

Report on Review of Interim Financial Information
***Joint stock company Russian Agricultural Bank
and its subsidiaries***
for the nine-month period ended 30 September 2020

November 2020

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Joint stock company Russian Agricultural Bank
and its subsidiaries**

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Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Joint stock company Russian Agricultural Bank and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 September 2020, 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.



Совершенство в бизнес,
улучшаем мир

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

11 November 2020

Details of the entity

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

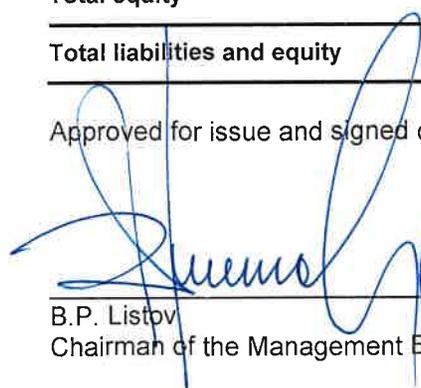
Details of the auditor

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 naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

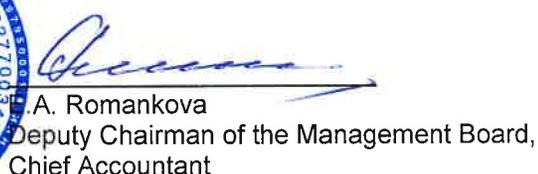
Russian Agricultural Bank Group
Interim Consolidated Statement of Financial Position
as at 30 September 2020

| <i>In millions of Russian Roubles</i> | Note | 30 September 2020 (unaudited) | 31 December 2019 |
|--|------|-------------------------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | | 182 875 | 403 564 |
| Mandatory cash balances with the Bank of Russia | | 23 992 | 22 334 |
| Trading securities | 5 | 24 596 | 21 974 |
| Trading securities pledged under repurchase agreements | 5 | 16 729 | - |
| Due from other banks | | 36 550 | 50 543 |
| Derivative financial instruments | 19 | 23 288 | 18 265 |
| Loans and advances to customers | 6 | 2 522 754 | 2 164 906 |
| Investment securities | 7 | 510 830 | 432 303 |
| Investment securities pledged under repurchase agreements | 7 | 4 328 | - |
| Current income tax assets | | 205 | 597 |
| Deferred income tax asset | | 16 298 | 16 298 |
| Intangible assets | | 8 554 | 7 423 |
| Premises, equipment and right-of-use assets | | 55 145 | 51 470 |
| Other assets | | 43 108 | 24 938 |
| Assets classified as held for sale | | 1 841 | 1 134 |
| Total assets | | 3 471 093 | 3 215 749 |
| Liabilities | | | |
| Derivative financial instruments | 19 | 17 854 | 4 782 |
| Due to other banks | 8 | 154 671 | 109 519 |
| Customer accounts | 9 | 2 634 423 | 2 486 108 |
| Promissory notes issued | | 61 882 | 47 358 |
| Bonds issued | 10 | 153 207 | 174 954 |
| Current income tax liability | | 576 | 469 |
| Deferred income tax liability | | 1 926 | 2 221 |
| Other liabilities | | 65 922 | 56 999 |
| Total liabilities before subordinated debts | | 3 090 461 | 2 882 410 |
| Subordinated debts | | 158 052 | 134 089 |
| Total liabilities | | 3 248 513 | 3 016 499 |
| Equity | | | |
| Share capital | | 460 233 | 440 233 |
| Perpetual bonds | 11 | 52 831 | 48 398 |
| Revaluation reserve for premises | | 2 789 | 2 829 |
| Revaluation reserve for investment securities at fair value through other comprehensive income | | 3 134 | 6 733 |
| Accumulated loss | | (296 282) | (298 842) |
| Equity attributable to the Bank's shareholder | | 222 705 | 199 351 |
| Non-controlling interest | | (125) | (101) |
| Total equity | | 222 580 | 199 250 |
| Total liabilities and equity | | 3 471 093 | 3 215 749 |

Approved for issue and signed on behalf of the Management Board on 11 November 2020.


B.P. Listov
Chairman of the Management Board




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

Russian Agricultural Bank Group
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2020

| <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 | |
|--|------|---|---------------|--|---------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Interest income at effective interest rate | 12 | 166 934 | 182 179 | 53 397 | 61 381 |
| Other interest income | 12 | 7 166 | 3 601 | 2 688 | 1 297 |
| Interest expense | 12 | (116 391) | (131 373) | (37 104) | (42 452) |
| Net interest income | | 57 709 | 54 407 | 18 981 | 20 226 |
| Credit loss expense | 13 | (24 276) | (27 888) | (3 747) | (13 224) |
| Net interest income after credit loss expense | | 33 433 | 26 519 | 15 234 | 7 002 |
| Fee and commission income | 14 | 17 851 | 17 872 | 7 296 | 6 379 |
| Fee and commission expense | 14 | (2 385) | (1 956) | (877) | (738) |
| (Losses net of gains)/gains less losses from trading securities | | (202) | 525 | 24 | 265 |
| (Losses net of gains)/gains less losses from financial instruments and loans to customers at fair value through profit or loss | | (689) | 556 | (500) | 743 |
| Gains less losses from investment securities at fair value through other comprehensive income | | 2 507 | 153 | 727 | 951 |
| Foreign exchange translation gains less losses/(losses net of gains) | | 17 268 | (10 623) | 11 962 | 639 |
| (Losses net of gains)/gains less losses from derivative financial instruments | | (10 803) | 16 108 | (9 945) | (282) |
| Gains less losses from dealing in foreign currencies | | 1 470 | 2 427 | 336 | 693 |
| Gains from non-banking activities | | 16 686 | 11 629 | 5 197 | 4 752 |
| Losses from non-banking activities | | (15 643) | (10 687) | (4 908) | (3 941) |
| Losses from disposal of subsidiaries | | (976) | - | - | - |
| Other operating income | | 1 485 | 924 | 322 | 537 |
| Administrative and other operating expenses | | (47 424) | (46 085) | (15 095) | (15 593) |
| Profit before tax | | 12 578 | 7 362 | 9 773 | 1 407 |
| Income tax expense | | (2 719) | (3 060) | (1 324) | (719) |
| Profit for the period | | 9 859 | 4 302 | 8 449 | 688 |
| Profit/(loss) is attributable to: | | | | | |
| Shareholder of the Bank | | 9 872 | 4 276 | 8 449 | 691 |
| Non-controlling interest | | (13) | 26 | - | (3) |
| Profit for the period | | 9 859 | 4 302 | 8 449 | 688 |
| Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods: | | | | | |
| Debt securities at fair value through other comprehensive income: | | | | | |
| - Net gains on debt securities at fair value through other comprehensive income | | (1 177) | 10 075 | (3 591) | 4 864 |
| - Realised revaluation reserve on debt securities (at disposal) | | (2 507) | (153) | (727) | (951) |
| - Changes in allowance for expected credit losses of debt securities at fair value through other comprehensive income | | 208 | (879) | (214) | (352) |
| Income tax | | (123) | (1 808) | 574 | (707) |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax | | (3 599) | 7 235 | (3 958) | 2 854 |
| 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 (loss)/income | | (3 599) | 7 261 | (3 958) | 2 856 |
| Total comprehensive income for the period | | 6 260 | 11 563 | 4 491 | 3 544 |
| Total comprehensive income/(loss) for the period is attributable to: | | | | | |
| Shareholder of the Bank | | 6 273 | 11 537 | 4 491 | 3 547 |
| Non-controlling interest | | (13) | 26 | - | (3) |
| Total other comprehensive income for the period | | 6 260 | 11 563 | 4 491 | 3 544 |

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 2020

| <i>In millions of Russian Roubles</i> | Attributable to shareholder of the Bank | | | | | | Non-controlling interest | Total equity |
|---|---|-----------------|----------------------------------|---|------------------|----------------|--------------------------|----------------|
| | Share capital | Perpetual bonds | Revaluation reserve for premises | Revaluation reserve for investment securities | Accumulated loss | Total | | |
| Balance at 31 December 2018 | 410 598 | 38 376 | 2 890 | (3 769) | (298 074) | 150 021 | 1 700 | 151 721 |
| Income for the period, net of tax | - | - | - | - | 4 276 | 4 276 | 26 | 4 302 |
| Other comprehensive income 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 | - | - | - | - | - | - | (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 | - | - | - | - | (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 |
| Balance at 31 December 2019 | 440 233 | 48 398 | 2 829 | 6 733 | (298 842) | 199 351 | (101) | 199 250 |
| Profit for the period, net of tax | - | - | - | - | 9 872 | 9 872 | (13) | 9 859 |
| Other comprehensive income for the period, net of tax | - | - | - | (3 599) | - | (3 599) | - | (3 599) |
| Total comprehensive income for the period, net of tax | - | - | - | (3 599) | 9 872 | 6 273 | (13) | 6 260 |
| Share issue | 20 000 | - | - | - | - | 20 000 | - | 20 000 |
| Depreciation of revaluation reserve for premises | - | - | (40) | - | 40 | - | - | - |
| Disposal of subsidiaries | - | - | - | - | - | - | (11) | (11) |
| Buy back of perpetual bonds | - | (9) | - | - | - | (9) | - | (9) |
| Foreign exchange translation of perpetual bonds | - | 4 442 | - | - | (4 442) | - | - | - |
| Dividends declared | - | - | - | - | (115) | (115) | - | (115) |
| Coupon paid and due under perpetual bonds | - | - | - | - | (2 795) | (2 795) | - | (2 795) |
| Balance at 30 September 2020 (unaudited) | 460 233 | 52 831 | 2 789 | 3 134 | (296 282) | 222 705 | (125) | 222 580 |

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 2020

| <i>(Unaudited)</i> In millions of Russian Roubles | For the nine months ended 30 September | |
|---|--|------------------|
| | 2020 | 2019 |
| Cash flows from operating activities | | |
| Interest received | 177 492 | 184 126 |
| Interest paid | (110 289) | (117 945) |
| Income received/(expenses incurred) from trading in securities and financial instruments at fair value through profit or loss | 18 | (301) |
| (Expenses incurred)/income received from derivative financial instruments | (6 152) | 11 738 |
| Income received from dealing in foreign currencies | 1 822 | 2 426 |
| Fees and commissions received | 17 799 | 17 848 |
| Fees and commissions paid | (2 385) | (1 956) |
| Other operating (expenses incurred)/income received | (14) | 1 310 |
| Net income received from insurance operations | 10 973 | 6 402 |
| Income received from non-banking activities | 3 730 | 3 783 |
| Losses incurred from non-banking activities | (3 771) | (4 628) |
| Administrative and other operating expenses paid | (43 110) | (40 486) |
| Taxes paid | (2 648) | (3 434) |
| Cash flows from operating activities before changes in operating assets and liabilities | 43 465 | 58 883 |
| Changes in operating assets and liabilities | | |
| <i>Net (increase)/decrease in operating assets</i> | | |
| Mandatory cash balances with the Bank of Russia | (1 658) | (2 286) |
| Trading securities | (18 765) | (2 513) |
| Due from other banks | 19 335 | 2 854 |
| Loans and advances to customers | (287 320) | (222 641) |
| Other assets | (15 620) | (437) |
| <i>Net increase/(decrease) in operating liabilities</i> | | |
| Due to other banks | 36 847 | (93 804) |
| Customer accounts | 70 742 | 27 144 |
| Promissory notes issued | 11 977 | 2 735 |
| Bonds issued | - | 3 359 |
| Other liabilities | (2 595) | 4 588 |
| Net cash used in operating activities | (143 592) | (222 118) |
| Cash flows from investing activities | | |
| Acquisition of premises and equipment | (7 502) | (338) |
| Proceeds from disposal of premises and equipment | 1 019 | 391 |
| Acquisition of intangible assets | (1 912) | (1 721) |
| Acquisition of investment securities at FVTPL | (570) | 427 |
| Acquisition of investment securities at FVTPL (mandatory) | (32 985) | (13 817) |
| Acquisition of investment securities at FVOCI | (254 955) | (322 767) |
| Proceeds from redemption and sales of investment securities at FVOCI | 203 281 | 468 761 |
| Acquisition of investment securities at amortised cost | (7 707) | (11 218) |
| Proceeds from redemption of investment securities at amortised cost | 14 600 | 6 193 |
| Proceeds from the sale of discontinued operations less cash and cash equivalents disposed of as a result of the sale | 189 | - |
| Dividends received | 5 | 28 |
| Net cash (used in)/from investing activities | (86 537) | 125 939 |
| Cash flows from financing activities | | |
| Dividends paid | - | (1 126) |
| Amounts paid on perpetual bonds | (3 519) | (2 871) |
| Buy back of perpetual bonds | (9) | - |
| Buy back of subordinated debt | (5 681) | (1 254) |
| Proceeds from sale of previously bought back subordinated debts | 1 537 | - |
| Proceeds from bonds issued | 6 008 | 20 000 |
| Buy back of bonds issued at or prior to put option date | (6 798) | (5 736) |
| Proceeds from sale of previously bought back bonds issued on domestic market | - | 10 502 |
| Repayment of bonds and Eurobonds issued | (21 155) | - |
| Payments in respect of lease obligations (IFRS 16) | (548) | (409) |
| Issue of ordinary shares | 20 000 | 15 000 |
| Proceeds from sale of non-controlling interests in consolidated mutual funds | 70 | 38 |
| Payments on disposal of non-controlling interests in consolidated mutual funds | (43) | (27) |
| Net cash (used in)/from financing activities | (10 138) | 34 117 |
| Effect of exchange rate changes on cash and cash equivalents | 19 578 | (11 030) |
| Effect of expected credit losses on cash and cash equivalents | - | 5 |
| Net decrease in cash and cash equivalents | (220 689) | (73 087) |
| Cash and cash equivalents at the beginning of the period | 403 564 | 390 585 |
| Cash and cash equivalents at the end of the period | 182 875 | 317 498 |

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 2020 for Joint stock company Russian Agricultural Bank (the "Bank") and its subsidiaries (together referred to as the "Group").

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

The Bank's only shareholder is the Russian Federation acting through the Federal Agency for Managing State Property which holds the Bank's issued and outstanding ordinary shares (79.59% from total share capital (31 December 2019: 78.66% from total share capital)), the Ministry of Finance of the Russian Federation which holds the Bank's issued and outstanding preference shares (5.44% from total share capital (31 December 2019: 5.69% from total share capital)) and the State Corporation "Deposit Insurance Agency" which holds the Bank's issued and outstanding preference shares (14.97% from total share capital (31 December 2019: 15.65% from total share capital)).

The Group's structure comprises of the Bank and its subsidiaries. Principal subsidiaries of the Bank are Joint-stock company "RSHB-Insurance" (ownership interest of the Bank is 100%), RSHB Capital S.A. (Luxembourg) (structured entity incorporated for Eurobonds issue for the Bank), "RSHB Asset Management" Limited Liability Company (ownership interest of the Bank is 100%), "RSHB Factoring" Limited Liability Company (ownership interest of the Bank is 100%), "RSHB Leasing" Limited Liability Company (ownership interest of the Bank is 100%) and 27 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 and up to RR 10 000 thousand on escrow accounts in case of the withdrawal of a licence of a bank or the Bank of Russia imposed moratorium on payments. At the same time, in individual cases (inheritance, sale of various real estate, receipt of grants in the form of subsidies, etc.) balances are formed for a certain time on the accounts of individuals in amounts that significantly exceed the established maximum amount of insurance compensation. In accordance with Federal Law # 163-FZ dated 25 May 2020, from 1 October 2020 it is possible to receive payments on such deposits in an increased amount, the maximum amount of payments will not exceed RR 10 000 thousand.

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

The number of the Group's employees as at 30 September 2020 was 31 152 (31 December 2019: 31 147).

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

2 Operating Environment of the Group

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

In connection with the recent rapid progression of the coronavirus pandemic (COVID-19) at the beginning of 2020, many countries, including the Russian Federation, introduced various measures to fight the outbreak, including travel restrictions, quarantine, closure of business and other facilities and blocking of a certain zone. These measures affected the global supply chain, demand for goods and services, and also had a significant impact on the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures to minimize its consequences can affect the activities of companies from various industries.

On the basis of the available information the impact of this outbreak on the macroeconomic forecasts is incorporated into the Bank's IFRS 9 estimates of expected credit loss provisions in 2020, however, due to the high level of uncertainty, actual results may differ from expected forecast estimates.

In the context of evolving of the coronavirus infection pandemic in the second quarter of 2020, the Government of the Russian Federation and the Bank of Russia decided to implement a set of measures to support consumers of financial services, reduce risks for their financial well-being in the future, namely:

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

These measures include, among other things, subsidized lending to clients from affected industries and individuals, vacation pay and certain regulatory easings to help the financial sector maintain its ability to provide resources and help clients avoid liquidity shortages as a result of containing the pandemic.

Since March 2020, there has been significant volatility in the stock, currency and commodity markets, including a decrease in the cost of oil, stock indices, as well as a decrease in the exchange rate of the ruble against the US Dollar and the Euro.

Currently, the Russian economy is affected by the unstable market situation and the slowdown of economic growth in other countries of the world. During the nine months ended 30 September 2020, there was instability in the capital markets.

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

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

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

During the nine months ended 30 September 2020, the following were the key changes in selected macro-economic indicators:

- The Bank of Russia exchange rate depreciated from RR 61.9057 to RR 79.6845 per US Dollar;
- The Bank of Russia key rate decreased from 6.25% p.a. to 4.25% p.a.;
- The RTS stock exchange index decreased from 1 548.9 to 1 178.5.

3 Summary of Significant Accounting Policies

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

The functional currency of the Bank and its subsidiaries, and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles. As at 30 September 2020 the principal rates of exchange used for translating foreign currency balances were USD 1 = RR 79.6845 (31 December 2019: USD 1 = RR 61.9057), EUR 1 = RR 93.0237 (31 December 2019: EUR 1 = RR 69.3406).

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the changes introduced due to implementation of new and/or revised standards and interpretations as at 1 January 2020 or as at the date indicated, noted below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criterias 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 2020 the Group guarantees all obligations of the consolidated structured entity represented by subordinated debts in the amount of RR 27 784 million (31 December 2019: subordinated debts in the amount of RR 24 295 million). During nine months ended 30 September 2020 and the year ended 31 December 2019 the Group did not provide any other financial support to the consolidated structured entity. The Group has no other current obligation or intention neither to provide financial or other support to the consolidated structured entity nor to assist it in obtaining financial support.

Holding Corporate Eurobonds in the investment portfolio 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 2020 (unaudited) | 31 December 2019 |
|---|--|-----------------------------|
| Federal loan bonds (OFZ) | 18 959 | 16 839 |
| Corporate bonds | 5 433 | 4 949 |
| Corporate shares | 204 | 186 |
| Total trading securities | 24 596 | 21 974 |
| Federal loan bonds (OFZ) | 16 729 | - |
| Total trading securities pledged under repurchase agreements | 16 729 | - |

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 2020 (unaudited) | 31 December 2019 |
|--|--|-----------------------------|
| Loans to legal entities | 2 211 331 | 1 942 145 |
| - Loans to corporates | 2 207 789 | 1 923 038 |
| - Lending for food interventions | 3 542 | 19 107 |
| Loans to individuals | 518 254 | 473 008 |
| Total loans and advances to customers at amortised cost (before impairment) | 2 729 585 | 2 415 153 |
| Less: allowance for impairment | (292 230) | (306 038) |
| Total loans and advances to customers at amortised cost | 2 437 355 | 2 109 115 |
| Loans to customers at fair value through profit or loss | 85 399 | 55 791 |
| Total loans and advances to customers | 2 522 754 | 2 164 906 |

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

As at 30 September 2020, the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 768 481 million, or 28% of total loans and advances to customers before impairment (31 December 2019: the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 636 343 million, or 26% of total loans and advances to customers before impairment).

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

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

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

- Used an updated forecast of macroeconomic indicators;
- Increased the weighted assessment of credit losses on loans assessed on a collective basis for borrowers from individual industries who were most affected by the deteriorating situation as a result of the spread of coronavirus infection;
- When assessing the probability of default on loans to individuals, took into account the impact of an increase in the volume of restructured loans, for which there is no formal deterioration in quality.

Reflection of the changed macroeconomic conditions using the approaches indicated above did not cause a significant increase in the cost of credit risk during the nine months of 2020.

6 Loans and Advances to Customers (Continued)

An analysis of changes in the ECL allowances during the nine months ended 30 September 2020 is, as follows:

| <i>(Unaudited)</i> | | | | | |
|---|---------------|---------------|----------------|--------------|-----------------|
| <i>In millions of Russian Roubles</i> | | | | | |
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| Loans to legal entities | | | | | |
| ECL as at 1 January 2020 | 13 320 | 21 721 | 236 372 | 1 409 | 272 822 |
| Transfers to Stage 1 | 2 953 | (2 861) | (92) | - | - |
| Transfers to Stage 2 | (857) | 4 422 | (3 565) | - | - |
| Transfers to Stage 3 | (218) | (6 569) | 6 787 | - | - |
| 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) | 3 954 | (3 529) | 12 284 | 412 | 13 121 |
| Unwind of discount (recognised in interest income) | - | - | 3 410 | - | 3 410 |
| Amounts written off | - | - | (3 449) | - | (3 449) |
| Foreign exchange adjustments | 1 207 | 2 839 | 693 | - | 4 739 |
| Allowance for loans sold during the period | (211) | (220) | (27 724) | - | (28 155) |
| Recovery of loans previously written off sold during the period | - | - | 161 | - | 161 |
| Recovery of loans previously written off | - | - | 144 | - | 144 |
| Disposal of subsidiaries | - | - | 194 | - | 194 |
| ECL as at 30 September 2020 | 20 148 | 15 803 | 225 215 | 1 821 | 262 987 |

| <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 2020 | 2 677 | 880 | 29 659 | 33 216 | |
| Transfers to Stage 1 | 334 | (106) | (228) | - | |
| Transfers to Stage 2 | (89) | 438 | (349) | - | |
| Transfers to Stage 3 | (182) | (573) | 755 | - | |
| 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) | 1 376 | 545 | 3 491 | 5 412 | |
| Unwind of discount (recognised in interest income) | - | - | 576 | 576 | |
| Amounts written off | - | - | (6 897) | (6 897) | |
| Allowance for loans sold during the period | - | - | (3 064) | (3 064) | |
| ECL as at 30 September 2020 | 4 116 | 1 184 | 23 943 | 29 243 | |

6 Loans and Advances to Customers (Continued)

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 |
| 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 |

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

7 Investment Securities

Investment securities including those pledged under repurchase agreements comprise:

| <i>In millions of Russian Roubles</i> | 30 September 2020 (unaudited) | 31 December 2019 |
|--|--|-----------------------------|
| Investment securities at fair value through other comprehensive income | 404 865 | 346 709 |
| Investment securities at fair value through profit or loss (mandatory) | 58 565 | 26 046 |
| Investment securities at amortised cost | 51 226 | 58 966 |
| Investment securities at fair value through profit or loss | 502 | 582 |
| Total investment securities | 515 158 | 432 303 |

| <i>In millions of Russian Roubles</i> | 30 September 2020 (unaudited) | 31 December 2019 |
|---|--|-----------------------------|
| Investment securities at fair value through other comprehensive income | | |
| Federal loan bonds (OFZ) | 224 135 | 207 662 |
| Corporate bonds | 111 230 | 98 274 |
| Corporate Eurobonds | 56 734 | 34 292 |
| Municipal and subfederal bonds | 8 283 | 3 079 |
| State Eurobonds | 31 | 1 778 |
| Bank of Russia bonds | - | 1 496 |

| | | |
|---|----------------|----------------|
| Total debt securities at fair value through other comprehensive income | 400 413 | 346 581 |
|---|----------------|----------------|

| | | |
|--------------------------|-------|---|
| Federal loan bonds (OFZ) | 4 328 | - |
|--------------------------|-------|---|

| | | |
|---|--------------|----------|
| Total debt securities at fair value through other comprehensive income pledged under repurchase agreements | 4 328 | - |
|---|--------------|----------|

| | | |
|--------------------------|-----|-----|
| Equity securities | | |
| Corporate shares | 124 | 128 |

| | | |
|---|------------|------------|
| Total equity securities at fair value through other comprehensive income | 124 | 128 |
|---|------------|------------|

| | | |
|---|----------------|----------------|
| Total investment securities at fair value through other comprehensive income | 404 865 | 346 709 |
|---|----------------|----------------|

7 Investment Securities (Continued)

| <i>In millions of Russian Roubles</i> | 30 September 2020 (unaudited) | 31 December 2019 |
|---|--|-----------------------------|
| Investment securities at fair value through profit or loss (mandatory) | | |
| Corporate bonds | 51 078 | 23 175 |
| Credit linked notes | 2 160 | 2 045 |
| Investments in mutual funds | 86 | 78 |
| Total debt securities at fair value through profit or loss (mandatory) | 53 324 | 25 298 |
| Equity securities | | |
| Corporate shares | 5 241 | 748 |
| Total investment securities at fair value through profit or loss (mandatory) | 58 565 | 26 046 |

| <i>In millions of Russian Roubles</i> | 30 September 2020 (unaudited) | 31 December 2019 |
|--|--|-----------------------------|
| Investment securities at amortised cost | | |
| Corporate bonds | 31 091 | 42 608 |
| Municipal and subfederal bonds | 8 933 | 10 811 |
| Federal loan bonds (OFZ) | 9 509 | 4 832 |
| Corporate Eurobonds | 1 991 | 897 |
| Less: allowance for impairment | (298) | (182) |
| Total investment securities at amortised cost | 51 226 | 58 966 |

| <i>In millions of Russian Roubles</i> | 30 September 2020 (unaudited) | 31 December 2019 |
|---|--|-----------------------------|
| Investment securities at fair value through profit or loss | | |
| Credit linked notes | 502 | 582 |
| Total investment securities at fair value through profit or loss | 502 | 582 |

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 2020 (unaudited) | 31 December 2019 |
|--|--|-----------------------------|
| Correspondent accounts and overnight placements of other banks | 9 352 | 12 262 |
| Borrowings from other banks with term to maturity: | | |
| - repurchase agreements less than 30 days | 5 | - |
| - less than 30 days | 37 874 | 35 141 |
| - from 31 to 180 days | 644 | 25 |
| - from 181 days to 1 year | - | 36 |
| - from 1 year to 3 years | 15 191 | 317 |
| - more than 3 years | 4 269 | 16 458 |
| Borrowings from the Bank of Russia with term to maturity: | | |
| - less than 30 days | 32 | 27 |
| - from 31 to 180 days | 201 | 409 |
| - from 181 days to 1 year | 45 716 | 353 |
| - from 1 year to 3 years | 41 387 | 44 491 |
| Total due to other banks | 154 671 | 109 519 |

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 2020 (unaudited) | 31 December 2019 |
|---------------------------------------|--|-----------------------------|
| State and public organisations | | |
| - Current/settlement accounts | 29 426 | 28 256 |
| - Term deposits | 366 970 | 354 879 |
| Other legal entities | | |
| - Current/settlement accounts | 276 889 | 206 259 |
| - Term deposits | 658 821 | 705 279 |
| Individuals | | |
| - Current/demand accounts | 188 627 | 107 475 |
| - Term deposits | 1 113 690 | 1 083 960 |
| Total customer accounts | 2 634 423 | 2 486 108 |

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

As at 30 September 2020, customer accounts included funds received under direct repo deals in the total amount of RR 20 000 million.

9 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

| <i>In millions of Russian Roubles</i> | 30 September 2020 (unaudited) | | 31 December 2019 | |
|---------------------------------------|--|------------|-------------------------|------------|
| | Amount | % | Amount | % |
| Individuals | 1 302 317 | 49 | 1 191 435 | 48 |
| State and public organisations | 396 396 | 15 | 383 135 | 15 |
| Manufacturing | 209 035 | 8 | 215 968 | 9 |
| Agriculture | 150 439 | 6 | 99 805 | 4 |
| Construction | 104 202 | 4 | 125 279 | 5 |
| Trading | 99 399 | 4 | 77 977 | 3 |
| Financial services and pension funds | 83 729 | 3 | 113 214 | 5 |
| Insurance | 57 381 | 2 | 53 345 | 2 |
| Real estate | 44 546 | 2 | 52 529 | 2 |
| Transport | 15 683 | 1 | 13 038 | 1 |
| Leasing | 4 154 | - | 565 | - |
| Communication | 2 785 | - | 1 076 | - |
| Other | 164 357 | 6 | 158 742 | 6 |
| Total customer accounts | 2 634 423 | 100 | 2 486 108 | 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 2020 (unaudited) | 31 December 2019 |
|---------------------------------------|--|-----------------------------------|
| Bonds issued on domestic market | 153 207 | 174 954 |
| Total bonds issued | 153 207 | 174 954 |

10 Bonds Issued (Continued)

As at 30 September 2020, bonds issued consist of Russian Roubles denominated bonds issued on domestic market.

| Currency of denomination | Nominal value, in million of currency, in circulation | Issue date | Maturity date | Put option date | Coupon rate | Coupon payment |
|--|---|-------------------|-------------------|------------------|-------------|----------------|
| Bonds issued on domestic market | | | | | | |
| 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 | 2 964 | 8 November 2011 | 26 October 2021 | - | 7.00% | 6 months |
| Russian Roubles | 73 | 16 April 2012 | 4 April 2022 | - | 6.15% | 6 months |
| Russian Roubles | 43 | 23 October 2012 | 11 October 2022 | 15 October 2020 | 8.20% | 6 months |
| Russian Roubles | 523 | 25 October 2012 | 13 October 2022 | 19 April 2021 | 8.20% | 6 months |
| Russian Roubles | 10 000 | 23 April 2013 | 11 April 2023 | 14 April 2022 | 8.30% | 6 months |
| Russian Roubles | 1 484 | 30 July 2013 | 18 July 2023 | 21 January 2021 | 7.40% | 6 months |
| Russian Roubles | 1 | 30 September 2013 | 18 September 2023 | - | 6.25% | 6 months |
| Russian Roubles | 4 978 | 22 November 2013 | 10 November 2023 | 16 November 2021 | 8.85% | 6 months |
| Russian Roubles | 5 000 | 10 October 2014 | 27 September 2024 | 4 October 2022 | 7.40% | 3 months |
| Russian Roubles | 5 000 | 13 October 2014 | 30 September 2024 | 5 October 2022 | 7.40% | 3 months |
| Russian Roubles | 661 | 26 December 2014 | 13 December 2024 | 22 December 2020 | 8.60% | 3 months |
| Russian Roubles | 5 146 | 11 February 2015 | 29 January 2025 | 3 February 2023 | 6.50% | 3 months |
| Russian Roubles | 781 | 26 February 2015 | 13 February 2025 | 21 August 2023 | 5.45% | 3 months |
| Russian Roubles | 2 282 | 30 October 2015 | 17 October 2025 | 25 April 2023 | 7.00% | 3 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 | 25 June 2019 | 22 June 2021 | - | 8.15% | 6 months |
| Russian Roubles | 5 000 | 15 November 2019 | 10 November 2023 | - | 7.00% | 6 months |
| Russian Roubles | 5 000 | 13 November 2019 | 2 November 2022 | - | 6.75% | 1 month |
| Russian Roubles | 2 481 | 5 February 2020 | 25 January 2023 | - | 6.05% | 1 month |
| Russian Roubles | 3 528 | 15 July 2020 | 5 July 2023 | - | 5.25% | 1 month |

10 Bonds Issued (Continued)

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

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

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

11 Perpetual Bonds

As at 30 September 2020, the Group's perpetual bonds in circulation equal to RR 52 831 million (as at 31 December 2019: RR 48 398 million).

As at 30 September 2020, perpetual bonds consist of Russian Roubles, US Dollars and Euros denominated bonds issued on domestic market.

| Currency of denomination | Nominal value, in million of currency, in circulation | Carrying amount, in millions of Russian Roubles | Issue date | Call option date | Coupon rate | Coupon payment |
|--------------------------|---|---|------------------|-------------------|-------------|----------------|
| Russian Roubles | 5 000 | 5 000 | 15 July 2016 | 3 July 2026 | 14.50% | 6 months |
| Russian Roubles | 5 000 | 5 000 | 18 July 2016 | 6 July 2026 | 14.50% | 6 months |
| Russian Roubles | 5 000 | 5 000 | 5 October 2016 | 23 September 2026 | 14.25% | 6 months |
| Russian Roubles | 10 000 | 10 000 | 25 April 2018 | 12 April 2028 | 9.00% | 6 months |
| Russian Roubles | 4 893 | 4 893 | 26 April 2018 | 13 April 2028 | 9.00% | 6 months |
| Russian Roubles | 5 000 | 5 000 | 22 November 2018 | 9 November 2028 | 10.10% | 6 months |
| US Dollars | 50 | 3 984 | 17 December 2018 | 4 December 2028 | 9.00% | 6 months |
| Euros | 150 | 13 954 | 12 December 2019 | 5 June 2025 | 5.00% | 6 months |

11 Perpetual Bonds (Continued)

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

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

12 Interest Income and Expense

| <i>(Unaudited)</i> In millions of Russian Roubles | For the nine months ended 30 September | | For the three months ended 30 September | |
|--|--|------------------|---|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Interest income on debt financial assets carried at amortised cost | | | | |
| Loans and advances to legal entities | 102 442 | 108 355 | 33 673 | 37 792 |
| Loans and advances to individuals | 39 320 | 38 895 | 13 035 | 13 314 |
| Cash equivalents | 4 663 | 4 876 | 428 | 969 |
| Investment securities at amortised cost including pledged under repurchase agreements | 2 249 | 3 470 | 698 | 1 334 |
| Due from other banks | 1 491 | 3 563 | 285 | 1 221 |
| | 150 165 | 159 159 | 48 119 | 54 630 |
| Interest income on debt financial assets carried at fair value through other comprehensive income | | | | |
| Investment securities at FVOCI including pledged under repurchase agreements | 16 769 | 23 020 | 5 278 | 6 751 |
| | 16 769 | 23 020 | 5 278 | 6 751 |
| Total interest income at effective interest rate | 166 934 | 182 179 | 53 397 | 61 381 |
| Investment securities at fair value through profit or loss | 2 861 | 1 182 | 979 | 476 |
| Loans to customers at fair value through profit or loss | 2 194 | 1 309 | 870 | 438 |
| Trading securities | 2 111 | 1 110 | 839 | 383 |
| Total other interest income | 7 166 | 3 601 | 2 688 | 1 297 |
| Interest expense at effective interest rate | | | | |
| Term deposits of individuals | (46 520) | (45 716) | (15 218) | (15 932) |
| Term deposits of legal entities | (39 515) | (54 703) | (11 638) | (16 425) |
| Bonds issued | (10 164) | (10 903) | (3 290) | (3 898) |
| Current/settlement accounts | (6 527) | (5 682) | (1 946) | (2 076) |
| Subordinated debts | (6 183) | (6 946) | (2 358) | (1 864) |
| Term deposits of the Bank of Russia | (3 381) | (3 050) | (1 167) | (1 008) |
| Promissory notes issued | (2 124) | (2 126) | (783) | (666) |
| Term deposits of other banks | (1 509) | (1 723) | (546) | (460) |
| Total interest expense at effective interest rate | (115 923) | (130 849) | (36 946) | (42 329) |
| Lease liabilities | (468) | (524) | (158) | (123) |
| Total other interest expense | (468) | (524) | (158) | (123) |
| Net interest income | 57 709 | 54 407 | 18 981 | 20 226 |

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 2020:

| <i>(Unaudited)</i> | | | | | | |
|--|-------------|----------------|----------------|----------------|-------------|---------------|
| <i>In millions of Russian Roubles</i> | Note | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| Due from other banks | | 7 | - | - | - | 7 |
| Loans to customers at amortised cost | 6 | 8 478 | (5 394) | 20 081 | 412 | 23 577 |
| Debt securities measured at amortised cost | | 115 | - | - | - | 115 |
| Debt securities measured at FVOCI | | 208 | - | - | - | 208 |
| Other financial assets | | - | - | 43 | - | 43 |
| Credit related commitments | | 339 | (13) | - | - | 326 |
| Total credit loss expense | | 9 147 | (5 407) | 20 124 | 412 | 24 276 |

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 | | - | - | 1 602 | 1 602 | |
| Credit related commitments | | 269 | (14) | - | 255 | |
| Total credit loss expense | | (15 879) | 13 767 | 30 000 | 27 888 | |

14 Fee and Commission Income and Expense

| <i>(Unaudited)</i> <i>In millions of Russian Roubles</i> | For the nine months ended 30 September | | For the three months ended 30 September | |
|---|---|----------------|--|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Fee and commission income | | | | |
| Commission on cash and settlements transactions | 6 717 | 7 342 | 2 549 | 2 638 |
| Fees for sale of insurance contracts | 5 031 | 4 441 | 2 288 | 1 445 |
| Commission on banking cards | 3 269 | 2 959 | 1 260 | 1 065 |
| Commission on guarantees issued | 1 158 | 1 227 | 417 | 392 |
| Fees for currency control | 262 | 223 | 100 | 78 |
| Commission received from the Deposit Insurance Agency | 7 | 99 | 2 | 9 |
| Other | 1 407 | 1 581 | 680 | 752 |
| Total fee and commission income | 17 851 | 17 872 | 7 296 | 6 379 |
| Fee and commission expense | | | | |
| Commission on settlement transactions | (1 936) | (1 512) | (712) | (571) |
| Commission on cash collection | (264) | (289) | (101) | (115) |
| Other | (185) | (155) | (64) | (52) |
| Total fee and commission expense | (2 385) | (1 956) | (877) | (738) |
| Net fee and commission income | 15 466 | 15 916 | 6 419 | 5 641 |

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 | |
|--|---|------------|--|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Sales of goods | 3 135 | 3 382 | 732 | 1 187 |
| Including: | | | | |
| - sugar | 1 119 | 605 | 51 | 143 |
| - feed | 487 | 498 | 153 | 165 |
| - meat and dairy products | 394 | 819 | 131 | 545 |
| - grain (including storage and processing) | 22 | 96 | 3 | 59 |
| - other goods and services | 1 113 | 1 364 | 394 | 275 |
| Cost of goods sold | (2 566) | (2 758) | (277) | (957) |
| Recovery of provision/(provision) for impairment for trade receivables, prepayments and other financial assets | (2) | (32) | (228) | 415 |
| Net income from insurance operations | 2 084 | 1 894 | 468 | 828 |
| Other non-banking income | 992 | 484 | 266 | 115 |
| Other non-banking expenses | (2 600) | (2 028) | (672) | (778) |
| Total gains less losses from non-banking activities | 1 043 | 942 | 289 | 810 |

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 | |
|--|---|----------------|--|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Insurance premiums | | | | |
| Premium earned | 15 712 | 10 093 | 5 417 | 4 190 |
| Reinsurers share in premiums earned | (3 153) | (2 330) | (992) | (740) |
| Net insurance premiums earned | 12 559 | 7 763 | 4 425 | 3 450 |
| Insurance benefits and claims | | | | |
| Net claims incurred during the period | (13 319) | (7 543) | (5 136) | (3 456) |
| Acquisition costs | (523) | (357) | (196) | (119) |
| Reinsurers share in claims incurred during the period | 3 367 | 2 031 | 1 375 | 953 |
| Net insurance benefits and claims | (10 475) | (5 869) | (3 957) | (2 622) |
| Net income from insurance operations | 2 084 | 1 894 | 468 | 828 |

16 Significant Risk Concentrations

As at 30 September 2020, correspondent accounts and deposits with other banks with original maturities less than one month within cash and cash equivalents included no balances individually above 10% of the Group's equity (31 December 2019: correspondent accounts and deposits with other banks with original maturities less than one month within cash and cash equivalents included balances with two Russian banking groups with rating of the parent bank at Baa3 (Moody's) and two OECD banking groups with rating of the parent bank not lower than A3 (Moody's), individually above 10% of the Group's equity, in the amount of RR 241 319 million, or 60% of total cash and cash equivalents).

16 Significant Risk Concentrations (Continued)

As at 30 September 2020, cash and cash equivalents included the balances with the Bank of Russia in the total amount of RR 96 327 million, or 53% of total cash and cash equivalents (31 December 2019: RR 74 594 million, or 18% of total cash and cash equivalents).

As at 30 September 2020, due from other banks included no balances individually above 10% of the Group's equity (31 December 2019: due from other banks included the balances with one Russian banking group with rating of the parent bank not lower than BBB- (S&P) individually above 10% of the Group's equity, in the amount of RR 24 714 million, or 49% of total due from other banks).

As at 30 September 2020, due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 87 335 million, or 56% of total due to other banks (31 December 2019: due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 45 280 million, or 41% of total due to other banks).

As at 30 September 2020 and 31 December 2019, due to other banks included no balances, individually above 10% of the Group's equity. As at 30 September 2020, due to other banks included the balances with one OECD banking group with rating of the parent bank at A1 (Moody's) and two Russian banking groups with rating of the parent bank not lower than Ba1 (Moody's) in aggregate above 10% of the Group's equity, in the amount of RR 27 464 million, or 18% of total due to other banks (31 December 2019: due to other banks included the balances with one OECD banking group with rating of the parent bank at A (S&P) and one Russian banking group with rating of the parent bank at BB+ (S&P) in aggregate above 10% of the Group's equity, in the amount of RR 25 860 million, or 24% of total due to other banks).

As at 30 September 2020, customer accounts included balances with seven customers each above 10% of the Group's equity (31 December 2019: balances with eight customers each above 10% of the Group's equity). The aggregate balance of these customers was RR 552 236 million, or 21% of total customer accounts (31 December 2019: RR 566 833 million, or 23% of total customer accounts).

17 Segment Analysis

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

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

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

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

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

17 Segment Analysis (Continued)

Segment reporting of the Group's revenue and profit/(loss) for the nine months ended 30 September 2020 and for the nine months ended 30 September 2019 and segment reporting of the Group's assets and liabilities at 30 September 2020 and 31 December 2019 are as follows:

| <i>In millions of Russian Roubles</i> | Head office | Central federal district | Far-Eastern federal district | Volga federal district | North-West federal district | North-Caucasian federal district | Siberian federal district | Ural federal district | Southern federal district | Total |
|--|-----------------|--------------------------|------------------------------|------------------------|-----------------------------|----------------------------------|---------------------------|-----------------------|---------------------------|------------------|
| For the nine months ended 30 September 2020 (unaudited) | | | | | | | | | | |
| Revenue from external customers | 49 756 | 47 293 | 7 593 | 23 387 | 11 932 | 6 669 | 10 642 | 5 373 | 20 741 | 183 386 |
| - Interest income from loans and advances to customers, due from other banks and other placed funds | 48 658 | 41 596 | 6 407 | 20 419 | 10 609 | 5 366 | 8 511 | 4 761 | 18 337 | 164 664 |
| - Net fee and commission income from credit related operations | 1 098 | 5 697 | 1 186 | 2 968 | 1 323 | 1 303 | 2 131 | 612 | 2 404 | 18 722 |
| Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency | (27 831) | 27 730 | 15 011 | (4 917) | (191) | (574) | (5 764) | (3 118) | 8 563 | 8 909 |
| Interest expenses from due to other banks, customer accounts and bonds issued | (56 065) | (24 769) | (3 434) | (13 002) | (8 290) | (2 168) | (6 751) | (3 146) | (4 426) | (122 051) |
| (Provision)/recovery of provision for impairment* | (1 676) | (10 028) | (346) | (3 337) | (1 780) | (2 777) | (2 079) | (1 604) | 21 | (23 606) |
| Administrative and maintenance expense | (31 345) | (2 098) | (600) | (1 605) | (674) | (635) | (1 185) | (365) | (782) | (39 289) |
| - Including depreciation charge | (1 769) | (252) | (57) | (199) | (87) | (114) | (172) | (44) | (89) | (2 783) |
| Other expenses less other income* | (4 285) | 519 | (61) | 181 | (319) | (340) | 443 | 3 | 1 670 | (2 189) |
| Current income tax expense | (1 902) | - | - | - | - | - | - | - | - | (1 902) |
| (Loss)/profit of reportable segments | (73 348) | 38 647 | 18 163 | 707 | 678 | 175 | (4 694) | (2 857) | 25 787 | 3 258 |
| Intersegment income/(expense)** | 73 541 | (35 147) | (16 935) | 57 | 423 | (2 132) | 1 814 | 2 835 | (24 456) | - |

* 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 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) | - |
| Total assets | | | | | | | | | | |
| 30 September 2020 (unaudited) | 2 071 918 | 1 252 316 | 161 956 | 531 563 | 303 381 | 167 088 | 244 430 | 119 221 | 383 729 | 5 235 602 |
| 31 December 2019 | 2 636 408 | 1 322 088 | 165 916 | 579 168 | 326 669 | 185 111 | 260 877 | 126 275 | 446 421 | 6 048 933 |
| Total liabilities | | | | | | | | | | |
| 30 September 2020 (unaudited) | 1 951 564 | 1 213 543 | 143 760 | 530 631 | 302 598 | 166 890 | 249 022 | 122 077 | 357 938 | 5 038 023 |
| 31 December 2019 | 2 462 709 | 1 321 962 | 165 883 | 578 943 | 326 565 | 185 088 | 260 775 | 126 275 | 446 415 | 5 874 615 |

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

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

17 Segment Analysis (Continued)

Segment reporting of the Group's revenue and (loss)/profit for the three months ended 30 September 2020 and for the three months ended 30 September 2019 are as follows:

| <i>In millions of Russian Roubles</i> | Head office | Central federal district | Far-Eastern federal district | Volga federal district | North-West federal district | North-Caucasian federal district | Siberian federal district | Ural federal district | Southern federal district | Total |
|--|-----------------|--------------------------|------------------------------|------------------------|-----------------------------|----------------------------------|---------------------------|-----------------------|---------------------------|-----------------|
| For the three months ended 30 September 2020 (unaudited) | | | | | | | | | | |
| Revenue from external customers | 14 867 | 16 391 | 1 482 | 7 943 | 3 735 | 2 347 | 3 708 | 1 874 | 7 742 | 60 089 |
| - Interest income from loans and advances to customers, due from other banks and other placed funds | 14 390 | 14 434 | 977 | 6 768 | 3 206 | 1 804 | 2 845 | 1 611 | 6 732 | 52 767 |
| - Net fee and commission income from credit related operations | 477 | 1 957 | 505 | 1 175 | 529 | 543 | 863 | 263 | 1 010 | 7 322 |
| Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency | (19 177) | 17 461 | 8 327 | (2 971) | (549) | (582) | (3 285) | (2 190) | 5 333 | 2 367 |
| Interest expenses from due to other banks, customer accounts and bonds issued | (17 906) | (7 866) | (1 023) | (4 098) | (2 653) | (654) | (2 112) | (992) | (1 430) | (38 734) |
| (Provision)/recovery of provision for impairment* | (1 937) | (5 989) | 22 | (863) | 888 | (1 378) | (1 067) | (569) | (99) | (10 992) |
| Administrative and maintenance expense | (9 525) | (785) | (224) | (555) | (270) | (223) | (407) | (122) | (286) | (12 397) |
| - Including depreciation charge | (634) | (88) | (20) | (67) | (31) | (39) | (58) | (15) | (30) | (982) |
| Other expenses less other income* | (384) | 172 | (65) | 267 | 37 | (66) | 861 | 7 | 116 | 945 |
| Current income tax expense | (846) | - | - | - | - | - | - | - | - | (846) |
| (Loss)/profit of reportable segments | (34 908) | 19 384 | 8 519 | (277) | 1 188 | (556) | (2 302) | (1 992) | 11 376 | 432 |
| Intersegment income/(expense)** | 30 847 | (17 963) | (7 893) | 1 336 | 428 | (69) | 1 589 | 2 153 | (10 428) | - |

* 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 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)

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 | |
|--|---|--------------|--|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Total profit of reportable segments (after tax) | 3 258 | 9 484 | 432 | 1 176 |
| Adjustments for impairment (ECL) | (3 341) | (6 613) | 5 434 | (218) |
| Results of non-reportable segments, including the effect of consolidation* | (3 611) | (863) | (1 189) | 260 |
| Accounting for financial instruments at fair value | 1 470 | 2 786 | (262) | 1 485 |
| Adjustment of deferred tax | 414 | 691 | (335) | 407 |
| Gains less losses from revaluation of other financial instruments at fair value through profit or loss | (242) | 16 | 353 | - |
| Adjustment of accrued staff costs | (36) | 6 | (164) | (18) |
| Reclassification of perpetual bonds to equity | 8 113 | 2 508 | 3 860 | 202 |
| Adjustments of financial assets and liabilities carried at amortised cost | 3 356 | (6 541) | 1 308 | (7 225) |
| Other | 478 | 2 828 | (988) | 4 619 |
| The Group's profit under IFRS (after tax) | 9 859 | 4 302 | 8 449 | 688 |

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

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

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

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 2020, based on its own estimates and both internal and external professional advice the Group's management is of the opinion that no material losses will be incurred in respect of the claims in excess of the amounts already provided for in these interim condensed consolidated financial statements (31 December 2019: Group's management is of the opinion that no material losses will be incurred in respect of the claims in excess of the amounts already provided for in consolidated financial statements).

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

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

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

During nine months ended 30 September 2020, the Group determined its tax liabilities arising from the controlled transactions using actual transaction prices.

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

As at 30 September 2020, the Management of the Group believes that its interpretation of the applicable legislation is reasonable and will be sustained.

Capital expenditure commitments. As at 30 September 2020, the Group has contractual capital expenditure commitments of RR 1 475 million (31 December 2019: RR 1 950 million).

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

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

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

18 Contingencies and Commitments (Continued)

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

Outstanding credit related commitments and performance guarantees are as follows:

| <i>In millions of Russian Roubles</i> | 30 September 2020 (unaudited) | 31 December 2019 |
|--|--|-----------------------------|
| Undrawn credit lines | 139 546 | 97 741 |
| Letters of credit | 3 211 | 2 529 |
| Less: provisions for ECL | (834) | (508) |
| Total credit related commitments | 141 923 | 99 762 |
| Performance guarantees | 123 403 | 101 820 |
| Total credit related commitments and performance guarantees | 265 326 | 201 582 |

An analysis of changes in the ECL during the nine months ended 30 September 2020 are, as follows:

| <i>(Unaudited) In millions of Russian Roubles</i> | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|----------------|----------------|--------------|
| ECL as at 1 January 2020 | 497 | 11 | - | 508 |
| Transfers to Stage 1 | - | - | - | - |
| Transfers to Stage 2 | (2) | 2 | - | - |
| 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) | 339 | (13) | - | 326 |
| ECL as at 30 September 2020 | 834 | - | - | 834 |

An analysis of changes in the ECL 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 |
|--|----------------|----------------|----------------|--------------|
| ECL 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 |
| ECL as at 30 September 2019 | 899 | 12 | - | 911 |

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 2020 (unaudited) | 31 December 2019 |
|--|--|-----------------------------|
| Russian Roubles | 251 560 | 189 500 |
| US Dollars | 6 114 | 6 671 |
| Euros | 7 652 | 5 411 |
| Total credit related commitments and performance guarantees | 265 326 | 201 582 |

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

| <i>In millions of Russian Roubles</i> | 30 September 2020 (unaudited) | 31 December 2019 |
|---|--|-----------------------------|
| Assets pledged under loan agreements with banks (including the Bank of Russia) | 7 840 | 13 084 |
| Repurchase agreements | 21 057 | - |

As at 30 September 2020, mandatory cash balances with the Bank of Russia in the amount of RR 23 992 million (31 December 2019: RR 22 334 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 30 September 2020 and 31 December 2019, assets pledged under loan agreements with banks (including the Bank of Russia) mainly include loans and advances to customers pledged to the Bank of Russia under loan agreements in accordance with the Bank of Russia Act # 4801-U *On the Forms and Conditions of Refinancing of Credit Institutions Secured by Assets* dated 22 May 2018.

19 Derivative Financial Instruments

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

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

As at 30 September 2020, international credit rating of this counterparty was A (S&P) (31 December 2019: 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 2020 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 | 333 259 | (333 949) | 11 261 | (11 951) |
| - Securities | 119 054 | (112 650) | 8 114 | (1 710) |
| - Currency-interest rate | 21 626 | (22 349) | 1 795 | (2 518) |
| - Interest rate | 11 683 | (11 193) | 2 110 | (1 620) |
| - Precious metals | 3 249 | (3 295) | - | (46) |
| Options | 3 366 | (3 382) | 8 | (9) |
| Total derivative financial instruments | 492 237 | (486 818) | 23 288 | (17 854) |

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

| <i>In millions of Russian Roubles</i> | 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 | 205 718 | (199 746) | 6 949 | (977) |
| - Securities | 134 271 | (127 728) | 8 974 | (2 337) |
| - Currency-interest rate | 26 335 | (25 558) | 1 400 | (623) |
| - Interest rate | 5 277 | (5 180) | 942 | (845) |
| - Precious metals | 1 097 | (1 097) | - | - |
| Total derivative financial instruments | 372 698 | (359 309) | 18 265 | (4 782) |

As at 30 September 2020 and 31 December 2019, the Group had no foreign exchange swaps with fair value individually above 10% of the Group's equity.

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

20 Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

20 Fair Value of Financial Instruments (Continued)

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

| <i>In millions of Russian Roubles</i> | 30 September 2020 (unaudited) | | 31 December 2019 | |
|--|----------------------------------|------------------|------------------|------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets carried at amortised cost | | | | |
| Cash and cash equivalents | 182 875 | 182 875 | 403 564 | 403 564 |
| Mandatory cash balances with the Bank of Russia | 23 992 | 23 992 | 22 334 | 22 334 |
| Due from other banks | 36 550 | 40 890 | 50 543 | 47 079 |
| Loans and advances to customers: | | | | |
| - Loans to corporates | 1 944 915 | 1 951 501 | 1 650 485 | 1 656 182 |
| - Lending for food interventions | 3 429 | 3 429 | 18 838 | 18 838 |
| - Loans to individuals | 489 011 | 483 522 | 439 792 | 432 753 |
| Investment securities: | | | | |
| - Corporate bonds | 30 826 | 31 279 | 42 454 | 42 991 |
| - Municipal and subfederal bonds | 8 922 | 9 488 | 10 793 | 11 349 |
| - Federal Loan bonds (OFZ) | 9 492 | 9 582 | 4 824 | 4 905 |
| - Corporate Eurobonds | 1 986 | 1 986 | 895 | 895 |
| Other financial assets | 20 748 | 20 748 | 9 109 | 9 109 |
| Total financial assets carried at amortised cost | 2 752 746 | 2 759 292 | 2 653 631 | 2 649 999 |
| Financial assets carried at fair value | 613 944 | 613 944 | 469 367 | 469 367 |
| Total financial assets | 3 366 690 | 3 373 236 | 3 122 998 | 3 119 366 |
| Financial liabilities carried at amortised cost | | | | |
| Due to other banks: | | | | |
| - Term borrowings from other banks | 57 983 | 59 587 | 51 977 | 53 920 |
| - Term borrowings from the Bank of Russia | 87 336 | 86 338 | 45 280 | 44 956 |
| - Correspondent accounts and overnight placements of other banks | 9 352 | 9 352 | 12 262 | 12 262 |
| Customer accounts: | | | | |
| - State and public organisations | 396 396 | 396 968 | 383 135 | 383 448 |
| - Other legal entities | 935 710 | 938 662 | 911 538 | 913 744 |
| - Individuals | 1 302 317 | 1 323 967 | 1 191 435 | 1 202 026 |
| Promissory notes issued | 61 882 | 61 882 | 47 358 | 47 358 |
| Bonds issued: | | | | |
| - Bonds issued on domestic market | 153 207 | 166 343 | 174 954 | 186 861 |
| Other financial liabilities | 19 029 | 19 029 | 23 436 | 23 436 |
| Total financial liabilities carried at amortised cost before subordinated debts | 3 023 212 | 3 062 128 | 2 841 375 | 2 868 011 |
| Subordinated debts | 158 052 | 167 354 | 134 089 | 143 171 |
| Total financial liabilities carried at amortised cost | 3 181 264 | 3 229 482 | 2 975 464 | 3 011 182 |
| Financial liabilities carried at fair value | 17 854 | 17 854 | 4 782 | 4 782 |
| Total financial liabilities | 3 199 118 | 3 247 336 | 2 980 246 | 3 015 964 |

(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 2020 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 | 40 159 | 1 166 | - | 41 325 |
| Investment securities | 389 393 | 74 415 | 124 | 463 932 |
| Derivative financial instruments | - | 23 288 | - | 23 288 |
| Loans to customers at fair value through profit or loss | - | - | 85 399 | 85 399 |
| Office premises | - | - | 30 570 | 30 570 |
| Other non-financial assets | 137 | - | - | 137 |
| Assets for which fair values are disclosed | | | | |
| Cash and cash equivalents | - | 182 875 | - | 182 875 |
| Mandatory cash balances with the Bank of Russia | - | - | 23 992 | 23 992 |
| Due from other banks | - | 40 890 | - | 40 890 |
| Loans and advances to customers | - | - | 2 438 452 | 2 438 452 |
| Investment securities | 47 144 | 5 191 | - | 52 335 |
| Other financial assets | - | - | 20 748 | 20 748 |
| Total financial and non-financial assets | 476 833 | 327 825 | 2 599 285 | 3 403 943 |
| Liabilities measured at fair value | | | | |
| Derivative financial instruments | - | 17 854 | - | 17 854 |
| Liabilities for which fair values are disclosed | | | | |
| Due to other banks | - | 155 277 | - | 155 277 |
| Customer accounts | - | - | 2 659 597 | 2 659 597 |
| Promissory notes issued | - | - | 61 882 | 61 882 |
| Bonds issued: | | | | |
| - Bonds issued on domestic market | 123 254 | 43 089 | - | 166 343 |
| Other financial liabilities | - | - | 19 029 | 19 029 |
| Total financial liabilities before subordinated debts | 123 254 | 216 220 | 2 740 508 | 3 079 982 |
| Subordinated debts | 31 347 | 136 007 | - | 167 354 |
| Total financial liabilities | 154 601 | 352 227 | 2 740 508 | 3 247 336 |

20 Fair Value of Financial Instruments (Continued)

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

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

20 Fair Value of Financial Instruments (Continued)

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

| <i>In millions of Russian Roubles</i> | At 31 December 2019 | Total gains | New assets recognised | Assets derecognised | At 30 September 2020 (unaudited) |
|---------------------------------------|---------------------------|----------------|--------------------------|------------------------|---|
| Financial assets | | | | | |
| Loans to customers at FVTPL | 55 791 | 2 312 | 28 664 | (1 368) | 85 399 |
| Investment securities at FVOCI | 128 | - | - | (4) | 124 |
| Total level 3 financial assets | 55 919 | 2 312 | 28 664 | (1 372) | 85 523 |

| <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 FVTPL | 25 021 | 1 801 | 25 978 | (1 472) | 51 328 |
| Investment securities at FVTPL | 2 272 | 30 | - | - | 2 302 |
| Investment securities at FVOCI | 111 | 16 | - | - | 127 |
| Total level 3 financial assets | 27 404 | 1 847 | 25 978 | (1 472) | 53 757 |

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

| <i>(Unaudited) In millions of Russian Roubles</i> | For the nine months ended 30 September 2020 | | | For the three months ended 30 September 2020 | | |
|--|--|------------------------------|-------|---|------------------------------|-------|
| | Realised gains/(losses) | Unrealised gains/(losses) | Total | Realised gains/(losses) | Unrealised gains/(losses) | Total |
| Total gains included in the profit or loss for the period* | 2 205 | 107 | 2 312 | 875 | (729) | 146 |

| <i>(Unaudited) In millions of Russian Roubles</i> | For the nine months ended 30 September 2019 | | | For the three months ended 30 September 2019 | | |
|--|--|------------------------------|-------|---|------------------------------|-------|
| | Realised gains/(losses) | Unrealised gains/(losses) | Total | Realised gains/(losses) | Unrealised gains/(losses) | Total |
| Total gains included in the profit or loss for the period* | 1 309 | 538 | 1 847 | 438 | 833 | 1 271 |

* Gains are recorded for Interest income and 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.

As of 30 September 2020, if the discount rate used by the Group in the model increases/decreases by 1%, the book value of loans will decrease by RR 2 942 million/increase by RR 3 031 million (31 December 2019: decrease by RR 1 845 million/increase by RR 1 796 million). The discount rates used are in range from 3.50% to 10.46% (31 December 2019: from 4.78% to 20.21%).

Investment securities at fair value through profit or loss

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

20 Fair Value of Financial Instruments (Continued)

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during nine months ended 30 September 2020:

| <i>(Unaudited)</i> In millions of Russian Roubles | Transfers between Level 1 and Level 2 | |
|--|--|----------------------------|
| | From Level 1 to Level 2 | From Level 2 to Level 1 |
| Financial assets | | |
| Trading securities | 1 166 | - |
| Investment securities at fair value through other comprehensive income | 3 895 | 612 |
| Investment securities at fair value through profit or loss (mandatory) | 2 378 | - |
| Total transfers of financial assets | 7 439 | 612 |

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

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

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 2020 and during the year ended 31 December 2019.

The following table shows the quantitative information as at 30 September 2020 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

| Assets | Fair value, in millions of Russian Roubles | Valuation technique | Inputs used | | |
|---|--|------------------------|----------------|------|-------|
| | | | Input | Min | Max |
| Office premises (based on valuation at 31 December 2018, fair value of new objects acquired in 2019 and 2020 equals to current value) | 30 570 | Comparative method | Trade discount | 6.0% | 21.0% |

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

| Assets | Fair value, in millions of Russian Roubles | Valuation technique | 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) | 27 349 | Comparative method | Trade discount | 6.0% | 21.0% |

21 Related Party Transactions

For the purposes of these interim condensed consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property, the Ministry of Finance of the Russian Federation and the State Corporation "Deposit Insurance Agency". Refer to Note 1.

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

The outstanding balances with related parties were as follows:

| <i>In millions of Russian Roubles</i> | 30 September 2020 (unaudited) | 31 December 2019 |
|---|--|-----------------------------|
| Cash and cash equivalents | | |
| Bank of Russia | 96 327 | 74 594 |
| Other banks | 8 915 | 164 677 |
| Loans and advances to customers | | |
| Loans and advances to customers (before impairment) | 281 137 | 254 740 |
| Key management and their family members | 15 | 7 |
| Less: allowance for impairment | (14 847) | (14 743) |
| Derivative financial instruments — assets | 11 544 | 9 797 |
| Securities | | |
| Securities issued by Russian Federation | 273 661 | 231 086 |
| Securities of entities and banks | 129 697 | 101 903 |
| Less: allowance for impairment | (325) | (82) |
| Due from other banks | 17 405 | 32 630 |
| Other assets | | |
| State Corporation Deposit Insurance Agency | 260 | 327 |
| Customer accounts | | |
| Entities | 629 943 | 652 521 |
| Key management and their family members | 4 402 | 4 224 |
| Due to other banks | | |
| Bank of Russia | 87 335 | 45 280 |
| Other banks | 26 852 | 14 491 |
| Derivative financial instruments — liabilities | 628 | 408 |
| Subordinated debts | 93 539 | 71 803 |
| Credit related commitments | | |
| Undrawn credit lines | 5 918 | 4 017 |
| Performance guarantees | 13 026 | 10 805 |
| Less: provision for impairment | (28) | (20) |
| Financial guarantees received | 22 214 | 21 072 |

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 | |
|---|---|-------------|--|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| Interest income on cash and cash equivalents | | | | |
| Bank of Russia | 2 752 | 3 468 | 170 | 558 |
| Other banks | 1 304 | 560 | 211 | 105 |
| Interest income on due from other banks | 867 | 2 525 | 94 | 1 499 |
| Interest income on loans and advances to customers | 10 939 | 12 474 | 3 264 | 4 175 |
| Interest income on securities | | | | |
| Securities issued by Russian Federation | 11 571 | 15 796 | 3 717 | 4 557 |
| Securities of entities and banks | 5 903 | 10 753 | 1 981 | 2 636 |
| Gains less losses/(losses net of gains) from securities | | | | |
| Securities issued by Russian Federation | 880 | (801) | (1) | (166) |
| Securities of entities and banks | 854 | (414) | 495 | (98) |
| Fee and commission income | | | | |
| Commission received from the Deposit Insurance Agency | 7 | 99 | 2 | 9 |
| (Losses net of gains)/gains less losses from derivative financial instruments | (3 707) | 6 674 | (18) | (1 227) |
| Interest expense on customer accounts | | | | |
| Entities | (26 254) | (37 374) | (7 591) | (10 891) |
| Key management and their family members | (166) | (128) | (43) | (47) |
| Interest expense on subordinated debts | (3 046) | (3 037) | (1 074) | (702) |
| Interest expense on due to other banks | | | | |
| Bank of Russia | (3 381) | (3 050) | (1 167) | (1 012) |
| Other banks | (352) | (527) | (121) | (160) |
| Administrative and other operating expenses | | | | |
| Payments to the Mandatory Deposit Insurance Fund | (4 321) | (5 643) | (1 477) | (1 928) |

During nine months ended 30 September 2020, transactions with the shareholder included share capital increase, taxes paid and subsidies received under the government programs to subsidize lending.

During nine months ended 30 September 2020, the Bank increased its share capital by issuing 20 000 ordinary shares with the total nominal amount of RR 20 000 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.

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 2020 total remuneration of the key management amounted to RR 504 million (for the nine months ended 30 September 2019: RR 396 million).

22 Disposal of Subsidiaries

In the second quarter of 2020, the Group lost control over JSC “Albashsky Elevator”, JSC “Velichkovsky Elevator”, JSC “Stepnyansky Elevator”, LLC “Bashkir sugar company”, LLC “Raevsakhar”, LLC “Trading house “Bashkir sugar”, LLC “Agrofirma “Krasny Klin”, LLC “Raevskaya”, LLC “Karlammansky product” (31 December 2019: the Group’s share was 100% in the LLC “Bashkir sugar company”, LLC “Raevsakhar”, LLC “Trading house “Bashkir sugar”, LLC “Agrofirma “Krasny Klin”, LLC “Raevskaya”, LLC “Karlammansky product”, as well as 75.00% of JSC “Albashsky Elevator”, 80.03% of JSC “Velichkovsky Elevator” and 75.01% of JSC “Stepnyansky Elevator”) as a result of the sale of shares/interests in subsidiaries to a third party.

As a result of this disposal, the Group recognized a loss of RR 976 million under Losses from disposal of subsidiaries in the consolidated statement of profit or loss and other comprehensive income.

Consideration received in cash on the sale of shares/interests in subsidiaries amounted to RR 341 million.

Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed of as a result of the sale, amounted to RR 189 million.

23 Events after the End of the Reporting Period

In October-November 2020, the Group issued on the domestic market RR 5 000 million bonds (placed at par in the amount of RR 4 023 million) maturing in September 2023 with a coupon at 5.4% per annum payable monthly.