

Report on Review of Interim Financial Information of
Sovcombank PJSC and its subsidiaries
for the nine months ended 30 September 2019

November 2019

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Contents	Page
Report on Review of Interim Financial Information	3
Appendices	
Interim consolidated statement of comprehensive income	5
Interim consolidated statement of financial position	6
Interim condensed consolidated statement of cash flows	7
Interim consolidated statement of changes in equity	8
Notes to the interim condensed consolidated financial statements	
1. Background	9
2. Basis of preparation	11
3. Segment information	12
4. Net interest income	15
5. Fee and commission income	16
6. Net gain on foreign exchange and transactions with precious metals	16
7. Other operating income	17
8. Other non-banking activity	17
9. Personnel expenses	18
10. Other general and administrative expenses	18
11. Other impairment and provisions	18
12. Income tax expense	19
13. Cash and cash equivalents	19
14. Placements with banks and bank bonds measured at amortized cost	20
15. Financial instruments at FVPL	20
16. Loans to customers and bonds measured at amortized cost	23
17. Investment securities at FVOCI	31
18. Due to customers	31
19. Due to banks	31
20. Debt securities issued	32
21. Other borrowed funds	33
22. Subordinated debt	33
23. Equity	34
24. Commitments	35
25. Contingencies	36
26. Related party transactions	38
27. Fair value	39
28. Currency analysis	44
29. Business combinations	46
30. Capital adequacy	47
31. Principal consolidated subsidiaries, associates and joint ventures	48
32. Events after the reporting date	49

Report on Review of Interim Financial Information

To the Supervisory Board of Sovcombank PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Sovcombank PJSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 September 2019, and the related interim consolidated statement of comprehensive income for the three and nine months then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine months then ended, and explanatory notes ("interim financial information").

Management of Sovcombank PJSC is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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



G.A. Shinin
Partner
Ernst & Young LLC

15 November 2019

Details of the entity

Name: Sovcombank PJSC
Record made in the State Register of Legal Entities on 1 September 2014, State Registration Number 1144400000425.
Address: Russia 156000, Kostroma, prospect Tekstilshchikov, 46.

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 the Self-regulated Organization of Auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

Interim consolidated statement of comprehensive income
for the nine months ended 30 September 2019

	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2019	2018	2019	2018
		RUB MM	RUB MM	RUB MM	RUB MM
Interest income calculated using EIR method	4	20,121	18,669	56,640	44,421
Other interest income	4	6,500	4,074	19,276	19,458
Interest expense	4	(11,791)	(9,567)	(33,394)	(28,313)
Obligatory deposit insurance		(632)	(590)	(1,886)	(1,589)
Net interest income		14,198	12,586	40,636	33,977
Allowances for credit losses	15	(2,512)	(2,151)	(5,913)	(6,592)
Net interest income after allowance for credit losses		11,686	10,435	34,723	27,385
Fee and commission income	5	8,535	6,712	23,743	17,784
Fee and commission expense		(2,240)	(1,414)	(5,701)	(3,196)
Net fee and commission income		6,295	5,298	18,042	14,588
Net gain/(loss) on financial instruments at fair value through profit or loss		355	(1,886)	1,575	(4,392)
Net gain on derecognition of financial assets at amortized cost		465	-	674	-
Net gain on derecognition of financial assets at fair value through other comprehensive income		-	5	-	591
Net gain from foreign exchange and transactions with precious metals	6	615	344	1,612	995
Other impairment and provisions	11	(577)	(230)	(2,873)	(1,054)
Share of profit of joint ventures		99	69	225	186
Share of profit of associates		-	-	-	287
Other operating income	7	1,496	1,303	2,047	4,745
Operating income		20,434	15,338	56,025	43,331
Revenue and other gains from other non-banking business	8	800	-	1,898	-
Cost and other losses from other non-banking business	8	(768)	-	(1,958)	-
Net loss from other non-banking business		32	-	(60)	-
Personnel expenses	9	(5,392)	(5,116)	(16,875)	(14,182)
Other general and administrative expenses	10	(3,899)	(4,153)	(11,689)	(10,808)
Profit before income tax expense		11,175	6,069	27,401	18,341
Income tax expense	12	(2,230)	(1,222)	(5,467)	(2,775)
Profit for the period		8,945	4,847	21,934	15,566
Profit for the period attributable to:					
- shareholders of the Bank		8,857	4,748	21,682	15,541
- non-controlling interests		88	99	252	25
Other comprehensive income					
<i>Other comprehensive income to be reclassified subsequently to profit or loss when specific conditions are met</i>					
Net loss on investment securities at fair value through other comprehensive income, net of tax		-	(263)	-	(253)
<i>Other comprehensive income not to be reclassified subsequently to profit or loss</i>					
Net losses on investment securities at fair value through other comprehensive income, net of tax		(40)	-	(40)	(17)
Revaluation of buildings, net of tax		-	-	(2)	(7)
Other comprehensive income, net of tax		(40)	(263)	(42)	(277)
Total comprehensive income		8,905	4,584	21,892	15,289
Comprehensive income attributable to:					
- shareholders of the Bank		8,817	4,485	21,640	15,264
- non-controlling interests		88	99	252	25

Approved on 15 November 2019

Mr Dmitry Gusev
Chairman of the Management Board

Mr. Dmitry Baryshnikov
Financial Director

Mr. Andrei Osnos
Managing Director

The interim consolidated statement of comprehensive income is to be read in conjunction with notes 1 to 32 to, and forming an integral part of, the interim condensed consolidated financial statements.

Interim consolidated statement of financial position
as at 30 September 2019

		30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
	Notes		
Assets			
Cash and cash equivalents	13	156,137	109,817
Mandatory cash balances with the CBR		5,700	4,991
Placements with banks and bank bonds measured at amortized cost			
- held by the Group	14	29,777	35,614
- pledged under sale and repurchase agreements	14	3,585	12,921
Financial instruments at fair value through profit or loss			
- held by the Group	15	193,698	114,261
- pledged under sale and repurchase agreements	15	32,344	110,779
Investment securities at fair value through other comprehensive income	17	1,021	691
Loans to customers and bonds measured at amortized cost			
- held by the Group	16	513,914	455,413
- pledged under sale and repurchase agreements	16	38,998	86,065
Assets from hedge accounting	15	385	-
Investments in associates		486	424
Investments in joint ventures		1,052	927
Investment property		56	56
Property and equipment and intangible assets		10,952	10,650
Goodwill		1,035	1,505
Current income tax asset		1,365	3,156
Deferred tax asset		506	427
Other assets		11,939	19,707
Total assets		1,002,950	967,404
Liabilities			
Due to the CBR		835	859
Due to banks	19	79,535	190,255
Due to customers	18	718,044	598,874
Debt securities issued	20	18,376	8,479
Other borrowed funds	21	18,616	16,924
Deferred tax liability		1,566	5,153
Current income tax payable		363	77
Subordinated debt	22	10,332	13,993
Other liabilities		22,015	18,754
Total liabilities		869,682	853,368
Equity			
Share capital	23	1,969	1,871
Other capital contributions		25,082	19,100
Revaluation reserve for investment securities at fair value through other comprehensive income		(173)	(133)
Perpetual subordinated bonds	23	6,442	6,975
Revaluation reserve for buildings		347	349
Retained earnings		97,619	83,896
Total equity attributable to shareholders of the Bank		131,286	112,058
Non-controlling interests		1,982	1,978
Total equity		133,268	114,036
Total equity and liabilities		1,002,950	967,404

Approved on 15 November 2019

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Financial Director

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Managing Director

The interim consolidated statement of financial position is to be read in conjunction with notes 1 to 32 to, and forming an integral part of, the interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows
for the nine months ended 30 September 2019

	<i>Notes</i>	<i>For the nine months ended 30 September (unaudited)</i>	
		<i>2019 RUB MM</i>	<i>2018 RUB MM</i>
Cash flows from operating activities before changes in operating assets and liabilities		43,032	21,295
(Increase)/decrease in operating assets		(53,093)	(1,642)
Increase in operating liabilities		25,171	7,269
Net cash flows from operating activities before income tax		15,110	26,922
Income tax paid		(6,715)	(3,450)
Cash flows from operating activities		8,395	23,472
Cash flows from investing activities		36,781	(11,277)
Cash flows from financing activities		4,470	17,706
Net increase in cash and cash equivalents		49,646	29,901
Effect of exchange rate changes on cash and cash equivalents		(3,326)	1,344
Cash and cash equivalents at the beginning of the period		109,817	39,962
Cash and cash equivalents at the end of the period	13	156,137	71,207

The interim condensed consolidated statement of cash flows is to be read in conjunction with notes 1 to 32 to, and forming an integral part of, the interim condensed consolidated financial statements.

**Interim consolidated statement of changes in equity
for the nine months ended 30 September 2019**

	Share capital RUB MM	Other capital contributions RUB MM	Revaluation reserve for property RUB MM	Revaluation reserve for investment securities RUB MM	Perpetual subordinated debt RUB MM	Retained earnings RUB MM	Total equity attributable to shareholders of the Bank RUB MM	Non- controlling interests RUB MM	Total equity RUB MM
As at 1 January 2018	1,716	2,852	122	806	-	78,302	83,798	1,620	85,418
Effect of adopting IFRS 9	-	-	-	-	-	(3,357)	(3,357)	-	(3,357)
Restated balance as at 1 January 2018 under IFRS 9	1,716	2,852	122	806	-	74,945	80,441	1,620	82,061
Net profit for the period	-	-	-	-	-	15,541	15,541	25	15,566
Other comprehensive income for the period	-	-	(7)	(270)	-	-	(277)	-	(277)
Total comprehensive income	-	-	(7)	(270)	-	15,541	15,264	25	15,289
Dividends (Note 23)	-	-	-	-	-	(5,820)	(5,820)	-	(5,820)
Interest paid on perpetual subordinated loans (Note 23)	-	-	-	-	-	(490)	(490)	-	(490)
Perpetual subordinated bonds issued	-	-	-	-	5,650	-	5,650	-	5,650
Revaluation of perpetual subordinated bonds	-	-	-	-	930	(930)	-	-	-
Interest accrued on perpetual subordinated bonds	-	-	-	-	-	(39)	(39)	-	(39)
Tax effect recognized in respect of perpetual subordinated bonds	-	-	-	-	-	249	249	-	249
Conversion of a perpetual subordinated loan (Note 23)	-	6,717	-	-	-	-	6,717	-	6,717
Reclassification of net change in fair value of equity instruments on derecognition	-	-	-	(921)	-	921	-	-	-
Issue of ordinary shares (Note 23)	155	9,531	-	-	-	-	9,686	-	9,686
Acquisition of a subsidiary (Note 29)	-	-	-	-	-	-	-	5,636	5,636
Acquisition/sale of non-controlling interests	-	-	-	-	-	(465)	(465)	(5,335)	(5,800)
As at 30 September 2018 (unaudited)	1,871	19,100	115	(385)	6,580	83,912	111,193	1,946	113,139
As at 1 January 2019	1,871	19,100	349	(133)	6,975	83,896	112,058	1,978	114,036
Net profit for the period	-	-	-	-	-	21,682	21,682	252	21,934
Other comprehensive income for the period	-	-	(2)	(40)	-	-	(42)	-	(42)
Total comprehensive income	-	-	(2)	(40)	-	21,682	21,640	252	21,892
Dividends (Note 23)	-	-	-	-	-	(8,050)	(8,050)	(248)	(8,298)
Perpetual subordinated bonds purchased	-	-	-	-	(172)	-	(172)	-	(172)
Sale of previously purchased perpetual subordinated bonds	-	-	-	-	172	-	172	-	172
Revaluation of perpetual subordinated bonds	-	-	-	-	(533)	533	-	-	-
Interest on perpetual subordinated bonds	-	-	-	-	-	(420)	(420)	-	(420)
Tax effect recognized in respect of perpetual subordinated bonds	-	-	-	-	-	(22)	(22)	-	(22)
Issue of ordinary shares (Note 23)	98	5,982	-	-	-	-	6,080	-	6,080
As at 30 September 2019 (unaudited)	1,969	25,082	347	(173)	6,442	97,619	131,286	1,982	133,268

The interim consolidated statement of changes in equity is to be read in conjunction with notes 1 to 32 to, and forming an integral part of, the interim condensed consolidated financial statements.

1. Background

Principal activities

These interim condensed consolidated financial statements include the financial statements of Public Joint-Stock Company ("PJSC") Sovcombank (the "Bank" or "Sovcombank") and its subsidiaries (together referred to as the "Group" or "Sovcombank Group"). Note 31 lists principal subsidiaries included in these interim condensed consolidated financial statements of Sovcombank Group.

Sovcombank, the parent company of the Group, was originally established in 1990 as Buoycombank in Buoy, Kostroma Region, Russian Federation. The current major ultimate beneficial owners acquired the Bank, renamed it into Sovcombank and relocated its head office to the city of Kostroma in 2002. In September 2014, the Bank changed its legal form from limited liability company to open joint-stock company. In December 2014, the Bank changed its legal form from an open joint-stock company to a public joint-stock company. These reorganizations, first into the open joint-stock company and then into the public joint-stock company, had no effect on the principal activities of the Bank or its shareholder structure.

The Bank's registered legal address is 46, prospect Tekstilshchikov, Kostroma, 156000, Russia. Sovcombank operates under a general banking license No. 963 issued by the Central Bank of the Russian Federation (the "CBR" or the "Bank of Russia") on 27 November 1990. The Bank holds brokerage, dealership and depositary licenses of a professional securities market participant issued by the Federal Securities Market Commission (FSMC) on 27 January 2009. The Bank is a member of the deposit insurance system managed by the State Corporation Deposit Insurance Agency (the "DIA") since 15 September 2005.

The Group's principal business activity is retail, corporate and investment banking services. These include accepting term deposits and issuing commercial loans denominated in Russian rubles and foreign currencies; providing financial services, including investment banking services; dealing with securities, derivative financial instruments and precious metals. The Group includes a digital public procurement platform comprising www.rts-tender.ru, an online platform for public procurement, and www.fintender.ru, an online platform that provides bank guarantees. The digital platform enables access to public procurement for 514 thousand companies, mostly small and medium businesses. The Group operates primarily in the Russian Federation.

The Group has 2,447 offices located in 1,034 cities and towns across 75 constituent entities of the Russian Federation (31 December 2018: 2,648 offices located in 1,051 cities and towns across 75 constituent entities of the Russian Federation).

The Group's customers can withdraw and deposit cash through 4,605 ATMs and cash-in terminals (31 December 2018: 4,663 ATMs and cash-in terminals).

The Group serves 6.0 million customers: 5.3 million borrowers, 0.5 million depositors and 0.2 million corporate customers.

The Bank has 15,428 employees (31 December 2018: 15,700 employees).

Shareholders

<i>Shareholders</i>	<i>Ownership, % 30 September 2019</i>	<i>Ownership, % 31 December 2018</i>
Sovco Capital Partners N.V.	87.1%	91.7%
Other beneficiaries	12.9%	8.3%

No single beneficiary owner ultimately controls the Group as at 30 September 2019 and 31 December 2018 (Note 23).

A group of Russian businessmen, including the key members of Sovcombank management and the Supervisory Board of the Bank, owns Sovco Capital Partners N.V., a holding company registered in the Netherlands, which is not controlled by any ultimate beneficial owner.

Sovco Capital Partners N.V. is a tax resident of the Russian Federation since 1 January 2016.

1. Background (continued)

Shareholders (continued)

In August 2018 and March 2019, Sovcombank increased its share capital by RUB 15,766 MM in total by issuing new ordinary non-documentary shares (Note 23) and selling them to third-party investors ("Other beneficiaries"). As a result, Sovco Capital Partners N.V. decreased its ownership of the Group from 100.0% to 87.1%. The table below lists the Other beneficiaries.

<i>Other beneficiaries</i>	<i>Ownership, % 30 September 2019</i>	<i>Ownership, % 31 December 2018</i>
Public Investment Fund	3.4%	1.6%
Russia-China Investment Fund	2.1%	2.2%
Ilya Brodskiy	1.8%	1.9%
Russian Direct Investment Fund	1.8%	0.3%
Russia-Japan Investment Fund	1.4%	–
Qatar Investment Authority	1.0%	1.1%
Andrey Suzdaltsev	0.6%	0.6%
SBI Holdings, Inc.	0.5%	0.5%
Other	0.3%	0.1%
Total ownership	12.9%	8.3%

A short description of other beneficiaries is presented below:

- ▶ Public Investment Fund is a sovereign fund of the Kingdom of Saudi Arabia.
- ▶ Russia-China Investment Fund (RCIF) is a fund of China Investment Corporation ("CIC") and the Russian Direct Investment Fund ("RDIF"). RDIF is a sovereign investment fund of the Russian Federation. CIC is a sovereign wealth fund of the People's Republic of China.
- ▶ Ilya Brodskiy and Andrey Suzdaltsev are co-founders of Rosevrobank JSB.
- ▶ The Russian Direct Investment Fund is a sovereign fund of the Russian Federation.
- ▶ Russia-Japan Investment Fund is a fund of Japan Bank for International Cooperation ("JBIC") and RDIF. JBIC is wholly owned by the Government of Japan.
- ▶ Qatar Investment Authority is a sovereign wealth fund of the Government of Qatar.
- ▶ SBI Holdings, Inc. is a public investment company headquartered in Tokyo, Japan.
- ▶ "Other" represent Middle-Eastern sovereign funds.

Corporate governance

The Bank's Supervisory Board comprises nine persons:

- ▶ Mikhail Kuchment (Chairman of the Bank's Supervisory Board)
- ▶ Anatoly Braverman (First Deputy General Director of RDIF)
- ▶ Ilya Brodskiy (President of the Bank)
- ▶ Nikolai Varma (an independent director)
- ▶ Dmitry Gusev (Chairperson of the Management Board of the Bank)
- ▶ Mikhail Klyukin (one of the ultimate owners of the Bank)
- ▶ Aleksey Fisun (one of the ultimate owners of the Bank)
- ▶ Dmitry Khotimskiy (Chief Investment Director of the Bank)
- ▶ Sergey Khotimskiy (First Deputy Chairman of the Management Board).

1. Background (continued)

Corporate governance (continued)

Dmitry Khotimskiy, Sergey Khotimskiy, Dmitry Gusev and Ilya Brodskiy are ultimate owners of the Bank, hold management positions in the Bank and participate in the daily Group's operating management.

Mikhail Kuchment, Mikhail Klyukin and Aleksey Fisun are the Bank's ultimate owners but are not employed by and are not directly involved in the operating management of the Bank.

Anatoly Braverman and Nikolai Varma are not employed by and are not directly involved in the operating management of the Bank.

Ms. Ya Li, the investment director of RCIF, is the supervisor to the Bank's Supervisory Board.

Operating environment

The Group operates predominantly in the Russian Federation. Russia continues to carry out economic reforms and to develop its legal, tax and regulatory frameworks.

The Russian economy demonstrates a strong correlation to changes in oil and other commodities prices and to a limited extent is affected by economic sanctions imposed on Russia by a number of countries. The combination of these factors may have a negative impact on the Group's future financial position, results of operations and business prospects. The Russian Government and the Bank of Russia have taken consistent and effective measures in response to a decline in energy prices. The floating official Russian ruble exchange rate, inflation targeting and active support of the financial sector lowered the inflation rate and relatively stabilized the Russian economy.

Management believes that it is taking all appropriate measures to support the sustainability of the Group's business in the current circumstances.

2. Basis of preparation

General

These interim condensed consolidated financial statements for the nine months ended 30 September 2018 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

These interim condensed consolidated financial statements are presented in millions of Russian rubles (hereinafter, "RUB MM"), unless otherwise indicated.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied by the Group in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, with the exception of the adoption of new standards effective as at 1 January 2019. The Group has not yet adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Although these new standards and amendments apply for the first time in 2019, they do not have a material effect on the annual consolidated financial statements or the interim condensed consolidated financial statements of the Group. The nature and the effect of each new standard or amendment are described below:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors classify all leases using the same classification principles as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Group adopted IFRS 16 on the effective date of 1 January 2019. The new standard was adopted using the modified retrospective method with the recognition of the cumulative effect of the initial application as an adjustment to retained earnings at the date of initial application. When using the modified retrospective method of transition, comparative figures were not restated.

The Group used the exemptions provided by the standard for leases of low value assets, including lease contracts for office equipment, the value of which is considered low, as well as for short-term leases. The Group considers long-term lease contracts with a early termination right and lease contracts that expire within 12 months from the date of initial application in relation to contracts concluded before 1 January 2019 and from the effective date in relation to contracts concluded after 1 January 2019 but with prerogative right for prolongation as short-term, which is a significant judgment. Liabilities under such lease contracts are expensed on a straight-line basis.

The below interpretations, amendments and improvements to the standards became effective from 1 January 2019 but had no significant effect on the interim condensed consolidated financial statements of the Group:

- ▶ IFRIC 23 *Uncertainty over Income Tax Treatment* (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
Despite the fact that the Group operates in a complex tax environment, applying the interpretation did not have a significant impact on its consolidated financial statements.
- ▶ Amendments to IFRS 9: *Prepayment Features with Negative Compensation* (issued on 27 March 2018 and effective for annual periods beginning on or after 1 January 2019).
- ▶ Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- ▶ Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- ▶ Annual improvements 2015-2017 cycle (IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 23 *Borrowing Costs*) (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019).
- ▶ Amendments to IAS 12: *Income Taxes* are effective for annual periods beginning on or after 1 January 2019 and affect the reported tax effect from dividends under perpetual subordinated bonds. Since the Group's current practice is in line with these amendments, there is no significant effect on its consolidated financial statements.

3. Segment information

The Group has three operating segments:

- ▶ **Retail banking ("Retail")**: providing banking services to low-income retail customers, individual entrepreneurs and small businesses residing or located primarily in small towns. These services include mortgage, car and consumer lending, issuance of installment cards, placement of deposits, as well as provision of access to a wide range of insurance products of third-party insurance companies.
- ▶ **Corporate banking ("CB")**: rendering banking services, mainly to medium-sized and major Russian corporations, state-owned enterprises and constituent entities of the Russian Federation. These services include the issuance of loans, arrangement of bond issues, trade financing, transactions with precious metals, placement of deposits, as well as settlement and cash services. CB also enables small and medium-sized businesses and individual entrepreneurs to engage in public procurement via the Group's digital platform.
- ▶ **Treasury and capital management ("Treasury")**: managing the fixed income portfolio; capital, risks and liquidity of the Group; foreign exchange and derivative transactions.

The Group's management monitors operating results of each segment separately to make decisions on the allocation of resources and performance assessment. In 2018, the Group changed its approach to segment reporting due to the merger with Rosevrobank JSB ("Rosevrobank"):

- ▶ **Retail**: Sovcombank's retail banking segment merged with Rosevrobank's retail banking segment.
- ▶ **CB**: a part of Sovcombank's Corporate and Investment Business segment related to servicing corporate customers merged with Rosevrobank's Corporate Banking and International Business segments.
- ▶ **Treasury**: a part of Sovcombank's Corporate and Investment Business segment related to management of the securities portfolio, capital, risks and liquidity merged with Rosevrobank's Treasury Banking segment.

3. Segment information (continued)

Comparative data was adjusted retrospectively for comparability purposes.

<i>For the nine months ended 30 September 2019 (unaudited)</i>					
	<i>Retail RUB MM</i>	<i>CB RUB MM</i>	<i>Treasury RUB MM</i>	<i>Adjustments RUB MM</i>	<i>Total RUB MM</i>
Revenue					
Interest income	32,108	14,805	29,003	–	75,916
Fee and commission income	17,668	5,903	172	–	23,743
Net gain on financial instruments at FVPL	–	167	1,408	–	1,575
Net gain on derecognition of financial assets at amortized cost	–	–	674	–	674
Net gain on foreign exchange and transactions with precious metals	–	990	622	–	1,612
Other operating income	9	150	2,113	–	2,272
Inter-segment revenue	7,769	5,463	–	(13,232)	–
Total revenue	57,554	27,478	33,992	(13,232)	105,792
Expenses					
Interest expense	(18,259)	(10,248)	(4,887)	–	(33,394)
Obligatory deposit insurance	(1,626)	(260)	–	–	(1,886)
Fee and commission expense	(4,809)	(474)	(418)	–	(5,701)
Allowances for credit losses	(4,685)	(1,420)	192	–	(5,913)
Other impairment and provisions	–	(1,199)	(1,674)	–	(2,873)
Personnel expenses	(10,627)	(3,842)	(2,406)	–	(16,875)
Net loss from other non-banking business	–	–	(60)	–	(60)
Other expenses	(8,279)	(1,274)	(2,136)	–	(11,689)
Inter-segment expenses	–	–	(13,232)	13,232	–
Total expenses	(48,285)	(18,717)	(24,621)	13,232	(78,391)
Segment results	9,269	8,761	9,371	–	27,401
Income tax expense					(5,467)
Profit for the period					21,934

<i>For the nine months ended 30 September 2018 (unaudited)</i>					
	<i>Retail RUB MM</i>	<i>CB RUB MM</i>	<i>Treasury RUB MM</i>	<i>Adjustments RUB MM</i>	<i>Total RUB MM</i>
Revenue					
Interest income	24,905	11,974	27,000	–	63,879
Fee and commission income	10,029	3,690	4,065	–	17,784
Net gain on derecognition of financial assets at FVOCI	–	591	–	–	591
Net gain on foreign exchange and transactions with precious metals	–	421	574	–	995
Other operating income	26	129	5,063	–	5,218
Inter-segment revenue	10,750	–	–	(10,750)	–
Total revenue	45,710	16,805	36,702	(10,750)	88,467
Expenses					
Interest expense	(16,694)	(5,039)	(6,580)	–	(28,313)
Obligatory deposit insurance	(1,467)	(122)	–	–	(1,589)
Fee and commission expense	(2,429)	(224)	(543)	–	(3,196)
Net loss on financial instruments at FVPL	–	(35)	(4,357)	–	(4,392)
Allowances for credit losses	(2,884)	(1,104)	(2,604)	–	(6,592)
Other impairment and provisions	(20)	(883)	(151)	–	(1,054)
Personnel expenses	(5,957)	(3,158)	(5,067)	–	(14,182)
Other expenses	(9,184)	(851)	(773)	–	(10,808)
Inter-segment expenses	–	(1,502)	(9,248)	10,750	–
Total expenses	(38,635)	(12,918)	(29,323)	10,750	(70,126)
Segment results	7,075	3,887	7,379	–	18,341
Income tax expense					(2,775)
Profit for the period					15,566

3. Segment information (continued)

Assets and liabilities of the Group's operating segments are presented in the table below:

30 September 2019 (unaudited)				
	Retail RUB MM	CB RUB MM	Treasury RUB MM	Total RUB MM
Segment assets				
Cash and cash equivalents	17,975	16,542	121,620	156,137
Mandatory cash balances with the CBR	2,660	3,040	–	5,700
Placements with banks	–	2,934	10,932	13,866
Bank bonds measured at amortized cost	–	–	19,496	19,496
Financial instruments at FVPL	–	13	226,029	226,042
Investment securities at FVOCI	–	–	1,021	1,021
Loans to customers measured at amortized cost	243,582	186,294	2,453	432,329
Bonds measured at amortized cost	–	–	120,583	120,583
Assets from hedge accounting	–	–	385	385
Investments in associates	–	–	486	486
Investments in joint ventures	–	–	1,052	1,052
Investment property	–	–	56	56
Property and equipment and intangible assets	4,227	2,501	4,224	10,952
Goodwill	–	586	449	1,035
Current income tax asset	–	–	1,365	1,365
Deferred tax asset	–	9	497	506
Other assets	1,605	7,345	2,989	11,939
	270,049	219,264	513,637	1,002,950
Segment liabilities				
Due to the CBR	–	835	–	835
Due to banks	–	6,805	72,730	79,535
Due to customers	381,307	336,681	56	718,044
Debt securities issued	–	2,591	15,785	18,376
Other borrowed funds	–	–	18,616	18,616
Deferred tax liability	–	–	1,566	1,566
Current income tax payable	–	–	363	363
Subordinated debt	–	–	10,332	10,332
Other liabilities	–	4,925	17,090	22,015
	381,307	351,837	136,538	869,682
31 December 2018				
	Retail RUB MM	CB RUB MM	Treasury RUB MM	Total RUB MM
Segment assets				
Cash and cash equivalents	17,796	23,372	68,649	109,817
Mandatory cash balances with the CBR	2,994	1,997	–	4,991
Placements with banks	–	12,871	5,659	18,530
Bank bonds measured at amortized cost	–	–	30,005	30,005
Financial instruments at FVPL	–	–	225,040	225,040
Investment securities at FVOCI	–	–	691	691
Loans to customers measured at amortized cost	190,800	187,671	3,647	382,118
Bonds measured at amortized cost	–	–	159,360	159,360
Investments in associates	–	–	424	424
Investments in joint ventures	–	–	927	927
Investment property	–	–	56	56
Property and equipment and intangible assets	2,167	2,762	5,721	10,650
Goodwill	–	602	903	1,505
Current income tax asset	–	–	3,156	3,156
Deferred tax asset	–	362	65	427
Other assets	1,586	12,817	5,304	19,707
	215,343	242,454	509,607	967,404
Segment liabilities				
Due to the CBR	–	–	859	859
Due to banks	–	5,218	185,037	190,255
Due to customers	349,768	249,100	6	598,874
Debt securities issued	–	3,011	5,468	8,479
Other borrowed funds	–	–	16,924	16,924
Deferred tax liability	–	–	5,153	5,153
Current income tax payable	–	–	77	77
Subordinated debt	–	–	13,993	13,993
Other liabilities	–	3,429	15,325	18,754
	349,768	260,758	242,842	853,368

3. Segment information (continued)

In 2019, the Group revised the segmenting of the other assets category. The changes were made retrospectively.

The Retail balance sheet items included assets and liabilities directly related to the Group's retail segment.

The CB balance sheet items include:

- ▶ Cash and cash equivalents: security deposits placed with Moscow Exchange Group
- ▶ Obligatory reserve with the CBR: mandatory cash balances with the CBR to secure the Bank's liabilities to the corporate customers
- ▶ Placements with banks: collateral for derivative financial instruments
- ▶ Goodwill: goodwill recorded on the Group's balance sheet due to acquisition of online platform for public procurement RTS-Tender and RTS-Holding
- ▶ Debt securities issued: interest-bearing and discount promissory notes issued by the Group.

The Treasury balance sheet items included the following:

- ▶ Cash and cash equivalents: short-term repurchase agreements with Russian and foreign banks, as well as with Moscow Exchange Group
- ▶ Placements with banks: collateral for derivative financial instruments, correspondent accounts
- ▶ Loans to customers measured at amortized cost: loans issued as part of mezzanine lending
- ▶ Property and equipment and intangible assets, deferred tax asset: intangible assets and deferred tax assets received by the Group due to acquisition of businesses
- ▶ Goodwill: goodwill recorded on the Group's balance sheet due to business combination excluding goodwill from acquisition of online platform for public procurement RTS-Tender and RTS-Holding
- ▶ Other borrowed funds: the loan issued by DIA to Sovcombank for the financial rehabilitation of Express-Volga Bank JSC.

4. Net interest income

	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2019 RUB MM	2018 RUB MM	2019 RUB MM	2018 RUB MM
Interest income calculated using EIR method				
Retail loans:	11,338	8,943	31,774	24,911
Consumer loans	3,455	3,178	10,358	9,985
Car loans	3,484	3,042	9,731	8,082
Mortgage loans	2,443	2,232	6,938	5,493
Installment cards	1,956	491	4,747	1,351
Corporate loans and bonds measured at amortized cost	7,655	8,270	22,365	16,742
Placements with banks and financial institutions and bonds measured at amortized cost	1,128	890	2,501	1,287
Investment securities at FVOCI	–	566	–	1,481
Total interest income calculated using EIR method	20,121	18,669	56,640	44,421
Other interest income				
Financial instruments at FVPL	4,161	4,197	13,433	17,510
Net gains on foreign currency swaps	2,339	875	5,843	1,948
Gain on remeasurement of cash flows from interest-bearing assets acquired in business combinations	–	(998)	–	–
Total other interest income	6,500	4,074	19,276	19,458
Total interest income	26,621	22,743	75,916	63,879
Interest expense				
Due to customers	(10,102)	(7,408)	(28,112)	(21,582)
Due to banks	(423)	(938)	(1,954)	(3,284)
Other borrowed funds	(642)	(595)	(1,847)	(1,711)
Subordinated debt	(231)	(359)	(693)	(838)
Promissory notes and bonds issued	(393)	(267)	(788)	(898)
Total interest expense	(11,791)	(9,567)	(33,394)	(28,313)
Obligatory deposit insurance	(632)	(590)	(1,886)	(1,589)
Net interest income	14,198	12,586	40,636	33,977

4. Net interest income (continued)

Interest expense on other borrowed funds relates to the loan provided by the DIA for the financial rehabilitation of Express-Volga Bank JSC (the "EVB") in September 2015.

Sovcombank's retail customers may purchase the Minimum Rate Guarantee (MRG) service to reduce the interest rate on existing loans provided that the customers meet the following conditions:

- The loan is not overdue
- The loan is not prepaid in full or in part
- At least one purchase with the "Halva" installment card per month
- The customer is a participant of the financial protection program.

The amount of MRG fees has reached RUB 3.0 BN since the start of sales of this service. The major part of these fees will be recognized as interest income in future periods following the assessment of payments to customers.

5. Fee and commission income

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	<i>2019 RUB MM</i>	<i>2018 RUB MM</i>	<i>2019 RUB MM</i>	<i>2018 RUB MM</i>
Financial protection program	3,562	3,005	9,248	7,681
Card fees	2,348	1,577	6,606	4,054
Settlement operations	833	687	2,368	1,541
Bank guarantees	767	1,124	2,156	2,577
Digital public procurement platform	625	142	1,726	381
Agent fee for selling insurance products	184	127	476	368
Other	216	50	1,163	1,182
	8,535	6,712	23,743	17,784

6. Net gain on foreign exchange and transactions with precious metals

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	<i>2019 RUB MM</i>	<i>2018 RUB MM</i>	<i>2019 RUB MM</i>	<i>2018 RUB MM</i>
Dealing	2,756	(7,020)	10,067	(11,482)
Net gains on currency derivative financial instruments and precious metals	(6,543)	(507)	4,519	(4,955)
Foreign exchange differences	4,402	7,871	(12,974)	17,432
	615	344	1,612	995

Dealing represents a financial result from exchange-traded foreign currency contracts entered into by the Group in order to hedge long and short foreign currency positions to comply with the regulatory requirements.

Net gains on currency derivative financial instruments represent a financial result from OTC long-term swap contracts entered into by the Group in order to hedge long and short foreign currency positions. Net gains on precious metals represent a financial result from transactions with the period of 2 business days or more.

Foreign exchange differences represent a financial result from the revaluation of net assets and liabilities denominated in foreign currencies.

7. Other operating income

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	<i>2019 RUB MM</i>	<i>2018 RUB MM</i>	<i>2019 RUB MM</i>	<i>2018 RUB MM</i>
Gain on loan repayment obligations to DIA	1,421	1,332	1,421	1,332
Disposal of foreclosed assets	(5)	22	182	74
Income from operating sublease	9	9	27	25
Disposal of property and equipment	–	(93)	–	11
Bargain purchase gain (Note 29)	–	–	–	3,186
Other	71	33	417	117
	1,496	1,303	2,047	4,745

Gain on loan repayment obligations to DIA represents income received by the Group from debt repayments to third-priority creditors based on an arbitration court's ruling in bankruptcy proceedings related to Probusnessbank JSCB.

Bargain purchase gain is a difference between the fair value of net assets of Rosevrobank and the investments in Rosevrobank at the date of the Bank's acquisition of 100% interest in Rosevrobank in August 2018. See Note 29 for details.

8. Other non-banking activity

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	<i>2019 RUB MM</i>	<i>2018 RUB MM</i>	<i>2019 RUB MM</i>	<i>2018 RUB MM</i>
Revenue and other gains from software implementation and support services	510	–	1,124	–
Revenue and other gains from ATM maintenance services	290	–	774	–
Revenue and other gains from other non-banking business	800	–	1,898	–
Cost and other losses from software implementation and support services	(478)	–	(1,240)	–
Cost and other losses from ATM maintenance services	(290)	–	(718)	–
Cost and other losses from other non-banking business	(768)	–	(1,958)	–
Net (loss)/gains from other non-banking activity	32	–	(60)	–

	<i>30 September 2019 (unaudited) RUB MM</i>	<i>31 December 2018 RUB MM</i>
Assets under contracts of non-banking activity (presented within other assets)	116	60
Deferred income from non-banking activity (presented within other liabilities)	33	19

9. Personnel expenses

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	2019 RUB MM	2018 RUB MM	2019 RUB MM	2018 RUB MM
Payroll, including bonuses	(4,379)	(4,086)	(13,492)	(11,339)
Payroll-related taxes	(1,013)	(1,030)	(3,383)	(2,843)
	(5,392)	(5,116)	(16,875)	(14,182)

The Group has no liabilities to pension funds except for those stipulated by the Russian legislation. The Russian legislation obliges employers to make mandatory contributions to social security funds calculated based on the amount of salary. These contributions are included in payroll-related taxes for respective periods.

10. Other general and administrative expenses

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	2019 RUB MM	2018 RUB MM	2019 RUB MM	2018 RUB MM
Rent	(716)	(740)	(2,122)	(1,950)
Advertising and marketing	(616)	(822)	(2,006)	(2,210)
Professional and cash collection services	(523)	(466)	(1,445)	(1,238)
Amortization of intangible assets	(374)	(251)	(1,126)	(638)
Telecommunication and postal services	(304)	(294)	(994)	(699)
Software support	(327)	(247)	(786)	(730)
Transport and business travel	(199)	(207)	(667)	(548)
Maintenance of property and equipment	(202)	(258)	(621)	(607)
Inventory	(212)	(286)	(543)	(811)
Depreciation of property and equipment	(124)	(238)	(368)	(387)
Security	(82)	(82)	(239)	(201)
Taxes other than income tax	(22)	(27)	(132)	(95)
Property insurance	(30)	(35)	(97)	(105)
Other	(168)	(200)	(543)	(589)
	(3,899)	(4,153)	(11,689)	(10,808)

11. Other impairment and provisions

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	2019 RUB MM	2018 RUB MM	2019 RUB MM	2018 RUB MM
Litigations	(164)	126	(650)	(249)
Contingencies	(47)	(243)	(1,004)	(619)
Goodwill impairment	(170)	–	(470)	–
Other assets	(173)	(76)	(697)	(409)
Foreclosed assets	(23)	(37)	(52)	(26)
Reversal of impairment of investments in associates	–	–	–	249
	(577)	(230)	(2,873)	(1,054)

11. Other impairment and provisions (continued)

Movements in other provisions for the nine months ended 30 September 2019 and 2018 are as follows:

	<i>Provision for other assets RUB MM</i>	<i>Provision for litigations RUB MM</i>	<i>Provision for contin- gencies RUB MM</i>	<i>Impairment of invest- ments in associates RUB MM</i>	<i>Provisions for foreclo- sed assets RUB MM</i>	<i>Total RUB MM</i>
As at 1 January 2018	542	1,043	573	656	19	2,833
Increase/(decrease)	409	249	619	(249)	26	1,054
Write-off	(315)	–	–	–	–	(315)
Settlement of liabilities	–	(58)	–	–	(4)	(62)
As at 30 September 2018 (unaudited)	636	1,234	1,192	407	41	3,510
As at 1 January 2019	681	1,165	1,544	407	44	3,841
Increase/(decrease)	697	650	1,004	–	52	2,403
Write-off	(553)	–	–	–	–	(553)
Settlement of liabilities	132	(979)	–	–	(3)	(850)
As at 30 September 2019 (unaudited)	957	836	2,548	407	93	4,841

An increase in provisions for contingencies by RUB 1,004 MM for the nine months of 2019 reflects the Group's projections of losses on bank guarantees calculated based on statistical data and on an individual basis.

12. Income tax expense

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	<i>2019 RUB MM</i>	<i>2018 RUB MM</i>	<i>2019 RUB MM</i>	<i>2018 RUB MM</i>
Current income tax	(2,050)	(326)	(8,727)	(1,981)
Origination of temporary differences	(180)	(896)	3,260	(794)
	(2,230)	(1,222)	(5,467)	(2,775)

The current general income tax rate for legal entities in the Russian Federation is 20%.

13. Cash and cash equivalents

	<i>30 September 2019 (unaudited) RUB MM</i>	<i>31 December 2018 RUB MM</i>
Due from the CBR	107,135	62,798
Nostro accounts with Russian banks and financial institutions	26,789	27,183
Short-term deposits and reverse REPO transactions with Russian banks and financial institutions maturing in less than 90 days	11,579	7,095
Cash on hand	10,246	11,134
Nostro accounts with OECD banks	267	817
Short-term deposits with OECD banks maturing in less than 90 days	121	790
	156,137	109,817

As at 30 September 2019, short-term deposits and reverse REPO transactions with Russian banks and financial institutions maturing in less than 90 days include transactions with a non-banking credit institution rated by S&P, Fitch or Moody's at the level of the sovereign rating of the Russian Federation. The increase was due to the placement of temporarily disposable cash of the Group.

Cash on hand includes cash in ATMs and in transit.

14. Placements with banks and bank bonds measured at amortized cost

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
Russian bank bonds held by the Group	15,936	17,140
Collateral for derivative financial instruments ("DFI")	8,894	5,452
Term deposits with banks	4,456	7,317
Russian bank bonds pledged under sale and repurchase agreements	3,607	12,997
Repurchase agreements	604	5,783
Total placements with banks and bank bonds measured at amortized cost	33,497	48,689
Less allowance for impairment	(135)	(154)
Placements with banks and bank bonds measured at amortized cost, net	33,362	48,535

As at 30 September 2019 and 31 December 2018, all bank bonds measured at amortized cost were included in Stage 1 and allowance for ECL amounted to RUB 47 MM and RUB 132 MM, respectively.

The breakdown of Russian bank bonds measured at amortized cost by long-term issuer credit rating assigned by international rating agencies (S&P, Fitch or Moody's) is presented in the table below. If a security or an issuer has credit ratings from several international rating agencies, only the highest rating is taken into account:

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
Russian bank bonds measured at amortized cost		
Issuers with credit rating from A+ to A-	1,009	2,040
Issuers with credit rating from BBB+ to BBB-	9,216	10,389
Issuers with credit rating from BB+ to BB-	9,318	17,708
Total bank bonds measured at amortized cost	19,543	30,137

15. Financial instruments at FVPL

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
Held by the Group		
Corporate bonds and Eurobonds	108,207	60,551
Bonds of companies with state participation	52,581	22,010
Russian subfederal and municipal bonds	27,238	22,499
Derivative financial instruments	3,747	5,337
Foreign government bonds and Eurobonds	1,305	537
Eurobonds of the Russian Federation	389	3,049
Corporate shares	110	126
Shares of companies with state participation	121	99
Russian government bonds (OFZ)	–	53
Total financial instruments at FVPL held by the Group	193,698	114,261
Pledged under sale and repurchase agreements		
Bonds of companies with state participation	20,666	45,717
Corporate bonds and Eurobonds	11,678	59,293
Russian subfederal and municipal bonds	–	5,768
Shares of companies with state participation	–	1
Total financial instruments at FVPL pledged under sale and repurchase agreements	32,344	110,779
Total financial instruments at FVPL	226,042	225,040

15. Financial instruments at FVPL (continued)**Securities at FVPL**

The table below presents a breakdown of securities at FVPL by industry:

	30 September 2019 (unaudited)		31 December 2018 (restated)	
	RUB MM	%	RUB MM	%
Transport and infrastructure	38,418	17.3%	42,850	19.50%
Government and municipal institutions	28,932	13.0%	31,905	14.50%
Banks	28,853	13.0%	26,152	11.90%
Leasing	28,436	12.8%	17,497	8.00%
Metallurgy	15,821	7.1%	13,809	6.30%
Mining	15,789	7.1%	17,266	7.90%
Petrochemicals	10,042	4.5%	13,304	6.10%
Manufacturing	8,328	3.7%	7,250	3.30%
State financial development institutions	7,648	3.5%	7,612	3.50%
Chemical and pharmaceutical industry	7,079	3.2%	11,234	5.10%
Agriculture and food processing	6,464	2.9%	1,099	0.50%
Construction and development	5,410	2.4%	7,449	3.40%
Trade	4,425	2.0%	2,156	1.00%
Energy	4,028	1.8%	2,627	1.20%
Telecommunications	4,025	1.8%	7,344	3.30%
Other financial institutions	2,690	1.2%	1,553	0.70%
Diversified holdings	2,453	1.1%	2,730	1.20%
Services	2,369	1.1%	4,045	1.80%
Commercial real estate	1,085	0.5%	669	0.30%
Residential real estate	–	0.0%	1,152	0.50%
	222,295	100.0%	219,703	100.00%

In 2019, the Group revised its industry structure in order to account for the issuers' business more accurately. Comparative data as at 31 December 2018 was adjusted retrospectively for comparability purposes.

The table below presents a breakdown of securities at FVPL by long-term issuer credit rating assigned by rating agencies S&P, Fitch or Moody's. If a security or an issuer has credit ratings from several international rating agencies, only the highest rating is taken into account:

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
Securities at FVPL		
Issuers with credit rating from A+ to A-	133	128
Issuers with credit rating from BBB+ to BBB-	57,266	67,617
Issuers with credit rating from BB+ to BB-	130,294	103,604
Issuers with credit rating from B+ to B-	15,963	25,048
Unrated issuers	18,639	23,306
Total securities at FVPL	222,295	219,703

As at 30 September 2019, issuers not rated by international rating agencies were assigned the following ratings of the Russian rating agencies:

Securities at FVPL	Corporate bonds and bonds of companies with state participation	Russian subfederal and municipal bonds	Total
Issuers with credit rating from – AA+ to AA-	3,352	–	3,352
Issuers with credit rating from A+ to A-	1,111	1,615	2,726
Issuers with credit rating from BBB+ to BBB-	503	4,793	5,296
Issuers with credit rating from BB+ to BB-	–	1,271	1,271
Unrated issuers	2,106	3,888	5,994
Total securities at FVPL	7,072	11,567	18,639

15. Financial instruments at FVPL (continued)

Securities at FVPL (continued)

As at 30 September 2019, maturities of these securities were within the following range: October 2019 – June 2047 (31 December 2018: February 2019 – August 2049).

The coupon rates were from 4.0% to 11.0% for USD-denominated debt securities, from 2.6% to 5.2% for EUR-denominated debt securities, 7.5% for GBP-denominated debt securities, and from 6.0% to 15.0% for RUB-denominated debt securities (31 December 2018: from 3.8% to 9.0% for USD-denominated debt securities, from 2.6% to 4.0% for EUR denominated debt securities, and from 5.2% to 15.0% for RUB-denominated debt securities).

As at 30 September 2019, the share of the largest issuer, a state-owned leasing company, in the aggregate portfolio of securities at fair value through profit or loss was 8.6%. The maturity of bonds of this issuer ranged from October 2020 to January 2034; the coupon rate ranged from 4.9% to 11.1% (31 December 2018: the share of the largest issuer was 9.5%, maturity dates ranged from March 2019 to April 2041; the coupon rate was 5.7%-10.5%).

Derivative financial instruments

The Group manages interest and currency risks using derivative financial instruments.

The Group recognizes derivative financial instruments, including foreign currency contracts, currency and interest rate swaps, as well as other derivative financial instruments at fair value. The fair values of derivative financial instruments recorded as assets or liabilities, and their notional amounts representing the amount of the transaction underlying the derivative financial instrument, are shown in the table below.

	30 September 2019 (unaudited)			31 December 2018		
	Notional amount RUB MM	Fair value		Notional amount RUB MM	Fair value	
		Asset RUB MM	Liability RUB MM		Asset RUB MM	Liability RUB MM
Interest rate swaps – foreign banks	140,555	751	7,592	151,585	3,379	1,919
Interest rate swaps – Russian banks	32,208	–	41	50,028	1,898	–
Cross currency interest rate swaps – foreign banks	3,335	331	–	13,894	–	639
Cross currency interest rate swaps – Russian banks	20,027	2,052	–	69,471	–	3,036
Currency swaps – Russian banks	80,079	274	–	–	–	–
Currency swaps – foreign banks	690	2	2	–	–	–
Currency forwards and options – foreign companies and banks	–	–	–	139	19	–
Currency forwards and options – Russian companies and banks	2,856	38	4	2,003	41	26
Credit default swaps – foreign banks	18,680	113	578	27,094	–	1,226
Precious metals contracts – foreign companies	8,828	138	4	–	–	–
Precious metals contracts – Russian companies	3,498	48	30	–	–	–
Total derivative assets or liabilities	310,756	3,747	8,251	314,214	5,337	6,846

Fair value hedge of the portfolio of bonds measured at amortized cost

From 1 August 2019, the Group applied the hedge accounting of the fair value of the portfolio of bonds measured at amortized cost under IAS 39. Hedging is required to reduce the volatility of fair value of the bond portfolio due to changes in the interest rates. The Group hedges the portfolio of bonds measured at amortized cost and denominated in US dollars. As at 30 September 2019, the carrying amount of hedged bonds included in Placements with banks and bank bonds measured at amortized cost (Note 14) was RUB 18,534 MM, included in Loans to customers and bonds measured at amortized cost (Note 16) was RUB 83,960 MM.

To hedge, the Group applies USD-denominated interest rate swaps (IRS) exchanging fixed interest rates for floating interest rates; as at 30 September 2019, their nominal amount was RUB 91,145 MM.

As at 30 September 2019, the effect of applying the hedge amounting to RUB 385 MM is recognized in Assets from hedge accounting in the interim consolidated statement of financial position and in Net gain/(loss) on financial instruments at fair value through profit or loss in the interim consolidated statement of comprehensive income.

16. Loans to customers and bonds measured at amortized cost

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
Retail loans		
Car loans	97,461	74,978
Mortgage loans	64,443	57,801
Consumer loans	55,198	47,609
Installment cards	38,252	20,303
Total retail loans	255,354	200,691
Corporate loans and bonds measured at amortized cost		
Corporate loans	143,243	149,063
Corporate bonds	67,677	96,127
Loans to small businesses and other loans to customers*	47,738	42,050
Bonds of companies with state participation	38,040	48,145
Russian subfederal and municipal bonds	11,938	12,366
Loans to constituent entities and municipalities of the Russian Federation	6,459	6,347
Eurobonds of the Russian Federation	3,396	3,635
Total corporate loans and bonds measured at amortized cost	318,491	357,733
Total loans to customers and bonds measured at amortized cost	573,845	558,424
Less allowance for loan impairment	(20,933)	(16,946)
Loans to customers and bonds measured at amortized cost, net	552,912	541,478

* This group also includes retail loans issued on individual terms, not exceeding RUB 200 MM.

Car loans are special-purpose loans to purchase a car pledged as collateral under this loan, or the loan secured by the car already owned.

Mortgage loans mainly include loans with the pledge of already owned real estate and loans with the pledge of already owned residential properties pledged as collateral under the loan.

Consumer loans mainly include general-purpose loans accrued on debit or installment cards issued by the Bank.

Installment cards allow customers to pay for goods in installments during 2 to 36 months. In general, the Bank does not accrue interest on loans to customers but receives income in the form of fees from the partner stores. The fee amount depends on the installment terms provided to the customer. The customer repays loan principal in even installments during the respective term. If necessary, customers may receive additional services related to installment cards, for which a fee may be charged. The Bank sets limits on installment cards depending on the assessment of customers' creditworthiness. These limits may be increased or decreased as appropriate by decision of the Bank.

As at 30 September 2019, credit and installment cards comprised receivables from customers in the amount of RUB 35,901 MM ("Halva" installment cards) and RUB 2,351 MM (credit cards). The total number of "Halva" installment cards issued is 3.8 million. Receivables under credit cards were mainly acquired with the banks purchased by the Bank earlier.

The Group entered into contracts with 45.3 thousand legal entities operating 168.9 thousand retail and online stores to enable their customers to pay by installments using "Halva" cards. Fees and commissions received from the partners under the "Halva" program are recorded in interest income calculated using the EIR method (Note 4).

The breakdown of bonds measured at amortized cost by long-term issuer credit rating assigned by international rating agencies (S&P, Fitch or Moody's) is presented in the table below. If a security or an issuer has credit ratings from several international rating agencies, only the highest rating is taken into account:

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
Bonds measured at amortized cost		
Issuers with credit rating from BBB+ to BBB-	28,349	35,415
Issuers with credit rating from BB+ to BB-	72,515	81,404
Issuers with credit rating from B+ to B-	2,579	12,272
Unrated issuers	17,608	31,182
Total bank bonds measured at amortized cost	121,051	160,273

16. Loans to customers and bonds measured at amortized cost (continued)

As at 30 September 2019, issuers not rated by international rating agencies were assigned the following ratings of the Russian rating agencies:

<i>Bonds measured at amortized cost</i>	<i>Corporate bonds and bonds of companies with state participation</i>	<i>Russian subfederal and municipal bonds</i>	<i>Total</i>
Issuers with credit rating from – AA+ to AA-	1,841	–	1,841
Issuers with credit rating from A+ to A-	–	947	947
Issuers with credit rating from BBB+ to BBB-	3,400	4,643	8,043
Issuers with credit rating from BB+ to BB-	–	663	663
Unrated issuers	2,885	3,229	6,114
Total bank bonds measured at amortized cost	8,126	9,482	17,608

Analysis of corporate loans and bonds measured at amortized cost by industry

Corporate loans were provided to companies, while corporate bonds were issued by Russian and foreign issuers operating in the following industries:

	<i>30 September 2019 (unaudited) RUB MM</i>	<i>31 December 2018 (restated) RUB MM</i>
Manufacturing	33,449	33,500
Mining	26,833	36,081
Government financial development institutions	25,194	25,142
Metallurgy	24,360	34,264
Transport and infrastructure	20,379	23,407
Construction and development	16,191	11,094
Commercial real estate	11,470	10,620
Trade	11,168	13,328
Petrochemicals	10,488	11,879
Leasing	7,960	8,344
Agriculture and food processing	5,162	5,373
Services	4,855	8,716
Telecommunications	3,454	5,782
Residential real estate	3,235	3,893
Energy	2,693	2,335
Chemical and pharmaceutical industry	1,731	445
Other financial institutions	1,120	3,865
Diversified holdings	492	5,905
Other	686	1,217
	210,920	245,190

In 2019, the Group revised its industry structure in order to account for the business of its borrowers and issuers more accurately. Comparative data as at 31 December 2018 was adjusted retrospectively for comparability purposes.

Allowance for impairment of loans to customers and bonds measured at amortized cost

The tables below show the analysis of movements in allowances for ECL on retail loans for the nine months ended 30 September 2019 (unaudited).

<i>Consumer loans</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2019	1,691	381	2,413	4,485
Transfers to Stage 2	(21)	21	–	–
Transfers to Stage 3	(74)	(293)	367	–
Increase/(decrease) for the period	323	397	1,016	1,736
Write-offs	–	–	(1,640)	(1,640)
Recovery of write-offs*	–	–	732	732
Balance as at 30 September 2019	1,919	506	2,888	5,313

16. Loans to customers and bonds measured at amortized cost (continued)**Allowance for impairment of loans to customers and bonds measured at amortized cost (continued)**

<i>Car loans</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2019	1,209	354	1,390	2,953
Transfers to Stage 2	(16)	16	–	–
Transfers to Stage 3	(44)	(257)	301	–
Increase/(decrease) for the period	71	250	1,199	1,520
Write-offs	–	–	(1,297)	(1,297)
Recovery of write-offs	–	–	106	106
Balance as at 30 September 2019	1,220	363	1,699	3,282

* Recovery of write-offs is the result of the Group's collection of past due receivables previously derecognized.

<i>Mortgage loans</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2019	676	159	1,111	1,946
Transfers to Stage 2	(10)	10	–	–
Transfers to Stage 3	(27)	(97)	124	–
Increase/(decrease) for the period	(9)	150	216	357
Write-offs	–	–	(222)	(222)
Recovery of write-offs	–	–	238	238
Balance as at 30 September 2019	630	222	1,467	2,319

<i>Installment cards</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2019	839	64	356	1,259
Transfers to Stage 2	(6)	6	–	–
Transfers to Stage 3	(34)	(44)	78	–
Increase/(decrease) for the period	215	126	697	1,038
Write-offs	–	–	(630)	(630)
Recovery of write-offs	–	–	343	343
Balance as at 30 September 2019	1,014	152	844	2,010

The tables below show the analysis of movements in allowances for ECL on corporate loans and bonds measured at amortized cost for the nine months ended 30 September 2019 (unaudited).

<i>Corporate loans and bonds measured at amortized cost</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>POCI assets RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2019	2,500	27	2,123	271	4,921
Transfers to Stage 2	(81)	81	–	–	–
Transfers to Stage 3	–	–	–	–	–
Increase/(decrease) for the period	(643)	290	651	203	501
Write-offs	–	–	–	–	–
Recovery of write-offs	–	–	168	–	168
Balance as at 30 September 2019	1,776	398	2,942	474	5,590

<i>Loans to constituent entities and municipalities of the Russian Federation</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2019	42	–	–	42
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Increase/(decrease) for the period	(2)	–	–	(2)
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
Balance as at 30 September 2019	40	–	–	40

16. Loans to customers and bonds measured at amortized cost (continued)**Allowance for impairment of loans to customers and bonds measured at amortized cost (continued)**

<i>Loans to small businesses and other loans to customers</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>POCI assets RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2019	694	–	541	105	1,340
Transfers to Stage 2	(27)	27	–	–	–
Transfers to Stage 3	(59)	(5)	64	–	–
Increase/(decrease) for the period	286	315	844	(35)	1,410
Write-offs	–	–	(494)	–	(494)
Recovery of write-offs	–	–	123	–	123
Balance as at 30 September 2019	894	337	1,078	70	2,379

The tables below show the analysis of movements in allowances for ECL on retail loans for the nine months ended 30 September 2018 (unaudited).

<i>Consumer loans</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2018	1,640	412	3,455	5,507
Transfers to Stage 2	(93)	93	–	–
Transfers to Stage 3	(43)	(855)	898	–
Decrease/(increase) for the period	160	749	928	1,837
Write-offs	–	–	(2,878)	(2,878)
Recovery of write-offs	–	–	449	449
Balance as at 30 September 2018	1,664	399	2,852	4,915

<i>Car loans</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2018	958	205	565	1,728
Transfers to Stage 2	(47)	47	–	–
Transfers to Stage 3	(16)	(469)	485	–
Decrease/(increase) for the period	239	547	682	1,468
Write-offs	–	–	(693)	(693)
Unwinding of discount	–	–	10	10
Recovery of write-offs	–	–	382	382
Balance as at 30 September 2018	1,134	330	1,431	2,895

<i>Mortgage loans</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2018	812	129	658	1,599
Transfers to Stage 2	(41)	41	–	–
Transfers to Stage 3	(20)	(283)	303	–
Decrease/(increase) for the period	(90)	260	(89)	81
Write-offs	–	–	(55)	(55)
Unwinding of discount	–	–	279	279
Recovery of write-offs	–	–	191	191
Balance as at 30 September 2018	661	147	1,287	2,095

16. Loans to customers and bonds measured at amortized cost (continued)**Allowance for impairment of loans to customers and bonds measured at amortized cost (continued)**

<i>Installment cards</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2018	666	97	545	1,308
Transfers to Stage 2	(39)	39	–	–
Transfers to Stage 3	(93)	(181)	274	–
Decrease/(increase) for the period	161	110	162	433
Write-offs	–	–	(552)	(552)
Unwinding of discount	–	–	4	4
Recovery of write-offs	–	–	49	49
Balance as at 30 September 2018	695	65	482	1,242

The tables below show the analysis of movements in allowances for ECL on corporate loans and bonds measured at amortized cost for the nine months ended 30 September 2018 (unaudited).

<i>Corporate loans and bonds measured at amortized cost</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>POCI assets RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2018	2,965	–	–	–	2,965
Transfers to Stage 2	(2,011)	2,011	–	–	–
Transfers to Stage 3	–	(1,989)	1,989	–	–
Decrease/(increase) for the period*	1,526	(22)	(90)	192	1,606
Write-offs	–	–	–	–	–
Recovery of write-offs	–	–	–	–	–
Balance as at 30 September 2018	2,480	–	1,899	192	4,571

<i>Loans to constituent entities and municipalities of the Russian Federation</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2018	115	–	–	115
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Decrease/(increase) for the period	(94)	–	–	(94)
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
Balance as at 30 September 2018	21	–	–	21

<i>Loans to small businesses and other loans to customers</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>POCI assets RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2018	75	12	260	–	347
Transfers to Stage 2	(4)	4	–	–	–
Transfers to Stage 3	(6)	(18)	24	–	–
Decrease/(increase) for the period	595	4	(1)	497	1,095
Write-offs	–	–	(256)	(546)	(802)
Recovery of write-offs	–	–	85	49	134
Balance as at 30 September 2018	660	2	112	–	774

16. Loans to customers and bonds measured at amortized cost (continued)**Credit quality of retail loans**

The table below provides information on the credit quality of retail loans as at 30 September 2019 (unaudited):

	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	Total RUB MM
Consumer loans				
- Not overdue	47,967	–	30	47,997
- Overdue less than 30 days	2,166	–	41	2,207
- Overdue from 30 to 89 days	–	1,087	121	1,208
- Overdue from 90 to 179 days	–	–	1,491	1,491
- Overdue from 180 to 360 days	–	–	2,295	2,295
Total consumer loans	50,133	1,087	3,978	55,198
Allowance for impairment	(1,919)	(506)	(2,888)	(5,313)
Consumer loans, net	48,214	581	1,090	49,885
Installment cards				
- Not overdue	35,340	–	9	35,349
- Overdue less than 30 days	1,041	–	8	1,049
- Overdue from 30 to 89 days	–	408	136	544
- Overdue from 90 to 179 days	–	–	732	732
- Overdue from 180 to 360 days	–	–	578	578
Total installment cards	36,381	408	1,463	38,252
Allowance for impairment	(1,014)	(152)	(844)	(2,010)
Installment cards, net	35,367	256	619	36,242
Mortgage loans				
- Not overdue	58,310	–	197	58,507
- Overdue less than 30 days	2,045	–	78	2,123
- Overdue from 30 to 89 days	–	774	67	841
- Overdue from 90 to 179 days	–	–	694	694
- Overdue from 180 to 360 days	–	–	859	859
Overdue more than 360 days	–	–	1,419	1,419
Total mortgage loans	60,355	774	3,314	64,443
Allowance for impairment	(630)	(222)	(1,467)	(2,319)
Mortgage loans, net	59,725	552	1,847	62,124
Car loans				
- Not overdue	91,444	–	53	91,497
- Overdue less than 30 days	2,756	–	40	2,796
- Overdue from 30 to 89 days	–	819	94	913
- Overdue from 90 to 179 days	–	–	947	947
- Overdue from 180 to 360 days	–	–	1,308	1,308
Total car loans	94,200	819	2,442	97,461
Allowance for impairment	(1,220)	(363)	(1,699)	(3,282)
Car loans, net	92,980	456	743	94,179
Total retail loans	241,069	3,088	11,197	255,354
Allowance for impairment	(4,783)	(1,243)	(6,898)	(12,924)
Retail loans, net	236,286	1,845	4,299	242,430

16. Loans to customers and bonds measured at amortized cost (continued)**Credit quality of retail loans (continued)**

The table below provides information on the credit quality of retail loans as at 31 December 2018:

	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	Total RUB MM
Consumer loans		4		
- Not overdue	42,195	–	44	42,239
- Overdue less than 30 days	1,218	–	36	1,254
- Overdue from 30 to 89 days	–	817	132	949
- Overdue from 90 to 179 days	–	–	1,094	1,094
- Overdue from 180 to 360 days	–	–	2,073	2,073
Total consumer loans	43,413	817	3,379	47,609
Allowance for impairment	(1,691)	(381)	(2,413)	(4,485)
Consumer loans, net	41,722	436	966	43,124
Installment cards				
- Not overdue	19,299	–	3	19,302
- Overdue less than 30 days	288	–	3	291
- Overdue from 30 to 89 days	–	166	31	197
- Overdue from 90 to 179 days	–	–	187	187
- Overdue from 180 to 360 days	–	–	326	326
Total installment cards	19,587	166	550	20,303
Allowance for impairment	(839)	(64)	(356)	(1,259)
Installment cards, net	18,748	102	194	19,044
Mortgage loans				
- Not overdue	53,714	–	388	54,102
- Overdue less than 30 days	943	–	19	962
- Overdue from 30 to 89 days	–	600	45	645
- Overdue from 90 to 179 days	–	–	646	646
- Overdue from 180 to 360 days	–	–	698	698
Overdue more than 360 days	–	–	748	748
Total mortgage loans	54,657	600	2,544	57,801
Allowance for impairment	(676)	(159)	(1,111)	(1,946)
Mortgage loans, net	53,981	441	1,433	55,855
Car loans				
- Not overdue	71,092	–	37	71,129
- Overdue less than 30 days	1,310	–	29	1,339
- Overdue from 30 to 89 days	–	698	91	789
- Overdue from 90 to 179 days	–	–	635	635
- Overdue from 180 to 360 days	–	–	1,086	1,086
Total car loans	72,402	698	1,878	74,978
Allowance for impairment	(1,209)	(354)	(1,390)	(2,953)
Car loans, net	71,193	344	488	72,025
Total retail loans	190,059	2,281	8,351	200,691
Allowance for impairment	(4,415)	(958)	(5,270)	(10,643)
Retail loans, net	185,644	1,323	3,081	190,048

16. Loans to customers and bonds measured at amortized cost (continued)**Credit quality of corporate loans and bonds measured at amortized cost**

The table below provides information on the credit quality of corporate loans and bonds measured at amortized cost as at 30 September 2019 (unaudited):

	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	POCI assets* RUB MM	Total RUB MM
Corporate loans and bonds measured at amortized cost					
- Not overdue*	304,422	7,336	1,611	816	314,185
- Overdue less than 30 days	1,232	–	10	–	1,242
- Overdue from 30 to 89 days	–	301	247	–	548
- Overdue from 90 to 179 days	–	–	13	–	13
- Overdue from 180 to 360 days	–	–	347	–	347
- Overdue more than 360 days	–	–	1,877	279	2,156
Total corporate loans and bonds measured at amortized cost	305,654	7,637	4,105	1,095	318,491
Allowance for impairment	(2,710)	(735)	(4,020)	(544)	(8,009)
Corporate loans and bonds measured at amortized cost, net	302,944	6,902	85	551	310,482

* The line *Not overdue* of Stage 1 includes corporate bonds measured at amortized cost totaling RUB 121,051 MM provided for RUB 468 MM.

The table below provides information on the credit quality of corporate loans and bonds measured at amortized cost as at 31 December 2018:

	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	POCI assets* RUB MM	Total RUB MM
Corporate loans and bonds measured at amortized cost					
- Not overdue**	352,269	–	1,494	749	354,512
- Overdue less than 30 days	591	3	–	–	594
- Overdue from 30 to 89 days	–	38	70	–	108
- Overdue from 90 to 179 days	–	–	1,718	24	1,742
- Overdue from 180 to 360 days	–	–	164	199	363
- Overdue more than 360 days	–	–	197	217	414
Total corporate loans and bonds measured at amortized cost	352,860	41	3,643	1,189	357,733
Allowance for impairment	(3,236)	(27)	(2,664)	(376)	(6,303)
Corporate loans and bonds measured at amortized cost, net	349,624	14	979	813	351,430

* POCI loans (purchased or originated credit-impaired) mostly include loans issued by Rosevrobank at stage 3 as at the date of the business combination.

** The line *Not overdue* of Stage 1 includes corporate bonds measured at amortized cost totaling RUB 160,273 MM provided for RUB 912 MM.

17. Investment securities at FVOCI

As at 30 September 2019 and 31 December 2018, the Group's assets at FVOCI included shares of Russian companies and/or their foreign holdings.

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM	Ownership interest as at 30 September 2019 (unaudited) %	Ownership interest as at 31 December 2018 %
Shares	491	111	3.7% to 15.0%	3.7% to 6.8%
- Shares as part of mezzanine lending	530	580	2.2% to 24.7%	2.2% to 25.0%
	1,021	691		

18. Due to customers

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
Individuals		
Term deposits	380,535	361,108
Current accounts and demand deposits	44,873	41,795
Legal entities		
Term deposits	195,850	110,005
Current accounts and demand deposits	96,786	85,954
Amounts due under sale and repurchase agreements	–	12
	718,044	598,874

As at 30 September 2019 and 31 December 2018, the Group had no customers whose balance with the bank accounted for more than 10% of the total due to customers.

19. Due to banks

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
Sale and repurchase agreements with banks	67,922	182,059
Deposits	8,140	6,498
Collateral for derivative financial instruments ("DFI")	2,432	1,291
LORO accounts	1,041	407
	79,535	190,255

19. Due to banks (continued)

As at 30 September 2019 and 31 December 2018, the Group pledged the following securities as collateral for sale and repurchase agreements with legal entities and banks:

	30 September 2019 (unaudited)	31 December 2018	
	Sale and repurchase agreements with banks RUB MM	Sale and repurchase agreements with legal entities RUB MM	Sale and repurchase agreements with banks RUB MM
Financial instruments at FVPL pledged under sale and repurchase agreements			
Bonds of companies with state participation	20,666	–	45,717
Corporate bonds and Eurobonds	11,678	14	59,279
Russian subfederal and municipal bonds	–	–	5,768
Shares of companies with state participation	–	–	1
Total carrying amount	32,344	14	110,765
Loans to customers and bonds measured at amortized cost, pledged under sale and repurchase agreements			
Corporate bonds	22,344	–	54,870
Bonds of companies with state participation	13,258	–	25,780
Eurobonds of the Russian Federation	3,396	–	3,635
Russian subfederal and municipal bonds	–	–	1,780
Total carrying amount	38,998	–	86,065
Placements with banks and bank bonds measured at amortized cost, pledged under sale and repurchase agreements			
Corporate bonds	3,585	–	7,021
Russian subfederal and municipal bonds	–	–	5,900
Total carrying amount	3,585	–	12,921
Related liabilities	67,922	12	182,059

20. Debt securities issued

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
Bonds	15,784	5,468
Promissory notes	2,592	3,008
Savings certificates	–	3
	18,376	8,479

On 30 May 2019, the Bank placed series BO-P01 stock-exchange bonds for a total of RUB 10 BN (state registration number 4B020100963B001P of 28 May 2019) with a maturity period of 10 years. This issue provides for an offer in two years from the date of placement. The coupon rate for 1 to 8 coupon periods is set at 9.0% per annum. The rates for subsequent coupon periods are determined not later than in five business days before the end of prior coupon period.

21. Other borrowed funds

On 21 September 2015, Sovcombank won an open tender for the financial rehabilitation of "Express Volga Bank JSC" ("EVB").

On 23 September 2015, the DIA provided Sovcombank with a loan of RUB 49,850 MM bearing an interest rate of 0.51% and maturing on 23 September 2025 (the "DIA Loan"). The DIA provided the DIA loan to Sovcombank to enable the financial rehabilitation of EVB in accordance with the financial rehabilitation plan approved by the CBR on 12 August 2015.

As at 30 September 2019, the Group pledged the rights of claim on loans to individuals and corporate customers totaling RUB 45,432 MM (31 December 2018: RUB 45,371 MM) as a collateral for the DIA loan.

From date of issuance of the DIA loan to 30 September 2019, Sovcombank repaid a part of the DIA loan totaling RUB 9,008 MM. Because Probusinessbank OJSC (the parent bank of EVB, hereinafter, "PBB") settled part of its liabilities related to EVB as a result of bankruptcy procedures carried out by the DIA in respect of Probusinessbank OJSC. Subsequently, Sovcombank repaid the respective amount to the DIA.

The DIA issued the loan to Sovcombank at the rate of 0.51% per annum, i.e. significantly below the market rate. According to IAS 9, loans issued with interest rates other than the market interest rates are measured at fair value at the date of issuance. The fair value equals the future interest payments and principal debt discounted with the market interest rate. As at the date of issuance of the DIA loan, the market interest rate for similar loans provided by Sovcombank was 14.9%. As at 30 September 2019, the carrying amount of the DIA loan of RUB 18,614 MM (31 December 2018: RUB 16,923 MM) was recorded within "Other borrowed funds".

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
DIA loan	18,614	16,923
Other borrowed funds	2	1
	18,616	16,924

22. Subordinated debt

Type	Principal, loan currency, MM	Currency	Counter- party	Interest rate	Issue date	Maturity date	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
Subordinated bonds	51	USD	–	8.25%	7 March 2018	21 February 2029	3,329	7,000
Subordinated loan	1,255	RUB	DIA	10.04%	27 April 2015	28 April 2032	1,446	1,434
Subordinated loan	1,255	RUB	DIA	10.18%	27 April 2015	29 November 2034	1,429	1,427
Subordinated loan	1,255	RUB	DIA	9.85%	27 April 2015	26 November 2029	1,429	1,422
Subordinated loan	1,255	RUB	DIA	9.74%	27 April 2015	24 February 2027	1,355	1,375
Subordinated loan	1,255	RUB	DIA	9.73%	27 April 2015	22 January 2025	1,344	1,335
							10,332	13,993

Term subordinated bonds issued

On 7 March 2018, the Bank placed 11-year subordinated bonds series 2V03 of USD 150 MM with a coupon rate of 8.25% p.a. (State registration number 41400963V of 22 January 2018). On 26 March 2018, the CBR approved the request to convert subordinated bonds series 2V03 to the Bank's additional paid-in capital.

For the nine months ended 30 September 2019, the Group repurchased subordinated bonds series 2V03 of RUB 11,848 MM and then sold the bonds to investors in the amount of RUB 8,966 MM. The total amount of subordinated bonds owned by third parties is USD 51 MM (see table above).

On 7 October 2019, the Bank placed subordinated Eurobonds of USD 300 MM. As the bonds were placed after the reporting date, it was not recorded in the consolidated statement of financial position as at 30 September 2019 (Note 32).

22. Subordinated debt (continued)

Participation of Sovcombank and Rosevrobank in the anti-crisis plan of the Russian Government

On 27 January 2015, the Russian Government issued Decision No. 98-r approving the *Plan of Priority Measures to Ensure Sustainable Development of the Economy and Social Stability in 2015* (the "Anti-crisis Plan"). On 23 January 2015, the Board of Directors of the DIA approved a list of banks, including Sovcombank and Rosevrobank, selected to participate in the Anti-crisis Plan.

On 27 April 2015, the DIA provided the Bank with five tranches of a subordinated loan totaling RUB 6,275 MM in the form of coupon-bearing federal loan bonds issued by the Ministry of Finance of the Russian Federation (the "OFZ"). These tranches have maturities of 12 to 19 years.

The CBR confirmed that the Bank might include this subordinated loan for the calculation of the Bank's capital adequacy ratio. Sovcombank sold securities received and therefore as at 30 September 2019 and 31 December 2018, its subordinated debt is recorded as liabilities at fair value.

On 20 May 2016, the DIA provided to Rosevrobank five tranches of a subordinated loan totaling RUB 100 MM in the form of OFZ issued by the Ministry of Finance of the Russian Federation. These tranches have maturities of 9 to 18 years.

The CBR confirmed that the Bank might include this subordinated loan in the capital of the Bank (as successor of Rosevrobank). The subordinated loan is not shown in the Group balance sheet because in accordance with IAS 9 it is classified as securities borrowed and for this reason the subordinated loan is recorded in off-balance sheet at fair value, which is RUB 111 MM as at 30 September 2019 (31 December 2018: RUB 111 MM).

23. Equity

As at 30 September 2019, the Bank's share capital was RUB 1,969 MM (31 December 2018: RUB 1,871 MM).

As at 30 September 2019, the total number of authorized ordinary shares with a nominal value of RUB 0.1 each was 19,694,045,875 (31 December 2018: 18,714,967,550).

The Bank's share capital was contributed by the shareholders in Russian rubles. The shareholders are entitled to dividends and any capital distribution in Russian rubles.

In August 2018, Sovcombank placed 1,559,024,850 ordinary registered book-entry shares with the total value of RUB 9,686 MM (637 million shares for RUB 6.067 each and 922 million shares for USD 0.097 each). The shares were purchased by a consortium of investors through a private subscription (Note 1).

In March 2019, Sovcombank placed 979,078,325 ordinary registered book-entry shares for the total amount of RUB 6.080 MM (558 million shares for RUB 6.218 each and 421 million shares for USD 0.095 each) with a consortium of investors (Note 1). The shares were placed through a private subscription.

On 26 March 2018, the CBR approved the Bank's request to convert the perpetual subordinated loan of USD 117 MM provided by Sovco Capital Partners N.V. into the Bank's core capital for ratio calculation purposes. The Bank increased its core capital to RUB 6,717 MM in accordance with the CBR's approval of 2 April 2018. IAS 32 also treats conversion of a perpetual subordinated loan as an increase in equity.

IFRS classifies interest payments related to perpetual subordinated loan as dividends on the grounds that the Bank may unilaterally halt interest payments. For the nine months ended 30 September 2018, Sovcombank paid interest of RUB 195 MM on the perpetual subordinated loan.

For the nine months ended 30 September 2019, Sovcombank paid dividends of RUB 8,050 MM or RUB 0.4 per share (for the nine months ended 30 September 2018: RUB 5,820 MM or RUB 0.3 per share).

In September 2018, the total amount of declared dividends was RUB 1,500 MM or RUB 0.1 per share). The Group paid the full amount of dividends in cash in November 2018.

23. Equity (continued)

Perpetual subordinated bonds issued

On 7 March 2018, the Bank placed perpetual subordinated bonds series 1V02 for USD 100 MM (State Registration Number 41000963V of 22 January 2018). The coupon rate for coupons 1-11 are set at 8.8% p.a.; the interest rate for further coupons is determined by the formula:

$$C_k = R + m + 100 \text{ basis points, where:}$$

“C_k” is a coupon interest rate of the k-th coupon;

“R” equals to a yield of 7-year U.S. treasury bonds one working day prior to the date on which a new coupon interest rate is determined;

“m” equals 900 basis points.

On 26 March 2018, the CBR approved the Bank’s request to convert subordinated bonds series 1V02 to its additional capital.

As this instrument meets the criterion of the capital component in accordance with IAS 32 *Financial Instruments: Presentation*, Group classified the perpetual subordinated bonds as equity.

The Group records USD-denominated perpetual subordinated bonds in Russian rubles at the CBR exchange rates at the placement date and recognizes the effect of currency translation within retained earnings.

IFRS classifies interest payments related to perpetual subordinated bonds as dividends on the grounds that the Bank may unilaterally halt interest payments. For the nine months ended 30 September 2019, Sovcombank paid the interest of RUB 420 MM on the perpetual subordinated bonds (nine months ended 30 September 2018: RUB 295 million).

24. Commitments

The Group has outstanding commitments to extend credit facilities in the form of approved loans, credit and installment card limits and overdraft facilities.

The Group provides bank guarantees, which form the contractual limits of liabilities and generally extend for a period of up to one year.

The commitments by category were as follows:

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
Contractual amount*		
Loan and credit line commitments	268,398	216,144
Bank guarantees	126,299	147,650
Commitments to issue banking guarantees	57,219	53,864
	451,916	417,658
Provisions for non-financial commitments	(2,099)	(1,283)
Allowance for credit losses	(334)	(962)
Provisions for pre-trial proceedings	(448)	(261)
	(2,881)	(2,506)

* The contractual amounts shown in the table assume that commitments will be settled in full.

Provisions for pre-trial proceedings represent provisions for the portfolio of non-financial bank guarantees primarily issued to suppliers in accordance with Federal Law No. 44-FZ, *On the Contract System for the Procurement of Goods, Work and Services for Public and Municipal Needs*, and Federal Law No. 223-FZ, *On Purchases of Goods, Work and Services by Certain Types of Legal Entities*, under which the Group received claims but has not yet effected payment to the beneficiary under the bank guarantee.

As at 30 September 2019, the bank guarantees included non-financial guarantees (including those issued by the Group to small and medium-sized businesses in accordance with Federal Laws No. 44-FZ and No. 223-FZ) of RUB 102,788 MM in total (31 December 2018: RUB 99,330 MM).

24. Commitments (continued)

The table below shows a breakdown of the bank guarantees by amount issued.

	30 September 2019 (unaudited) RUB MM	30 September 2019 (unaudited) number	31 December 2018 (unaudited) RUB MM	31 December 2018 (unaudited) number
Amount				
Less than RUB 0.5 MM	8,022	99,496	11,247	141,292
RUB 0.5 MM – RUB 1 MM	3,675	5,080	4,848	6,782
RUB 1 MM – RUB 10 MM	16,143	5,951	17,686	6,378
RUB 10 MM – RUB 100 MM	29,994	953	32,612	1,003
More than RUB 100 MM	44,954	186	32,937	155
	102,788	111,666	99,330	155,610

For the nine months ended 30 September 2019, Sovcombank Group provided to participants in government procurement 91.4 thousand bank guarantees totaling RUB 46.5 BN. Of them, 65% were provided under Federal Law No. 44-FZ, the remaining 35% were provided in accordance with Federal Law No. 223-FZ. The average amount of one guarantee issued was RUB 509 thousand (31 December 2018: RUB 339 thousand).

From 1 January 2018 through 30 September 2019, the Group issued 96% of guarantees under Federal Law No. 44-FZ and Federal Law No. 223-FZ to secure contract execution, 3.9% of the guarantees to make procurement bids, and 0.1% of the guarantees to secure repayment of advances.

Contractual commitments to issue loans not always result in actual cash outflow as such commitments may be annulled or may expire without actual funding being provided. In addition, the majority of the Group's loan agreements provide that the Group at its sole discretion may unilaterally refuse to extend a loan.

The tables below show the analysis of movements in the allowances for ECL under financial guarantees and loan and credit line commitments for the nine months ended 30 September 2019 (unaudited):

Financial guarantees	Stage 1 RUB MM	Total RUB MM
Balance as at 1 January 2019	956	956
Reversal	(628)	(628)
Balance as at 30 September 2019	328	328

Loan commitments	Stage 1 RUB MM	Total RUB MM
Balance as at 1 January 2019	6	6
Charge/(reversal) for the period	–	–
Balance as at 30 September 2019	6	6

25. Contingencies

Litigations related to Express-Volga Bank JSC

In August 2015, the CBR revoked the banking license of Probusinessbank OJSC ("Probusinessbank"). In September 2015, Sovcombank won an open tender and became an investor for the financial rehabilitation of EVB, a subsidiary of Probusinessbank. In September 2015, the DIA included EVB, the Bank's subsidiary at that date, into the register of Probusinessbank's creditors. In October 2015, the Moscow Arbitration Court declared Probusinessbank bankrupt. The minority creditors of Probusinessbank initiated several litigations concerning its bankruptcy.

In November 2017, the minority creditors of Probusinessbank filed a lawsuit to declare invalid the transfer of RUB 625 MM to EVB from Probusinessbank in August 2015. In October 2018, the Moscow Arbitration Court satisfied the claims of the minority creditors of Probusinessbank. The decision of the Moscow Arbitration Court dated 9 November 2018 was implemented and RUB 625 MM was returned by EVB to the insolvency estate of Probusinessbank on 16 July 2019. The Group made an additional provision of RUB 208 MM and believes that it covers all possible risks related to the recovery of interest for the use of cash.

25. Contingencies (continued)

Litigations related to Express-Volga Bank JSC (continued)

In November 2016, Sovcombank won an open auction organized by the DIA to acquire shares of CB Poidem! JSC, previously a member of Probusinessbank group. The funds raised as a result of the auction went into Probusinessbank's insolvency estate and subsequently allocated to all its registered creditors. In year 2016, Sovcombank signed an agreement to sell 100% of shares of CB Poidem! JSC to the management of this bank.

In November 2017, the minority creditors of Probusinessbank filed a lawsuit to challenge the sale of shares of CB Poidem! JSC via open auction to Sovcombank. In March 2018, the Moscow Arbitration Court upheld the results of the open auction. The decision of the Moscow Arbitration Court was upheld by the appeal court (in May 2018) and the cassation court (in July 2018). In February 2019, the Supreme Court of the Russian Federation satisfied the claim of minority creditors, canceled all judicial acts of the appeal court and the cassation court and referred the case to the first instance court for retrial, indicating that a thorough examination of evidence presented by the parties was necessary. On 5 November 2019, the hearing of the case was postponed until the appeals court returns the case file; the date of the hearing has not been fixed. The Group's management believes that the economic effect in case of the unfavourable outcome will be insignificant as currently Sovcombank is not the owner of CB Poidem! JSC's shares. Based on the above, the Group did not make a provision for this claim in these financial statements.

Tax contingencies

Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant state authorities. The tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of the Group that were challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review for a period of three calendar years immediately preceding the year in which the decision to conduct a tax audit is taken. Under certain circumstances, audits may cover earlier periods.

The tax legislation prohibits taxpayers to reduce tax base as a result of distortion of facts with regard to business operations and taxable activities or due to operations with a primary objective of non-payment or underpayment of taxes. As there is no well-established practice for applying the above provisions, there is uncertainty regarding the procedure for application of the new rules and their possible interpretation by the Russian tax authorities with regard to VAT and income tax treatment of the Group's banking operations, services and other associated activities, as well as operations financial market operations, including purchase and sale of securities and other property rights.

It is possible that with the evolution of these rules and changes in the approach of the Russian tax authorities and/or courts to their interpretation and enforcement, additional taxes and related fines and penalties may be assessed, which could negatively impact the financial condition of the Group. The details of such contingent liabilities are not disclosed in the financial statements because of the uncertainty of the potential outcome in case of different interpretation of tax law by tax authorities. Management though believes that the Group's tax position is sustained and documented, therefore, management believes that its interpretation of the relevant legislation is appropriate as at 30 September 2019.

Russian transfer pricing legislation allows Russian tax authorities to apply tax base adjustments and impose additional income tax and VAT liabilities in respect of "controlled" transactions if the controlled transaction price differs from the market price. In 2018, the Group determined its tax liabilities arising from controlled transactions on the basis of actual transaction prices or by adjusting actual prices in accordance with transfer pricing rules (if applicable).

The Russian tax legislation contains norms determining the "tax residency" status in respect of foreign legal entities, "beneficiary owner," and the rules for taxation of retained earnings of controlled foreign companies in the Russian Federation. These norms result in an increase the administrative and, in some cases, tax burden on Russian taxpayers that have foreign subsidiaries and/or pay income from sources in the Russian Federation to foreign entities. There is uncertainty regarding the procedure for application of these norms, their possible interpretation by the Russian tax authorities and the effect on the amount of the tax liabilities of the Group.

The management of the Group believes that its interpretation of the relevant legislation is appropriate and that the Group's position in respect of tax, currency and customs legislation will be sustained.

26. Related party transactions

IAS 24 *Related Party Disclosures* defines the parties as related if one party has an ability to control the other party or exercise significant influence over the other party in making operational and financial decisions. In considering each possible related party relationship, attention is directed to its substance of the relationship, not merely the legal form.

Total remuneration included in employee benefits is presented in the table below (Note 9).

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	<i>2019 RUB MM</i>	<i>2018 RUB MM</i>	<i>2019 RUB MM</i>	<i>2018 RUB MM</i>
Members of the Supervisory Board	110	13	445	120
Management Board	248	388	753	1,135
	358	401	1,198	1,255

Outstanding balances with related parties as at 30 September 2019 were as follows (unaudited):

	<i>SCP N.V.⁽¹⁾ RUB MM</i>	<i>JV⁽²⁾ RUB MM</i>	<i>KMP⁽³⁾ RUB MM</i>	<i>AC⁽⁴⁾ RUB MM</i>	<i>Other⁽⁴⁾ RUB MM</i>	<i>Total RUB MM</i>
Loans	–	325	354	194	2,133	3,006
Allowance for impairment	–	(4)	(7)	(2)	(1,347)	(1,360)
Loans, net	–	321	347	192	786	1,646
Financial instruments at FVPL	–	1,268	–	–	–	1,268
Deposits	70	53	1,541	–	593	2,257
Current accounts	1,771	21	677	1	1,555	4,025
Debt securities issued	–	–	227	–	–	227
Other liabilities	–	–	560	–	–	560
Commitments and guarantees issued	1,250	339	64	218	593	2,464
Commitments and guarantees received	–	601	343	613	7,147	8,704

Outstanding balances with related parties as at 31 December 2018 were as follows:

	<i>SCP N.V.⁽¹⁾ RUB MM</i>	<i>JV⁽²⁾ RUB MM</i>	<i>KMP⁽³⁾ RUB MM</i>	<i>AC⁽⁴⁾ RUB MM</i>	<i>Other⁽⁴⁾ RUB MM</i>	<i>Total RUB MM</i>
Loans	224	305	737	194	2,337	3,797
Allowance for impairment	–	(4)	(12)	(2)	(854)	(872)
Loans, net	224	301	725	192	1,483	2,925
Financial instruments at FVPL	1,970	1,558	–	–	–	3,528
Deposits	–	98	2,454	–	1,733	4,285
Current accounts	52	7	342	14	438	853
Other liabilities	–	–	2,361	–	–	2,361
Commitments and guarantees issued	1,276	1,310	66	327	731	3,710
Commitments and guarantees received	–	1,506	128	600	8,077	10,311

26. Related party transactions (continued)

The following table presents related party transactions recorded in the interim consolidated statement of comprehensive income for the nine months ended 30 September 2019 (unaudited):

	SCP N.V.⁽¹⁾	JV⁽²⁾	KMP⁽³⁾	AC⁽⁴⁾	Other⁽⁵⁾	Total
	RUB MM	RUB MM	RUB MM	RUB MM	RUB MM	RUB MM
Interest income	–	26	41	15	421	503
Interest income on financial instruments at FVPL	36	112	–	–	–	148
Interest expense on deposits	(2)	(5)	(31)	–	(23)	(61)
Interest expense on debt securities issued	–	–	(2)	–	–	(2)
Allowances for credit losses	–	(4)	(7)	–	(493)	(504)
Fee and commission income	1	36	1	4	8	50
Gains less losses from foreign currencies	(70)	–	–	–	10	(60)
General and administrative expenses	–	(6)	(8)	(1)	–	(15)

The following table presents related party transactions recorded in the interim consolidated statement of comprehensive income for the nine months ended 30 September 2018 (unaudited):

	SCP N.V.⁽¹⁾	JV⁽²⁾	KMP⁽³⁾	AC⁽⁴⁾	Other⁽⁵⁾	Total
	RUB MM	RUB MM	RUB MM	RUB MM	RUB MM	RUB MM
Interest income	150	59	45	17	241	512
Interest income on financial instruments at FVPL	96	164	–	–	–	260
Interest expense on deposits	–	–	(8)	(3)	(27)	(38)
Allowances for credit losses	–	(8)	–	–	(165)	(173)
Fee and commission income	1	18	2	–	25	46
Gains less losses from foreign currencies	(54)	–	7	–	82	35
General and administrative expenses	–	(11)	(4)	–	–	(15)

(1) SCP N.V. is Sovco Capital Partners N.V. is the major shareholder of the Group with ownership of 87.1% (Note 1).

(2) Joint ventures (JV) are companies where the Group is engaged in joint operations and have equal shares (50/50) with the partners in JV. JVs include Sollers-Finance LLC and CTB LLC.

(3) Key management personnel ("KMP") are those with responsibility for planning, directing and controlling the activities of the Group. Key management personnel of the Group are members of the Management Board and the Supervisory Board.

(4) Associate companies (AC) are entities, in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

(5) Other related parties ("Other") mainly comprise companies under control of the key management personnel.

During the nine months ended 30 September 2019 and 2018, the Group also conducted purchase and sale of own securities issued with Sovco Capital Partners N.V. These transactions were carried out at market conditions.

27. Fair value

IAS 7 *Financial Instruments: Disclosures* requires the Group to make the following disclosure of the estimated fair value of financial instruments. Fair value is defined as the amount for which a financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction other than in forced sale or liquidation. As no readily available market exists for a large part of the Group's financial instruments (specifically extended loans) at which such financial assets would be traded on a regular basis, judgment is necessary in arriving at fair value based on current economic conditions and the specific risks attributable to a given instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

27. Fair value (continued)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- ▶ Level 3: techniques, which use inputs, which have a significant effect on the recorded fair value that are not based on observable market data.

For the fair value disclosures, the Group determined class of assets and liabilities based on the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy.

As at 30 September 2019 (unaudited)	Fair value measurement using			Total RUB MM
	Quoted prices in active markets (Level 1) RUB MM	Significant observable inputs (Level 2) RUB MM	Significant unobservable inputs (Level 3) RUB MM	
Assets measured at fair value				
Financial instruments at FVPL	178,219	47,823	–	226,042
Investment securities at FVOCI	–	–	1,021	1,021
Investment property	–	–	56	56
Property and equipment and intangible assets (land and buildings)	–	–	3,634	3,634
Other non-financial assets	7,240	–	–	7,240
Liabilities measured at fair value				
Subordinated debt	7,003	–	–	7,003
Derivative financial liabilities	–	8,251	–	8,251

As at 31 December 2018	Fair value measurement using			Total RUB MM
	Quoted prices in active markets (Level 1) RUB MM	Significant observable inputs (Level 2) RUB MM	Significant unobservable inputs (Level 3) RUB MM	
Assets measured at fair value				
Financial instruments at FVPL	155,832	67,534	1,674	225,040
Investment securities at FVOCI	–	–	691	691
Investment property	–	–	56	56
Property and equipment and intangible assets (land and buildings)	–	–	3,703	3,703
Other financial assets	–	6,947	883	7,830
Other non-financial assets	8,648	–	–	8,648
Liabilities measured at fair value				
Subordinated debt	6,993	–	–	6,993
Derivative financial liabilities	–	6,846	–	6,846

Trading securities valued using valuation techniques primarily consist of equity and debt securities for which no market quotations are available. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and the country in which the investee operates.

27. Fair value (continued)

Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balances of Level 3 financial assets and liabilities which are recorded at fair value as at 30 September 2019 (unaudited):

	As at 1 January 2019 RUB MM	Gains/(losses) recorded in the statement of profit or loss RUB MM	Gains/(losses) recorded in other comp- rehensive income RUB MM	Acquisitions RUB MM	Sales RUB MM	Settlements RUB MM	Transfers to other items RUB MM	Transfers to Level 1 and Level 2 RUB MM	As at 30 September 2019 RUB MM
Financial assets									
Financial instruments at FVPL	1,674	(77)	–	–	–	(31)	–	(1,566)	–
Investment securities at FVOCI	691	(50)	–	380	–	–	–	–	1,021
Other financial assets	883	–	–	–	–	–	(883)	–	–
Total Level 3 financial assets	3,248	(127)	–	380	–	(31)	(883)	(1,566)	1,021

During the nine months ended 30 September 2019, the Group transferred certain financial assets at fair value through profit or loss from Level 3 to Level 1 of the fair value hierarchy, as they became actively traded during the reporting period and their fair values were subsequently determined based on quoted prices in an active market for identical assets. The carrying amount of the financial assets transferred totaled RUB 1,566 MM.

The following table shows a reconciliation of the 2018 opening and closing balances of Level 3 financial assets and liabilities which are recorded at fair value:

	As at 1 January 2018 RUB MM	Gains/ (losses) recorded in the state- ment of profit or loss RUB MM	Gains/ (losses) recorded in other comp- rehensive income RUB MM	Business combi- nations RUB MM	Acquisitions RUB MM	Sales RUB MM	Settlements RUB MM	Transfers from Level 1 and Level 2 RUB MM	Reclas- sification to loans to customers RUB MM	Transfer from investment securities at FVOCI to financial instruments at FVPL RUB MM	As at 31 December 2018 RUB MM
Financial assets											
Financial instruments at FVPL	–	1,078	–	–	–	–	(182)	9,894	(10,246)	1,130	1,674
Investment securities at FVOCI	3,935	65	(23)	1,021	–	(3,149)	(28)	–	–	(1,130)	691
Other financial assets	883	–	–	–	–	–	–	–	–	–	883
Total Level 3 financial assets	4,818	1,143	(23)	1,021	–	(3,149)	(210)	9,894	(10,246)	–	3,248

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

	For the nine months ended 30 September 2019 (unaudited)			For the year ended 31 December 2018		
	Realized gains/(losses) RUB MM	Unrealized gains/(losses) RUB MM	Total RUB MM	Realized gains/(losses) RUB MM	Unrealized gains/(losses) RUB MM	Total RUB MM
Total gains/(losses) recognized in profit or loss for the period	31	(158)	(127)	106	1,037	1,143

27. Fair value (continued)**Effect of changes in significant unobservable inputs on the measurement of financial instruments categorized within Level 3 of the fair value hierarchy**

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

30 September 2019 (unaudited)	Carrying amount RUB MM	Valuation techniques	Unobservable inputs	Range (weighted average value)
Investment securities at FVOCI				
<i>Equity securities</i>				
Energy	400	Value of net assets	Net assets	Not applicable
Information technologies	380	Value of net assets	Net assets	Not applicable
Electronics	130	The last transaction price	Price of the most recent transaction	Not applicable
Rating agencies	111	Value of net assets	Net assets	Not applicable
Investment property	56	Market and income approach	Discount for sale	10%
Property and equipment and intangible assets (land and buildings)	3,634	Market and income approach	Discount for sale	10%
31 December 2018	Carrying amount RUB MM	Valuation techniques	Unobservable inputs	Range (weighted average value)
Financial instruments at FVPL				
Metallurgy	1,674	Discounted cash flows	Credit risk of the issuer	1-2%
Investment securities at FVOCI				
<i>Equity securities</i>				
Energy	400	Value of net assets	Net assets	Not applicable
Electronics	130	The last transaction price	Price of the most recent transaction	Not applicable
Rating agencies	111	Value of net assets	Net assets	Not applicable
Electronics	50	Value of net assets	Net assets	Not applicable
Investment property	56	Comparative and cost approach	Discount for sale	10%
Property and equipment and intangible assets (land and buildings)	3,703	Comparative and cost approach	Discount for sale	10%
Other financial assets	883	Discounted cash flows	Credit risk of the counterparty	20%

The effect of reasonably possible alternative assumptions on the fair value of Level 3 financial instruments is insignificant.

Transfers between Level 1 and Level 2

The following tables show transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets measured at fair value during the nine months ended 30 September 2019 and for the year ended 31 December 2018:

	For the nine months ended 30 September 2019 (unaudited) RUB MM	For the year ended 31 December 2018 RUB MM
Financial instruments at FVPL		
Russian subfederal and municipal bonds	1,448	1,685
Bonds of companies with state participation	918	1,508
Corporate bonds	2	1,031
Total transfers from Level 1 to Level 2	2,368	4,224

27. Fair value (continued)**Transfers between Level 1 and Level 2 (continued)**

The financial assets were transferred from Level 1 to Level 2 as they ceased to be actively traded during the period. Their fair values were determined using valuation techniques based on observable market inputs.

	<i>For the nine months ended 30 September 2019 (unaudited) RUB MM</i>	<i>For the year ended 31 December 2018 RUB MM</i>
Financial instruments at FVPL		
Russian subfederal and municipal bonds	9,550	9,489
Corporate bonds	6,685	48,843
Bonds of companies with state participation	2,191	24,968
Corporate shares	109	–
Total transfers from Level 2 to Level 1	18,535	83,300

Transfers from Level 2 to Level 1 for the nine months ended 30 September 2019 were due to the fact they became actively traded during the reporting period and fair values were consequently determined using quoted prices in an active market.

Transfers from Level 2 to Level 1 for the year 2018 were mainly due to the application of the new method for determining market activity and as they became actively traded during the reporting period and fair values were consequently determined using quoted prices in an active market.

Fair values of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets and liabilities that are not carried at fair value in the interim consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<i>30 September 2019 (unaudited)</i>			<i>31 December 2018</i>		
	<i>Carrying amount RUB MM</i>	<i>Fair value RUB MM</i>	<i>Unrecognized gain/(loss) RUB MM</i>	<i>Carrying amount RUB MM</i>	<i>Fair value RUB MM</i>	<i>Unrecognized gain/(loss) RUB MM</i>
Financial assets						
Cash and cash equivalents	156,137	156,137	–	109,817	109,817	–
Mandatory cash balances with the CBR	5,700	5,700	–	4,991	4,991	–
Placements with banks and bank bonds measured at amortized cost	33,362	34,183	821	48,535	48,719	184
Loans to customers and bonds measured at amortized cost	552,912	562,030	9,118	541,478	544,931	3,453
Other assets	1,385	1,385	–	802	802	–
Financial liabilities						
Due to the CBR	835	835	–	859	859	–
Due to banks	79,535	79,584	(49)	190,255	190,134	121
Due to customers	718,044	719,086	(1,042)	598,874	598,925	(51)
Debt securities issued	18,376	18,546	(170)	8,479	8,495	(16)
Other borrowed funds	18,616	22,353	(3,737)	16,924	18,336	(1,412)
Subordinated debt	3,329	3,371	(42)	7,000	7,587	(587)
Other liabilities	6,521	6,521	–	4,930	4,930	–
Total unrecognized change in fair value			4,899			1,692

28. Currency analysis

The table below shows the breakdown of assets and liabilities by currency as at 30 September 2019 (unaudited):

	<i>RUB and other currencies RUB MM</i>	<i>USD RUB MM</i>	<i>EUR RUB MM</i>	<i>Total RUB MM</i>
Assets				
Cash and cash equivalents	129,653	4,025	22,459	156,137
Mandatory cash balances with the CBR	5,700	–	–	5,700
Placements with banks and bank bonds measured at amortized cost:				
- held by the Group	3,520	23,828	2,429	29,777
- pledged under sale and repurchase agreements	–	3,585	–	3,585
Financial instruments at FVPL				
- held by the Group	91,722	100,593	1,383	193,698
- pledged under sale and repurchase agreements	561	29,498	2,285	32,344
Investment securities at FVOCI	1,021	–	–	1,021
Loans to customers and bonds measured at amortized cost	424,957	112,341	15,614	552,912
Assets from hedge accounting	–	385	–	385
Investments in associates	486	–	–	486
Investments in joint ventures	1,052	–	–	1,052
Investment property	56	–	–	56
Property and equipment and intangible assets	10,952	–	–	10,952
Goodwill	1,035	–	–	1,035
Current income tax asset	1,365	–	–	1,365
Deferred tax asset	506	–	–	506
Other assets	10,636	549	754	11,939
Total assets	683,222	274,804	44,924	1,002,950
Liabilities				
Due to the CBR	835	–	–	835
Due to banks	8,125	69,298	2,112	79,535
Due to customers	633,781	57,281	26,982	718,044
Debt securities issued	18,230	141	5	18,376
Other borrowed funds	18,616	–	–	18,616
Deferred tax liability	1,566	–	–	1,566
Current income tax payable	363	–	–	363
Subordinated debt	7,003	3,329	–	10,332
Other liabilities	12,903	8,642	470	22,015
Total liabilities	701,422	138,691	29,569	869,682
Net balance sheet position as at 30 September 2019	(18,200)	136,113	15,355	133,268
Net off-balance sheet position as at 30 September 2019	142,134	(127,166)	(14,968)	–
Net position as at 30 September 2019	123,934	8,947	387	133,268
Perpetual subordinated bonds	–	6,442	–	6,442
Net position, including perpetual subordinated bonds, as at 30 September 2019	123,934	2,505	387	126,826
Credit-related commitments	289,957	55,358	3,813	349,128

Placements with banks and bonds measured at amortized cost in the table above include bank bonds measured at amortized cost and nominated in RUB for RUB 1,009 MM and USD for RUB 18,487 MM.

Loans to customers and bonds measured at amortized cost in the table above include bonds measured at amortized cost and nominated in RUB, USD and GBP for RUB 32,191 MM, RUB 87,094 MM and RUB 1,298 MM, respectively.

28. Currency analysis (continued)

The table below shows the breakdown of assets and liabilities by currency as at 31 December 2018:

	<i>RUB and other currencies RUB MM</i>	<i>USD RUB MM</i>	<i>EUR RUB MM</i>	<i>Total RUB MM</i>
Assets				
Cash and cash equivalents	85,207	6,536	18,074	109,817
Mandatory cash balances with the CBR	4,991	–	–	4,991
Placements with banks and bank bonds measured at amortized cost:				
- held by the Group	2,063	27,543	6,008	35,614
- pledged under sale and repurchase agreements	2,038	10,883	–	12,921
Financial instruments at FVPL:				
- held by the Group	59,931	52,883	1,447	114,261
- pledged under sale and repurchase agreements	30,181	76,893	3,705	110,779
Investment securities at FVOCI	691	–	–	691
Loans to customers and bonds measured at amortized cost	373,558	147,586	20,334	541,478
Investments in associates	424	–	–	424
Investments in joint ventures	927	–	–	927
Investment property	56	–	–	56
Property and equipment and intangible assets	10,650	–	–	10,650
Goodwill	1,505	–	–	1,505
Current income tax asset	3,156	–	–	3,156
Deferred tax asset	427	–	–	427
Other assets	19,188	496	23	19,707
Total assets	594,993	322,820	49,591	967,404
Liabilities				
Due to the CBR	859	–	–	859
Due to banks	35,021	151,726	3,508	190,255
Due to customers	529,140	43,353	26,381	598,874
Debt securities issued	7,605	787	87	8,479
Other borrowed funds	16,924	–	–	16,924
Deferred tax liability	5,153	–	–	5,153
Current income tax payable	77	–	–	77
Subordinated debt	6,993	7,000	–	13,993
Other liabilities	11,642	7,089	23	18,754
Total liabilities	613,414	209,955	29,999	853,368
Net balance sheet position as at 31 December 2018	(18,421)	112,865	19,592	114,036
Net off-balance sheet position as at 31 December 2018	126,549	(107,459)	(19,090)	–
Net position as at 31 December 2018	108,128	5,406	502	114,036
Perpetual subordinated bonds	–	6,975	–	6,975
Net position, including perpetual subordinated bonds, as at 31 December 2018	108,128	(1,569)	502	107,061
Credit-related commitments	288,251	24,378	5,699	318,328

Placements with banks and bonds measured at amortized cost in the table above include bank bonds measured at amortized cost and nominated in RUB for RUB 2,063 MM and USD for RUB 27,942 MM.

Loans to customers and bonds measured at amortized cost in the table above include bonds measured at amortized cost and nominated in RUB, USD and GBP for RUB 38,791 MM, RUB 115,305 MM and RUB 1,630 MM, respectively

29. Business combinations

Acquisition of Rosevrobank JSB

Rosevrobank is incorporated in the Russian Federation. Its principal business activity is the issuance of loans and provision of cash and settlement services to small and medium enterprises ("SME").

In September 2015, Sovcombank acquired 9.5% of shares of Rosevrobank. In 2015-2017, the Group gradually increased its share in the capital of Rosevrobank both directly and through REG Holding Limited ("REG"). As at 31 December 2017, the Group owned 34.3% share capital of Rosevrobank.

In April 2018, the Group increased its share in Rosevrobank up to 83.3%. In August 2018, Sovcombank acquired remaining 16.7% interest in the share capital of Rosevrobank and, therefore, consolidated 100% of Rosevrobank's shares.

Sovcombank acquired Rosevrobank in order to receive expertise in SMEs. On the one hand, Rosevrobank had generated significant and stable net profit for 20 years. On the other hand, the acquisition price was favorable.

Fair value of identifiable net assets and liabilities of Rosevrobank JSB

The Bank determined the fair value of the identifiable net assets and liabilities of Rosevrobank and the consideration received is in line with all available data in accordance with IFRS 3 *Business Combinations*. The fair value of net identifiable assets and liabilities of Rosevrobank as at 10 April 2018 (the "Acquisition date") was as follows:

	RUB MM
Assets	
Cash and cash equivalents	12,126
Mandatory cash balances with the CBR	1,336
Financial instruments at FVPL	824
Investment securities	65,756
Loans to customers	102,382
Investment property	250
Property and equipment and intangible assets	3,334
Other assets	850
Total assets	186,858
Liabilities	
Due to the CBR	357
Due to banks	5,569
Due to customers	139,242
Debt securities issued	2,286
Deferred tax liability	60
Subordinated debt	2,476
Other liabilities	3,051
Total liabilities	153,041
Identifiable net assets	33,817

	RUB MM
Acquisition price	24,995
Preliminary fair value of identifiable net assets of Rosevrobank JSB as at the Acquisition date	33,817
Non-controlling interest	5,636
Gain from bargain purchase (Note 7)	3,186

	RUB MM
Acquisition price	
Cash paid on acquisition	14,104
Fair value of the associate as at the disposal date	10,891
Total acquisition price	24,995

29. Business combination (continued)

Acquisition of Rosevrobank JSB (continued)

The Group recognized gain on the bargain purchase within other operating income in the consolidated statement of profit or loss as the fair value of identifiable net assets of Rosevrobank exceeded the consideration paid. As at the Acquisition date, gain on bargain purchase amounted to RUB 3,186 MM, which is in line with the market prices.

The Group recognized the non-controlling interests in Rosevrobank as a proportionate share of non-controlling shareholders in the identifiable net assets.

From the acquisition date though 30 September 2018, Rosevrobank has the following key results: interest income of RUB 8,922 MM, non-interest expense of RUB 3,334 MM and net profit before tax of RUB 3,657 MM. The Group consolidated net profit of Rosevrobank in the Group's interim consolidated statement of comprehensive income for the nine months of 2018.

Had the business combination occurred at the beginning of the year, the Group would have the following results for the nine months ended 30 September 2018: profit of RUB 16,764 MM, interest income of RUB 67,783 MM and non-interest income of RUB 20,931 MM.

30. Capital adequacy

To mitigate the risks related to its operations, the Group manages its capital in accordance with the Russian legislation and requirements of the CBR at the level of each bank within the Group.

The Group monitors its capital adequacy based on the principles stipulated by the Basel Capital Accord, as well as based on ratios established by the CBR.

The primary objective of capital management is monitoring compliance with the requirements of the CBR and maintaining high credit ratings and profitability.

The CBR's capital adequacy ratio

According to the requirements of the CBR, banks must maintain a capital adequacy ratio of 8.0% of risk-weighted assets, computed based on Russian Accounting Standards (the ratio is calculated based on the statutory financial statements prepared in accordance with Russian Accounting Standards).

As at 30 September 2019 and 31 December 2018, the Bank's capital adequacy ratio calculated in accordance with the above requirements exceeded the statutory minimum established by the CBR.

Capital adequacy ratio under Basel Capital Accord

As at 30 September 2019 and 31 December 2018, the Group calculated the capital adequacy ratio in accordance with the requirements of the Basel Committee on Banking Supervision – Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems dated December 2010 (updated in June 2011) (hereinafter, the "Basel III").

The Basel III sets a minimum requirement of 4.5% for Tier 1 common capital adequacy ratio; 6.0% for Tier 1 capital adequacy ratio; and 8.0% for Total capital adequacy ratio.

To determine the amount of credit risk, a component of capital adequacy ratio, the Group applies a standardized Basel III approach with an exception for derivative financial instruments and credit line commitments, which are subject to the requirements of the national regulator when calculating capital adequacy ratio (Regulation No. 180-I of the CBR *On Prudential Ratios of Banks* of 28 June 2017).

30. Capital adequacy (continued)

Capital adequacy ratio under Basel Capital Accord (continued)

The table below shows calculations of the Group's capital adequacy ratio according to the requirements of Basel III as at 30 September 2019 and 31 December 2018.

	30 September 2019 (unaudited) RUB MM	31 December 2018 RUB MM
Common capital	119,163	99,021
Additional capital	16,885	19,918
Tier 1 capital	136,048	118,939
Tier 2 capital	–	–
Total equity	136,048	118,939
Risk-weighted assets		
Credit risk	735,839	722,267
Operational risk	97,651	97,651
Market risk	41,738	42,163
Total risk-weighted assets	875,228	862,081
Tier 1 common capital adequacy ratio	13.6%	11.5%
Tier 1 capital adequacy ratio	15.5%	13.8%
Total capital adequacy ratio	15.5%	13.8%

31. Principal consolidated subsidiaries, associates and joint ventures

The table below shows the list of the principal consolidated subsidiaries, associates and joint ventures of the Group as at 30 September 2019 and 31 December 2018:

		Voting rights	
		30 September 2019 (unaudited)	31 December 2018
	Relationship		
Express-Volga Bank JSC	Subsidiary	100.0%	100.0%
Komana Holdings LLC	Subsidiary	100.0%	100.0%
Investitsionnoye Agentstvo LLC	Subsidiary	100.0%	100.0%
Mobilnye Platezhi LLC	Subsidiary	100.0%	100.0%
Sovcomcard LLC	Subsidiary	100.0%	100.0%
GMCS Management LLC	Subsidiary	100.0%	100.0%
Fintender JSC	Subsidiary	100.0%	100.0%
Sovcom Leasing LLC	Subsidiary	100.0%	100.0%
Sovcom Factoring LLC	Subsidiary	100.0%	100.0%
Torgovy Dom LLC	Subsidiary	100.0%	100.0%
BTE LLC	Subsidiary	75.0%	75.0%
RTS-Holding JSC	Subsidiary	50.0%	50.0%
RTS-Tender LLC	Subsidiary	50.0%	50.0%
Sollers-Finance LLC	Joint venture	50.0%	50.0%
Tsifrovye Tekhnologii Buduschego LLC	Joint venture	50.0%	50.0%
Kostromskoy Zavod Avtokomponentov JSC	Associate	40.1%	40.1%
Aviatsionnye Tekhnologii Svyazi LLC	Associate	25.0%	–
Cbonds.ru LLC	Associate	24.9%	24.9%

Merger of Investitsionnoye Agentstvo LLC with Sovcombank

On 23 October 2019, the Group completed a merger of Investitsionnoye Agentstvo LLC with Sovcombank PJSC to optimize costs and structure of the Group. All rights and obligations of the merged entity were transferred to Sovcombank PJSC.

32. Events after the reporting date

Syndicated loan raising

On 22 October 2019, Sovcombank raised a syndicated loan of USD 200 MM from a consortium of OECD banks. The interest rate on the loan was set at 3M LIBOR+ 1.7% per annum.

Placement of subordinated Eurobonds

On 7 October 2019, Sovcombank placed subordinated Eurobonds in the amount of USD 300 MM bearing a coupon rate of 8% p.a. with a maturity period of 10.5 years (ISIN: REGS XS2010043656 / 144a US84605LAA44) callable in 5.5 years. The Fitch credit rating agency assigned BB rating to the issue.