026	24 426	51 977	53 920
- Term borrowings from the Bank of Russia	45 351	44 853	45 280	44 956
- Correspondent accounts and overnight placements of other banks	28 365	28 365	12 262	12 262
Customer accounts				
- State and public organisations	643 047	643 178	383 135	383 448
- Other legal entities	882 370	884 477	911 538	913 744
- Individuals	1 243 106	1 260 377	1 191 435	1 202 026
Promissory notes issued	62 609	62 609	47 358	47 358
Bonds issued				
- Bonds issued on domestic market	172 070	178 687	174 954	186 861
Other financial liabilities	19 586	19 586	23 436	23 436
<b>Total financial liabilities carried at amortised cost before subordinated debts</b>	<b>3 119 530</b>	<b>3 146 558</b>	<b>2 841 375</b>	<b>2 868 011</b>
Subordinated debts	157 381	162 624	134 089	143 171
<b>Total financial liabilities carried at amortised cost</b>	<b>3 276 911</b>	<b>3 309 182</b>	<b>2 975 464</b>	<b>3 011 182</b>
Financial liabilities carried at fair value	9 544	9 544	4 782	4 782
<b>Total financial liabilities</b>	<b>3 286 455</b>	<b>3 318 726</b>	<b>2 980 246</b>	<b>3 015 964</b>



## 20 Fair Value of Financial Instruments (Continued)

### (b) Analysis by fair value hierarchy of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- (i) Level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- (iii) Level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

**Fair value hierarchy.** For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Analysis of financial and non-financial instruments as at 31 March 2020 is as follows:

<i>(Unaudited)</i> In millions of Russian Roubles	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with non- observable inputs (Level 3)	Total
<b>Assets measured at fair value</b>				
Trading securities	20 937	512	-	21 449
Investment securities	329 284	65 170	128	394 582
Derivative financial instruments	-	26 111	-	26 111
Loans to customers at fair value through profit or loss	-	-	64 360	64 360
Office premises	-	-	27 000	27 000
Other non-financial assets	137	-	-	137
<b>Assets for which fair values are disclosed</b>				
Cash and cash equivalents	-	574 363	-	574 363
Mandatory cash balances with the Bank of Russia	-	-	22 774	22 774
Due from other banks	-	34 095	-	34 095
Loans and advances to customers	-	-	2 215 172	2 215 172
Investment securities	47 603	7 658	-	55 261
Other financial assets	-	-	10 378	10 378
<b>Total financial and non-financial assets</b>	<b>397 961</b>	<b>707 909</b>	<b>2 339 812</b>	<b>3 445 682</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	9 544	-	9 544
<b>Liabilities for which fair values are disclosed</b>				
Due to other banks	-	97 644	-	97 644
Customer accounts	-	-	2 788 032	2 788 032
Promissory notes issued	-	-	62 609	62 609
Bonds issued				
- Bonds issued on domestic market	144 451	34 236	-	178 687
Other financial liabilities	-	-	19 586	19 586
<b>Total financial liabilities before subordinated debts</b>	<b>144 451</b>	<b>141 424</b>	<b>2 870 227</b>	<b>3 156 102</b>
Subordinated debts	28 630	133 994	-	162 624
<b>Total financial liabilities</b>	<b>173 081</b>	<b>275 418</b>	<b>2 870 227</b>	<b>3 318 726</b>

## 20 Fair Value of Financial Instruments (Continued)

Analysis of financial and non-financial instruments as at 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with non- observable inputs (Level 3)	Total
<b>Assets measured at fair value</b>				
Trading securities	21 974	-	-	21 974
Investment securities	321 329	51 880	128	373 337
Derivative financial instruments	-	18 265	-	18 265
Loans to customers at fair value through profit or loss	-	-	55 791	55 791
Office premises	-	-	27 349	27 349
Other non-financial assets	118	-	-	118
<b>Assets for which fair values are disclosed</b>				
Cash and cash equivalents	-	403 564	-	403 564
Mandatory cash balances with the Bank of Russia	-	-	22 334	22 334
Due from other banks	-	47 079	-	47 079
Loans and advances to customers	-	-	2 107 773	2 107 773
Investment securities	52 765	7 375	-	60 140
Other financial assets	-	-	9 109	9 109
<b>Total financial and non-financial assets</b>	<b>396 186</b>	<b>528 163</b>	<b>2 222 484</b>	<b>3 146 833</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	4 782	-	4 782
<b>Liabilities for which fair values are disclosed</b>				
Due to other banks	-	111 138	-	111 138
Customer accounts	-	-	2 499 218	2 499 218
Promissory notes issued	-	-	47 358	47 358
Bonds issued				
- Bonds issued on domestic market	142 322	44 539	-	186 861
Other financial liabilities	-	-	23 436	23 436
<b>Total financial liabilities before subordinated debts</b>	<b>142 322</b>	<b>160 459</b>	<b>2 570 012</b>	<b>2 872 793</b>
Subordinated debts	27 354	115 817	-	143 171
<b>Total financial liabilities</b>	<b>169 676</b>	<b>276 276</b>	<b>2 570 012</b>	<b>3 015 964</b>

## 20 Fair Value of Financial Instruments (Continued)

The following table show a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value:

<i>In millions of Russian Roubles</i>	At 31 December 2019	Total gains	New assets recognised	Assets derecognised	At 31 March 2020 (unaudited)
<b>Financial assets</b>					
Loans to customers at fair value through profit or loss	55 791	26	9 373	(830)	64 360
Investment securities at fair value through profit or loss	128	-	-	-	128
<b>Total level 3 financial assets</b>	<b>55 919</b>	<b>26</b>	<b>9 373</b>	<b>(830)</b>	<b>64 488</b>

<i>In millions of Russian Roubles</i>	At 31 December 2018	Total losses	New assets recognised	Assets derecognised	At 31 March 2019 (unaudited)
<b>Financial assets</b>					
Loans to customers at fair value through profit or loss	25 021	(436)	3 077	(688)	26 974
Investment securities at fair value through profit or loss	2 383	-	13	-	2 396
<b>Total level 3 financial assets</b>	<b>27 404</b>	<b>(436)</b>	<b>3 090</b>	<b>(688)</b>	<b>29 370</b>

Gains or losses on Level 3 financial assets included in the profit or loss for the period comprise:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	For the three months ended 31 March 2020			For the three months ended 31 March 2019		
	Realised gains/ (losses)	Unrealised gains/ (losses)	Total	Realised gains/ (losses)	Unrealised gains/ (losses)	Total
Total gains/(losses) included in the profit or loss for the period*	602	(576)	26	429	(865)	(436)

\* Gains/(losses) are recorded for Interest income and Gains less losses/(losses net of gains) from financial instruments and loans to customers at fair value through profit or loss.

### *Loans at fair value through profit or loss*

The Group determines the fair value of loans based on discounted cash flow models taking into account the borrower's credit risk. The models use a number of unobservable input market data, the main ones being the discount rate and credit spread.

As of 31 March 2020, if the discount rate used by the Group in the model increases/decreases by 1%, the book value of loans will decrease by RR 1 945 million / increase by RR 2 080 million (31 December 2019: decrease by RR 1 845 million / increase by RR 1 796 million). The discount rates used are in range from 3.78% to 10.85% (31 December 2019: from 4.78% to 20.21%).

### *Investment securities at fair value through profit or loss*

Investment securities at fair value through profit or loss include unquoted equity securities at fair value through an independent appraiser. The estimation was based on the income approach using the discounted dividend method, which includes the forecast and post-forecast period of activity. Forecasting was based on the analysis of the structure of financial investments, the company's strategy for working with clients, assumptions on the forecast of changes in the future of reserves, income from investing funds, the company's own funds. When calculating the total market value of securities, a discount for lack of liquidity was applied expertly.

## 20 Fair Value of Financial Instruments (Continued)

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during three months ended 31 March 2020:

<i>(Unaudited)</i> In millions of Russian Roubles	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
<b>Financial assets</b>		
Investment securities at fair value through other comprehensive income	7 339	4 247
<b>Total transfers of financial assets</b>	<b>7 339</b>	<b>4 247</b>

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during 2019:

In millions of Russian Roubles	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
<b>Financial assets</b>		
Trading securities	-	1 818
Investment securities at fair value through other comprehensive income	1 308	3 585
<b>Total transfers of financial assets</b>	<b>1 308</b>	<b>5 403</b>

Financial instruments are transferred from Level 2 to Level 1 of the fair value hierarchy when they become traded in active markets and fair value can be determined based on quoted prices in active markets.

Financial instruments are transferred from Level 1 to Level 2 when they ceased to be traded in active markets. The liquidity on the market is not sufficient to use market prices for valuation and as a result fair value is determined using valuation techniques with all material inputs observable.

There were no other transfers between levels of the fair value hierarchy during three months ended 31 March 2020 and during the year ended 31 December 2019.

The following table shows the quantitative information as at 31 March 2020 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

Assets	Fair value, in millions of Russian Roubles	Valuation technique	Input	Inputs used	
				Min	Max
Office premises (based on valuation at 31 December 2018, fair value of new objects acquired in 2019 and 2020 equals to current value)	27 000	Comparative method	Trade discount	6.0%	21.0%

The following table shows the quantitative information as at 31 December 2019 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

Assets	Fair value, in millions of Russian Roubles	Valuation technique	Input	Inputs used	
				Min	Max
Office premises (based on valuation at 31 December 2018, fair value of new objects acquired in 2019 equals to current value)	27 349	Comparative method	Trade discount	6.0%	21.0%

## 21 Related Party Transactions

For the purposes of these interim condensed 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 or operational decisions. The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property, the Ministry of Finance of the Russian Federation and The State Corporation "Deposit Insurance Agency". Refer to Note 1.

In these interim condensed consolidated financial statements, significant balances and transactions with the state-controlled entities and parties that are related to such entities and balances and transactions with related parties represented by key management and their family members are disclosed.

The outstanding balances with related parties were as follows:

<i>In millions of Russian Roubles</i>	<b>31 March 2020 (unaudited)</b>	<b>31 December 2019</b>
<b>Cash and cash equivalents</b>		
Bank of Russia	466 927	74 594
Other banks	10 852	164 677
<b>Loans and advances to customers</b>		
Loans and advances to customers (before impairment)	253 049	254 740
Key management and their family members	17	7
Less: allowance for impairment	(14 766)	(14 743)
Derivative financial instruments — assets	10 850	9 797
<b>Securities</b>		
Securities issued by Russian Federation	215 721	231 086
Securities of entities and banks	122 005	101 903
Less: allowance for impairment	(246)	(82)
Due from other banks	20 055	32 630
<b>Other assets</b>		
State Corporation Deposit Insurance Agency	15	327
<b>Customer accounts</b>		
Entities	931 073	652 521
Key management and their family members	4 112	4 224
<b>Due to other banks</b>		
Bank of Russia	45 351	45 280
Other banks	29 460	14 491
Derivative financial instruments — liabilities	1 566	408
Subordinated debts	91 249	71 803
<b>Credit related commitments</b>		
Undrawn credit lines	6 553	4 017
Performance guarantees	10 189	10 805
Less: provision for impairment	(19)	(20)
Financial guarantees received	20 056	21 072

## 21 Related Party Transactions (Continued)

The income and expense items with related parties were as follows:

<i>(Unaudited)</i> In millions of Russian Roubles	For the three months ended 31 March	
	2020	2019
<b>Interest income on cash and cash equivalents</b>		
Bank of Russia	1 697	1 419
Other banks	494	354
Interest income on due from other banks	338	664
Interest income on loans and advances to customers	3 998	3 858
<b>Interest income on securities</b>		
Securities issued by Russian Federation	4 437	5 622
Securities of entities and banks	1 832	4 406
<b>Gains less losses from securities</b>		
Securities issued by Russian Federation	430	(202)
Securities of entities and banks	164	(137)
<b>Fee and commission income</b>		
Commission received from the Deposit Insurance Agency	4	32
(Losses net of gains)/gains less losses from derivative financial instruments	(5 697)	6 702
<b>Interest expense on customer accounts</b>		
Entities	(8 805)	(13 584)
Key management and their family members	(83)	(39)
Interest expense on subordinated debts	(965)	(1 232)
<b>Interest expense on due to other banks</b>		
Bank of Russia	(964)	(1 013)
Other banks	(127)	(205)
<b>Administrative and other operating expenses</b>		
Payments to the Deposit Insurance Fund	(2 123)	(1 836)

During three months ended 31 March 2020, transactions with the shareholder included taxes paid and subsidies received under the government programs to subsidize lending.

Key management of the Group represents members of the Supervisory Board, the Management Board and Chief Accountant of the Bank. For the three months ended 31 March 2020 total remuneration of the key management amounted to RR 221 million (for the three months ended 31 March 2019: RR 104 million). Total remuneration of the key management includes salaries, discretionary bonuses and other short-term benefits.

## 22 Events after the End of the Reporting Period

In April 2020, the Group redeemed at the maturity date bonds denominated in Russian Roubles issued on the domestic market with a total nominal value of RR 10 000 million.

In April 2020, the Group repurchased bonds denominated in RR issued on the domestic market in the amount of RR 1 922 million at the put option date.