

Report on Review of Interim Financial Information
***Joint stock company Russian Agricultural Bank
and its subsidiaries***
for the nine-month period ended 30 September 2019

November 2019

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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 30 September 2019, the interim consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine-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

19 November 2019

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 per., 3.

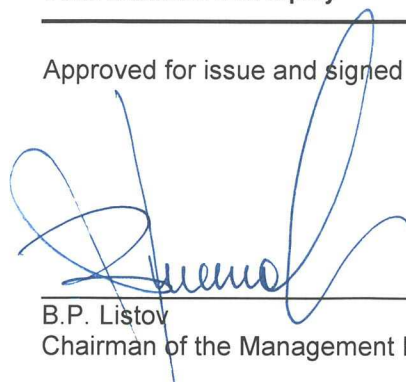
Details of the auditor

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 nab., 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

Russian Agricultural Bank Group
Interim Consolidated Statement of Financial Position
as at 30 September 2019

<i>In millions of Russian Roubles</i>	Note	30 September 2019 (unaudited)	31 December 2018
Assets			
Cash and cash equivalents		317 498	390 585
Mandatory cash balances with the Bank of Russia		22 936	20 651
Trading securities	5	22 365	19 226
Due from other banks		44 812	38 717
Derivative financial instruments	19	17 640	17 767
Loans and advances to customers	6	2 123 593	1 957 767
Investment securities	7	435 650	532 185
Investment securities pledged under repurchase agreements	7	10 604	40 264
Current income tax assets		692	573
Deferred income tax asset		16 298	16 298
Intangible assets		6 409	6 113
Premises, equipment and right-of-use assets		47 594	50 186
Other assets		23 821	23 810
Assets classified as held for sale		1 081	640
Total assets		3 090 993	3 114 782
Liabilities			
Derivative financial instruments	19	3 764	9 213
Due to other banks	8	74 681	171 530
Customer accounts	9	2 434 116	2 421 051
Promissory notes issued		44 784	42 341
Bonds issued	10	172 881	142 609
Current income tax liability		526	89
Deferred income tax liability		1 545	1 658
Other liabilities		45 781	27 291
Total liabilities before subordinated debts		2 778 078	2 815 782
Subordinated debts		140 109	147 279
Total liabilities		2 918 187	2 963 061
Equity			
Share capital		425 598	410 598
Perpetual bonds	11	38 123	38 376
Revaluation reserve for premises		2 867	2 890
Revaluation reserve for investment securities at fair value through other comprehensive income		3 466	(3 769)
Accumulated loss		(297 171)	(298 074)
Equity attributable to the Bank's shareholder		172 883	150 021
Non-controlling interest		(77)	1 700
Total equity		172 806	151 721
Total liabilities and equity		3 090 993	3 114 782

Approved for issue and signed on behalf of the Management Board on 19 November 2019.



B.P. Listov
Chairman of the Management Board




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

The notes set out on pages 9 to 44 form an integral part of these interim condensed consolidated financial statements.

Russian Agricultural Bank Group
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2019

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Note	For the nine months ended 30 September		For the three months ended 30 September	
		2019	2018	2019	2018
Interest income at effective interest rate	12	182 179	173 956	61 381	56 433
Other interest income	12	3 601	2 505	1 297	889
Interest expense at effective interest rate	12	(131 373)	(121 454)	(42 452)	(39 256)
Net interest income		54 407	55 007	20 226	18 066
Credit loss expense	13	(27 888)	(42 593)	(13 224)	(19 348)
Net interest income after credit loss expense		26 519	12 414	7 002	(1 282)
Fee and commission income	14	17 872	18 246	6 379	6 918
Fee and commission expense	14	(1 956)	(2 261)	(738)	(850)
Gains less losses/(losses net of gains) from trading securities		525	(426)	265	(303)
Gains less losses from financial instruments and loans to customers at fair value through profit or loss		556	707	743	684
Gains less losses/(losses net of gains) from investment securities at fair value through other comprehensive income		153	2 025	951	(191)
Foreign exchange translation (losses net of gains)/gains less losses		(10 623)	(17 873)	639	(3 067)
Gains less losses/(losses net of gains) from derivative financial instruments		16 108	16 415	(282)	1 951
Gains less losses from dealing in foreign currencies		2 427	4 829	693	2 790
Gains from non-banking activities		11 629	8 893	4 752	4 085
Losses from non-banking activities		(10 687)	(8 281)	(3 941)	(4 762)
Other operating income/(expense)		924	(1 706)	537	(1 184)
Administrative and other operating expenses		(46 085)	(37 176)	(15 593)	(12 549)
Profit/(loss) before tax		7 362	(4 194)	1 407	(7 760)
Income tax expense		(3 060)	(5 383)	(719)	(2 032)
Profit/(loss) for the period		4 302	(9 577)	688	(9 792)
Profit/(loss) is attributable to:					
Shareholder of the Bank		4 276	(9 498)	691	(9 796)
Non-controlling interest		26	(79)	(3)	4
Profit/(loss) for the period		4 302	(9 577)	688	(9 792)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Debt securities at fair value through other comprehensive income:					
- Net gains/(losses) on debt securities at fair value through other comprehensive income		10 075	(5 551)	4 864	(5 296)
- Realised revaluation reserve on debt securities (at disposal)		(153)	(2 025)	(951)	191
- Changes in allowance for for expected credit losses of debt securities at fair value through other comprehensive income		(879)	476	(352)	506
Income tax		(1 808)	1 515	(707)	1 050
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax		7 235	(5 585)	2 854	(3 549)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
- Revaluation of premises		3	-	3	-
- Net gains on equity securities at fair value through other comprehensive income		24	-	-	-
Income tax		(1)	-	(1)	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		26	-	2	-
Total other comprehensive income/(loss)		7 261	(5 585)	2 856	(3 549)
Total comprehensive income/(loss) for the period		11 563	(15 162)	3 544	(13 341)
Total comprehensive income/(loss) for the period is attributable to:					
Shareholder of the Bank		11 537	(15 083)	3 547	(13 345)
Non-controlling interest		26	(79)	(3)	4
Total other comprehensive income/(loss) for the period		11 563	(15 162)	3 544	(13 341)

The notes set out on pages 9 to 44 form an integral part of these interim condensed consolidated financial statements.

Russian Agricultural Bank Group
Interim Consolidated Statement of Changes in Equity
for the nine months ended 30 September 2019

<i>In millions of Russian Roubles</i>	Note	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		
Balance at 31 December 2017		385 598	15 000	1 052	3 001	(214 214)	190 437	(21)	190 416
Impact of adopting IFRS 9		-	-	-	924	(84 138)	(83 214)	-	(83 214)
Restated opening balance under IFRS 9		385 598	15 000	1 052	3 925	(298 352)	107 223	(21)	107 202
Loss for the period, net of tax		-	-	-	-	(9 498)	(9 498)	(79)	(9 577)
Other comprehensive loss for the period, net of tax		-	-	-	(5 585)	-	(5 585)	-	(5 585)
Total comprehensive loss for the period, net of tax		-	-	-	(5 585)	(9 498)	(15 083)	(79)	(15 162)
Share issue		5 000	-	-	-	-	5 000	-	5 000
Depreciation of revaluation reserve for premises		-	-	(33)	-	33	-	-	-
Dividends paid		-	-	-	-	(884)	(884)	-	(884)
Perpetual bonds issue		-	15 000	-	-	-	15 000	-	15 000
Perpetual bonds buy back		-	(98)	-	-	-	(98)	-	(98)
Coupon paid and due under perpetual bonds		-	-	-	-	(1 481)	(1 481)	-	(1 481)
Transaction costs on perpetual bonds issue		-	-	-	-	(228)	(228)	-	(228)
Tax effect recognized on perpetual bonds		-	-	-	-	342	342	-	342
Balance at 30 September 2018 (unaudited)		390 598	29 902	1 019	(1 660)	(310 068)	109 791	(100)	109 691
Balance at 31 December 2018		410 598	38 376	2 890	(3 769)	(298 074)	150 021	1 700	151 721
Profit for the period, net of tax		-	-	-	-	4 276	4 276	26	4 302
Other comprehensive loss for the period, net of tax		-	-	2	7 259	-	7 261	-	7 261
Total comprehensive income for the period, net of tax		-	-	2	7 259	4 276	11 537	26	11 563
Share issue		15 000	-	-	-	-	15 000	-	15 000
Disposal of subsidiaries	22	-	-	-	-	-	-	(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		-	-	(25)	-	25	-	-	-
Foreign exchange translation of perpetual bonds		-	(253)	-	-	253	-	-	-
Dividends paid		-	-	-	-	(1 126)	(1 126)	-	(1 126)
Coupon paid and due under perpetual bonds	11	-	-	-	-	(2 549)	(2 549)	-	(2 549)
Balance at 30 September 2019 (unaudited)		425 598	38 123	2 867	3 466	(297 171)	172 883	(77)	172 806

The notes set out on pages 9 to 44 form an integral part of these interim condensed consolidated financial statements.

Russian Agricultural Bank Group
Interim Consolidated Statement of Cash Flows
for the nine months ended 30 September 2019

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Note	For the nine months ended 30 September	
		2019	2018
Cash flows from operating activities			
Interest received		184 126	174 402
Interest paid		(117 945)	(125 056)
(Expenses incurred)/income received from trading in securities and financial instruments at fair value through profit or loss		(301)	1 784
Income received from derivative financial instruments		11 738	55 934
Income received from dealing in foreign currencies		2 426	4 861
Fees and commissions received		17 848	18 161
Fees and commissions paid		(1 956)	(2 261)
Other operating income received		1 310	1 413
Net income received from insurance operations		6 402	3 914
Income received from non-banking activities		3 783	4 180
Losses incurred from non-banking activities		(4 628)	(3 673)
Administrative and other operating expenses paid		(40 895)	(34 324)
Income tax paid		(3 434)	(3 120)
Cash flows from operating activities before changes in operating assets and liabilities		58 474	96 215
Changes in operating assets and liabilities			
<i>Net (increase)/decrease in operating assets</i>			
Mandatory cash balances with the Bank of Russia		(2 286)	(3 236)
Trading securities		(2 513)	(2 047)
Financial instruments at fair value through profit or loss		-	(101)
Due from other banks		2 854	(47)
Loans and advances to customers		(222 641)	(231 175)
Other assets		(437)	4 211
<i>Net increase/(decrease) in operating liabilities</i>			
Due to other banks		(93 804)	87 111
Customer accounts		27 144	(6 621)
Promissory notes issued		2 735	(4 139)
Bonds issued		3 359	-
Other liabilities		4 588	(2 080)
Net cash used in operating activities		(222 527)	(61 909)
Cash flows from investing activities			
Acquisition of premises and equipment		(338)	(5 197)
Proceeds from disposal of premises and equipment		391	415
Acquisition of intangible assets		(1 721)	(2 689)
Acquisition of investment securities at FVTPL		427	-
Acquisition of investment securities at FVTPL (mandatory)		(13 817)	-
Acquisition of investment securities at FVOCI		(322 767)	(546 640)
Proceeds from redemption and sales of investment securities at FVOCI		468 761	387 208
Acquisition of investment securities at amortised cost		(11 218)	(1 816)
Proceeds from redemption of investment securities at amortised cost		6 193	9 289
Dividends received		28	12
Net cash from/(used in) investing activities		125 939	(159 418)
Cash flows from financing activities			
Dividends paid		(1 126)	(884)
Amounts paid on perpetual bonds	11	(2 871)	(1 801)
Buy back of subordinated debt		(1 254)	(4 236)
Proceeds from bonds issued		20 000	24 810
Buy back of bonds issued at or prior to put option date		(5 736)	(36 022)
Buy back of Eurobonds issued		-	(11 332)
Proceeds from sale of previously bought back bonds issued on domestic market		10 502	40
Proceeds from sale of previously bought back Eurobonds issued		-	37 026
Repayment of bonds and Eurobonds issued		-	(151 722)
Issue of ordinary shares		15 000	5 000
Proceeds from sale of previously bought back subordinated debts		-	92
Perpetual bonds issue less transaction costs		-	14 772
Buy back of perpetual bonds issued		-	(98)
Proceeds from sale of non-controlling interests in consolidated mutual funds		38	21
Payments on disposal of non-controlling interests in consolidated mutual funds		(27)	(18)
Net cash from/(used in) financing activities		34 526	(124 352)
Effect of exchange rate changes on cash and cash equivalents		(11 030)	15 366
Effect of expected credit losses on cash and cash equivalents		5	-
Net decrease in cash and cash equivalents		(73 087)	(330 313)
Cash and cash equivalents at the beginning of the period		390 585	586 437
Cash and cash equivalents at the end of the period		317 498	256 124

The notes set out on pages 9 to 44 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 nine months ended 30 September 2019 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 (77.92% from total share capital (31 December 2018: 77.11% from total share capital)), the Ministry of Finance of the Russian Federation which holds the Bank's issued and outstanding preference shares (5.88% from total share capital (31 December 2018: 6.1% from total share capital)) and the State Corporation "Deposit Insurance Agency" which holds the Bank's issued and outstanding preference shares (16.2% from total share capital (31 December 2018: 16.79% 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. Societe Anonyme (Luxembourg) (structured entity incorporated for Eurobonds issue for the Bank), "RSHB Asset Management" Limited Liability Company (ownership interest of the Bank is 100%) and 36 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. Starting 2019, the same guaranties extend to deposits of legal entities referred to "small entities" as it stated in legislation of the Russian Federation.

The Bank has 66 (31 December 2018: 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 30 September 2019 was 30 614 (31 December 2018: 29 862).

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. The stability of oil prices, low unemployment and wage growth contributed to moderate economic growth in the reporting period. 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.

2 Operating Environment of the Group (Continued)

During the nine months ended 30 September 2019, the following were the key changes in selected macro-economic indicators:

- The Bank of Russia exchange rate appreciated from RR 69.4706 to RR 64.4156 per US Dollar;
- The Bank of Russia key rate decreased from 7.75% p.a. to 7.00% p.a.;
- The RTS stock exchange index increased from 1 068.7 to 1 333.9.

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 2018, 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 30 September 2019 the principal rates of exchange used for translating foreign currency balances were USD 1 = RR 64.4156 (31 December 2018: USD 1 = RR 69.4706), EUR 1 = RR 70.3161 (31 December 2018: EUR 1 = RR 79.4605).

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 2018, except for the changes introduced due to implementation of new and/or revised standards and interpretations as at 1 January 2019 or as at the date indicated, noted below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 Leases. IFRS 16 was issued in January 2016 and it replaced IAS 17 *Leases*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee should recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees should also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group decided that it will apply the standard using the modified retrospective method, without restatement of comparatives.

The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The adoption of IFRS 16 led to recognition of right-of-use assets in the amount of RR 5.5 billion reflected in Consolidated Statement of Financial Position in line "Premises, equipment and right-of-use assets" and respective lease liability in the equal amount reflected in line "Other liabilities" starting 1 January 2019.

3 Summary of Significant Accounting Policies (Continued)

A reconciliation of the operating lease commitments to the liability under IFRS 16 is as follows.

(Unaudited)

In millions of Russian Roubles

1 January 2019

Lease payments under operating lease	8 664
Adjustments to amount of lease payable:	
Recognition exemption: short-term leases	(261)
Recognition exemption: the underlying asset is of low value	(314)
Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	1 874
Future lease payments under IFRS 16	9 963
Effect of discounting	(4 443)
Lease liability under IFRS 16	5 520

Weighted average incremental borrowing rate as at 1 January 2019 amounted to 8.91%.

IFRS 15 Revenue from Contracts with Customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. However, the standard does not apply to revenue associated with financial instruments and leases, and therefore, does not impact the majority of the Group's revenue including interest revenue, gains/(losses) on operations with securities, lease income which are covered by IFRS 9 *Financial Instruments* and IFRS 16 *Leases*.

IFRIC 23 Uncertainty over Income Tax Treatment (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019). The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Interpretation also addresses the assumptions an entity makes about the examination of tax treatments by taxation authorities, as well as how it considers changes in facts and circumstances.

Amendments to IFRS 9 — Prepayment Features with Negative Compensation. Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014 amended in December 2015; effective date is not set). The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary is recognised only to the extent of unrelated investors' interests in that former subsidiary. The Group does not expect a material effect from application of these amendments.

3 Summary of Significant Accounting Policies (Continued)

Amendments to IAS 19 — Plan Amendment, Curtailment or Settlement. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28 — Long-term interests in associates and joint ventures. The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

Annual improvements 2015-2017 cycle (issued in December 2017)

IFRS 3 Business Combinations. The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 Joint Arrangements. A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

3 Summary of Significant Accounting Policies (Continued)

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. Prior to the application of the amendments described above the Group presented current income tax incurred in regard of coupon paid on its perpetual subordinated bonds classified as equity in accordance with IAS 32 within equity.

IAS 23 Borrowing Costs. The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its 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 2018.

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.

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

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.

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 30 September 2019 the Group guarantees all obligations of the consolidated structured entity represented by subordinated debts in the amount of RR 25 818 million (31 December 2018: subordinated debts in the amount of RR 27 765 million). During nine months ended 30 September 2019 and the year ended 31 December 2018 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>	30 September 2019 (unaudited)	31 December 2018
Federal loan bonds (OFZ)	16 411	15 532
Corporate bonds	4 946	3 683
Corporate shares	1 008	-
Municipal and subfederal bonds	-	11
Total trading securities	22 365	19 226

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>	30 September 2019 (unaudited)	31 December 2018
Loans to legal entities	1 936 318	1 830 924
- Loans to corporates	1 915 478	1 801 780
- Lending for food interventions	20 840	29 144
Loans to individuals	459 924	434 233
Total loans and advances to customers at amortised cost (before impairment)	2 396 242	2 265 157
Less: allowance for impairment	(323 977)	(332 411)
Total loans and advances to customers at amortised cost	2 072 265	1 932 746
Loans to customers at fair value through profit or loss	51 328	25 021
Total loans and advances to customers	2 123 593	1 957 767

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

6 Loans and Advances to Customers (Continued)

As at 30 September 2019, the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 643 668 million, or 27% of total loans and advances to customers before impairment (31 December 2018: the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 570 967 million, or 25% of total loans and advances to customers before impairment).

An analysis of changes in the ECL allowances during the nine months ended 30 September 2019 is, as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
ECL as at 1 January 2019	34 330	4 083	262 187	300 600
Transfers to Stage 1	481	(465)	(16)	-
Transfers to Stage 2	(8 255)	13 681	(5 426)	-
Transfers to Stage 3	(72)	(1 377)	1 449	-
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)	(8 780)	1 747	30 896	23 863
Unwind of discount (recognised in interest income)	-	-	3 115	3 115
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	(3 684)	(3 684)
Foreign exchange adjustments	(155)	(5)	(549)	(709)
Allowance for loans sold during the period	-	(6)	(40 880)	(40 886)
Recovery of loans previously written off sold during the period	-	-	82	82
Recovery of loans previously written off	-	-	206	206
Disposal of subsidiaries	-	-	7 608	7 608
ECL as at 30 September 2019	17 549	17 658	254 988	290 195

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
ECL as at 1 January 2019	1 389	758	29 664	31 811
Transfers to Stage 1	596	(129)	(467)	-
Transfers to Stage 2	(41)	473	(432)	-
Transfers to Stage 3	(102)	(477)	579	-
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)	1 140	372	2 363	3 875
Unwind of discount (recognised in interest income)	-	-	865	865
Amounts written off	-	-	(62)	(62)
Allowance for loans sold during the period	-	-	(2 707)	(2 707)
ECL as at 30 September 2019	2 982	997	29 803	33 782

6 Loans and Advances to Customers (Continued)

An analysis of changes in the ECL allowances during the nine months ended 30 September 2018 is, as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
ECL as at 1 January 2018	14 100	14 234	284 964	313 298
Transfers to Stage 1	6 471	(1 775)	(4 696)	-
Transfers to Stage 2	(2 773)	6 179	(3 406)	-
Transfers to Stage 3	(405)	(2 502)	2 907	-
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)	10 915	9 392	20 614	40 921
Unwind of discount (recognised in interest income)	-	-	5 699	5 699
Changes due to modifications not resulting in derecognition	(76)	53	20	(3)
Amounts written off	-	-	(7 039)	(7 039)
Foreign exchange adjustments	194	103	166	463
Allowance for loans sold during the period	(49)	(47)	(25 943)	(26 039)
Recovery of loans previously written off sold during the period	-	-	41	41
Recovery of loans previously written off	-	-	1 412	1 412
ECL as at 30 September 2018	28 377	25 637	274 739	328 753

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
ECL as at 1 January 2018	2 806	994	28 850	32 650
Transfers to Stage 1	717	(205)	(512)	-
Transfers to Stage 2	(63)	405	(342)	-
Transfers to Stage 3	(146)	(592)	738	-
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)	(589)	181	1 001	593
Unwind of discount (recognised in interest income)	-	-	245	245
Amounts written off	-	-	(52)	(52)
Allowance for loans sold during the period	-	-	(1 831)	(1 831)
ECL as at 30 September 2018	2 725	783	28 097	31 605

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.

Modified and restructured loans. The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been significantly renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired.

6 Loans and Advances to Customers (Continued)

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The table below includes Stage 2 and 3 assets that were modified during the period, with the related modification loss suffered by the Group.

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	30 September 2019	30 September 2018
Loans modified during the period		
Amortised cost before modification	-	364
Net modification loss	-	(71)
Loans modified since initial recognition		
Gross carrying amount at 1 January of loans for which loss allowance has changed to 12-month measurement during the period	-	1 567

7 Investment Securities

Investment securities including those pledged under repurchase agreements comprise:

<i>In millions of Russian Roubles</i>	30 September 2019 (unaudited)	31 December 2018
Investment securities at fair value through other comprehensive income	360 067	507 270
Investment securities at amortised cost	61 777	56 891
Investment securities at fair value through profit or loss	2 686	2 846
Investment securities at fair value through profit or loss (mandatory)	21 724	5 442
Total investment securities	446 254	572 449

<i>In millions of Russian Roubles</i>	30 September 2019 (unaudited)	31 December 2018
Investment securities at fair value through other comprehensive income		
Federal loan bonds (OFZ)	204 080	183 673
Corporate bonds	95 528	117 418
Corporate Eurobonds	24 182	45 852
State Eurobonds	22 590	638
Municipal and subfederal bonds	2 956	12 857
Bank of Russia bonds	-	105 809
Total debt securities at fair value through other comprehensive income	349 336	466 247
Federal loan bonds (OFZ)	10 604	8 787
Corporate Eurobonds	-	31 477
Total debt securities at fair value through other comprehensive income pledged under repurchase agreements	10 604	40 264
Equity securities		
Corporate shares	127	759
Total equity securities at fair value through other comprehensive income	127	759
Total investment securities at fair value through other comprehensive income	360 067	507 270

7 Investment Securities (Continued)

<i>In millions of Russian Roubles</i>	30 September 2019 (unaudited)	31 December 2018
Investment securities at amortised cost		
Corporate bonds	45 202	37 425
Municipal and subfederal bonds	12 061	15 868
Federal loan bonds (OFZ)	4 202	3 548
Corporate Eurobonds	468	208
Less: allowance for impairment	(156)	(158)
Total investment securities at amortised cost	61 777	56 891

<i>In millions of Russian Roubles</i>	30 September 2019 (unaudited)	31 December 2018
Investment securities at fair value through profit or loss		
Corporate shares	2 302	2 272
Credit linked notes	384	574
Total investment securities at fair value through profit or loss	2 686	2 846

<i>In millions of Russian Roubles</i>	30 September 2019 (unaudited)	31 December 2018
Investment securities at fair value through profit or loss (mandatory)		
Corporate bonds	17 010	3 386
Credit linked notes	1 955	1 646
Investments in mutual funds	73	207
Total debt securities at fair value through profit or loss (mandatory)	19 038	5 239
Equity securities		
Corporate shares	2 686	203
Total investment securities at fair value through profit or loss (mandatory)	21 724	5 442

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>	30 September 2019 (unaudited)	31 December 2018
Correspondent accounts and overnight placements of other banks	2 249	40 101
Borrowings from other banks with term to maturity:		
- repurchase agreements less than 30 days	845	35 700
- repurchase agreements from 31 to 180 days	338	-
- repurchase agreements from 1 year to 3 years	47	-
- less than 30 days	1 062	26 393
- from 31 to 180 days	833	132
- from 181 days to 1 year	2 540	63
- from 1 year to 3 years	3 054	1 051
- more than 3 years	17 463	20 037
Borrowings from the Bank of Russia with term to maturity:		
- less than 30 days	1 883	44
- from 31 to 180 days	3 617	2 442
- from 181 days to 1 year	123	4 255
- from 1 year to 3 years	40 627	41 312
Total due to other banks	74 681	171 530

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>	30 September 2019 (unaudited)	31 December 2018
State and public organisations		
- Current/settlement accounts	32 533	23 683
- Term deposits	405 344	569 886
- Direct repo agreements	10 090	-
Other legal entities		
- Current/settlement accounts	213 389	173 689
- Term deposits	636 090	618 974
Individuals		
- Current/demand accounts	94 673	85 378
- Term deposits	1 041 997	949 441
Total customer accounts	2 434 116	2 421 051

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

9 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Russian Roubles</i>	30 September 2019 (unaudited)		31 December 2018	
	Amount	%	Amount	%
Individuals	1 136 670	47	1 034 819	43
State and public organisations	447 967	18	593 569	25
Manufacturing	193 416	8	149 151	6
Financial services and pension funds	109 886	5	89 653	4
Construction	100 037	4	110 290	5
Agriculture	97 685	4	92 830	4
Trading	88 883	4	95 303	3
Real estate	52 888	2	40 704	2
Insurance	44 299	2	52 477	2
Transport	20 047	1	21 899	1
Communication	1 693	-	15 252	-
Leasing	1 223	-	2 710	-
Other	139 422	5	122 394	5
Total customer accounts	2 434 116	100	2 421 051	100

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>	30 September 2019 (unaudited)	31 December 2018
Bonds issued on domestic market	172 881	142 609
Total bonds issued	172 881	142 609

10 Bonds Issued (Continued)

As at 30 September 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
Bonds issued on domestic market						
Russian Roubles	2 173	26 November 2009	14 November 2019	-	7.00%	6 months
Russian Roubles	2 402	26 November 2009	14 November 2019	-	7.00%	6 months
Russian Roubles	572	11 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	8 046	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	8 October 2019	11.10%	3 months
Russian Roubles	4 985	13 October 2014	30 September 2024	9 October 2019	11.10%	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	109	18 September 2019	2 October 2019	-	6.55%	at maturity
Russian Roubles	3 250	25 September 2019	24 November 2019	-	6.83%	at maturity

10 Bonds Issued (Continued)

As at 31 December 2018, 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
Bonds issued on domestic market						
Russian Roubles	2 173	26 November 2009	14 November 2019	-	7.00%	6 months
Russian Roubles	2 402	26 November 2009	14 November 2019	-	7.00%	6 months
Russian Roubles	572	11 February 2010	29 January 2020	-	8.30%	6 months
Russian Roubles	581	11 February 2010	30 January 2020	-	8.30%	6 months
Russian Roubles	3 482	12 July 2011	29 June 2021	4 July 2019	7.80%	6 months
Russian Roubles	1 058	14 July 2011	1 July 2021	8 July 2019	7.80%	6 months
Russian Roubles	1 459	15 July 2011	2 July 2021	9 July 2019	7.80%	6 months
Russian Roubles	4 117	8 November 2011	26 October 2021	30 April 2020	8.00%	6 months
Russian Roubles	481	16 April 2012	4 April 2022	10 April 2019	6.60%	6 months
Russian Roubles	74	23 October 2012	11 October 2022	15 October 2020	8.20%	6 months
Russian Roubles	5 000	25 October 2012	13 October 2022	22 April 2019	9.35%	6 months
Russian Roubles	562	23 April 2013	11 April 2023	18 April 2019	6.60%	6 months
Russian Roubles	1 484	30 July 2013	18 July 2023	21 January 2021	7.40%	6 months
Russian Roubles	26	30 September 2013	18 September 2023	27 March 2019	6.60%	6 months
Russian Roubles	2 770	22 November 2013	10 November 2023	16 November 2021	8.85%	6 months
Russian Roubles	5 000	10 October 2014	27 September 2024	8 October 2019	11.10%	3 months
Russian Roubles	4 985	13 October 2014	30 September 2024	9 October 2019	11.10%	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	902	26 February 2015	13 February 2025	26 August 2019	8.30%	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

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

11 Perpetual Bonds

As at 30 September 2019, the Group's perpetual bonds in circulation equal to RR 38 123 million (as at 31 December 2018: RR 38 376 million).

In January 2019, the Group paid the amount due under perpetual bonds in the total amount of RR 723 million including coupon accrued in 2019 in the amount of RR 50 million for the coupon period ended in January 2019 (in January 2018, the Group paid the amount due under perpetual bonds in the total amount of RR 723 million including coupon accrued in 2018 in the amount of RR 54 million for the coupon period ended in January 2018).

In April 2019, the Group paid the amount due under perpetual bonds in the total amount of RR 1 028 million for the coupon period ended in April 2019 (in April 2018, the Group paid the amount due under perpetual bonds in the total amount of RR 355 million for the coupon period ended in April 2018).

In May 2019, the Group paid the amount due under perpetual bonds in the total amount of RR 252 million.

In June 2019, the Group paid the amount due under perpetual bonds in the total amount of RR 145 million.

In July 2019, the Group paid the amount due under perpetual bonds in the total amount of RR 723 million (in July 2018, the Group paid the amount due under perpetual bonds in the total amount of RR 723 million).

As at 30 September 2019, the Group accrued amount due under perpetual bonds in the amount of RR 351 million (as at 30 September 2018, the Group accrued amount due under perpetual bonds in the amount of RR 349 million).

12 Interest Income and Expense

<i>(Unaudited)</i> In millions of Russian Roubles	For the nine months ended 30 September		For the three months ended 30 September	
	2019	2018	2019	2018
Interest income on debt financial assets carried at amortised cost				
Loans and advances to legal entities	108 355	99 881	37 792	32 101
Loans and advances to individuals	38 895	39 136	13 314	13 869
Cash equivalents	4 876	11 426	969	2 496
Due from other banks	3 563	1 278	1 221	372
Investment securities at amortised cost including pledged under repurchase agreements	3 470	3 341	1 334	996
	159 159	155 062	54 630	49 834
Interest income on debt financial assets carried at fair value through other comprehensive income				
Investment securities at FVOCI including pledged under repurchase agreements	23 020	18 894	6 751	6 599
	23 020	18 894	6 751	6 599
Total interest income at effective interest rate	182 179	173 956	61 381	56 433
Trading securities	1 110	1 000	383	413
Loans to customers at fair value through profit or loss	1 309	1 405	438	442
Investment securities at fair value through profit or loss	1 182	100	476	34
Total other interest income	3 601	2 505	1 297	889
Interest expense at effective interest rate				
Term deposits of legal entities	(54 703)	(53 929)	(16 425)	(17 691)
Term deposits of individuals	(45 716)	(39 756)	(15 932)	(13 327)
Bonds issued	(10 903)	(13 863)	(3 898)	(3 049)
Subordinated debts	(6 946)	(6 947)	(1 864)	(2 611)
Current/settlement accounts	(5 682)	(2 687)	(2 076)	(951)
Term deposits of the Bank of Russia	(3 050)	(984)	(1 008)	(317)
Promissory notes issued	(2 126)	(1 503)	(666)	(541)
Term deposits of other banks	(1 723)	(1 785)	(460)	(769)
Lease liabilities	(524)	-	(123)	-
Total interest expense at effective interest rate	(131 373)	(121 454)	(42 452)	(39 256)
Net interest income	54 407	55 007	20 226	18 066

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 nine months ended 30 September 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		(120)	-	1	(119)
Loans to customers at amortised cost	6	(15 188)	13 820	28 397	27 029
Debt securities measured at amortised cost		(1)	-	-	(1)
Debt securities measured at FVOCI		(834)	(39)	-	(873)
Other financial assets		-	-	1 601	1 601
Credit related commitments	18	246	10	-	256
Total credit loss expense		(15 902)	13 791	29 999	27 888

The table below shows the ECL charges on financial instruments recorded in the income statement for the nine months ended 30 September 2018:

<i>(Unaudited)</i>					
<i>In millions of Russian Roubles</i>					
	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents		(22)	-	-	(22)
Due from other banks		(52)	-	(10)	(62)
Loans to customers at amortised cost	6	14 051	11 136	16 324	41 511
Debt securities measured at amortised cost		75	(20)	-	55
Debt securities measured at FVOCI		493	(23)	6	476
Other financial assets		-	-	581	581
Credit related commitments	18	48	2	4	54
Total credit loss expense		14 593	11 095	16 905	42 593

14 Fee and Commission Income and Expense

<i>(Unaudited)</i>	For the nine months ended 30 September		For the three months ended 30 September	
	2019	2018	2019	2018
<i>In millions of Russian Roubles</i>				
Fee and commission income				
Commission on cash and settlements transactions	7 342	7 006	2 638	2 047
Fees for sale of insurance contracts	4 441	4 843	1 445	1 747
Commission on banking cards	2 959	3 294	1 065	1 854
Commission on guarantees issued	1 227	1 632	392	596
Fees for currency control	223	210	78	77
Commission received from the Deposit Insurance Agency	99	199	9	81
Other	1 581	1 062	752	516
Total fee and commission income	17 872	18 246	6 379	6 918
Fee and commission expense				
Commission on settlement transactions	(1 512)	(1 759)	(571)	(663)
Commission on cash collection	(289)	(381)	(115)	(149)
Other	(155)	(121)	(52)	(38)
Total fee and commission expense	(1 956)	(2 261)	(738)	(850)
Net fee and commission income	15 916	15 985	5 641	6 068

15 Gains less Losses/(Losses Net of Gains) from Non-banking Activities

<i>(Unaudited)</i> In millions of Russian Roubles	For the nine months ended 30 September		For the three months ended 30 September	
	2019	2018	2019	2018
Sales of goods	3 382	2 788	1 187	998
Including:				
- sugar	605	864	143	180
- feed	498	791	165	295
- meat and dairy products	819	478	545	204
- grain (including storage and processing)	96	111	59	38
- other goods and services	1 364	544	275	281
Cost of goods sold	(2 758)	(2 643)	(957)	(710)
(Provision)/recovery of provision for impairment for trade receivables, prepayments and other financial assets	(32)	(52)	415	(555)
Net income from insurance operations	1 894	1 432	828	735
Other non-banking income	484	1 085	115	44
Other non-banking expenses	(2 028)	(1 998)	(778)	(1 189)
Total gains less losses/(losses net of gains) from non-banking activities	942	612	810	(677)

Net income from insurance operations is as follows:

<i>(Unaudited)</i> In millions of Russian Roubles	For the nine months ended 30 September		For the three months ended 30 September	
	2019	2018	2019	2018
Insurance premiums				
Premium earned	10 093	6 510	4 190	3 656
Reinsurers share in premiums earned	(2 330)	(1 490)	(740)	(613)
Net insurance premiums earned	7 763	5 020	3 450	3 043
Insurance benefits and claims				
Net claims incurred during the period	(7 543)	(5 502)	(3 456)	(3 835)
Acquisition costs	(357)	(579)	(119)	(247)
Reinsurers share in claims incurred during the period	2 031	2 493	953	1 774
Net insurance benefits and claims	(5 869)	(3 588)	(2 622)	(2 308)
Net income from insurance operations	1 894	1 432	828	735

16 Significant Risk Concentrations

As at 30 September 2019, correspondent accounts and deposits with other banks with original maturities less than one month within cash and cash equivalents included balances with one OECD banking group with rating of the parent bank at A- (S&P), individually above 10% of the Group's equity, in the amount of RR 45 107 million, or 11% of total cash and cash equivalents (31 December 2018: 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 Ba2 (Moody's), individually above 10% of the Group's equity, in the amount of RR 134 304 million, or 34% of total cash and cash equivalents).

As at 30 September 2019, cash and cash equivalents included the balances with the Bank of Russia in the total amount of RR 152 622 million, or 48% of total cash and cash equivalents (31 December 2018: RR 86 289 million, or 22% of total cash and cash equivalents).

16 Significant Risk Concentrations (Continued)

As at 30 September 2019, due from other banks included the balances with one Russian banking group with rating of the parent bank at BBB- (S&P) individually above 10% of the Group's equity in the amount of RR 19 578 million, or 44% of total due from other banks (as at 31 December 2018, due from other banks included no balances with other banks individually above 10% of the Group's equity). As at 31 December 2018, due from other banks included the balances with two non-OECD banking groups with rating of the parent bank not lower than B (S&P) in aggregate above 10% of the Group's equity, in the amount of RR 20 943 million, or 54% of total due from other banks.

As at 30 September 2019, due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 46 250 million, or 62% of total due to other banks (31 December 2018: due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 48 054 million, or 28% of total due to other banks).

As at 30 September 2019 and 31 December 2018, due to other banks included no balances, individually above 10% of the Group's equity. As at 30 September 2019, due to other banks included the balances with one OECD banking group with rating of the parent bank at A (S&P), one non-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 Ba2 (Moody's) in aggregate above 10% of the Group's equity, in the amount of RR 18 057 million, or 24% of total due to other banks (as at 31 December 2018, 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 BBB- (S&P) in aggregate above 10% of the Group's equity, in the amount of RR 25 132 million, or 15% of total due to other banks).

As at 30 September 2019, customer accounts included balances with seven customers each above 10% of the Group's equity (31 December 2018: balances with nine customers each above 10% of the Group's equity). The aggregate balance of these customers was RR 578 778 million, or 24% of total customer accounts (31 December 2018: RR 671 174 million, or 28% 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 thus significantly 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 nine months ended 30 September 2019 and for the nine months ended 30 September 2018 and segment reporting of the Group's assets and liabilities at 30 September 2019 and 31 December 2018 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
For the nine months ended 30 September 2019 (unaudited)										
Revenue from external customers	56 661	48 191	6 075	25 085	13 730	6 694	10 668	5 190	23 688	195 982
- Interest income from loans and advances to customers, due from other banks and other placed funds	55 680	43 319	5 102	22 117	12 384	5 408	8 654	4 634	21 420	178 718
- Net fee and commission income from credit related operations	981	4 872	973	2 968	1 346	1 286	2 014	556	2 268	17 264
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	20 474	(6 501)	(1 354)	1 459	367	598	485	470	(2 401)	13 597
Interest expenses from due to other banks, customer accounts and bonds issued	(62 619)	(26 140)	(4 043)	(14 581)	(9 003)	(2 375)	(7 078)	(4 466)	(4 788)	(135 093)
(Provision)/recovery of provision for impairment*	(716)	(2 850)	(603)	1 163	(2 408)	(4 171)	(1 017)	(1 070)	(2 382)	(14 054)
Administrative and maintenance expense	(27 602)	(1 709)	(482)	(1 383)	(575)	(560)	(975)	(318)	(630)	(34 234)
- Including depreciation charge	(1 535)	(208)	(51)	(181)	(75)	(91)	(150)	(37)	(79)	(2 407)
Other expenses less other income*	(9 795)	(842)	(321)	(460)	42	(656)	(1 082)	132	(976)	(13 958)
Current income tax expense	(2 756)	-	-	-	-	-	-	-	-	(2 756)
(Loss)/profit of reportable segments	(26 353)	10 149	(728)	11 283	2 153	(470)	1 001	(62)	12 511	9 484
Intersegment income/(expense)**	46 949	(13 223)	1 398	(8 347)	(1 443)	(5 923)	(3 823)	(223)	(15 365)	-

* 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)

	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
<i>In millions of Russian Roubles</i>										
For the nine months ended 30 September 2018 (unaudited)										
Revenue from external customers	47 383	51 306	5 922	28 806	13 169	7 406	11 891	6 102	22 671	194 656
- Interest income from loans and advances to customers, due from other banks and other placed funds	46 215	46 073	5 047	25 424	11 862	6 188	9 845	5 523	20 787	176 964
- Net fee and commission income from credit related operations	1 168	5 233	875	3 382	1 307	1 218	2 046	579	1 884	17 692
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	(6 290)	10 553	1 029	(1 187)	581	(9)	(2 075)	1 999	4 416	9 017
Interest expenses from due to other banks, customer accounts and bonds issued	(62 588)	(19 654)	(4 140)	(12 760)	(7 637)	(2 164)	(6 839)	(3 941)	(4 212)	(123 935)
(Provision)/recovery of provision for impairment*	(21 428)	(6 124)	565	1 841	1 721	2 395	5 835	397	4 798	(10 000)
Administrative and maintenance expense	(25 230)	(1 626)	(457)	(1 317)	(536)	(550)	(921)	(308)	(575)	(31 520)
- Including depreciation charge	(978)	(187)	(47)	(160)	(68)	(87)	(132)	(32)	(69)	(1 760)
Other expenses less other income*	(4 212)	(10 535)	(423)	(2 897)	(1 630)	(5 520)	(2 231)	(613)	(2 773)	(30 834)
Current income tax expense	(2 241)	-	-	-	-	-	-	-	-	(2 241)
(Loss)/profit of reportable segments	(74 606)	23 920	2 496	12 486	5 668	1 558	5 660	3 636	24 325	5 143
Intersegment income/(expense)**	79 236	(35 581)	(840)	(10 249)	(3 089)	(4 980)	(1 358)	(2 942)	(20 197)	-
Total assets										
30 September 2019 (unaudited)	1 997 914	1 069 188	121 797	482 358	254 768	139 446	218 383	103 511	357 569	4 744 934
31 December 2018	2 681 609	1 206 994	156 062	526 189	320 582	156 811	223 893	136 912	401 287	5 810 339
Total liabilities										
30 September 2019 (unaudited)	1 762 966	1 094 718	123 771	494 247	258 801	151 042	223 263	107 142	365 499	4 581 449
31 December 2018	2 369 171	1 206 869	156 029	525 963	320 478	156 788	223 793	136 912	401 281	5 497 284

* Other expenses less other income include losses from disposal of loans under cession agreements that is calculated under RAR as consideration received less nominal amount of sold loans, whereas provision for loan impairment under RAR at the date of sale of loans is recorded as provision recovery.

** 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)

Segment reporting of the Group's revenue and (loss)/profit for the three months ended 30 September 2019 and for the three months ended 30 September 2018 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
For the three months ended 30 September 2019 (unaudited)										
Revenue from external customers	17 826	17 273	2 183	8 419	4 546	2 202	3 581	1 915	8 583	66 528
- Interest income from loans and advances to customers, due from other banks and other placed funds	17 528	15 663	1 833	7 381	4 061	1 783	2 890	1 710	7 626	60 475
- Net fee and commission income from credit related operations	298	1 610	350	1 038	485	419	691	205	957	6 053
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	2 393	1 874	500	(255)	102	73	(385)	(36)	448	4 714
Interest expenses from due to other banks, customer accounts and bonds issued	(19 712)	(9 147)	(1 182)	(4 919)	(2 995)	(800)	(2 569)	(1 487)	(1 618)	(44 429)
(Provision)/recovery of provision for impairment*	(2 819)	(1 847)	(853)	649	(837)	(1 223)	305	281	(1 014)	(7 358)
Administrative and maintenance expense	(9 306)	(617)	(176)	(495)	(213)	(209)	(340)	(111)	(232)	(11 699)
- Including depreciation charge	(529)	(70)	(17)	(62)	(26)	(32)	(52)	(13)	(28)	(829)
Other expenses less other income*	(3 149)	(680)	(55)	(347)	(68)	(232)	(603)	90	(540)	(5 584)
Current income tax expense	(996)	-	-	-	-	-	-	-	-	(996)
(Loss)/profit of reportable segments	(15 763)	6 856	417	3 052	535	(189)	(11)	652	5 627	1 176
Intersegment income/(expense)**	20 756	(8 682)	(666)	(1 946)	(427)	(1 895)	(576)	(20)	(6 544)	-

* 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)

In millions of Russian Roubles

	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
For the three months ended 30 September 2018 (unaudited)										
Revenue from external customers	15 327	16 944	2 201	9 747	4 644	2 481	3 936	2 072	7 737	65 089
- Interest income from loans and advances to customers, due from other banks and other placed funds	14 886	15 144	1 868	8 576	4 194	2 035	3 194	1 867	7 001	58 765
- Net fee and commission income from credit related operations	441	1 800	333	1 171	450	446	742	205	736	6 324
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	(3 761)	4 079	770	(426)	204	(51)	(1 155)	591	1 660	1 911
Interest expenses from due to other banks, customer accounts and bonds issued	(19 460)	(6 690)	(1 311)	(4 409)	(2 604)	(718)	(2 331)	(1 404)	(1 358)	(40 285)
(Provision)/recovery of provision for impairment*	(4 063)	(5 973)	152	536	538	1 129	179	287	366	(6 849)
Administrative and maintenance expense	(8 059)	(573)	(156)	(438)	(189)	(181)	(311)	(109)	(201)	(10 217)
- Including depreciation charge	(363)	(61)	(16)	(54)	(23)	(29)	(43)	(10)	(23)	(622)
Other expenses less other income*	(2 202)	(1 557)	(148)	(1 390)	(426)	(1 267)	(630)	(436)	(644)	(8 700)
Current income tax expense	(944)	-	-	-	-	-	-	-	-	(944)
(Loss)/profit of reportable segments	(23 162)	6 230	1 508	3 620	2 167	1 393	(312)	1 001	7 560	5
Intersegment income/(expense)**	30 228	(18 489)	(521)	(2 693)	(503)	(1 509)	640	(575)	(6 578)	-

* Other expenses less other income include losses from disposal of loans under cession agreements that is calculated under RAR as consideration received less nominal amount of sold loans, whereas provision for loan impairment under RAR at the date of sale of loans is recorded as provision recovery.

** 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/(loss) of the reportable segments results is as follows:

<i>(Unaudited)</i> In millions of Russian Roubles	For the nine months ended 30 September		For the three months ended 30 September	
	2019	2018	2019	2018
Total profit of reportable segments (after tax)	9 484	5 143	1 176	5
Adjustments for impairment (ECL)	(6 613)	(6 096)	(218)	(6 463)
Results of non-reportable segments, including the effect of consolidation*	(863)	(1 209)	260	(1 186)
Accounting for financial instruments at fair value	2 786	(3 272)	1 485	893
Adjustment of deferred tax	691	(2 565)	407	(1 259)
Gains less losses from revaluation of other financial instruments at fair value through profit or loss	16	(47)	-	(56)
Adjustment of accrued staff costs	6	281	(18)	(428)
Adjustments of financial assets and liabilities carried at amortised cost	(4 033)	(6 589)	(7 023)	(1 369)
Other	2 828	4 777	4 619	71
The Group's profit/(loss) under IFRS (after tax)	4 302	(9 577)	688	(9 792)

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

Adjustment for impairment arises mainly due to the different consolidation perimeter in the RAR and IFRS statements.

Adjustments of derivative financial instruments reflected in the line "Accounting for financial instruments at fair value" in the table above 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 recognized as back-to-back deposits, whereas in IFRS financial statements such transactions are recognized 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.

Balances of intercompany settlements related to regional branches of the Bank are represented under RAR as assets and liabilities, while in IFRS such balances are shown on a net basis.

Adjustments of accrued staff costs and deferred income tax expense arise from the timing difference in recognition of certain expenses under RAR compared to IFRS.

Adjustments of perpetual bonds reflected in the line "Adjustments of financial assets and liabilities carried at amortised cost" in the table above arise from the difference in the accounting treatment under RAR compared to IFRS. Perpetual bonds are recognised in equity in the consolidated statement of financial position under IFRS.

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 30 September 2019, 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 2018: Group's management is of the opinion that no material losses will be incurred in respect of claims and accordingly no material provision for cover of such losses has been made in annual 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 (subject to certain conditions) and certain types of cross-border transactions and transactions between Russian interdependent parties. Special transfer pricing rules apply to transactions with securities, derivatives and interest.

During nine months ended 30 September 2019, 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 30 September 2019, the Management of the Group believes that its interpretation of the applicable legislation is reasonable and will be sustained.

Capital expenditure commitments. As at 30 September 2019, the Group has contractual capital expenditure commitments of RR 1 634 million (31 December 2018: RR 1 342 million).

Compliance with covenants. The Group is subject to certain covenants primarily relating to its borrowings, including capital adequacy levels calculated on the IFRS figures in accordance with Basel II Capital Accord equals 8%. 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. As at 30 September 2019, the Group was in compliance with covenants for maintaining capital adequacy ratio under Basel II. As at 31 December 2018, the level of the capital adequacy ratio of the Group under Basel II did not exceed 8%. Management of the Group analysed the consequences of non-compliance with the requirement to maintain the minimum level of the capital adequacy ratio under Basel II and concluded that there are no negative consequences, including the right of creditors to early redemption of the debt.

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>	30 September 2019 (unaudited)	31 December 2018
Undrawn credit lines	110 694	95 344
Letters of credit	3 636	3 928
Less: provisions for ECL	(911)	(656)
Total credit related commitments	113 419	98 616
Performance guarantees	113 082	162 834
Less: provision	(318)	(633)
Total credit related commitments and performance guarantees	226 183	260 817

An analysis of changes in the ECLs during the nine months ended 30 September 2019 are, as follows:

<i>(Unaudited) In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2019	654	2	-	656
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(24)	24	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period (including expense on new issue and income from repayments)	269	(14)	-	255
ECLs as at 30 September 2019	899	12	-	911

An analysis of changes in the ECLs during the nine months ended 30 September 2018 are, as follows:

<i>(Unaudited) In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2018	624	-	-	624
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(10)	10	-	-
Transfers to Stage 3	(4)	-	4	-
Impact on period end ECL of exposures transferred between stages during the period (including expense on new issue and income from repayments)	62	(8)	-	54
ECLs as at 30 September 2018	672	2	4	678

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>	30 September 2019 (unaudited)	31 December 2018
Russian Roubles	212 093	250 612
US Dollars	10 570	6 307
Euros	3 520	3 898
Total credit related commitments and performance guarantees	226 183	260 817

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

<i>In millions of Russian Roubles</i>	30 September 2019 (unaudited)	31 December 2018
Assets pledged under loan agreements with banks (including the Bank of Russia)	13 763	18 556
Repurchase agreements	10 604	40 264

As at 30 September 2019, mandatory cash balances with the Bank of Russia in the amount of RR 22 936 million (31 December 2018: RR 20 651 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 30 September 2019 and 31 December 2018, 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 30 September 2019, in the aggregate amount of foreign exchange swaps with original settlement dates of more than 30 working days prevails swaps structured as loans issued by the Group in Japanese yens (31 December 2018: 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").

Part of these agreements contain special procedures for counterparties upon the occurrence of a credit event or an event of default (for example bankruptcy, failure to pay, obligation acceleration, repudiation/moratorium or restructuring external unsubordinated public liabilities, providing incorrect or misleading representation). The subjects of such events are the Group, and in some instances, the counterparty of the agreement, and/or the Russian Federation. Some of the agreements provide that no further mutual payment obligation between the parties is due, if a credit event or default event happens. Some agreements on the exchange of resources provide termination of liabilities with a mark-to-market payment in the case of a relevant event (e.g., a default event).

As at 30 September 2019, international credit rating of this counterparty was A (S&P) (31 December 2018: international credit rating of this counterparty was A (S&P)).

19 Derivative Financial Instruments (Continued)

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 30 September 2019 and covers the contracts with settlement dates after the respective end of the reporting period:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Positive fair value	Negative fair value
Forwards and swaps				
- Currency	78 919	(71 717)	7 749	(547)
- Securities	135 924	(129 768)	8 231	(2 075)
- Precious metals	834	(833)	1	-
- Interest rate	3 320	(3 439)	801	(920)
- Currency-interest rate	23 301	(22 660)	851	(210)
Options	2 360	(2 323)	7	(12)
Total derivative financial instruments	244 658	(230 740)	17 640	(3 764)

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 December 2018 and covers the contracts with settlement dates after the respective end of the reporting period:

<i>In millions of Russian Roubles</i>	Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Positive fair value	Negative fair value
Forwards and swaps				
- Currency	216 849	(213 176)	9 490	(5 817)
- Securities	146 384	(141 502)	7 859	(2 978)
- Precious metals	1 515	(1 526)	6	(17)
- Interest rate	1 797	(1 795)	238	(236)
Options	3 580	(3 581)	171	(165)
Futures				
- Index	90	(88)	3	-
Total derivative financial instruments	370 215	(361 668)	17 767	(9 213)

As at 30 September 2019 and 31 December 2018, the Group had no 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 at their fair value on the interim consolidated statement of financial position based on quoted market prices and valuation techniques where all of material inputs are 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 techniques with inputs observable on the market. 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 cash flow discounting technique using observable market data about yield curves changes, as well as market statistical data, reflecting the distribution of the probability of default of financial instruments over time.

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 its current fair value.

Loans and receivables. The fair value of floating rate instruments is normally equals 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>	30 September 2019 (unaudited)		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets carried at amortised cost				
Cash and cash equivalents	317 498	317 498	390 585	390 585
Mandatory cash balances with the Bank of Russia	22 936	22 936	20 651	20 651
Due from other banks	44 812	47 937	38 717	41 015
Loans and advances to customers:				
- Loans to corporates	1 625 489	1 632 561	1 503 878	1 515 051
- Lending for food interventions	20 634	20 634	26 446	26 446
- Loans to individuals	426 142	424 716	402 422	407 937
Investment securities:				
- Corporate bonds	45 086	45 445	37 308	37 245
- Municipal and subfederal bonds	12 043	12 344	15 838	15 931
- Federal Loan bonds (OFZ)	4 192	4 173	3 537	3 350
- Corporate Eurobonds	456	456	208	208
Other financial assets	6 177	6 177	8 002	8 002
Total financial assets carried at amortised cost	2 525 465	2 534 877	2 447 592	2 466 421
Financial assets carried at fair value	475 810	475 810	577 572	577 572
Total financial assets	3 001 275	3 010 687	3 025 164	3 043 993
Financial liabilities carried at amortised cost				
Due to other banks:				
- Term borrowings from other banks	26 182	28 193	83 375	84 787
- Term borrowings from the Bank of Russia	46 250	44 781	48 054	47 147
- Correspondent accounts and overnight placements of other banks	2 249	2 249	40 101	40 101
Customer accounts:				
- State and public organisations	447 967	448 497	593 569	594 114
- Other legal entities	849 479	850 844	792 663	792 743
- Individuals	1 136 670	1 139 680	1 034 819	1 031 971
Promissory notes issued	44 784	44 784	42 341	42 341
Bonds issued:				
- Bonds issued on domestic market	172 881	181 263	142 609	145 806
Other financial liabilities	13 188	13 188	3 669	3 669
Total financial liabilities carried at amortised cost before subordinated debts	2 739 650	2 753 479	2 781 200	2 782 679
Subordinated debts	140 109	148 402	147 279	153 774
Total financial liabilities carried at amortised cost	2 879 759	2 901 881	2 928 479	2 936 453
Financial liabilities carried at fair value	3 764	3 764	9 213	9 213
Total financial liabilities	2 883 523	2 905 645	2 937 692	2 945 666

(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).

20 Fair Value of Financial Instruments (Continued)

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 30 September 2019 is as follows:

<i>(Unaudited)</i> <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
Assets measured at fair value				
Trading securities	20 416	1 949	-	22 365
Investment securities	328 354	53 694	2 429	384 477
Derivative financial instruments	-	17 640	-	17 640
Loans to customers at fair value through profit or loss	-	-	51 328	51 328
Office premises	-	-	27 782	27 782
Other non-financial assets	124	-	-	124
Assets for which fair values are disclosed				
Cash and cash equivalents	-	317 498	-	317 498
Mandatory cash balances with the Bank of Russia	-	-	22 936	22 936
Due from other banks	-	47 937	-	47 937
Loans and advances to customers	-	-	2 077 911	2 077 911
Investment securities	51 228	11 190	-	62 418
Other financial assets	-	-	6 177	6 177
Total financial and non-financial assets	400 122	449 908	2 188 563	3 038 593
Liabilities measured at fair value				
Derivative financial instruments	-	3 764	-	3 764
Liabilities for which fair values are disclosed				
Due to other banks	-	75 223	-	75 223
Customer accounts	-	-	2 439 021	2 439 021
Promissory notes issued	-	-	44 784	44 784
Bonds issued:				
- Bonds issued on domestic market	138 444	42 819	-	181 263
Other financial liabilities	-	-	13 188	13 188
Total financial liabilities before subordinated debts	138 444	121 806	2 496 993	2 757 243
Subordinated debts	28 999	119 403	-	148 402
Total financial liabilities	167 443	241 209	2 496 993	2 905 645

20 Fair Value of Financial Instruments (Continued)

Analysis of financial and non-financial instruments as at 31 December 2018 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
Assets measured at fair value				
Trading securities	17 362	1 864	-	19 226
Investment securities	470 092	43 083	2 383	515 558
Derivative financial instruments	-	17 767	-	17 767
Loans to customers at fair value through profit or loss	-	-	25 021	25 021
Office premises	-	-	28 171	28 171
Assets for which fair values are disclosed				
Cash and cash equivalents	-	390 585	-	390 585
Mandatory cash balances with the Bank of Russia	-	-	20 651	20 651
Due from other banks	-	41 015	-	41 015
Loans and advances to customers	-	-	1 949 434	1 949 434
Investment securities	48 762	7 972	-	56 734
Other financial assets	-	-	8 002	8 002
Total financial and non-financial assets	536 216	502 286	2 033 662	3 072 164
Liabilities measured at fair value				
Derivative financial instruments	-	9 213	-	9 213
Liabilities for which fair values are disclosed				
Due to other banks	-	172 035	-	172 035
Customer accounts	-	-	2 418 828	2 418 828
Promissory notes issued	-	-	42 341	42 341
Bonds issued:				
- Bonds issued on domestic market	106 781	39 025	-	145 806
Other financial liabilities	-	-	3 669	3 669
Total financial liabilities before subordinated debts	106 781	220 273	2 464 838	2 791 892
Subordinated debts	28 194	125 580	-	153 774
Total financial liabilities	134 975	345 853	2 464 838	2 945 666

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 2018	Total gains	New assets recognised	Assets derecognised	At 30 September 2019 (unaudited)
Financial assets					
Loans to customers at fair value through profit or loss	25 021	1 801	25 978	(1 472)	51 328
Investment securities at fair value through profit or loss	2 383	46	-	-	2 429
Total level 3 financial assets	27 404	1 847	25 978	(1 472)	53 757

<i>In millions of Russian Roubles</i>	At 31 December 2017	Transfers at adoption of IFRS 9	Total gains	New assets recognised	Assets derecognised	At 30 September 2018 (unaudited)
Financial assets						
Loans to customers at fair value through profit or loss	n/a	24 022	2 163	8 093	(10 460)	23 818
Total level 3 financial assets	n/a	24 022	2 163	8 093	(10 460)	23 818

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 nine months ended 30 September 2019			For the three months ended 30 September 2019		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains	1 309	538	1 847	438	833	1 271

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	For the nine months ended 30 September 2018			For the three months ended 30 September 2018		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains/(losses)	1 754	409	2 163	442	(601)	(159)

* Gains/(losses) are recorded for Interest income and (Losses net of gains)/gains less losses 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.

If the discount rate used by the Group in the model increases/decreases by 1%, the book value of loans will decrease by RR 1 335 million / increase by RR 1 398 million. The discount rates used are in range from 2.65% to 24.11%.

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 nine months ended 30 September 2019:

<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
Financial assets		
Investment securities at fair value through other comprehensive income	2 875	1 472
Total transfers of financial assets	2 875	1 472

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during 2018:

In millions of Russian Roubles	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets		
Investment securities at fair value through other comprehensive income	-	3 168
Total transfers of financial assets	-	3 168

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 nine months ended 30 September 2019 and during the year ended 31 December 2018.

The following table shows the quantitative information as at 30 September 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	Inputs used		
			Input	Min	Max
Office premises (based on valuation at 31 December 2018, fair value of new objects acquired in 2019 equals to current value)	27 782	Comparative method	Trade discount	6.0%	21.0%

The following table shows the quantitative information as at 31 December 2018 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	Inputs used		
			Input	Min	Max
Office premises (based on valuation at 31 December 2018)	28 171	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 close family members are disclosed.

The outstanding balances with related parties were as follows:

<i>In millions of Russian Roubles</i>	30 September 2019 (unaudited)	31 December 2018
Cash and cash equivalents		
Bank of Russia	152 622	86 289
Other banks	10 669	148 301
Loans and advances to customers		
Loans and advances to customers (before impairment)	245 465	229 223
Key management and their family members	8	6
Less: allowance for impairment	(13 111)	(10 833)
Derivative financial instruments — assets	9 020	9 405
Securities		
Securities issued by Russian Federation	257 855	212 179
Securities of entities and banks	107 297	272 115
Less: allowance for impairment	(59)	(300)
Due from other banks	28 930	10 520
Other assets		
State Corporation Deposit Insurance Agency	144	826
Accrued subsidies under the government program to subsidize mortgage and car loans	-	3
Customer accounts		
Entities	703 923	800 158
Key management and their family members	3 545	3 209
Due to other banks		
Bank of Russia	46 250	48 054
Other banks	6 124	93 743
Derivative financial instruments — liabilities	845	2 039
Subordinated debts	75 619	80 694
Credit related commitments		
Undrawn credit lines	3 587	1 182
Performance guarantees	12 488	8 808
Less: provision for impairment	(58)	(34)
Financial guarantees received	21 893	27 885

21 Related Party Transactions (Continued)

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

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	For the nine months ended 30 September		For the three months ended 30 September	
	2019	2018	2019	2018
Interest income on cash and cash equivalents				
Bank of Russia	3 468	9 595	558	1 610
Other banks	560	887	105	475
Interest income on due from other banks	2 525	412	1 499	10
Interest income on loans and advances to customers	12 474	15 307	4 175	3 771
Interest income on securities				
Securities issued by Russian Federation	15 796	10 909	4 557	3 664
Securities of entities and banks	10 753	7 339	2 636	3 385
Gains less losses/(losses net of gains) from securities				
Securities issued by Russian Federation	(801)	1 468	(166)	93
Securities of entities and banks	(414)	(1 615)	(98)	(1 263)
Fee and commission income				
Commission received from the Deposit Insurance Agency	99	199	9	65
Gains less losses from derivative financial instruments	6 674	7 929	(1 227)	4 390
Interest expense on customer accounts				
Entities	(37 374)	(52 841)	(10 891)	(16 616)
Key management and their family members	(128)	(15)	(47)	(6)
Interest expense on subordinated debts	(3 037)	(2 715)	(702)	(918)
Interest expense on due to other banks				
Bank of Russia	(3 050)	(984)	(1 012)	(317)
Other banks	(527)	(465)	(160)	(176)
Administrative and other operating expenses				
Payments to the Deposit Insurance Fund	(5 643)	(4 186)	(1 928)	(1 847)

During nine months ended 30 September 2019, transactions with the shareholder included share capital increase, dividends paid, taxes paid and subsidies received under the government programs to subsidize lending.

During nine months ended 30 September 2019, the Bank increased its share capital by issuing 15 000 ordinary shares with the total nominal amount of RR 15 000 million. All shares were purchased by the Bank's only shareholder — the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

21 Related Party Transactions (Continued)

In July 2019, dividends were paid out to the Bank's shareholder in the amount of RR 1 126 million.

Key management of the Group represents members of the Supervisory Board, the Management Board and Chief Accountant of the Bank. For the nine months ended 30 September 2019 total remuneration of the key management amounted to RR 396 million (for the nine months ended 30 September 2018: RR 217 million).

22 Disposal of Subsidiaries

In March 2019, the Group ceased the control over LLC Tambov Sugar Company and LLC Tambovsakharinvest (hereinafter, "TSK Group"). No potential rights in LLC Tambov Sugar Company exist as at 31 March 2019.

As a result of disposal, the Group recognized a loss of RR 159 million as part of other operating expenses.

The table below shows the assets and liabilities of the TSC Group at the date of disposal:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Cost at the time of disposal
Assets	
Property and equipment	8 501
Other assets	22
	8 523
Liabilities	
Deferred tax liability	1 230
Other liabilities	83
	1 313
Total net assets derecognised	
Net assets	7 210
Non-controlling interests	(1 803)
	5 407

23 Events after the End of the Reporting Period

In October 2019, the Group paid the amount due under perpetual bonds in the total amount of RR 355 million.

In October 2019, the Group issued on the domestic market RR 1 000 million bonds (placed at par) maturing in October 2019 with a coupon at 6.59% per annum payable at maturity.

In October 2019, the Group repurchased bonds denominated in RR issued on the domestic market in the amount of RR 3 098 million at the put option date.

In October 2019 the Group re-issued on the domestic market RR 5 066 million of previously bought back bonds.

In November 2019, the Group issued on the domestic market RR 877 million bonds (placed at par) maturing in November 2022 with a coupon at 6.75% per annum payable monthly.

In November 2019, the Group repurchased bonds denominated in RR issued on the domestic market in the amount of RR 4 575 million at the put option date.

In November 2019, the Group issued on the domestic market RR 5 000 million bonds (placed at par) maturing in November 2023 with semi-annual payments at 7.00% per annum.