

Report on review of interim financial information of
Sovcombank PJSC and its subsidiaries
for the three months ended 31 March 2020

August 2020

Report on review of interim financial information of Sovcombank PJSC and its subsidiaries

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	17
5. Fee and commission income	18
6. Net gain on foreign exchange and transactions with precious metals and derivative financial instruments	18
7. Other operating income	19
8. Other non-banking activity	19
9. Personnel expenses	19
10. Other general and administrative expenses	20
11. Other impairment and provisions	20
12. Income tax expense	21
13. Cash and cash equivalents	21
14. Placements with banks and bank bonds at amortized cost	21
15. Financial instruments at FVPL	22
16. Fair value hedge of the portfolio of bonds at amortized cost	24
17. Loans to customers and bonds at amortized cost	26
18. Financial instruments at FVOCI	35
19. Due to customers	36
20. Due to the CBR	37
21. Due to banks	37
22. Debt securities issued	38
23. Other borrowed funds	38
24. Subordinated debt	38
25. Other assets and other liabilities	39
26. Equity	40
27. Commitments	41
28. Contingencies	42
29. Related party transactions	44
30. Fair value	45
31. Business combinations	49
32. Capital adequacy	51
33. Principal consolidated subsidiaries, associates and joint ventures	52
34. Subsequent events	53

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 31 March 2020, the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-month period 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

6 August 2020

Details of the audited 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 Self-regulated Organization of Auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

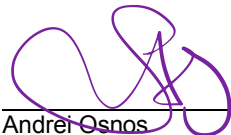
Interim consolidated statement of comprehensive income for the three months ended 31 March 2020

	Notes	For the three months ended 31 March (unaudited)	
		2020 RUB MM	2019 RUB MM
Interest income calculated using EIR method	4	24,232	18,213
Other interest income	4	6,810	6,004
Interest expense	4	(12,401)	(10,473)
Obligatory deposit insurance		(764)	(643)
Net interest income		17,877	13,101
Allowances for credit losses	14, 17, 18, 27	(5,516)	(1,039)
Net interest income after allowance for credit losses		12,361	12,062
Fee and commission income	5	7,819	6,835
Fee and commission expense		(1,802)	(1,522)
Net fee and commission income		6,017	5,313
Net (loss)/gain on financial instruments at FVPL	15	(30,590)	9
Net gain on derecognition of financial assets at amortized cost		186	-
Net gain on derecognition of financial assets at FVOCI		1	-
Net gain on foreign exchange and transactions with precious metals and derivative financial instruments	6	7,313	579
Other impairment and provisions	11	(638)	(1,471)
Share of profit of joint ventures		1	33
Other operating income	7	637	213
Operating (expenses)/income		(4,712)	16,738
Revenue and other gains from other non-banking business	8	1,245	461
Cost and other losses from other non-banking business	8	(1,188)	(540)
Net gain/(loss) from other non-banking business		57	(79)
Personnel expenses	9	(5,809)	(5,764)
Other general and administrative expenses	10	(4,238)	(3,730)
(Loss)/profit before income tax expense		(14,702)	7,165
Income tax benefit/(expense)	12	2,954	(1,430)
(Loss)/profit for the period		(11,748)	5,735
(Loss)/profit for the period attributable to:			
- shareholders of the Bank		(11,825)	5,675
- non-controlling interests		77	60
Basic and diluted earnings/(loss) per ordinary share attributable to the Bank's shareholders (RUB per share)	26	(0.63)	0.30
Other comprehensive loss			
<i>Other comprehensive income to be reclassified subsequently to profit or loss when specific conditions are met</i>			
Net change in the fair value of debt instruments at FVOCI, net of tax		(1,417)	-
Change in the allowance for expected credit losses on debt instruments at FVOCI, net of tax		39	-
<i>Other comprehensive income not to be reclassified subsequently to profit or loss</i>			
Revaluation of buildings, net of tax		-	-
Other comprehensive loss, net of tax		(1,378)	-
Total comprehensive (loss)/income		(13,126)	5,735
Total comprehensive (loss)/income attributable to:			
- shareholders of the Bank		(13,203)	5,675
- non-controlling interests		77	60

Approved on 6 August 2020


Dmitry Gusev
Chairman of the Management Board


Dmitry Baryshnikov
Financial Director

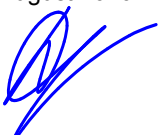

Andrei Osnos
Managing Director


The interim consolidated statement of comprehensive income is to be read in conjunction with Notes 1 to 34 to, and forming an integral part of, the interim condensed consolidated financial statements.


**Interim consolidated statement of financial position
as at 31 March 2020**

	Notes	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Assets			
Cash and cash equivalents	13	136,816	107,761
Mandatory cash balances with the CBR		7,442	6,447
Placements with banks and bank bonds at amortized cost			
- held by the Group	14	49,949	25,326
- pledged under repo	14	10,919	10,535
Financial instruments at FVPL			
- held by the Group	15	188,481	191,906
- pledged under repo	15	111,096	57,696
Financial instruments at FVOCI			
- held by the Group	18	2,776	77,229
- pledged under repo	18	102,849	36,218
Loans to customers and bonds at amortized cost			
- held by the Group	17	596,982	548,933
- pledged under repo	17	56,152	36,287
Change in the fair value of hedged assets	16	3,301	(695)
Investments in associates		486	631
Investments in joint ventures		413	243
Investment property		53	53
Property and equipment and intangible assets		11,035	10,918
Right-of-use assets		4,893	5,408
Goodwill		1,742	1,742
Current income tax asset		2,855	27
Deferred tax asset		5,564	895
Other assets	25	34,139	17,634
Total assets		1,327,943	1,135,194
Liabilities			
Due to the CBR		20,737	785
Due to banks	20	242,126	125,121
Due to customers	21	808,667	774,038
Debt securities issued	22	17,657	18,662
Other borrowed funds	23	19,852	19,227
Deferred tax liability		1,174	56
Current income tax payable		12	2,309
Subordinated debt	24	32,050	26,362
Other liabilities	25	49,405	29,550
Total liabilities		1,191,680	996,110
Equity			
Share capital	26	1,969	1,969
Treasury shares		(5,211)	-
Other capital contributions		25,082	25,082
Reserves for financial instruments at FVOCI		(1,539)	(161)
Perpetual subordinated bonds	26	27,561	6,191
Revaluation reserve for buildings		404	404
Retained earnings		85,934	103,568
Total equity attributable to shareholders of the Bank		134,200	137,053
Non-controlling interests		2,063	2,031
Total equity		136,263	139,084
Total equity and liabilities		1,327,943	1,135,194

Approved on 6 August 2020


Dmitry Gusev
Chairman of the Management Board


Dmitry Baryshnikov
Financial Director


Andrei Oshos
Managing Director

The interim consolidated statement of financial position is to be read in conjunction with Notes 1 to 34 to, and forming an integral part of, the interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows
for the three month-period ended 31 March 2020

	<i>Notes</i>	<i>For the three months ended</i>	
		<i>2020</i>	<i>2019</i>
		<i>RUB MM</i>	<i>RUB MM</i>
Cash flows from operating activities before changes in operating assets and liabilities		(12,628)	4,610
(Increase)/decrease in operating assets		(101,244)	9,093
Increase/(decrease) in operating liabilities		118,002	(196)
Net cash flows from operating activities before income tax		4,130	13,507
Income tax paid		(4,320)	(186)
Cash flows from operating activities		(190)	13,321
Cash flows from investing activities		12,292	8,420
Cash flows from financing activities		7,238	(497)
Net increase in cash and cash equivalents		19,340	21,244
Effect of exchange rate changes on cash and cash equivalents		9,715	(2,369)
Cash and cash equivalents at the beginning of the period		107,761	109,817
Cash and cash equivalents at the end of the period	13	136,816	128,692

The interim condensed consolidated statement of cash flows is to be read in conjunction with Notes 1 to 34 to, and forming an integral part of, the interim condensed consolidated financial statements.

**Interim consolidated statement of changes in equity
for the three month-period ended 31 March 2020**

	Share capital RUB MM	Treasury shares RUB MM	Other capital contributions RUB MM	Revaluation reserve for property RUB MM	Provisions for financial instruments at FVOCI 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 2019	1,871	–	19,100	349	(133)	6,975	83,896	112,058	1,978	114,036
Net profit for the period	–	–	–	–	–	–	5,675	5,675	60	5,735
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	5,675	5,675	60	5,735
Dividends (Note 26)	–	–	–	–	–	–	(3,000)	(3,000)	(140)	(3,140)
Perpetual subordinated loans repaid	–	–	–	–	–	(171)	–	(171)	–	(171)
Revaluation of perpetual subordinated bonds	–	–	–	–	–	(502)	502	–	–	–
Interest on perpetual subordinated bonds	–	–	–	–	–	–	64	64	–	64
Tax effect recognized in respect of perpetual subordinated bonds	–	–	–	–	–	–	(68)	(68)	–	(68)
Issue of ordinary shares (Note 26)	98	–	5,982	–	–	–	–	6,080	–	6,080
As at 31 March 2019 (unaudited)	1,969	–	25,082	349	(133)	6,302	87,069	120,638	1,898	122,536
As at 1 January 2020	1,969	–	25,082	404	(161)	6,191	103,568	137,053	2,031	139,084
Net profit for the period	–	–	–	–	–	–	(11,825)	(11,825)	77	(11,748)
Other comprehensive income for the period	–	–	–	–	(1,378)	–	–	(1,378)	–	(1,378)
Total comprehensive income	–	–	–	–	(1,378)	–	(11,825)	(13,203)	77	(13,126)
Dividends (Note 26)	–	–	–	–	–	–	–	–	(150)	(150)
Perpetual subordinated bonds issued	–	–	–	–	–	18,808	–	18,808	–	18,808
Perpetual subordinated bonds purchased	–	–	–	–	–	(3,356)	–	(3,356)	–	(3,356)
Revaluation of perpetual subordinated bonds	–	–	–	–	–	5,918	(5,918)	–	–	–
Interest on perpetual subordinated bonds	–	–	–	–	–	–	(441)	(441)	–	(441)
Tax effect recognized in respect of perpetual subordinated bonds	–	–	–	–	–	–	550	550	–	550
Purchase of treasury shares (Note 26)	–	(5,211)	–	–	–	–	–	(5,211)	–	(5,211)
Acquisition of a subsidiary (Note 32)	–	–	–	–	–	–	–	–	105	105
As at 31 March 2020 (unaudited)	1,969	(5,211)	25,082	404	(1,539)	27,561	85,934	134,200	2,063	136,263

The interim consolidated statement of changes in equity is to be read in conjunction with Notes 1 to 34 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 33 lists principal subsidiaries included in these interim condensed consolidated financial statements of Sovcombank Group.

Sovcombank, the parent company of the Group, was 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 528 thousand companies, mostly small and medium businesses. The Group operates primarily in the Russian Federation.

The Group has 2,402 offices located in 1,017 cities and towns across 76 constituent entities of the Russian Federation (31 December 2019: 2,500 offices located in 1,043 cities and towns across 76 constituent entities of the Russian Federation).

The Group's customers can withdraw and deposit cash through 4,768 ATMs and cash-in terminals (31 December 2019: 4,822 ATMs and cash-in terminals).

The Group serves 7.0 million customers: 6.2 million borrowers, 0.6 million depositors, and 0.2 million corporate customers (31 December 2019: 6.5 million customers: 5.8 million borrowers, 0.5 million depositors, and 0.2 million corporate customers).

The Bank has 15,844 employees (31 December 2019: 15,664 employees).

Shareholders

<i>Shareholders</i>	<i>Ownership, % 31 March 2020</i>	<i>Ownership, % 31 December 2019</i>
Sovco Capital Partners B.V.	86.5%	87.1%
Other beneficiaries	10.1%	12.9%
Treasury shares	3.4%	–

No single beneficiary owner ultimately controls the Group as at 31 March 2020 and 31 December 2019 (Note 26).

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

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

1. Background (continued)

Shareholders (continued)

Distribution of other beneficiaries is presented in the table below:

<i>Other beneficiaries</i>	Ownership, % 31 March 2020	Ownership, % 31 December 2019
Public Investment Fund	3.3%	3.4%
Russia-China Investment Fund	2.0%	2.1%
Russian Direct Investment Fund	1.3%	1.8%
Russia-Japan Investment Fund	1.3%	1.4%
Qatar Investment Authority	1.0%	1.0%
SBI Holdings, Inc.	0.5%	0.5%
Ilya Brodskiy	–	1.8%
Andrey Suzdaltsev	–	0.6%
Other	0.7%	0.3%
Total ownership	10.1%	12.9%

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;
- ▶ The Russian Direct Investment Fund is a sovereign fund of the Russian Federation;
- ▶ Russia-Japan Investment Fund is a fund established 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;
- ▶ Ilya Brodskiy and Andrey Suzdaltsev are co-founders of Rosevrobank JSB;
- ▶ “Other” represent Middle Eastern sovereign funds.

In Q1 2020, the Group purchased 675,000,002 ordinary shares of Sovcombank from minority shareholders for RUB 5,211 MM, which is 3.4% of the Group’s share capital. Most repurchased shares had been held by Ilya Brodskiy and Andrey Suzdaltsev, who became shareholders of Sovco Capital Partners B.V.

Corporate governance

The Bank’s Supervisory Board comprises eleven 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);
- ▶ Joel Lautier (an independent director);
- ▶ Regina von Flemming (an independent director);
- ▶ Dmitry Gusev (Chairman of the Bank’s Management Board);
- ▶ Mikhail Klyukin (one of the ultimate beneficial owners of the Bank);
- ▶ Aleksey Fisun (one of the ultimate beneficial owners of the Bank);
- ▶ Dmitry Khotimskiy (Chief Investment Director of the Bank);
- ▶ Sergey Khotimskiy (First Deputy Chairman of the Bank’s Management Board).

1. Background (continued)

Corporate governance (continued)

Dmitry Khotimskiy, Sergey Khotimskiy and Dmitry Gusev are ultimate beneficial 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 beneficial owners but are not employed by and are not directly involved in the operating management of the Bank.

Ilya Brodskiy is an ultimate owner of the Bank, holds management positions in the Bank and participates in the daily Group's operating management.

Anatoly Braverman, Nikolai Varma, Joel Lautier and Regina von Flemming are not employed by and are not directly involved in the operating management of the Bank.

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.

The effect of COVID-19 pandemic

At the beginning of 2020, due to the spread of the COVID-19 pandemic, the Government of the Russian Federation implemented virus outbreak control measures, including travel restrictions, quarantine, closure of enterprises and institutions, and closure of certain regions. These measures affected the supply system, the demand for goods and services, and business activity in general. The pandemic itself and measures to mitigate its consequences affect entities' operations across various industries. Since March 2020, stock exchange, currency and commodity markets were volatile, as well as a drop in oil prices declined and the Russian ruble depreciated against the US dollar and euro.

In 2020, the Government and the Bank of Russia introduced economic support measures to prevent significant deterioration of Russian economy due to the outbreak of COVID-19. These measures include, among others, preferential loans to entities operating in affected areas and to affected individuals, repayment holiday and relief of certain regulatory restrictions aimed at supporting the financial sector and its ability to provide funds and assist clients in preventing deficit of liquidity following the measures to stop the spread of COVID-19.

Quantitative and qualitative effects of COVID-19 presented in Notes 15 and 17. Meanwhile, the Group continues assessing the effect of the pandemic and the changes in micro- and macroeconomic conditions on its business, financial position and financial performance.

2. Basis of preparation

General

These interim condensed consolidated financial statements for the three months ended 31 March 2020 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 2019.

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

2. Basis of preparation (continued)

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as at 1 January 2020, noted below.

The below interpretations, amendments and improvements to the standards became effective from 1 January 2020 but had no significant effect on the interim condensed consolidated financial statements of the Group:

- ▶ Amendments to Conceptual Framework for Financial Reporting (issued on 29 March 2018 and become effective for annual periods beginning on or after 1 January 2020);
- ▶ *Definition of a Business*: amendments to IFRS 3 (issued on 22 October 2018 and are effective for acquisitions for annual reporting periods beginning on or after 1 January 2020);
- ▶ Amendments to IAS 1 and IAS 8: *Definition of Material* (issued on 31 October 2018 and become effective for the annual periods beginning on or after 1 January 2020);
- ▶ Amendment to IFRS 16 – *COVID-19-related Rent Concessions*, which exempts lessees from the need to access whether the rental concessions associated with COVID-19 pandemic are lease modifications.

The amendments had not any significant effect on the Group's financial statements since the Group's current practice was in line with these amendments at their introduction.

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, provision of access to a wide range of insurance products of Sovcombank Insurance JSC (before April 2020 – Liberty Insurance JSC) and 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, as well as small and medium enterprises. 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.

3. Segment information (continued)

The Group's management monitors operating results of each segment separately to make decisions on the allocation of resources and performance assessment.

	<i>For the three months ended 31 March 2020</i>				
	<i>(unaudited)</i>				
	<i>Retail</i>	<i>CB</i>	<i>Treasury</i>	<i>Adjustments</i>	<i>Total</i>
	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>
Revenue					
Interest income	14,230	6,171	10,641	–	31,042
Fee and commission income	5,625	2,168	26	–	7,819
Net gain on derecognition of financial assets at amortized cost	–	–	186	–	186
Net gain on foreign exchange and transactions with precious metals	7	491	6,815	–	7,313
Other operating income	–	3	635	–	638
Net gain on derecognition of financial assets at FVOCI	–	–	1	–	1
Revenue and other gains from other non-banking business	784	–	461	–	1,245
Inter-segment revenue	2,021	1,547	–	(3,568)	–
Total revenue	22,667	10,380	18,765	(3,568)	48,244
Expenses					
Interest expense	(5,770)	(4,146)	(2,485)	–	(12,401)
Obligatory deposit insurance	(675)	(89)	–	–	(764)
Fee and commission expense	(1,486)	(185)	(131)	–	(1,802)
Allowances for credit losses	(4,168)	(1,643)	295	–	(5,516)
Net loss on financial instruments at FVPL	–	(230)	(30,360)	–	(30,590)
Other impairment and provisions	–	20	(658)	–	(638)
Personnel expenses	(3,936)	(1,408)	(465)	–	(5,809)
Other expenses	(2,675)	(489)	(1,074)	–	(4,238)
Cost and other losses from other non-banking business	(672)	–	(516)	–	(1,188)
Inter-segment expenses	–	–	(3,568)	3,568	–
Total expenses	(19,382)	(8,170)	(38,962)	3,568	(62,946)
Segment results	3,285	2,210	(20,197)	–	(14,702)
Income tax benefit					2,954
Loss for the period					(11,748)

3. Segment information (continued)

	<i>For the three months ended 31 March 2019</i> <i>(unaudited)</i>				
	<i>Retail</i> <i>RUB MM</i>	<i>CB</i> <i>RUB MM</i>	<i>Treasury</i> <i>RUB MM</i>	<i>Adjustments</i> <i>RUB MM</i>	<i>Total</i> <i>RUB MM</i>
Revenue					
Interest income	9,864	4,539	9,814	–	24,217
Fee and commission income	5,098	1,682	55	–	6,835
Net gain on financial instruments at FVPL	–	–	9	–	9
Net gain on foreign exchange and transactions with precious metals	–	258	321	–	579
Revenue and other gains from other non-banking business	–	–	461	–	461
Other operating income	–	14	232	–	246
Inter-segment revenue	2,771	1,093	–	(3,864)	–
Total revenue	17,733	7,586	10,892	(3,864)	32,347
Expenses					
Interest expense	(5,937)	(2,671)	(1,865)	–	(10,473)
Obligatory deposit insurance	(559)	(84)	–	–	(643)
Fee and commission expense	(1,294)	(64)	(164)	–	(1,522)
Allowances for credit losses	(818)	(45)	(176)	–	(1,039)
Other impairment and provisions	–	(1,047)	(424)	–	(1,471)
Personnel expenses	(3,482)	(1,307)	(975)	–	(5,764)
Cost and other losses from other non-banking business	–	–	(540)	–	(540)
Other expenses	(2,551)	(601)	(578)	–	(3,730)
Inter-segment expenses	–	–	(3,864)	3,864	–
Total expenses	(14,641)	(5,819)	(8,586)	3,864	(25,182)
Segment results	3,092	1,767	2,306	–	7,165
Income tax expense					(1,430)
Profit for the period					5,735

3. Segment information (continued)

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

	31 March 2020 <i>(unaudited)</i>			
	Retail RUB MM	CB RUB MM	Treasury RUB MM	Total RUB MM
Segment assets				
Cash and cash equivalents	22,221	29,545	85,050	136,816
Mandatory cash balances with the CBR	2,859	4,583	–	7,442
Placements with banks	845	13,795	24,636	39,276
Bank bonds at amortized cost	–	–	21,592	21,592
Financial instruments at FVPL	1	27,248	272,328	299,577
Investment securities at FVOCI	1,421	–	104,204	105,625
Loans to customers at amortized cost	270,988	245,460	7,277	523,725
Corporate bonds at amortized cost	–	–	129,409	129,409
Change in the fair value of hedged assets	–	–	3,301	3,301
Investments in associates	–	–	486	486
Investments in joint ventures	–	–	413	413
Investment property	–	53	–	53
Property and equipment and intangible assets	4,742	2,597	3,696	11,035
Right-of-use assets	112	–	4,781	4,893
Goodwill	–	585	1,157	1,742
Current income tax asset	–	–	2,855	2,855
Deferred tax asset	290	–	5,274	5,564
Other assets	3,774	16,415	13,950	34,139
	307,253	340,281	680,409	1,327,943
Segment liabilities				
Due to the CBR	–	734	20,003	20,737
Due to banks	–	23,393	218,733	242,126
Due to customers	401,041	396,637	10,989	808,667
Debt securities issued	–	2,413	15,244	17,657
Other borrowed funds	–	–	19,852	19,852
Deferred tax liability	–	–	1,174	1,174
Current income tax payable	1	–	11	12
Subordinated debt	–	–	32,050	32,050
Other liabilities	4,072	6,809	38,524	49,405
	405,114	429,986	356,580	1,191,680

3. Segment information (continued)

	31 December 2019			
	Retail RUB MM	CB RUB MM	Treasury RUB MM	Total RUB MM
Segment assets				
Cash and cash equivalents	19,528	15,756	72,477	107,761
Mandatory cash balances with the CBR	2,794	3,653	–	6,447
Placements with banks	–	10,978	6,134	17,112
Bank bonds at amortized cost	–	–	18,749	18,749
Financial instruments at FVPL	–	22,489	227,113	249,602
Financial instruments at FVOCI	–	–	113,447	113,447
Loans to customers at amortized cost	261,290	209,339	2,396	473,025
Corporate bonds at amortized cost	–	–	112,195	112,195
Change in the fair value of hedged assets	–	–	(695)	(695)
Investments in associates	–	–	631	631
Investments in joint ventures	–	–	243	243
Investment property	–	53	–	53
Property and equipment and intangible assets	4,567	2,395	3,956	10,918
Right-of-use assets	–	–	5,408	5,408
Goodwill	–	585	1,157	1,742
Current income tax asset	–	–	27	27
Deferred tax asset	–	–	895	895
Other assets	1,604	12,974	3,056	17,634
	289,783	278,222	567,189	1,135,194
Segment liabilities				
Due to the CBR	–	785	–	785
Due to banks	–	20,615	104,506	125,121
Due to customers	402,905	347,998	23,135	774,038
Debt securities issued	–	2,990	15,672	18,662
Other borrowed funds	–	–	19,227	19,227
Deferred tax liability	–	–	56	56
Current income tax payable	–	–	2,309	2,309
Subordinated debt	–	–	26,362	26,362
Other liabilities	–	6,221	23,329	29,550
	402,905	378,609	214,596	996,110

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 (derivatives) concluded with CB customers that is placed with the banks;
- ▶ 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 repo transactions 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 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 business combination;
- ▶ Other borrowed funds: the loan issued by the DIA to Sovcombank for the financial rehabilitation of Express-Volga Bank JSC.

4. Net interest income

	<i>For the three months ended</i>	
	31 March (unaudited)	
	2020	2019
	RUB MM	RUB MM
Interest income calculated using EIR method		
Retail loans	13,998	9,864
<i>Consumer loans</i>	4,637	3,373
<i>Car loans</i>	3,901	3,019
<i>Mortgage loans</i>	2,489	2,273
<i>Installment cards</i>	2,971	1,199
Corporate loans	5,246	4,946
Financial instruments at FVOCI	2,570	–
Corporate bonds at amortized cost	1,692	2,623
Placements with banks and financial institutions	476	381
Bank bonds at amortized cost	250	399
Total interest income calculated using EIR method	24,232	18,213
Other interest income		
Financial instruments at FVPL	4,442	4,626
Net gains on foreign currency swaps	1,960	1,378
Finance leases	408	–
Total other interest income	6,810	6,004
Total interest income	31,042	24,217
Interest expense		
Due to customers		
<i>Individuals</i>		
<i>Term deposits</i>	(6,024)	(5,751)
<i>Current accounts and demand deposits</i>	(310)	(639)
<i>Legal entities</i>		
<i>Term deposits</i>	(3,042)	(1,811)
<i>Current accounts and demand deposits</i>	(221)	(189)
<i>Amounts payable under repo</i>	(79)	–
Due to banks	(942)	(944)
Other borrowed funds	(686)	(590)
Subordinated debt	(594)	(239)
Promissory notes and bonds issued	(381)	(162)
Lease liabilities	(122)	(148)
Total interest expense	(12,401)	(10,473)
Obligatory deposit insurance	(764)	(643)
Net interest income	17,877	13,101

Interest income calculated using the EIR method on installment cards includes income from partner companies under the Halva program. For Q1 2020, this income amounted to RUB 526 MM (Q1 2019: RUB 213 MM).

From June 2019, holders of Halva cards may choose how to settle the outstanding amount: either with minimum payments or with installments as per the agreement between the bank and a Halva partner company. If a client selects the minimum payment option, the bank extends customer's installment period and reduces monthly payments while the credit history remains positive. Changes in the installment terms are subject to monthly interests recognized as interest income calculated by the EIR method. For Q1 2020, interest income from customers who chose the minimum payment option under Halva installment card totaled RUB 1,060 MM.

Interest expense on other borrowed funds relates to the loan provided by the DIA for the financial rehabilitation of "Express-Volga Bank" JSC ("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 3.9 BN since the start of sales of this service. Significant 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</i>	
	<i>31 March (unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>RUB MM</i>	<i>RUB MM</i>
Financial protection program	3,034	2,576
Card operations	1,889	1,922
Issuance of bank guarantees	855	660
Settlement operations	799	727
Income from electronic trading platforms	610	460
Agent fee for selling insurance products	246	131
Securities underwriting	150	80
Currency control	104	112
Cash operations	41	46
Lending operations	39	79
Other	52	42
	7,819	6,835

In Q1 2020, plastic card operations, among others, include fee and commission income of RUB 1,058 MM (Q1 2019: RUB 1,060 MM) from signing up plastic card customers for voluntary accident insurance plans.

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

	<i>For the three months ended</i>	
	<i>31 March (unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>RUB MM</i>	<i>(restated)</i> <i>RUB MM</i>
Dealing	(3,781)	301
Net gain on transactions with derivative financial instruments and precious metals	(4,507)	6,145
Foreign exchange differences	15,601	(5,867)
	7,313	579

In its other interest income, the Group recognizes net gain on swap transactions with the exchange (Note 4). In Q4 2019, the Group changed its approach to recording net gain on swap transactions with the exchange. Therefore, the following reclassifications were made to comparatives for Q1 2019 to conform to the presentation:

	<i>As previously reported</i>	<i>Adjustment due to change in presentation</i>	<i>Adjusted amount</i>
	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>
Dealing	6,098	(5,797)	301
Foreign exchange differences	(11,664)	5,797	(5,867)

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 gain on transactions with derivative financial instruments represent a financial result from OTC transactions with the period exceeding 2 business days (currency and cross currency interest rate swaps, currency forwards and options, credit default swaps and contracts with precious metals and securities).

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

7. Other operating income

	<i>For the three months ended</i>	
	<i>31 March (unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>RUB MM</i>	<i>RUB MM</i>
Bargain purchase gain (Note 31)	432	–
Disposal of foreclosed assets	83	38
Income from operating sublease	13	8
Other	109	167
	637	213

Bargain purchase gain is a difference between the fair value of net assets of Sovcombank Insurance JSC and Volga-Caspian Joint-Stock Bank JSC and the investments at the date of the acquisition of control over these entities by the Group. The control over Sovcombank Insurance JSC and Volga-Caspian Joint-Stock Bank JSC was acquired in Q1 2020. See Note 31 for details.

8. Other non-banking activity

	<i>For the three months ended</i>	
	<i>31 March (unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>RUB MM</i>	<i>RUB MM</i>
Revenue and other gains from insurance services	783	–
Revenue and other gains from software implementation and support services	296	218
Revenue and other gains from ATM maintenance services	166	243
Revenue and other gains from other non-banking business	1,245	461
Cost and other losses from insurance services	(671)	–
Cost and other losses from software implementation and support services	(341)	(345)
Cost and other losses from ATM maintenance services	(176)	(195)
Cost and other losses from other non-banking business	(1,188)	(540)
Net (loss)/gains from other non-banking business	57	(79)

9. Personnel expenses

	<i>For the three months ended</i>	
	<i>31 March (unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>RUB MM</i>	<i>RUB MM</i>
Payroll, including bonuses	(4,589)	(4,677)
Payroll-related taxes	(1,220)	(1,087)
	(5,809)	(5,764)

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</i>	
	<i>31 March (unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>RUB MM</i>	<i>RUB MM</i>
Advertising and marketing	(675)	(687)
Professional and cash collection services	(676)	(471)
Depreciation of right-of-use assets	(545)	(495)
Telecommunication and postal services	(385)	(343)
Inventory	(346)	(179)
Amortization of intangible assets	(344)	(378)
Software support	(309)	(185)
Maintenance of property and equipment	(222)	(214)
Transport and business travel	(205)	(189)
Depreciation of property and equipment	(138)	(124)
Leases	(121)	(62)
Security	(75)	(78)
Property insurance	(45)	(35)
Taxes other than income tax	(22)	(83)
Other	(130)	(207)
	(4,238)	(3,730)

11. Other impairment and provisions

	<i>For the three months ended</i>	
	<i>31 March (unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>RUB MM</i>	<i>RUB MM</i>
Contingencies	(116)	(1,032)
Litigations	(102)	(105)
Foreclosed assets	(37)	(1)
Impairment of investments in associates	(35)	–
Goodwill impairment	–	(300)
Other assets	(348)	(33)
	(638)	(1,471)

The provisions for contingencies relate to the credit risk on the portfolio of non-financial bank guarantees primarily issued to suppliers in accordance with Federal Laws No. 44-FZ and No. 223-FZ.

The provisions for litigations relate to the litigations initiated by Probusinessbank's creditors against its bankruptcy administrator, a representative of the Deposit Insurance Agency, with regard to certain transactions relating to the period before the date on which Probusinessbank was declared bankrupt by the arbitration court; by individuals regarding reimbursement of paid fees and insurance contributions, and by beneficiaries regarding the Sovcombank's rejection to make payments under bank guarantees.

Movements in other provisions for the three months ended 31 March 2020 and 2019 are as follows:

	<i>Provision for other assets</i>	<i>Provision for litigations</i>	<i>Provision for contingencies</i>	<i>Impairment of investments in associates</i>	<i>Provisions for foreclosed assets</i>	<i>Total</i>
	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>
As at 1 January 2019	681	1,165	1,544	407	44	3,841
Increase/(decrease)	33	105	1,032	–	1	1,171
Settlement of liabilities	–	(63)	–	–	–	(63)
As at 31 March 2019 (unaudited)	714	1,207	2,576	407	45	4,949
As at 1 January 2020	1,230	827	2,754	407	137	5,355
Increase/(decrease)	348	102	116	35	37	638
Write-off	(225)	–	–	–	–	(225)
Settlement of liabilities	–	(80)	–	–	–	(80)
Business combination effect	–	–	–	–	53	53
As at 31 March 2020 (unaudited)	1,353	849	2,870	442	227	5,741

An increase in provisions for contingencies by RUB 116 MM for the three months of 2020 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</i>	
	<i>31 March (unaudited)</i>	
	<i>2020</i>	<i>2019</i>
	<i>RUB MM</i>	<i>RUB MM</i>
Current income tax	(62)	(4,014)
Origination of temporary differences	3,016	2,584
	2,954	(1,430)

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

13. Cash and cash equivalents

	<i>31 March</i>	<i>31 December</i>
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	
	<i>RUB MM</i>	<i>RUB MM</i>
Due from the CBR	57,467	50,913
Nostro accounts with Russian banks and financial institutions	47,666	40,703
Cash on hand	24,991	10,511
Short-term deposits and reverse repo transactions with Russian banks and financial institutions maturing in less than 90 days	5,046	4,462
Nostro accounts with OECD banks	1,365	945
Short-term deposits with OECD banks maturing in less than 90 days	284	227
Total cash and cash equivalents	136,819	107,761
Less allowance for impairment	(3)	-
Cash and cash equivalents, net	136,816	107,761

As at 31 March 2020, short-term deposits and reverse repo transactions with Russian banks and financial institutions maturing in less than 90 days primarily include transactions with the National Settlement Depository included in the Moscow Exchange Group with a BBB credit rating assigned by Fitch. The increase was due to the placement of temporarily disposable cash of the Group.

Cash on hand includes cash in ATMs and in transit. The increase resulted from creation of a cash reserve.

14. Placements with banks and bank bonds at amortized cost

	<i>31 March</i>	<i>31 December</i>
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	
	<i>RUB MM</i>	<i>RUB MM</i>
Bank bonds and Eurobonds held by the Group	10,697	8,232
Bank bonds and Eurobonds pledged under repo	10,947	10,562
Collateral for derivative financial instruments and repo	27,120	7,076
Term deposits with banks	11,549	9,574
Repo	736	584
Total placements with banks and bank bonds at amortized cost	61,049	36,028
Less allowance for impairment	(181)	(167)
Placements with banks and bank bonds at amortized cost, net	60,868	35,861

As at 31 March 2020 and 31 December 2019, all bank bonds at amortized cost were included in Stage 1 and allowance for ECL amounted to RUB 52 MM and RUB 45 MM, respectively.

14. Placements with banks and bank bonds at amortized cost (continued)

The breakdown of Russian bank bonds 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:

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Russian bank bonds at amortized cost		
Banks with credit rating from A+ to A-	–	1,028
Banks with credit rating from BBB+ to BBB-	11,123	8,884
Banks with credit rating from BB+ to BB-	10,521	8,882
Total bank bonds at amortized cost	21,644	18,794

The breakdown of placements with banks by long-term credit rating assigned by international rating agencies (S&P, Fitch or Moody's) is presented in the table below. If a bank has different credit ratings from several international rating agencies, only the highest rating is taken into account:

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Placements with banks		
Banks with credit rating from AA+ to AA-	4,661	464
Banks with credit rating from A+ to A-	19,545	6,243
Banks with credit rating from BBB+ to BBB-	4,411	953
Banks with credit rating from BB+ to BB-	8,343	6,578
Banks with credit rating from B+ to B-	2,445	1,966
Unrated banks	–	1,030
Total placements with banks	39,405	17,234

15. Financial instruments at FVPL

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Held by the Group		
Corporate bonds and Eurobonds	103,279	99,309
Bonds and Eurobonds of companies with Russian state participation	58,343	55,640
Russian subfederal and municipal bonds	16,206	30,664
Shares of companies with Russian state participation	4,258	2,265
Derivative financial instruments	3,798	2,419
Eurobonds issued by the Russian Federation	2,180	388
Corporate shares	381	98
Foreign government bonds and Eurobonds	36	1,122
Russian state bonds (OFZ)	–	1
Total financial instruments at FVPL held by the Group	188,481	191,906
Pledged under repo		
Corporate bonds and Eurobonds	56,733	33,160
Bonds and Eurobonds of companies with state participation	41,802	24,306
Russian subfederal and municipal bonds	11,122	–
Foreign government bonds	956	230
Eurobonds issued by the Russian Federation	481	–
Shares of companies with Russian state participation	2	–
Total financial instruments at FVPL pledged under repo	111,096	57,696
Total financial instruments at FVPL	299,577	249,602

Since the beginning of COVID-19 pandemic in March 2020, stock exchange, currency and commodity markets were volatile. A decrease in the fair value of financial instruments resulted in negative revaluation of securities and derivatives portfolios. Losses on transactions with derivatives at FVPL for Q1 2020 amounted to RUB (30,590) MM.

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

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

	31 March 2020 (unaudited)		31 December 2019	
	RUB MM	%	RUB MM	%
Transport and infrastructure	44,098	14.90%	38,759	15.7%
Banks	38,736	13.10%	29,757	12.0%
Leasing	32,634	11.00%	29,793	12.1%
Government and municipal institutions	30,981	10.50%	32,405	13.1%
Mining	22,216	7.50%	17,435	7.1%
Energy	19,915	6.70%	8,244	3.3%
Petrochemicals	19,620	6.60%	11,699	4.7%
Metallurgy	16,592	5.60%	14,657	5.9%
Manufacturing	11,642	4.00%	8,304	3.4%
State financial development institutions	8,961	3.00%	9,737	3.9%
Agriculture and food processing	8,856	3.00%	9,015	3.7%
Chemical and pharmaceutical industry	8,113	2.70%	6,827	2.8%
Telecommunications	6,934	2.30%	6,758	2.7%
Other financial institutions	6,582	2.20%	3,728	1.5%
Trade	6,576	2.20%	6,355	2.6%
Construction and development	6,351	2.20%	7,710	3.1%
Services	2,836	1.00%	2,126	0.9%
Diversified holdings	2,352	0.80%	2,540	1.0%
Commercial real estate	1,349	0.50%	1,334	0.5%
Residential real estate	435	0.20%	–	–
	295,779	100.0%	247,183	100.0%

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:

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Securities at FVPL		
Issuers with credit rating from A+ to A-	4,873	487
Issuers with credit rating from BBB+ to BBB-	73,260	59,534
Issuers with credit rating from BB+ to BB-	170,120	146,562
Issuers with credit rating from B+ to B-	21,766	20,561
Unrated issuers	25,760	20,039
Total securities at FVPL	295,779	247,183

Issuers not rated by international rating agencies were assigned the following ratings of the Russian rating agencies:

Securities at FVPL	31 March 2020 (unaudited)			31 December 2019		
	Corporate bonds and bonds of companies with Russian state participation	Russian subfederal and municipal bonds	Total	Corporate bonds and bonds of companies with Russian state participation	Russian subfederal and municipal bonds	Total
Issuers with credit rating from AA+ to AA-	8,012	–	8,012	6,785	–	6,785
Issuers with credit rating from A+ to A-	1,577	2,300	3,877	1,025	1,654	2,679
Issuers with credit rating from BBB+ to BBB-	4,976	4,083	9,059	733	4,178	4,911
Issuers with credit rating from BB+ to BB-	–	1,247	1,247	–	1,279	1,279
Unrated issuers	13	3,552	3,565	–	4,385	4,385
	14,578	11,182	25,760	8,543	11,496	20,039

15. Financial instruments at FVPL (continued)

Securities at FVPL (continued)

As at 31 March 2020, maturities of these securities were within the following range: April 2020 – March 2050 (31 December 2019: February 2020 – June 2047).

The coupon rates were from 3.5% to 12.8% for USD-denominated debt securities, from 2.6% to 5.2% for EUR-denominated debt securities, from 7.5% to 9.5% for GBP-denominated debt securities, and from 2.0% to 14.3% for RUB-denominated debt securities (31 December 2019: ranged 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 2.0% to 14.3% for RUB-denominated debt securities).

As at 31 March 2020, the share of the largest corporate issuer, a company with Russian state participation, in the aggregate portfolio of securities at FVPL was 9.5%. The maturity of bonds of this issuer ranged from October 2020 to January 2034; the coupon rate ranged from 4.7% to 11.1% (31 December 2019: the share of the largest issuer was 8.6%, the maturity ranged from October 2020 to January 2034; the coupon rate ranged from 4.9% to 11.1%).

Derivative financial instruments

The Group manages interest and currency risks with 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.

	31 March 2020 (unaudited)			31 December 2019		
	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 counterparties	169,612	1,442	17,907	135,078	798	5,970
Interest rate swaps – Russian counterparties	38,866	–	1,519	30,953	231	–
Cross currency interest rate swaps – foreign counterparties	2,822	163	157	2,422	22	15
Currency swaps – Russian counterparties	68,219	334	488	7,884	3	89
Currency swaps – foreign counterparties	61,090	529	1,203	16,704	100	49
Currency forwards and options – foreign counterparties	15	–	–	114	–	–
Currency forwards and options – Russian counterparties	19,380	176	359	2,936	68	3
Credit default swaps – foreign counterparties	16,324	378	1,878	6,810	290	361
Precious metals contracts – foreign counterparties	23,940	199	213	11,692	17	148
Precious metals contracts – Russian counterparties	4,994	301	43	2,200	44	3
Securities and indices contracts – foreign counterparties	9,399	276	–	6,973	846	–
Securities and indices contracts – Russian counterparties	777	–	39	139	–	–
Total derivative assets or liabilities	415,438	3,798	23,806	223,905	2,419	6,638

16. Fair value hedge of the portfolio of bonds 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 bond portfolio fair value due to changes in the interest rates. The Group hedges its interest rate risk. Fixed interest rates of bonds denominated in US dollars are hedged by floating USD Libor 3m rates through the interest rate swaps. An interest component has a significant weight in estimating the fair value of bonds.

16. Fair value hedge of the portfolio of bonds at amortized cost (continued)

The Group hedges the portfolio of bonds measured at amortized cost and denominated in US dollars. As at 31 March 2020, the carrying amounts of hedged bonds included in "Placements with banks and bank bonds at amortized cost" (Note 14) and "Loans to customers and bonds at amortized cost" (Note 17) were RUB 21,644 MM and RUB 95,272 MM, respectively (31 December 2019: RUB 17,766 MM and RUB 78,871 MM, respectively). In Q1 2020, the Group did not identify new hedge relationships.

To hedge, the Group applies USD-denominated interest rate swaps (IRS) exchanging fixed interest rates for floating interest rates; the Group applies USD Libor 3m rate. As at 31 March 2020, their nominal value was RUB 105,933 MM, average maturity is 4.5 years (31 December 2019: RUB 86,167 MM and 4.8 years).

As at 31 March 2020, the effect of applying the hedge amounted to RUB 3,301 MM and was recognized within "Change in the fair value of hedged assets" in the consolidated statement of financial position (31 December 2019: RUB (695) MM). For the three months ended 31 March 2020, the revaluation of the hedged item recognized within "Net gain/(loss) on financial instruments at FVPL" in the consolidated statement of comprehensive income was RUB 3,996 MM.

To assess the effectiveness of a hedge the Group compares changes in the fair value of hedging instruments with the changes in the fair value of the hedged items arising from the hedged risks. The Group may confirm efficiency of hedge by comparing values less accrued interest income and expense and less accrued interest income and expense together with excluding the effect of revaluation at the commencement of hedge accounting.

A hedge may be ineffective due to the following factors:

- ▶ Difference between timing of cash flows associated with the hedging item and the hedged instrument;
- ▶ Credit risk of the counterparties that have different effect on changes in the fair value of the hedged item and the hedging instrument.

The effect of the hedging instrument on the statement of financial position as at 31 March 2020 and 31 December 2019 is presented in the table below:

	31 March 2020 <i>(unaudited)</i>		31 December 2019		<i>Item of the statement of financial position</i>
	<i>Nominal value</i> RUB MM	<i>Carrying amount</i> RUB MM	<i>Nominal value</i> RUB MM	<i>Carrying amount</i> RUB MM	
Interest rate swaps	105,933	(7,174)	86,167	(1,984)	Financial instruments at FVPL

The effect of the hedging item on the statement of financial position as at 31 March 2020 and 31 December 2019 is presented in the table below:

	31 March 2020 <i>(unaudited)</i>		31 December 2019		<i>Item of the statement of financial position</i>
	<i>Carrying amount</i> RUB MM	<i>Accumulated fair value adjustments</i> RUB MM	<i>Carrying amount</i> RUB MM	<i>Accumulated fair value adjustments</i> RUB MM	
Corporate bonds at amortized cost	95,272	2,992	78,871	(556)	Loans to customers and bonds at amortized cost
Bank bonds at amortized cost	21,644	309	17,766	(139)	Placements with banks and bank bonds at amortized cost
	116,916	3,301	96,637	(695)	

Ineffectiveness of the hedge recognized in the statement of profit or loss for the period was insignificant.

17. Loans to customers and bonds at amortized cost

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Retail loans		
Car loans	104,799	101,943
Mortgage loans	70,180	68,046
Consumer loans	64,714	60,947
Installment cards	46,175	43,206
Total retail loans	285,868	274,142
Corporate loans and bonds at amortized cost		
Corporate loans	202,073	160,286
Corporate bonds and Eurobonds	75,546	62,539
Loans to small businesses and other loans to customers*	54,812	53,876
Bonds and Eurobonds of companies with Russian state participation	38,389	35,055
Russian subfederal and municipal bonds	11,749	11,803
Loans to constituent entities and municipalities of the Russian Federation	6,486	7,205
Eurobonds issued by the Russian Federation	4,088	3,223
Total corporate loans and bonds at amortized cost	393,143	333,987
Total loans to customers and bonds at amortized cost	679,011	608,129
Less: allowance for loan impairment	(25,877)	(22,909)
Loans to customers and bonds at amortized cost, net	653,134	585,220

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

Car loans are loans to purchase a car, which is subsequently pledged as collateral for this loan, or loans secured by a car already owned by a borrower.

Mortgage loans mainly include loans secured by residential property already owned by a borrower.

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

Installment cards ("Halva cards") allow customers to pay for goods in installments during two to thirty six 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 depends on the installment terms provided to the customer. The customer repays loan principal in even installments during the respective term. Customers may receive additional services related to installment cards. The Bank may charge fees and commissions for these services. Fees and commissions received are recorded in interest income calculated using the EIR method. The Bank sets limits on installment cards depending on the assessment of customers' creditworthiness. These limits may be increased or decreased at a sole discretion of the Bank.

As at 31 March 2020, credit and installment cards comprised receivables from customers in the amount of RUB 43,502 MM (31 December 2019: RUB 40,353 MM) in respect of "Halva" and RUB 2,673 MM (31 December 2019: RUB 2,853 MM) in respect of credit cards. The total number of "Halva" installment cards issued is 5.3 million. Credit cards receivables were mainly acquired with the banks purchased by the Bank earlier.

The Group entered into contracts with 51.6 thousand legal entities operating 187.5 thousand retail and online stores to enable their customers to pay by installments with "Halva" cards. Fees and commissions received from the partners of the "Halva" program are recorded in interest income calculated using the EIR method (Note 4).

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

The breakdown of bonds 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:

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Bonds at amortized cost		
Issuers with credit rating from BBB+ to BBB-	28,706	25,806
Issuers with credit rating from BB+ to BB-	84,582	69,556
Issuers with credit rating from B+ to B-	766	1,238
Unrated issuers	15,718	16,020
Total bank bonds at amortized cost	129,772	112,620

Issuers not rated by international rating agencies were assigned the following ratings of the Russian rating agencies:

	31 March 2020 (unaudited)			31 December 2019		
	<i>Corporate bonds and bonds of companies with Russian state participation</i>	<i>Russian subfederal and municipal bonds</i>	<i>Total</i>	<i>Corporate bonds and bonds of companies with Russian state participation</i>	<i>Russian subfederal and municipal bonds</i>	<i>Total</i>
Bonds at amortized cost						
Issuers with credit rating from AA+ to AA-	1,840	–	1,840	1,802	–	1,802
Issuers with credit rating from A+ to A-	–	942	942	–	945	945
Issuers with credit rating from BBB+ to BBB-	3,393	4,610	8,003	3,396	4,626	8,022
Issuers with credit rating from BB+ to BB-	–	653	653	–	658	658
Issuers unrated by Russian rating agencies	1,158	3,122	4,280	1,458	3,135	4,593
	6,391	9,327	15,718	6,656	9,364	16,020

Analysis of corporate loans and bonds at amortized cost by industry

Corporate loans were provided to companies operating in the following industries:

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Manufacturing	38,610	28,851
State financial development institutions	37,796	38,087
Trade	23,755	14,162
Transport and infrastructure	15,715	16,745
Mining	14,841	7,799
Commercial real estate	13,943	11,459
Petrochemicals	10,702	9,533
Residential real estate	8,592	4,350
Other financial institutions	8,512	1,320
Metallurgy	5,470	4,211
Services	5,210	5,366
Construction and development	3,786	3,102
Leasing	3,786	3,591
Energy	2,937	2,693
Telecommunications	2,833	2,665
Chemical and pharmaceutical industry	1,907	1,480
Agriculture and food processing	1,263	3,371
Other	2,415	1,501
	202,073	160,286

17. Loans to customers and bonds at amortized cost (continued)**Analysis of corporate loans and bonds at amortized cost by industry (continued)**

Corporate bonds were issued by Russian and foreign issuers operating in the following industries:

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Metallurgy	27,302	22,123
Mining	20,916	16,628
Transport and infrastructure	11,080	9,042
Manufacturing	6,995	5,482
Construction and development	4,735	4,891
Leasing	3,944	3,829
Diversified holdings	492	480
Telecommunications	82	64
	75,546	62,539

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

The table below shows the analysis of movements in allowances for ECL for retail loans for the three months ended 31 March 2020 (unaudited).

Consumer loans	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	Total RUB MM
Balance as at 1 January 2020	1,965	508	3,163	5,636
Transfers to Stage 2	(43)	43	–	–
Transfers to Stage 3	(24)	(436)	460	–
Increase/(decrease) for the period	275	582	360	1,217
Write-offs	–	–	(889)	(889)
Recovery of write-offs*	–	–	234	234
Balance as at 31 March 2020	2,173	697	3,328	6,198

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

Car loans	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	Total RUB MM
Balance as at 1 January 2020	1,271	359	1,842	3,472
Transfers to Stage 2	(15)	15	–	–
Transfers to Stage 3	(8)	(244)	252	–
Increase/(decrease) for the period	(12)	300	363	651
Write-offs	–	–	(576)	(576)
Recovery of write-offs	–	–	–	–
Balance as at 31 March 2020	1,236	430	1,881	3,547

Mortgage loans	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	Total RUB MM
Balance as at 1 January 2020	816	198	1,501	2,515
Transfers to Stage 2	(21)	21	–	–
Transfers to Stage 3	(6)	(107)	113	–
Increase/(decrease) for the period	161	223	175	559
Write-offs	–	–	(220)	(220)
Recovery of write-offs	–	–	–	–
Balance as at 31 March 2020	950	335	1,569	2,854

17. Loans to customers and bonds 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 2020	1,149	219	1,265	2,633
Transfers to Stage 2	(17)	17	–	–
Transfers to Stage 3	(17)	(198)	215	–
Increase/(decrease) for the period	470	280	824	1,574
Write-offs	–	–	(329)	(329)
Recovery of write-offs	–	–	–	–
Balance as at 31 March 2020	1,585	318	1,975	3,878

The tables below show the analysis of movements in allowances for ECL on corporate loans and bonds at amortized cost for the three months ended 31 March 2020 (unaudited).

<i>Corporate loans</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 2020	1,786	63	3,357	479	5,685
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	(8)	8	–	–
Increase/(decrease) for the period	260	272	(105)	411	838
Write-offs	–	–	–	(658)	(658)
Recovery of write-offs	–	–	411	–	411
Balance as at 31 March 2020	2,046	327	3,671	232	6,276

***Bonds at amortized cost
(subfederal and municipal bonds,
Eurobonds issued by the Russian Federation,
corporate bonds and bonds of companies with
Russian state participation)***

	<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 2020	425	–	–	425
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Increase/(decrease) for the period	(62)	–	–	(62)
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
Balance as at 31 March 2020	363	–	–	363

***Loans to constituent entities and
municipalities of the Russian Federation***

	<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 2020	43	–	–	43
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Increase/(decrease) for the period	(4)	–	–	(4)
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
Balance as at 31 March 2020	39	–	–	39

***Loans to small businesses and
other loans to customers***

	<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 2020	811	471	1,128	90	2,500
Transfers to Stage 2	(1)	1	–	–	–
Transfers to Stage 3	(1)	(98)	99	–	–
Increase/(decrease) for the period	258	84	83	(61)	364
Write-offs	–	–	(282)	–	(282)
Recovery of write-offs	–	–	140	–	140
Balance as at 31 March 2020	1,067	458	1,168	29	2,722

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

The table below shows the analysis of movements in allowances for ECL for retail loans for the three months ended 31 March 2019 (unaudited).

<i>Consumer loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance as at 1 January 2019	1,691	381	2,413	4,485
Transfers to Stage 2	(27)	27	–	–
Transfers to Stage 3	(12)	(296)	308	–
Increase/(decrease) for the period	158	349	(111)	396
Write-offs	–	–	(960)	(960)
Unwinding of discount	–	–	2	2
Recovery of write-offs	–	–	750	750
Balance as at 31 March 2019	1,810	461	2,402	4,673
<i>Car loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance as at 1 January 2019	1,209	354	1,390	2,953
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	(8)	(241)	249	–
Increase/(decrease) for the period	(209)	405	166	362
Write-offs	–	–	(454)	(454)
Unwinding of discount	–	–	–	–
Recovery of write-offs	–	–	27	27
Balance as at 31 March 2019	992	518	1,378	2,888
<i>Mortgage loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance as at 1 January 2019	676	159	1,111	1,946
Transfers to Stage 2	(5)	5	–	–
Transfers to Stage 3	(7)	(97)	104	–
Increase/(decrease) for the period	(139)	120	(27)	(46)
Write-offs	–	–	(219)	(219)
Unwinding of discount	–	–	331	331
Recovery of write-offs	–	–	35	35
Balance as at 31 March 2019	525	187	1,335	2,047
<i>Installment cards</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance as at 1 January 2019	839	64	356	1,259
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	(6)	(48)	54	–
Increase/(decrease) for the period	(43)	72	127	156
Write-offs	–	–	(152)	(152)
Unwinding of discount	–	–	1	1
Recovery of write-offs	–	–	20	20
Balance as at 31 March 2019	790	88	406	1,284

The tables below show the analysis of movements in allowances for ECL on corporate loans and bonds at amortized cost for the three months ended 31 March 2019 (unaudited).

<i>Corporate loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI assets</i>	<i>Total</i>
Balance as at 1 January 2019	1,588	27	2,123	271	4,009
Transfers to Stage 2	(113)	113	–	–	–
Transfers to Stage 3	–	–	–	–	–
Increase/(decrease) for the period	(182)	21	37	208	84
Write-offs	–	–	–	–	–
Recovery of write-offs	–	–	–	–	–
Balance as at 31 March 2019	1,293	161	2,160	479	4,093

17. Loans to customers and bonds at amortized cost (continued)**Allowance for impairment of loans to customers and bonds measured at amortized cost (continued)*****Bonds at amortized cost******(subfederal and municipal bonds,
Eurobonds issued by the Russian Federation,
corporate bonds and bonds of companies with
Russian state participation)***

	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	Total RUB MM
Balance as at 1 January 2019	912	–	–	912
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Increase/(decrease) for the period	(175)	–	–	(175)
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
Balance as at 31 March 2019	737	–	–	737

***Loans to constituent entities and
municipalities of the Russian Federation***

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	42	–	–	42
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Increase/(decrease) for the period	(5)	–	–	(5)
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
Balance as at 31 March 2019	37	–	–	37

***Loans to small businesses and
other loans to customers***

	Stage 1	Stage 2	Stage 3	POCI assets	Total
Balance as at 1 January 2019	694	–	541	105	1,340
Transfers to Stage 2	(18)	18	–	–	–
Transfers to Stage 3	(52)	(6)	58	–	–
Increase/(decrease) for the period	(100)	24	850	80	854
Write-offs	–	–	(973)	–	(973)
Recovery of write-offs	–	–	164	–	164
Balance as at 31 March 2019	524	36	640	185	1,385

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

The table below provides information on the credit quality of retail loans as at 31 March 2020 (unaudited):

	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	Total RUB MM
Consumer loans				
- Not overdue	55,051	2,067	31	57,149
- Overdue less than 30 days	1,700	1	42	1,743
- Overdue from 30 to 89 days	–	1,336	135	1,471
- Overdue from 90 to 179 days	–	–	1,621	1,621
- Overdue from 180 to 360 days	–	–	2,730	2,730
Total consumer loans	56,751	3,404	4,559	64,714
Allowance for impairment	(2,173)	(697)	(3,328)	(6,198)
Consumer loans, net	54,578	2,707	1,231	58,516
Installment cards				
- Not overdue	40,343	1,531	12	41,886
- Overdue less than 30 days	1,017	–	15	1,032
- Overdue from 30 to 89 days	–	654	250	904
- Overdue from 90 to 179 days	–	–	1,019	1,019
- Overdue from 180 to 360 days	–	–	1,334	1,334
Total installment cards	41,360	2,185	2,630	46,175
Allowance for impairment	(1,585)	(318)	(1,975)	(3,878)
Installment cards, net	39,775	1,867	655	42,297
Mortgage loans				
- Not overdue	62,683	1,241	303	64,227
- Overdue less than 30 days	1,917	–	64	1,981
- Overdue from 30 to 89 days	–	850	83	933
- Overdue from 90 to 179 days	–	–	555	555
- Overdue from 180 to 360 days	–	–	900	900
Overdue more than 360 days	–	–	1,584	1,584
Total mortgage loans	64,600	2,091	3,489	70,180
Allowance for impairment	(950)	(335)	(1,569)	(2,854)
Mortgage loans, net	63,650	1,756	1,920	67,326
Car loans				
- Not overdue	95,003	4,345	52	99,400
- Overdue less than 30 days	1,880	–	30	1,910
- Overdue from 30 to 89 days	–	961	89	1,050
- Overdue from 90 to 179 days	–	–	1,018	1,018
- Overdue from 180 to 360 days	–	–	1,421	1,421
Total car loans	96,883	5,306	2,610	104,799
Allowance for impairment	(1,236)	(430)	(1,881)	(3,547)
Car loans, net	95,647	4,876	729	101,252
Total retail loans	259,594	12,986	13,288	285,868
Allowance for impairment	(5,944)	(1,780)	(8,753)	(16,477)
Retail loans, net	253,650	11,206	4,535	269,391

As at 31 March 2020, the Group updated the forecast information used in the models for accessing expected credit losses, including forecast macroeconomic indicators. In addition, in accordance with the requirements of IFRS 9 B5.5.1, the Group also transferred a portion of outstanding amount of loans to individuals, small and medium businesses to Stage 2. The specified amounts are presented in the Not overdue category of Stage 2.

17. Loans to customers and bonds 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 2019:

	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	Total RUB MM
Consumer loans				
- Not overdue	53,806	–	35	53,841
- Overdue less than 30 days	1,672	–	45	1,717
- Overdue from 30 to 89 days	–	1,049	144	1,193
- Overdue from 90 to 179 days	–	–	1,527	1,527
- Overdue from 180 to 360 days	–	–	2,669	2,669
Total consumer loans	55,478	1,049	4,420	60,947
Allowance for impairment	(1,965)	(508)	(3,163)	(5,636)
Consumer loans, net	53,513	541	1,257	55,311
Installment cards				
- Not overdue	39,548	–	11	39,559
- Overdue less than 30 days	1,085	–	11	1,096
- Overdue from 30 to 89 days	–	560	200	760
- Overdue from 90 to 179 days	–	–	726	726
- Overdue from 180 to 360 days	–	–	1,065	1,065
Total installment cards	40,633	560	2,013	43,206
Allowance for impairment	(1,149)	(219)	(1,265)	(2,633)
Installment cards, net	39,484	341	748	40,573
Mortgage loans				
- Not overdue	62,348	–	321	62,669
- Overdue less than 30 days	1,700	–	74	1,774
- Overdue from 30 to 89 days	–	601	98	699
- Overdue from 90 to 179 days	–	–	673	673
- Overdue from 180 to 360 days	–	–	863	863
Overdue more than 360 days	–	–	1,368	1,368
Total mortgage loans	64,048	601	3,397	68,046
Allowance for impairment	(816)	(198)	(1,501)	(2,515)
Mortgage loans, net	63,232	403	1,896	65,531
Car loans				
- Not overdue	96,715	–	59	96,774
- Overdue less than 30 days	1,890	–	40	1,930
- Overdue from 30 to 89 days	–	827	98	925
- Overdue from 90 to 179 days	–	–	863	863
- Overdue from 180 to 360 days	–	–	1,451	1,451
Total car loans	98,605	827	2,511	101,943
Allowance for impairment	(1,271)	(359)	(1,842)	(3,472)
Car loans, net	97,334	468	669	98,471
Total retail loans	258,764	3,037	12,341	274,142
Allowance for impairment	(5,201)	(1,284)	(7,771)	(14,256)
Retail loans, net	253,563	1,753	4,570	259,886

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

The tables below provide information on the credit quality of corporate loans and bonds at amortized cost as at 31 March 2020 (unaudited):

Corporate loans	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	POCI assets RUB MM	Total RUB MM
- Not overdue	248,799	8,871	2,046	241	259,957
- Overdue less than 30 days	71	11	25	–	107
- Overdue from 30 to 89 days	–	5	167	–	172
- Overdue from 90 to 179 days	–	–	655	–	655
- Overdue from 180 to 360 days	–	–	336	–	336
- Overdue more than 360 days	–	–	2,119	25	2,144
Total corporate loans	248,870	8,887	5,348	266	263,371
Allowance for impairment	(3,152)	(785)	(4,839)	(261)	(9,037)
Corporate loans, net	245,718	8,102	509	5	254,334

Bonds at amortized cost

(subfederal and municipal bonds, Eurobonds issued by the Russian Federation, corporate bonds and bonds of companies with Russian state participation)

	Stage 1 RUB MM	Total RUB MM
Not overdue	129,772	129,772
Total bonds at amortized cost	129,772	129,772
Allowance for impairment	(363)	(363)
Bonds at amortized cost, net	129,409	129,409

The tables below provide information on the credit quality of corporate loans and bonds at amortized cost as at 31 December 2019:

Corporate loans	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	POCI assets RUB MM	Total RUB MM
- Not overdue	208,146	6,190	1,635	821	216,792
- Overdue less than 30 days	599	–	–	–	599
- Overdue from 30 to 89 days	–	752	145	–	897
- Overdue from 90 to 179 days	–	–	591	–	591
- Overdue from 180 to 360 days	–	–	215	–	215
- Overdue more than 360 days	–	–	1,994	279	2,273
Total corporate loans	208,745	6,942	4,580	1,100	221,367
Allowance for impairment	(2,640)	(534)	(4,485)	(569)	(8,228)
Corporate loans, net	206,105	6,408	95	531	213,139

Bonds at amortized cost

(subfederal and municipal bonds, Eurobonds issued by the Russian Federation, corporate bonds and bonds of companies with Russian state participation)

	Stage 1 RUB MM	Total RUB MM
Not overdue	112,620	112,620
Total bonds at amortized cost	112,620	112,620
Allowance for impairment	(425)	(425)
Bonds at amortized cost, net	112,195	112,195

18. Financial instruments at FVOCI**Equity securities at FVOCI**

As at 31 March 2020 and 31 December 2019, the Group's assets at FVOCI included shares of Russian companies and/or their foreign holdings.

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Shares	658	491
Shares as part of mezzanine lending	530	530
	1,188	1,021

The Group at its own discretion classified certain investments in equity instruments as investments in equity instruments at FVOCI because these investments were not held for trading. These investments mostly include investments in Russian and foreign companies including investments in shares as part of mezzanine lending. Investments in shares as part of mezzanine lending represent a loan origination fee in form of a non-controlling interest in the borrower for provided by the Group financing to major Russian companies.

Debt securities at FVOCI

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Held by the Group		
Bonds of companies with Russian state participation	2	76,208
Russian state bonds (OFZ)	1,585	–
Total debt securities at FVOCI held by the Group	1,587	76,208
Pledged under repo		
Bonds of companies with Russian state participation	102,850	36,218
Total debt securities at FVOCI pledged under repo	102,850	36,218
Total debt securities at FVOCI	104,437	112,426

The breakdown of bonds at FVOCI by industry is presented in the table below:

	31 March 2020 (unaudited)		31 December 2019	
	RUB MM	%	RUB MM	%
State financial development institutions	102,730	98.4%	112,324	99.9%
Government and municipal institutions	1,585	1.5%	–	–
Petrochemicals	122	0.1%	102	0.1%
	104,437	100.0%	112,426	100.0%

The table below presents a breakdown of debt securities at FVOCI 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:

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Debt securities at FVOCI		
Issuers with credit rating from BBB+ to BBB-	104,437	112,426
	104,437	112,426

18. Financial instruments at FVOCI**Debt securities at FVOCI (continued)**

As at 31 March 2020, the share of the largest issuer, a company with Russian state participation, in the aggregate portfolio of debt securities at FVOCI was 98.4%. Maturities of bonds of this issuer ranged from September 2049 to May 2050 and the coupon rates ranged from 9.0% to 9.3%. As at 31 December 2019: the share of the largest issuer in the aggregate portfolio of securities at FVOCI was 99.9%. Maturities of bonds of this issuer ranged from September 2049 to May 2050 and the coupon rates ranged from 9.3% to 12.9%.

Analysis of the credit risk on debt securities at FVOCI for which the allowance for ECL is recognized on the basis of the credit risk level as at 31 March 2020 and 31 December 2019 is presented in the table below:

<i>Debt securities at FVOCI as at 31 March 2020 (unaudited)</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Not overdue	106,379	–	–	106,379
Total at amortized cost	106,379	–	–	106,379
Allowance for credit losses	(117)	–	–	(117)
Fair value adjustment from the measurement at amortized cost to the measurement at fair value	(1,825)	–	–	(1,825)
Total at fair value	104,437	–	–	104,437
<i>Debt securities at FVOCI as at 31 December 2019</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Not overdue	112,546	–	–	112,546
Total at amortized cost	112,546	–	–	112,546
Allowance for credit losses	(67)	–	–	(67)
Fair value adjustment from the measurement at amortized cost to the measurement at fair value	(53)	–	–	(53)
Total at fair value	112,426	–	–	112,426

19. Due to customers

	<i>31 March 2020 (unaudited) RUB MM</i>	<i>31 December 2019 RUB MM</i>
Individuals		
Term deposits	398,826	399,209
Current accounts and demand deposits	52,125	52,794
Legal entities		
Term deposits	234,229	195,459
Current accounts and demand deposits	120,540	103,462
Amounts payable under repo	2,947	23,114
	808,667	774,038

As at 31 March 2020, term deposits of legal entities included term transactions with minimum balances at current accounts ("MBT") for the total amount of RUB 58,133 MM (31 December 2019: RUB 65,187 MM).

As at 31 March 2020 and 31 December 2019, the Group had no customers whose balance with the bank accounted for more than 10% of the total due to customers.

20. Due to the CBR

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Repo	20,003	–
Loans secured by assets	734	785
	20,737	785

21. Due to banks

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Repo with banks	208,811	97,743
Deposits	32,402	26,285
Loro accounts	576	464
Collateral for derivative financial instruments	337	629
	242,126	125,121

As at 31 March 2020 and 31 December 2019, the Group pledged the following securities as collateral for sale and repurchase agreements with legal entities, the CBR and banks:

	31 March 2020 (unaudited)			31 December 2019	
	Repo with legal entities RUB MM	Repo with the CBR RUB MM	Repo with banks RUB MM	Repo with legal entities RUB MM	Repo with banks RUB MM
Financial instruments at FVPL pledged under repo					
Russian subfederal and municipal bonds	–	11,122	–	–	–
Corporate bonds and Eurobonds	3,849	9,371	43,514	20,912	12,248
Bonds and Eurobonds of companies with Russian state participation	–	340	41,461	5,892	18,414
Shares of companies with Russian state participation	–	–	2	–	–
Foreign government bonds	–	–	956	–	230
Russian State bonds (OFZ)	–	–	481	–	–
Total carrying amount	3,849	20,833	86,414	26,804	30,892
Loans to customers and bonds at amortized cost, pledged under repo					
Corporate bonds and Eurobonds	–	492	37,681	–	21,985
Bonds and Eurobonds of companies with Russian state participation	–	491	13,400	–	11,079
Eurobonds of the Russian Federation	–	–	4,088	–	3,223
Total carrying amount	–	983	55,169	–	36,287
Debt securities at FVOCI					
Bonds of companies with Russian state participation	–	–	102,849	–	36,218
Total carrying amount	–	–	102,849	–	36,218
Placements with banks and bank bonds at amortized cost, pledged under repo					
Corporate bonds and Eurobonds	–	–	4,356	–	4,641
Bonds and Eurobonds of companies with Russian state participation	–	–	6,563	–	5,894
Total carrying amount	–	–	10,919	–	10,535
Related liabilities	2,947	20,003	208,811	23,114	97,743

As at 31 March 2020, the amount of revaluation of securities pledged under repo with banks was partially covered by margin receivables for the amount of RUB 2,207 MM.

22. Debt securities issued

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Bonds	15,244	15,672
Promissory notes	2,413	2,990
	17,657	18,662

23. Other borrowed funds

On 21 September 2015, Sovcombank won an open tender for the financial rehabilitation of 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 31 March 2020, the Group pledged the rights of claim on loans to individuals and corporate customers totaling RUB 45,229 MM (31 December 2019: RUB 45,243 MM) as a collateral for the DIA loan.

The DIA carries out bankruptcy procedures in respect of Probusinessbank OJSC ("Probusinessbank", the parent bank of EVB) and repays its liabilities to the creditors of Probusinessbank, including EVB, with the recovered funds. According to the DIA loan agreement, Sovcombank then repays the respective amount to the DIA. From date of issuance of the DIA loan to 31 March 2020, Sovcombank repaid a part of the DIA loan totaling RUB 9,008 MM. As at 31 March 2020, the actual debt under the DIA loan totaled RUB 40,842 MM.

The DIA loan was issued to Sovcombank at the rate of 0.51% per annum, significantly below the market interest 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 to Sovcombank was 14.9%. As at 31 March 2020, the carrying amount of the DIA loan of RUB 19,851 MM (31 December 2019: RUB 19,225 MM) was recorded within "Other borrowed funds".

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
DIA loan	19,851	19,225
Other borrowed funds	1	2
	19,852	19,227

24. Subordinated debt

<i>Type</i>	<i>Principal, loan currency, MM</i>	<i>Currency</i>	<i>Counter- party</i>	<i>Interest rate</i>	<i>Issue date</i>	<i>Maturity date</i>	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Subordinated bonds	300	USD	–	8.00%	7 October 2019	7 April 2030	24,036	18,794
Subordinated loan	1,255	RUB	DIA	8.55%	27 April 2015	26 September 2029	1,427	1,413
Subordinated loan	1,255	RUB	DIA	9.57%	27 April 2015	28 April 2032	1,422	1,419
Subordinated loan	1,255	RUB	DIA	9.41%	27 April 2015	29 November 2034	1,414	1,405
Subordinated loan	1,255	RUB	DIA	8.64%	27 April 2015	24 February 2027	1,319	1,396
Subordinated loan	1,255	RUB	DIA	8.75%	27 April 2015	22 January 2025	1,329	1,380
Subordinated bonds	9	USD	–	8.25%	7 March 2018	21 February 2029	686	555
Subordinated bonds	413	RUB	–	14.50%	10 March 2017	25 February 2028	417	–
							32,050	26,362

24. Subordinated debt (continued)

Term subordinated bonds issued

On 7 March 2018, the Bank placed 11-years 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.

On 7 October 2019, Sovcombank placed 10.5-year subordinated Eurobonds of USD 300 MM bearing a coupon rate of 8% p.a. (ISIN: REGS XS2010043656 / 144a US84605LAA44). In 5.5 years, a call option is provided in respect of the bonds. Fitch assigned a BB rating to the issue.

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 (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 31 March 2020 and 31 December 2019, 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 as an off-balance sheet liability at fair value of RUB 112 MM as at 31 March 2020 (31 December 2019: RUB 112 MM).

25. Other assets and other liabilities

Other assets

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Other financial assets		
Delivery of cash and securities	7,764	2,014
Cash settlement services	476	425
Accounts receivable under financial protection programs	252	–
Other financial assets at FVPL	186	628
Other financial assets	21	27
Total other financial assets	8,699	3,094
Less: allowance for impairment of other financial assets	(1,064)	(971)
Total other financial assets, net	7,635	2,123
Other non-financial assets		
Precious metals	21,849	12,865
Other prepayments	1,166	1,692
Foreclosed assets	529	495
VAT receivable (leasing operations)	251	226
Prepaid taxes other than VAT and income tax	63	45
Settlements with employees	2	38
Other	1,025	546
Total other non-financial assets	24,885	15,907
Less: allowance for impairment of other non-financial assets (Note 11)	(442)	(396)
Total other non-financial assets, net	24,443	15,511
Insurance assets	2,061	–
Total other assets	34,139	17,634

25. Other assets and other liabilities (continued)**Other liabilities**

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Other financial liabilities		
Derivative financial liabilities (Note 15)	23,808	6,638
Lease liabilities	5,196	5,562
Payables to personnel	3,695	3,495
Payables to suppliers	2,444	2,143
Allowance for credit losses	1,339	1,017
Deferred fees and commissions on credit-related commitments	490	101
Settlements on currency conversion transactions	305	175
Settlements on transactions with securities	78	124
Accrued dividends	–	2,200
Total other financial liabilities	37,355	21,455
Other non-financial liabilities		
Provisions for non-financial contingencies (Note 27)	2,321	2,412
Deferred fees and commissions on non-financial contingencies	1,595	1,874
Taxes payable other than VAT and income tax	851	651
Provision for litigations (Note 28)	849	827
Advances received from lessees	783	701
Accrued expenses on obligatory deposit insurance	764	721
Provision for pre-trial proceedings	549	342
VAT payable	375	410
Other non-financial liabilities	211	157
Total other non-financial liabilities	8,298	8,095
Insurance liabilities		
Insurance reserves	3,504	–
Insurance and reinsurance payables	248	–
Total insurance liabilities	3,752	–
Total other liabilities	49,405	29,550

26. Equity

As at 31 March 2020 and 31 December 2019, the Bank's share capital was RUB 1,969 MM.

As at 31 March 2020 and 31 December 2019, the total number of authorized ordinary shares with a nominal value of RUB 0.1 each was 19,694,045,875.

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 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).

In Q1 2020, the Group purchased 675,000,002 ordinary shares of Sovcombank from minority shareholders for RUB 5,211 MM, which is 3.4% of the Group's share capital. Most repurchased shares had been held by Ilya Brodskiy and Andrey Suzdaltsev, who became shareholders of Sovco Capital Partners B.V. The repurchase resulted in reduction of shareholding interests in the Group as follows: Sovco Capital Partners B.V. – from 87.1% to 86.5%, other beneficiaries – from 12.9% to 10.1% (Note 1).

Sovcombank did not pay dividends for the three months of 2020 (three months of 2019: RUB 3,000 MM or RUB 0.2 per share).

The total dividends paid by the Group to non-controlling shareholders for the three months of 2020 amounted to RUB 150 MM (three months of 2019: RUB 140 million).

26. Equity (continued)

Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. According to IAS 33, in order to calculate profit attributable to ordinary shareholders of the Bank, the Bank should adjust profit for the year attributable to the Bank's shareholders for interest accrued on perpetual subordinated bonds.

The Bank has no potentially dilutive instruments. Therefore, diluted earnings per share equal basic earnings per share.

Basic and diluted earnings per ordinary share attributable to the Bank's shareholders are calculated in the table below:

	<i>Three months ended 31 March</i> <i>(unaudited)</i>	
	<i>2020</i> <i>RUB MM</i>	<i>2019</i> <i>RUB MM</i>
(Loss)/profit for the period attributable to the Bank's shareholders	(11,825)	5,675
Less: interest accrued on perpetual subordinated bonds	(326)	(113)
(Loss)/profit attributable to ordinary shareholders of the Bank	(12,151)	5,562
Weighted average number of ordinary shares in issue (billion)	19.3	18.7
Basic and diluted earnings/(loss) per ordinary share attributable to the Bank's shareholders (RUB per share)	(0.63)	0.30

Perpetual subordinated bonds issued

On 6 February 2020, Sovcombank placed perpetual subordinated Eurobonds of USD 300 MM (RUB 18.9 BN at the exchange rate at the date of placement) bearing a coupon rate of 7.75% p.a. (ISIN: REGS XS2113968148/144a US84605LAB27).

On 6 March 2020, the CBR approved the Bank's request to convert subordinated bonds to its additional capital.

As this instrument meets the criterion of the capital component in accordance with IAS 32 *Financial Instruments: Presentation*, the 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.

On 30 March 2020, Sovcombank early repaid a portion of perpetual subordinated bonds series 1V02 for USD 43.2 MM (RUB 3.4 BN at the exchange rate ruling at the repayment date).

IFRS classifies interest payments related to perpetual subordinated bonds as dividends on the grounds that the Bank may unilaterally halt interest payments. For the three months of 2020, Sovcombank paid interest of RUB 310 MM on the perpetual subordinated bonds (three months of 2019: RUB 287 MM).

27. 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:

	<i>31 March</i> <i>2020</i> <i>(unaudited)</i> <i>RUB MM</i>	<i>31 December</i> <i>2019</i> <i>RUB MM</i>
<i>Contractual amount*</i>		
Loan and credit line commitments	228,157	217,736
Bank guarantees	131,175	143,466
Commitments to issue bank guarantees	90,116	80,947
	449,448	442,149
Provisions for non-financial commitments	(2,321)	(2,413)
Allowance for credit losses	(1,339)	(1,016)
Provisions for pre-trial proceedings	(549)	(341)
	(4,209)	(3,770)

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

27. Commitments (continued)

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*. The Group makes such provisions when it receives a claim from a beneficiary of the bank guarantee but has not yet made a payment.

As at 31 March 2020, 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 134,018 MM in total (31 December 2019: RUB 125,015 MM).

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

	31 March 2020 (unaudited) RUB MM	31 March 2020 (unaudited) Number	31 December 2019 RUB MM	31 December 2019 Number
Amount				
Less than RUB 0.5 MM	5,409	71,600	10,313	132,059
RUB 0.5 MM – RUB 1 MM	2,702	3,771	4,677	6,491
RUB 1 MM – RUB 10 MM	15,400	5,399	20,675	7,615
RUB 10 MM – RUB 100 MM	39,508	1,246	40,445	1,279
More than RUB 100 MM	50,284	227	48,905	223
	113,303	82,243	125,015	147,667

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 three months ended 31 March 2020 (unaudited):

Financial guarantees	Stage 1 RUB MM	Total RUB MM
Balance as at 1 January 2020	234	234
Increase for the period	84	84
Balance as at 31 March 2020	318	318
	Stage 1 RUB MM	Total RUB MM
Balance as at 1 January 2020	790	790
Increase for the period	231	231
Balance as at 31 March 2020	1,021	1,021

28. Contingencies

Litigations related to Express-Volga Bank JSC

In August 2015, the CBR revoked the banking license of 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 2019, the bankruptcy administrator of Probusinessbank and the minority creditors filed a claim to the Moscow Arbitration Court seeking to apply the consequences of the void transaction on the transfer of RUB 625 MM to EVB from Probusinessbank in the form of repayment of interest for the use of cash in the amount of approximately RUB 210 MM. On 31 January 2020, the Moscow Arbitration Court issued ruling on the repayment of interest by EVB or the use of cash in the amount of RUB 209 MM. On 17 June 2020, the Ninth Arbitration Court of Appeal ruled to leave the previous decision in force. The Group is preparing a cassation appeal against this ruling of the Arbitration Court. Due to appealing the procedural determinations and limitation of court operations during the pandemic, the consideration of the bankruptcy administrator's petition is put off until 27 August 2020. The Group created a provision of RUB 210 MM which, according to the group management, will cover all possible risks.

28. 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 bank "Poidem!" JSC, previously a member of Probusinessbank group. The funds raised as a result of the auction went into Probusinessbank's insolvency estate and were subsequently allocated to all its creditors. In December 2016, Sovcombank signed an agreement to sell 100% of shares of bank "Poidem!" JSC to the management of this bank. In November 2017, minority creditors of Probusinessbank challenged the sale of shares of bank "Poidem!" JSC via an auction to Sovcombank. In March 2018, the Moscow Arbitration Court upheld the auction results. 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. Due to appealing, the procedural determinations and limitation of court operations during the pandemic, the case was postponed until 20 August 2020. 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 bank "Poidem!" JSC's shares. Based on these grounds, the Group did not make a provision for this claim.

In November 2015, the Moscow Arbitration Court initiated a proceeding in bankruptcy of Life Factoring Company LLC ("Life FC"), one of the subsidiaries of EVB, that were a part of Life Financial Group ("Life FG", parent bank of the group – Probusinessbank). A supervision procedure was commenced, following the results of which Life FC was declared a bankrupt and bankruptcy proceedings were commenced in September 2016. In November 2019, the bankruptcy administrator filed a petition to enforce the vicarious liability of the former CEO of the company. However, in December 2019, minority creditors filed a petition to enforce the vicarious liability all member banks of the company, that were a part of Life FG, including EVB. Currently, the total amount claimed is RUB 3.5 BN. Due to limitation of court operations during the pandemic, the case was postponed until 20 August 2020. According to the Group's management, claims to EVB are frivolous and, considering the specifics of the management structure of Life FC, court practice in similar cases and in cases with participation of defendants and creditors under this proceeding, the probability of enforcing the vicarious liability of EVB, as well as the probability of financial losses are assessed by the Group as low. Based on these grounds, the Group did not make a provision for this claim.

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 31 March 2020.

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 Q1 2020, 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).

28. Contingencies (continued)**Tax contingencies (continued)**

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.

Management of the Group believes that its interpretation of the relevant legislation is appropriate and that the Group’s tax, currency and customs position will be sustained.

29. 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 the substance of relationship, not merely the legal form.

The table below shows the total remuneration included in employee benefits (Note 9):

	<i>Three months ended 31 March (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Members of the Supervisory Board	290	117
Management Board	224	154
	514	271

Outstanding balances with related parties as at 31 March 2020 were as follows (unaudited):

	<i>SCP B.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⁽⁵⁾ RUB MM</i>	<i>Total RUB MM</i>
Loans	5,553	–	215	282	2,945	8,995
Allowance for impairment	–	–	(4)	(3)	(1,511)	(1,518)
Loans, net	5,553	–	211	279	1,434	7,477
Deposits	–	163	1,105	–	535	1,803
Current accounts	8,032	7	980	3	1,868	10,890
Other liabilities	–	–	884	–	–	884
Commitments and guarantees issued	1,105	–	204	101	530	1,940
Commitments and guarantees received	–	–	215	613	9,267	10,095

Outstanding balances with related parties as at 31 December 2019 were as follows:

	<i>SCP B.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⁽⁵⁾ RUB MM</i>	<i>Total RUB MM</i>
Loans	–	–	276	102	2,362	2,740
Allowance for impairment	–	–	(5)	(1)	(1,464)	(1,470)
Loans, net	–	–	271	101	898	1,270
Deposits	–	15	1,114	–	463	1,592
Current accounts	72	6	408	9	1,707	2,202
Other liabilities	–	–	673	–	–	673
Commitments and guarantees issued	–	–	151	299	816	1,266
Commitments and guarantees received	–	–	215	613	8,998	9,826

29. Related party transactions (continued)

The following table presents related party transactions recorded in the interim consolidated statement of comprehensive income for the three months ended 31 March 2020 (unaudited):

	SCP B.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	10	–	7	6	62	85
Interest expense on deposits	–	(3)	(9)	–	(8)	(20)
Credit loss expense	–	–	1	(2)	(47)	(48)
Fee and commission income	–	–	–	1	3	4
Gains less losses from foreign currencies	94	–	9	–	13	116
General and administrative expenses	–	–	(3)	(2)	–	(5)

The following table presents related party transactions recorded in the interim consolidated statement of comprehensive income for the three months ended 31 March 2019 (unaudited):

	SCP B.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	–	6	19	5	60	90
Interest income on financial instruments at FVPL	25	40	–	–	–	65
Interest expense on deposits	–	(2)	(12)	–	(4)	(18)
Credit loss expense	–	(6)	(7)	–	(914)	(927)
Fee and commission income	–	36	–	1	2	39
Gains less losses from foreign currencies	(45)	–	–	–	(1)	(46)
General and administrative expenses	–	(2)	(3)	–	–	(5)

⁽¹⁾ SCP B.V. is Sovco Capital Partners B.V., the major shareholder of the Group with ownership of 86.5% (Note 1).

⁽²⁾ Joint ventures (JVs) are companies where the Group is engaged in joint operations and have equal shares (50/50) with the partners in a JV. As at 31 March 2020, JV includes CTB LLC (31 March 2019: 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 three months of 2020 and 2019, the Group also conducted purchase and sale of own issued securities with Sovco Capital Partners B.V. These transactions were performed at arm's length.

30. 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.

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: other 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.

30. Fair value (continued)

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

<i>As at 31 March 2020 (unaudited)</i>	<i>Fair value measurement using</i>			<i>Total RUB MM</i>
	<i>Quoted prices in active markets (Level 1) RUB MM</i>	<i>Significant observable inputs (Level 2) RUB MM</i>	<i>Significant unobservable inputs (Level 3) RUB MM</i>	
Assets measured at fair value				
Financial instruments at FVPL	215,557	84,020	–	299,577
Financial instruments at FVOCI	1,707	167	103,751	105,625
Investment property	–	–	53	53
Property and equipment and intangible assets (land and buildings)	–	–	3,714	3,714
Other financial assets	–	186	–	186
Other non-financial assets	21,849	–	–	21,849
Liabilities measured at fair value				
Subordinated debt	6,911	–	–	6,911
Derivative financial liabilities	–	23,806	–	23,806

<i>As at 31 December 2019</i>	<i>Fair value measurement using</i>			<i>Total RUB MM</i>
	<i>Quoted prices in active markets (Level 1) RUB MM</i>	<i>Significant observable inputs (Level 2) RUB MM</i>	<i>Significant unobservable inputs (Level 3) RUB MM</i>	
Assets measured at fair value				
Financial instruments at FVPL	197,185	52,417	–	249,602
Financial instruments at FVOCI	103	112,323	1,021	113,447
Investment property	–	–	53	53
Property and equipment and intangible assets (land and buildings)	–	–	3,480	3,480
Other financial assets	–	628	–	628
Other non-financial assets	12,865	–	–	12,865
Liabilities measured at fair value				
Subordinated debt	7,013	–	–	7,013
Derivative financial liabilities	–	6,638	–	6,638

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 country in which the investee operates.

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 31 March 2020 (unaudited):

	<i>As at 1 January 2020 RUB MM</i>	<i>Gains/ (losses) recorded in the statement of profit or loss RUB MM</i>	<i>Gains/ (losses) recorded in other comprehensive income RUB MM</i>	<i>Acquisitions RUB MM</i>	<i>Sales RUB MM</i>	<i>Settlements RUB MM</i>	<i>Transfers from Level 1 and Level 2 RUB MM</i>	<i>As at 31 March 2020 RUB MM</i>
Financial assets								
Financial instruments at FVPL	–	–	–	–	–	–	–	–
Financial instruments at FVOCI	1,021	–	–	–	–	–	102,730	103,751
Total Level 3 financial assets	1,021	–	–	–	–	–	102,730	103,751

30. Fair value (continued)**Movements in Level 3 financial instruments measured at fair value (continued)**

In the first quarter of 2020, the Group transferred debt securities at FVOCI issued by the company with Russian state participation and rated as BBB by international rating agencies from Level 2 to Level 3 of the fair value hierarchy. The carrying amount of the transferred debt securities totaled RUB 102,730 MM. The transfer resulted from the fact that, as at the reporting date, the inputs used in the model were unobservable.

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

	<i>As at 1 January 2019</i>	<i>Gains/ (losses) recorded in the state- ment of profit or loss</i>	<i>Gains/ (losses) recorded in other comp- rehensive income</i>	<i>Acquisi- tions</i>	<i>Sales</i>	<i>Settle- ments</i>	<i>Transfers to other items</i>	<i>Transfers to Level 1 and Level 2</i>	<i>As at 31 December 2019</i>
	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>
Financial assets									
Financial instruments at FVPL	1,674	(77)	–	–	–	(31)	–	(1,566)	–
Financial instruments 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

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

	<i>For the three months ended 31 March 2020 (unaudited)</i>			<i>For the year ended 31 December 2019</i>		
	<i>Realized gains/(losses)</i>	<i>Unrealized gains/(losses)</i>	<i>Total</i>	<i>Realized gains/(losses)</i>	<i>Unrealized gains/(losses)</i>	<i>Total</i>
	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>
Total gains/(losses) recognized in profit or loss for the period	–	–	–	31	(158)	(127)

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:

<i>31 March 2020 (unaudited)</i>	<i>Carrying amount RUB MM</i>	<i>Valuation technique</i>	<i>Unobservable inputs</i>	<i>Range (weighted average value)</i>
Financial instruments at FVOCI				
<i>Debt securities</i>				
Finance	102,730	Discounted cash flows based on parametric repayment models	Conditional prepayment ratio / Option premium	From 28.9% to 17.4% 0.26%
<i>Equity securities</i>				
Energy	400	Net assets	Net assets	Not applicable
IT	380	Net assets	Net assets	Not applicable
Electronics	130	Most recent market transaction price	Most recent market transaction price	Not applicable
Rating agencies	111	Net assets	Net assets	Not applicable
Investment property	53	Market and income approach	Discount for sale	10%
Property and equipment and intangible assets (land and buildings)	3,714	Market and income approach	Discount for sale	10%

30. Fair value (continued)**Movements in Level 3 financial instruments measured at fair value (continued)**

31 December 2019	Carrying amount RUB MM	Valuation technique	Unobservable inputs	Range (weighted average value)
Financial instruments at FVOCI				
<i>Equity securities</i>				
Energy	400	Net assets	Net assets	Not applicable
IT	380	Net assets	Net assets	Not applicable
Electronics	130	Most recent market transaction price	Most recent market transaction price	Not applicable
Rating agencies	111	Net assets	Net assets	Not applicable
Investment property	53	Market and income approach	Discount for sale	10%
Property and equipment and intangible assets (land and buildings)	3,480	Market and income approach	Discount for sale	10%

The table below shows the effect of reasonably possible alternative assumptions on the fair value of Level 3 instruments:

	31 March 2020 (unaudited)		31 December 2019	
	Carrying amount RUB MM	Effect of reasonably possible alternative assumptions	Carrying amount RUB MM	Effect of reasonably possible alternative assumptions
Financial instruments at FVOCI				
<i>Debt securities</i>				
Finance	102,730	From RUB (654) MM to RUB 10 MM	–	–

The effect of reasonably possible alternative assumptions on the fair value of Level 3 equity 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 three months ended 31 March 2020 and the year 2019:

	Three months ended 31 March 2020 (unaudited) RUB MM		2019 RUB MM
Financial instruments at FVPL			
Russian subfederal and municipal bonds	10,299		487
Bonds of companies with Russian state participation	1,248		9,107
Corporate bonds	14,804		953
Total transfers from Level 1 to Level 2	26,351		10,547

The Group transferred financial assets from Level 1 to Level 2 as they ceased to be actively traded. The Group estimated their fair values through valuation techniques using observable market inputs.

	Three months ended 31 March 2020 (unaudited) RUB MM		2019 RUB MM
Financial instruments at FVPL			
Russian subfederal and municipal bonds	444		10,562
Corporate bonds	1,334		9,274
Bonds of companies with Russian state participation	10,326		1,737
Corporate shares	–		98
Total transfers from Level 2 to Level 1	12,104		21,671

Transfers from Level 2 to Level 1 were due to the fact that they became actively traded during the period and fair values were consequently determined using quoted prices in an active market.

30. Fair value (continued)**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.

	31 March 2020 (unaudited)			31 December 2019		
	Carrying amount RUB MM	Fair value RUB MM	Unrecognized gain/(loss) RUB MM	Carrying amount RUB MM	Fair value RUB MM	Unrecognized gain/(loss) RUB MM
Financial assets						
Cash and cash equivalents	136,816	136,816	–	107,761	107,761	–
Mandatory cash balances with the CBR	7,442	7,442	–	6,447	6,447	–
Placements with banks and bank bonds at amortized cost	60,868	60,529	(339)	35,861	36,930	1,069
Loans to customers and bonds at amortized cost	653,134	659,813	6,679	585,220	596,691	11,471
Other assets	7,449	7,449	–	1,495	1,495	–
Financial liabilities						
Due to the CBR	20,737	20,737	–	785	785	–
Due to banks	242,126	242,322	(196)	125,121	124,999	122
Due to customers	808,667	810,208	(1,541)	774,038	775,822	(1,784)
Debt securities issued	17,657	17,767	(110)	18,662	19,068	(406)
Other borrowed funds	19,852	23,749	(3,897)	19,227	23,706	(4,479)
Subordinated debt	25,139	21,248	3,891	19,349	20,303	(954)
Other liabilities	13,549	13,549	–	14,817	14,817	–
Total unrecognized change in fair value			4,487			5,039

31. Business combinations**Acquisition of Liberty Insurance JSC**

On 23 December 2019, Sovcombank and Liberty Mutual Group (USA), signed a binding agreement. On 10 February 2020, Sovcombank declared the completion of the transaction to purchase 99.9% of shares in Liberty Insurance JSC ("Liberty Insurance") for RUB 1,393 MM. The deal was closed after Sovcombank received regulatory approvals of the Federal Antimonopoly Service and the Bank of Russia in January-February 2020.

On 3 April 2020, the company was renamed into Sovcombank Insurance JSC. The Group's management believes that there are significant synergies between Sovcombank and the acquiree in terms of motor insurance, car loans to individuals and car leases to legal entities. Acquisition of the insurance company will further diversify sources of income of the Group.

31. Business combinations (continued)**Acquisition of Liberty Insurance JSC (continued)**

The preliminary fair value of identifiable net assets and liabilities of the company as at the acquisition date was as follows:

	RUB MM
Assets	
Cash and cash equivalents	366
Deposits with banks	940
Insurance receivables	739
Financial assets at FVPL	1
Financial assets at FVOCI	1,833
Subrogation asset	191
Property and equipment and intangible assets	368
Deferred tax asset	282
Deferred acquisition costs	839
Other assets	356
Total assets	5,915
Liabilities	
Provision for unearned premiums	2,699
Outstanding claims provision	857
Insurance payables	320
Lease liabilities	125
Other payables and other liabilities	357
Total liabilities	4,358
Identifiable net assets	1,557
	RUB MM
Cash paid on acquisition	1,393
Fair value of identifiable net assets of the bank as at the date of business combination	(1,557)
Non-controlling interests	2
Bargain purchase gain (Note 7)	162

Acquisition of VCABANK JSC

In Q4 2019 and Q1 2020, Sovcombank purchased a controlling stake (93.5%) in VCABANK JSC ("VCA") in stages. VCA is a small regional bank in the city of Astrakhan on the south of Russia. VCA acquisition is aimed at strengthening Sovcombank's position in Astrakhan Region.

Preliminary fair value of identifiable net assets and liabilities of the bank as at the acquisition date was as follows:

	RUB MM
Assets	
Cash and cash equivalents	730
Mandatory cash balances with the CBR	35
Securities	169
Loans to customers	773
Buildings and equipment	253
Intangible assets	2
Right-of-use assets	1
Other assets	43
Total assets	2,006
Liabilities	
Due to customers	800
Deferred tax liabilities	43
Other liabilities	14
Total liabilities	857
Identifiable net assets	1,149

31. Business combinations (continued)**Acquisition of VCABANK JSC (continued)**

	RUB MM
Cash paid on acquisition	629
Fair value of the Group's share as at the date of business combination	145
Fair value of identifiable net assets of the bank as at the date of business combination	(1,149)
Non-controlling interests	105
Bargain purchase gain (Note 7)	270

32. Capital adequacy

To mitigate risks inherent in the Group's activities, 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 in the Basel Capital Accord, as well as ratios established by the CBR.

The primary objective of capital management is monitoring compliance with the requirements of the CBR and maintenance of robust credit ratings and capital performance.

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 31 March 2020 and 31 December 2019, 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 31 March 2020 and 31 December 2019, capital adequacy ratio was calculated 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) ("Basel III").

Basel III sets minimal capital adequacy ratios at 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 when calculating capital adequacy ratio, a standardized Basel III approach is used except for derivative financial instruments and loan and credit line commitments, which are subject to the requirements of the national regulator (Instruction No. 180-I of the CBR On Prudential Ratios of Banks of 28 June 2017).

32. 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 31 March 2020 and 31 December 2019.

	31 March 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Common capital	100,229	124,349
Additional capital	27,561	6,191
Tier 1 capital	127,790	130,540
Tier 2 capital	32,162	26,474
Total equity	159,952	157,014
Risk-weighted assets		
Credit risk	1,043,806	874,924
Operational risk	112,675	112,675
Market risk	106,720	77,725
Total risk-weighted assets	1,263,201	1,065,324
Tier 1 common capital adequacy ratio	7.9%	11.7%
Tier 1 capital adequacy ratio	10.1%	12.3%
Total capital adequacy ratio	12.7%	14.7%

33. 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 31 March 2020 and 31 December 2019:

	Relationship	Voting rights	
		31 March 2020 (unaudited)	31 December 2019
Express-Volga Bank JSC	Subsidiary	100.0%	100.0%
Komana Holdings 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%
Sovcombank Leasing LLC	Subsidiary	100.0%	100.0%
Sovcombank Insurance JSC (Note 31)	Subsidiary	99.9%	-
VKABANK JSC (Note 31)	Subsidiary	93.5%	24.8%
BTE LLC	Subsidiary	75.0%	75.0%
Septem Capital LLC	Subsidiary	50.1%	50.1%
RTS-Holding JSC	Subsidiary	50.0%	50.0%
RTS-Tender LLC	Subsidiary	50.0%	50.0%
Tsifrovye Tekhnologii Budushego LLC	Joint venture	50.0%	50.0%
Kostromskoy Zavod Avtokomponentov JSC	Associate	40.1%	40.1%
Aviatsionnye Tekhnologii Svyazi LLC	Associate	25.0%	25.0%
Cbonds.ru LLC	Associate	24.9%	24.9%
CentrFinLeasing LLC	Subsidiary	-	100.0%

Merger of CentrFinLeasing LLC with Sovcom Leasing LLC

In January 2020, the Group completed a merger of CentrFinLeasing LLC with Sovcom Leasing LLC to optimize costs and structure of the Group. All rights and obligations of the merged entity were transferred to Sovcom Leasing LLC.

34. Subsequent events

Merger of Express-Volga Bank JSC with Sovcombank PJSC

On 20 March 2020, the general meeting of Sovcombank PJSC's shareholders decided to simplify structure and reduce costs of the Group through the merger with Express-Volga Bank JSC. The operational integration was finalized on 15 June 2020. All legal rights and obligations of Express-Volga Bank JSC were transferred to Sovcombank PJSC. The merger of Express-Volga Bank JSC with Sovcombank PJSC did not have any effect on the consolidated financial results.

Sale of BTE LLC

In April 2020, the Group sold its share in BTE LLC to a third party. The financial result of the sale and elimination of BTE LLC from the consolidation perimeter was insignificant.

Management options

As part of the Option Program for executives approved in 2019, the Group entered into option agreements with certain participants on 13 April 2020.

The Group regards the Option Program as a transaction with equity-settled share-based payments. As at the date of provision, fair values of option agreements were calculated using the Black-Scholes model.

Placement of bonds

In April 2020, Sovcombank issued RUB-denominated bonds SovcomBOP2 (state registration No. 4B02-03-00963-B-001P) for RUB 12 BN, bearing a coupon rate of 7.75% and maturing in 10 years.

In May 2020, Sovcombank issued RUB-denominated bonds SovcmFIZL2 (state registration No. 4B02-04-00963-B-001P) for RUB 5 BN, bearing a coupon rate of 6.5% and maturing in 3 years.

In July 2020, Sovcombank Leasing LLC issued RUB-denominated bonds SovcmL P02 (stage registration No. 4B02-02-00303-R-001P) for RUB 2 BN, bearing a coupon rate of 6.6%, maturing in three years and with a principal subject to amortization.

Acquisition of SPB Exchange PJSC

In January 2020, Sovcombank acquired 3.3% shares in Saint-Petersburg Exchange PJSC ("SPB") under an open subscription. In the second quarter of 2020, Sovcombank concluded a two-year option contract with the Association of Financial Market Participants "Nonprofit Partnership for the Development of the RTS Financial Market" to purchase another 15.2% shares of SPB. Since, in addition to the option, Sovcombank has the right to be represented in the SPB's Board of Directors, the Group assesses its influence on SPB as significant and regards the investment as an investment in an associate.

Purchase of Sovest project

On 18 June 2020, Sovcombank and Qiwi plc ("Qiwi") announced a sale of Sovest installment card business to Sovcombank. As a result of the deal, in July 2020, Sovcombank acquired from Qiwi the Sovest installment card portfolio with a carrying amount of RUB 8.2 BN before allowance for the consideration of RUB 5.6 BN. The scope of the deal comprised all assets of Sovest project, with respective brands and Internet domains.