

Report on review of interim financial information of
Sovcombank PJSC and its subsidiaries
for the nine months ended 30 September 2020

November 2020

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

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Report on review of interim financial information

To the Supervisory Board of Sovcombank PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Sovcombank PJSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 September 2020, the interim consolidated statement of comprehensive income for the three and nine months then ended, interim consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months then ended, and explanatory notes ("interim financial information").

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

Scope of review

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

Conclusion

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



G.A. Shinin
Partner
Ernst & Young LLC

27 November 2020

Details of the entity

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

Details of the auditor


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

Interim consolidated statement of comprehensive income

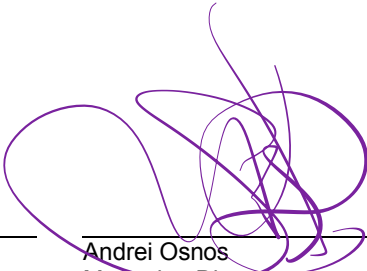
for the nine months ended 30 September 2020

	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2020 RUB MM	2019 (restated) RUB MM	2020 RUB MM	2019 (restated) RUB MM
Interest income calculated using the EIR method	5	25,996	19,977	75,018	56,640
Other interest income	5	9,441	6,500	24,548	19,276
Interest expense	5	(13,119)	(11,927)	(39,105)	(33,820)
Obligatory deposit insurance		(534)	(632)	(1,559)	(1,886)
Net interest income		21,784	13,918	58,902	40,210
Allowances for credit losses	15, 18, 19, 28	(5,667)	(1,091)	(17,164)	(4,492)
Net interest income after allowance for credit losses		16,117	12,827	41,738	35,718
Fee and commission income	6	9,384	8,679	24,076	23,743
Fee and commission expense		(2,186)	(2,240)	(5,738)	(5,701)
Net fee and commission income		7,198	6,439	18,338	18,042
Net (loss)/gain on financial instruments at FVPL	16	(4,130)	355	(12,462)	1,575
Net gain on derecognition of financial assets at amortized cost		844	465	1,086	674
Net gain on derecognition of financial assets at FVOCI		17	-	46	-
Net gain on foreign exchange and transactions with precious metals and derivative financial instruments	7	5,799	615	9,950	1,612
Other impairment and provisions	12	(854)	(577)	(1,662)	(2,873)
Share of profit of joint ventures		(1)	99	5	225
Other operating income	8	214	75	976	626
Operating income		25,204	20,298	58,015	55,599
Revenue and other gains from other non-banking business	9	1,555	800	4,302	1,898
Cost and other losses from other non-banking business	9	(1,401)	(768)	(3,848)	(1,958)
Net gain/(loss) from other non-banking business		154	32	454	(60)
Personnel expenses	10	(6,269)	(5,392)	(18,800)	(16,875)
Other general and administrative expenses	11	(4,118)	(3,763)	(12,385)	(11,263)
Profit before income tax expense		14,971	11,175	27,284	27,401
Income tax expense	13	(2,967)	(2,230)	(5,429)	(5,467)
Profit for the period		12,004	8,945	21,855	21,934
Profit for the period attributable to:					
- shareholders of the Bank		11,523	8,857	21,174	21,682
- non-controlling interests		481	88	681	252
Basic and diluted earnings per ordinary share attributable to the Bank's shareholders (RUB per share)	27	0.58	0.45	1.05	1.11
Other comprehensive income					
<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		(839)	-	(337)	-
Change in the allowance for expected credit losses on debt instruments at FVOCI, net of tax		56	-	127	-
<i>Other comprehensive income not to be reclassified subsequently to profit or loss</i>					
Net losses on investment securities at FVOCI, net of tax		-	(40)	-	(40)
Revaluation of buildings, net of tax		-	-	(4)	(2)
Other comprehensive loss, net of tax		(783)	(40)	(214)	(42)
Total comprehensive income		11,221	8,905	21,641	21,892
Comprehensive income attributable to:					
- shareholders of the Bank		10,740	8,817	20,960	21,640
- non-controlling interests		481	88	681	252

Approved on 27 November 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 36 to, and forming an integral part of, the interim condensed consolidated financial statements.


Interim consolidated statement of financial position as at 30 September 2020

		30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
	Notes		
Assets			
Cash and cash equivalents	14	130,651	107,761
Mandatory cash balances with the CBR		7,582	6,447
Placements with banks and bank bonds at amortized cost			
- held by the Group	15	58,616	25,326
- pledged under repo	15	706	10,535
Financial instruments at FVPL			
- held by the Group	16	351,491	191,906
- pledged under repo	16	128,503	57,696
Financial instruments at FVOCI			
- held by the Group	19	48,368	77,229
- pledged under repo	19	109,130	36,218
Loans to customers and bonds at amortized cost			
- held by the Group	18	619,863	548,933
- pledged under repo	18	61,246	36,287
Change in the fair value of hedged assets	17	2,972	(695)
Investments in associates		653	631
Investments in joint ventures		417	243
Investment property		53	53
Property and equipment and intangible assets		10,412	10,918
Right-of-use assets		4,086	5,408
Goodwill		1,662	1,742
Current income tax asset		2,766	27
Deferred tax asset		413	895
Other assets	26	26,517	17,634
Total assets		1,566,107	1,135,194
Liabilities			
Due to the CBR	21	2,173	785
Due to banks	22	376,580	125,121
Due to customers	20	872,385	774,038
Debt securities issued	23	33,828	18,662
Other borrowed funds	24	21,178	19,227
Deferred tax liability		1,756	56
Current income tax payable		58	2,309
Subordinated debt	25	32,049	26,362
Other liabilities	26	55,951	29,550
Total liabilities		1,395,958	996,110
Equity			
Share capital	27	1,969	1,969
Treasury shares	27	(5,211)	-
Other capital contributions		25,667	25,082
Reserves for financial instruments at FVOCI		(371)	(161)
Perpetual subordinated bonds	27	28,289	6,191
Revaluation reserve for buildings		400	404
Retained earnings		117,283	103,568
Total equity attributable to shareholders of the Bank		168,026	137,053
Non-controlling interests		2,123	2,031
Total equity		170,149	139,084
Total equity and liabilities		1,566,107	1,135,194

Approved on 27 November 2020


Dmitry Gusev
Chairman of the Management Board


Dmitry Baryshnikov
Financial Director


Andrei Osnos
Managing Director

The interim consolidated statement of financial position is to be read in conjunction with Notes 1 to 36 to, and forming an integral part of, the interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows
for the nine months ended 30 September 2020

	<i>For the nine months ended 30 September (unaudited)</i>	
	2020	2019
<i>Notes</i>	<i>RUB MM</i>	<i>RUB MM</i>
Cash flows from operating activities before changes in operating assets and liabilities	16,856	43,032
(Increase)/decrease in operating assets	(295,954)	(53,093)
Increase in operating liabilities	289,791	25,171
Net cash flows from operating activities before income tax	10,693	15,110
Income tax paid	(7,101)	(6,715)
Cash flows from operating activities	3,592	8,395
Cash flows from investing activities	(10,473)	36,781
Cash flows from financing activities	19,842	4,470
Net increase in cash and cash equivalents	12,961	49,646
Effect of exchange rate changes on cash and cash equivalents	9,929	(3,326)
Cash and cash equivalents at the beginning of the period	107,761	109,817
Cash and cash equivalents at the end of the period	14 130,651	156,137

The interim condensed consolidated statement of cash flows is to be read in conjunction with Notes 1 to 36 to, and forming an integral part of, the interim condensed consolidated financial statements.

Interim consolidated statement of changes in equity
for the nine months ended 30 September 2020

	Share capital RUB MM	Treasury shares	Other capital contributions RUB MM	Revaluation reserve for property RUB MM	Reserves 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	–	–	–	–	–	–	21,682	21,682	252	21,934
Other comprehensive income for the period	–	–	–	(2)	(40)	–	–	(42)	–	(42)
Total comprehensive income	–	–	–	(2)	(40)	–	21,682	21,640	252	21,892
Dividends (Note 27)	–	–	–	–	–	–	(8,050)	(8,050)	(248)	(8,298)
Perpetual subordinated bonds purchased	–	–	–	–	–	(172)	–	(172)	–	(172)
Previously purchased perpetual subordinated bonds sold	–	–	–	–	–	172	–	172	–	172
Revaluation of perpetual subordinated bonds	–	–	–	–	–	(533)	533	–	–	–
Interest on perpetual subordinated bonds	–	–	–	–	–	–	(420)	(420)	–	(420)
Tax effect recognized in respect of perpetual subordinated bonds	–	–	–	–	–	–	(22)	(22)	–	(22)
Issue of ordinary shares (Note 27)	98	–	5,982	–	–	–	–	6,080	–	6,080
As at 30 September 2019 (unaudited)	1,969	–	25,082	347	(173)	6,442	97,619	131,286	1,982	133,268
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	–	–	–	–	–	–	21,174	21,174	681	21,855
Other comprehensive income for the period	–	–	–	(4)	(210)	–	–	(214)	–	(214)
Total comprehensive income	–	–	–	(4)	(210)	–	21,174	20,960	681	21,641
Dividends (Note 27)	–	–	–	–	–	–	–	–	(414)	(414)
Perpetual subordinated bonds issued	–	–	–	–	–	18,808	–	18,808	–	18,808
Perpetual subordinated bonds purchased	–	–	–	–	–	(3,357)	–	(3,357)	–	(3,357)
Revaluation of perpetual subordinated bonds	–	–	–	–	–	6,647	(6,647)	–	–	–
Interest on perpetual subordinated bonds	–	–	–	–	–	–	(1,485)	(1,485)	–	(1,485)
Tax effect recognized in respect of perpetual subordinated bonds	–	–	–	–	–	–	673	673	–	673
Purchase of treasury shares (Note 27)	–	(5,211)	–	–	–	–	–	(5,211)	–	(5,211)
Share-based payments (Note 30)	–	–	585	–	–	–	–	585	–	585
Acquisition of non-controlling interests (Note 33)	–	–	–	–	–	–	–	–	(282)	(282)
Acquisition of a subsidiary (Note 33)	–	–	–	–	–	–	–	–	107	107
As at 30 September 2020 (unaudited)	1,969	(5,211)	25,667	400	(371)	28,289	117,283	168,026	2,123	170,149

The interim consolidated statement of changes in equity is to be read in conjunction with Notes 1 to 36 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 35 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 591 thousand companies, mostly small and medium businesses. The Group operates primarily in the Russian Federation.

The Group has 2,266 offices located in 952 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). Sovcombank closed down some offices because of the COVID-19 pandemic, a lower customer flow and transition to online sales and service channels.

The Group's customers can withdraw and deposit cash through 4,319 ATMs and cash-in terminals (31 December 2019: 4,822 ATMs and cash-in terminals). It withdrew some ATMs and terminals due to a higher share of non-cash transactions and lower cash turnover.

The Group serves 8.3 million customers: 7.6 million borrowers, 0.5 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 16,478 employees (31 December 2019: 15,664 employees).

Shareholders

<i>Shareholders</i>	<i>Ownership, % 30 September 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 30 September 2020 and 31 December 2019 (Note 27).

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>	<i>Ownership, % 30 September 2020</i>	<i>Ownership, % 31 December 2019</i>
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 investment 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 1Q 2020, the Group repurchased 675,000,002 ordinary shares of Sovcombank PJSC from other beneficiaries for RUB 5,211 MM, which accounts for 3.4% of the Group’s share capital. The majority of the repurchased shares previously belonged to 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 owners of the Bank);
- ▶ Aleksey Fisun (one of the ultimate owners of the Bank);
- ▶ Dmitry Khotimskiy (Chief Investment Director of the Bank);
- ▶ Sergey Khotimskiy (First Deputy Chairman of the Bank’s Management Board).

1. Background (continued)

Corporate governance (continued)

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

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

Anatoly Braverman, Nikolai Varma, Joel Lautier and Regina von Flemming are independent directors they 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.

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 operations across various industries. Since March 2020, public capital markets in many sectors of economy, stock exchange, currency and commodity markets were volatile, 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.

Sovcombank has implemented own programs for support of retail borrowers affected by the COVID-19 pandemic and has been involved in a number of government programs for support of the population as well as small and medium-sized businesses. Own programs for support of the population launched by Sovcombank mainly include a decrease in the mandatory minimum regular payments on loans secured by immovable property or vehicles. Government programs for support of small and medium-sized businesses comprise government-subsidized loans mainly to the Bank's current customers.

Quantitative and qualitative effects of COVID-19 presented in Notes 16 and 18. 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 nine months ended 30 September 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 financial statements, and should be read in conjunction with the Group's annual consolidated 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 the *Conceptual Framework for Financial Reporting* (issued on 29 March 2018 and are effective for annual reporting 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);
- ▶ *Definition of Material*: amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and become effective for 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 did not have any significant effect on the Group's financial statements since the Group's current accounting practice was in line with these amendments at their introduction.

The Group receives grants in compensation of shortfalls in interest income in accordance with Regulation No. 696 of the Russian Government *On Approval of the Rules for Providing Federal Grants to the Russian Credit Institutions in Compensation of Shortfalls in Income on Loans Issued to Legal Entities and Private Entrepreneurs in 2020 to Resume Activities* dated 16 May 2020. The Group treats these grants as an integral part of the loans issued and recognizes them as interest income in the consolidated statement of comprehensive income.

3. Reclassifications in the financial statements

In the consolidated financial statements for the year ended 31 December 2019, the Group adjusted gains on the partial settlement of the interbank credit claim of Express-Volga Bank JSC to JSCB Probusinessbank OJSC impaired at initial recognition, received from the insolvency estate on the basis of the resolution of the Arbitration Court during bankruptcy proceeding related to JSCB Probusinessbank OJSC. As a result, the comparative data for the nine-month period ended 30 September 2019 were also adjusted to ensure comparability with the current approach to data presentation.

Effect of the adjustment on the consolidated statement of comprehensive income for the nine months ended 30 September 2019:

	<i>As previously reported RUB MM</i>	<i>Reclassification RUB MM</i>	<i>As adjusted RUB MM</i>
Allowances for credit losses	(5,913)	1,421	(4,492)
Other operating income	2,047	(1,421)	626

Effect of the adjustment on Note 4 "Segment information":

	<i>Treasury – as previously reported</i>	<i>Reclassification</i>	<i>Treasury – as adjusted</i>
Revenue			
Other operating income	2,272	(1,421)	851
Expenses			
Allowances for credit losses	(5,913)	1,421	(4,492)

3. Reclassifications in the financial statements (continued)

Effect of the adjustment on Note 8 "Other operating income":

	<i>As previously reported RUB MM</i>	<i>Reclassification RUB MM</i>	<i>As adjusted RUB MM</i>
Gain on loan repayment obligation to the DIA	1,421	(1,421)	–
Disposal of foreclosed assets	182	–	182
Penalties received	61	–	61
Income from operating sublease	27	–	27
Other	356	–	356
	2,047	(1,421)	626

In the interim financial statements for 2019, the Group considered long-term lease contracts with an early termination option and lease contracts that expire within 12 months from the date of initial application in relation to contracts concluded before 1 January 2019 and from the effective date in relation to contracts concluded after 1 January 2019 with a prerogative renewal option, to be short-term, which is a significant judgment. Liabilities under such lease contracts are expensed on a straight-line basis. In December 2019, the IFRIC published its final decision on the determining of the lease term for contracts that contain an early termination option or a renewal option, and clarified that determination of the lease term should be based on the economic substance of the transaction and not on the formal existence of options. In connection with this, the Group revised its accounting policies and recognized right-of-use assets and liabilities as at 1 January 2019 in line with the IFRIC recommendation. Therefore comparatives for the nine months ended 30 September 2019 were adjusted to ensure comparability with current presentation.

Effect of the adjustment on the consolidated statement of comprehensive income for the nine months ended 30 September 2019:

	<i>As previously reported RUB MM</i>	<i>Reclassification RUB MM</i>	<i>As adjusted RUB MM</i>
Interest expense	(33,394)	(426)	(33,820)
Other general and administrative expenses	(11,689)	426	(11,263)

Effect of the adjustment on Note 4 "Segment information":

	<i>Retail – as previously reported</i>	<i>Reclassification</i>	<i>Retail – as adjusted</i>
Expenses			
Interest expense	(18,259)	(426)	(18,685)
Other expenses	(8,279)	426	(7,853)

The effect of the adjustments on Note 11 Other general and administrative expenses and Note 5 Net interest income is as follows:

	<i>As previously reported RUB mln</i>	<i>Reclassification RUB mln</i>	<i>As adjusted RUB mln</i>
Other general and administrative expenses			
Leases	(2,122)	1,945	(177)
Depreciation of right-of-use assets	–	(1,519)	(1,519)
Interest expense			
Lease liabilities	–	(426)	(426)

4. Segment information

The Group has three operating segments:

- ▶ **Retail banking ("Retail"):** providing banking services to low-income retail customers, individual entrepreneurs and small businesses located primarily in small towns. The key retail products include installment cards "Halva", mortgages, car and consumer loans, term deposits and current accounts, and a wide range of insurance products of Sovcombank Insurance JSC (before April 2020 – Liberty Insurance JSC) and of third-party insurance companies.
- ▶ **Corporate banking ("CB"):** rendering banking services, mainly to medium-sized and major Russian corporations, state-owned enterprises and constituent entities of the Russian Federation, as well as small and medium enterprises. The key CB's products include loans, arrangement of bond issues, trade finance, transactions with precious metals, term deposits and current accounts, as well as settlement and cash services. CB also enables small and medium-sized businesses and individual entrepreneurs to access public procurement market via the Group's digital platform.
- ▶ **Treasury and capital management ("Treasury"):** managing portfolio of securities; managing capital, risk and liquidity of the Group; foreign exchange dealings, trading derivative financial instruments and other transactions, including those related to non-banking activities.

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

	For the nine months ended 30 September 2020 (unaudited)				
	<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	45,201	19,714	34,651	–	99,566
Fee and commission income	16,105	7,009	962	–	24,076
Net gain on derecognition of financial assets at amortized cost	–	–	1,086	–	1,086
Net gain on foreign exchange and transactions with precious metals	12	1,536	8,402	–	9,950
Net gain on derecognition of financial assets at FVOCI	45	–	1	–	46
Other operating income	94	185	702	–	981
Revenue and other gains from other non- banking business	2,969	–	1,333	–	4,302
Inter-segment revenue	5,648	2,926	–	(8,574)	–
Total revenue	70,074	31,370	47,137	(8,574)	140,007
Expenses					
Interest expense	(16,291)	(11,361)	(11,453)	–	(39,105)
Obligatory deposit insurance	(1,352)	(207)	–	–	(1,559)
Fee and commission expense	(4,733)	(580)	(425)	–	(5,738)
Allowances for credit losses	(14,400)	(3,287)	523	–	(17,164)
Net loss on financial instruments at FVPL	57	622	(13,141)	–	(12,462)
Other impairment and provisions	–	141	(1,803)	–	(1,662)
Personnel expenses	(11,447)	(5,314)	(2,039)	–	(18,800)
Other expenses	(7,503)	(1,460)	(3,422)	–	(12,385)
Cost and other losses from other non-banking business	(2,587)	–	(1,261)	–	(3,848)
Inter-segment expenses	–	–	(8,574)	8,574	–
Total expenses	(58,256)	(21,446)	(41,595)	8,574	(112,723)
Segment results	11,818	9,924	5,542	–	27,284
Income tax expense					(5,429)
Profit for the period					21,855

4. Segment information (continued)

	<i>For the nine months ended 30 September 2019 (restated) (unaudited)</i>				
	<i>Retail RUB MM</i>	<i>CB RUB MM</i>	<i>Treasury RUB MM</i>	<i>Adjustments RUB MM</i>	<i>Total RUB MM</i>
Revenue					
Interest income	32,108	14,805	29,003	–	75,916
Fee and commission income	17,668	5,903	172	–	23,743
Net gain on financial instruments at FVPL	–	167	1,408	–	1,575
Net gain on derecognition of financial assets at amortized cost	–	–	674	–	674
Net gain on foreign exchange and transactions with precious metals	–	990	622	–	1,612
Other operating income	9	150	692	–	851
Revenue and other gains from other non-banking business	–	–	1,898	–	1,898
Inter-segment revenue	7,769	5,463	–	(13,232)	–
Total revenue	57,554	27,478	34,469	(13,232)	106,269
Expenses					
Interest expense	(18,685)	(10,248)	(4,887)	–	(33,820)
Obligatory deposit insurance	(1,626)	(260)	–	–	(1,886)
Fee and commission expense	(4,809)	(474)	(418)	–	(5,701)
Allowances for credit losses	(4,685)	(1,420)	1,613	–	(4,492)
Other impairment and provisions	–	(1,199)	(1,674)	–	(2,873)
Personnel expenses	(10,627)	(3,842)	(2,406)	–	(16,875)
Other expenses	(7,853)	(1,274)	(2,136)	–	(11,263)
Cost and other losses from other non-banking business	–	–	(1,958)	–	(1,958)
Inter-segment expenses	–	–	(13,232)	13,232	–
Total expenses	(48,285)	(18,717)	(25,098)	13,232	(78,868)
Segment results	9,269	8,761	9,371	–	27,401
Income tax expense					(5,467)
Profit for the period					21,934

4. Segment information (continued)

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

	30 September 2020 (unaudited)			
	Retail	CB	Treasury	Total
	RUB MM	RUB MM	RUB MM	RUB MM
Segment assets				
Cash and cash equivalents	19,996	24,014	86,641	130,651
Mandatory cash balances with the CBR	2,873	4,709	–	7,582
Placements with banks	1,294	14,196	29,607	45,097
Bank bonds at amortized cost	–	–	14,225	14,225
Financial instruments at FVPL	363	21,601	458,030	479,994
Investment securities at FVOCI	1,346	–	156,152	157,498
Loans to customers at amortized cost	286,792	282,462	52	569,306
Bonds at amortized cost	–	–	111,803	111,803
Change in the fair value of hedged assets	–	–	2,972	2,972
Investments in associates	–	–	653	653
Investments in joint ventures	–	–	417	417
Investment property	–	53	–	53
Property and equipment and intangible assets	5,157	2,232	3,023	10,412
Right-of-use assets	87	–	3,999	4,086
Goodwill	–	585	1,077	1,662
Current income tax asset	–	–	2,766	2,766
Deferred tax asset	236	–	177	413
Other assets	4,736	15,664	6,117	26,517
	322,880	365,516	877,711	1,566,107
Segment liabilities				
Due to the CBR	–	1,550	623	2,173
Due to banks	–	10,627	365,953	376,580
Due to customers	407,105	464,929	351	872,385
Debt securities issued	–	2,543	31,285	33,828
Other borrowed funds	–	–	21,178	21,178
Deferred tax liability	–	–	1,756	1,756
Current income tax payable	7	–	51	58
Subordinated debt	–	–	32,049	32,049
Other liabilities	3,770	6,775	45,406	55,951
	410,882	486,424	498,652	1,395,958

4. 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
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;
- ▶ “Financial instruments at FVPL” include bonds where the Group acted as an underwriter;
- ▶ “Obligatory reserve with the CBR” includes mandatory cash deposit with the CBR to secure the Bank's liabilities to the corporate customers;
- ▶ “Placements with banks” relate to the collateral placed with the banks for derivative financial instrument contracts with CB customers;
- ▶ “Goodwill” is goodwill recorded on the Group's balance sheet as a result of the acquisition of online platform for public procurement RTS-Tender and RTS-Holding;
- ▶ “Debt securities issued” are interest-bearing and discount promissory notes issued by the Group.

The Treasury balance sheet items included the following:

- ▶ “Cash and cash equivalents” are short-term repo transactions with Russian and foreign banks, as well as with Moscow Exchange Group;
- ▶ “Placements with banks” represent collateral for derivative financial instruments, correspondent accounts;
- ▶ “Loans to customers at amortized cost” are loans issued as part of mezzanine lending;
- ▶ “Property and equipment and intangible assets”, “Deferred tax asset” are intangible assets and deferred tax assets received by the Group due to business combination;
- ▶ “Due to banks” mainly include funds raised with repurchase agreements with the Russian and foreign banks and Moscow Exchange Group;
- ▶ “Due to customers” relate to amounts due under repo agreements;
- ▶ “Debt securities issued” are Group bonds;
- ▶ “Other borrowed funds” is the loan issued by the DIA to Sovcombank for the financial rehabilitation of Express-Volga Bank JSC (Note 24);
- ▶ “Other liabilities” are liabilities under derivative financial instruments, including currency contracts, currency and interest rate swaps, and other derivative financial instruments recorded at fair value.

5. Net interest income

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	2020	2019	2020	2019
	RUB MM	(restated) RUB MM	RUB MM	(restated) RUB MM
Interest income calculated using the EIR method				
Retail loans	15,624	11,338	43,728	31,774
Consumer loans	4,793	3,455	13,907	10,358
Car loans	3,729	3,484	11,203	9,731
Mortgage loans	2,477	2,443	7,480	6,938
Installment cards	4,625	1,956	11,138	4,747
Corporate loans	5,987	5,470	17,326	15,352
Financial instruments at FVOCI	1,902	–	6,509	–
Bonds at amortized cost	1,951	2,098	5,624	7,013
Placements with banks and financial institutions	293	563	1,045	1,223
Bank bonds at amortized cost	239	508	786	1,278
Total interest income calculated using the EIR method	25,996	19,977	75,018	56,640
Other interest income				
Financial instruments at FVPL	8,356	4,161	19,384	13,433
Net gains on foreign currency swaps	654	2,339	3,929	5,843
Finance leases	431	–	1,235	–
Total other interest income	9,441	6,500	24,548	19,276
Total interest income	35,437	26,477	99,566	75,916
Interest expense				
<i>Due to customers</i>				
<u>Individuals</u>				
Term deposits	(5,347)	(6,307)	(17,027)	(18,093)
Current accounts and demand deposits	(347)	(668)	(1,100)	(1,993)
<u>Legal entities</u>				
Term deposits	(2,718)	(2,938)	(8,681)	(7,501)
Current accounts and demand deposits	(135)	(190)	(541)	(525)
Amounts payable under repo	(4)	–	(102)	–
Due to banks	(2,433)	(423)	(5,778)	(1,954)
Other borrowed funds	(735)	(642)	(2,127)	(1,847)
Subordinated debt	(631)	(231)	(1,884)	(693)
Promissory notes and bonds issued	(654)	(393)	(1,525)	(788)
Lease liabilities (Note 3)	(115)	(135)	(340)	(426)
Total interest expense	(13,119)	(11,927)	(39,105)	(33,820)
Obligatory deposit insurance	(534)	(632)	(1,559)	(1,886)
Net interest income	21,784	13,918	58,902	40,210

“Finance lease” of “Other interest income” includes income received by the Group under lease agreements.

Interest income on installment cards “Halva” calculated using the EIR method includes fees from partner companies of the Halva program. For the nine months of 2020, this income was RUB 1,510 MM (nine months of 2019: RUB 1,043 MM).

The bank offers holders of installment cards “Halva” a range of additional services, income from which the bank recognizes as interest income calculated using the EIR method. For the nine months of 2020, the fee for such additional services were RUB 5,138 MM (nine months of 2019: RUB 209 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.

5. Net interest income (continued)

Sovcombank's retail customers 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 installment card "Halva" per month;
- ▶ The customer is a participant of the financial protection program.

The amount of MRG fees has reached RUB 4.4 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.

6. Fee and commission income

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Financial protection program	4,130	3,562	9,764	9,248
Card operations	1,937	2,348	5,132	6,606
Issuance of bank guarantees	1,138	767	2,889	2,156
Settlement operations	897	833	2,478	2,368
Income from electronic trading platforms	588	625	1,860	1,726
Agent fee for selling insurance products	99	184	444	476
Securities underwriting	276	140	546	398
Currency control	140	130	350	369
Lending operations	62	6	230	146
Cash operations	46	50	120	144
Other	71	34	263	106
	9,384	8,679	24,076	23,743

For the nine months of 2020, "Card operations" include, but not limited to, fee and commission income of RUB 2,150 MM from additional services rendered to retail customers (nine months of 2019: RUB 3,465 MM).

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

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Dealing	(635)	224	(4,334)	178
Net gain on transactions with derivative financial instruments and precious metals	(17,195)	(1,631)	(12,321)	6,182
Foreign exchange differences	23,629	2,022	26,605	(4,748)
	5,799	615	9,950	1,612

In its other interest income, the Group recognizes net gain on swap transactions with the exchange (Note 5). In Q4 2019, the Group changed its approach to recording net gain on swap transactions with the exchange. The following reclassifications were made to comparatives for the nine months of 2019 to conform with the current presentation:

	<i>As previously reported RUB MM</i>	<i>Adjustment due to change in presentation RUB MM</i>	<i>As adjusted RUB MM</i>
Dealing	10,067	(9,889)	178
Net gain on transactions with derivative financial instruments and precious metals	4,519	1,663	6,182
Foreign exchange differences	(12,974)	8,226	(4,748)

7. Net gain on foreign exchange and transactions with precious metals and derivative financial instruments (continued)

“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” represents 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 currency revaluation of net assets and liabilities denominated in foreign currencies and precious metals. For the nine months of 2020, foreign exchange differences include, in particular, the currency revaluation of financial instruments at FVPL denominated in foreign currency in the amount RUB 42,918 MM (nine months of 2019: RUB (9,152) MM).

8. Other operating income

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 (restated) RUB MM</i>	<i>2020 RUB MM</i>	<i>2019 (restated) RUB MM</i>
Bargain purchase gain (Note 33)	–	–	432	–
Disposal of foreclosed assets	69	(5)	208	182
Gain on derecognition of leases	17	–	94	–
Income from operating sublease	16	9	48	27
Penalties received	15	12	39	61
Operations on electronic trading platforms	13	–	31	–
Other	84	59	124	356
	214	75	976	626

“Bargain purchase gain” is a difference between the fair value of net assets of Sovcombank Insurance JSC and VCABANK JSC and the investments at the date of the acquisition of control over these entities by the Group. Control over Sovcombank Insurance JSC (“Liberty Mutual” before the acquisition) and VCABANK was acquired in Q1 2020. See Note 33 for details.

9. Other non-banking activity

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Revenue and other gains from insurance services	1,199	–	3,082	–
Revenue and other gains from software implementation and support services	356	510	1,053	1,124
Revenue and other gains from ATM maintenance services	–	290	167	774
Revenue and other gains from other non-banking business	1,555	800	4,302	1,898
Cost and other losses from insurance services	(999)	–	(2,587)	–
Cost and other losses from software implementation and support services	(402)	(478)	(1,085)	(1,240)
Cost and other losses from ATM maintenance services	–	(290)	(176)	(718)
Cost and other losses from other non-banking business	(1,401)	(768)	(3,848)	(1,958)
Net (loss)/gains from other non-banking activity	154	32	454	(60)

10. Personnel expenses

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	2020	2019	2020	2019
	RUB MM	RUB MM	RUB MM	RUB MM
Payroll, including bonuses	(5,109)	(4,379)	(15,007)	(13,492)
Payroll-related taxes	(1,160)	(1,013)	(3,793)	(3,383)
	(6,269)	(5,392)	(18,800)	(16,875)

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.

11. Other general and administrative expenses

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	2020	2019	2020	2019
	RUB MM	(restated) RUB MM	RUB MM	(restated) RUB MM
Professional and cash collection services	(700)	(523)	(2,080)	(1,445)
Advertising and marketing	(634)	(616)	(1,836)	(2,006)
Depreciation of right-of-use assets	(554)	(518)	(1,625)	(1,519)
Telecommunication and postal services	(367)	(304)	(1,107)	(994)
Amortization of intangible assets	(353)	(374)	(1,050)	(1,126)
Software support	(374)	(327)	(1,045)	(786)
Inventory	(193)	(212)	(756)	(543)
Maintenance of property and equipment	(228)	(202)	(604)	(621)
Transport and business travel	(134)	(199)	(501)	(667)
Depreciation of property and equipment	(134)	(124)	(418)	(368)
Leases	(115)	(62)	(335)	(177)
Security	(69)	(82)	(210)	(239)
Property insurance	(45)	(30)	(138)	(97)
Taxes other than income tax	(23)	(22)	(90)	(132)
Other	(195)	(168)	(590)	(543)
	(4,118)	(3,763)	(12,385)	(11,263)

12. Other impairment and provisions

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	2020	2019	2020	2019
	RUB MM	RUB MM	RUB MM	RUB MM
Litigations	(124)	(164)	(340)	(650)
Contingencies	(145)	(47)	(282)	(1,004)
Foreclosed assets	(69)	(23)	(120)	(52)
Impairment of investments in associates	(15)	–	(78)	–
Goodwill impairment	–	(170)	(34)	(470)
Other assets	(501)	(173)	(808)	(697)
	(854)	(577)	(1,662)	(2,873)

The provisions for litigations relate to the litigations:

- ▶ The litigation initiated by OJSC Probusinessbank's creditors against its bankruptcy administrator, a representative of the Deposit Insurance Agency, with regard to certain transactions occurred before the date on which Probusinessbank was declared bankrupt by the arbitration court;
- ▶ Litigations by individuals regarding reimbursement of paid fees and insurance contributions;
- ▶ Litigations initiated by beneficiaries of certain bank guarantees issued by Sovcombank in relation to bank's rejection of the claims by these guarantee beneficiaries.

12. Other impairment and provisions (continued)

For the nine months of 2019, the impairment of goodwill of RUB 470 MM relates to impairment of goodwill of the Group's subsidiaries, GMCS Management LLC and BTE LLC.

Provisions for contingencies mainly 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 (both laws relate to the public procurement). These provisions decreased because the Group strengthened its risk expertise after the acquisition of Rosevrobank and subsequent adoption of Sovcombank of its risk management and underwriting expertise.

Changes in "Other impairment and provisions" for the nine months ended 30 September 2020 and 2019 are as follows:

	<i>Provision for other assets RUB MM</i>	<i>Provision for litigations RUB MM</i>	<i>Provision for contingencies RUB MM</i>	<i>Impairment of investments in associates RUB MM</i>	<i>Provision for foreclosed assets RUB MM</i>	<i>Total RUB MM</i>
As at 1 January 2019	681	1,165	1,544	407	44	3,841
Increase/(decrease)	697	650	1,004	–	52	2,403
Write-off	(553)	–	–	–	–	(553)
Settlement of liabilities	132	(979)	–	–	(3)	(850)
As at 30 September 2019 (unaudited)	957	836	2,548	407	93	4,841
As at 1 January 2020	1,230	827	2,754	407	137	5,355
Increase/(decrease)	808	340	282	78	120	1,628
Write-off	(532)	–	–	–	–	(532)
Settlement of liabilities	–	(624)	–	–	–	(624)
Business combination effect	–	–	–	–	57	57
As at 30 September 2020 (unaudited)	1,506	543	3,036	485	314	5,884

An increase in provisions for contingencies by RUB 282 MM for the nine months of 2020 reflects the Group's projections of losses on bank guarantees calculated based on statistical data and on an individual basis.

13. Income tax expense

	<i>For the three months ended 30 September (unaudited)</i>		<i>For the nine months ended 30 September (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Current income tax	(1,695)	(2,050)	(3,016)	(8,727)
Origination of temporary differences	(1,272)	(180)	(2,413)	3,260
	(2,967)	(2,230)	(5,429)	(5,467)

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

14. Cash and cash equivalents

	<i>30 September 2020 (unaudited) RUB MM</i>	<i>31 December 2019 RUB MM</i>
Due from the CBR	74,777	50,913
Nostro accounts with Russian banks and financial institutions	39,326	40,703
Cash on hand	13,851	10,511
Short-term deposits and reverse repo transactions with Russian banks and financial institutions maturing in less than 90 days	1,526	4,462
Nostro accounts with OECD banks	988	945
Short-term deposits with OECD banks maturing in less than 90 days	183	227
Total cash and cash equivalents	130,651	107,761

14. Cash and cash equivalents (continued)

Cash on hand includes cash in ATMs and in transit.

“Cash on hand” includes cash in ATMs and in transit. As at 30 September 2020, “short-term deposits and reverse repo transactions with Russian banks and financial institutions maturing in less than 90 days” primarily include transactions with Non-banking Credit Institution National Clearing Center (JSC), a company of the Moscow Exchange Group, which has BBB credit rating assigned by Fitch.

15. Placements with banks and bank bonds at amortized cost

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Collateral for derivative financial instruments and repo	28,845	7,076
Term deposits with banks	15,631	9,574
Bank bonds and Eurobonds held by the Group	13,560	8,232
Bank bonds and Eurobonds pledged under repo	707	10,562
Repo	763	584
Total placements with banks and bank bonds at amortized cost	59,506	36,028
Less: allowance for impairment	(184)	(167)
Placements with banks and bank bonds at amortized cost, net	59,322	35,861

The increase in “Collateral for derivative financial instruments and repo” is due to a lower LIBOR rate and a growing number of transactions with derivative financial instruments.

As at 30 September 2020 and 31 December 2019, all bank bonds at amortized cost were included in Stage 1 and allowance for ECL was RUB 42 MM and RUB 45 MM, respectively.

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:

	30 September 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-	9,601	8,884
Banks with credit rating from BB+ to BB-	4,666	8,882
Total bank bonds at amortized cost	14,267	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 credit ratings from several international rating agencies, only the highest rating is taken into account:

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Placements with banks		
Banks with credit rating from AA+ to AA-	2,409	464
Banks with credit rating from A+ to A-	20,957	6,243
Banks with credit rating from BBB+ to BBB-	7,495	953
Banks with credit rating from BB+ to BB-	9,178	6,578
Banks with credit rating from B+ to B-	5,200	1,966
Unrated banks	–	1,030
Total placements with banks	45,239	17,234

16. Financial instruments at FVPL

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Held by the Group		
Corporate bonds and Eurobonds	162,357	99,309
Bonds and Eurobonds of companies with Russian state participation	140,798	55,640
Russian subfederal and municipal bonds	20,536	30,664
Corporate shares and units	8,367	98
Russian State bonds (OFZ)	5,634	1
Shares of companies with Russian state participation	4,954	2,265
Derivative financial instruments	3,492	2,419
Foreign government bonds and Eurobonds	3,488	1,122
Eurobonds of the Russian Federation	1,865	388
Total financial instruments at FVPL held by the Group	351,491	191,906
Pledged under repo		
Corporate bonds and Eurobonds	62,286	33,160
Bonds and Eurobonds of companies with Russian state participation	50,776	24,306
Russian subfederal and municipal bonds	14,509	–
Eurobonds of the Russian Federation	928	–
Shares of companies with Russian state participation	4	–
Foreign government bonds	–	230
Total financial instruments at FVPL pledged under repo	128,503	57,696
Total financial instruments at FVPL	479,994	249,602

Investments in units represent a seed investment in a mutual investment fund registered in Ireland and regulated by the Central Bank of Ireland. The investment's objective is to make profit from investments in high-yield securities denominated in US dollars.

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 the nine months of 2020 were RUB (12,462) MM.

Securities at FVPL

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

	30 September 2020 (unaudited)		31 December 2019	
	RUB MM	%	RUB MM	%
Transport and infrastructure	89,491	18.8%	38,759	15.7%
Leasing	50,923	10.7%	29,793	12.1%
Petrochemicals	49,141	10.3%	11,699	4.7%
Government and municipal institutions	46,959	9.9%	32,405	13.1%
Banks	47,408	9.9%	29,757	12.0%
Mining	35,979	7.6%	17,435	7.1%
Energy	22,950	4.8%	8,244	3.3%
Metallurgy	21,943	4.6%	14,657	5.9%
Manufacturing	18,843	4.0%	8,304	3.4%
Trade	16,773	3.5%	6,355	2.6%
Other financial institutions	15,407	3.2%	3,728	1.5%
Agriculture and food processing	12,934	2.7%	9,015	3.7%
State financial development institutions	12,198	2.6%	9,737	3.9%
Telecommunications	8,747	1.8%	6,758	2.7%
Chemical and pharmaceutical industry	8,691	1.8%	6,827	2.8%
Construction and development	7,317	1.6%	7,710	3.1%
Services	4,856	1.0%	2,126	0.9%
Commercial real estate	3,312	0.7%	1,334	0.5%
Diversified holdings	2,088	0.4%	2,540	1.0%
Residential real estate	447	0.1%	–	–
Other industries	95	0.0%	–	–
	476,502	100.0%	247,183	100.0%

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

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

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Securities at FVPL		
Issuers with credit rating from AA+ to AA-	1,616	–
Issuers with credit rating from A+ to A-	2,793	487
Issuers with credit rating from BBB+ to BBB-	174,225	59,534
Issuers with credit rating from BB+ to BB-	205,695	146,562
Issuers with credit rating from B+ to B-	50,070	20,561
Issuers with credit rating below B-	411	–
Unrated issuers	41,692	20,039
Total securities at FVPL	476,502	247,183

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

	30 September 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>Investments in mutual investment fund</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>
Securities at FVPL							
Issuers with credit rating from AA+ to AA-	14,962	367	–	15,329	6,785	–	6,785
Issuers with credit rating from A+ to A-	1,519	2,027	–	3,546	1,025	1,654	2,679
Issuers with credit rating from BBB+ to BBB-	1,419	7,654	–	9,073	733	4,178	4,911
Issuers with credit rating from BB+ to BB-	14	651	–	665	–	1,279	1,279
Unrated issuers	1,292	3,592	8,195	13,079	–	4,385	4,385
	19,206	14,291	8,195	41,692	8,543	11,496	20,039

As at 30 September 2020, maturities of these securities were within the following range: October 2020 – May 2060 (31 December 2019: February 2020 – June 2047).

The coupon rates ranged from 3.0% to 12.8% for USD-denominated debt securities, from 3.0% to 5.2% for EUR-denominated debt securities, from 7.5% to 9.5% for GBP-denominated debt securities, and from 2.0% to 16.0% for RUB-denominated debt securities (31 December 2019: 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 30 September 2020, the share of the largest corporate issuer, a company with Russian state participation, in the aggregate portfolio of securities at FVPL was 12.0%. The maturity of bonds of this issuer ranged from June 2024 to April 2041; the coupon rate ranged from 6.6% to 9.9% (31 December 2019: the share of the largest issuer was 8.6%; the maturities of this issuer's bonds 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 using derivative financial instruments.

16. Financial instruments at FVPL (continued)**Derivative financial instruments (continued)**

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

	30 September 2020			31 December 2019		
	(unaudited)					
	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	180,983	1,493	17,841	135,078	798	5,970
Interest rate swaps – Russian counterparties	46,842	5	1,757	30,953	231	–
Cross currency interest rate swaps – foreign counterparties	21,854	129	1,779	2,422	22	15
Cross currency interest rate swaps – Russian counterparties	19,543	–	2,174	–	–	–
Currency swaps – Russian counterparties	60,744	191	2,122	7,884	3	89
Currency swaps – foreign counterparties	45,441	712	1,283	16,704	100	49
Currency forwards and options – foreign counterparties	9	–	1	114	–	–
Currency forwards and options – Russian counterparties	9,312	38	628	2,936	68	3
Credit default swaps – foreign counterparties	16,734	65	2,916	6,810	290	361
Precious metals contracts – foreign counterparties	13,138	43	283	11,692	17	148
Precious metals contracts – Russian counterparties	5,038	282	29	2,200	44	3
Securities and indices contracts – foreign counterparties	10,955	356	–	6,973	846	–
Securities and indices contracts – Russian counterparties	2,369	178	280	139	–	–
Total derivative assets or liabilities	432,962	3,492	31,093	223,905	2,419	6,638

17. 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.

The Group hedges the portfolio of bonds measured at amortized cost and denominated in US dollars. As at 30 September 2020, the carrying amounts of hedged bonds included in “Placements with banks and bank bonds at amortized cost” (Note 15) and “Loans to customers and bonds at amortized cost” (Note 18) were RUB 14,267 MM (31 December 2019: RUB 17,766 MM) and RUB 87,865 MM (31 December 2019: RUB 78,871 MM), respectively. For the nine months of 2020, the Group did not identify new hedged items.

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 30 September 2020, their nominal value was RUB 99,629 MM, average maturity is 4 years (31 December 2019: RUB 86,167 MM and 4.8 years).

As at 30 September 2020, the effect of applying the hedge was RUB 2,972 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 nine months ended 30 September 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 3,667 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 estimated at the commencement of hedge accounting.

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

A hedge may be ineffective due to the following factors:

- ▶ Difference between timing of cash flows associated with the hedged item and the hedging 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 30 September 2020 and 31 December 2019 is presented in the table below:

	30 September 2020 (unaudited)		31 December 2019		
	Nominal value RUB MM	Carrying amount RUB MM	Nominal value RUB MM	Carrying amount RUB MM	Item of the statement of financial position
Interest rate swaps	99,629	(6,202)	86,167	(1,984)	Financial instruments at FVPL

The effect of the hedged item on the statement of financial position as at 30 September 2020 and 31 December 2019 is presented in the table below:

	30 September 2020 (unaudited)		31 December 2019		
	Carrying amount RUB MM	Accumulated fair value adjustments RUB MM	Carrying amount RUB MM	Accumulated fair value adjustments RUB MM	Item of the statement of financial position
Corporate bonds at amortized cost	87,865	2,619	78,871	(556)	Loans to customers and bonds at amortized cost
Bank bonds at amortized cost	14,267	353	17,766	(139)	Placements with banks and bank bonds at amortized cost
	102,132	2,972	96,637	(695)	

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

18. Loans to customers and bonds at amortized cost

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Retail loans		
Car loans	110,151	101,943
Mortgage loans	74,362	68,046
Consumer loans	65,944	60,947
Installment cards	57,895	43,206
Total retail loans	308,352	274,142
Corporate loans and bonds at amortized cost		
Corporate loans	216,732	160,286
Corporate bonds and Eurobonds	70,844	62,539
Loans to small businesses and other loans to customers*	68,720	53,876
Bonds and Eurobonds of companies with Russian state participation	31,887	35,055
Russian subfederal and municipal bonds	5,267	11,803
Loans to constituent entities and municipalities of the Russian Federation	6,484	7,205
Eurobonds of the Russian Federation	4,181	3,223
Total corporate loans and bonds at amortized cost	404,115	333,987
Total loans to customers and bonds at amortized cost	712,467	608,129
Less: allowance for loan impairment	(31,358)	(22,909)
Loans to customers and bonds at amortized cost, net	681,109	585,220

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

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

Car loans are loans for financing purchase of a car, which then pledged as collateral for the loan, or are cash loans secured by a car already owned by a borrower.

As at 30 September 2020, mortgage loans of RUB 47,250 MM are loans issued for the purchase of residential housing (31 December 2019: RUB 40,858 MM) and mortgage loans of RUB 27,112 MM are loans secured by the pledge of already owned real estate (31 December 2019: RUB 27,188 MM).

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

Installment cards allow customers to pay for goods over two to thirty six months in installments. 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 plans provided to the customer. The customer repays loan principal in even installments during the installment period. If necessary, customers may receive additional services related to installment cards, for which fees may be charged. 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 and their debt burden. The bank may change these limits from time to time.

In July 2020, Sovcombank closed the acquisition of "Sovest" installment card project from QIWI plc and PJSC AK Bars Bank. Sovcombank acquired the installment card portfolio with a nominal amount of RUB 8.2 BN before allowance for a consideration of RUB 5.6 BN. The transaction covers all assets of the "Sovest" and all intellectual property rights (including brands and domains).

As at 30 September 2020, credit and installment cards comprised receivables from customers of RUB 55,597 MM (31 December 2019: RUB 40,353 MM) in respect of Halva cards and of RUB 2,298 MM (31 December 2019: RUB 2,853 MM) in respect of credit cards. The Halva card portfolio includes net receivables totaling RUB 7,301 MM from customers who joined Sovcombank upon purchase of the "Sovest" business in Q3 2020.

The total number of Halva cards issued is 5.9 million. Sovcombank acquired its credit card portfolio in the course of mergers and acquisitions earlier.

As at 30 September 2020, the Group entered into legally binding contracts with 52.6 thousand companies operating 197.6 thousand retail and online stores (31 December 2019: 48.8 thousand legal entities operating 181.1 thousand retail and online stores) to enable these companies to sell their goods or services when the customers pay by Halva cards. The bank records fees and commissions received from the partners of Halva program as interest income calculated using the EIR method (Note 5).

During the nine months of 2020, the Group recognized net profit as from the derecognition of bonds at amortized value (corporate bonds, bonds of companies partially or fully owned by the state, Russian subfederal and municipal bonds, bank bonds) in the amount of RUB 1,086 MM (nine months of 2019: RUB 674 MM). The profit resulted from the redemption of bonds at amortized cost at offer, as well as the sale of bonds after a revision of the Group's securities portfolio management strategy in 2019.

As at 30 September 2020, the carrying amount of loans issued to the Group's ten largest borrowers was RUB 117,182 MM representing 29.0% of corporate loans and bonds at amortized cost portfolio or 7.5% of the Group's total assets. As at 31 December 2019, the carrying amount of loans issued to the Group's ten largest borrowers was RUB 91,428 MM representing 27.4% of corporate loans and bonds at amortized cost portfolio or 8.1% of the Group's total assets. As at 30 September 2020, the Group recorded a provision for impairment of loans issued to the ten largest borrowers in the amount of RUB 849 MM (31 December 2019: RUB 780 MM).

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:

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Bonds at amortized cost		
Issuers with credit rating from BBB+ to BBB-	22,294	25,806
Issuers with credit rating from BB+ to BB-	67,322	69,556
Issuers with credit rating from B+ to B-	15,262	1,238
Unrated issuers	7,301	16,020
Total bonds at amortized cost	112,179	112,620

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

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

	30 September 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
Bonds at amortized cost						
Issuers with credit rating from AA+ to AA-	–	–	–	1,802	–	1,802
Issuers with credit rating from A+ to A-	–	1,037	1,037	–	945	945
Issuers with credit rating from BBB+ to BBB-	2,752	50	2,802	3,396	4,626	8,022
Issuers with credit rating from BB+ to BB-	–	372	372	–	658	658
Issuers unrated by Russian rating agencies	–	3,090	3,090	1,458	3,135	4,593
	2,752	4,549	7,301	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:

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Manufacturing	44,135	28,851
State financial development institutions	37,802	38,087
Transport and infrastructure	18,543	16,745
Mining	17,491	7,799
Residential real estate	15,291	4,350
Trade	14,250	14,162
Commercial real estate	12,224	11,459
Petrochemicals	10,244	9,533
Other financial institutions	7,959	1,320
Chemical and pharmaceutical industry	7,420	1,480
Construction and development	6,562	3,102
Metallurgy	5,614	4,211
Services	4,850	5,366
Leasing	4,685	3,591
Telecommunications	2,686	2,665
Agriculture and food processing	621	3,371
Energy	507	2,693
Other	5,848	1,501
	216,732	160,286

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

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Metallurgy	25,048	22,123
Mining	18,940	16,628
Transport and infrastructure	11,356	9,042
Manufacturing	7,174	5,482
Leasing	3,944	3,829
Construction and development	3,806	4,891
Diversified holdings	492	480
Telecommunications	84	64
	70,844	62,539

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

The tables below show the analysis of movements in allowances for ECL on retail loans for the nine months ended 30 September 2020 (unaudited).

<i>Consumer loans</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2020	1,965	508	3,163	5,636
Transfers to Stage 2	(27)	27	–	–
Transfers to Stage 3	(161)	(447)	608	–
Increase/(decrease) for the period	1,038	551	3,246	4,835
Write-offs	–	–	(3,128)	(3,128)
Recovery of write-offs*	–	–	699	699
Balance as at 30 September 2020	2,815	639	4,588	8,042

<i>Car loans</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2020	1,271	359	1,842	3,472
Transfers to Stage 2	(11)	11	–	–
Transfers to Stage 3	(50)	(272)	322	–
Increase/(decrease) for the period	753	260	2,309	3,322
Write-offs	–	–	(1,713)	(1,713)
Recovery of write-offs	–	–	–	–
Balance as at 30 September 2020	1,963	358	2,760	5,081

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

<i>Mortgage loans</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2020	816	198	1,501	2,515
Transfers to Stage 2	(14)	14	–	–
Transfers to Stage 3	(44)	(87)	131	–
Increase/(decrease) for the period	541	199	1,095	1,835
Write-offs	–	–	(876)	(876)
Recovery of write-offs	–	–	–	–
Balance as at 30 September 2020	1,299	324	1,851	3,474

<i>Installment cards</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	1,149	219	1,265	–	2,633
Transfers to Stage 2	(10)	10	–	–	–
Transfers to Stage 3	(81)	(194)	275	–	–
Increase/(decrease) for the period	1,152	229	2,618	102	4,101
Write-offs	–	–	(1,228)	–	(1,228)
Recovery of write-offs	–	–	–	–	–
Balance as at 30 September 2020	2,210	264	2,930	102	5,506

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

The tables below show the analysis of movements in allowances for ECL on corporate loans and bonds at amortized cost for the nine months ended 30 September 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	533	599	374	420	1,926
Write-offs	–	–	(1,453)	(658)	(2,111)
Recovery of write-offs	–	–	353	–	353
Balance as at 30 September 2020	2,319	654	2,639	241	5,853

***Bonds at amortized cost
(subfederal and municipal bonds,
Eurobonds of 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	(49)	–	–	(49)
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
Balance as at 30 September 2020	376	–	–	376

***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	(7)	–	–	(7)
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
Balance as at 30 September 2020	36	–	–	36

***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	(5)	5	–	–	–
Transfers to Stage 3	(10)	(98)	108	–	–
Increase/(decrease) for the period	462	183	198	(55)	788
Write-offs	–	–	(293)	(5)	(298)
Recovery of write-offs	–	–	–	–	–
Balance as at 30 September 2020	1,258	561	1,141	30	2,990

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

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

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

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

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

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

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

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

The tables below show the analysis of changes in allowances for ECL on corporate loans and bonds at amortized cost for the nine months ended 30 September 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	(81)	81	–	–	–
Transfers to Stage 3	–	–	–	–	–
Increase/(decrease) for the period	(199)	290	651	203	945
Write-offs	–	–	–	–	–
Recovery of write-offs	–	–	168	–	168
Balance as at 30 September 2019	1,308	398	2,942	474	5,122

***Bonds at amortized cost
(subfederal and municipal bonds,
Eurobonds of 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 2019	912	–	–	912
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Increase/(decrease) for the period	(444)	–	–	(444)
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
Balance as at 30 September 2019	468	–	–	468

***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 2019	42	–	–	42
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Increase/(decrease) for the period	(2)	–	–	(2)
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
Balance as at 30 September 2019	40	–	–	40

***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 2019	694	–	541	105	1,340
Transfers to Stage 2	(27)	27	–	–	–
Transfers to Stage 3	(59)	(5)	64	–	–
Increase/(decrease) for the period	286	315	844	(35)	1,410
Write-offs	–	–	(494)	–	(494)
Recovery of write-offs	–	–	123	–	123
Balance as at 30 September 2019	894	337	1,078	70	2,379

18. 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 30 September 2020 (unaudited):

	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	POCI assets RUB MM	Total RUB MM
Consumer loans					
- Not overdue	53,521	2,295	23	–	55,839
- Overdue less than 30 days	2,546	–	52	–	2,598
- Overdue from 30 to 89 days	–	1,155	228	–	1,383
- Overdue from 90 to 179 days	–	–	2,741	–	2,741
- Overdue from 180 to 360 days	–	–	3,383	–	3,383
Total consumer loans	56,067	3,450	6,427	–	65,944
Allowance for impairment	(2,815)	(639)	(4,588)	–	(8,042)
Consumer loans, net	53,252	2,811	1,839	–	57,902
Installment cards					
- Not overdue	50,106	1,618	18	–	51,742
- Overdue less than 30 days	1,515	–	25	–	1,540
- Overdue from 30 to 89 days	–	560	350	54	964
- Overdue from 90 to 179 days	–	–	1,459	93	1,552
- Overdue from 180 to 360 days	–	–	2,056	41	2,097
Total installment cards	51,621	2,178	3,908	188	57,895
Allowance for impairment	(2,210)	(264)	(2,930)	(102)	(5,506)
Installment cards, net	49,411	1,914	978	86	52,389
Mortgage loans					
- Not overdue	65,614	1,530	373	–	67,517
- Overdue less than 30 days	2,285	–	54	–	2,339
- Overdue from 30 to 89 days	–	677	79	–	756
- Overdue from 90 to 179 days	–	–	1,188	–	1,188
- Overdue from 180 to 360 days	–	–	1,037	–	1,037
Overdue more than 360 days	–	–	1,525	–	1,525
Total mortgage loans	67,899	2,207	4,256	–	74,362
Allowance for impairment	(1,299)	(324)	(1,851)	–	(3,474)
Mortgage loans, net	66,600	1,883	2,405	–	70,888
Car loans					
- Not overdue	98,593	4,436	48	–	103,077
- Overdue less than 30 days	2,791	–	56	–	2,847
- Overdue from 30 to 89 days	–	735	146	–	881
- Overdue from 90 to 179 days	–	–	1,603	–	1,603
- Overdue from 180 to 360 days	–	–	1,743	–	1,743
Total car loans	101,384	5,171	3,596	–	110,151
Allowance for impairment	(1,963)	(358)	(2,760)	–	(5,081)
Car loans, net	99,421	4,813	836	–	105,070
Total retail loans	276,971	13,006	18,187	188	308,352
Allowance for impairment	(8,287)	(1,585)	(12,129)	(102)	(22,103)
Retail loans, net	268,684	11,421	6,058	86	286,249

As at 30 September 2020, the Group updated the forecast information used in the ECL assessment models, 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 loans to individuals and small and medium businesses to Stage 2. These amounts are presented in the Not overdue category of Stage 2. In addition, for the nine months ended 30 September 2020 the change of loans credit quality was significantly influenced by the increase of overdue loans.

18. 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

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

The tables below provide information on the credit quality of corporate loans and bonds at amortized cost as at 30 September 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	276,924	8,554	1,793	256	287,527
- Overdue less than 30 days	1,302	1	160	–	1,463
- Overdue from 30 to 89 days	–	609	239	–	848
- Overdue from 90 to 179 days	–	–	592	–	592
- Overdue from 180 to 360 days	–	–	682	–	682
- Overdue more than 360 days	–	–	804	20	824
Total corporate loans	278,226	9,164	4,270	276	291,936
Allowance for impairment	(3,613)	(1,215)	(3,780)	(271)	(8,879)
Corporate loans, net	274,613	7,949	490	5	283,057

Bonds at amortized cost

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

	Stage 1 RUB MM	Total RUB MM
- Not overdue	112,179	112,179
Total bonds at amortized cost	112,179	112,179
Allowance for impairment	(376)	(376)
Bonds at amortized cost, net	111,803	111,803

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 of 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

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

As at 30 September 2020 and 31 December 2019, the Group's assets at FVOCI included shares of Russian companies and/or their foreign holdings.

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Shares	491	491
Shares as part of mezzanine lending	130	530
	621	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

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Held by the Group		
Corporate bonds	4,624	–
Russian subfederal and municipal bonds	432	–
Russian State bonds (OFZ)	42,680	–
Bonds of companies with Russian state participation	11	76,208
Total debt securities at FVOCI held by the Group	47,747	76,208
Pledged under repo		
Bonds of companies with Russian state participation	94,519	36,218
Russian State bonds (OFZ)	14,611	–
Total debt securities at FVOCI pledged under repo	109,130	36,218
Total debt securities at FVOCI	156,877	112,426

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

	30 September 2020 (unaudited)		31 December 2019	
	RUB MM	%	RUB MM	%
State financial development institutions	94,531	60.3%	112,324	99.9%
Government and municipal institutions	57,722	36.8%	–	–
Manufacturing	2,266	1.4%	–	–
Mining	1,567	1.0%	–	–
Energy	443	0.3%	–	–
Agriculture and food processing	348	0.2%	–	–
Petrochemicals	–	–	102	0.1%
	156,877	100.0%	112,426	100.0%

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

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:

<i>Debt securities at FVOCI</i>	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Issuers with credit rating from BBB+ to BBB-	152,612	112,426
Issuers with credit rating from BB+ to BB-	3,223	-
Issuers with credit rating from B+ to B-	348	-
Unrated issuers	694	-
	156,877	112,426

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

	30 September 2020 (unaudited)		
<i>Securities at FVOCI</i>	Corporate bonds and bonds of companies with Russian state participation	Russian subfederal and municipal bonds	Total
Issuers with credit rating from BB+ to BB-	443	251	694
	443	251	694

As at 30 September 2020, the share of the largest issuer, a company with Russian state participation, in the aggregate portfolio of debt securities at FVOCI was 60.3%. The maturities of bonds of this issuer ranged from May 2049 to May 2050; the coupon rates ranged from 5.9% to 8.8% (31 December 2019: the share of the largest issuer was 99.9%, the maturities ranged from September 2049 to May 2050; 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 30 September 2020 and 31 December 2019 is presented in the tables below:

<i>Debt securities at FVOCI as at 30 September 2020 (unaudited)</i>	Stage 1 RUB MM	Stage 2 RUB MM	Stage 3 RUB MM	Total RUB MM
- Not overdue	157,576	-	-	157,576
Total at amortized cost	157,576	-	-	157,576
Allowance for credit losses	(225)	-	-	(225)
Fair value adjustment from the measurement at amortized cost to the measurement at fair value	(474)	-	-	(474)
Total at fair value	156,877	-	-	156,877
 <i>Debt securities at FVOCI as at 31 December 2019</i>	 Stage 1 RUB MM	 Stage 2 RUB MM	 Stage 3 RUB MM	 Total RUB MM
- 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

20. Due to customers

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Individuals		
Term deposits	393,802	399,209
Current accounts and demand deposits	65,260	52,794
Legal entities		
Term deposits	276,328	195,459
Current accounts and demand deposits	136,814	103,462
Amounts due under repo	181	23,114
	872,385	774,038

As at 30 September 2020, term deposits of legal entities included term transactions with minimum balances at current accounts for the total amount of RUB 68,509 MM (31 December 2019: RUB 65,187 MM).

As at 30 September 2020 and 31 December 2019, the ten largest customers of the Group had a total of RUB 134,312 MM and RUB 108,329 MM in current and deposit accounts, or 15.4% and 14.0% of the total amount due to customers, respectively.

As at 30 September 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.

21. Due to the CBR

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Loans secured by assets	2,173	785
	2,173	785

22. Due to banks

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Repo with banks	256,178	97,743
Repo with CPCs*	109,477	–
Deposits	10,491	26,285
Loro accounts	277	464
Collateral for derivative financial instruments	157	629
	376,580	125,121

* CPCs – Clearing participation certificates (hereinafter, “CPCs”) are non-equity securities used as multi-purpose collateral for liquidity management through repurchase agreements. Such transactions are further disclosed in this Note.

22. Due to banks (continued)

As at 30 September 2020 and 31 December 2019, the Group pledged the following securities as collateral for sale and repurchase agreements with legal entities and banks:

	30 September 2020 (unaudited)		31 December 2019	
	Repo with legal entities 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				
Corporate bonds and Eurobonds	215	62,071	20,912	12,248
Bonds and Eurobonds of companies with Russian state participation	–	50,776	5,892	18,414
Russian subfederal and municipal bonds	–	14,509	–	–
Eurobonds of the Russian Federation	–	928	–	–
Shares of companies with Russian state participation	–	4	–	–
Foreign government bonds	–	–	–	230
Total carrying amount	215	128,288	26,804	30,892
Loans to customers and bonds at amortized cost, pledged under repo				
Corporate bonds and Eurobonds	–	36,787	–	21,985
Bonds and Eurobonds of companies with Russian state participation	–	18,634	–	11,079
Eurobonds of the Russian Federation	–	4,181	–	3,223
Russian subfederal and municipal bonds	–	1,644	–	–
Total carrying amount	–	61,246	–	36,287
Debt securities at FVOCI				
Bonds of companies with Russian state participation	–	94,519	–	36,218
Russian State bonds (OFZ)	–	14,611	–	–
Total carrying amount	–	109,130	–	36,218
Placements with banks and bank bonds at amortized cost, pledged under repo				
Bonds and Eurobonds of companies with Russian state participation	–	706	–	5,894
Corporate bonds and Eurobonds	–	–	–	4,641
Total carrying amount	–	706	–	10,535
Related liabilities	181	256,178	23,114	97,743

As at 30 September 2020, the Group entered into repurchase agreements with the central counterparty (the Moscow Exchange) using clearing participation certificates ("CPCs"). CPC, a clearing certificate for participation in the asset pool, represents universal homogeneous collateral for repurchase agreements with the central counterparty. A participant receives CPCs in exchange for placing assets in the asset pool and has the right to manage and replace these assets. The central counterparty assesses the assets placed by the participants in the asset pool using the method that covers all arising risks. CPCs are issued to the participants at their nominal value being the equivalent of the estimated collateral value of the instruments placed in the asset pool. CPCs may only be used as collateral in repo transactions. The participant retains the ownership right to the participant's assets in the asset pool.

22. Due to banks (continued)

The carrying amount of the assets placed in the asset pool and the nominal value of CPCs are provided below:

	30 September 2020 (unaudited)		31 December 2019	
	Carrying amount of assets included in the CPC pool RUB MM	Nominal value of CPCs RUB MM	Carrying amount of assets included in the CPC pool RUB MM	Nominal value of CPCs RUB MM
Financial instruments at FVPL, included in CPCs				
Bonds and Eurobonds of companies with Russian state participation	97,984	69,209	–	–
Corporate bonds and Eurobonds	22,610	17,356	–	–
Russian subfederal and municipal bonds	2,387	1,566	–	–
Eurobonds of the Russian Federation	1,331	1,211	–	–
	124,312	89,342	–	–
Loans to customers and bonds at amortized cost, included in CPCs				
Bonds and Eurobonds of companies with Russian state participation	8,847	7,205	–	–
Corporate bonds and Eurobonds	2,674	2,364	–	–
	11,521	9,569	–	–
Placements with banks and bank bonds at amortized cost, included in CPCs				
Bonds and Eurobonds of companies with Russian state participation	8,661	7,122	–	–
Corporate bonds and Eurobonds	4,646	3,985	–	–
	13,307	11,107	–	–

As at 30 September 2020, the Bank raised funds under repo collateralized by CPCs of RUB 109,477 MM. Therefore, to enter into repo, the Bank may use available CPCs in the amount of RUB 541 MM.

23. Debt securities issued

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Bonds	31,286	15,672
Promissory notes	2,542	2,990
	33,828	18,662

In April 2020, Sovcombank issued RUB-denominated bonds SovcomBOP2 (state registration No. 4B02-03-00963-B-001P) bearing a coupon rate of 7.75% and maturing in 10 years. As at 30 September 2020, the carrying amount of the SovcomBOP2 bonds was RUB 11,690 MM.

In May 2020, Sovcombank issued RUB-denominated bonds SovcmFIZL2 (state registration No. 4B02-04-00963-B-001P) bearing a coupon rate of 6.5% and maturing in 3 years. As at 30 September 2020, the carrying amount of the SovcmFIZL2 bonds was RUB 1,579 MM.

In July 2020, Sovcombank Leasing LLC repurchased a portion of the issued RUB-denominated bonds SovcLeas1R1 (state registration No. 4B02-01-00303-R-001P) under the offer in the amount of RUB 1.2 BN.

In July and September 2020, Sovcombank Leasing LLC issued RUB-denominated bonds SovcmL P02 (stage registration No. 4B02-02-00303-R-001P), bearing a coupon rate of 6.6%, maturing in three years and having a par value subject to amortization. As at 30 September 2020, the carrying amount of SovcmL P02 bonds was RUB 2,971 MM.

24. 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 30 September 2020, the Group pledged the rights of claim on loans to individuals and corporate customers totaling RUB 45,257 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 30 September 2020, Sovcombank repaid a part of the DIA loan totaling RUB 9,008 MM. As at 30 September 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 IFRS 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 30 September 2020, the carrying amount of the DIA loan of RUB 21,177 MM (31 December 2019: RUB 19,225 MM) was recorded within "Other borrowed funds".

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
DIA loan	21,177	19,225
Other borrowed funds	1	2
	21,178	19,227

25. Subordinated debt

Type	Principal, loan currency, MM	Currency	Counter- party	Interest rate	Issue date	Maturity date	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Subordinated bonds	300	USD	–	8.00%	7 October 2019	7 April 2030	24,682	18,794
Subordinated loan	1,255	RUB	DIA	8.48%	27 April 2015	28 April 2032	1,403	1,419
Subordinated loan	1,255	RUB	DIA	8.55%	27 April 2015	26 September 2029	1,400	1,413
Subordinated loan	1,255	RUB	DIA	8.38%	27 April 2015	29 November 2034	1,391	1,405
Subordinated loan	1,255	RUB	DIA	7.31%	27 April 2015	24 February 2027	1,313	1,396
Subordinated loan	1,255	RUB	DIA	7.55%	27 April 2015	22 January 2025	1,311	1,380
Subordinated bonds	413	RUB	–	14.50%	10 March 2017	25 February 2028	417	–
Subordinated bonds	2	USD	–	8.25%	7 March 2018	21 February 2029	132	555
							32,049	26,362

Term subordinated bonds issued

On 7 March 2018, the Bank placed 11-year subordinated bonds series 2V03 of USD 150 MM with a coupon rate of 8.25% p.a. (State Registration Number 41400963V of 22 January 2018). On 26 March 2018, the CBR approved the request to convert subordinated bonds series 2V03 to the Bank's additional paid-in capital (Tier 2 capital) (Note 34).

For the nine months of 2020, the Group repurchased subordinated bonds series 2V03 for RUB 501 MM. The total amount of subordinated bonds owned by third parties is RUB 132 MM (see the table above).

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.

25. Subordinated debt (continued)**Subordinated loans received**

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 Sovcombank with five RUB 1,255 MM tranches of a subordinated loan in the form of 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 (Tier 2 capital) (Note 34). Sovcombank sold securities received and therefore as at 30 September 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) (Tier 2 capital) (Note 34). The subordinated loan is not shown in the Group balance sheet because in accordance with IFRS 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 108 MM as at 30 September 2020 (31 December 2019: RUB 112 MM).

26. Other assets and other liabilities**Other assets**

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Other financial assets		
Accounts receivable under the governmental subsidy programs	2,495	–
Accounts receivable under financial protection programs	2,293	–
Delivery of cash and securities	2,151	2,014
Other financial assets at FVPL	660	628
Cash settlement services	539	425
Other financial assets	82	27
Total other financial assets	8,220	3,094
Less: allowance for impairment of other financial assets (Note 12)	(1,295)	(971)
Total other financial assets, net	6,925	2,123
Other non-financial assets		
Precious metals	15,643	12,865
Other advances	1,143	1,692
Foreclosed assets	741	495
Equipment purchased for leasing purposes	542	261
VAT receivable (leasing operations)	367	226
Prepaid taxes other than VAT and income tax	72	45
Settlements with employees	2	38
Other	39	285
Total other non-financial assets	18,549	15,907
Less: allowance for impairment of other non-financial assets (Note 12)	(525)	(396)
Total other non-financial assets, net	18,024	15,511
Insurance assets	1,568	–
Total other assets	26,517	17,634

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

"Accounts receivable under the governmental subsidy programs" comprise amounts due from the Ministry of Industry and Trade of the Russian Federation under subsidized car loan programs. Sovcombank participates in the subsidized car loan program implemented by Decree No. 364 of the Government of the Russian Federation *Concerning Subsidies to Russian Credit Institutions from the Federal Budget to Compensate for a Shortfall in Income under Car Loans Issued by Russian Credit Institutions to Individuals in 2015-17 and to Compensate for a Shortfall in Income from Car Loans to Individuals Issued in 2018-20* of 16 April 2015.

"Delivery of cash and securities" includes gains from sales of goods and services by the Group companies, outstanding settlements under transactions for the sale and purchase of securities and under assignment agreements.

"Cash settlement services" include short-term receivables from legal entities in fees and commissions for payments from and to their accounts.

As at 30 September 2020, the provision for impairment of other financial assets is mainly formed of the following:

- ▶ Provision for fees and commissions for cash settlement services amounting to RUB 539 MM (31 December 2019: RUB 425 MM);
- ▶ Provision for fees and commissions for assignment agreements amounting to RUB 311 MM (31 December 2019: RUB 240 MM).

"Precious metals" reflect cost of purchased precious metals in own or third-party vaults.

"Other advances" mainly include advances to suppliers of goods and services, including advances issued to suppliers of leasing equipment.

"Insurance assets" comprise insurance receivables, insurance reserves, acquisition costs and subrogation assets of Sovcombank Insurance JSC.

Other liabilities

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Other financial liabilities		
Derivative financial liabilities (Note 16)	31,092	6,638
Lease liabilities	4,463	5,562
Payables to personnel	4,312	3,495
Payables to suppliers	2,439	2,143
Allowance for credit losses (Note 28)	1,262	1,017
Settlements on currency conversion transactions	500	175
Deferred fees and commissions on credit-related commitments	30	101
Settlements on transactions with securities	–	124
Accrued dividends	–	2,200
Total other financial liabilities	44,098	21,455
Other non-financial liabilities		
Provisions for non-financial contingencies (Note 28)	2,792	2,412
Deferred fees and commissions on non-financial contingencies	2,060	1,874
Taxes payable other than VAT and income tax	802	651
Advances received from lessees	801	701
Provision for litigations (Note 29)	543	827
Accrued expenses on obligatory deposit insurance	534	721
VAT payable	426	410
Provision for pre-trial proceedings (Note 28)	244	342
Other non-financial liabilities	141	157
Total other non-financial liabilities	8,343	8,095
Insurance liabilities		
Insurance reserves	3,275	–
Insurance and reinsurance payables	235	–
Total insurance liabilities	3,510	–
Total other liabilities	55,951	29,550

"Insurance reserves" include provisions related to insurance operations of Sovcombank Insurance JSC (outstanding claims provision and provision for unearned premiums).

27. Equity

As at 30 September 2020 and 31 December 2019, the Bank's share capital was RUB 1,969 MM.

As at 30 September 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.

On 10 March 2020, Sovcombank's shareholders decided to issue 5 billion additional ordinary shares with a nominal value of RUB 0.1 each for listing at the Moscow Exchange, if the Bank decides to made IPO in the future.

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 nine months of 2020 (nine months of 2019: RUB 8,050 MM or RUB 0.4 per share).

The total amount of dividends paid by the Group (bank subsidiaries) to non-controlling shareholders for the nine months of 2020 was RUB 414 MM (nine months of 2019: RUB 248 MM).

Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary shareholders of the Bank by the weighted average by time 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.

In April 2020 Sovcombank entered into options with senior executives to purchase the Bank's shares, which could potentially have a dilutive effect when calculating earnings per share. At the reporting date, the effect of dilution from these options was immaterial and 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:

	Nine months ended 30 September (unaudited)	
	2020 RUB MM	2019 RUB MM
Profit for the period attributable to the Bank's shareholders	21,174	21,682
Less: interest accrued on perpetual subordinated bonds	(1,158)	(340)
Profit attributable to ordinary shareholders of the Bank	20,016	21,342
Weighted average number of ordinary shares in issue (billion)	19.1	19.3
Basic and diluted earnings per ordinary share attributable to the Bank's shareholders (RUB per share)	1.05	1.11

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 (Tier 1 capital) (Note 34).

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.

27. Equity (continued)**Perpetual subordinated bonds issued (continued)**

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 nine months ended 30 September 2020, Sovcombank paid interest of RUB 1,485 MM on the perpetual subordinated bonds (nine months ended 30 September 2019: RUB 420 MM).

28. Commitments

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

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

The commitments by category were as follows:

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
<i>Contractual amount*</i>		
Loan and credit line commitments	496,765	217,736
Bank guarantees	161,466	143,466
Commitments to issue bank guarantees	98,707	80,947
	756,938	442,149
Provisions for non-financial commitments	(2,792)	(2,413)
Allowance for credit losses	(1,262)	(1,016)
Provisions for pre-trial proceedings	(244)	(341)
	(4,298)	(3,770)

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

From 31 December 2019, allowances for credit losses also include provisions for not yet utilized limits of installment cards "Halva". As at 30 September 2020, these provisions were RUB 1.09 BN (31 December 2019: RUB 0.79 BN).

"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 30 September 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 143,420 MM in total (31 December 2019: RUB 125,015 MM).

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

Amount	30 September 2020 (unaudited) RUB MM	30 September 2020 (unaudited) number	31 December 2019 RUB MM	31 December 2019 Number
Less than RUB 0.5 MM	7,394	97,331	10,313	132,059
RUB 0.5 MM-RUB 1 MM	3,738	5,206	4,677	6,491
RUB 1 MM-RUB 10 MM	20,472	7,174	20,675	7,615
RUB 10 MM-RUB 100 MM	52,299	1,672	40,445	1,279
More than RUB 100 MM	59,517	259	48,905	223
	143,420	111,642	125,015	147,667

28. Commitments (continued)

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

The tables below show the analysis of movements in the allowances for ECL under financial guarantees and loan and credit line commitments for the nine months ended 30 September 2020 (unaudited):

<i>Financial guarantees</i>	<i>Stage 1 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2020	234	234
Increase/(decrease) for the period	(122)	(122)
Balance as at 30 September 2020 (Note 26)	112	112

<i>Loan commitments</i>	<i>Stage 1 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2020	790	790
Increase/(decrease) for the period	360	360
Balance as at 30 September 2020 (Note 26)	1,150	1,150

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

<i>Financial guarantees</i>	<i>Stage 1 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2019	956	956
Increase/(decrease) for the period	(628)	(628)
Balance as at 30 September 2019	328	328

<i>Loan commitments</i>	<i>Stage 1 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2019	6	6
Increase/(decrease) for the period	—	—
Balance as at 30 September 2019	6	6

29. 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. After the merger of Express-Volga Bank JSC, the legal successor in all litigations was replaced with Sovcombank PJSC.

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 for the use of cash in the amount of RUB 209 MM. On 17 June 2020, the appellate and cassation courts ruled to leave the previous decision in force. Since the decision came into effect after the ruling had been made by the cassation court, Sovcombank PJSC made the payment under the court ruling using the previously made allowance. The Bank filed a cassation appeal to the Supreme Court of Russia to be heard by 30 November 2020.

29. Contingencies (continued)

Litigations related to Express-Volga Bank JSC (continued)

In November 2016, Sovcombank won an open auction organized by the DIA to acquire shares of CB Poidem! JSC, previously a member of Probusinessbank group. The funds raised as a result of the auction went into Probusinessbank's insolvency estate and were subsequently allocated to all its creditors. In December 2016, Sovcombank signed an agreement to sell 100% of shares of CB Poidem! JSC to the management of this bank. In November 2017, minority creditors of Probusinessbank challenged the sale of shares of CB 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 November-December 2020 (until the Supreme Court of the Russian Federation returns the case file to the Moscow Arbitration Court). The Group's management believes that the economic effect in case of the unfavourable outcome will be insignificant as currently Sovcombank is not the owner of CB Poidem! JSC's shares. Based on 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. The case was postponed until 8 December 2020 for procedural reasons. 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 30 September 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 the first half of 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).

29. 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 positions will be sustained.

30. 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 10):

	Three months ended 30 September (unaudited)		Nine months ended 30 September (unaudited)	
	2020 RUB MM	2019 RUB MM	2020 RUB MM	2019 RUB MM
Members of the Supervisory Board	170	110	625	445
Management Board	267	248	747	753
Options program expenses	399	–	585	–
	836	358	1,957	1,198

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. Expenses related to the option program implementation recognized for the nine months of 2020 totaled RUB 585 MM and were recorded as personnel expenses (Note 10).

Outstanding balances with related parties as at 30 September 2020 were as follows (unaudited):

	SCP B.V.⁽¹⁾ RUB MM	JV⁽²⁾ RUB MM	KMP⁽³⁾ RUB MM	AC⁽⁴⁾ RUB MM	Other⁽⁵⁾ RUB MM	Total RUB MM
Loans	14	–	202	272	1,096	1,584
Allowance for impairment	–	–	(2)	(3)	(8)	(13)
Loans, net	14	–	200	269	1,088	1,571
Deposits	–	126	514	–	4,385	5,025
Current accounts	75	37	573	7	2,292	2,984
Other liabilities	–	–	1,286	–	–	1,286
Commitments and guarantees issued	6,486	–	229	106	997	7,818
Commitments and guarantees received	–	–	240	1,082	3,001	4,323

30. Related party transactions (continued)

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

	SCP B.V.⁽¹⁾ RUB MM	JV⁽²⁾ RUB MM	KMP⁽³⁾ RUB MM	AC⁽⁴⁾ RUB MM	Other⁽⁵⁾ RUB MM	Total RUB MM
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

The following table presents related party transactions recorded in the interim consolidated statement of comprehensive income for the nine months ended 30 September 2020 (unaudited):

	SCP B.V.⁽¹⁾ RUB MM	JV⁽²⁾ RUB MM	KMP⁽³⁾ RUB MM	AC⁽⁴⁾ RUB MM	Other⁽⁵⁾ RUB MM	Total RUB MM
Interest income	60	–	19	20	109	208
Interest expense on deposits	–	(7)	(27)	–	(45)	(79)
Credit loss expense	–	–	3	(2)	(33)	(32)
Fee and commission income	2	2	2	2	12	20
Gains less losses from foreign currencies	111	–	28	–	(3)	136
General and administrative expenses	–	–	(12)	(3)	(4)	(19)
Other income	–	–	–	2	–	2

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

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

(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 30 September 2020, JVs include CTB LLC (as at 30 September 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 nine 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.

31. 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.

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>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>	
As at 30 September 2020 (unaudited)				
Assets measured at fair value				
Financial instruments at FVPL	337,552	140,826	1,616	479,994
Financial instruments at FVOCI	62,165	181	95,152	157,498
Investment property	–	–	53	53
Property and equipment and intangible assets (land and buildings)	–	–	3,725	3,725
Other financial assets	–	660	–	660
Other non-financial assets	15,643	–	–	15,643
Liabilities measured at fair value				
Subordinated debt	6,818	–	–	6,818
Derivative financial liabilities	–	31,093	–	31,093

	<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>	
As at 31 December 2019				
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.

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

The following table shows a reconciliation of the opening and closing balances of Level 3 financial assets and liabilities which are recorded at fair value as at 30 September 2020 (unaudited):

	As at 1 January 2020 RUB MM	Gains/ (losses) recorded in the statement of profit or loss RUB MM	Gains/ (losses) recorded in other comprehen- sive income RUB MM	Acquisitions RUB MM	Sales RUB MM	Settlements RUB MM	Transfers from Level 1 and Level 2 RUB MM	As at 30 September 2020 RUB MM
Financial assets								
Financial instruments at FVPL	–	(1,375)	–	1,555	(163)	(17)	1,616	1,616
Financial instruments at FVOCI	1,021	3,501	1,839	1	(365)	(19,917)	109,072	95,152
Total Level 3 financial assets	1,021	2,126	1,839	1,556	(528)	(19,934)	110,688	96,768

Losses of RUB (1,375) million on Level 3 financial instruments at FVPL recorded in the income statement for the nine months of 2020 are generally represented by losses of RUB (1,576) million in net (loss)/gain on financial instruments at FVPL.

Gains of RUB 3,501 million on Level 3 financial instruments at FVOCI recorded in the income statement for the nine months of 2020 are generally represented by gains of RUB 3,546 million in Interest income.

During the nine months of 2020, the Group transferred certain financial assets at FVPL from Level 2 to Level 3 of the fair value hierarchy. The carrying amount of the financial assets transferred totaled RUB 1,616 mln. The reason for the transfer was that inputs used in the assessment models are no longer observable on the market, which has led to a change in the method used to determine the fair value.

During the nine months of 2020, the Group transferred debt securities at FVOCI issued by the company with Russian state participation and rated as BBB by the Fitch international rating agency from Level 2 to Level 3 of the fair value hierarchy. The carrying amount of the transferred debt securities totaled RUB 109,072 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:

	As at 1 January 2019 RUB MM	Gains/(losses) recorded in the statement of profit or loss RUB MM	Gains/(losses) recorded in other comprehen- sive income RUB MM	Acquisitions RUB MM	Sales RUB MM	Settlements RUB MM	Transfers to other items RUB MM	Transfers to Level 1 and Level 2 RUB MM	As at 31 December 2019 RUB MM
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:

	For the nine months ended 30 September 2020 (unaudited)			For the year ended 31 December 2019		
	Realized gains/(losses) RUB MM	Unrealized gains/(losses) RUB MM	Total RUB MM	Realized gains/(losses) RUB MM	Unrealized gains/(losses) RUB MM	Total RUB MM
Total gains/(losses) recognized in profit or loss for the period	2,597	(471)	2,126	31	(158)	(127)

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

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

30 September 2020 (unaudited)	Carrying amount RUB MM	Valuation technique	Unobservable inputs	Range (weighted average value)
Financial instruments at FVPL				
Finance	1,616	Discounted cash flows	Operational risk probability	0% to 0.2%
Financial instruments at FVOCI				
<i>Debt securities</i>				
Finance	94,531	Discounted cash flows based on parametric repayment models	Conditional prepayment ratio / Zero-volatility spread	From 23.7% to 14.7% From -13 b.p. to +13 b.p.
<i>Equity securities</i>				
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)	3,725	Market and income approach	Discount for sale	10%
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:

	30 September 2020 (unaudited)		31 December 2019
	Carrying amount RUB MM	Effect of reasonably possible alternative assumptions	Carrying amount RUB MM
Financial instruments at FVPL			
Finance	1,616	From RUB (15) MM to RUB 15 MM	-
Financial instruments at FVOCI			
<i>Debt securities</i>			
Finance	94,531	From RUB (796) MM to RUB 593 MM	-

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

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

The following tables show transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets measured at fair value during the nine months ended 30 September 2020 and for the year ended 31 December 2019:

	Nine months ended 30 September 2020 (unaudited) RUB MM		2019 RUB MM	
Financial instruments at FVPL				
Corporate bonds	7,531		953	
Russian subfederal and municipal bonds	5,776		487	
Bonds of companies with Russian state participation	3,421		9,107	
Total transfers from Level 1 to Level 2	16,728		10,547	
Financial instruments at FVOCI				
Russian subfederal and municipal bonds	79		–	
Total transfers from Level 1 to Level 2	79		–	

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.

	Nine months ended 30 September 2020 (unaudited) RUB MM		2019 RUB MM	
Financial instruments at FVPL				
Corporate bonds	3,388		9,274	
Russian subfederal and municipal bonds	28		10,562	
Bonds of companies with Russian state participation	–		1,737	
Corporate shares	–		98	
Total transfers from Level 2 to Level 1	3,416		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.

Fair value 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.

	30 September 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	130,651	130,651	–	107,761	107,761	–
Mandatory cash balances with the CBR	7,582	7,582	–	6,447	6,447	–
Placements with banks and bank bonds at amortized cost	59,322	60,189	867	35,861	36,930	1,069
Loans to customers and bonds at amortized cost	681,109	696,827	15,718	585,220	596,691	11,471
Other assets	6,265	6,265	–	1,495	1,495	–
Financial liabilities						
Due to the CBR	2,173	2,173	–	785	785	–
Due to banks	376,580	376,892	(312)	125,121	124,999	122
Due to customers	872,385	874,130	(1,745)	774,038	775,822	(1,784)
Debt securities issued	33,828	34,188	(360)	18,662	19,068	(406)
Other borrowed funds	21,178	26,099	(4,921)	19,227	23,706	(4,479)
Subordinated debt	25,231	26,216	(985)	19,349	20,303	(954)
Other liabilities	13,005	13,005	–	14,817	14,817	–
Total unrecognized change in fair value			8,262			5,039

32. Currency analysis

The table below shows the breakdown of assets and liabilities by currency as at 30 September 2020 (unaudited):

	<i>RUB and other currencies RUB MM</i>	<i>USD RUB MM</i>	<i>EUR RUB MM</i>	<i>Total RUB MM</i>
Assets				
Cash and cash equivalents	91,074	5,232	34,345	130,651
Mandatory cash balances with the CBR	7,582	–	–	7,582
Placements with banks and bank bonds at amortized cost:				
- held by the Group	6,814	42,317	9,485	58,616
- pledged under repo	–	706	–	706
Financial instruments at FVPL:				
- held by the Group	166,334	175,534	9,623	351,491
- pledged under repo	61,210	67,293	–	128,503
Financial instruments at FVOCI				
- held by the Group	44,535	3,833	–	48,368
- pledged under repo	109,130	–	–	109,130
Loans to customers and bonds at amortized cost	511,117	147,327	22,665	681,109
Change in the fair value of hedged assets	–	2,972	–	2,972
Investments in associates	653	–	–	653
Investments in joint ventures	417	–	–	417
Investment property	53	–	–	53
Property and equipment and intangible assets	10,412	–	–	10,412
Right-of-use assets	4,086	–	–	4,086
Goodwill	1,662	–	–	1,662
Current income tax asset	2,766	–	–	2,766
Deferred tax asset	413	–	–	413
Other assets	26,097	318	102	26,517
Total assets	1,044,355	445,532	76,220	1,566,107
Liabilities				
Due to the CBR	2,173	–	–	2,173
Due to banks	265,600	110,975	5	376,580
Due to customers	752,116	85,240	35,029	872,385
Debt securities issued	33,713	89	26	33,828
Other borrowed funds	21,178	–	–	21,178
Deferred tax liability	1,756	–	–	1,756
Current income tax payable	58	–	–	58
Subordinated debt	7,235	24,814	–	32,049
Other liabilities	31,600	23,635	716	55,951
Total liabilities	1,115,429	244,753	35,776	1,395,958
Net balance sheet position as at 30 September 2020	(71,074)	200,779	40,444	170,149
Net off-balance sheet position as at 30 September 2020	212,016	(170,811)	(41,205)	–
Net position as at 30 September 2020	140,942	29,968	(761)	170,149
Perpetual subordinated bonds	–	28,289	–	28,289
Net position, including perpetual subordinated bonds, as at 30 September 2020	140,942	1,679	(761)	141,860
Credit-related commitments	501,151	102,601	9,766	613,518

Placements with banks and bank bonds at amortized cost in the table above include bank bonds at amortized cost denominated in USD for RUB 14,225 MM.

Loans to customers and bonds at amortized cost in the table above include bonds at amortized cost denominated in RUB, USD and GBP for RUB 18,393 MM, RUB 91,751 MM and RUB 1,659 MM, respectively.

32. Currency analysis (continued)

The table below shows the breakdown of assets and liabilities by currency as at 31 December 2019:

	<i>RUB and other currencies RUB MM</i>	<i>USD RUB MM</i>	<i>EUR RUB MM</i>	<i>Total RUB MM</i>
Assets				
Cash and cash equivalents	73,310	3,276	31,175	107,761
Mandatory cash balances with the CBR	6,447	–	–	6,447
Placements with banks and bank bonds at amortized cost:				
- held by the Group	2,078	20,912	2,336	25,326
- pledged under repo	1,028	9,507	–	10,535
Financial instruments at FVPL:				
- held by the Group	88,647	100,119	3,140	191,906
- pledged under repo	19,237	38,459	–	57,696
Financial instruments at FVOCI				
- held by the Group	77,127	102	–	77,229
- pledged under repo	36,218	–	–	36,218
Loans to customers and bonds at amortized cost	463,642	107,183	14,395	585,220
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	10,918	–	–	10,918
Right-of-use assets	5,408	–	–	5,408
Goodwill	1,742	–	–	1,742
Current income tax asset	27	–	–	27
Deferred tax asset	895	–	–	895
Other assets	16,470	550	614	17,634
Total assets	804,121	279,413	51,660	1,135,194
Liabilities				
Due to the CBR	785	–	–	785
Due to banks	53,442	67,508	4,171	125,121
Due to customers	661,297	85,367	27,374	774,038
Debt securities issued	18,534	109	19	18,662
Other borrowed funds	19,227	–	–	19,227
Deferred tax liability	56	–	–	56
Current income tax payable	2,309	–	–	2,309
Subordinated debt	7,013	19,349	–	26,362
Other liabilities	21,594	7,350	606	29,550
Total liabilities	784,257	179,683	32,170	996,110
Net balance sheet position as at 31 December 2019	19,864	99,730	19,490	139,084
Net off-balance sheet position as at 31 December 2019	109,663	(90,859)	(18,804)	–
Net position as at 31 December 2019	129,527	8,871	686	139,084
Perpetual subordinated bonds	–	6,191	–	6,191
Net position, including perpetual subordinated bonds, as at 31 December 2019	129,527	2,680	686	132,893
Credit-related commitments	287,439	28,213	1,482	317,134

Placements with banks and bank bonds at amortized cost in the table above include bank bonds at amortized cost denominated in RUB and USD for RUB 1,029 MM and RUB 17,720 MM, respectively.

Loans to customers and bonds at amortized cost in the table above include bonds at amortized cost denominated in RUB, USD and GBP for RUB 29,007 MM, RUB 81,845 MM and RUB 1,346 MM, respectively.

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

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

On 3 April 2020, the Group renamed Liberty Insurance JSC into Sovcombank Insurance JSC. The Group's management believes that there are significant synergies between Sovcombank and Sovcombank Insurance in sales of motor insurance, car loans to individuals and car leases to legal entities. The acquisition of an insurance company will add non-credit income sources to the Group and generate additional return on its equity.

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

	<i>RUB MM</i>
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
	<i>RUB MM</i>
Cash paid on acquisition	1,393
Fair value of identifiable net assets of the company as at the date of business combination	(1,557)
Non-controlling interests	2
Bargain purchase gain (Note 8)	162

Acquisition of VCA Bank JSC

Starting Q4 2019, Sovcombank has purchased a controlling stake (95.77%) in VCA Bank JSC ("VCA", a regional bank in the city of Astrakhan) in stages. VCA acquisition is aimed at strengthening Sovcombank's position in Astrakhan Region.

33. Business combinations (continued)**Acquisition of VCA Bank JSC (continued)**

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

	<i>RUB MM</i>
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
	<i>RUB MM</i>
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 company as at the date of business combination	(1,149)
Non-controlling interests	105
Bargain purchase gain (Note 8)	270

In Q3 2020, the Group repurchased 12.4% of VCA shares from non-controlling shareholders for RUB 119 MM.

Acquisition of RTS-Holding JSC

In Q3 2020, the Group repurchased 2.2% of shares in RTS-Holding JSC from non-controlling shareholders for RUB 197 MM.

34. 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 30 September 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 30 September 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").

34. Capital adequacy (continued)**Capital adequacy ratio under Basel Capital Accord (continued)**

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

To determine the amount of credit risk when calculating the capital adequacy ratio, the 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. 199-I of the CBR "On Prudential Ratios and Surcharges on the Capital Adequacy Ratios of Banks with General Licenses" of 29 November 2019 (hereinafter, "Instruction No. 199-I")) for credit risk calculation.

In Q3 2020, the Group revised its approach to capital management. In particular, risk ratios established by the national regulator in Instruction No. 199-I were applied to calculate Basel III-regulated credit risk on RUB-denominated receivables from the Russian Federation, federal executive bodies, the CBR, constituent entities and municipalities of the Russian Federation and the integrated development institution.

The calculation of the Group's capital adequacy ratio in accordance with Basel III requirements subject to the above assumptions as at 30 September 2020 and 31 December 2019 (excluding assumptions adopted in Q3 2020) is provided below.

	30 September 2020 (unaudited) RUB MM	31 December 2019 RUB MM
Common capital	133,969	124,349
Additional capital	28,289	6,191
Tier 1 capital	162,258	130,540
Tier 2 capital	31,891	26,474
Total equity	194,149	157,014
Risk-weighted assets		
Credit risk	1,146,829	874,924
Operational risk	112,675	112,675
Market risk	67,480	77,725
Total risk-weighted assets	1,326,984	1,065,324
Tier 1 common capital adequacy ratio	10.1%	11.7%
Tier 1 capital adequacy ratio	12.2%	12.3%
Total capital adequacy ratio	14.6%	14.7%

If the updated approach to capital management had been applied in 2019, the calculation of the Group's capital adequacy ratio in accordance with Basel III requirements subject to the applied assumptions as at 31 December 2019 would be as follows:

	31 December 2019 (restated) RUB MM
Common capital	124,349
Additional capital	6,191
Tier 1 capital	130,540
Tier 2 capital	26,474
Total equity	157,014
Risk-weighted assets	
Credit risk	800,473
Operational risk	112,675
Market risk	77,725
Total risk-weighted assets	990,873
Tier 1 common capital adequacy ratio	12.5%
Tier 1 capital adequacy ratio	13.2%
Total capital adequacy ratio	15.8%

35. Principal consolidated subsidiaries, associates and joint ventures

The table below shows the list of the principal consolidated subsidiaries, associates and joint ventures of the Group as at 30 September 2020 and 31 December 2019:

	<i>Relationship</i>	<i>Voting rights</i>	
		<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
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 33)	Subsidiary	99.9%	–
VCABANK JSC (Note 33)	Subsidiary	95.8%	24.8%
RTS-Holding JSC (Note 33)	Subsidiary	52.2%	50.0%
RTS-Tender LLC (Note 33)	Subsidiary	52.2%	50.0%
Septem Capital LLC	Subsidiary	50.1%	50.1%
Tsifrovye Tekhnologii Buduschego LLC	Joint venture	50.0%	50.0%
Kostromskoy Zavod Avtokomponentov JSC	Associate	40.1%	40.1%
Aviatsionnye Tekhnologii Svyazi LLC	Associate	25.0%	25.0%
Cbonds.ru LLC	Associate	24.9%	24.9%
Saint-Petersburg Exchange PJSC	Associate	3.3%	–
CentrFinLeasing LLC	Subsidiary	–	100.0%
Express-Volga Bank JSC	Subsidiary	–	100.0%
BTE LLC	Subsidiary	–	75.0%

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.

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 did not have an 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.

Acquisition of Saint-Petersburg Exchange PJSC

In January 2020, Sovcombank acquired 3.3% of shares in Saint-Petersburg Exchange PJSC ("SPB") under an open subscription. In addition, 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 10.6% of shares in 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.

36. Subsequent events**Merger of VCA Bank JSC**

In Q4 2020, Sovcombank increased its share in VCA Bank JSC to 100%. On 6 November 2020, the general meeting of the Bank's shareholders decided to simplify structure and reduce costs of the Group through the merger with VCA Bank JSC. All legal rights and obligations of VCA Bank JSC will transfer to Sovcombank. The merger will have no effect on the consolidated financial indicators.

36. Subsequent events (continued)

Designation of Sovcombank as a systemically important financial institution

In October 2020, the CBR published an updated list of banks designated systemically important financial institution (hereinafter, "SIFI").

Sovcombank was not on the SIFI list approved in 2019. The Bank was added to the 2020 SIFI list based on a number of factors, including the size of the credit institution. As at 1 October 2020, Sovcombank's share of the banking sector's assets was around 1.5%. SIFIs are subject to tighter CBR regulatory requirements, including a higher conservation buffer, certain liquidity ratios, and systemic importance surcharge.

Moody's credit rating upgrade to Ba1

In November 2020, Moody's rating agency upgraded Sovcombank's credit rating to Ba1 (one notch below Russia's sovereign rating) after the CBR assigned the status of a systemically important credit institution to the Bank.

Redemption of bonds

In November 2020, Sovcombank repurchased a portion of the issued RUB-denominated bonds SovcomBO-P02 (state registration No. 4B02-03-00963-B-001P) under the offer in the amount of RUB 7.984 MM. New coupon rate 6.2% was announced for 3-10 coupon periods.

Acquisition of Tsifrovye Tekhnologii Buduschego LLC

In November 2020, Sovcombank acquired a 50% interest in Tsifrovye Tekhnologii Buduschego LLC (hereinafter, "TsTB") from X5 Retail Group for RUB 330 MM. Sovcombank had set up TsTB to manage automated pick-up points for online purchases under the Halva brand. In 2018, 50% in the company was acquired by X5 Retail Group. The most recent transaction enabled Sovcombank to partner with other major retailers to expand this business.

TsTB manages a chain of 2,000 parcel pick-up points under the Halva brand and retains presence in some locations of the X5 Retail Group chain.

The acquisition will allow Sovcombank to expand its network of pick-up points and offer its logistic partners a multi-courier access. The Bank's full control enables it to develop the network even faster and expand beyond the X5 Retail Group chain by involving other major Russian retailers.

The Group is assessing the allocation of the acquisition cost to TsTB's net assets.