Consolidated Financial Statements

Sberbank of Russia and its subsidiaries

For the year ended 31 December 2019

with Independent Auditor's Report

CONTENTS

Independent Auditor's Report

To the Shareholders and the Supervisory Board of Sberbank of Russia

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sberbank of Russia (the "Bank") and its subsidiaries (together – the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Our audit approach

Overview

Audit scope:

- We audited the financial information of the Bank. Total assets of the Bank (excluding intercompany balances) represented approximately 85% of total assets of the Group as at 31 December 2019. We applied professional judgement in determining our involvement in the audit of the financial information of the subsidiaries of the Bank.
- We also conducted audit work at the Group level in relation to the consolidation of the financial information and the preparation of the consolidated financial statements.

Key audit matters:

- Credit loss allowance for loans and advances to customers;
- Valuation of loans and advances to customers at fair value through profit or loss.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We audited the financial information of the Bank. Among other audit procedures, our work included audit procedures in respect of calculations and adjustments necessary for transformation of the accounting records of the Bank maintained in accordance with the Russian Accounting Rules to the financial information prepared in accordance with IFRS.

We applied professional judgement in determining our involvement in the audit of the financial information of subsidiaries of the Bank. We sent instructions to the auditors of certain subsidiaries. Auditors of the subsidiaries include AO PricewaterhouseCoopers Audit, audit firms that are member firms of the PwC network and other auditors. Such instructions included our risk assessment, assigned overall materiality levels, and auditing, reporting, ethical and other requirements. We obtained and evaluated communications with the respective auditors, and performed other procedures to determine that we obtained sufficient audit evidence in relation to subsidiaries of the Bank.

We also performed audit procedures in relation to consolidation of the financial information of the Group and preparation of the consolidated financial statements of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Credit loss allowance for loans and advances to customers	
We focused on this matter due to the significance of loans and advances to customers balance and significance of judgements and estimates required for calculation of the related allowance. The allowance represents management's estimate of expected credit losses from loans and advances to customers. Collective assessment of the allowance is based on models, which use internally developed risk metrics assigned to the balances. Individual assessment of the allowance is based on models which use expected future cash flows related to individual balances under different scenarios. The design of and inputs to the models are subject to management judgement. Note 3 "Critical Accounting Estimates and Judgements in Applying Accounting Policies", Note 7 "Loans and Advances to Customers", Note 31 "Financial and Insurance Risk Management" and Note 41 "Basis of Preparation and Significant Accounting Policies" to the consolidated financial statements provide detailed information on the credit loss allowance for loans and advances to customers.	In relation to the Bank: We assessed the key methodologies used by the Bank for calculation of the allowance for consistency with the requirements of IFRS. We assessed and tested (on a sample basis) the design and operating effectiveness of the controls over data and calculations. These controls included those over development and maintenance of models and input data, assignment of risk metrics to the balances, transfer of data to/from the models, and calculation of the allowance. The purpose of our procedures was to determine that we could rely on these controls for the purposes of our audit. We tested (on a sample basis) significant loans and advances, which had not been identified by management as requiring individual assessment of the allowance and formed our own judgement as to whether that was appropriate. We tested (on a sample basis) the basis and operation of models and calculations used for collective and individual assessment of the allowance and the data and assumptions used. Our work included comparison of the main assumptions and estimates made with available external evidence, our own knowledge of other practices and actual experience, testing of the models through re-performance, and various analytical and other procedures. In relation to the subsidiaries of the Bank: Where necessary and appropriate procedures similar to the above were performed in relation to the subsidiaries of the Bank.
Valuation of loans and advances to customers at fair value through profit or loss	
We focused on this matter due to the significance of the balance and subjectivity of valuation of loans and advances to customers at fair value through profit or loss. These loans are valued at fair value using complex valuation models incorporating unobservable inputs (Level 3 of the fair value hierarchy) including those reflecting impact of credit quality of customers, interest rate curves and implied volatility. Note 3 "Critical Accounting Estimates and Judgements in Applying Accounting Policies", Note 7 "Loans and Advances to Customers" and Note 34 "Fair Value Disclosures" to the consolidated financial statements provide detailed information on the valuation of loans and advances to customers at fair value through profit or loss.	In relation to the Bank: Our internal valuation experts assessed the key methodologies, formulas and sources of information used by the Bank for the valuation for consistency with the requirements of IFRS. We tested (on a sample basis) valuation models for selected loans. Our work included assessment if the models and inputs are appropriate, re-performance of selected calculations, and various analytical and other procedures. In relation to the subsidiaries of the Bank: Where necessary and appropriate procedures similar to the above were performed in relation to the subsidiaries of the Bank.

Other information

Management is responsible for the other information. The other information comprises the annual report and the quarterly issuer's report for the 1st quarter of 2020 (but does not include the consolidated financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above, when it becomes available, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on examination in accordance with Article No.42 of Federal Law of 2 December 1990 No.395-1 "On Banks and Banking Activity"

Management of the Bank is responsible for compliance of the Group with the statutory ratios set by the Bank of Russia and for compliance of internal control and organisation of risk management systems of the Group with the Bank of Russia's requirements for such systems.

In accordance with Article No.42 of Federal Law of 2 December 1990 No.395-1 "On Banks and Banking Activity" we have examined the following during the audit of the consolidated financial statements of the Group for the year ended 31 December 2019:

- compliance of the Group as at 1 January 2020 with the statutory ratios set by the Bank of Russia; and
- compliance of internal control and organisation of risk management systems of the Group with the requirements set by the Bank of Russia for such systems.

Our examination was limited to procedures selected based on our judgement such as inquiries, analysis and examination of documents, comparison of requirements, procedures and methodologies adopted by the Bank with the Bank of Russia's requirements, as well as recalculation, comparison and reconciliation of figures and other information.

We have identified the following based on our examination:

1) as related to compliance of the Group with the statutory ratios set by the Bank of Russia:

   As at 1 January 2020 the Group statutory ratios were within the limits set by the Bank of Russia.

We draw your attention to the fact that we have not performed any procedures related to the underlying accounting data of the Group other than the procedures we considered necessary to express our opinion on whether or not the consolidated financial statements of the Group present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS.

2) as related to compliance of internal control and organisation of risk management systems of the Group with the Bank of Russia's requirements for such systems:

   a) in accordance with the Bank of Russia's requirements and recommendations, as at 1 January 2020 subdivisions of the Bank for managing significant risks of the Group were not subordinated or accountable to subdivisions assuming corresponding risks;

   b) internal documents of the Bank effective as at 1 January 2020 which set out the methodologies to identify and manage significant credit, operational, market and liquidity risks of the Group, and the methodologies to carry out stress testing are duly approved by appropriate management bodies of the Bank in accordance with the Bank of Russia's requirements and recommendations;

   c) as at 1 January 2020 the Bank had in place a reporting system for significant credit, operational, market and liquidity risks, and for equity (capital) of the Group;

   d) the frequency and consistency of reports prepared by risk management subdivisions of the Bank and its internal audit function during 2019 as related to management of credit, operational, market and liquidity risks of the Group complied with internal documents of the Bank; those reports included observations made by risk management subdivisions of the Bank and its internal audit function as related to the assessment of the effectiveness of the respective methodologies of the Bank as well as recommendations on their improvement;

   e) as at 1 January 2020 the authority of the Supervisory Board of the Bank and its executive bodies included control over compliance of the Group with risk and equity (capital) adequacy limits set by internal documents of the Bank. To exercise control over the effectiveness of the risk management procedures applied in the Group and their consistent application in 2019, the Supervisory Board of the Bank and its executive bodies regularly discussed the reports prepared by risk management subdivisions of the Bank and its internal audit function and considered proposed measures to eliminate weaknesses.

We have performed the above procedures related to internal control and organisation of risk management systems of the Group solely to examine compliance of internal control and organisation of risk management systems of the Group with the Bank of Russia's requirements for such systems.

The certified auditor responsible for the audit resulting in this independent auditor's report is Evgeniy Nikolaevich Kriventsev.

Ao PricewaterhouseCoopers Audit

26 February 2020
Moscow, Russian Federation

E.N. Kriventsev, certified auditor (certificate number 01-000198)
AO PricewaterhouseCoopers Audit

Audited entity: Sberbank of Russia

Record made in the Unified State Register of Legal Entities on 16 August 2002 under State Registration Number 1027700132195

117997, Russian Federation, Moscow, Vavilova 19

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under number 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

SBERBANK

Consolidated Statement of Financial Position

in billions of Russian Roubles	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	5	2,083.2	2,098.8
Mandatory cash balances with central banks		235.5	222.1
Due from banks	6	1,083.2	1,420.7
Loans and advances to customers	7	20,363.5	19,585.0
Securities	8	4,182.4	3,442.5
Financial instruments pledged under repurchase agreements	9	187.3	307.0
Derivative financial assets	10	193.9	177.6
Deferred tax asset	27	14.6	15.3
Premises, equipment and right-of-use assets	11	695.1	593.9
Assets of the disposal groups and non-current assets held for sale	12	11.3	2,569.9
Other assets	13	908.9	764.7
TOTAL ASSETS		**29,958.9**	**31,197.5**
LIABILITIES			
Due to banks	14	770.3	1,096.8
Due to individuals	15	14,209.6	13,495.1
Due to corporate customers	15	7,364.8	7,402.2
Debt securities in issue	16	729.7	843.6
Other borrowed funds		24.6	56.5
Derivative financial liabilities and obligations to deliver securities	17	175.8	181.6
Deferred tax liability	27	30.4	33.4
Liabilities of the disposal groups	12	—	2,235.1
Other liabilities	18	1,547.1	1,290.1
Subordinated debt	19	619.9	707.3
TOTAL LIABILITIES		**25,472.2**	**27,341.7**
EQUITY			
Share capital and share premium	20	320.3	320.3
Treasury shares	20	(21.5)	(18.1)
Other reserves	29	130.3	(10.9)
Retained earnings		4,049.2	3,560.7
Total equity attributable to shareholders of the Bank		**4,478.3**	**3,852.0**
Non-controlling interest		8.4	3.8
TOTAL EQUITY		**4,486.7**	**3,855.8**
TOTAL LIABILITIES AND EQUITY		**29,958.9**	**31,197.5**

Approved for issue and signed on behalf of the Executive Board on 26 February 2020.

Herman Gref,
Chairman of the Executive Board and CEO

Mikhail Ratinskii,
Chief Accountant

SBERBANK

Consolidated Statement of Profit or Loss

in billions of Russian Roubles	Note	Year ended 31 December 2019	2018
Continuing operations			
Interest income calculated using the effective interest method	21	2,263.4	2,047.3
Other interest income	21	132.6	141.0
Interest expense calculated using the effective interest method	21	(874.2)	(696.2)
Other interest expense	21	(20.8)	(22.0)
Deposit insurance expenses	21	(85.5)	(73.6)
Net interest income	**21**	**1,415.5**	**1,396.5**
Net credit loss allowance charge for debt financial assets	6,7,8	(92.6)	(96.8)
Net interest income after credit loss allowance charge for debt financial assets		**1,322.9**	**1,299.7**
Fee and commission income	22	688.9	598.5
Fee and commission expense	22	(191.0)	(160.4)
Net losses from non-derivative financial instruments at fair value through profit or loss	7	(26.6)	(64.2)
Net gains from financial instruments at fair value through other comprehensive income		8.8	5.9
Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	23	59.0	(19.0)
Net losses arising on initial recognition of financial instruments and loan modification		(2.4)	(0.5)
Net losses from revaluation of office premises	11	(4.3)	—
Impairment of non-financial assets		(1.9)	(11.3)
Net charge for other provisions and allowances	13,18	(16.7)	(25.4)
Revenue of non-core business activities	24	36.9	36.2
Cost of sales and other expenses of non-core business activities	24	(27.9)	(34.5)
Net premiums from insurance and pension fund operations	25	218.4	337.3
Net claims, benefits, change in contract liabilities and acquisition costs on insurance and pension fund operations	25	(208.5)	(271.0)
Income from operating lease of equipment		9.0	6.2
Expenses related to equipment leased out		(4.8)	(3.2)
Other net operating income		3.5	9.5
Operating income		**1,863.3**	**1,703.8**
Staff and administrative expenses	26	(724.6)	(657.6)
Profit before tax		**1,138.7**	**1,046.2**
Income tax expense	27	(223.9)	(215.0)
Profit from continuing operations		**914.8**	**831.2**
(Loss) / profit from discontinued operations (attributable to shareholders of the Bank)	12	(69.8)	0.5
Profit for the year		**845.0**	**831.7**
Attributable to:			
- shareholders of the Bank		844.9	832.9
- non-controlling interest		0.1	(1.2)
Earnings per ordinary share based on profit for the year attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	**28**	**38.55**	**38.16**
Earnings per ordinary share based on profit from continuing operations attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	**28**	**41.80**	**38.13**

Approved for issue and signed on behalf of the Executive Board on 26 February 2020.

Herman Gref,
Chairman of the Executive Board and CEO

Mikhail Ratinskii,
Chief Accountant

SBERBANK

Consolidated Statement of Comprehensive Income

in billions of Russian Roubles	Note	Year ended 31 December 2019	Year ended 31 December 2018
Profit for the year		**845.0**	**831.7**
Other comprehensive income:			
Continuing operations			
Items to be reclassified to profit or loss in subsequent periods			
Debt financial instruments measured at fair value through other comprehensive income:			
- Net change in fair value, net of tax		112.8	(54.0)
- Accumulated gains transferred to profit or loss upon disposal, net of tax		(7.0)	(4.7)
Exchange differences on translating foreign operations:			
- Exchange differences on translating foreign operations for the year		(24.6)	17.6
Total other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods, net of tax		**81.2**	**(41.1)**
Items that will not be reclassified to profit or loss in subsequent periods			
Revaluation of office premises:			
- Revaluation of office premises, net of tax	11	(5.2)	—
- Change in valuation of office premises transferred to other classes of assets, net of tax	11	(1.1)	(1.6)
Remeasurement of defined benefit pension plans		(0.2)	(0.7)
Total other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(6.5)**	**(2.3)**
Total other comprehensive income / (loss) from continuing operations		**74.7**	**(43.4)**
Total other comprehensive loss of discontinued operations to be reclassified to profit or loss upon disposal, net of tax	**12**	**(12.5)**	**(25.6)**
Accumulated losses of discontinued operations transferred to profit or loss upon disposal of discontinued operations, net of tax	**12**	**86.0**	**—**
Total other comprehensive income / (loss)		**148.2**	**(69.0)**
Total comprehensive income for the year		**993.2**	**762.7**
Attributable to:			
- shareholders of the Bank		993.1	764.0
- non-controlling interest		0.1	(1.3)
Total comprehensive income for the year, attributable to shareholders of the Bank from:			
- continuing operations		**989.4**	**789.1**
- discontinued operations		**3.7**	**(25.1)**

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Consolidated Statement of Changes in Equity

in billions of Russian Roubles	Note	Share capital	Share premium	Treasury shares	Other reserves (Note 29)	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to shareholders of the Bank							
Balance as at 1 January 2018		**87.7**	**232.6**	**(15.3)**	**61.3**	**2,996.2**	**3,362.5**	**4.0**	**3,366.5**
Changes in equity for the year ended 31 December 2018									
Net result from treasury shares transactions		—	—	(2.8)	—	(1.9)	(4.7)	—	(4.7)
Dividends declared	28	—	—	—	—	(269.8)	(269.8)	—	(269.8)
Transfer of revaluation reserve for office premises upon disposal or depreciation		—	—	—	(3.3)	3.3	—	—	—
Acquisition of subsidiaries and changes in ownership interest in subsidiaries		—	—	—	—	—	—	1.1	1.1
Profit / (loss) for the year		—	—	—	—	*832.9*	*832.9*	*(1.2)*	*831.7*
Other comprehensive loss for the year		—	—	—	*(68.9)*	—	*(68.9)*	*(0.1)*	*(69.0)*
Total comprehensive (loss) / income for the year		—	—	—	(68.9)	832.9	764.0	(1.3)	762.7
Balance as at 31 December 2018		**87.7**	**232.6**	**(18.1)**	**(10.9)**	**3,560.7**	**3,852.0**	**3.8**	**3,855.8**
Changes in equity for the year ended 31 December 2019									
Net result from treasury shares transactions		—	—	(3.4)	—	(1.1)	(4.5)	—	(4.5)
Dividends declared	28	—	—	—	—	(360.1)	(360.1)	—	(360.1)
Transfer of revaluation reserve for office premises upon disposal or depreciation		—	—	—	(4.2)	4.2	—	—	—
Acquisition of subsidiaries and changes in ownership interest in subsidiaries		—	—	—	—	—	—	4.5	4.5
Recognition of liabilities reserve for buyout of non-controlling interest		—	—	—	(2.2)	—	(2.2)	—	(2.2)
Reclassification of accumulated reserves upon disposal of discontinued operations		—	—	—	(0.6)	0.6	—	—	—
Profit for the year		—	—	—	—	*844.9*	*844.9*	*0.1*	*845.0*
Other comprehensive income for the year		—	—	—	*148.2*	—	*148.2*	—	*148.2*
Total comprehensive income for the year		—	—	—	148.2	844.9	993.1	0.1	993.2
Balance as at 31 December 2019		**87.7**	**232.6**	**(21.5)**	**130.3**	**4,049.2**	**4,478.3**	**8.4**	**4,486.7**

Consolidated Statement of Cash Flows

in billions of Russian Roubles	Note	Year ended 31 December 2019	2018
Cash flows from operating activities			
Interest income calculated using the effective interest method received		2,395.0	2,277.2
Other interest income received		117.6	136.1
Interest expense calculated using the effective interest method paid		(887.5)	(779.7)
Other interest expense paid		(20.7)	(25.7)
Deposit insurance expenses paid		(83.9)	(70.4)
Fees and commissions received		724.4	650.5
Fees and commissions paid		(206.7)	(165.5)
Net gains received on non-derivative financial instruments at fair value through profit or loss		4.0	5.7
Net gains received / (losses incurred) from financial instruments at fair value through other comprehensive income		9.3	(4.6)
Dividends received		2.5	2.1
Net gains received / (losses incurred) on derivatives, trading in foreign currencies and operations with precious metals		72.6	(12.6)
Revenue received from non-core business activities		36.5	34.9
Expenses paid on non-core business activities		(30.4)	(26.3)
Insurance premiums received		210.3	228.2
Claims, benefits and acquisition costs on insurance operations paid		(41.5)	(19.0)
Pension fund premiums received		7.6	101.5
Claims, benefits and acquisition costs on pension fund operations paid		(12.5)	(17.8)
Income received from operating lease of equipment		8.2	7.7
Expenses paid related to equipment leased out		(0.3)	(0.7)
Other net operating (losses paid) / income received		(7.0)	2.8
Staff and administrative expenses paid		(651.6)	(627.9)
Income tax paid		(246.0)	(218.8)
Cash flows from operating activities before changes in operating assets and liabilities		**1,399.9**	**1,477.7**
Changes in operating assets and liabilities			
Net (increase) / decrease in mandatory cash balances with central banks		(48.8)	39.7
Net decrease / (increase) in due from banks		435.0	(63.5)
Net increase in loans and advances to customers		(1,522.3)	(2,560.7)
Net increase in securities and financial instruments pledged under repurchase agreements		(674.2)	(553.6)
Net decrease / (increase) in derivative financial assets		0.2	(9.9)
Net decrease / (increase) in other assets		3.0	(193.1)
Net (decrease) / increase in due to banks		(308.4)	397.2
Net increase in due to individuals		1,015.3	914.2
Net increase in due to corporate customers		328.6	1,034.3
Net decrease in debt securities in issue		(44.7)	(70.7)
Net decrease in other borrowed funds		(46.8)	(26.3)
Net increase in obligations to deliver securities		2.3	3.2
Net (decrease) / increase in other liabilities		(6.3)	16.8
Net cash from operating activities		**532.8**	**405.3**

Consolidated Statement of Cash Flows (continued)

in billions of Russian Roubles	Note	Year ended 31 December 2019	2018
Cash flows from investing activities			
Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed of	12	(11.4)	—
Acquisition of premises, equipment and intangible assets		(205.8)	(177.9)
Proceeds from disposal of premises, equipment and intangible assets		20.0	14.3
Acquisition of investment property		(0.1)	(0.1)
Proceeds from disposal of investment property		2.5	—
Acquisition of associates and joint ventures		(65.3)	(32.7)
Proceeds from disposal of associates		8.4	0.2
Acquisition of subsidiaries net of cash and cash equivalents acquired		(3.0)	(0.8)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of		7.4	1.0
Net cash used in investing activities		**(247.3)**	**(196.0)**
Cash flows from financing activities			
Funds received from subordinated debt issued or reissued		5.6	4.6
Redemption of subordinated debt		(68.6)	(52.6)
Cash received from non-controlling shareholders		—	0.6
Acquisition of non-controlling interests in subsidiaries		(3.3)	—
Purchase of treasury shares		(18.8)	(8.3)
Proceeds from disposal of treasury shares		14.3	3.6
Cash outflow to settle principal amount of lease liabilities		(13.2)	—
Dividends paid	28	(358.6)	(268.5)
Net cash used in financing activities		**(442.6)**	**(320.6)**
Effect of exchange rate changes on cash and cash equivalents		(128.1)	150.8
Net effect of changes in cash and cash equivalents included in disposal groups except for discontinued operations		—	(0.5)
Net (decrease) / increase in cash and cash equivalents		**(285.2)**	**39.0**
Cash and cash equivalents of discontinued operations at the beginning of the year		**269.6**	**—**
Cash and cash equivalents of continuing operations at the beginning of the year		**2,098.8**	**2,329.4**
Cash and cash equivalents of discontinued operations at the end of the year		**—**	**269.6**
Cash and cash equivalents of continuing operations at the end of the year	**5**	**2,083.2**	**2,098.8**

1 Introduction

These consolidated financial statements of Sberbank of Russia (Sberbank, the "Bank") and its subsidiaries (together referred to as the "Group" or "Sberbank Group") have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2019. Principal subsidiaries include Russian and foreign commercial banks and other companies controlled by the Group. A list of principal subsidiaries included in these consolidated financial statements is disclosed in Note 39.

The Bank is a public joint-stock commercial bank established in 1841 and operating in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank's principal shareholder, the Central Bank of the Russian Federation (the "Bank of Russia"), owns 52.3% of ordinary shares or 50.0% plus 1 share of the issued and outstanding ordinary and preference shares as at 31 December 2019 (31 December 2018: 52.3% of ordinary shares or 50.0% plus 1 share of the issued and outstanding ordinary and preferred shares).

In February 2020 the Bank of Russia and the Ministry of Finance of the Russian Federation announced that they reached an agreement on the sale of 50.0% plus 1 share in Sberbank's share capital from the Bank of Russia to the National Wealth Fund. The management of the Group does not expect any changes in the Group's strategy following the change of its parent.

As at 31 December 2019 the Supervisory Board of the Bank is headed by Sergey M. Ignatiev, Chairman of the Bank of Russia in the period of 2002-2013. The Supervisory Board of the Bank includes representatives from both the Bank's principal shareholder and other shareholders as well as independent directors.

The Bank operates under a general banking license issued by the Bank of Russia since 1991. In addition, the Bank holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer, a custodian. The Bank is regulated and supervised by the Bank of Russia as a united regulator for banking, insurance and financial markets activities in the Russian Federation. The Group's banks / companies operate under the banking / companies regulatory regimes of their respective countries.

The Group's principal business activity is corporate and retail banking. This includes, but is not limited to, deposit taking and commercial lending in freely convertible currencies, local currencies of countries where the subsidiary banks operate and in Russian Roubles, support of clients' export / import transactions, foreign exchange, securities trading, and trading in derivative financial instruments. The Group's operations are conducted in both Russian and international markets. As at 31 December 2019 the Group conducts its business in Russia through Sberbank with its network of 11 (31 December 2018: 12) regional head offices, 77 (31 December 2018: 77) branches and 14,167 (31 December 2018: 14,186) banking offices, and through principal subsidiaries located in Russia such as Sberbank Leasing JSC, Sberbank Capital LLC, SB CIB Holding LLC, Sberbank Investments LLC, Non-state Pension Fund of Sberbank JSC, Insurance company "Sberbank life insurance" LLC, Insurance company "Sberbank insurance" LLC, Sberbank Factoring LLC, Digital Technologies LLC and Cetelem Bank LLC (former BNP Paribas Vostok LLC). From 1 May 2019 Zapadno-Sibirsky Regional head office was reorganized by reallocation of its branch network to Sibirsky and Uralsky Regional head offices. The Group carries out banking operations in Ukraine, Belarus, Kazakhstan, Austria, Switzerland and other countries of Central and Eastern Europe and also conducts operations through a branch office in India, representative offices in Germany and China and Group companies located in the United States of America, the United Kingdom, Cyprus and certain other jurisdictions. On 31 July 2019 the Group closed the deal on disposal of DenizBank, the former subsidiary bank operating in Turkey (Refer to Note 12).

The actual headcount of the Group's full-time employees as at 31 December 2019 was 281,338 (31 December 2018: 293,752).

Registered address and place of business. The Bank's registered address is: Vavilova str., 19, Moscow, Russian Federation.

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

2 Operating Environment of the Group

Russian Federation. The major part of the Group operations is conducted in the Russian Federation.

The growth rate of the Russian economy in 2019 slowed down on the back of the strict economic policy and growth of political tensions. GDP growth in 2019 is estimated at 1.3%[1] year-on-year versus 2.5%[1] in 2018.

Economic growth remained unstable. The industrial production in 2019 increased by 2.3%[1] year-on-year compared to 2018, when growth of industrial production amounted to 3.5%[1].

The situation in the labour market has improved. The unemployment rate at the end of 2019 decreased to 4.6%[1] versus 4.8%[1] in December 2018. The real accrued wages increased by 2.9%[1] against growth by 8.5%[1] in 2018. The growth rate of real disposable incomes accelerated to 0.8%[1] after 0.1%[1] growth in 2018. The retail sales increased by 1.6%[1] in 2019 while in 2018 the growth in retail sales comprised 2.8%[1].

The public's propensity to save increased. The share of disposable income allocated to savings amounted to 3.0%[1] in 2019. This index increased compared to 1.7%[1] in 2018. The consumer confidence index which reflects the total consumer expectations of the public improved by 4.0% to (13.0)% [1] in the fourth quarter of 2019 compared to the fourth quarter of 2018.

Annualized inflation slowed down to 3.0%[1] by the end of 2019 compared to 4.3%[1] in December 2018. At the beginning of the year, the price growth rate remained high due to the increase of VAT from 18% to 20%. However, insignificant economic activity, a reach harvest and the strengthening of the Russian Rouble held back the inflation. The rapid slowdown in price growth allowed the Bank of Russia to reduce the key rate by the end of 2019 to 6.25%[2] from 7.75%[2] at the end of 2018.

Oil prices decreased in 2019. The average price for Urals oil in 2019 was 64.3 US dollars per barrel versus 69.8 US dollars per barrel in 2018. The average oil price in the fourth quarter 2019 increased to 63.4 US dollars per barrel compared to 63.2 US dollars per barrel in the first quarter of 2019. The average Russian Rouble exchange rate for the fourth quarter of 2019 strengthened (63.7 Russian Roubles per 1 US dollar) compared to the first quarter of 2019 (66.0 Russian Roubles per 1 US dollar). The strengthening of the exchange rate was mainly due to capital inflows to developing countries. The average Russian Rouble exchange rate was 64.7 Russian Roubles per US dollar in 2019.

The surplus in the current account of the balance of payments of the Russian Federation decreased to USD 70.6[2] billion in 2019 (compared to USD 113.5[2] billion in 2018). The decrease in the surplus resulted from the decrease in world commodity prices, the strengthening of the real Rouble exchange rate, weak external demand and significant dividend payments. The private sector capital outflow amounted to USD 26.7[2] billion compared to USD 63.0[2] billion in 2018. The main channel of the outflow was the reduction of foreign liabilities of the banking sector. The external debt of the Russian Federation increased in 2019 by USD 26.8[2] billion to USD 481.5[2] billion.

In 2019 the Russian banking sector earned profit of RR 2,037.0[2] billion versus RR 1,345.0[2] billion in 2018. Profit growth in 2019 was impacted by the application of IFRS 9 adjustments and steps on the recovery of the banking sector performed by the Fund for the Banking Sector Consolidation. In 2019 assets of the Russian banking system adjusted for the foreign exchange revaluation increased by 5.2%[2] compared to 2018. The loan portfolio of the banking sector increased by 8.9%[2] in 2019 due to growth in loans to nonfinancial organizations and individuals by 4.5%[2] and 18.6%[2] respectively (adjusted for the foreign exchange revaluation).

The situation on the Russian stock markets has improved. The RTS index increased by 45% in 2019 compared to 2018, the MOEX Russia index increased by 30%.

International rating agencies improved the outlook for the sovereign credit ratings of the Russian Federation. Moody's improved rating of the Russian Federation from the speculative to the investment level Baa3 with the "Positive" outlook. Fitch Ratings improved rating of the Russian Federation from the BBB- to the BBB with the "Stable" outlook.

[1] Rosstat data

[2] Bank of Russia data, Russian Accounting Standards data

2 Operating Environment of the Group (continued)

Other jurisdictions. In addition to Russia the Group conducts operations in Belarus, Kazakhstan, Ukraine, Central and Eastern Europe (Austria, Czech Republic, Bosnia and Herzegovina, Slovenia, Serbia, Hungary, Croatia), Switzerland and some other countries.

Economic growth in Belarus slowed sharply in 2019, amounting to 1.2%[1] in annual terms, after 3%[1] a year earlier. The industry suffered from an incident with the supply of low-quality oil and showed a growth of 1%[1] compared to the previous year. The price increase in December 2019 compared to December 2018 amounted to 4.7%[1], which was below the National Bank of Republic of Belarus target, set at 5%. Moderate inflation background allowed regulator to cut refinancing rate twice to 9%[2] at the year end. The exchange rate of the Belarusian rouble showed multidirectional dynamic during the year having reached 2.1 Belarusian roubles per US dollar at the end of December 2019.

Despite the decline in oil prices and a slowdown in production growth, Kazakhstan's economy grew in 2019 by 4.5%[3]. Price growth pushed back from the lows of the last 4 years and ended the year at 5.4%[3]. The reaction from the National Bank was a return to tightening monetary policy. The regulator raised the base rate in September by 0.25 percentage points to 9.25[4]%.

Against the background of a decrease in political uncertainty, the economic growth of Ukraine last year was ahead of forecasts of market analysts. GDP growth in 2019 compared to 2018 was 3.3%[5].

The key drivers of growth of Central and Eastern Europe remained stable domestic demand, supported by real wage growth. The growth of the economies of Central and Eastern Europe remains dependent on external demand and economic conditions in the Eurozone. The growth of the Eurozone economy slowed to 1.2%[6] at the end of 2019 (in 2018 - 1.9%[6]). The slowdown is due to weak external demand against the slow growth in world trade.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognized in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Classification of financial assets. Assessment of the business models within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding are disclosed in Note 41.

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[1] National Committee of statistics of the Republic of Belarus data
[2] National Bank of the Republic of Belarus data
[3] Committee of statistics of the Republic of Kazakhstan data
[4] National Bank of the Republic of Kazakhstan data
[5] Ministry for Development of Economy, Trade and Agriculture of Ukraine data
[6] Eurostat data

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Measurement of expected credit loss (ECL) allowance. The measurement of expected credit loss allowance for financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Assessment of the quality of data and measurement models for assets expected to be received as a result of procedures on settlement of problem loans.

The credit loss allowance recognized for financial instruments is impacted by a variety of factors, as described below. The impact of these factors on credit loss allowance balance and charge for the year is presented in the notes related to the respective financial instruments.

- Transfers and corresponding remeasurement of credit loss allowances between Stage 1 (12-month ECL) and Stages 2 (Lifetime ECL not credit-impaired) or 3 (Lifetime ECL credit-impaired) due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL, as well as net remeasurement of credit loss allowance within the same stage;
- Additional allowances for newly originated or purchased financial instruments during the period, as well as releases for financial instruments derecognized in the period;
- Changes to ECL measurement model assumptions and estimates due to changes in PDs, EADs and LGDs in the period, arising from regular update of inputs to ECL models;
- Remeasurement of credit loss allowance to reflect all contractually receivable interest due to the passage of time because ECL is measured on a present value basis;
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period, as well as recoveries of amounts previously written off;
- Disposal of subsidiaries and reclassification of discontinued operations and non-current assets held for sale, and
- Exchange differences on translating foreign operations and assets denominated in foreign currencies, and other movements.

Information on the inputs, assumptions, estimation techniques and judgements used in measuring ECL is further detailed in Note 31. Definitions of terms related to ECL measurement are detailed in the Note 41.

In assessing expected credit losses, the Group takes into account reasonable and confirmed information on current and projected future economic conditions. In this regard, the Group regularly updates projected macroeconomic scenarios which are taken into account in determining expected credit losses. The result of updating the model of forward-looking information for corporate portfolio during the year ended 31 December 2019 was an increase of the credit loss allowance in the amount of RR 1.7 billion.

The Group also regularly updates risk metrics based on the latest available external and internal statistics for the purposes of determining most relevant probability of default and losses in case of default. The result of updating the risk metrics during the year ended 31 December 2019 was a decrease of the credit loss allowance in the amount of RR 6.7 billion.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

During the year ended 31 December 2019 as a result of the accumulation of statistics on the behavior of clients – leasing companies, the Group has implemented a new probability of default estimation model for these clients. Implementation of this model has allowed to make more accurate expected credit loss assessment as well as to achieve more precise assessment of instruments with significant increase of credit risk. The result of this model implementation during the year ended 31 December 2019 was a decrease of the credit loss allowance in the amount of RR 2.8 billion.

During the year ended 31 December 2019 as a result of the accumulation of statistics on the behavior of the credit card portfolio, the Group has implemented new credit risk estimation models for credit cards including probability of default estimation model, the model for assessing losses in case of default and assessing exposure at default. Implementation of these models has allowed to make more accurate expected credit loss assessment as well as to achieve more precise assessment of instruments with significant increase of credit risk. The result of these models implementation during the year ended 31 December 2019 was an increase of the credit loss allowance in the amount of RR 2.6 billion.

During the year ended 31 December 2019 as a result of the models development an early repayment model for loans to legal entities was developed and implemented. As a result of this model implementation during the year ended 31 December 2019 the Group recorded a decrease of the credit loss allowance in the amount of RR 3.9 billion.

During the year ended 31 December 2019 changes to ECL measurement model assumptions and estimates applied by the subsidiaries of the Group resulted in the increase of credit loss allowance in the amount of RR 1.0 billion.

During the year ended 31 December 2019 as a result of the models development an early repayment model for mortgage loans and consumer loans to individuals was developed and implemented. As a result of this model implementation during the year ended 31 December 2019 the Group recorded a decrease of the credit loss allowance in the amount of RR 6.0 billion.

Fair value of financial instruments. The estimated fair value of financial instruments has been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. To the extent practical, models use only observable data adjusted for credit quality of counterparties, however certain areas require Management to make other estimates. Changes in assumptions about these factors could affect reported fair values. The Russian Federation and certain other jurisdictions where the Group operates continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore sometimes they may not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments. Refer to Note 34.

Revaluation of office premises. The Group regularly reviews the value of its office premises for compliance with fair value and performs revaluation to ensure that the current carrying amount of office premises does not materially differ from its fair value. Office premises have been revalued to market value as at 31 December 2019. The revaluation was performed based on the reports of independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of assets of similar location and category.

For premises for which market information for comparable transactions or sale offers was observed, sales comparison method in the frame of comparison approach was used. To estimate fair value of premises, adjustments to prices of similar items were applied under following parameters: type of price (transaction / offer), type of settlement, location, square, class of item, proportion of basement / socle, state of decoration. The range for offer adjustment comprised 10-15% depending on characteristic of local real estate market. Should this adjustment change for 1%, the fair value would change for RR +/- 1.6 billion.

For major premises (Moscow, Vavilov street, 19, Moscow, Kutuzov prospect, 32) due to absence of market information for comparable transactions or offers, fair value was estimated by straight capitalization method in the frame of income approach. Under this method net operating income is calculated as the difference between income from lease and operating expenses which is then capitalized to determine fair value of the assessed premises.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

To determine fair value the following main inputs were used: market lease rates, market rate of non-utilization, capitalization rates and other. Market lease rates were determined based on market offers for lease for comparable premises.

Information on impact of possible changes in these inputs on the total valuation is presented below (with other variables set unchanged):

- Should the capitalization rate increase / decrease by 0.5%, fair value of premises would be RR 2.8 billion lower / RR 3.0 billion higher.
- Should the income from lease increase / decrease by 10.0%, fair value of premises would be RR 6.5 billion higher / RR 7.1 billion lower.

The valuation of premises which were developed / constructed to fulfil the specific requirements of the Bank, was based on the replacement cost in the frame of replacement approach. Fair value was determined by adjusting replacement cost for the value of obsolescence determined based on chronological age. For this group of premises the range of price indices in construction used to determine replacement cost comprised 10-35% depending on region, construction system and date of construction. Should this index change by 1%, fair value of premises determined based on replacement approach, would change for RR 0.1 billion.

Revalued premises are depreciated in accordance with their remaining useful lives since 1 January 2020. Refer to Note 11.

Determining lease term. The Group leases office buildings from third parties. Some of such contracts do not have contractual maturity dates and are automatically renewed unless either party submits a termination notice. The Group determines non-cancellable lease period for such leases, taking into consideration penalties that would be incurred upon termination, including economic disincentives to terminate such as leasehold improvements, cost of relocating or the importance of the premises to the Group’s operations. As a result, the lease term for the most significant office buildings has been determined as a period of 2 - 10 years.

Life insurance contract liabilities (including investment contract liabilities with discretionary participation features (the “DPF”)). The liability for life insurance contracts (including investment contracts with DPF) is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time of inception adjusted for risk and adverse changes. All contracts are subject to a liability adequacy test, which reflects management’s best current estimate of future cash flows. The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry Russian mortality tables prepared by State Statistic Committee of Russian Federation, adjusted when appropriate to reflect the Group’s unique risk exposure, product characteristics, target markets. Refer to Note 31.

4 Adoption of New or Revised Standards and Interpretations, Reclassifications

Certain new standards and interpretations became effective for the Group from 1 January 2019:

IFRS 16 “Leases”. From 1 January 2019 the Group has adopted IFRS 16 “Leases” issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 “Leases” eliminates the classification of leases as either operating leases or finance leases as was required by IAS 17 “Leases” and, instead, introduces a single lessee accounting model. The Group applied the standard using the modified retrospective method, without restatement of comparatives.

On adoption of IFRS 16 “Leases”, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8.38%.

4 Adoption of New or Revised Standards and Interpretations, Reclassifications (continued)

In applying IFRS 16 "Leases" for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- accounting for payments for leases of low-value assets as operating expenses, without their recognition as right-of-use assets at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement contains a Lease".

The Group recognized a right-of-use asset of RR 70.0 billion against a corresponding lease liability on 1 January 2019. A reconciliation of the operating lease commitments to this liability is as follows:

in billions of Russian Roubles	**1 January 2019**
Lease payments under operating leases	**114.2**
Adjustments to amount of lease commitments:	
Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	5.8
Recognition exemption: short-term leases	(6.4)
Recognition exemption: the underlying asset is of low value	(0.1)
Future lease payments under IFRS 16	**113.5**
Effect of discounting	(45.0)
Lease liabilities under IFRS 16	**68.5**
Amount of prepayments and irrevocable security payments on agreements	1.5
Right-of-use assets under IFRS 16	**70.0**

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to office premises and land.

The following amended standards and interpretations became effective for the Group from 1 January 2019, but did not have any material impact on the Group:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

4 Adoption of New or Revised Standards and Interpretations, Reclassifications (continued)

Changes in presentation and reclassifications. In these consolidated financial statements the Group changed presentation of the consolidated statement of profit or loss due to reclassification of foreign exchange differences related to credit loss allowance for loans in foreign currency and revaluation of loans in foreign currency from Net credit loss allowance charge for debt financial assets and from Net losses from non-derivative financial instruments at fair value through profit or loss to Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation. Also the Group changed presentation of the consolidated statement of profit or loss due to reclassification of value added tax expense related to fee and commission expenses from staff and administrative expenses to fee and commission expense. Management considers that the amended presentation results in a more informative and relevant presentation of the financial information and is more consistent with the market practice.

The effect of changes on the consolidated statement of profit and loss for the year ended 31 December 2018 is as follows:

in billions of Russian Roubles	**As previously reported**	**Reclassification**	**As reclassified**
Year ended 31 December 2018			
Net credit loss allowance charge for debt financial assets	(162.4)	65.6	(96.8)
Fee and commission expense	(153.2)	(7.2)	(160.4)
Net losses from non-derivative financial instruments at fair value through profit or loss	(69.8)	5.6	(64.2)
Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	52.2	(71.2)	(19.0)
Staff and administrative expenses	(664.8)	7.2	(657.6)

5 Cash and Cash Equivalents

in billions of Russian Roubles	**31 December 2019**	**31 December 2018**
Cash and cash equivalents at amortized cost	2,079.0	2,092.6
Cash and cash equivalents at fair value through profit or loss	4.2	6.2
Total cash and cash equivalents	**2,083.2**	**2,098.8**

Cash and cash equivalents at amortized cost

in billions of Russian Roubles	**31 December 2019**	**31 December 2018**
Cash on hand	640.9	695.0
Cash balances with the Bank of Russia (other than mandatory reserve deposits)	964.2	681.5
Correspondent accounts and placements with other banks:		
- Russian Federation	31.7	13.4
- Other countries	423.8	696.7
Reverse repo agreements	18.4	6.0
Total cash and cash equivalents at amortized cost	**2,079.0**	**2,092.6**

5 Cash and Cash Equivalents (continued)

As at 31 December 2019 and 31 December 2018 correspondent accounts and placements with banks and reverse repo agreements are represented by balances with original maturities up to 1 business day mainly with the top and well-known foreign and Russian banks, financial companies and corporate customers.

The table below discloses the credit quality of cash and cash equivalents balances measured at amortized cost based on credit risk grades as at 31 December 2019.

in billions of Russian Roubles	**Minimum credit risk**	**Low credit risk**	**Total**
Correspondent accounts and placements with other banks	437.9	17.6	455.5
Reverse repo agreements	18.4	—	18.4
Total correspondent accounts and placements with banks and reverse repo agreements at amortized cost	**456.3**	**17.6**	**473.9**

The table below discloses the credit quality of cash and cash equivalents balances measured at amortized cost based on credit risk grades as at 31 December 2018.

in billions of Russian Roubles	**Minimum credit risk**	**Low credit risk**	**Moderate credit risk**	**Total**
Correspondent accounts and placements with other banks	676.4	32.6	1.1	710.1
Reverse repo agreements	6.0	—	—	6.0
Total correspondent accounts and placements with banks and reverse repo agreements at amortized cost	**682.4**	**32.6**	**1.1**	**716.1**

Refer to Note 31 for the description of credit risk grading system used by the Group. The carrying amount of cash and cash equivalents at 31 December 2019 and 31 December 2018 also represents the Group's maximum exposure to credit risk on these assets.

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Group did not create any credit loss allowance for cash and cash equivalents. Refer to Note 31 for the ECL measurement approach.

As at 31 December 2019 and 31 December 2018 cash and cash equivalents measured at amortized cost are neither past due nor impaired.

Cash and cash equivalents at fair value through profit or loss

in billions of Russian Roubles	**31 December 2019**	**31 December 2018**
Correspondent accounts and placements with other banks:		
- Other countries	1.5	—
Reverse repo agreements	2.7	6.2
Total cash and cash equivalents at fair value through profit or loss	**4.2**	**6.2**

As at 31 December 2019 and 31 December 2018 cash and cash equivalents measured at fair value through profit or loss are not past due.

Refer to Note 35 for the information on the fair value of securities received under reverse sale and repurchase agreements classified as cash and cash equivalents.

The estimated fair value of cash and cash equivalents is disclosed in Note 34. Currency and maturity analyses of cash and cash equivalents are disclosed in Note 31. The information on related parties balances is disclosed in Note 37.

6 Due from Banks

in billions of Russian Roubles	31 December 2019	31 December 2018
Due from banks at amortized cost	569.3	770.8
Due from banks at fair value through profit or loss	513.9	649.9
Total due from banks	**1,083.2**	**1,420.7**

Due from banks at amortized cost

in billions of Russian Roubles	31 December 2019	31 December 2018
Term placements with banks:		
- Russian Federation	118.7	147.9
- Other countries	95.5	235.4
Reverse repo agreements with banks	355.4	389.4
Gross carrying amount of due from banks at amortized cost	**569.6**	**772.7**
Credit loss allowance	(0.3)	(1.9)
Total due from banks at amortized cost	**569.3**	**770.8**

As at 31 December 2019 and 31 December 2018 term placements with banks and reverse repo agreements are represented by balances with original maturities over 1 business day mainly with the top and well-known foreign and Russian banks.

The following table contains an analysis of due from banks balances by credit quality at 31 December 2019 based on credit risk grades and discloses due from banks balances by three stages for the purpose of ECL measurement. Refer to Note 31 for the description of credit risk grading system used by the Group and the approach to ECL measurement of due from banks balances.

in billions of Russian Roubles	12-month ECL	Lifetime ECL credit-impaired	Total
Term placements with banks			
Minimum credit risk	73.1	—	73.1
Low credit risk	141.0	—	141.0
Default	—	0.1	0.1
Gross carrying amount of term placements with banks	**214.1**	**0.1**	**214.2**
Credit loss allowance	(0.2)	(0.1)	(0.3)
Total term placements with banks	**213.9**	**—**	**213.9**
Reverse repo agreements with banks			
Minimum credit risk	326.5	—	326.5
Low credit risk	28.9	—	28.9
Gross carrying amount of reverse repo agreements with banks	**355.4**	**—**	**355.4**
Total reverse repo agreements with banks	**355.4**	**—**	**355.4**
Total due from banks (gross carrying amount)	**569.5**	**0.1**	**569.6**
Credit loss allowance	**(0.2)**	**(0.1)**	**(0.3)**
Total due from banks at amortized cost	**569.3**	**—**	**569.3**

6 Due from Banks (continued)

The following table contains an analysis of due from banks balances by credit quality at 31 December 2018 based on credit risk grades and discloses due from banks balances by three stages for the purpose of ECL measurement.

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Term placements with banks				
Minimum credit risk	198.4	—	—	198.4
Low credit risk	183.0	0.4	—	183.4
Default	—	—	1.5	1.5
Gross carrying amount of term placements with banks	**381.4**	**0.4**	**1.5**	**383.3**
Credit loss allowance	(0.3)	—	(1.5)	(1.8)
Total term placements with banks	**381.1**	**0.4**	**—**	**381.5**
Reverse repo agreements with banks				
Minimum credit risk	367.3	—	—	367.3
Low credit risk	22.1	—	—	22.1
Gross carrying amount of reverse repo agreements with banks	**389.4**	**—**	**—**	**389.4**
Credit loss allowance	(0.1)	—	—	(0.1)
Total reverse repo agreements with banks	**389.3**	**—**	**—**	**389.3**
Total due from banks (gross carrying amount)	**770.8**	**0.4**	**1.5**	**772.7**
Credit loss allowance	**(0.4)**	**—**	**(1.5)**	**(1.9)**
Total due from banks at amortized cost	**770.4**	**0.4**	**—**	**770.8**

The carrying amount of due from banks balances at 31 December 2019 and 31 December 2018 also represents the Group's maximum exposure to credit risk on these assets.

As at 31 December 2019 term placements with banks at amortized cost with gross carrying amount of RR 2.3 billion are past due (31 December 2018: RR 1.5 billion).

Due from banks at fair value through profit or loss

in billions of Russian Roubles	31 December 2019	31 December 2018
Term placements with banks:		
- Russian Federation	34.3	84.2
- Other countries	78.8	16.7
Reverse repo agreements with banks	400.8	549.0
Total due from banks at fair value through profit or loss	**513.9**	**649.9**

As at 31 December 2019 and 31 December 2018 all term placements with banks and reverse repo agreements at fair value through profit or loss are not past due.

Refer to Note 35 for the information on the fair value of securities received under reverse sale and repurchase agreements classified as due from banks.

The estimated fair value of due from banks and reverse repo agreements and fair value measurement technique used are disclosed in Note 34. Currency and maturity analyses of due from banks are disclosed in Note 31. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 37 and 38.

7 Loans and Advances to Customers

in billions of Russian Roubles	31 December 2019	31 December 2018
Loans and advances to customers at amortized cost	19,410.8	18,899.1
Loans and advances to customers at fair value through profit or loss	952.7	685.9
Total loans and advances to customers	**20,363.5**	**19,585.0**

Loans and advances to customers at amortized cost

			31 December 2019
in billions of Russian Roubles	Gross carrying amount	Credit loss allowance	Amortized cost
Commercial loans to legal entities	11,378.0	(834.2)	10,543.8
Project finance loans to legal entities	1,561.3	(183.6)	1,377.7
Mortgage loans to individuals	4,291.2	(79.6)	4,211.6
Consumer and other loans to individuals	2,631.6	(186.0)	2,445.6
Credit cards and overdrafts to individuals	794.0	(94.1)	699.9
Car loans to individuals	140.6	(8.4)	132.2
Total loans and advances to customers at amortized cost	**20,796.7**	**(1,385.9)**	**19,410.8**

			31 December 2018
in billions of Russian Roubles	Gross carrying amount	Credit loss allowance	Amortized cost
Commercial loans to legal entities	12,420.0	(1,017.2)	11,402.8
Project finance loans to legal entities	1,229.6	(183.0)	1,046.6
Mortgage loans to individuals	3,850.6	(79.2)	3,771.4
Consumer and other loans to individuals	2,108.7	(145.9)	1,962.8
Credit cards and overdrafts to individuals	657.5	(63.8)	593.7
Car loans to individuals	130.0	(8.2)	121.8
Total loans and advances to customers at amortized cost	**20,396.4**	**(1,497.3)**	**18,899.1**

Commercial loans to legal entities comprise corporate loans, loans to individual entrepreneurs, federal bodies and municipal authorities. Loans are granted for current needs (working capital financing, acquisition of movable and immovable property), portfolio investments, expansion and consolidation of business, etc. The repayment source is cash flow from current production and financial activities of the borrower.

Project finance loans to legal entities include investment and construction project financing and also developers' financing. As a rule, loan terms are linked to project payback periods or contract execution periods and exceed the terms of commercial loans to legal entities. The principal and interest may be repaid from cash flows generated by the project at the stage of its commercial operation.

Mortgage loans to individuals include loans for acquisition, construction and reconstruction of real estate. These loans are mostly long-term and are collateralized by real estate.

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and repair of real estate as well as car loans and credit cards and overdrafts. These loans include loans for current needs.

Credit cards and overdrafts to individuals represent revolving credit lines. These loans are considered a comfortable instrument for customers as a reserve source of funds in case of need available everywhere and anytime. Interest rates for such loans are higher than for consumer loans as they carry higher risks for the Group.

Car loans to individuals include loans for purchasing a car or other vehicle.

7 Loans and Advances to Customers (continued)

The tables below show the credit quality analysis of the Group's loans and advances to customers at amortized cost as at 31 December 2019 and 31 December 2018. Credit quality in the table below is based on the credit risk grades developed internally by the Group. Refer to Note 31 for the description of credit risk grading system used by the Group and the approach to ECL measurement of loans and advances to customers.

					31 December 2019
in billions of Russian Roubles	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased/ originated credit-impaired**	**Total**
Commercial loans to legal entities					
Minimum credit risk	1,464.2	2.0	—	—	1,466.2
Low credit risk	6,628.4	283.1	—	—	6,911.5
Moderate credit risk	1,447.5	490.9	—	0.1	1,938.5
High credit risk	1.7	79.8	—	—	81.5
Default	—	—	944.7	35.6	980.3
Gross carrying amount of commercial loans to legal entities	**9,541.8**	**855.8**	**944.7**	**35.7**	**11,378.0**
Credit loss allowance	(74.6)	(91.8)	(652.1)	(15.7)	(834.2)
Total commercial loans to legal entities	**9,467.2**	**764.0**	**292.6**	**20.0**	**10,543.8**

					31 December 2018
in billions of Russian Roubles	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased/ originated credit-impaired**	**Total**
Commercial loans to legal entities					
Minimum credit risk	1,696.2	0.8	—	—	1,697.0
Low credit risk	7,193.4	518.1	—	—	7,711.5
Moderate credit risk	1,048.1	698.2	—	—	1,746.3
High credit risk	2.9	128.4	—	—	131.3
Default	—	—	1,115.4	18.5	1,133.9
Gross carrying amount of commercial loans to legal entities	**9,940.6**	**1,345.5**	**1,115.4**	**18.5**	**12,420.0**
Credit loss allowance	(103.3)	(116.7)	(788.5)	(8.7)	(1,017.2)
Total commercial loans to legal entities	**9,837.3**	**1,228.8**	**326.9**	**9.8**	**11,402.8**

7 Loans and Advances to Customers (continued)

					31 December 2019
in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
Project finance loans to legal entities					
Minimum credit risk	108.0	0.2	—	—	108.2
Low credit risk	690.9	27.5	—	—	718.4
Moderate credit risk	408.2	54.6	—	—	462.8
High credit risk	0.2	63.6	—	—	63.8
Default	—	—	204.1	4.0	208.1
Gross carrying amount of project finance loans to legal entities	**1,207.3**	**145.9**	**204.1**	**4.0**	**1,561.3**
Credit loss allowance	(25.6)	(19.2)	(138.7)	(0.1)	(183.6)
Total project finance loans to legal entities	**1,181.7**	**126.7**	**65.4**	**3.9**	**1,377.7**

					31 December 2018
in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
Project finance loans to legal entities					
Minimum credit risk	71.4	0.9	—	—	72.3
Low credit risk	537.3	20.1	—	—	557.4
Moderate credit risk	248.9	35.2	—	—	284.1
High credit risk	—	101.6	—	3.7	105.3
Default	—	—	210.4	0.1	210.5
Gross carrying amount of project finance loans to legal entities	**857.6**	**157.8**	**210.4**	**3.8**	**1,229.6**
Credit loss allowance	(17.9)	(32.4)	(132.7)	—	(183.0)
Total project finance loans to legal entities	**839.7**	**125.4**	**77.7**	**3.8**	**1,046.6**

7 Loans and Advances to Customers (continued)

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total 31 December 2019
Mortgage loans to individuals					
Minimum credit risk	1,368.7	11.9	—	—	1,380.6
Low credit risk	2,588.7	110.7	—	—	2,699.4
Moderate credit risk	54.9	62.8	—	—	117.7
High credit risk	0.3	10.1	—	—	10.4
Default	—	—	82.2	0.9	83.1
Gross carrying amount of mortgage loans to individuals	**4,012.6**	**195.5**	**82.2**	**0.9**	**4,291.2**
Credit loss allowance	(23.6)	(10.1)	(45.6)	(0.3)	(79.6)
Total mortgage loans to individuals	**3,989.0**	**185.4**	**36.6**	**0.6**	**4,211.6**

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total 31 December 2018
Mortgage loans to individuals					
Minimum credit risk	1,413.3	11.8	—	—	1,425.1
Low credit risk	2,127.0	102.1	—	—	2,229.1
Moderate credit risk	33.8	61.0	—	—	94.8
High credit risk	—	10.2	—	—	10.2
Default	—	—	89.2	2.2	91.4
Gross carrying amount of mortgage loans to individuals	**3,574.1**	**185.1**	**89.2**	**2.2**	**3,850.6**
Credit loss allowance	(19.5)	(11.6)	(47.0)	(1.1)	(79.2)
Total mortgage loans to individuals	**3,554.6**	**173.5**	**42.2**	**1.1**	**3,771.4**

7 Loans and Advances to Customers (continued)

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
					31 December 2019
Consumer and other loans to individuals					
Minimum credit risk	72.7	—	—	—	72.7
Low credit risk	1,913.7	27.8	—	—	1,941.5
Moderate credit risk	352.7	40.3	—	—	393.0
High credit risk	3.8	34.5	—	—	38.3
Default	—	—	186.1	—	186.1
Gross carrying amount of consumer and other loans to individuals	**2,342.9**	**102.6**	**186.1**	**—**	**2,631.6**
Credit loss allowance	(29.9)	(12.9)	(143.2)	—	(186.0)
Total consumer and other loans to individuals	**2,313.0**	**89.7**	**42.9**	**—**	**2,445.6**

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
					31 December 2018
Consumer and other loans to individuals					
Minimum credit risk	53.5	—	—	—	53.5
Low credit risk	1,569.3	24.7	—	—	1,594.0
Moderate credit risk	255.1	32.6	—	—	287.7
High credit risk	1.9	22.7	—	—	24.6
Default	—	—	148.9	—	148.9
Gross carrying amount of consumer and other loans to individuals	**1,879.8**	**80.0**	**148.9**	**—**	**2,108.7**
Credit loss allowance	(24.2)	(9.7)	(112.0)	—	(145.9)
Total consumer and other loans to individuals	**1,855.6**	**70.3**	**36.9**	**—**	**1,962.8**

7 Loans and Advances to Customers (continued)

					31 December 2019
in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
Credit cards and overdrafts to individuals					
Minimum credit risk	89.2	—	—	—	89.2
Low credit risk	547.0	3.1	—	—	550.1
Moderate credit risk	22.9	33.2	—	—	56.1
High credit risk	—	14.2	—	—	14.2
Default	—	—	84.4	—	84.4
Gross carrying amount of credit cards and overdrafts to individuals	**659.1**	**50.5**	**84.4**	**—**	**794.0**
Credit loss allowance	(6.4)	(11.8)	(75.9)	—	(94.1)
Total credit cards and overdrafts to individuals	**652.7**	**38.7**	**8.5**	**—**	**699.9**

					31 December 2018
in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
Credit cards and overdrafts to individuals					
Minimum credit risk	2.4	0.1	—	—	2.5
Low credit risk	459.5	64.3	—	—	523.8
Moderate credit risk	24.3	41.8	—	—	66.1
High credit risk	0.1	6.7	—	—	6.8
Default	—	—	58.3	—	58.3
Gross carrying amount of credit cards and overdrafts to individuals	**486.3**	**112.9**	**58.3**	**—**	**657.5**
Credit loss allowance	(6.1)	(6.0)	(51.7)	—	(63.8)
Total credit cards and overdrafts to individuals	**480.2**	**106.9**	**6.6**	**—**	**593.7**

7 Loans and Advances to Customers (continued)

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
					31 December 2019
Car loans to individuals					
Minimum credit risk	1.6	—	—	—	1.6
Low credit risk	128.6	—	—	—	128.6
Moderate credit risk	0.8	—	—	—	0.8
High credit risk	—	0.5	—	—	0.5
Default	—	—	9.1	—	9.1
Gross carrying amount of car loans to individuals	**131.0**	**0.5**	**9.1**	**—**	**140.6**
Credit loss allowance	(0.6)	(0.2)	(7.6)	—	(8.4)
Total car loans to individuals	**130.4**	**0.3**	**1.5**	**—**	**132.2**

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
					31 December 2018
Car loans to individuals					
Minimum credit risk	1.4	—	—	—	1.4
Low credit risk	118.9	—	—	—	118.9
Moderate credit risk	0.6	—	—	—	0.6
High credit risk	—	0.4	—	—	0.4
Default	—	—	8.7	—	8.7
Gross carrying amount of car loans to individuals	**120.9**	**0.4**	**8.7**	**—**	**130.0**
Credit loss allowance	(0.5)	(0.1)	(7.6)	—	(8.2)
Total car loans to individuals	**120.4**	**0.3**	**1.1**	**—**	**121.8**

7 Loans and Advances to Customers (continued)

The following tables explain the changes in the credit loss allowance and gross carrying amount of loans and advances to customers at amortized cost between the beginning and the end of the reporting period due to the factors described in Note 3.

	Credit loss allowance					Gross carrying amount				
in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
Total loans and advances to customers at amortized cost										
At 1 January 2019	**171.5**	**176.5**	**1,139.5**	**9.8**	**1,497.3**	**16,859.3**	**1,881.7**	**1,630.9**	**24.5**	**20,396.4**
Movements with impact on credit loss allowance charge for the year:										
Transfers and corresponding remeasurement of credit loss allowances:										
- to 12-month ECL	29.0	(66.8)	(21.6)	—	**(59.4)**	1,009.6	(943.1)	(66.5)	—	**—**
- to lifetime ECL not credit-impaired	(40.4)	143.1	(12.2)	—	**90.5**	(1,185.1)	1,228.0	(42.9)	—	**—**
- to lifetime ECL credit-impaired	(13.2)	(79.0)	199.4	—	**107.2**	(103.9)	(276.6)	380.5	—	**—**
Net remeasurement of credit loss allowance within the same stage	(15.6)	31.4	156.8	6.2	**178.8**	—	—	—	—	**—**
New originated or purchased and impact of other increases in gross carrying amount	107.9	41.7	65.5	0.8	**215.9**	10,716.0	318.9	149.7	18.3	**11,202.9**
Derecognised during the period and impact of other decreases in gross carrying amount	(62.4)	(71.5)	(286.0)	(0.1)	**(420.0)**	(9,020.9)	(662.7)	(315.4)	(2.5)	**(10,001.5)**
Changes to ECL measurement model assumptions and estimates	(10.0)	(3.2)	(1.0)	0.1	**(14.1)**	—	—	—	—	**—**
Other movements	(0.9)	1.8	(1.0)	(0.1)	**(0.2)**	7.8	(1.9)	(26.5)	0.5	**(20.1)**
Total movements with impact on credit loss allowance charge for the year	**(5.6)**	**(2.5)**	**99.9**	**6.9**	**98.7**	**1,423.5**	**(337.4)**	**78.9**	**16.3**	**1,181.3**
Movements without impact on credit loss allowance charge for the year:										
Write-offs	—	—	(172.3)	—	**(172.3)**	—	—	(172.3)	—	**(172.3)**
Foreign exchange differences and exchange differences on translating foreign operations	(4.2)	(8.5)	(45.8)	(0.1)	**(58.6)**	(384.9)	(88.9)	(63.4)	(0.3)	**(537.5)**
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	41.3	0.1	**41.4**	—	—	41.3	0.1	**41.4**
Other movements	(1.0)	(19.5)	4.8	(0.6)	**(16.3)**	(2.7)	(104.6)	(0.5)	—	**(107.8)**
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	—	—	(4.3)	—	**(4.3)**	(0.5)	—	(4.3)	—	**(4.8)**
Total movements without impact on credit loss allowance charge for the year	**(5.2)**	**(28.0)**	**(176.3)**	**(0.6)**	**(210.1)**	**(388.1)**	**(193.5)**	**(199.2)**	**(0.2)**	**(781.0)**
At 31 December 2019	**160.7**	**146.0**	**1,063.1**	**16.1**	**1,385.9**	**17,894.7**	**1,350.8**	**1,510.6**	**40.6**	**20,796.7**

7 Loans and Advances to Customers (continued)

in billions of Russian Roubles	Credit loss allowance 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total	Gross carrying amount 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
Total loans and advances to customers at amortized cost										
At 1 January 2018	**272.8**	**129.4**	**1,101.8**	**12.8**	**1,516.8**	**15,808.1**	**1,806.3**	**1,678.7**	**31.1**	**19,324.2**
Movements with impact on credit loss allowance charge from continuing operations for the year:										
Transfers and corresponding remeasurement of credit loss allowances:										
- to 12-month ECL	12.8	(41.2)	(24.4)	—	(52.8)	753.0	(644.3)	(108.7)	—	—
- to lifetime ECL not credit-impaired	(55.3)	142.0	(25.3)	—	61.4	(1,541.7)	1,631.5	(89.8)	—	—
- to lifetime ECL credit-impaired	(8.3)	(52.1)	169.8	—	109.4	(158.9)	(207.5)	366.4	—	—
Net remeasurement of credit loss allowance within the same stage	(70.3)	26.7	104.2	0.1	60.7	—	—	—	—	—
New originated or purchased and impact of other increases in gross carrying amount	126.7	47.4	60.9	0.1	235.1	11,530.5	657.0	110.4	1.6	12,299.5
Derecognised during the period and impact of other decreases in gross carrying amount	(71.7)	(58.0)	(133.5)	(4.2)	(267.4)	(8,869.4)	(989.2)	(241.8)	(6.4)	(10,106.8)
Changes to ECL measurement model assumptions and estimates	(23.4)	(11.0)	2.7	—	(31.7)	294.1	(294.1)	—	—	—
Other movements	(1.0)	—	(19.0)	0.7	(19.3)	33.1	0.4	(9.5)	(1.8)	22.2
Total movements with impact on credit loss allowance charge from continuing operations for the year	**(90.5)**	**53.8**	**135.4**	**(3.3)**	**95.4**	**2,040.7**	**153.8**	**27.0**	**(6.6)**	**2,214.9**
Net remeasurement of credit loss allowance of discontinued operations	**0.8**	**22.6**	**4.2**	**—**	**27.6**	**(6.8)**	**13.9**	**11.6**	**—**	**18.7**
Movements without impact on credit loss allowance charge for the year:										
Write-offs	—	—	(154.8)	(0.4)	(155.2)	—	—	(154.8)	(0.4)	(155.2)
Foreign exchange differences and exchange differences on translating foreign operations	12.4	12.6	72.1	0.4	97.5	561.6	100.2	102.3	0.6	764.7
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	29.5	0.2	29.7	—	—	29.5	0.2	29.7
Other movements	(8.3)	(1.2)	4.0	0.1	(5.4)	(7.3)	0.1	6.5	0.1	(0.6)
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(15.7)	(40.7)	(52.7)	—	(109.1)	(1,537.0)	(192.6)	(69.9)	(0.5)	(1,800.0)
Total movements without impact on credit loss allowance charge for the year	**(11.6)**	**(29.3)**	**(101.9)**	**0.3**	**(142.5)**	**(982.7)**	**(92.3)**	**(86.4)**	**—**	**(1,161.4)**
At 31 December 2018	**171.5**	**176.5**	**1,139.5**	**9.8**	**1,497.3**	**16,859.3**	**1,881.7**	**1,630.9**	**24.5**	**20,396.4**

7 Loans and Advances to Customers (continued)

in billions of Russian Roubles	Credit loss allowance 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total	Gross carrying amount 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
Loans and advances to legal entities at amortized cost										
At 1 January 2019	**121.2**	**149.1**	**921.2**	**8.7**	**1,200.2**	**10,798.2**	**1,503.3**	**1,325.8**	**22.3**	**13,649.6**
Movements with impact on credit loss allowance charge for the year:										
Transfers and corresponding remeasurement of credit loss allowances:										
- to 12-month ECL	22.9	(42.1)	(8.1)	—	**(27.3)**	660.5	(633.1)	(27.4)	—	**—**
- to lifetime ECL not credit-impaired	(27.8)	69.7	(8.3)	—	**33.6**	(766.6)	792.9	(26.3)	—	**—**
- to lifetime ECL credit-impaired	(12.0)	(43.0)	105.0	—	**50.0**	(56.6)	(156.1)	212.7	—	**—**
Net remeasurement of credit loss allowance within the same stage	(20.6)	34.8	130.6	6.3	**151.1**	—	—	—	—	**—**
New originated or purchased and impact of other increases in gross carrying amount	70.4	35.0	50.5	0.7	**156.6**	7,050.9	246.7	129.0	16.9	**7,443.5**
Derecognised during the period and impact of other decreases in gross carrying amount	(42.6)	(62.7)	(234.9)	—	**(340.2)**	(6,589.2)	(564.2)	(253.6)	—	**(7,407.0)**
Changes to ECL measurement model assumptions and estimates	(5.7)	(3.8)	(0.8)	—	**(10.3)**	—	—	—	—	**—**
Other movements	(0.9)	1.8	(1.1)	(0.1)	**(0.3)**	2.0	(1.2)	(26.8)	0.5	**(25.5)**
Total movements with impact on credit loss allowance charge for the year	**(16.3)**	**(10.3)**	**32.9**	**6.9**	**13.2**	**301.0**	**(315.0)**	**7.6**	**17.4**	**11.0**
Movements without impact on credit loss allowance charge for the year:										
Write-offs	—	—	(146.1)	—	**(146.1)**	—	—	(146.1)	—	**(146.1)**
Foreign exchange differences and exchange differences on translating foreign operations	(3.7)	(8.2)	(43.9)	—	**(55.8)**	(347.2)	(84.1)	(61.0)	(0.1)	**(492.4)**
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	27.1	0.1	**27.2**	—	—	27.1	0.1	**27.2**
Other movements	(1.0)	(19.6)	3.9	0.1	**(16.6)**	(2.4)	(102.5)	(0.3)	—	**(105.2)**
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	—	—	(4.3)	—	**(4.3)**	(0.5)	—	(4.3)	—	**(4.8)**
Total movements without impact on credit loss allowance charge for the year	**(4.7)**	**(27.8)**	**(163.3)**	**0.2**	**(195.6)**	**(350.1)**	**(186.6)**	**(184.6)**	**—**	**(721.3)**
At 31 December 2019	**100.2**	**111.0**	**790.8**	**15.8**	**1,017.8**	**10,749.1**	**1,001.7**	**1,148.8**	**39.7**	**12,939.3**

Increase in the amount of loans written off and recovery of credit loss allowance during the year ended 31 December 2019 was mainly driven by the restructuring of loan issued to Agrokor Holding in the second quarter of 2019. Additional information on the Agrokor Holding restructuring is presented in Note 13.

7 Loans and Advances to Customers (continued)

	Credit loss allowance					Gross carrying amount				
in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
Loans and advances to legal entities at amortized cost										
At 1 January 2018	**213.2**	**105.4**	**898.7**	**11.7**	**1,229.0**	**11,002.4**	**1,187.5**	**1,365.0**	**28.0**	**13,582.9**
Movements with impact on credit loss allowance charge from continuing operations for the year:										
Transfers and corresponding remeasurement of credit loss allowances:										
- to 12-month ECL	8.9	(29.6)	(17.9)	—	(38.6)	559.6	(485.3)	(74.3)	—	—
- to lifetime ECL not credit-impaired	(48.9)	107.6	(23.3)	—	35.4	(1,219.1)	1,290.9	(71.8)	—	—
- to lifetime ECL credit-impaired	(7.4)	(27.4)	110.5	—	75.7	(124.1)	(115.3)	239.4	—	—
Net remeasurement of credit loss allowance within the same stage	(47.3)	15.6	76.0	0.2	44.5	—	—	—	—	—
New originated or purchased and impact of other increases in gross carrying amount	91.4	41.5	60.7	—	193.6	8,199.7	406.4	110.0	1.6	8,717.7
Derecognised during the period and impact of other decreases in gross carrying amount	(55.2)	(49.3)	(108.7)	(4.2)	(217.4)	(6,932.6)	(722.5)	(198.3)	(5.6)	(7,859.0)
Changes to ECL measurement model assumptions and estimates	(27.2)	(9.1)	(0.6)	—	(36.9)	—	—	—	—	—
Other movements	0.2	(0.3)	(9.5)	0.7	(8.9)	19.7	(2.1)	(3.2)	(1.8)	12.6
Total movements with impact on credit loss allowance charge from continuing operations for the year	**(85.5)**	**49.0**	**87.2**	**(3.3)**	**47.4**	**503.2**	**372.1**	**1.8**	**(5.8)**	**871.3**
Net remeasurement of credit loss allowance of discontinued operations	**0.6**	**22.5**	**3.3**	**—**	**26.4**	**34.2**	**14.2**	**11.0**	**—**	**59.4**
Movements without impact on credit loss allowance charge for the year:										
Write-offs	—	—	(120.9)	—	(120.9)	—	—	(120.9)	—	(120.9)
Foreign exchange differences and exchange differences on translating foreign operations	11.8	12.3	70.4	0.2	94.7	530.3	97.0	99.5	0.5	727.3
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	19.9	0.1	20.0	—	—	19.9	0.1	20.0
Other movements	(8.3)	(1.0)	1.3	—	(8.0)	(7.3)	0.1	3.0	—	(4.2)
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(10.6)	(39.1)	(38.7)	—	(88.4)	(1,264.6)	(167.6)	(53.5)	(0.5)	(1,486.2)
Total movements without impact on credit loss allowance charge for the year	**(7.1)**	**(27.8)**	**(68.0)**	**0.3**	**(102.6)**	**(741.6)**	**(70.5)**	**(52.0)**	**0.1**	**(864.0)**
At 31 December 2018	**121.2**	**149.1**	**921.2**	**8.7**	**1,200.2**	**10,798.2**	**1,503.3**	**1,325.8**	**22.3**	**13,649.6**

7 Loans and Advances to Customers (continued)

	Credit loss allowance					Gross carrying amount				
in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
Mortgage loans to individuals at amortized cost										
At 1 January 2019	**19.5**	**11.6**	**47.0**	**1.1**	**79.2**	**3,574.1**	**185.1**	**89.2**	**2.2**	**3,850.6**
Movements with impact on credit loss allowance charge for the year:										
Transfers and corresponding remeasurement of credit loss allowances:										
- to 12-month ECL	1.6	(6.7)	(6.6)	—	**(11.7)**	133.5	(108.3)	(25.2)	—	—
- to lifetime ECL not credit-impaired	(1.5)	11.9	(2.4)	—	**8.0**	(137.6)	150.8	(13.2)	—	—
- to lifetime ECL credit-impaired	(0.3)	(3.7)	14.7	—	**10.7**	(24.8)	(22.5)	47.3	—	—
Net remeasurement of credit loss allowance within the same stage	0.5	0.1	1.8	(0.1)	**2.3**	—	—	—	—	—
New originated or purchased and impact of other increases in gross carrying amount	8.3	1.2	1.3	0.1	**10.9**	1,259.0	27.9	2.9	1.4	**1,291.2**
Derecognised during the period and impact of other decreases in gross carrying amount	(3.3)	(1.9)	(10.3)	(0.1)	**(15.6)**	(776.0)	(33.5)	(18.7)	(2.5)	**(830.7)**
Changes to ECL measurement model assumptions and estimates	(1.1)	(2.4)	—	0.1	**(3.4)**	—	—	—	—	—
Other movements	—	—	0.1	—	**0.1**	0.4	(0.1)	—	—	**0.3**
Total movements with impact on credit loss allowance charge for the year	**4.2**	**(1.5)**	**(1.4)**	**—**	**1.3**	**454.5**	**14.3**	**(6.9)**	**(1.1)**	**460.8**
Movements without impact on credit loss allowance charge for the year:										
Write-offs	—	—	(1.9)	—	**(1.9)**	—	—	(1.9)	—	**(1.9)**
Foreign exchange differences and exchange differences on translating foreign operations	—	(0.1)	(0.6)	(0.1)	**(0.8)**	(20.0)	(2.8)	(1.0)	(0.2)	**(24.0)**
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	2.8	—	**2.8**	—	—	2.8	—	**2.8**
Other movements	(0.1)	0.1	(0.3)	(0.7)	**(1.0)**	4.0	(1.1)	—	—	**2.9**
Total movements without impact on credit loss allowance charge for the year	**(0.1)**	**—**	**—**	**(0.8)**	**(0.9)**	**(16.0)**	**(3.9)**	**(0.1)**	**(0.2)**	**(20.2)**
At 31 December 2019	**23.6**	**10.1**	**45.6**	**0.3**	**79.6**	**4,012.6**	**195.5**	**82.2**	**0.9**	**4,291.2**

7 Loans and Advances to Customers (continued)

in billions of Russian Roubles	Credit loss allowance 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total	Gross carrying amount 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	Total
Mortgage loans to individuals at amortized cost										
At 1 January 2018	**27.8**	**7.9**	**41.1**	**1.1**	**77.9**	**2,871.6**	**175.9**	**93.3**	**3.1**	**3,143.9**
Movements with impact on credit loss allowance charge from continuing operations for the year:										
Transfers and corresponding remeasurement of credit loss allowances:										
- to 12-month ECL	1.6	(5.8)	(3.0)	—	(7.2)	116.2	(94.7)	(21.5)	—	—
- to lifetime ECL not credit-impaired	(2.5)	12.2	(1.3)	—	8.4	(147.8)	162.8	(15.0)	—	—
- to lifetime ECL credit-impaired	(0.3)	(4.7)	12.9	—	7.9	(22.5)	(26.1)	48.6	—	—
Net remeasurement of credit loss allowance within the same stage	(13.9)	4.8	9.3	(0.1)	0.1	—	—	—	—	—
New originated or purchased and impact of other increases in gross carrying amount	11.1	—	—	0.1	11.2	1,555.8	—	—	—	1,555.8
Derecognised during the period and impact of other decreases in gross carrying amount	(4.5)	(2.6)	(12.3)	—	(19.4)	(767.7)	(29.1)	(17.3)	(0.8)	(814.9)
Changes to ECL measurement model assumptions and estimates	—	(0.3)	1.0	—	0.7	—	—	—	—	—
Other movements	(0.1)	—	(0.9)	—	(1.0)	5.1	0.3	0.2	—	5.6
Total movements with impact on credit loss allowance charge from continuing operations for the year	**(8.6)**	**3.6**	**5.7**	**—**	**0.7**	**739.1**	**13.2**	**(5.0)**	**(0.8)**	**746.5**
Net remeasurement of credit loss allowance of discontinued operations	**—**	**—**	**—**	**—**	**—**	**(8.3)**	**(0.5)**	**0.3**	**—**	**(8.5)**
Movements without impact on credit loss allowance charge for the year:										
Write-offs	—	—	(2.1)	(0.4)	(2.5)	—	—	(2.1)	(0.4)	(2.5)
Foreign exchange differences and exchange differences on translating foreign operations	0.3	0.1	0.7	0.2	1.3	17.8	1.7	1.4	0.1	21.0
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	1.1	0.1	1.2	—	—	1.1	0.1	1.2
Other movements	—	—	0.7	0.1	0.8	—	—	0.7	0.1	0.8
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	—	—	(0.2)	—	(0.2)	(46.1)	(5.2)	(0.5)	—	(51.8)
Total movements without impact on credit loss allowance charge for the year	**0.3**	**0.1**	**0.2**	**—**	**0.6**	**(28.3)**	**(3.5)**	**0.6**	**(0.1)**	**(31.3)**
At 31 December 2018	**19.5**	**11.6**	**47.0**	**1.1**	**79.2**	**3,574.1**	**185.1**	**89.2**	**2.2**	**3,850.6**

7 Loans and Advances to Customers (continued)

Other loans to individuals include consumer and other loans, credit cards and overdrafts and car loans to individuals.

in billions of Russian Roubles	Credit loss allowance 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Gross carrying amount 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Total other loans to individuals at amortized cost								
At 1 January 2019	**30.8**	**15.8**	**171.3**	**217.9**	**2,487.0**	**193.3**	**215.9**	**2,896.2**
Movements with impact on credit loss allowance charge for the year:								
Transfers and corresponding remeasurement of credit loss allowances:								
- to 12-month ECL	4.5	(18.0)	(6.9)	**(20.4)**	215.6	(201.7)	(13.9)	**—**
- to lifetime ECL not credit-impaired	(11.1)	61.5	(1.5)	**48.9**	(280.9)	284.3	(3.4)	**—**
- to lifetime ECL credit-impaired	(0.9)	(32.3)	79.7	**46.5**	(22.5)	(98.0)	120.5	**—**
Net remeasurement of credit loss allowance within the same stage	4.5	(3.5)	24.4	**25.4**	—	—	—	**—**
New originated or purchased and impact of other increases in gross carrying amount	29.2	5.5	13.7	**48.4**	2,406.1	44.3	17.8	**2,468.2**
Derecognised during the period and impact of other decreases in gross carrying amount	(16.5)	(6.9)	(40.8)	**(64.2)**	(1,655.7)	(65.0)	(43.1)	**(1,763.8)**
Changes to ECL measurement model assumptions and estimates	(3.2)	3.0	(0.2)	**(0.4)**	—	—	—	**—**
Other movements	—	—	—	**—**	5.4	(0.6)	0.3	**5.1**
Total movements with impact on credit loss allowance charge for the year	**6.5**	**9.3**	**68.4**	**84.2**	**668.0**	**(36.7)**	**78.2**	**709.5**
Movements without impact on credit loss allowance charge for the year:								
Write-offs	—	—	(24.3)	**(24.3)**	—	—	(24.3)	**(24.3)**
Foreign exchange differences and exchange differences on translating foreign operations	(0.5)	(0.2)	(1.3)	**(2.0)**	(17.7)	(2.0)	(1.4)	**(21.1)**
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	11.4	**11.4**	—	—	11.4	**11.4**
Other movements	0.1	—	1.2	**1.3**	(4.3)	(1.0)	(0.2)	**(5.5)**
Total movements without impact on credit loss allowance charge for the year	**(0.4)**	**(0.2)**	**(13.0)**	**(13.6)**	**(22.0)**	**(3.0)**	**(14.5)**	**(39.5)**
At 31 December 2019	**36.9**	**24.9**	**226.7**	**288.5**	**3,133.0**	**153.6**	**279.6**	**3,566.2**

7 Loans and Advances to Customers (continued)

in billions of Russian Roubles	Credit loss allowance 12-month ECL	Credit loss allowance Lifetime ECL not credit-impaired	Credit loss allowance Lifetime ECL credit-impaired	Credit loss allowance Total	Gross carrying amount 12-month ECL	Gross carrying amount Lifetime ECL not credit-impaired	Gross carrying amount Lifetime ECL credit-impaired	Gross carrying amount Total
Total other loans to individuals at amortized cost								
At 1 January 2018	**31.8**	**16.1**	**162.0**	**209.9**	**1,934.1**	**442.9**	**220.4**	**2,597.4**
Movements with impact on credit loss allowance charge from continuing operations for the year:								
Transfers and corresponding remeasurement of credit loss allowances:								
- to 12-month ECL	2.3	(5.8)	(3.5)	(7.0)	77.2	(64.3)	(12.9)	—
- to lifetime ECL not credit-impaired	(3.9)	22.2	(0.7)	17.6	(174.8)	177.8	(3.0)	—
- to lifetime ECL credit-impaired	(0.6)	(20.0)	46.4	25.8	(12.3)	(66.1)	78.4	—
Net remeasurement of credit loss allowance within the same stage	(9.1)	6.3	18.9	16.1	—	—	—	—
New originated or purchased and impact of other increases in gross carrying amount	24.2	5.9	0.2	30.3	1,775.0	250.6	0.4	2,026.0
Derecognised during the period and impact of other decreases in gross carrying amount	(12.0)	(6.1)	(12.5)	(30.6)	(1,169.1)	(237.6)	(26.2)	(1,432.9)
Changes to ECL measurement model assumptions and estimates	3.8	(1.6)	2.3	4.5	294.1	(294.1)	—	—
Other movements	(1.1)	0.3	(8.6)	(9.4)	8.3	2.2	(6.5)	4.0
Total movements with impact on credit loss allowance charge from continuing operations for the year	**3.6**	**1.2**	**42.5**	**47.3**	**798.4**	**(231.5)**	**30.2**	**597.1**
Net remeasurement of credit loss allowance of discontinued operations	**0.2**	**0.1**	**0.9**	**1.2**	**(32.7)**	**0.2**	**0.3**	**(32.2)**
Movements without impact on credit loss allowance charge for the year:								
Write-offs	—	—	(31.8)	(31.8)	—	—	(31.8)	(31.8)
Foreign exchange differences and exchange differences on translating foreign operations	0.3	0.2	1.0	1.5	13.5	1.5	1.4	16.4
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	8.5	8.5	—	—	8.5	8.5
Other movements	—	(0.2)	2.0	1.8	—	—	2.8	2.8
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(5.1)	(1.6)	(13.8)	(20.5)	(226.3)	(19.8)	(15.9)	(262.0)
Total movements without impact on credit loss allowance charge for the year	**(4.8)**	**(1.6)**	**(34.1)**	**(40.5)**	**(212.8)**	**(18.3)**	**(35.0)**	**(266.1)**
At 31 December 2018	**30.8**	**15.8**	**171.3**	**217.9**	**2,487.0**	**193.3**	**215.9**	**2,896.2**

7 Loans and Advances to Customers (continued)

Loans and advances to customers at fair value through profit or loss

The following tables set out the credit quality analysis of the Group's loans and advances to customers measured at fair value through profit or loss as at 31 December 2019 and 31 December 2018 using the credit risk grades same as for loans and advances to customers at amortized cost:

	31 December 2019					
in billions of Russian Roubles	**Minimum credit risk**	**Low credit risk**	**Moderate credit risk**	**High credit risk**	**Default**	**Total**
Commercial loans to legal entities	1.2	76.6	104.5	0.8	3.7	186.8
Project finance loans to legal entities	—	276.6	283.6	88.5	90.6	739.3
Consumer and other loans to individuals	20.1	—	—	6.5	—	26.6
Total loans and advances to customers at fair value through profit or loss	**21.3**	**353.2**	**388.1**	**95.8**	**94.3**	**952.7**

	31 December 2018					
in billions of Russian Roubles	**Minimum credit risk**	**Low credit risk**	**Moderate credit risk**	**High credit risk**	**Default**	**Total**
Commercial loans to legal entities	4.4	124.0	82.3	0.6	3.5	214.8
Project finance loans to legal entities	4.8	227.9	60.0	163.6	10.4	466.7
Consumer and other loans to individuals	—	—	—	4.4	—	4.4
Total loans and advances to customers at fair value through profit or loss	**9.2**	**351.9**	**142.3**	**168.6**	**13.9**	**685.9**

For the year ended 31 December 2019 included in Net losses from non-derivative financial instruments at fair value through profit or loss is RR 56.9 billion (for the year ended 31 December 2018: RR 57.3 billion) of negative revaluation of loans and advances to customers at fair value through profit or loss which is mainly driven by a change in credit quality of respective assets.

Current and past-due loans analysis. For the purposes of these consolidated financial statements a loan is considered past due when the borrower fails to make any payment due under the loan agreement at the reporting date. In this case the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions is recognized as past due.

7 Loans and Advances to Customers (continued)

The table below shows the analysis of current and past-due loans at amortized cost and credit loss allowance as at 31 December 2019:

in billions of Russian Roubles	Gross carrying amount of loans	Credit loss allowance	Total amortized cost of loans	Credit loss allowance to gross carrying amount of loans
Commercial loans to legal entities				
Loans not past due	10,900.3	(457.1)	10,443.2	4.2%
Loans 1 to 90 days overdue	73.5	(38.8)	34.7	52.8%
Loans over 90 days overdue	404.2	(338.3)	65.9	83.7%
Total commercial loans to legal entities	**11,378.0**	**(834.2)**	**10,543.8**	**7.3%**
Project finance loans to legal entities				
Loans not past due	1,371.0	(62.5)	1,308.5	4.6%
Loans 1 to 90 days overdue	37.1	(7.6)	29.5	20.5%
Loans over 90 days overdue	153.2	(113.5)	39.7	74.1%
Total project finance loans to legal entities	**1,561.3**	**(183.6)**	**1,377.7**	**11.8%**
Total loans to legal entities	**12,939.3**	**(1,017.8)**	**11,921.5**	**7.9%**
Mortgage loans to individuals				
Loans not past due	4,203.0	(38.3)	4,164.7	0.9%
Loans 1 to 90 days overdue	41.8	(7.9)	33.9	18.9%
Loans over 90 days overdue	46.4	(33.4)	13.0	72.0%
Total mortgage loans to individuals	**4,291.2**	**(79.6)**	**4,211.6**	**1.9%**
Consumer and other loans to individuals				
Loans not past due	2,422.8	(43.6)	2,379.2	1.8%
Loans 1 to 90 days overdue	47.7	(11.5)	36.2	24.1%
Loans over 90 days overdue	161.1	(130.9)	30.2	81.3%
Total consumer and other loans to individuals	**2,631.6**	**(186.0)**	**2,445.6**	**7.1%**
Credit cards and overdrafts to individuals				
Loans not past due	683.6	(9.9)	673.7	1.4%
Loans 1 to 90 days overdue	28.1	(9.2)	18.9	32.7%
Loans over 90 days overdue	82.3	(75.0)	7.3	91.1%
Total credit cards and overdrafts to individuals	**794.0**	**(94.1)**	**699.9**	**11.9%**
Car loans to individuals				
Loans not past due	130.4	(0.6)	129.8	0.5%
Loans 1 to 90 days overdue	1.3	(0.3)	1.0	23.1%
Loans over 90 days overdue	8.9	(7.5)	1.4	84.3%
Total car loans to individuals	**140.6**	**(8.4)**	**132.2**	**6.0%**
Total loans to individuals	**7,857.4**	**(368.1)**	**7,489.3**	**4.7%**
Total loans and advances to customers at amortized cost at 31 December 2019	**20,796.7**	**(1,385.9)**	**19,410.8**	**6.7%**

7 Loans and Advances to Customers (continued)

The table below shows the analysis of current and past-due loans at amortized cost and credit loss allowance as at 31 December 2018:

in billions of Russian Roubles	Gross carrying amount of loans	Credit loss allowance	Total amortized cost of loans	Credit loss allowance to gross carrying amount of loans
Commercial loans to legal entities				
Loans not past due	11,899.9	(588.5)	11,311.4	4.9%
Loans 1 to 90 days overdue	106.5	(60.3)	46.2	56.6%
Loans over 90 days overdue	413.6	(368.4)	45.2	89.1%
Total commercial loans to legal entities	**12,420.0**	**(1,017.2)**	**11,402.8**	**8.2%**
Project finance loans to legal entities				
Loans not past due	1,079.8	(77.1)	1,002.7	7.1%
Loans 1 to 90 days overdue	16.1	(6.2)	9.9	38.5%
Loans over 90 days overdue	133.7	(99.7)	34.0	74.6%
Total project finance loans to legal entities	**1,229.6**	**(183.0)**	**1,046.6**	**14.9%**
Total loans to legal entities	**13,649.6**	**(1,200.2)**	**12,449.4**	**8.8%**
Mortgage loans to individuals				
Loans not past due	3,763.8	(36.7)	3,727.1	1.0%
Loans 1 to 90 days overdue	36.9	(7.8)	29.1	21.1%
Loans over 90 days overdue	49.9	(34.7)	15.2	69.5%
Total mortgage loans to individuals	**3,850.6**	**(79.2)**	**3,771.4**	**2.1%**
Consumer and other loans to individuals				
Loans not past due	1,942.8	(34.8)	1,908.0	1.8%
Loans 1 to 90 days overdue	36.4	(8.3)	28.1	22.8%
Loans over 90 days overdue	129.5	(102.8)	26.7	79.4%
Total consumer and other loans to individuals	**2,108.7**	**(145.9)**	**1,962.8**	**6.9%**
Credit cards and overdrafts to individuals				
Loans not past due	579.1	(8.6)	570.5	1.5%
Loans 1 to 90 days overdue	22.2	(4.6)	17.6	20.7%
Loans over 90 days overdue	56.2	(50.6)	5.6	90.0%
Total credit cards and overdrafts to individuals	**657.5**	**(63.8)**	**593.7**	**9.7%**
Car loans to individuals				
Loans not past due	120.2	(0.4)	119.8	0.3%
Loans 1 to 90 days overdue	1.1	(0.2)	0.9	18.2%
Loans over 90 days overdue	8.7	(7.6)	1.1	87.4%
Total car loans to individuals	**130.0**	**(8.2)**	**121.8**	**6.3%**
Total loans to individuals	**6,746.8**	**(297.1)**	**6,449.7**	**4.4%**
Total loans and advances to customers at amortized cost at 31 December 2018	**20,396.4**	**(1,497.3)**	**18,899.1**	**7.3%**

7 Loans and Advances to Customers (continued)

The table below shows the analysis of current and past-due loans at fair value as at 31 December 2019 and 31 December 2018:

in billions of Russian Roubles	Loans and advances at fair value through profit and loss 31 December 2019	31 December 2018
Commercial loans to legal entities		
Loans not past due	183.7	212.1
Loans 1 to 90 days overdue	0.8	2.7
Loans over 90 days overdue	2.3	—
Total commercial loans to legal entities	**186.8**	**214.8**
Project finance loans to legal entities		
Loans not past due	659.6	466.7
Loans over 90 days overdue	79.7	—
Total project finance loans to legal entities	**739.3**	**466.7**
Total loans to legal entities	**926.1**	**681.5**
Consumer and other loans to individuals		
Loans not past due	26.6	4.4
Total consumer and other loans to individuals	**26.6**	**4.4**
Total loans to individuals	**26.6**	**4.4**
Total loans and advances to customers at fair value	**952.7**	**685.9**

Economic sector risk concentration. Economic sector risk concentrations within loans and advances to customers of the Group are as follows:

	31 December 2019		31 December 2018	
in billions of Russian Roubles	Amount	%	Amount	%
Individuals	7,884.0	36.2%	6,751.2	32.0%
Real estate	1,719.3	7.9%	1,662.5	7.9%
Oil and gas	1,681.8	7.7%	1,866.5	8.9%
Metallurgy	1,638.6	7.5%	1,587.1	7.5%
Trade	1,309.9	6.0%	1,527.0	7.2%
Food and agriculture	1,155.0	5.3%	1,105.8	5.2%
Transport and logistics	805.0	3.7%	811.4	3.8%
Construction	800.9	3.7%	684.1	3.2%
Telecommunications	750.8	3.5%	842.1	4.0%
Machinery	715.1	3.3%	845.0	4.0%
Energy	684.2	3.1%	814.8	3.9%
Government and municipal bodies	623.7	2.9%	765.2	3.6%
Chemical industry	614.3	2.8%	574.0	2.7%
Services	489.1	2.2%	505.3	2.4%
Timber industry	110.7	0.5%	100.9	0.5%
Other	767.0	3.7%	639.4	3.2%
Total loans and advances to customers (before credit loss allowance for loans at amortized cost)	**21,749.4**	**100.0%**	**21,082.3**	**100.0%**

7 Loans and Advances to Customers (continued)

As at 31 December 2019 the Group had 20 largest groups of related corporate borrowers with aggregated loan amounts due from each of these groups exceeding RR 110.2 billion (31 December 2018: 20 largest groups of related corporate borrowers with aggregated loan amounts due from each of these groups exceeding RR 115.6 billion). The total aggregate amount of these loans was RR 5,252.6 billion or 24.2% of the total gross loan portfolio of the Group (31 December 2018: RR 5,586.0 billion or 26.5%).

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

Refer to Note 35 for the information on amounts in loans and advances to customers which are collateralized by securities received under reverse sale and repurchase agreements and loans transferred without derecognition.

For the year ended 31 December 2019 interest income on loans and advances to customers in the consolidated statement of profit or loss includes fines and penalties received from borrowers in the amount of RR 12.2 billion (for the year ended 31 December 2018: RR 11.7 billion).

The estimated fair value of loans and advances to customers and fair value measurement technique used are disclosed in Note 34. Currency and maturity analyses of loans and advances to customers are disclosed in Note 31. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 37 and 38.

8 Securities

in billions of Russian Roubles	**31 December 2019**	**31 December 2018**
Securities measured at fair value through other comprehensive income - debt instruments	2,351.0	1,858.0
Securities measured at amortized cost	1,302.6	1,118.9
Securities mandatorily measured at fair value through profit or loss	527.0	462.7
Securities designated at fair value through other comprehensive income - equity instruments	1.7	0.3
Securities designated at fair value through profit or loss	0.1	2.6
Total securities	**4,182.4**	**3,442.5**

Securities measured at fair value through other comprehensive income - debt instruments

The composition of debt securities at fair value through other comprehensive income as at 31 December 2019 and 31 December 2018 is presented below:

in billions of Russian Roubles	**31 December 2019**	**31 December 2018**
Russian federal loan bonds (OFZ bonds)	1,238.7	939.2
Corporate bonds	466.0	336.7
Bonds of the Bank of Russia	238.6	185.7
Russian Federation Eurobonds	209.8	190.5
Mortgage-backed securities	98.4	80.2
Foreign government and municipal bonds	86.6	113.0
Russian municipal and subfederal bonds	11.6	11.3
Promissory notes	1.3	1.4
Total securities measured at fair value through other comprehensive income - debt instruments	**2,351.0**	**1,858.0**

Refer to Note 31 for the description of credit risk grading system used by the Group and the approach to ECL measurement of debt securities at FVOCI and at AC. The carrying amount of debt securities at 31 December 2019 and 31 December 2018 below also represents the Group's maximum exposure to credit risk on these assets.

8 Securities (continued)

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI as at 31 December 2019, for which an ECL allowance is recognised, based on credit risk grades.

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Total
Russian federal loan bonds (OFZ bonds)			
Minimum credit risk	1,174.5	—	1,174.5
Total gross carrying amount at amortized cost	**1,174.5**	**—**	**1,174.5**
Credit loss allowance	(1.7)	—	(1.7)
Fair value adjustment from amortized cost to fair value	65.9	—	65.9
Total fair value	**1,238.7**	**—**	**1,238.7**
Corporate bonds			
Minimum credit risk	285.5	—	285.5
Low credit risk	165.7	0.3	166.0
Moderate credit risk	0.2	—	0.2
Total gross carrying amount at amortized cost	**451.4**	**0.3**	**451.7**
Credit loss allowance	(1.5)	—	(1.5)
Fair value adjustment from amortized cost to fair value	15.7	0.1	15.8
Total fair value	**465.6**	**0.4**	**466.0**
Bonds of the Bank of Russia			
Minimum credit risk	238.6	—	238.6
Total gross carrying amount at amortized cost	**238.6**	**—**	**238.6**
Total fair value	**238.6**	**—**	**238.6**
Russian Federation Eurobonds			
Minimum credit risk	199.4	—	199.4
Total gross carrying amount at amortized cost	**199.4**	**—**	**199.4**
Credit loss allowance	(0.2)	—	(0.2)
Fair value adjustment from amortized cost to fair value	10.6	—	10.6
Total fair value	**209.8**	**—**	**209.8**
Mortgage-backed securities			
Minimum credit risk	92.1	—	92.1
Total gross carrying amount at amortized cost	**92.1**	**—**	**92.1**
Credit loss allowance	(0.1)	—	(0.1)
Fair value adjustment from amortized cost to fair value	6.4	—	6.4
Total fair value	**98.4**	**—**	**98.4**
Foreign government and municipal bonds			
Minimum credit risk	81.9	—	81.9
Low credit risk	4.2	—	4.2
Total gross carrying amount at amortized cost	**86.1**	**—**	**86.1**
Fair value adjustment from amortized cost to fair value	0.5	—	0.5
Total fair value	**86.6**	**—**	**86.6**
Russian municipal and subfederal bonds			
Minimum credit risk	11.1	—	11.1
Total gross carrying amount at amortized cost	**11.1**	**—**	**11.1**
Fair value adjustment from amortized cost to fair value	0.5	—	0.5
Total fair value	**11.6**	**—**	**11.6**
Promissory notes			
Minimum credit risk	1.3	—	1.3
Total gross carrying amount at amortized cost	**1.3**	**—**	**1.3**
Total fair value	**1.3**	**—**	**1.3**
Total gross carrying amount at amortized cost	**2,254.5**	**0.3**	**2,254.8**
Credit loss allowance	(3.5)	—	(3.5)
Fair value adjustment from amortized cost to fair value	99.6	0.1	99.7
Total securities measured at fair value through other comprehensive income - debt instruments	**2,350.6**	**0.4**	**2,351.0**

8 Securities (continued)

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI as at 31 December 2018, for which an ECL allowance is recognised, based on credit risk grades.

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Total
Russian federal loan bonds (OFZ bonds)			
Minimum credit risk	956.8	–	956.8
Total gross carrying amount at amortized cost	**956.8**	**–**	**956.8**
Credit loss allowance	(2.5)	–	(2.5)
Fair value adjustment from amortized cost to fair value	(15.1)	–	(15.1)
Total fair value	**939.2**	**–**	**939.2**
Corporate bonds			
Minimum credit risk	179.4	–	179.4
Low credit risk	143.7	16.9	160.6
Moderate credit risk	0.4	–	0.4
Total gross carrying amount at amortized cost	**323.5**	**16.9**	**340.4**
Credit loss allowance	(1.4)	(0.8)	(2.2)
Fair value adjustment from amortized cost to fair value	(2.6)	1.1	(1.5)
Total fair value	**319.5**	**17.2**	**336.7**
Russian Federation Eurobonds			
Minimum credit risk	189.6	–	189.6
Total gross carrying amount at amortized cost	**189.6**	**–**	**189.6**
Credit loss allowance	(0.5)	–	(0.5)
Fair value adjustment from amortized cost to fair value	1.4	–	1.4
Total fair value	**190.5**	**–**	**190.5**
Bonds of the Bank of Russia			
Minimum credit risk	185.7	–	185.7
Total gross carrying amount at amortized cost	**185.7**	**–**	**185.7**
Total fair value	**185.7**	**–**	**185.7**
Foreign government and municipal bonds			
Minimum credit risk	76.0	–	76.0
Low credit risk	38.3	–	38.3
Total gross carrying amount at amortized cost	**114.3**	**–**	**114.3**
Credit loss allowance	(0.1)	–	(0.1)
Fair value adjustment from amortized cost to fair value	(1.2)	–	(1.2)
Total fair value	**113.0**	**–**	**113.0**
Mortgage-backed securities			
Low credit risk	79.3	–	79.3
Total gross carrying amount at amortized cost	**79.3**	**–**	**79.3**
Credit loss allowance	(0.3)	–	(0.3)
Fair value adjustment from amortized cost to fair value	1.2	–	1.2
Total fair value	**80.2**	**–**	**80.2**
Russian municipal and subfederal bonds			
Minimum credit risk	11.0	–	11.0
Low credit risk	0.5	–	0.5
Total gross carrying amount at amortized cost	**11.5**	**–**	**11.5**
Fair value adjustment from amortized cost to fair value	(0.2)	–	(0.2)
Total fair value	**11.3**	**–**	**11.3**
Promissory notes			
Minimum credit risk	1.4	–	1.4
Total gross carrying amount at amortized cost	**1.4**	**–**	**1.4**
Total fair value	**1.4**	**–**	**1.4**
Total gross carrying amount at amortized cost	**1,862.1**	**16.9**	**1,879.0**
Credit loss allowance	(4.8)	(0.8)	(5.6)
Fair value adjustment from amortized cost to fair value	(16.5)	1.1	(15.4)
Total securities measured at fair value through other comprehensive income - debt instruments	**1,840.8**	**17.2**	**1,858.0**

8 Securities (continued)

The following tables explain the changes in the credit loss allowance of debt securities at FVOCI (including those pledged under repurchase agreements (Note 9)) between the beginning and the end of the annual period due to the factors described in Note 3.

in billions of Russian Roubles	Credit loss allowance 12-month ECL	Lifetime ECL not credit-impaired	Total
At 1 January 2019	**5.6**	**0.8**	**6.4**
Movements with impact on credit loss allowance charge for the year:			
Transfers and corresponding remeasurement of credit loss allowances:			
- to 12-month ECL	0.4	(0.8)	(0.4)
- to lifetime ECL not credit-impaired	(0.1)	0.1	—
Net remeasurement of credit loss allowance within the same stage	(3.2)	(0.1)	(3.3)
New originated or purchased and impact of other increases in gross carrying amount	3.1	—	3.1
Derecognised during the period and impact of other decreases in gross carrying amount	(2.5)	—	(2.5)
Total movements with impact on credit loss allowance charge for the year	**(2.3)**	**(0.8)**	**(3.1)**
Movements without impact on credit loss allowance charge for the year:			
Foreign exchange differences and exchange differences on translating foreign operations	0.4	—	0.4
Total movements without impact on credit loss allowance charge for the year	**0.4**	**—**	**0.4**
At 31 December 2019	**3.7**	**—**	**3.7**

in billions of Russian Roubles	Credit loss allowance 12-month ECL	Lifetime ECL not credit-impaired	Total
At 1 January 2018	**6.6**	**0.5**	**7.1**
Movements with impact on credit loss allowance charge for the year:			
Transfers and corresponding remeasurement of credit loss allowances:			
- to 12-month ECL	—	(0.1)	(0.1)
- to lifetime ECL not credit-impaired	(0.1)	0.8	0.7
Net remeasurement of credit loss allowance within the same stage	(0.8)	(0.4)	(1.2)
Total movements with impact on credit loss allowance charge for the year	**(0.9)**	**0.3**	**(0.6)**
Movements without impact on credit loss allowance charge for the year:			
Foreign exchange differences and exchange differences on translating foreign operations	0.2	—	0.2
Other movements	(0.3)	—	(0.3)
Total movements without impact on credit loss allowance charge for the year	**(0.1)**	**—**	**(0.1)**
At 31 December 2018	**5.6**	**0.8**	**6.4**

Securities measured at amortized cost

The composition of securities measured at amortized cost as at 31 December 2019 and 31 December 2018 is presented below:

in billions of Russian Roubles	31 December 2019	31 December 2018
Corporate bonds	766.2	701.3
Russian federal loan bonds (OFZ bonds)	302.8	218.5
Russian municipal and subfederal bonds	170.3	149.3
Russian Federation Eurobonds	45.8	39.3
Foreign government and municipal bonds	25.2	19.9
Promissory notes	0.1	—
Total securities at amortized cost before credit loss allowance	**1,310.4**	**1,128.3**
Credit loss allowance	(7.8)	(9.4)
Total securities at amortized cost	**1,302.6**	**1,118.9**

8 Securities (continued)

The table below contains an analysis of the credit risk exposure of debt securities measured at AC as at 31 December 2019, for which an ECL allowance is recognised, based on credit risk grades.

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Corporate bonds				
Minimum credit risk	294.0	3.4	—	**297.4**
Low credit risk	430.9	12.0	—	**442.9**
Moderate credit risk	25.0	—	—	**25.0**
Default	—	—	0.9	**0.9**
Gross carrying amount	**749.9**	**15.4**	**0.9**	**766.2**
Credit loss allowance	(4.5)	(0.3)	(0.9)	**(5.7)**
Carrying amount	**745.4**	**15.1**	**—**	**760.5**
Russian federal loan bonds (OFZ bonds)				
Minimum credit risk	302.8	—	—	**302.8**
Gross carrying amount	**302.8**	**—**	**—**	**302.8**
Credit loss allowance	(0.8)	—	—	**(0.8)**
Carrying amount	**302.0**	**—**	**—**	**302.0**
Russian municipal and subfederal bonds				
Minimum credit risk	37.3	—	—	**37.3**
Low credit risk	133.0	—	—	**133.0**
Gross carrying amount	**170.3**	**—**	**—**	**170.3**
Credit loss allowance	(1.2)	—	—	**(1.2)**
Carrying amount	**169.1**	**—**	**—**	**169.1**
Russian Federation Eurobonds				
Minimum credit risk	45.8	—	—	**45.8**
Gross carrying amount	**45.8**	**—**	**—**	**45.8**
Credit loss allowance	(0.1)	—	—	**(0.1)**
Carrying amount	**45.7**	**—**	**—**	**45.7**
Foreign government and municipal bonds				
Minimum credit risk	25.2	—	—	**25.2**
Gross carrying amount	**25.2**	**—**	**—**	**25.2**
Carrying amount	**25.2**	**—**	**—**	**25.2**
Promissory notes				
Minimum credit risk	0.1	—	—	**0.1**
Gross carrying amount	**0.1**	**—**	**—**	**0.1**
Carrying amount	**0.1**	**—**	**—**	**0.1**
Total securities at amortized cost before credit loss allowance	**1,294.1**	**15.4**	**0.9**	**1,310.4**
Credit loss allowance	**(6.6)**	**(0.3)**	**(0.9)**	**(7.8)**
Total securities at amortized cost	**1,287.5**	**15.1**	**—**	**1,302.6**

8 Securities (continued)

The table below contains an analysis of the credit risk exposure of debt securities measured at AC as at 31 December 2018, for which an ECL allowance is recognised, based on credit risk grades.

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Corporate bonds				
Minimum credit risk	259.0	3.1	—	**262.1**
Low credit risk	408.8	11.6	—	**420.4**
Moderate credit risk	17.3	—	—	**17.3**
Default	—	—	1.5	**1.5**
Gross carrying amount	**685.1**	**14.7**	**1.5**	**701.3**
Credit loss allowance	(4.8)	(1.1)	(1.3)	**(7.2)**
Carrying amount	**680.3**	**13.6**	**0.2**	**694.1**
Russian federal loan bonds (OFZ bonds)				
Minimum credit risk	218.5	—	—	**218.5**
Gross carrying amount	**218.5**	**—**	**—**	**218.5**
Credit loss allowance	(0.6)	—	—	**(0.6)**
Carrying amount	**217.9**	**—**	**—**	**217.9**
Russian municipal and subfederal bonds				
Minimum credit risk	16.6	—	—	**16.6**
Low credit risk	132.7	—	—	**132.7**
Gross carrying amount	**149.3**	**—**	**—**	**149.3**
Credit loss allowance	(1.2)	—	—	**(1.2)**
Carrying amount	**148.1**	**—**	**—**	**148.1**
Russian Federation Eurobonds				
Minimum credit risk	39.3	—	—	**39.3**
Gross carrying amount	**39.3**	**—**	**—**	**39.3**
Credit loss allowance	(0.1)	—	—	**(0.1)**
Carrying amount	**39.2**	**—**	**—**	**39.2**
Foreign government and municipal bonds				
Minimum credit risk	7.0	—	—	**7.0**
Moderate credit risk	12.9	—	—	**12.9**
Gross carrying amount	**19.9**	**—**	**—**	**19.9**
Credit loss allowance	(0.3)	—	—	**(0.3)**
Carrying amount	**19.6**	**—**	**—**	**19.6**
Total securities at amortized cost before credit loss allowance	**1,112.1**	**14.7**	**1.5**	**1,128.3**
Credit loss allowance	**(7.0)**	**(1.1)**	**(1.3)**	**(9.4)**
Total securities at amortized cost	**1,105.1**	**13.6**	**0.2**	**1,118.9**

8 Securities (continued)

The following tables explains the changes in the credit loss allowance of debt securities at AC (including those pledged under repurchase agreements (Note 9)) between the beginning and the end of the annual period due to the factors described in Note 3.

	Credit loss allowance			
in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
At 1 January 2019	**7.0**	**1.1**	**1.3**	**9.4**
Movements with impact on credit loss allowance charge for the year:				
Transfers and corresponding remeasurement of credit loss allowances:				
- to 12-month ECL	0.4	(0.9)	—	**(0.5)**
- to lifetime ECL not credit-impaired	(0.3)	0.3	—	**—**
Net remeasurement of credit loss allowance within the same stage	(1.3)	(0.3)	—	**(1.6)**
New originated or purchased and impact of other increases in gross carrying amount	2.4	—	—	**2.4**
Derecognised during the period and impact of other decreases in gross carrying amount	(1.4)	—	(0.4)	**(1.8)**
Total movements with impact on credit loss allowance charge for the year	**(0.2)**	**(0.9)**	**(0.4)**	**(1.5)**
Movements without impact on credit loss allowance charge for the year:				
Foreign exchange differences and exchange differences on translating foreign operations	(0.2)	0.1	—	**(0.1)**
Total movements without impact on credit loss allowance charge for the year	**(0.2)**	**0.1**	**—**	**(0.1)**
At 31 December 2019	**6.6**	**0.3**	**0.9**	**7.8**

	Credit loss allowance			
in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
At 1 January 2018	**5.0**	**1.0**	**0.9**	**6.9**
Movements with impact on credit loss allowance charge for the year:				
Transfers and corresponding remeasurement of credit loss allowances:				
- to 12-month ECL	—	(0.2)	—	**(0.2)**
- to lifetime ECL not credit-impaired	—	0.9	—	**0.9**
- to lifetime ECL credit-impaired	—	(0.2)	0.4	**0.2**
Net remeasurement of credit loss allowance within the same stage	1.8	(0.4)	—	**1.4**
Total movements with impact on credit loss allowance charge for the year	**1.8**	**0.1**	**0.4**	**2.3**
Movements without impact on credit loss allowance charge for the year:				
Foreign exchange differences and exchange differences on translating foreign operations	0.2	—	—	**0.2**
Total movements without impact on credit loss allowance charge for the year	**0.2**	**—**	**—**	**0.2**
At 31 December 2018	**7.0**	**1.1**	**1.3**	**9.4**

At 31 December 2019 there are past due securities measured at amortized cost with gross carrying amount of RR 0.9 billion (31 December 2018: RR 0.9 billion).

At 31 December 2019 the debt securities at FVOCI and at AC are not collateralized except for mortgage-backed securities of RR 98.4 billion accounted at FVOCI which are collateralized by mortgage loans to individuals and guarantee of JSC “DOM.RF” (31 December 2018: RR 80.2 billion).

8 Securities (continued)

Securities mandatorily measured at fair value through profit or loss

The composition of securities mandatorily measured at fair value through profit or loss as at 31 December 2019 and 31 December 2018 is presented below:

in billions of Russian Roubles	31 December 2019	31 December 2018
Russian federal loan bonds (OFZ bonds)	250.1	231.0
Corporate bonds	147.9	152.6
Foreign government and municipal bonds	7.6	1.8
Russian Federation Eurobonds	7.4	4.6
Total debt securities mandatorily measured at fair value through profit or loss	**413.0**	**390.0**
Corporate shares	88.1	56.9
Investments in mutual funds	25.9	15.8
Total securities mandatorily measured at fair value through profit or loss	**527.0**	**462.7**

Debt securities mandatorily measured at fair value through profit or loss are carried at fair value, which also reflects any credit risk related write-downs and best represents Group's maximum exposure to credit risk.

At 31 December 2019 and 31 December 2018 there are no restructured debt securities mandatorily measured at fair value through profit or loss that would otherwise be past due. The debt securities mandatorily measured at fair value through profit or loss are not collateralised. All debt securities mandatorily measured at fair value through profit or loss are not past due.

The estimated fair value of securities is disclosed in Note 34. Currency and maturity analyses of securities are disclosed in Note 31.

The information on securities issued by related parties and state-controlled entities is disclosed in Notes 37 and 38.

9 Financial Instruments Pledged under Repurchase Agreements

in billions of Russian Roubles	31 December 2019	31 December 2018
Securities measured at fair value through other comprehensive income - debt instruments	171.3	301.0
Securities measured at amortized cost	10.6	5.9
Securities mandatorily measured at fair value through profit or loss	5.4	0.1
Total financial instruments pledged under repurchase agreements	**187.3**	**307.0**

Securities measured at fair value through other comprehensive income pledged under repurchase agreements - debt instruments

The composition of debt securities measured at fair value through other comprehensive income pledged under repurchase agreements as at 31 December 2019 and 31 December 2018 is presented below:

in billions of Russian Roubles	31 December 2019	31 December 2018
Russian federal loan bonds (OFZ bonds)	132.7	259.4
Russian Federation Eurobonds	19.4	30.2
Bonds of the Bank of Russia	10.6	3.5
Corporate bonds	8.3	7.9
Foreign government and municipal bonds	0.3	—
Total securities measured at fair value through other comprehensive income pledged under repurchase agreements - debt instruments	**171.3**	**301.0**

9 Financial Instruments Pledged under Repurchase Agreements (continued)

Refer to Note 31 for the description of credit risk grading system used by the Group and the approach to ECL measurement of debt securities at FVOCI and at AC. The carrying amount of debt securities pledged under repurchase agreements at 31 December 2019 and 31 December 2018 below also represents the Group's maximum exposure to credit risk on these assets.

The table below contains an analysis of the credit risk exposure of debt securities pledged under repurchase agreements measured at FVOCI as at 31 December 2019, for which an ECL allowance is recognised, based on credit risk grades.

in billions of Russian Roubles	12-month ECL	Total
Russian federal loan bonds (OFZ bonds)		
Minimum credit risk	123.9	123.9
Total gross carrying amount at amortized cost	**123.9**	**123.9**
Credit loss allowance	(0.2)	(0.2)
Fair value adjustment from amortized cost to fair value	9.0	9.0
Total fair value	**132.7**	**132.7**
Russian Federation Eurobonds		
Minimum credit risk	18.6	18.6
Total gross carrying amount at amortized cost	**18.6**	**18.6**
Fair value adjustment from amortized cost to fair value	0.8	0.8
Total fair value	**19.4**	**19.4**
Bonds of the Bank of Russia		
Minimum credit risk	10.6	10.6
Total gross carrying amount at amortized cost	**10.6**	**10.6**
Total fair value	**10.6**	**10.6**
Corporate bonds		
Minimum credit risk	6.0	6.0
Low credit risk	1.9	1.9
Total gross carrying amount at amortized cost	**7.9**	**7.9**
Fair value adjustment from amortized cost to fair value	0.4	0.4
Total fair value	**8.3**	**8.3**
Foreign government and municipal bonds		
Minimum credit risk	0.3	0.3
Total gross carrying amount at amortized cost	**0.3**	**0.3**
Total fair value	**0.3**	**0.3**
Total gross carrying amount at amortized cost	**161.3**	**161.3**
Credit loss allowance	(0.2)	(0.2)
Fair value adjustment from amortized cost to fair value	10.2	10.2
Total securities measured at fair value through other comprehensive income pledged under repurchase agreements - debt instruments	**171.3**	**171.3**

9 Financial Instruments Pledged under Repurchase Agreements (continued)

The table below contains an analysis of the credit risk exposure of debt securities pledged under repurchase agreements measured at FVOCI as at 31 December 2018, for which an ECL allowance is recognised, based on credit risk grades.

in billions of Russian Roubles	12-month ECL	Total
Russian federal loan bonds (OFZ bonds)		
Minimum credit risk	265.2	265.2
Total gross carrying amount at amortized cost	**265.2**	**265.2**
Credit loss allowance	(0.7)	(0.7)
Fair value adjustment from amortized cost to fair value	(5.1)	(5.1)
Total fair value	**259.4**	**259.4**
Russian Federation Eurobonds		
Minimum credit risk	30.2	30.2
Total gross carrying amount at amortized cost	**30.2**	**30.2**
Credit loss allowance	(0.1)	(0.1)
Fair value adjustment from amortized cost to fair value	0.1	0.1
Total fair value	**30.2**	**30.2**
Corporate bonds		
Minimum credit risk	6.2	6.2
Low credit risk	1.5	1.5
Total gross carrying amount at amortized cost	**7.7**	**7.7**
Fair value adjustment from amortized cost to fair value	0.2	0.2
Total fair value	**7.9**	**7.9**
Bonds of the Bank of Russia		
Minimum credit risk	3.5	3.5
Total gross carrying amount at amortized cost	**3.5**	**3.5**
Total fair value	**3.5**	**3.5**
Total gross carrying amount at amortized cost	**306.6**	**306.6**
Credit loss allowance	(0.8)	(0.8)
Fair value adjustment from amortized cost to fair value	(4.8)	(4.8)
Total securities measured at fair value through other comprehensive income pledged under repurchase agreements - debt instruments	**301.0**	**301.0**

The debt securities at FVOCI pledged under repurchase agreements are not collateralised.

Refer to Note 35 for more information on securities pledged under repurchase agreements with banks and corporate customers.

Securities measured at amortized cost pledged under repurchase agreements

The composition of securities measured at amortized cost pledged under repurchase agreements as at 31 December 2019 and 31 December 2018 is presented below:

in billions of Russian Roubles	31 December 2019	31 December 2018
Corporate bonds	7.0	3.2
Russian municipal and subfederal bonds	3.1	2.2
Russian Federation Eurobonds	0.5	0.5
Total securities measured at amortised cost pledged under repurchase agreements before credit loss allowance	**10.6**	**5.9**
Credit loss allowance	—	—
Total securities measured at amortised cost pledged under repurchase agreements	**10.6**	**5.9**

9 Financial Instruments Pledged under Repurchase Agreements (continued)

All securities pledged under repurchase agreements are not past due. None of the securities pledged under repurchase agreements were restructured.

Information on changes in the credit loss allowance and gross carrying amount of debt securities pledged under repurchase agreements is disclosed in Note 8 together with the respective information on other debt securities.

The estimated fair value of securities pledged under repurchase agreements is disclosed in Note 34. Currency and maturity analyses of securities pledged under repurchase agreements are disclosed in Note 31. The information on securities issued by related parties and state-controlled entities is disclosed in Notes 37 and 38.

10 Derivative Financial Assets

The composition of derivative financial assets as at 31 December 2019 and 31 December 2018 is presented below:

in billions of Russian Roubles	31 December 2019	31 December 2018
Interest rate	46.9	25.7
Foreign currency	42.3	55.8
Foreign currency interest rate	37.1	54.5
Equities	27.9	11.6
Debt securities	16.8	3.1
Commodities including precious metals	5.2	12.4
Credit risk	—	0.3
Other	17.7	14.2
Total derivative financial assets	**193.9**	**177.6**

For the detailed analysis of the derivative instruments of the Group refer to Note 33.

Currency and maturity analyses of derivative financial assets are disclosed in Note 31. The information on related parties balances is disclosed in Note 37.

11 Premises, Equipment and Right-of-use Assets

in billions of Russian Roubles	31 December 2019	31 December 2018
Premises and equipment	616.8	593.9
Right-of-use assets	78.3	—
Total premises, equipment and right-of-use assets	**695.1**	**593.9**

11 Premises, Equipment and Right-of-use Assets (continued)

Premises and equipment.

in billions of Russian Roubles	Office premises, including land	Other premises	Office and computer equipment	Vehicles and other equipment	Equip-ment leased out	Constru-ction in progress and premises and equip-ment not yet ready for use	Total
Carrying amount at 31 December 2017	**282.1**	**15.4**	**85.1**	**44.7**	**40.6**	**48.3**	**516.2**
Cost or revalued amount							
Balance at the beginning of the year	288.0	19.1	324.9	75.5	42.7	48.3	798.5
Additions	28.8	6.4	3.9	2.7	27.6	84.1	153.5
Acquisitions through business combinations	—	0.6	0.6	1.1	—	0.2	2.5
Transfers	4.3	1.6	67.7	2.2	—	(75.8)	—
Transfers (to) / from other types of property	0.3	0.1	—	—	0.1	(0.1)	0.4
Transfers to assets held for sale	—	—	(0.8)	—	—	—	(0.8)
Disposals – at cost or revalued amount	(12.9)	(0.9)	(41.0)	(4.8)	(0.1)	(5.2)	(64.9)
Change in valuation of office premises transferred to other classes of assets, recognized in other comprehensive income	(2.0)	—	—	—	—	—	(2.0)
Impairment of premises and equipment recognized in the consolidated statement of profit or loss	—	(0.5)	—	(0.2)	—	—	(0.7)
Exchange differences on translating foreign operations related to cost or revalued amount	0.9	0.1	0.8	0.6	10.4	—	12.8
Reclassification of discontinued operations	(2.7)	—	(10.8)	(4.9)	(3.1)	—	(21.5)
Cost or revalued amount at the end of the year	**304.7**	**26.5**	**345.3**	**72.2**	**77.6**	**51.5**	**877.8**
Accumulated depreciation							
Balance at the beginning of the year	(5.9)	(3.7)	(239.8)	(30.8)	(2.1)	—	(282.3)
Disposals - accumulated depreciation	0.6	0.3	39.1	2.8	—	—	42.8
Depreciation charge	(6.3)	(1.4)	(35.0)	(5.6)	(3.1)	—	(51.4)
Depreciaion charge attributed to discontinued operations	—	—	(0.3)	(0.2)	(0.1)	—	(0.6)
Transfers to assets held for sale from accrued depreciation	—	—	0.1	—	—	—	0.1
Exchange differences on translating foreign operations related to depreciation	(0.1)	—	(0.6)	(0.3)	(0.4)	—	(1.4)
Reclassification of discontinued operations	—	—	6.4	2.1	0.4	—	8.9
Accumulated depreciation at the end of the year	**(11.7)**	**(4.8)**	**(230.1)**	**(32.0)**	**(5.3)**	**—**	**(283.9)**
Carrying amount at 31 December 2018	**293.0**	**21.7**	**115.2**	**40.2**	**72.3**	**51.5**	**593.9**
Cost or revalued amount							
Balance at the beginning of the year	304.7	26.5	345.3	72.2	77.6	51.5	877.8
Additions	20.5	2.7	3.2	5.9	17.0	77.0	126.3
Acquisitions through business combinations	0.1	4.2	0.1	1.5	—	0.9	6.8
Transfers	6.2	1.4	55.8	5.3	—	(68.7)	—
Transfers to investment property	(0.2)	—	—	—	—	—	(0.2)
Transfers (to) / from other types of property	(2.3)	—	—	—	—	—	(2.3)
Transfers to assets held for sale	(0.2)	—	—	(0.6)	—	—	(0.8)
Disposals – at cost or revalued amount	(13.7)	(5.4)	(30.5)	(7.1)	—	(1.4)	(58.1)
Adjustment of cost due to revaluation	(16.0)	—	—	—	—	—	(16.0)
Revaluation of office premises recognized in the consolidated statement of profit or loss	(4.3)	—	—	—	—	—	(4.3)
Revaluation of office premises recognized in other comprehensive income	(7.9)	—	—	—	—	—	(7.9)
Exchange differences on translating foreign operations related to cost or revalued amount	(1.1)	(0.1)	(1.1)	(0.7)	(9.0)	—	(12.0)
Cost or revalued amount at the end of the year	**285.8**	**29.3**	**372.8**	**76.5**	**85.6**	**59.3**	**909.3**
Accumulated depreciation							
Balance at the beginning of the year	(11.7)	(4.8)	(230.1)	(32.0)	(5.3)	—	(283.9)
Disposals - accumulated depreciation	1.7	0.7	29.6	5.1	—	—	37.1
Depreciation charge	(6.0)	(1.6)	(44.7)	(6.7)	(4.6)	—	(63.6)
Transfers to assets held for sale from accrued depreciation	—	—	—	0.1	—	—	0.1
Transfers of accumulated depreciation	—	(0.1)	—	—	—	—	(0.1)
Adjustment of accumulated depreciation due to revaluation	16.0	—	—	—	—	—	16.0
Exchange differences on translating foreign operations related to depreciation	—	—	0.8	0.4	0.7	—	1.9
Accumulated depreciation at the end of the year	**—**	**(5.8)**	**(244.4)**	**(33.1)**	**(9.2)**	**—**	**(292.5)**
Carrying amount at 31 December 2019	**285.8**	**23.5**	**128.4**	**43.4**	**76.4**	**59.3**	**616.8**

11 Premises, Equipment and Right-of-use Assets (continued)

Construction in progress consists of construction or refurbishment of the Group's premises and equipment. Upon completion, assets are transferred to office premises, other premises or equipment categories.

Office premises are stated at revalued amount. Office premises have been revalued to market value at 31 December 2019. At 31 December 2019 the carrying amount of office premises would have been RR 220.5 billion (31 December 2018: RR 212.8 billion) had the premises been carried at cost less depreciation and impairment.

Information on revaluation policies of office premises is disclosed in Note 3.

Right-of-use assets. The Group leases office premises and land. Rental contracts are typically made for fixed periods from 1 to 49 years. Until 31 December 2018 leases of premises and equipment were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

The right-of-use assets are analysed as follows:

in billions of Russian Roubles	**Office premises, including land**
Carrying amount at 1 January 2019	**70.0**
Additions	22.3
Disposals	(1.8)
Depreciation charge	(17.6)
Modifications and remeasurements	6.3
Exchange differences on translating foreign operations	(0.9)
Carrying amount at 31 December 2019	**78.3**

Interest expense on lease liabilities for the year ended 31 December 2019 comprised RR 5.6 billion. Refer to Note 21.

Expenses relating to variable lease payments not included in lease liabilities and included in staff and administrative expenses for the year ended 31 December 2019 comprised RR 0.8 billion.

Total cash outflow for leases for the year ended 31 December 2019 was RR 18.4 billion.

Expenses relating to short-term leases and to leases of low-value assets that are not shown as short-term leases are included in staff and administrative expenses in the consolidated statement of profit or loss:

in billions of Russian Roubles	**Year ended 31 December 2019**
Expense relating to short-term leases	8.0
Expense relating to leases of low-value assets that are not shown above as short-term leases	0.3

12 Disposal Groups and Non-current Assets Held for Sale

in billions of Russian Roubles	**31 December 2019**	**31 December 2018**
Non-current assets held for sale	10.6	6.2
Assets of the disposal groups	0.7	1.3
Assets of discontinued operations	—	2,562.4
Total assets of the disposal groups and non-current assets held for sale	**11.3**	**2,569.9**
Liabilities of discontinued operations	—	2,234.8
Liabilities of the disposal groups	—	0.3
Total liabilities of the disposal groups	**—**	**2,235.1**

12 Disposal Groups and Non-current Assets Held for Sale (continued)

Assets and liabilities of discontinued operations consist of assets and liabilities of DenizBank. In May 2018 Sberbank and Emirates NBD Bank PJSC ("Emirates NBD") signed a definitive agreement whereby Sberbank sells its entire 99.85% stake in DenizBank for TRY 14.6 billion under a locked box mechanism. The price was based on the DenizBank consolidated equity as at 31 October 2017. In addition Emirates NBD were to pay interest on the consideration for the period between 31 October 2017 and the transaction closing. The consideration was to settle in US Dollars and the documentation included hedging element for the TRY/US Dollar exchange rate to be determined within a narrow range. As part of the transaction Emirates NBD were to acquire from Sberbank at nominal value DenizBank's subordinated debt previously provided by Sberbank. In April 2019 Sberbank and Emirates NBD signed a revised agreement where (i) the total consideration was agreed at TRY 15.48 billion with no interest payments on consideration, (ii) hedging elements for the TRY/US Dollar exchange rate were replaced with other mechanics of the conversion rate calculation and (iii) some other rights and obligations of the parties were reconsidered. In the end of July 2019 the deal was settled and the Group recognized the disposal of DenizBank in these consolidated financial statements.

Starting from May 2018 DenizBank was considered as discontinued operations. The comparative consolidated statement of profit or loss and consolidated statement of comprehensive income had been reclassified to show the discontinued operations separately from continuing operations. The cash flows related to the discontinued operations are separately presented in this Note. The business of DenizBank is presented within "Other countries" geographical segment in these consolidated financial statements.

The table below shows the assets and liabilities of DenizBank as at the date of disposal and 31 December 2018.

	DenizBank	
in billions of Russian Roubles	**31 July 2019**	**31 December 2018**
ASSETS		
Cash and cash equivalents	219.6	269.6
Mandatory cash balances with central banks	180.1	167.6
Due from banks	55.7	20.6
Loans and advances to customers	1,536.0	1,796.0
Securities	212.1	170.4
Financial instruments pledged under repurchase agreements	18.7	19.0
Derivative financial assets	22.3	26.3
Deferred tax asset	23.4	23.0
Premises and equipment	16.6	13.1
Other assets	46.2	56.8
Total assets of discontinued operations	**2,330.7**	**2,562.4**
LIABILITIES		
Due to banks	24.3	39.8
Due to individuals	1,161.2	1,297.3
Due to corporate customers	487.6	524.5
Debt securities in issue	76.6	52.4
Other borrowed funds	171.8	206.7
Derivative financial liabilities and obligations to deliver securities	14.7	27.0
Deferred tax liability	0.7	0.3
Other liabilities	87.5	86.8
Total liabilities of discontinued operations	**2,024.4**	**2,234.8**
Total net assets (after intercompany eliminations)	**306.3**	**327.6**

12 Disposal Groups and Non-current Assets Held for Sale (continued)

The results of DenizBank included in the consolidated statements of profit or loss and comprehensive income for the year ended 31 December 2019 and 31 December 2018 are presented in the table below. The results of DenizBank are included in the consolidated statements of profit or loss and comprehensive income up to the date of disposal (31 July 2019).

	DenizBank Year ended 31 December	
in billions of Russian Roubles	**2019**	**2018**
Interest income calculated using the effective interest method and other interest income	136.8	236.4
Interest expense calculated using the effective interest method, other interest expense and deposit insurance expenses	(85.8)	(140.6)
Net interest income	**51.0**	**95.8**
Fee and commission income	32.7	47.0
Fee and commission expense	(8.0)	(14.0)
Net fee and commission income	**24.7**	**33.0**
Net other operating income, expenses and charges	(72.0)	(127.6)
Income tax expense	(0.2)	(0.7)
Profit for the period of discontinued operations	**3.5**	**0.5**
Loss on sale of discontinued operations after income tax	(73.3)	—
(Loss) / profit for the period from discontinued operations	**(69.8)**	**0.5**
Earnings per ordinary share based on profit from discontinued operations attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	**(3.24)**	**0.02**
Total other comprehensive loss of discontinued operations to be reclassified to profit or loss upon disposal, net of tax	**(12.5)**	**(25.6)**
Total other comprehensive loss from discontinued operations transferred to profit or loss upon disposal of discontinued operations, net of tax	**86.0**	**—**
Total other comprehensive income / (loss) from discontinued operations, net of tax	**73.5**	**(25.6)**
Total comprehensive income / (loss) from discontinued operations, attributable to shareholders of the Bank	**3.7**	**(25.1)**

12 Disposal Groups and Non-current Assets Held for Sale (continued)

The cash flows (used in) / from discontinued operations related to DenizBank included in the consolidated statement of cash flows for the year ended 31 December 2019 and 31 December 2018 are presented below. The cash flows (used in) / from discontinued operations related to DenizBank are included in the consolidated statement of cash flows up to the date of disposal (31 July 2019).

	DenizBank Year ended 31 December	
in billions of Russian Roubles	**2019**	**2018**
Cash flows (used in) / from operating activities	(35.1)	99.6
Cash flows used in investing activities	(1.6)	(5.3)
Cash flows used in financing activities	—	(10.5)
Total cash flows (used in) / from discontinued operations	**(36.7)**	**83.8**
Effect of exchange rate changes on cash and cash equivalents	(13.3)	(4.0)

The effect of disposal of DenizBank on the financial results of the Group for the year ended 31 December 2019 is disclosed below:

in billions of Russian Roubles	**31 December 2019**
Consideration received in cash	170.6
Loans recognized (former intercompany loans)	115.3
Redemption of the subordinated debt	37.6
Total disposal consideration	**323.5**
Carrying amount of net assets derecognized	(306.3)
Gain on sale of discontinued operations before income tax and reclassification of accumulated other comprehensive income	**17.2**
Reclassification of foreign currency translation reserve	(88.2)
Reclassification of fair value reserve for debt instruments measured at FVOCI	(14.5)
Income tax credit on result of disposal	12.2
Loss on sale of discontinued operations after income tax	**(73.3)**

The effect of disposal of DenizBank on the consolidated statement of cash flows of the Group for the year ended 31 December 2019 is disclosed below:

in billions of Russian Roubles	**Year ended 31 December 2019**
Consideration received in cash	170.6
Redemption of the subordinated debt	37.6
less Cash and cash equivalents of discontinued operations disposed of	(219.6)
Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed of	**(11.4)**

13 Other Assets

in billions of Russian Roubles	31 December 2019	31 December 2018
Other financial assets		
Receivables on bank cards settlements	171.2	164.4
Investments in associates and joint ventures	152.9	42.6
Settlements on foreign exchange operations	79.0	87.3
Accrued fees and commissions	30.9	18.8
Margin calls transferred	17.4	24.9
Funds in settlement	16.3	20.6
Trade receivables	19.7	19.7
Settlements on operations with securities	9.5	19.6
Receivables from Deposit Insurance Agency	5.9	14.1
Restricted cash balances	2.9	1.7
Other	9.5	32.4
Total other financial assets before credit loss allowance	**515.2**	**446.1**
Less credit loss allowance	(10.6)	(10.3)
Total other financial assets after credit loss allowance	**504.6**	**435.8**
Other non-financial assets		
Inventory	98.3	93.2
Intangible assets	78.4	64.6
Prepayments for premises and other assets	58.0	55.7
Precious metals	53.4	23.4
Investments in generating and acquisition of intangible assets	49.1	42.3
Prepayment on income tax	18.9	20.7
Tax settlements (other than on income tax)	19.6	8.7
Goodwill	13.6	10.8
Investment property	4.7	4.8
Prepaid expenses	2.3	2.3
Other	23.9	16.5
Total other non-financial assets before provision for impairment	**420.2**	**343.0**
Less provision for impairment of other non-financial assets	(15.9)	(14.1)
Total other non-financial assets after provision for impairment	**404.3**	**328.9**
Total other assets	**908.9**	**764.7**

13 Other Assets (continued)

In April 2019 under the debt restructuring of Agrokor Holding, the Group received financial instruments which among other give right to approximately 40.0% of net assets in Fortenova Group TopCo B.V. (the Netherlands). The Group initially recognized financial instrument at RR 39.3 billion and accounts for investment in Fortenova Group TopCo B.V. as investment in associate using equity method of accounting.

In 2019 the Group continued development of its ecosystem through acquisitions and strategic partnerships.

In August 2019 the Group acquired 46.5% stake in Rambler Group.

In December 2019 the Group and Mail.ru Group completed formation of strategic partnership. This includes set up of the 50:50 joint venture (the “JV”) for leading Russian O2O (online-to-offline) services platform focused on the key areas of food and transportation. The JV includes Delivery Club, YouDrive, Citymobil, SberFood (former Foodplex) and some other complimentary assets. The Group contributed to the JV its 35.0% share in Foodplex and RR 38.0 billion in cash. Further RR 13.0 billion could be invested by the Group in the JV on the condition that key performance indicators are achieved over the 12-month period following the closing of the transaction. The Group also acquired 36.0% interest in MF Technologies, which controls 58.3% of the Mail.ru Group voting shares.

In April 2018 the Group and Yandex closed the deal on the set up of a joint venture, Yandex.Market B.V., based on the Yandex.Market platform. At closing, the joint venture was valued at RR 60.0 billion with two parties owning equal stakes. The Group invested RR 30.0 billion in the joint venture. Ten percent of the joint venture’s shares will be reserved for future equity awards for management and employees of Yandex.Market. The parties intend to combine the technological capabilities of Yandex and the infrastructure and technologies of the Bank to develop a leading B2C eCommerce ecosystem.

The Group accounts for these investments using equity method of accounting.

As at 31 December 2019 receivables on bank cards settlements of RR 171.2 billion (31 December 2018: RR 164.4 billion) represent receivables due within 30 days on operations of the Group`s customers with banking cards and receivables related to settlements with international payment systems and for the purpose of ECL measurement are included in Stage 1 (12-month ECL).

13 Other Assets (continued)

The following tables explain the changes in the credit loss allowance / provision for impairment of other assets between the beginning and the end of the annual period.

in billions of Russian Roubles	Other financial assets	Other non-financial assets	Total
Credit loss allowance and provision for impairment of other assets at 1 January 2019	**10.3**	**14.1**	**24.4**
Net credit loss allowance /provision charge during the year	3.6	3.6	7.2
Assets written off during the year	(3.3)	(1.8)	(5.1)
Credit loss allowance and provision for impairment of other assets at 31 December 2019	**10.6**	**15.9**	**26.5**

in billions of Russian Roubles	Other financial assets	Other non-financial assets	Total
Credit loss allowance and provision for impairment of other assets at 1 January 2018	**8.5**	**12.5**	**21.0**
Net credit loss allowance /provision charge during the year	10.9	2.7	13.6
Assets written off during the year	(9.1)	(1.1)	(10.2)
Credit loss allowance and provision for impairment of other assets as at 31 December 2018	**10.3**	**14.1**	**24.4**

Provision for impairment of other assets is recognized by the Group on operations conducted in the normal course of the Group's business. Provision is assessed on the basis of the Group's best estimates of recoverability of other assets.

Movements in goodwill arising on the acquisition of subsidiaries for the year ended 31 December 2019 and 31 December 2018 are:

in billions of Russian Roubles	2019	2018
Carrying amount as at 1 January	**10.8**	**10.0**
Acquisition of subsidiaries	6.3	4.3
Disposal of subsidiaries	(3.1)	(0.2)
Impairment of goodwill	(0.9)	(0.3)
Impairment of goodwill related to discontinued operations	—	(3.2)
Exchange differences on translating foreign operations	—	(0.3)
Other	0.5	0.5
Carrying amount as at 31 December	**13.6**	**10.8**

13 Other Assets (continued)

Movements in intangible assets for the year ended 31 December 2019 and 31 December 2018 are as follows:

in billions of Russian Roubles	Note	Intangible assets acquired through business combination	Other intangible assets	Total intangible assets
Carrying amount at 31 December 2017		**6.2**	**69.8**	**76.0**
Cost of intangible assets				
Balance at the beginning of the year		29.9	113.5	143.4
Additions		—	16.3	16.3
Internally generated		—	7.6	7.6
Acquisitions through business combinations		—	0.4	0.4
Transfers to assets held for sale at cost		—	(0.4)	(0.4)
Disposals due to sale of subsidiary		(0.1)	(0.2)	(0.3)
Disposals – at cost		—	(4.1)	(4.1)
Impairment of intangible assets recognized in the consolidated statement of profit or loss		—	(7.9)	(7.9)
Impairment of intangible assets recognized in the consolidated statement of profit or loss attributed to discontinued operations		(3.9)	—	(3.9)
Exchange differences on translating foreign operations related to cost		(1.2)	1.8	0.6
Reclassification of discontinued operations		(17.1)	(11.6)	(28.7)
Cost of intangible assets at the end of the year		**7.6**	**115.4**	**123.0**
Accumulated amortisation				
Balance at the beginning of the year		(23.7)	(43.7)	(67.4)
Amortisation charge	24,26	(0.3)	(20.6)	(20.9)
Amortisation charge attributed to discontinued operations		(0.4)	(0.4)	(0.8)
Disposals - accumulated amortisation		—	4.1	4.1
Exchange differences on translating foreign operations related to amortisation		1.2	(0.2)	1.0
Reclassification of discontinued operations		17.1	8.5	25.6
Accumulated amortisation at the end of the year		**(6.1)**	**(52.3)**	**(58.4)**
Carrying amount at 31 December 2018		**1.5**	**63.1**	**64.6**
Cost of intangible assets				
Balance at the beginning of the year		7.6	115.4	123.0
Additions		1.8	24.6	26.4
Internally generated		—	13.5	13.5
Acquisitions through business combinations		—	0.5	0.5
Disposals due to sale of subsidiary		—	(0.2)	(0.2)
Disposals – at cost		(0.2)	(12.7)	(12.9)
Exchange differences on translating foreign operations related to cost		(0.3)	(2.2)	(2.5)
Cost of intangible assets at the end of the year		**8.9**	**138.9**	**147.8**
Accumulated amortisation				
Balance at the beginning of the year		(6.1)	(52.3)	(58.4)
Amortisation charge	24,26	(0.3)	(23.7)	(24.0)
Disposals - accumulated amortisation		0.2	12.0	12.2
Exchange differences on translating foreign operations related to amortisation		—	0.8	0.8
Accumulated amortisation at the end of the year		**(6.2)**	**(63.2)**	**(69.4)**
Carrying amount at 31 December 2019		**2.7**	**75.7**	**78.4**

The estimated fair value of other financial assets is disclosed in Note 34. Currency and maturity analyses of other assets are disclosed in Note 31. The information on related parties balances is disclosed in Note 37.

14 Due to Banks

in billions of Russian Roubles	31 December 2019	31 December 2018
Due to banks at amortized cost	402.0	534.2
Due to banks at fair value through profit or loss	368.3	562.6
Total due to banks	**770.3**	**1,096.8**

Term placements of banks represent funds received on interbank market.

Due to banks at amortized cost

in billions of Russian Roubles	31 December 2019	31 December 2018
Term placements of banks	256.2	363.8
Direct repo agreements with banks	77.0	95.9
Correspondent accounts and overnight placements of banks	68.8	74.5
Total due to banks at amortized cost	**402.0**	**534.2**

Due to banks at fair value through profit or loss

in billions of Russian Roubles	31 December 2019	31 December 2018
Direct repo agreements with banks	176.3	328.3
Term placements of banks	192.0	213.7
Correspondent accounts and overnight placements of banks	—	20.6
Total due to banks at fair value through profit or loss	**368.3**	**562.6**

Refer to Note 35 for information on the amounts included in due to banks received under sale and repurchase agreements and fair value of securities pledged.

The estimated fair value of due to banks and fair value measurement technique used are disclosed in Note 34. Currency and maturity analyses of due to banks are disclosed in Note 31. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 37 and 38.

15 Due to Individuals and Corporate Customers

in billions of Russian Roubles	31 December 2019	31 December 2018
Individuals:		
- Current/demand accounts	3,869.5	3,368.1
- Term deposits	10,340.1	10,126.9
- Direct repo agreements	—	0.1
Total due to individuals	**14,209.6**	**13,495.1**
State and public organizations:		
- Current/settlement accounts	219.9	198.0
- Term deposits	978.0	432.6
- Direct repo agreements	20.2	82.3
Total due to state and public organizations	**1,218.1**	**712.9**
Other corporate customers:		
- Current/settlement accounts	2,464.7	2,225.9
- Term deposits	3,674.9	4,462.3
- Direct repo agreements	7.1	1.1
Total due to other corporate customers	**6,146.7**	**6,689.3**
Total due to corporate customers	**7,364.8**	**7,402.2**
Total due to individuals and corporate customers	**21,574.4**	**20,897.3**

15 Due to Individuals and Corporate Customers (continued)

As at 31 December 2019 included in amounts due to individuals are current accounts with individuals in precious metals designated at FVPL in the amount of RR 106.4 billion (31 December 2018: RR 102.4 billion).

As at 31 December 2019 included in amounts due to corporate customers are current accounts in precious metals, term deposits and direct repo agreements with corporate customers designated at FVPL in the amount of RR 18.6 billion (31 December 2018: RR 8.7 billion).

As at 31 December 2019 included in due to corporate customers are deposits of RR 264.4 billion (31 December 2018: RR 163.9 billion) held as collateral for irrevocable commitments under letters of credit. Refer to Note 32.

Economic sector risk concentrations within due to individuals and corporate customers are as follows:

	31 December 2019		31 December 2018	
in billions of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	14,209.6	65.9	13,495.1	64.6
Oil and gas	1,933.3	9.0	2,195.6	10.5
Services	808.9	3.7	814.8	3.9
Municipal bodies and state organizations	793.0	3.7	422.1	2.0
Trade	554.8	2.6	557.5	2.7
Machinery	462.1	2.1	527.4	2.5
Construction	364.9	1.7	354.7	1.7
Real estate	328.2	1.5	310.0	1.5
Energy	300.7	1.4	351.1	1.7
Food and agriculture	248.6	1.2	256.8	1.2
Metallurgy	223.8	1.0	264.3	1.3
Transport and logistics	211.7	1.0	225.7	1.1
Telecommunications	164.3	0.8	207.3	1.0
Chemical	79.2	0.4	101.3	0.5
Timber industry	46.9	0.2	54.3	0.3
Other	844.4	3.8	759.3	3.5
Total due to individuals and corporate customers	**21,574.4**	**100.0**	**20,897.3**	**100.0**

As at 31 December 2019 the Group had 20 largest groups of related customers with balances above RR 22.0 billion each (31 December 2018: 20 largest groups of related customers with balances above RR 32.7 billion each). The aggregate balance of these customers was RR 3,220.5 billion (31 December 2018: RR 3,293.3 billion) or 14.9% (31 December 2018: 15.8%) of total due to individuals and corporate customers.

Refer to Note 35 for information on the amounts due to corporate customers received under sale and repurchase agreements and carrying value of assets pledged.

The estimated fair value of due to individuals and corporate customers and fair value measurement technique used are disclosed in Note 34. Currency and maturity analyses of due to individuals and corporate customers are disclosed in Note 31. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 37 and 38.

16 Debt Securities in Issue

in billions of Russian Roubles	**31 December 2019**	**31 December 2018**
Debt securities issued on the local market	472.2	249.6
Loan participation notes issued under the MTN programme of Sberbank	142.2	343.6
Promissory notes	82.9	97.6
Savings certificates	32.4	150.4
Bonds issued under mortgage securitization programme of Sberbank	—	2.4
Total debt securities in issue	**729.7**	**843.6**

16 Debt Securities in Issue (continued)

Description of the debt securities issued on the local market is presented in the table below:

Issue	Drawdown date	Maturity date	Currency	Nominal value in currency of issue, in millions	Contractual interest rate, % p.a.	31 December 2019 Carrying value, in billions of RR	31 December 2019 Effective interest rate, % p.a.	31 December 2018 Carrying value, in billions of RR	31 December 2018 Effective interest rate, % p.a.
Debt securities issued by the Bank on the local market other than structured principal protected bonds									
BO-18	24 May 2016	24 May 2019	RR	10,000	9.9	—	—	**10.1**	10.2
BO-37	30 September 2016	30 September 2021	RR	10,000	9.25	**10.4**	9.4	**10.2**	9.4
BO-19	30 May 2017	02 June 2021	RR	15,000	8.3	**9.9**	8.4	**9.9**	8.4
001P -03R	13 October 2017	08 December 2020	RR	40,000	8.0	**40.3**	8.2	**40.4**	8.2
001P-04R	02 March 2018	27 August 2021	RR	25,000	6.9	**25.4**	7.0	**25.4**	7.0
SberB B06R	25 May 2018	19 May 2023	RR	40,000	7.2	**30.5**	7.3	**30.8**	7.3
SberB B12R	03 July 2018	02 February 2022	RR	50,000	7.6	**30.2**	7.7	**30.3**	7.7
SberB B16R	25 July 2018	18 January 2023	RR	40,000	7.5	**21.4**	7.6	**19.6**	7.6
SberB 50R	13 December 2018	07 March 2024	RR	15,000	8.8	**15.1**	9.0	**15.1**	9.0
SberB 52R	13 December 2018	07 February 2022	RR	12,000	8.45	**11.3**	8.6	**11.0**	8.6
SberB 78R	29 March 2019	26 March 2021	RR	60,000	8.2	**50.1**	8.4	—	—
Sber 10	15 July 2019	12 July 2021	RR	5,000	7.55	**5.2**	7.7	—	—
Sber 11	15 July 2019	12 July 2021	RR	10,000	7.55	**10.3**	7.7	—	—
Sber 12	15 July 2019	11 July 2022	RR	30,000	7.7	**30.6**	7.9	—	—
Sber 13	27 September 2019	24 September 2021	RR	25,000	7.05	**18.5**	7.2	—	—
Sber 14	22 November 2019	19 November 2021	RR	15,000	6.4	**12.5**	6.5	—	—
Total debt securities issued by the Bank on the local market other than structured principal protected bonds						**321.7**		**202.8**	
Structured principal protected bonds						**127.7**		**22.3**	
Debt securities issued by the subsidiaries on the local market						**22.8**		**24.5**	
Total debt securities issued on the local market						**472.2**		**249.6**	

16 Debt Securities in Issue (continued)

Description of the debt securities issued under MTN programme of Sberbank is presented in the table below:

						31 December 2019		31 December 2018	
Issue	Drawdown date	Maturity date	Currency	Nominal value in currency of issue, in millions	Contractual interest rate, % p.a.	Carrying value, in billions of RR	Effective interest rate, % p.a.	Carrying value, in billions of RR	Effective interest rate, % p.a.
Series 7	16 June 2011	16 June 2021	USD	1,000	5.7	**51.7**	5.8	**58.1**	5.8
Series 9	07 February 2012	07 February 2022	USD	1,500	6.1	**90.5**	5.6	**97.6**	5.6
Series 11	28 June 2012	28 June 2019	USD	1,000	5.2	—	—	**61.9**	5.3
Series 18	06 March 2014	06 March 2019	USD	500	4.2	—	—	**35.2**	4.2
Series 19	07 March 2014	07 March 2019	EUR	500	3.1	—	—	**40.1**	3.1
Series 20	26 June 2014	15 November 2019	EUR	1,000	3.4	—	—	**50.7**	3.4
Total loan participation notes issued under the MTN programme of Sberbank						**142.2**		**343.6**	

The estimated fair value of debt securities in issue and fair value measurement technique used are disclosed in Note 34. Currency and maturity analyses of debt securities in issue are disclosed in Note 31.

17 Derivative Financial Liabilities and Obligations to Deliver Securities

in billions of Russian Roubles	31 December 2019	31 December 2018
Derivative financial liabilities	134.6	147.7
Obligations to deliver securities	41.2	33.9
Total derivative financial liabilities and obligations to deliver securities	**175.8**	**181.6**

The composition of derivative financial liabilities as at 31 December 2019 and 31 December 2018 is presented below:

in billions of Russian Roubles	31 December 2019	31 December 2018
Interest rate	53.4	25.1
Foreign currency	30.7	46.1
Foreign currency interest rate	22.1	53.5
Equities	7.8	1.7
Commodities including precious metals	3.2	4.9
Credit risk	0.2	—
Other	17.2	16.4
Total derivative financial liabilities	**134.6**	**147.7**

For the detailed analysis of the derivative instruments of the Group refer to Note 33.

Currency and maturity analyses of derivative financial liabilities and obligations to deliver securities are disclosed in Note 31. The information on related parties balances is disclosed in Note 37.

18 Other Liabilities

in billions of Russian Roubles	31 December 2019	31 December 2018
Provisions on insurance and pension fund operations		
Provisions on pension fund operations	642.2	599.4
Provisions on insurance operations	427.7	316.3
Provision on unearned premium	11.8	9.7
Total provisions on insurance and pension fund operations	**1,081.7**	**925.4**
Other financial liabilities		
Lease liabilities	79.3	—
Accrued employee benefit costs	48.5	42.1
Payables on bank card settlements	39.2	54.4
Margin calls received	38.9	37.7
Payables	22.5	43.4
Deposit insurance system fees payable	21.4	18.8
Funds in settlement	20.8	24.0
Settlements on operations with securities	7.3	5.4
Other	61.2	32.7
Total other financial liabilities	**339.1**	**258.5**
Other non-financial liabilities		
Advances received	30.9	23.1
Taxes payable other than on income	26.1	24.5
Credit loss allowance for credit related commitments and provision for other contingencies and commitments	45.0	37.5
Prepayments on bank card commissions	10.2	8.4
Income tax payable	3.7	2.9
Deferred commissions received on guarantees issued and undrawn credit lines	3.1	3.0
Other	7.3	6.8
Total other non-financial liabilities	**126.3**	**106.2**
Total other liabilities	**1,547.1**	**1,290.1**

Movement in the credit loss allowance for credit related commitments and provision for other contingencies and commitments during the year ended 31 December 2019 is as follows:

in billions of Russian Roubles	Guarantees issued	Commitments to extend credit and undrawn credit lines	Letters of credit	Other contingencies and commitments	Total
Credit loss allowance for credit related commitments and provision for other contingencies and commitments at 1 January 2019	**18.2**	**8.3**	**2.2**	**8.8**	**37.5**
Net credit loss allowance / provision charge for the year	8.3	1.5	(0.4)	0.1	9.5
Write-off and utilization	(0.3)	—	—	(1.2)	(1.5)
Exchange differences on translating foreign operations	(0.1)	(0.3)	(0.1)	—	(0.5)
Credit loss allowance for credit related commitments and provision for other contingencies and commitments at 31 December 2019	**26.1**	**9.5**	**1.7**	**7.7**	**45.0**

18 Other Liabilities (continued)

Movement in the credit loss allowance for credit related commitments and provision for other contingencies and commitments during the year ended 31 December 2018 is as follows:

in billions of Russian Roubles	Guarantees issued	Commitments to extend credit and undrawn credit lines	Letters of credit	Other contingencies and commitments	Total
Credit loss allowance for credit related commitments and provision for other contingencies and commitments at 1 January 2018	**17.8**	**5.8**	**0.2**	**5.7**	**29.5**
Net credit loss allowance / provision charge for the year	3.3	2.2	1.9	4.4	11.8
Net credit loss allowance / provision charge for the year of discontinued operations	0.5	0.2	—	0.8	1.5
Exchange differences on translating foreign operations	0.2	0.3	0.2	—	0.7
Reclassification of discontinued operations	(3.6)	(0.2)	(0.1)	(2.1)	(6.0)
Credit loss allowance for credit related commitments and provision for other contingencies and commitments at 31 December 2018	**18.2**	**8.3**	**2.2**	**8.8**	**37.5**

Provisions on insurance and pension fund operations. The provisions on insurance and pension fund operations consist predominantly of actuarial provisions. The tables below represent the movement of these provisions for insurance contracts with/without discretionary participation features (DPF) and for investment contracts with DPF.

The table below represents the movement of actuarial provision on insurance operations for the year ended 31 December 2019:

in billions of Russian Roubles	Insurance contracts with DPF	Insurance contracts without DPF	Total gross insurance contracts
Provision at 1 January 2019	**32.2**	**293.8**	**326.0**
Increase related to new contracts	20.1	85.3	105.4
Payments and transfers	(1.1)	(37.7)	(38.8)
Other movements including changes on run-off contracts	7.3	44.3	51.6
Foreign currency translation	(1.9)	(2.8)	(4.7)
Provision at 31 December 2019	**56.6**	**382.9**	**439.5**

18 Other Liabilities (continued)

The table below represents the movement of actuarial provision on insurance operations for the year ended 31 December 2018:

in billions of Russian Roubles	Insurance contracts with DPF	Insurance contracts without DPF	Total gross insurance contracts
Provision at 1 January 2018	**19.0**	**176.9**	**195.9**
Increase related to new contracts	8.1	137.2	145.3
Payments and transfers	(0.9)	(13.5)	(14.4)
Other movements including changes on run-off contracts	3.9	(9.8)	(5.9)
Foreign currency translation	2.1	3.0	5.1
Provision at 31 December 2018	**32.2**	**293.8**	**326.0**

The table below represents the movement of actuarial provision on pension fund operations for the year ended 31 December 2019:

in billions of Russian Roubles	Insurance contracts with DPF	Investment contracts with DPF	Total gross insurance and investment contracts
Provision at 1 January 2019	**566.3**	**33.1**	**599.4**
Increase related to new contracts	2.5	5.1	7.6
Payments and transfers	(11.1)	(1.6)	(12.7)
Other movements including changes on run-off contracts	45.1	2.8	47.9
Provision at 31 December 2019	**602.8**	**39.4**	**642.2**

The table below represents the movement of actuarial provision on pension fund operations for the year ended 31 December 2018:

in billions of Russian Roubles	Insurance contracts with DPF	Investment contracts with DPF	Total gross insurance and investment contracts
Provision at 1 January 2018	**465.8**	**26.4**	**492.2**
Increase related to new contracts	94.5	6.9	101.4
Payments and transfers	(17.3)	(0.7)	(18.0)
Other movements including changes on run-off contracts	23.3	0.5	23.8
Provision at 31 December 2018	**566.3**	**33.1**	**599.4**

18 Other Liabilities (continued)

Pension plans for employees of the Group. The Group applies IAS 19 Employee Benefits for accounting for its pension liabilities. As at 31 December 2019 the Group operates two pension plans – pension plan with defined pension payments/benefits and plan with defined pension contributions.

All the employees of the Bank (including retired) who were entitled to state pension payments or had five years or less to retirement as at 1 January 2011 participate in the pension plan with defined benefits (monthly payment from the Bank in addition to the state pension). The amount of payments is determined mainly based on duration of employment and position of an employee with the Bank at the date of retirement. Employees who participate in pension plan with defined benefit are not eligible for participation in pension plan with defined contribution.

Pension plan with defined contribution consists of two sub-plans: “Social” and “Parity”.

Employees of the Bank with grades from 1st to 8th and more than three years of continuous employment with the Bank participate in Social pension plan with defined pension contributions. According to the programme employees whose continuous employment with the Bank reaches seven years become entitled to these contributions (opening of personal pension account in Non-state Pension Fund of Sberbank) upon retirement. The size of contribution rate is calculated as a percent of salary.

Employees of the Bank with grade 9 or above and more than one year of continuous employment with the Bank can (at their own decision) participate in Parity pension plan with defined pension contributions (as well as employees with grades from 1st to 8th who voluntarily switched from Social plan to Parity one). The plan assumes the Bank’s co-financing of employee’s pension account. The Bank performs contribution once a year in the proportion 1:1 to total amount of employee’s contribution for respective year although limited to specific percentage of employee’s annual salary which makes the Bank contribution fixed when the percentage is reached. Employees whose continuous participation in this programme reaches five years become entitled to the Bank’s contributions.

As at 31 December 2019 pension liabilities of the Group comprised RR 15.9 billion (31 December 2018: RR 15.6 billion) and were included in accrued employee benefit costs in Other liabilities line of the consolidated statement of financial position. Pension expenses for the year ended 31 December 2019 amounted to RR 2.4 billion (31 December 2018: RR 3.4 billion) and were included in staff costs within staff and administrative expenses in the consolidated statement of profit or loss.

The estimated fair value of other financial liabilities is disclosed in Note 34. Currency and maturity analyses of other liabilities are disclosed in Note 31.

19 Subordinated Debt

in billions of Russian Roubles	31 December 2019	31 December 2018
Subordinated debt received from the Bank of Russia	499.9	504.1
Subordinated debt issued under the MTN programme of Sberbank	118.2	199.7
Other subordinated debt	1.8	3.5
Total subordinated debt	**619.9**	**707.3**

Changes in the carrying value of subordinated debt are represented by repayments of principal and interest disclosed in the consolidated statement of cash flows, incurred interest expense disclosed in Interest income and expense note and foreign exchange translation differences.

Description of the subordinated debt received by the Group from the Bank of Russia is presented in the table below:

			31 December 2019			31 December 2018		
Drawdown date	Currency	Contractual interest rate, % p.a.	Nominal value in currency of issue, in millions	Carrying value, in billions of RR	Effective interest rate, % p.a.	Nominal value in currency of issue, in millions	Carrying value, in billions of RR	Effective interest rate, % p.a.
16 December 2008	RR	6.5	295,653	299.4	6.5	300,000	**303.6**	6.5
18 June 2014	RR	6.5	200,000	200.5	6.5	200,000	**200.5**	6.5
Total subordinated debt received from the Bank of Russia				**499.9**			**504.1**	

In March 2015, following the amendments to the Federal Law of the Russian Federation “On additional measures for supporting the financial system of the Russian Federation” terms and conditions of the subordinated loans received from the Bank of Russia in the total nominal value of RR 500.0 billion were modified. As it was allowed by the Federal Law the Bank elected to prolong these subordinated loans for 50 years from the date of the original drawdown with an ability to unilaterally (without consent from the Bank of Russia) roll over this subordinated facility at its maturity. As at 31 December 2019 the interest rate on the subordinated loan was set at 6.5% p.a.

Description of the subordinated debt issued under the MTN programme of Sberbank is presented in the table below:

						31 December 2019		31 December 2018	
Issue	Drawdown date	Maturity date	Currency	Nominal value in currency of issue, in millions	Contractual interest rate, % p.a.	Carrying value, in billions of RR	Effective interest rate, % p.a.	Carrying value, in billions of RR	Effective interest rate, % p.a.
Series 12	29 October 2012	29 October 2022	USD	2,000	5.1	**70.0**	5.2	**80.4**	5.2
Series 16	23 May 2013	23 May 2023	USD	1,000	5.3	**48.2**	5.4	**55.5**	5.4
Series 17	26 February 2014	26 February 2024	USD	1,000	5.5	—	—	**63.8**	5.6
Total subordinated debt issued under the MTN programme of Sberbank						**118.2**		**199.7**	

In February 2019 the Group repaid in full the Series 17 of the loan participation notes issued under the MTN programme.

In the event of the Bank’s liquidation the claims of the holders of the subordinated debt would be subordinated to all other creditors.

The estimated fair value of subordinated debt and fair value measurement technique used are disclosed in Note 34. Currency and maturity analyses of subordinated debt are disclosed in Note 31. The information on related parties balances is disclosed in Note 37.

20 Share Capital and Treasury Shares

in billions of Russian Roubles, except for number of shares	31 December 2019 Number of shares, in millions	Nominal amount	Inflation adjusted nominal amount	31 December 2018 Number of shares, in millions	Nominal amount	Inflation adjusted nominal amount
Ordinary shares	21,587	64.8	83.3	21,587	64.8	83.3
Preference shares	1,000	3.0	4.4	1,000	3.0	4.4
Total share capital	**22,587**	**67.8**	**87.7**	**22,587**	**67.8**	**87.7**
Share premium			232.6			232.6
Total share capital and share premium			**320.3**			**320.3**

As at 31 December 2019 all ordinary shares have a nominal value of RR 3 per share and rank equally. Each ordinary share carries one vote. All issued ordinary shares are fully paid. Preference shares have a nominal value of RR 3 per share and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15.0% of their nominal value, subject to confirmation of the shareholders meeting. If preference dividends are not declared, the preference shareholders obtain the right to vote as ordinary shareholders, but lose this right when the next dividend is paid. Preference share dividends are set at 533.3% of nominal value for the year ended 31 December 2018 (400.0% of nominal value for the year ended 31 December 2017). Preference share dividends rank above ordinary share dividends.

The treasury shares as at 31 December 2019 and 31 December 2018 were as follows:

in billions of Russian Roubles, except for number of shares	31 December 2019 Number of shares, in millions	Inflation adjusted nominal amount	Acquisition cost	31 December 2018 Number of shares, in millions	Inflation adjusted nominal amount	Acquisition cost
Ordinary shares	98.2	0.3	18.5	88.8	0.3	15.1
Preference shares	32.9	0.1	3.0	32.6	0.1	3.0
Total treasury shares	**131.1**	**0.4**	**21.5**	**121.4**	**0.4**	**18.1**

21 Interest Income and Expense

in billions of Russian Roubles	Year ended 31 December 2019	2018
Interest income calculated using the effective interest method		
Interest income on debt financial assets measured at amortized cost:		
- Loans and advances to customers measured at amortized cost	1,942.9	1,802.7
- Debt securities measured at amortized cost	84.9	70.7
- Due from banks measured at amortized cost	61.1	29.6
- Cash and cash equivalents measured at amortized cost	8.8	5.5
- Other	0.7	—
	2,098.4	**1,908.5**
Interest income on debt financial assets measured at fair value through other comprehensive income:		
- Debt securities measured at fair value through other comprehensive income	165.0	138.8
	165.0	**138.8**
Total interest income calculated using the effective interest method	**2,263.4**	**2,047.3**
Other interest income:		
- Loans and advances to customers at fair value through profit or loss	63.5	62.6
- Due from banks at fair value through profit or loss	37.7	48.7
- Securities at fair value through profit or loss	31.4	29.7
Total other interest income	**132.6**	**141.0**
Interest expense on financial liabilities calculated using the effective interest method		
Interest expense on financial liabilities measured at amortized cost:		
- Due to individuals - term deposits - measured at amortized cost	(455.5)	(377.3)
- Due to corporate customers - term deposits - measured at amortized cost	(243.8)	(139.8)
- Debt securities in issue measured at amortized cost	(43.4)	(60.9)
- Due to corporate customers - current/settlement accounts - measured at amortized cost	(37.1)	(35.1)
- Subordinated debt measured at amortized cost	(39.1)	(43.6)
- Due to individuals - current/demand accounts - measured at amortized cost	(27.5)	(24.5)
- Due to banks measured at amortized cost	(21.2)	(14.7)
- Lease liabilities	(5.6)	—
- Other borrowed funds measured at amortized cost	(0.5)	(0.3)
- Other	(0.5)	—
Total interest expense calculated using the effective interest method	**(874.2)**	**(696.2)**
Other interest expense:		
- Due to banks measured at fair value through profit or loss	(18.7)	(20.0)
- Obligation to deliver securities	(2.1)	(1.7)
- Other	—	(0.3)
Total other interest expense	**(20.8)**	**(22.0)**
Deposit insurance expenses	**(85.5)**	**(73.6)**
Net interest income	**1,415.5**	**1,396.5**

22 Fee and Commission Income and Expense

in billions of Russian Roubles	Year ended 31 December 2019	Year ended 31 December 2018
Fee and commission income		
Operations with banking cards:		
- Acquiring, commissions of payment systems and other similar commissions	285.4	232.4
- Service fees	63.6	60.2
- Other	5.6	3.9
Cash and settlements transactions	222.2	202.3
Client operations with foreign currencies and precious metals	52.0	48.0
Documentary and other credit related commitments commissions	22.0	26.8
Agent commissions	9.7	9.9
Securities and commodities brokerage, custodian and investment banking (including syndications) commissions	9.6	7.1
Other	18.8	7.9
Total fee and commission income	**688.9**	**598.5**
Fee and commission expense		
Operations with banking cards:		
- Commissions to payment systems and other similar commissions	(123.7)	(97.2)
- Loyalty programs	(44.3)	(38.4)
- Other	(9.2)	(10.3)
Settlement transactions	(6.5)	(6.1)
Client operations with foreign currencies	(0.2)	(0.3)
Other	(7.1)	(8.1)
Total fee and commission expense	**(191.0)**	**(160.4)**
Net fee and commission income	**497.9**	**438.1**

All the fee and commission income and expense of the Group are not related to assets and liabilities at fair value through profit or loss.

The table below disaggregates IFRS amounts of fee and commission income by the reportable segments for the year ended 31 December 2019 and 31 December 2018.

	Year ended 31 December 2019		Year ended 31 December 2018	
in billions of Russian Roubles	Russia	Other countries	Russia	Other countries
Fee and commission income				
Operations with bank cards				
- Acquiring, commissions of payment systems and other similar commissions	281.5	3.9	229.1	3.3
- Service fees	59.7	3.9	56.9	3.3
- Other	5.5	0.1	3.8	0.1
Cash and settlements transactions	213.1	9.1	192.9	9.4
Client operations with foreign currencies and precious metals	47.1	4.9	42.8	5.2
Documentary and other credit related commitments commissions	20.6	1.4	25.4	1.4
Agent commissions	9.3	0.4	9.6	0.3
Securities and commodities brokerage, custodian and investment banking (including syndications) commissions	9.4	0.2	6.9	0.2
Other	16.8	2.0	6.0	1.9
Total fee and commission income	**663.0**	**25.9**	**573.4**	**25.1**

23 Net Gains / (Losses) from Derivatives, Trading in Foreign Currencies, Foreign Exchange and Precious Metals Accounts Translation

	Year ended 31 December	
in billions of Russian Roubles	**2019**	**2018**
Net gains from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation:		
- Net foreign exchange translation losses	(43.0)	(37.4)
- Net gains from operations with foreign currency and foreign currency interest rate derivatives	29.3	16.5
- Net gains from trading in foreign currencies	43.0	18.2
Net gains / (losses) from operations with precious metals, precious metals derivatives and precious metals accounts translation	2.4	(0.6)
Net gains / (losses) from operations with other derivatives	27.3	(15.7)
Total net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	**59.0**	**(19.0)**

24 Net Results of Non-core Business Activities

	Year ended 31 December	
in billions of Russian Roubles	**2019**	**2018**
Revenue:		
Revenue from sale of goods	18.9	26.7
Revenue from rendering of services	5.3	0.7
Revenue from operating lease	0.6	0.5
Revenue from completed construction contracts	0.1	—
Revenue from other activities	12.0	8.3
Total revenue of non-core business activities	**36.9**	**36.2**
Cost of sales and other expenses:		
Cost of goods sold	(12.3)	(20.3)
Staff costs	(4.3)	(2.6)
Depreciation of fixed assets	(2.7)	(1.6)
Maintenance of premises and eqiupment	(0.2)	(0.2)
Amortization of intangible assets	(0.3)	(0.3)
Transport costs	(0.2)	(0.2)
Customs duties and taxes	—	(2.3)
Other expenses	(7.9)	(7.0)
Total cost of sales and other expenses	**(27.9)**	**(34.5)**
Total net result of non-core business activities	**9.0**	**1.7**

25 Net Premiums, Claims, Benefits, Change in Contract Liabilities and Acquisition Costs on Insurance and Pension Fund Operations

	Year ended 31 December	
in billions of Russian Roubles	**2019**	**2018**
Net premium		
Gross premium written	219.3	337.9
Premium ceded to reinsurers	(0.9)	(0.6)
Total net premiums	**218.4**	**337.3**
Net claims, benefits and changes in contract liabilities		
Gross benefits and claims	(51.8)	(32.7)
Claims ceded to reinsurers	0.3	0.2
Change in contract liabilities	(156.4)	(237.3)
Total net claims, benefits and changes in contract liabilities	**(207.9)**	**(269.8)**
Acquisition cost	(0.6)	(1.2)
Total net claims, benefits, changes in contract liabilities and acquisition costs from insurance and pension fund operations	**(208.5)**	**(271.0)**
Net premiums, claims, benefits, change in contract liabilities and acquisition costs on insurance and pension fund operations	**9.9**	**66.3**

26 Staff and Administrative Expenses

	Year ended 31 December	
in billions of Russian Roubles	**2019**	**2018**
Staff costs	449.7	404.4
Depreciation of premises, equipment and right-of-use assets	74.1	46.7
Administrative expenses	41.4	37.9
Repairs and maintenance of premises and equipment	36.3	38.2
Taxes other than on income	32.4	30.6
Telecommunication expenses	28.9	24.2
Amortization of intangible assets	23.7	20.6
Advertising and marketing services	9.4	8.4
Operating lease expenses	9.1	26.2
Consulting and assurance services	8.6	11.2
Other	11.0	9.2
Total staff and administrative expenses	**724.6**	**657.6**

For the year ended 31 December 2019 expenses for defined benefit pension contribution plans amounted to RR 61.1 billion (for the year ended 31 December 2018: RR 57.4 billion).

27 Income Taxes

Income tax expenses consist of the following components:

	Year ended 31 December	
in billions of Russian Roubles	**2019**	**2018**
Current tax	248.0	192.1
Deferred tax	(24.1)	22.9
Income tax expense for the year	**223.9**	**215.0**

The income tax rate applicable to the major part of the Group's income for 31 December 2019 is 20% (31 December 2018: 20%).

Reconciliation between the expected and the actual taxation charge is provided below:

	Year ended 31 December	
in billions of Russian Roubles	**2019**	**2018**
Profit before tax	**1,138.7**	**1,046.2**
Theoretical tax charge at statutory rate (2019: 20%; 2018: 20%)	227.7	209.2
Tax effect on income on government securities taxed at rates other than 20%	(8.9)	(7.3)
Non-deductible staff costs	2.4	1.9
Unrecognized tax assets	(1.6)	1.8
Differences between 20% and income tax rate adopted in jurisdiction of subsidiary	1.7	0.9
Non-deductible losses on cessions	—	0.2
Other non-temporary differences	2.6	8.3
Income tax expense for the year	**223.9**	**215.0**

Differences between IFRS and Russian statutory taxation regulations and between IFRS and local taxation regulations for foreign subsidiaries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (31 December 2018: 20%), except for income on state, municipal and certain other types of securities that is taxed at 15% (31 December 2018: 15%) and on dividends that are taxed at 13% and 0% (31 December 2018: 13% and 0%) and except for the temporary differences related to foreign subsidiaries for which local corporate tax rates are applied.

27 Income Taxes (continued)

in billions of Russian Roubles	31 December 2018	Business combinations and disposal of subsidiaries	Credited/ (charged) to profit or loss	Recognized in other comprehen-sive income	Credited/ (charged) directly to equity	Currency translation differences	Disposal of discontinued operations	31 December 2019
Tax effect of deductible temporary differences								
Staff expenses accrued (bonuses, annual leave, pension liabilities)	1.0	—	0.8	—	—	—	—	1.8
Provision for impairment of debt financial assets	7.5	—	(1.2)	—	—	(0.2)	—	6.1
Accounting for derivatives at fair value	0.9	—	1.9	—	—	—	—	2.8
Accounting for loans	35.6	—	6.3	—	—	—	—	41.9
Other provisions	2.9	—	2.6	—	—	—	—	5.5
Accounting for financing by the effective rate method and early redemption of own issued bonds	1.4	—	(0.1)	—	—	—	—	1.3
Write-down of low value assets	2.1	—	—	—	—	—	—	2.1
Accounting for financial contracts with embedded derivatives	1.6	—	0.1	—	—	—	—	1.7
Accrual of expenses on customer loyalty programs	0.5	—	(0.5)	—	—	—	—	—
Accounting for securities	2.3	—	(1.2)	—	—	—	—	1.1
Tax losses carry forward	4.8	0.2	0.1	—	—	—	—	5.1
Other	19.4	0.1	5.0	—	—	—	—	24.5
Gross deferred tax asset	**80.0**	**0.3**	**13.8**	**—**	**—**	**(0.2)**	**—**	**93.9**
Tax effect of taxable temporary differences								
Provision for impairment of debt financial assets	(24.5)	—	(23.6)	—	—	—	—	(48.1)
Accounting for derivatives at fair value	—	—	(4.5)	—	—	—	—	(4.5)
Accounting for loans	(5.2)	—	—	—	—	—	—	(5.2)
Other provisions	—	—	(0.7)	—	—	—	—	(0.7)
Depreciation and initial cost or revalued amount of premises and equipment	(43.8)	0.1	0.8	1.6	—	—	—	(41.3)
Credit related commitments provision	(6.7)	—	2.0	—	—	—	—	(4.7)
Accrual of expenses on customer loyalty programs	—	—	(2.4)	—	—	—	—	(2.4)
Accounting for securities	(11.3)	—	37.0	(28.5)	—	—	—	(2.8)
Accounting for discontinued operations	(4.5)	—	—	—	—	—	4.5	—
Other	(2.1)	—	1.7	—	0.4	—	—	—
Gross deferred tax liability	**(98.1)**	**0.1**	**10.3**	**(26.9)**	**0.4**	**—**	**4.5**	**(109.7)**
Total net deferred tax (liability) / asset	**(18.1)**	**0.4**	**24.1**	**(26.9)**	**0.4**	**(0.2)**	**4.5**	**(15.8)**

27 Income Taxes (continued)

in billions of Russian Roubles	31 December 2017	Credited/ (charged) to profit or loss	Credited/ (charged) directly to equity due to adoption of IFRS 9	Recognized in other comprehen-sive income	Reclassification of discontinued operations	Currency translation differences	Recognized in discontinued operations	31 December 2018
Tax effect of deductible temporary differences								
Staff expenses accrued (bonuses, annual leave, pension liabilities)	4.5	(3.0)	—	—	(0.5)	—	—	1.0
Provision for impairment of debt financial assets	13.3	(0.7)	5.9	—	(11.3)	0.3	—	7.5
Accounting for derivatives at fair value	6.2	(4.2)	—	—	(1.1)	—	—	0.9
Accounting for loans	19.4	16.2	—	—	—	—	—	35.6
Other provisions	—	2.9	—	—	—	—	—	2.9
Accounting for financing by the effective rate method and early redemption of own issued bonds	—	1.4	—	—	—	—	—	1.4
Write-down of low value assets	2.1	—	—	—	—	—	—	2.1
Accounting for financial contracts with embedded derivatives	1.8	(0.2)	—	—	—	—	—	1.6
Accrual of expenses on customer loyalty programs	0.5	—	—	—	—	—	—	0.5
Accounting for securities	0.4	1.8	—	—	0.1	—	—	2.3
Tax losses carry forward	3.8	0.7	0.1	—	—	0.2	—	4.8
Other	20.1	—	0.8	—	(1.5)	—	—	19.4
Gross deferred tax asset	**72.1**	**14.9**	**6.8**	**—**	**(14.3)**	**0.5**	**—**	**80.0**
Tax effect of taxable temporary differences								
Provision for impairment of debt financial assets	(16.9)	(15.9)	8.4	—	—	(0.1)	—	(24.5)
Accounting for derivatives at fair value	(1.2)	0.8	—	—	0.4	—	—	—
Accounting for loans	(5.3)	(0.4)	0.5	—	—	—	—	(5.2)
Other provisions	(4.4)	4.2	0.3	—	(0.1)	—	—	—
Depreciation and initial cost or revalued amount of premises and equipment	(42.0)	(3.1)	—	0.4	0.9	—	—	(43.8)
Accounting for financing by the effective rate method and early redemption of own issued bonds	(0.7)	0.7	—	—	—	—	—	—
Credit related commitments provision	(8.7)	2.0	—	—	—	—	—	(6.7)
Accounting for securities	(0.7)	(26.0)	0.9	14.5	—	—	—	(11.3)
Accounting for discontinued operations	—	—	—	—	—	—	(4.5)	(4.5)
Other	(4.4)	(0.1)	0.4	—	2.0	—	—	(2.1)
Gross deferred tax liability	**(84.3)**	**(37.8)**	**10.5**	**14.9**	**3.2**	**(0.1)**	**(4.5)**	**(98.1)**
Total net deferred tax (liability) / asset	**(12.2)**	**(22.9)**	**17.3**	**14.9**	**(11.1)**	**0.4**	**(4.5)**	**(18.1)**

27 Income Taxes (continued)

As at 31 December 2019 the taxable temporary difference between investments in subsidiaries in the statement of financial position of the parent company for tax purposes and value of net assets of subsidiaries under IFRS amounted to RR 49.7 billion (31 December 2018: the taxable temporary difference of RR 8.1 billion). In accordance with IAS 12 "Income Taxes" respective deferred tax liability of RR 9.9 billion (31 December 2018: respective deferred tax liability of RR 1.6 billion) was not recognized in the financial statements, since the Group has an ability to control the timing of temporary difference reversal and it is not expected that temporary differences will be reversed in the foreseeable future. As at 31 December 2018 the above taxable difference and deferred tax liability do not include those related to the Group's investment in Denizbank (Note 12). Deferred tax liability related to the Group's investment in Denizbank was recognized during 2018.

28 Earnings per Share and Dividends

Basic earnings per share are calculated by dividing the profit attributable to the holders of ordinary shares of the Bank by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Bank has no dilutive potential ordinary shares, therefore the diluted earnings per share equal to the basic earnings per share.

Earnings per ordinary share based on profit for the period attributable to the shareholders of the Bank, basic and diluted, are calculated in the table below.

	Year ended 31 December	
in billions of Russian Roubles	**2019**	**2018**
Profit for the year attributable to the shareholders of the Bank	844.9	832.9
Less preference dividends declared	(15.6)	(11.7)
Profit attributable to the ordinary shareholders of the Bank	**829.3**	**821.2**
Weighted average number of ordinary shares in issue (billions)	21.5	21.5
Earnings per ordinary share based on profit for the year attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	**38.55**	**38.16**

Earnings per ordinary share based on profit from continuing operations attributable to the shareholders of the Bank, basic and diluted, are calculated in the table below.

	Year ended 31 December	
in billions of Russian Roubles	**2019**	**2018**
Profit from continuing operations attributable to the shareholders of the Bank	914.7	832.4
Less preference dividends declared	(15.6)	(11.7)
Profit from continuing operations attributable to the ordinary shareholders of the Bank	**899.1**	**820.7**
Weighted average number of ordinary shares in issue (billions)	21.5	21.5
Earnings per ordinary share based on profit from continuing operations attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	**41.80**	**38.13**

28 Earnings per Share and Dividends (continued)

On 24 May 2019, the Annual General Shareholders' Meeting of the Bank declared dividends of RR 361.4 billion for 2018 (including RR 0.9 billion of ordinary dividends and RR 0.4 billion of preference dividends attributable to the subsidiaries of the Bank). On 8 June 2018, the Annual General Shareholders' Meeting of the Bank declared dividends of RR 271.0 billion for 2017 (including RR 0.9 billion of ordinary dividends and RR 0.3 billion of preference dividends attributable to the subsidiaries of the Bank).

	Year ended 31 December 2019		Year ended 31 December 2018	
in billions of Russian Roubles	**Ordinary**	**Preference**	**Ordinary**	**Preference**
Dividends payable as at 1 January	1.6	0.3	0.5	0.1
Dividends declared during the year	344.5	15.6	258.1	11.7
Dividends paid during the year	(343.1)	(15.5)	(257.0)	(11.5)
Dividends payable as at 31 December	**3.0**	**0.4**	**1.6**	**0.3**
Dividends per share declared during the year (expressed in RR per share)	**16.00**	**16.00**	**12.00**	**12.00**

29 Other Reserves

	Attributable to shareholders of the Bank					
in billions of Russian Roubles	**Revaluation reserve for office premises**	**Fair value reserve for debt instruments measured at FVOCI**	**Liabilities reserve for buyout of non-controlling interest**	**Foreign currency translation reserve**	**Remeasure-ment of defined benefit pension plans**	**Total**
Balance as at 1 January 2018	**60.8**	**28.2**	**—**	**(26.4)**	**(1.3)**	**61.3**
Changes in equity for the year ended 31 December 2018						
Transfer of revaluation reserve for office premises upon disposal or depreciation	(3.3)	—	—	—	—	(3.3)
Other comprehensive loss for the year	(1.3)	(63.3)	—	(3.2)	(1.1)	(68.9)
Balance as at 31 December 2018	**56.2**	**(35.1)**	**—**	**(29.6)**	**(2.4)**	**(10.9)**
Changes in equity for the year ended 31 December 2019						
Transfer of revaluation reserve for office premises upon disposal or depreciation	(4.2)	—	—	—	—	(4.2)
Other comprehensive (loss) / income for the year	(6.3)	123.3	—	31.4	(0.2)	148.2
Recognition of liabilities reserve for buyout of non-controlling interest	—	—	(2.2)	—	—	(2.2)
Reclassification of accumulated reserves upon disposal of discontinued operations	(1.1)	—	—	—	0.5	(0.6)
Balance as at 31 December 2019	**44.6**	**88.2**	**(2.2)**	**1.8**	**(2.1)**	**130.3**

30 Segment Analysis

For the purposes of management the Group is divided into operating segments of activity – Central head office, 11 regional head offices and subsidiaries – which are defined on the basis of organizational structure of the Group and geographical areas. The principal activity of all operating segments is banking operations. For the purposes of presentation in these consolidated financial statements the operating segments are aggregated in the following reportable segments:

- **Moscow, including:**
  - Central head office of the Group,
  - Regional head office of Moscow,
  - Subsidiaries of the Group located in the region.
- **Central and Northern regions of European part of Russia, including:**
  Regional head offices:
  - Severo-Zapadny – Saint-Petersburg,
  - Tsentralno-Chernozemny – Voronezh,
  - Srednerussky – Moscow;

  Subsidiaries of the Group located in the region.
- **Volga region and South of European part of Russia, including:**
  Regional head offices:
  - Volgo-Vyatsky – Nizhniy Novgorod,
  - Povolzhsky – Samara,
  - Yugo-Zapadny – Rostov-on-Don;

  Subsidiaries of the Group located in the region.
- **Ural, Siberia and Far East of Russia, including:**
  Regional head offices:
  - Uralsky – Ekaterinburg,
  - Sibirsky – Novosibirsk,
  - Dalnevostochny – Khabarovsk,
  - Baikalsky – Irkutsk;

  Subsidiaries of the Group located in the region.
- **Other countries, including:**
  - Discontinued operations located in Turkey,
  - Subsidiaries located in Ukraine, Kazakhstan, Belarus,
  - Subsidiaries located in Austria and Switzerland,
  - Subsidiaries of Sberbank Europe AG located in Central and Eastern Europe,
  - Sberbank CIB group companies located in the USA, the United Kingdom, Cyprus and certain other jurisdictions,
  - A branch office in India,
  - Representative offices in Germany and China.

The Management of the Group analyses operating results of every segment of activity for the purposes of making decision about allocation of resources and assessment of segments' business results. The segment reporting and operating results which are provided to the Management of the Group for analysis are prepared mainly under Russian accounting standards, except the segment reporting of the subsidiaries which is prepared under International Financial Reporting Standards.

Intersegment operations are performed on the basis of internal transfer pricing rates which are established, approved and regularly revised by the Management of the Group.

30 Segment Analysis (continued)

The activity of each subsidiary is controlled by the Group integrally.

Segment reporting of the Group's assets and liabilities as at 31 December 2019 is as follows:

in billions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	14,774.2	4,493.9	3,893.0	4,442.8	1,988.9	**29,592.8**
Total liabilities	10,887.9	5,199.1	4,016.1	4,076.0	1,194.0	**25,373.1**

Segment reporting of the Group's assets and liabilities as at 31 December 2018 is as follows:

in billions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	15,451.3	4,036.6	3,329.3	3,741.3	4,418.3	**30,976.8**
Total liabilities	11,529.3	4,978.1	3,763.9	3,705.6	3,423.3	**27,400.2**

30 Segment Analysis (continued)

Reconciliation of total assets and total liabilities as per the reportable segments with the Group's total assets and total liabilities under IFRS as at 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019		31 December 2018	
in billions of Russian Roubles	Total assets	Total liabilities	Total assets	Total liabilities
Total segment assets and liabilities	**29,592.8**	**25,373.1**	**30,976.8**	**27,400.2**
Difference in netting sets	90.9	90.9	51.9	51.9
Adjustment to staff expenses accrued (bonuses, annual leave, pension liabilities)	—	(3.0)	—	(0.1)
Adjustment of credit loss allowance for debt financial assets	138.5	—	57.8	—
Accounting for derivatives at fair value	(3.0)	(2.8)	2.6	(4.7)
Accounting for loans by effective rate method	—	—	47.1	—
Write-down of low value assets	(10.8)	—	(10.0)	—
Adjustment of other provisions	161.9	—	195.3	—
Adjustment of depreciation and initial cost or revalued amount of premises, equipment and right-of-use assets	72.1	61.4	5.7	—
Accounting for financial contracts with embedded derivatives	—	—	(0.2)	—
Accounting for financing by the effective rate method and early redemption of debt securities in issue	(76.3)	(78.1)	(129.6)	(132.2)
Adjustments for customer loyalty programs	—	(13.9)	—	0.9
Currency translation of investments in subsidiaries and associates	(3.3)	—	(3.3)	—
Adjustment for credit related commitments credit loss allowance	—	(1.6)	—	(34.3)
Adjustment for legal claims provision	—	2.6	—	3.4
Commission income adjustment	4.6	(1.5)	16.3	12.5
Reclassification of securities between portfolios	(1.4)	2.8	—	—
Accounting for mortgage loans securitisation	—	—	2.4	2.4
Adjustment for deferred tax	(9.9)	39.8	(10.0)	44.2
Accounting for loans at fair value	8.1	—	5.6	(0.2)
Effect of initial recognition of financial instruments at fair value	—	—	(15.5)	—
Other	(5.3)	2.5	4.6	(2.3)
The Group's total assets/liabilities under IFRS	**29,958.9**	**25,472.2**	**31,197.5**	**27,341.7**

30 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2019 is as follows:

in billions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Inter-company eliminations	Total
Interest income	1,076.4	517.5	439.9	449.1	224.6	(89.1)	**2,618.4**
Interest expense	(565.9)	(198.4)	(146.3)	(141.0)	(120.3)	86.5	**(1,085.4)**
Intersegment income / (expense)	168.7	(53.9)	(58.0)	(56.8)	—	—	**—**
Net interest income	**679.2**	**265.2**	**235.6**	**251.3**	**104.3**	**(2.6)**	**1,533.0**
Net fee and commission income	63.6	133.0	116.1	124.8	46.3	(25.8)	**458.0**
Net trading income and fair valuation results	98.1	2.4	1.9	1.8	4.4	(4.7)	**103.9**
Other net operating gains/(losses)	8.8	(7.0)	(0.3)	(9.9)	(3.6)	(6.0)	**(18.0)**
Loss on sale of discontinued operations	—	—	—	—	(85.5)	—	**(85.5)**
Net operating income before credit loss allowance	**849.7**	**393.6**	**353.3**	**368.0**	**65.9**	**(39.1)**	**1,991.4**
Net credit loss allowance charge for debt financial assets	(84.1)	(34.4)	(24.4)	(32.4)	(34.9)	0.2	**(210.0)**
Staff and administrative expenses	(257.1)	(150.8)	(140.9)	(148.7)	(78.7)	22.2	**(754.0)**
Profit/(loss) before tax (Segment result)	**508.5**	**208.4**	**188.0**	**186.9**	**(47.7)**	**(16.7)**	**1,027.4**
Other disclosures							
Capital expenditure incurred (additions of premises, equipment, intangible assets and investment property)	65.2	14.6	23.1	15.3	27.0	—	**145.2**
Depreciation of premises, equipment and right-of-use assets and amortisation of intangible assets	(52.2)	(7.1)	(8.2)	(7.2)	(9.8)	—	**(84.5)**

30 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2018 is as follows:

in billions of Russian Roubles	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Inter-company eliminations	Total
Interest income	1,069.8	388.3	355.6	392.5	323.9	(85.2)	**2,444.9**
Interest expense	(427.9)	(175.9)	(125.3)	(123.1)	(183.9)	83.5	**(952.6)**
Intersegment income / (expense)	141.2	(46.3)	(47.0)	(47.9)	—	—	**—**
Net interest income	**783.1**	**166.1**	**183.3**	**221.5**	**140.0**	**(1.7)**	**1,492.3**
Net fee and commission income	62.5	139.8	123.1	129.6	52.1	(27.0)	**480.1**
Net trading income and fair valuation results	(94.2)	1.0	1.1	1.3	(7.3)	(1.6)	**(99.7)**
Other net operating gains/(losses)	44.6	(9.7)	(17.9)	(9.6)	(7.6)	17.8	**17.6**
Net operating income before credit loss allowance	**796.0**	**297.2**	**289.6**	**342.8**	**177.2**	**(12.5)**	**1,890.3**
Net credit loss allowance charge for debt financial assets	(109.9)	(26.9)	(17.5)	(25.8)	(74.0)	—	**(254.1)**
Staff and administrative expenses	(357.2)	(93.2)	(83.5)	(92.9)	(92.4)	8.0	**(711.2)**
Profit before tax (Segment result)	**328.9**	**177.1**	**188.6**	**224.1**	**10.8**	**(4.5)**	**925.0**
Other disclosures							
Capital expenditure incurred (additions of premises, equipment, intangible assets and investment property)	85.5	14.2	22.3	14.0	39.9	—	**175.9**
Depreciation of premises and equipment and amortisation of intangible assets	(44.6)	(7.1)	(8.5)	(7.9)	(11.2)	—	**(79.3)**

30 Segment Analysis (continued)

Reconciliation of profit before tax for the reportable segments with the Group's profit before tax under IFRS for the year ended 31 December 2019 and 31 December 2018 is as follows:

	Year ended 31 December	
in billions of Russian Roubles	2019	2018
Total segments result	**1,027.4**	**925.0**
Adjustment to staff expenses accrued (bonuses, annual leave, pension liabilities)	2.9	0.2
Adjustment of credit loss allowance and other provisions	32.4	124.7
Accounting for derivatives at fair value	(1.2)	8.1
Write-down of low value assets	(0.8)	0.1
Adjustment of depreciation and initial cost or revalued amount of premises, equipment and right-of-use assets	4.6	4.6
Accounting for financial contracts with embedded derivatives	—	0.9
Accounting for financing by the effective rate method and early redemption of debt securities in issue	(3.5)	1.5
Adjustments for customer loyalty programs	3.9	(0.5)
Currency translation of investments in subsidiaries and associates	5.1	—
Adjustment for credit related commitments credit loss allowance	(4.8)	(9.3)
Adjustment for legal claims provision	0.8	(2.3)
Commission income adjustment	1.7	1.3
Reclassification of securities between portfolios	(0.7)	(1.7)
Accounting for mortgage loans securitisation	(2.3)	0.1
Adjustment for deferred tax	2.0	5.2
Effect of initial recognition of financial instruments at fair value	—	(12.1)
Accounting for loans at fair value	(9.2)	6.0
Other	(1.4)	(4.4)
The Group's profit before tax under IFRS	**1,056.9**	**1,047.4**

The differences shown above arise from classification variances as well as different accounting policies.

Adjustment of provisions is related to the difference between methodology applied in statutory accounting records used primarily as a basis for management reporting and IFRS impairment methodology.

For the year ended 31 December 2019 the Group's revenues from customers in the Russian Federation amounted to RR 3,293.9 billion (for the year ended 31 December 2018: RR 2,994.7 billion); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 264.0 billion (for the year ended 31 December 2018: RR 382.3 billion). For the year ended 31 December 2019 intersegment revenues amounted to RR 198.4 billion (for the year ended 31 December 2018: RR 170.6 billion).

No revenue from transactions with a single external customer or counterparty amounted to 10.0% or more of the Group's total revenue during the year ended 31 December 2019 and 31 December 2018.

31 Financial and Insurance Risk Management

The Bank manages the following types of risks: credit risk, market risk, liquidity risk, insurance risk, operational risk, compliance risk and other types of risks.

Risk management system is the part of the overall management system of the Group which aims to provide sustainable development of the Bank and the Group members in line with the approved Development Strategy.

Basic principles of the risk management system are set in “Strategy for managing risks and capital of Sberbank Group” approved by Supervisory Board.

The main objectives and goals of the risk management system are:

- provision / maintenance of acceptable risk level and level of capital adequacy in order to cover significant risks;
- ensuring the financial stability of the Bank and the Group, minimizing possible financial losses from the impact of risks recognized by the Bank and the Group within the defined risk appetite in accordance with the Development Strategy;
- ensuring the efficient allocation of resources to optimize the risk / return ratio of the Group;
- ensuring the business going concern and planning the optimal management of the Bank’s and Group’s business, taking into account possible stressful conditions;
- compliance with the requirements of the state authorities of the Russian Federation governing the activities of the Group as a whole and individual members of the Group, as well as the requirements of the state authorities of the countries where the members of the Group operate.

Risk management is performed at four levels defined below:

- the first management level (performed by the Supervisory Board of the Bank) – approval of the risk management strategy and the Group’s capital management strategy; establishment of appetite for risk and target levels of risk of the Bank and the Group; monitoring of compliance with appetite for risk limits and achievement of target levels of risk; evaluation of the effectiveness of risk management and capital adequacy management;
- the second management level (performed by the Bank's Executive Board, the Group Risks Committee) – management of aggregated Group risk; organization of risk management and capital adequacy management; appointment of collective bodies and subdivisions responsible for the management of certain risk groups;
- the third management level (performed by collective bodies responsible for the management of certain risk groups) – management of specific types of risk considering limits and requirements established at the 1st and the 2nd levels of management;
- the fourth management level (performed by collective bodies and structural subdivisions of the Bank and members of the Group) – management of specific types of risk of the Bank and members of the Group considering limits and requirements established at 1st, 2nd and 3rd levels of management.

31 Financial and Insurance Risk Management (continued)

Integrated risk management process includes five core steps:

- risks identification and their assessment for significance – aimed to identify all the risks which the Group is exposed to;
- aggregated assessment of risks and amount of capital – the purpose of the stage is to determine the amount of capital required to cover losses in case of risks realization;
- setting up risk appetite – the purpose of the stage is to approve within the Bank and to agree with the Bank's Supervisory Board the maximum acceptable level of risks that the Group is entitled to take, as well as to set up the system of limits and restrictions to meet the Group's defined risk appetite;
- planning the level of exposure to the risks – the purpose of the stage is to determine the target level of risks of the Group by taking into account risk metrics in the business plan of the Group;
- management of aggregated risk level – aimed to match actual risk level of the Group with the target levels.

The Group is constantly developing risk management system in order to fit to the best practices and recommendations of regulators. Thereby risk management methods and processes are continually integrated and improved on aggregate level as well as on the level of specific risks management systems.

Credit risk is the risk of losses caused by full or partial loss of asset's value or increase in liabilities due to default or deterioration of credit quality (migration) of the counterparty / issuer / third party for the following instruments (received as collateral as well):

- for financial instrument in transaction with counterparty;
- for security of the issuer;
- for derivative financial instrument linked to credit event of third party.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment.

The objectives of the risk management system are:

- conformity of the Group's credit risk level to the risk appetite level set by the integrated risk management system (and/or to other limits and restrictions) and its optimization in line with management's decisions in order to ensure sustainable development of the Group, the Bank or other Group members in line with macroeconomic parameters and the Group's Development Strategy approved by the Supervisory Board of the Bank;
- compliance with the credit risk management requirements of federal authorities and local regulators of the countries in which the Group members operate;
- compliance with international standards and banks' best practices in the area of credit risk management.

Credit risk management policy applied by the Group aims to:

- implement comprehensive approach to credit risk management; optimize industry, regional and product structure of loan portfolios of the Group, the Bank and other Group members for the purposes of credit risk level management;
- increase competitive advantage of the Group in the area of rendering products exposed to credit risks by more precise assessment of credit risks accepted and implementation of credit risks management actions;
- maintenance of sustainability during expansion of product range of the Group members (introduction of more complicated products) by means of adequate risk assessment and risk management, including credit risk management.

31 Financial and Insurance Risk Management (continued)

The Group applies the following main methods of credit risk management:

- prevention of credit risk by identifying, analysing and assessing potential risks before entering the transaction creating risk exposure;
- planning the level of credit risk by assessing the level of expected losses;
- implementation of common risk assessment and identification processes;
- limiting credit risk by setting exposure and / or risk limits;
- structuring of transactions;
- collateral management;
- monitoring and control of credit risk level;
- application of decision-making authority system;
- making credit loss allowances.

Credit risk management system of the Group is organized on the basis of integrated risk management principles (described in the "Strategy for managing risk and capital of Sberbank Group") including:

- risk awareness – decision on conducting of operations is made only when a comprehensive analysis of credit risks accompanying these operations is done;
- segregation of duties – minimization of conflict of interests that may potentially arise when accepting credit risks or in the process of methodology for risks assessment/management/control development as well as in the process of audit ("3 defense lines" principle);
- improvement of systems for assessment and management of credit risks;
- monitoring and control of credit risks;
- combination of centralized and decentralized approach – ensuring greater efficiency and responsiveness to changes in the level of certain types of credit risks and their aggregated level accepted by the members of the Group;
- key management involvement – regular review of information about the level of accepted credit risks and facts of violation of established procedures on credit risks management, limits and restrictions;
- development of risk culture;
- application of motivation system which complies to the requirements of the Bank of Russia taking into account credit risks;
- usage of information technologies.

The Group's credit risk level control and monitoring system works on the basis of principles stated in Group's internal documents which provide preliminary, current and subsequent control over operations subject to credit risk, compliance with risk limits and their timely actualization.

The Group closely monitors its credit risk concentration and compliance with requirements of the regulator, making analysis and forecast of credit risk level. In analysis, monitoring and management of credit risk concentration the following steps are used:

- keeping the list of related borrowers groups which is based on the developed criteria for identification of legally and economically related borrowers;
- control of large loans to single borrower or to related borrowers within the group;
- control over exposures to industry or country.

31 Financial and Insurance Risk Management (continued)

The control and limitation of risk, as well as the control of expected losses of the Bank and the Group members due to the default of the borrower / group of related borrowers, is performed using a system of limits for each line of business. The limit is determined on the basis of risk level of the borrower, which is calculated based on assessment of financial and non-financial (qualitative) position of the borrower. Indicators of market and external influence of the borrower, characteristics of management quality, business reputation assessment and other factors are used as non-financial factors in assessment. The Bank has implemented an automated system for managing credit risk limits.

In relation to corporate credit risks, a multilevel system of limits has been developed for managing credit risk, which is used to limit the risks of credit operations and operations on financial markets.

Separately the Group monitors country risk which aims to manage and to limit risks related to different countries. Country risk limits are structural limits which restrict Group’s geographical concentration risk (other than risks related to operations conducted in the Russian Federation) and which do not limit risk for operations with certain counterparties.

Retail credit risks limits are set to limit the credit risk of individuals and are grouped in the following way:

- structural limits (this group includes such limit types as limit for lending scheme, limit for the product/group of approved products);
- authority limits (divided into authority limits of collegial body and personal limits);
- limits of risk concentration by the exposure to the borrower (this group includes the limit of borrower’s debt amount);
- limits for the lending department (this group includes the limit of received application amount).

The Group operates a system of internal ratings which is based on economic-mathematical models for estimating the probability of default of counterparties. Assessment of credit risks of the Group's counterparties depends on the type of counterparty:

- corporate customers, credit institutions, financial companies, small business clients, sovereigns, municipals, insurance and leasing companies are assessed on the basis of the system of credit ratings and expected cash flow models or other significant indicators;
- individuals and micro business clients are assessed based on their creditworthiness in accordance with the Group's internal regulatory documents including application of scoring models and express assessment.

The Group’s system of credit ratings provides a differentiated assessment of probability of default/ failure to fulfil obligations by analysing quantitative (financial) and qualitative (market and external influence of the borrower, characteristics of management quality, assessment of business reputation and others) factors of credit risk, significance of their impact on the ability of the counterparty to fulfil its obligations.

The Group’s internal regulatory documents imply the usage of multi-factor approach, where the list of factors is standardized depending on the counterparty’s type: risk factors related to counterparty’s creditworthiness and its development, ownership structure, business reputation, credit history, cash flow and financial risks control system, transparency, position of the client in the industry and the region, strength of support from government authorities and parent companies (in case of a holding) as well as the so-called early warning factors which are subject to mandatory monitoring and control. Based on the analysis of these risk factors the probability of default of counterparty is assessed and appropriate credit risk rating is allocated.

Collateral is one of the main instruments which mitigates credit risk of a borrower. Different types of collateral could be accepted in order to limit credit risk. The Group combines in a proper way the requirements to the borrower’s creditworthiness and the requirements to the collateral which improves substantially the effectiveness of the lending process. In accordance with the Group’s policy, the requirements to the collateral depend on the range of factors which determine the level of credit risk and the borrower’s creditworthiness.

Collateral policy was developed which defines the principles and elements of organizing work with different types of collateral in the lending process.

31 Financial and Insurance Risk Management (continued)

Collateral policy is aimed to establish the approaches to work with collateral in order to reduce credit risks, maintain the required quality of the loan portfolio from collateral perspective and encourage an increase in the recoverability of bad debts. The quality of the collateral is determined by the degree of protection provided by it against credit risk and the probability of cash receipt in amount of collateral value in case of enforcement or sale of collateral. Collateral quality can be indirectly characterized by the list and significance of risks related to collateral and is represented by the range of factors (liquidity, reliability of fair value assessment, impairment risks, susceptibility to the risks of loss and damage, legal risks and others).

Collateral value assessment is performed on the basis of valuation made by the internal experts, by the independent valuers or, in case there is no possibility or expedience to determine market value, on the basis of the collateral value stated in the accounting records of the borrower or nominal value with application of appropriate discount. The use of guarantees as collateral requires the procedure of analysis and assessment of a legal entity or an individual who gives such type of collateral, for the purpose of categorizing and assessment of probability of fulfillment of liabilities if the certain credit event occurs.

Collateral monitoring include control of qualitative, quantitative and cost parameters for collateral, control of entities and individuals who provided such collateral – for guaranties, in order to assess their ability to fulfill their obligations to the Group. Monitoring is carried out throughout the whole term of loan product.

At the same time, the Group operates a multi-dimensional system of authority limits to determine the decision-making level required for each loan application. Each collegial body of territorial unit and subsidiary is assigned a risk profile, which defines the discretionary powers of this body to take independent decisions on approving credit products and transactions on financial markets, depending on the limit position of the borrower / group of related borrowers, the counterparty's rating and nonstandard parameters of the deal. Thus, existing systems of limits and decision-making authority allows to optimize the lending process and results in proper credit risk management.

Using the macroeconomic scenarios, the Group conducts sensitivity analysis of credit risk level for individual counterparties and loan portfolios to identify macro factors of maximum correlation with the counterparties' probability of default. For the purpose of stress-testing statistics on abrupt changes of macro factors is used to model ratings in stress scenarios.

The Group monitors debt collection processes at all stages of collection. In case of identification of triggers of drop in debt recovery ratio, growth in non-performing loans in certain territorial units, customer or product segments, the optimization of lending/collection process is performed.

Overdue and non-performing debt collection procedures of the Group are based on maximum automation, which results in elimination of human factor at various phases of non-performing loans collection and supports usage of a unified approach in debt collection process.

In non-performing debt settlement process Group uses methods, which are consistent with international practice: remote communications, visits, debt restructuring, work with debt collection agencies, court and legal enforcement proceedings, etc. The use of one or another method is determined by flexible strategy depending on risk level of client and loan including usage of machine-learning algorithms (ML-algorithms).

The Group regularly reviews actual debt collection process for its compliance with market trends and best practices. As a result of review required amendments in the process are made in order to achieve improvement of recoverability of impaired loans, optimization of debt collection procedures and increase of client service level.

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Determining the cash flows for which there is no reasonable expectation of recovery requires judgement.

31 Financial and Insurance Risk Management (continued)

Management considered the following indicators that there is no reasonable expectation of recovery:

- getting the conclusion of state and government bodies about inability of recovery;

- documental support that a client is not performing its obligations during more than a year, and that all possible attempts of recovery have been carried out without success;

- reasons to believe that costs of the Group on collection of default loan or repossession of collateral are higher than expected result.

Terms and procedures of financial assets' write off are detailed and disclosed in the Group's internal documents.

Expected credit losses allowance model and main provisioning principles. The Group applies a model for assessment of credit loss allowance for financial debt instruments, the key principle of which is the timely reflection of the deterioration or improvement in the credit quality of debt financial instruments taking into account current and forecasted information. The amount of expected credit losses recognized as a credit loss allowance depends on the degree of deterioration in credit quality since the initial recognition of a debt financial instrument.

Depending on the change in credit quality from the time of initial recognition, the Group classifies debt financial instruments carried at amortized cost and at FVOCI as:

- "12-month expected credit loss (ECL)" (Stage 1) - debt financial instruments for which there was recorded no significant increase in credit risk, and provisions for such debt financial instruments are assessed on the basis of 12-month expected credit losses;

- "Lifetime ECL not credit-impaired" (Stage 2) - debt financial instruments for which there was recorded significant increase in credit risk, but not being impaired, and provisions for such instruments are assessed on the basis of expected credit losses for the whole lifetime period of financial instrument;

- "Lifetime ECL credit-impaired" (Stage 3) – impaired debt financial instruments.

For purchased or originated credit-impaired financial instruments the credit loss allowance represents the amount of cumulative changes of expected credit losses for the entire life of the instrument from the moment of acquisition or origination.

Signs of a significant increase in credit risk before transfer of assets to credit impaired. The main factors either of which indicates that a significant increase in credit risk occurred are:

1) Overdue payments for the period of 31-90 days (inclusive);

2) Significant changes in the external and internal credit rating that arose as a result of changes in credit risk compared to the date of initial recognition;

3) Deterioration of the internal rating to the level at which the Group does not issue loans;

4) Identification of criteria that may affect the ability of the counterparty to pay (revocation of a license, claims, violation of credit documentation, etc.).

The main signs of debt financial instrument being credit-impaired (stage 3):

1) the borrower is past due more than 90 days on any credit obligation to the Group member;

2) default restructuring of the debt and / or financial obligation on financial markets operations and the expected insolvency;

3) other signs of insolvency, which lead to assignment of default rating to the borrower (bankruptcy, expected decision on borrower's liquidation or activity ceasing, expectations of overdue payments etc.).

31 Financial and Insurance Risk Management (continued)

Recovery of the credit quality. Improvement of borrower's credit quality to Stage 1 risk level, for which significant increase in credit risk was recorded on previous reporting dates, is based on the assessment of the credit risk at reporting date as compared with those at the date of initial recognition.

Recovery of the credit-impaired credit quality to stage 1 risk level is recognized only if as of the reporting date no signs of impairment or indicators of significant increase in credit risk are noted. At the same time purchased or originated credit impaired financial assets are an exception as they can not be designated to Stage 1 by their nature.

Expected credit loss allowance recognition for assets that are purchased or originated credit-impaired. Expected credit loss allowance for purchased or originated credit impaired financial assets is measured as cumulative changes in lifetime expected credit losses since initial recognition.

Debt financial asset is classified as purchased or originated credit-impaired when one or more events occurred which negatively impact expected cash flows for such financial asset and those events are present as of the date of initial recognition. Such events include:

- significant financial difficulties of the counterparty / issuer;
- breach of the contract terms, such as past due payment;
- provision of favorable terms to a counterparty / issuer for economic reasons or contractual terms underpinned by financial difficulties of such counterparty / issuer and which the creditor would not otherwise provide;
- probability of a bankruptcy or other financial reorganization;
- the market becomes inactive for a financial asset as a result of the issuer's financial difficulties;
- acquisition or origination of a financial asset with significant discount which reflects incurred credit losses.

Expected credit loss allowance valuation methods and approaches. For the purpose of expected credit loss allowance assessment two methods are used: at the transaction level or at the product and counterparty level. An assessment at the transaction level is used for all debt financial instruments except for Retail segment. An assessment at the product and counterparty level is used for all debt financial instruments assigned to Retail segment.

The Group mainly uses collective assessment for calculation of expected credit loss allowance. Collective assessment is mandatory for financial instruments that are not individually material for the Group as well as for individually material financial instruments for which there were no significant increase in credit risk recorded during the reporting period or default.

Individual assessment of expected credit losses. The amount of expected credit loss allowance for debt financial asset is based on an estimate of the weighted average expected credit losses for scenarios under consideration on each individually assessed agreement, taking into account:

- The number of scenarios and their weights (probability of scenario realization) are determined in accordance with the Group methodology, taking into consideration current and reasonable forecasted information. The number of scenarios under consideration can not be less than two (including one with 100% loss) and the probability of each of them should be greater than zero.
- Estimation of expected credit losses with an individual approach takes into account time value of money, as well as reasonable information on past, current and expected future economic conditions. The amount of expected credit loss is determined as the difference between the gross carrying amount of a debt financial asset and its recoverable amount.

31 Financial and Insurance Risk Management (continued)

To calculate the recoverable amount the method of discounted cash flows is used based on expected future payments on the debt financial asset (or other cash flows) and effective interest rate used as discount rate which takes into account the following cash inflows:

- free cash flows from operating activities;
- future amounts recoverable upon the sale of a collateral;
- cash receipts from other sources - for example, as a result of court proceedings (other than the sale of a collateral) or bankruptcy.

Collective assessment of expected credit losses. Collective assessment of expected credit loss allowance for debt financial assets is performed on the basis of individual risk metrics (PD, LGD, EAD), which are assigned to each particular counterparty / issuer upon the analysis of financial and other information. Regular monitoring is carried out for such risk metrics.

PD – a probability of default which is based on the risk segment and the internal rating (or past due group) for the relevant period (12 months or the entire life of the instrument (Lifetime PD)). Values are determined based on internal models, as well as migration matrices (Markov chains). PD calculations are adjusted for forward looking information.

Current and expected changes in macroeconomic situation are used as forward looking information (real GDP growth, average annual RR/USD exchange rate, average annual price for a barrel of Urals, increase of real/nominal salary, increase of real disposable households' income, increase of households' consumption, etc.). The effect of these economic variables on the probability of default is determined by statistical regression analysis and calculated as an impact of those variables on default level during previous periods. Forecasts concerning these economic variables include three scenarios ("basic", "optimistic" and "pessimistic" economic scenarios) which are provided by the Group economists at least once a year and include best estimate of expected macroeconomic situation for subsequent year. The weighting is assigned to a scenario based on combination of statistical analysis and expert judgements subject to the range of possible outcomes presented by each chosen scenario. Group evaluates ECL as 12-month ECL (Stage 1) or as lifetime ECL weighted with regard to the probability of scenarios. Those ECL weighted with regard to the probability are determined by processing each scenario through corresponding ECL model and its multiplication by relevant scenario weighting.

The basic segmentation principle for calculation of the probability of default (PD) for the provisioning purposes implies that debt financial instruments with a similar risk profile should be assigned to the same portfolio with a similar level of risk. The risk segment is determined on the basis of the counterparty / issuer specifics, its country of residence, size and business model.

LGD – a level of the loss arising on default, defined as the amount of losses of the debt at a time of possible default. Internal models developed on internal data are used for assignment of particular values.

EAD – exposure at default. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics. Internal models developed on internal data are used for assessment of EAD.

31 **Financial and Insurance Risk Management (continued)**

Assessment of loss allowance for credit related commitments. Assessment of loss allowance for credit related commitments is performed on a similar basis with balance sheet exposures by application of credit conversion factor (CCF) if the counterparty has current balance sheet exposure. Statistical information and Basel Committee values are used for calculation of CCF. If the counterparty does not have balance sheet exposure the assessment of expected credit loss allowance is performed on an individual or collective basis depending on the amount of exposure by applying CCF.

Credit quality of financial instruments. Credit quality of financial instruments is based on the following credit risk grades developed internally by the Group which is the summary information on the credit quality of financial instruments that fall under IFRS 9:

- "Minimum credit risk" – assets with counterparties that demonstrate stable ability to fulfil financial obligations in time, with insignificant probability of default.
- "Low credit risk" – assets with counterparties with low probability of default with high ability to fulfil financial obligations in time.
- "Moderate credit risk" – assets with counterparties with average probability of default and with moderate ability to fulfil financial obligations in time; more detailed consideration is required during monitoring.
- "High credit risk" – assets with high probability of default; specific attention is required during monitoring.
- "Default" – assets that are qualified as defaulted considering all available signs of impairment.

Market risk is the possibility of the Group's financial losses as a result of unfavorable movements in exchange rates, equity prices, interest rates, precious metal prices and other market indicators. The main goal of market risk management is the optimization of market risk level within the Group, compliance of the risk level with limits set and minimization of loss in case of unfavorable scenario realization.

For the purposes of accounting and managing market risk, the Group identifies the operations of the trading and banking books according to the method and purpose of formation, the powers of the units involved in the management of books, the composition of market risks related to them, and approaches to managing them.

The Group categorizes market risk into:

- Market risk on trading operations in financial markets: market risk of a trading book.
- Market risk for non-trading operations: interest rate risk of banking book, currency risk of banking book, risk of market credit spread of banking book.

Market risk of a trading book

Market risk of a trading book is controlled by departments organizationally independent from trading divisions that enter into transactions in financial markets. Monitoring of market risks implies continual control over trading deals at all steps of operational process.

Market risk of a trading book management in Group is performed through the system of authorized bodies, making decisions depending on risk level and portfolio hierarchy, such system allows to reach efficiency and flexibility of decision making.

The Group manages its market risks on a portfolio basis. Main management tool is the setting of market risk limits on individual portfolios. Portfolio consists of operations on financial markets with common characteristics, such as allowable risks, currency, types of instruments, restrictions used and others. Market risk limits are established in accordance with the Group's development strategy with adopted risk appetite as well as with the requirements of the Bank of Russia, the Basel Committee on Banking Supervision and the best banking market risk management practices.

31 Financial and Insurance Risk Management (continued)

As the main metric for assessing the market risk of a trading book, Value at risk (VaR) is used. This metric allows to estimate the maximum financial loss of the portfolio with a defined confidence level of probability and time horizon on a "normal" market. "Normal" market is characterized by the dynamics of the market factors (currency quotes / shares / commodities, interest rates) in the situation of the lack of a systemic crisis in the economy / banking sector of the country or group of countries, or the negative facts / events that can cause a significant change in market factors, and, consequently, the value of positions in financial instruments.

VaR is calculated using the following assumptions:

- range of the historical data used for calculations – 2 years;
- VaR is calculated over a 10-day period, i.e. an average period when it is possible to close or hedge its positions exposed to market risk; and
- a 99% one-way confidence level is used, which means that losses in the amount exceeding VaR are expected maximum once every 100 periods.

VaR is subject to regular back-testing process at each portfolio level in accordance with the formal procedure, which is designed to meet requirements of the Basel Committee on Banking Supervision.

Despite the fact that VaR allows to measure risk, its shortcomings must be taken into account such as:

- past price fluctuations are not sufficient to assess accurately future price fluctuations;
- calculation over a 10-day period is based on the assumption that the Group will be able to close (or hedge) all positions within this period. This assessment may be far from accurate in measuring risk exposure at the time of reduced market liquidity, when the period of closing (or hedging) positions may increase;
- using 99% one-way confidence level of probability does not provide for estimating losses with a probability below 1%; and
- VaR is calculated based on end-of-day position and misses accepted intra-day risks.

Taking into account the shortcomings of the VaR methodology the Group applies scenario analysis and stress-testing to have a better understanding of market risk exposure.

The table below shows the types of risk calculation using the VaR methodology as at 31 December 2019:

in billions of Russian Roubles	**Value as at 31 December 2019**	**Impact on equity**	**Impact on profit**
Interest rate risk	23.5	0.5%	2.8%
Equity price risk	0.3	0.0%	0.0%
Currency risk	4.3	0.1%	0.5%
Commodity risk	0.1	0.0%	0.0%
Market risk including diversification effect	27.0	0.6%	3.2%
Diversification effect	1.2	0.0%	0.1%

The table below shows the types of risk calculation using the VaR methodology as at 31 December 2018:

in billions of Russian Roubles	**Value as at 31 December 2018**	**Impact on equity**	**Impact on profit**
Interest rate risk	21.1	0.5%	2.5%
Equity price risk	2.2	0.1%	0.3%
Currency risk	4.0	0.1%	0.5%
Commodity risk	0.1	0.0%	0.0%
Market risk including diversification effect	27.0	0.7%	3.2%
Diversification effect	0.3	0.0%	0.0%

31 Financial and Insurance Risk Management (continued)

Market risk on non-trading positions

The Group interest rate and currency risk of the banking book management is aimed to limit the negative impact of interest rate and currency risks of the banking book on the Group's operations and the Group's members.

The objectives of the interest rate and currency risks management are:

- provision of financial sustainability, limitation of possible financial losses and negative impact on the Group;
- compliance with requirements stated by the Bank of Russia and local regulators for countries where other members of the Group are present;
- limitation of interest rate and currency risk of the banking book by the means of defining appetite for interest rate and currency risk and other limits;
- supporting level of interest rate and currency risk of the banking book in terms of stated appetite for interest rate and currency risk and other limits.

Interest rate risk of the banking book. The Group takes on interest rate risk of the banking book – risk of losses, decrease in profits, capital or capital adequacy ratio as a result of adverse changes in interest rates on financial instruments of the banking book and / or market interest rates affecting the valuation of financial instruments of the banking book.

Interest rate risk is assessed using the standardized shock in accordance with Basel Committee for Banking Supervision recommendations. Forecasting of possible changes in interest rates is carried out separately for Russian Rouble and foreign currencies.

The table below shows the impact on annual net interest income of shocks in interest rates as at 31 December 2019 and 31 December 2018. Change in net interest income is calculated as revaluation of assets and liabilities with expected maturity of less than one year.

	Decrease in interest rates		Increase in interest rates	
	31 December 2019	*31 December 2018*	*31 December 2019*	*31 December 2018*
Russian Rouble				
Change in interest rates, bps	(400)	(400)	400	400
Change in net interest income, billions of Russian Roubles	99.3	126.3	(99.3)	(126.3)
Turkish Lyra				
Change in interest rates, bps	—	(400)	—	400
Change in net interest income, billions of Russian Roubles	—	12.6	—	(12.6)
US Dollar				
Change in interest rates, bps	(200)	(200)	200	200
Change in net interest income, billions of Russian Roubles	(9.0)	(11.1)	9.0	11.1
Euro				
Change in interest rates, bps	(200)	(200)	200	200
Change in net interest income, billions of Russian Roubles	1.1	(1.5)	(1.1)	1.5

As part of the interest rate risk management in the Group's business plan there are the target position on the interest rate risk in Russian Roubles and targets for the volume and maturity structure of the core assets and liabilities to ensure the achievement of the target interest position, which are set annually. Interest rate risk reports and issues are reviewed regularly by Sberbank committee for assets and liabilities management (ALCO).

31 Financial and Insurance Risk Management (continued)

Currency risk of the banking book. The Group is exposed to currency risk of the banking book, due to the impact of the operations of the banking book on the open currency position (OCP). The main sources of foreign currency exchange risk of the banking book are:

- provisioning for impairment of the loans nominated in foreign currencies;
- restructuring of the loans resulting in a debt currency change;
- income and expenses in foreign currencies.

Limits of open currency positions are set to limit currency risk for the Bank units and subsidiaries.

The risk of a market credit spread of the banking book. The risk of a market credit spread of the banking book (RCSBB) is the risk of losses or a decrease in capital due to a fall in market prices of securities of the banking book, acquired within ‘held to collect contractual cash flows’ and ‘held both to collect contractual cash flows and to sell financial assets’ business models and measured at fair value, as a result of an adverse change in market credit spreads.

The objectives of managing the RCSBB

Ensuring financial stability, limiting possible financial losses and negative impact of the RCSBB on the Group /Bank / Group members.

The Metrics Used

To assess the RCSBB, the Value-at-Risk metric (VaR) is used, which is an estimate of the maximum loss in the fair value of securities as a result of changes in market credit spreads over a given period of time with a given probability (confidence level).

To calculate the VaR for the RCSBB, the Monte Carlo method is used. The following assumptions are applied:

- the nominal value and structure (including the composition of issuers) of securities measured at fair value are assumed to be unchanged;
- the fair value of securities measured at fair value at the beginning and at the end of the specified period of time is modeled using the discounted cash flow method;
- all cash flows of securities measured at fair value are included in the calculation;
- the rate which is used for discounted cash flow method for every debt security includes a risk-free rate and a market credit spread;
- risk-free rates are assumed to be unchanged;
- the issuer's internal rating at the end of a specified period of time is determined taking into account the migration models of credit ratings.

Economic capital

To assess the level of the RCSBB, economic capital is used, which is an estimate of the maximum loss in the fair value of securities measured at fair value, as a result of changes in market credit spreads over a given period of time (one year) with a given probability. Simulation of losses is based on the Monte Carlo method.

The corresponding VaR value is used as the economic capital of the RCSBB.

31 Financial and Insurance Risk Management (continued)

Exposure to foreign exchange risk. The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 31 December 2019. Foreign exchange risk on forward and futures contracts is represented by their discounted positions. Foreign exchange options are disclosed in the amount that reflects theoretical sensitivity of their fair value to reasonable change in exchange rates. Commodity options are shown at their fair value in relative settlement currency. Equity instruments are classified based on the country of origin of issuer.

in billions of Russian Roubles	Russian Rouble	US Dollar	Euro	Other	Total
Assets					
Cash and cash equivalents	1,355.1	296.3	285.4	146.4	**2,083.2**
Mandatory cash balances with central banks	202.8	—	5.7	27.0	**235.5**
Due from banks	813.7	139.8	13.1	116.6	**1,083.2**
Loans and advances to customers	15,763.4	2,855.9	1,205.7	538.5	**20,363.5**
Securities	3,105.2	865.9	111.8	99.5	**4,182.4**
Financial instruments pledged under repurchase agreements	154.8	31.8	0.7	—	**187.3**
Other financial assets	374.5	21.2	104.3	4.6	**504.6**
Total financial assets	**21,769.5**	**4,210.9**	**1,726.7**	**932.6**	**28,639.7**
Liabilities					
Due to banks	645.5	44.9	56.5	23.4	**770.3**
Due to individuals	11,502.1	1,737.9	636.4	333.2	**14,209.6**
Due to corporate customers	4,140.0	2,225.7	662.5	336.6	**7,364.8**
Debt securities in issue	547.8	160.9	4.8	16.2	**729.7**
Other borrowed funds	0.1	0.1	24.4	—	**24.6**
Obligations to deliver securities	13.1	26.6	1.2	0.3	**41.2**
Other financial liabilities	261.8	35.9	15.6	25.8	**339.1**
Subordinated debt	501.7	118.2	—	—	**619.9**
Total financial liabilities	**17,612.1**	**4,350.2**	**1,401.4**	**735.5**	**24,099.2**
Net financial assets/(liabilities)	**4,157.4**	**(139.3)**	**325.3**	**197.1**	**4,540.5**
Net derivatives	**124.8**	**318.9**	**(304.1)**	**(80.3)**	**59.3**
Credit related commitments and performance guarantees before loss allowance (Note 32)	**5,306.2**	**315.6**	**305.9**	**196.2**	**6,123.9**

31 Financial and Insurance Risk Management (continued)

The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 31 December 2018.

in billions of Russian Roubles	Russian Rouble	US Dollar	Euro	Turkish Lyra	Other	Total
Assets						
Cash and cash equivalents	1,089.2	587.8	274.5	—	147.3	**2,098.8**
Mandatory cash balances with central banks	188.0	—	5.9	—	28.2	**222.1**
Due from banks	1,064.3	271.1	23.1	—	62.2	**1,420.7**
Loans and advances to customers	14,793.0	2,996.7	1,246.2	—	549.1	**19,585.0**
Securities	2,539.2	676.6	145.2	—	81.5	**3,442.5**
Financial instruments pledged under repurchase agreements	265.3	40.8	0.9	—	—	**307.0**
Financial assets of discontinued operations (except for derivatives)	10.3	576.9	864.8	972.3	50.1	**2,474.4**
Other financial assets	300.2	46.5	86.8	—	2.3	**435.8**
Total financial assets	**20,249.5**	**5,196.4**	**2,647.4**	**972.3**	**920.7**	**29,986.3**
Liabilities						
Due to banks	903.0	61.2	104.5	—	28.1	**1,096.8**
Due to individuals	10,587.1	1,853.2	713.3	—	341.5	**13,495.1**
Due to corporate customers	3,762.3	2,719.1	591.1	—	329.7	**7,402.2**
Debt securities in issue	441.2	290.9	93.6	—	17.9	**843.6**
Other borrowed funds	0.1	0.5	54.9	—	1.0	**56.5**
Obligations to deliver securities	13.5	19.4	1.0	—	—	**33.9**
Financial liabilities of discontinued operations (except for derivatives)	4.7	552.1	841.8	765.9	20.7	**2,185.2**
Other financial liabilities	195.7	41.1	11.4	—	10.3	**258.5**
Subordinated debt	506.0	199.7	0.7	—	0.9	**707.3**
Total financial liabilities	**16,413.6**	**5,737.2**	**2,412.3**	**765.9**	**750.1**	**26,079.1**
Net financial assets/(liabilities)	**3,835.9**	**(540.8)**	**235.1**	**206.4**	**170.6**	**3,907.2**
Net derivatives (including derivatives of discontinued operations)	**(244.9)**	**561.6**	**(265.9)**	**(11.4)**	**(10.2)**	**29.2**
Credit related commitments and performance guarantees before loss allowance (including discontinued operations) (Note 32)	**4,760.9**	**555.1**	**529.1**	**582.2**	**150.3**	**6,577.6**

The Group provides loans and advances to customers in foreign currency. Fluctuations of foreign currency exchange rates may negatively affect the ability of borrowers to repay loans, which will in turn increase the probability of loan loss.

31 Financial and Insurance Risk Management (continued)

Liquidity risk. The purpose of liquidity risk management is to ensure the ability of the Bank and the Sberbank Group members to fulfill all their obligations to customers and counterparties unconditionally and in a timely manner while complying with the regulatory requirements related to liquidity risk management, both in normal course of business as well as during stress situations.

Based on current market conditions, assumptions about the future dynamics of balance sheet items and accumulated historical data, an assessment of a sufficient buffer of liquidity necessary to fulfill these obligations over various time horizons is made.

As part of liquidity risk management, the following liquidity risks are identified:

- physical liquidity risk - the risk that the Bank / Group member will not fulfil its obligations to customers and counterparties in any currency or precious metal due to lack of funds in cash or cashless form (impossibility of making a payment, issuing a loan, etc.);
- regulatory liquidity risk - the risk of violation of mandatory liquidity ratios of the Bank of Russia, as well as mandatory liquidity ratios established by local regulators in the countries of presence of the Group members;
- structural liquidity risk (concentration risk) - the risk of a significant deterioration in physical or regulatory liquidity due to imbalances in the structure of assets and liabilities, including a high dependence of the Bank's / the Group member’s passive base on one / several clients or funding sources in a certain currency or on a certain term and, in case of need, on other parameters (for example, economy sector, geographical area, type of instrument and others).

To minimize the liquidity risk the Group:

- maintains a stable and diversified liabilities structure including resources attracted from different groups of investors and clients in term instruments as well as on demand accounts;
- invests in highly liquid / liquid financial assets diversified by currencies and maturities for quick and effective coverage of unexpected gaps in liquidity;
- controls the usage of the current liquidity reserves and initiates an increase in those reserves in case of need;
- maintains cooperation with counterparties on financial markets to have an opportunity to attract funds in a short period of time in case of need.

Policy and Procedures. Liquidity risk management of the Bank and the Sberbank Group as a whole is performed by the Sberbank Asset and Liability Management Committee. The Bank’s Treasury develops the risk management system, organizes and coordinates the liquidity risk management process in the Bank and the Group, ensures compliance with the established risk appetite and other limits and restrictions related to liquidity risk, implements measures to manage physical, structural and regulatory liquidity. The Risk Department develops the target architecture of limits and sets the values of limits on liquidity risk metrics; carries out regular independent monitoring of compliance with the established limits on liquidity risk metrics, validation of liquidity models and escalation of limit violations. Liquidity risk is assessed, managed and controlled on the basis of “Policy for liquidity risk management of Sberbank Group” and the guidelines of the Bank of Russia, local regulators and the Basel Committee for Banking Supervision. The Bank controls the level of liquidity risk accepted by the Group and manages liquidity risk on the Group level including the coordination of all external borrowings of the Group members in order to minimize the cost of funding and taking into the account the current macroeconomic environment and market conditions.

The managing bodies of the Group members are responsible for efficient liquidity management on the local level. They are also responsible for monitoring limits and controls required by the Bank and requirements of the local regulators. Assessment, management and control of the Group members liquidity risk are performed in accordance with unified Group standards taking into account the diversification of requirements for different categories of the Group members.

31 Financial and Insurance Risk Management (continued)

Group liquidity risk management is based on the regulations of the Bank of Russia, local regulators and the recommendations of the Basel Committee for Banking Supervision in the field of liquidity risk assessment and management instruments:

- calculation of actual values of risk metrics in order to assess and control liquidity risk;
- forecasting statement of financial position by major currencies by forecasting cash flows on payments (outflows and inflows on key lines of statement of financial position and off-balance assets / liabilities taking into account expected client's behavior and forecast of business departments on business development) to ensure necessary volume of resources to cover possible liquidity deficit in short-term and medium-term perspective, taking into consideration mandatory liquidity requirements stated by local regulators;
- forecasting statement of financial position and assets and liabilities structure for different scenarios of the statement of financial position development to calculate the required volume of funding and necessary liquidity buffer taking into account state of debt capital markets and availability of certain sources of funding (used in the context of business-planning and funding planning);
- set up limits and restrictions for risk metrics of the individual Group members as well as the Group in a whole including but not limited to components of risk appetite;
- scenario analysis to determine the potential need for liquidity when exposed to various risk factors;
- stress testing of the liquidity risk in order to determine the size of the liquidity buffer necessary to cover liquidity deficit in the event of each of the following scenarios: market crisis, brand crisis, or both;
- liquidity management in crisis situations aimed at ensuring continuing performance and recovery of the Bank's / the Group member's liquidity in case of nonstandard or emergency situations in respect of liquidity risk realization (precedence rule is set in approved Plan for liquidity management in crisis situations (LCP)).

31 Financial and Insurance Risk Management (continued)

The tables below show distribution of undiscounted contractual cash flows (taking into account future interest payments) on liabilities by remaining contractual maturities.

The analysis of undiscounted cash flows as at 31 December 2019 is set out below:

in billions of Russian Roubles	**On demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 3 years**	**More than 3 years**	**Total**
Liabilities						
Due to banks	663.4	36.7	16.1	50.3	14.1	780.6
Due to individuals	4,953.6	4,538.1	2,825.6	1,749.4	218.1	14,284.8
Due to corporate customers	4,425.5	1,126.5	479.7	986.8	503.6	7,522.1
Debt securities in issue	42.4	75.0	111.7	463.2	138.8	831.1
Other borrowed funds	0.1	1.2	0.8	4.8	20.1	27.0
Gross settled derivatives:						
- inflows	(964.5)	(408.4)	(184.3)	(279.8)	(54.7)	(1,891.7)
- outflows	976.1	425.9	197.4	293.7	60.3	1,953.4
Net settled derivatives	1.7	6.4	3.1	31.6	21.6	64.4
Obligations to deliver securities	41.2	—	—	—	—	41.2
Other financial liabilities	195.9	30.7	29.0	40.6	60.5	356.7
Subordinated debt	—	3.2	35.5	146.5	1,779.2	1,964.4
Total liabilities	**10,335.4**	**5,835.3**	**3,514.6**	**3,487.1**	**2,761.6**	**25,934.0**
Credit related commitments and performance guarantees before provision	6,123.9	—	—	—	—	6,123.9

The analysis of undiscounted cash flows as at 31 December 2018 (excluding discontinued operations) is set out below:

in billions of Russian Roubles	**On demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 3 years**	**More than 3 years**	**Total**
Liabilities						
Due to banks	686.5	269.6	22.3	117.5	18.9	1,114.8
Due to individuals	4,384.9	3,403.8	3,992.2	1,694.9	211.6	13,687.4
Due to corporate customers	4,183.1	1,052.3	386.6	1,256.4	766.7	7,645.1
Debt securities in issue	70.9	271.9	98.0	264.0	243.0	947.8
Other borrowed funds	—	2.9	20.7	10.1	22.8	56.5
Gross settled derivatives:						
- inflows	(551.8)	(447.6)	(286.3)	(313.6)	(178.1)	(1,777.4)
- outflows	562.7	479.3	291.8	313.4	187.0	1,834.2
Net settled derivatives	17.6	9.6	8.9	10.6	5.3	52.0
Obligations to deliver securities	33.9	—	—	—	—	33.9
Other financial liabilities	167.4	73.9	15.8	4.0	6.1	267.2
Subordinated debt	0.1	5.4	542.8	25.8	214.5	788.6
Total liabilities	**9,555.3**	**5,121.1**	**5,092.8**	**3,383.1**	**1,497.8**	**24,650.1**
Credit related commitments and performance guarantees before provision	5,626.8	—	—	—	—	5,626.8

31 Financial and Insurance Risk Management (continued)

Principles that are used to analyze liquidity position presentation and manage the Group liquidity risk management are based on the Bank's of Russia prudential initiatives and the Bank's practice:

- cash and cash equivalents represent highly liquid assets and are classified as "On demand and less than 1 month";
- securities mandatorily measured and designated at fair value through profit or loss and highly liquid portion of securities measured at fair value through other comprehensive income are considered to be liquid assets as these securities could be easily converted into cash within short period of time. Such financial instruments are disclosed in the analysis of liquidity position as "On demand and less than 1 month";
- securities measured at fair value through other comprehensive income which are less liquid are disclosed according to remaining contractual maturities (for debt instruments) or as "No stated maturity / overdue" (for equity instruments);
- securities measured at amortized cost including those pledged under repurchase agreements are classified based on the earliest of two dates: redemption offer date or maturity date of security;
- highly liquid portion of financial instruments pledged under repurchase agreements is disclosed based on the remaining maturities of repurchase agreements;
- loans and advances to customers, amounts due from banks, other assets, debt securities in issue, amounts due to banks, other borrowed funds and other liabilities are included into analysis of liquidity position based on remaining contractual maturities (for loans and advances to customers "No stated maturity / overdue" category represents only actual payments which were overdue);
- due to individuals are not disclosed as "On demand and less than 1 month" in full amount although individuals have a right to withdraw money from any account, including term deposits, before maturity date, losing the right to accrued interest;
- diversification of current accounts of individuals and corporate customers by number and type of customers and the past experience of the Group indicate that such balances provide a long-term and stable source of funding. As a result in the analysis of liquidity position current accounts of individuals and corporate customers are allocated on the basis of expected time of funds outflow and assumptions regarding the "permanent" part of current account balances. Term deposits of individuals and corporate customers are allocated on the basis of their contractual maturity for the purposes of liquidity analysis;
- assets and liabilities other than those discussed above are generally classified on the basis of their contractual maturities.

31 Financial and Insurance Risk Management (continued)

The analysis of liquidity position of the Group's assets and liabilities as at 31 December 2019 is set out below.

in billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity/ overdue	Total
Assets							
Cash and cash equivalents	2,083.2	—	—	—	—	—	**2,083.2**
Mandatory cash balances with central banks	51.7	57.9	33.7	27.7	64.5	—	**235.5**
Due from banks	1,011.7	25.5	5.1	37.4	1.2	2.3	**1,083.2**
Loans and advances to customers	423.8	2,242.1	2,449.8	6,143.1	8,917.8	186.9	**20,363.5**
Securities	2,732.4	107.5	67.0	335.5	909.1	30.9	**4,182.4**
Financial instruments pledged under repurchase agreements	176.5	—	1.3	0.7	8.8	—	**187.3**
Derivative financial assets	33.6	32.8	20.6	42.8	64.1	—	**193.9**
Deferred tax asset	—	—	—	—	—	14.6	**14.6**
Premises, equipment and right-of-use assets	—	—	—	—	—	695.1	**695.1**
Assets of the disposal groups and non-current assets held for sale	0.5	6.7	3.7	—	—	0.4	**11.3**
Other assets	412.3	50.6	48.0	50.1	115.4	232.5	**908.9**
Total assets	**6,925.7**	**2,523.1**	**2,629.2**	**6,637.3**	**10,080.9**	**1,162.7**	**29,958.9**
Liabilities							
Due to banks	663.4	32.5	15.2	46.2	13.0	—	**770.3**
Due to individuals	1,703.5	4,691.0	2,883.8	1,786.8	3,144.5	—	**14,209.6**
Due to corporate customers	1,562.6	1,112.3	439.0	885.7	3,365.2	—	**7,364.8**
Debt securities in issue	42.1	73.6	105.6	405.0	103.4	—	**729.7**
Other borrowed funds	0.1	1.1	0.3	4.7	18.4	—	**24.6**
Derivative financial liabilities and obligations to deliver securities	70.7	9.7	18.2	38.7	38.5	—	**175.8**
Deferred tax liability	—	—	—	—	—	30.4	**30.4**
Other liabilities	199.2	83.1	85.2	208.3	909.6	61.7	**1,547.1**
Subordinated debt	0.3	2.7	33.5	126.6	456.8	—	**619.9**
Total liabilities	**4,241.9**	**6,006.0**	**3,580.8**	**3,502.0**	**8,049.4**	**92.1**	**25,472.2**
Net liquidity gap	**2,683.8**	**(3,482.9)**	**(951.6)**	**3,135.3**	**2,031.5**	**1,070.6**	**4,486.7**
Cumulative liquidity gap as at 31 December 2019	**2,683.8**	**(799.1)**	**(1,750.7)**	**1,384.6**	**3,416.1**	**4,486.7**	**—**

31 Financial and Insurance Risk Management (continued)

The analysis of liquidity position of the Group's assets and liabilities as at 31 December 2018 is set out below.

in billions of Russian Roubles	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity/ overdue	Total
Assets							
Cash and cash equivalents	2,098.8	—	—	—	—	—	**2,098.8**
Mandatory cash balances with central banks	50.8	51.6	32.2	25.9	61.6	—	**222.1**
Due from banks	1,329.7	66.7	12.9	6.5	4.9	—	**1,420.7**
Loans and advances to customers	907.5	1,751.8	2,054.4	6,028.4	8,756.8	86.1	**19,585.0**
Securities	2,111.0	58.2	44.3	271.6	916.1	41.3	**3,442.5**
Financial instruments pledged under repurchase agreements	301.0	—	—	0.5	5.5	—	**307.0**
Derivative financial assets	25.0	73.6	7.7	47.7	23.6	—	**177.6**
Deferred tax asset	—	—	—	—	—	15.3	**15.3**
Premises, equipment and right-of-use assets	—	—	—	—	—	593.9	**593.9**
Assets of the disposal groups and non-current assets held for sale	—	2,568.2	1.7	—	—	—	**2,569.9**
Other assets	401.0	58.1	55.3	30.3	40.2	179.8	**764.7**
Total assets	**7,224.8**	**4,628.2**	**2,208.5**	**6,410.9**	**9,808.7**	**916.4**	**31,197.5**
Liabilities							
Due to banks	684.2	266.9	19.6	108.6	17.5	—	**1,096.8**
Due to individuals	1,861.5	4,384.5	2,831.8	1,289.3	3,128.0	—	**13,495.1**
Due to corporate customers	1,683.1	805.1	371.1	1,158.1	3,384.8	—	**7,402.2**
Debt securities in issue	70.6	266.5	99.2	228.2	179.1	—	**843.6**
Other borrowed funds	—	2.9	20.7	10.1	22.8	—	**56.5**
Derivative financial liabilities and obligations to deliver securities	70.9	44.1	12.6	25.6	28.4	—	**181.6**
Deferred tax liability	—	—	—	—	—	33.4	**33.4**
Liabilities of the disposal groups	—	2,235.1	—	—	—	—	**2,235.1**
Other liabilities	175.0	126.4	61.2	92.0	781.5	54.0	**1,290.1**
Subordinated debt	—	5.2	510.7	23.0	168.4	—	**707.3**
Total liabilities	**4,545.3**	**8,136.7**	**3,926.9**	**2,934.9**	**7,710.5**	**87.4**	**27,341.7**
Net liquidity gap	**2,679.5**	**(3,508.5)**	**(1,718.4)**	**3,476.0**	**2,098.2**	**829.0**	**3,855.8**
Cumulative liquidity gap as at 31 December 2018	**2,679.5**	**(829.0)**	**(2,547.4)**	**928.6**	**3,026.8**	**3,855.8**	**—**

As part of its liquidity risk management, the Group maintains a significant amount of liquidity reserves mainly due to the existing refinancing instruments of the Bank of Russia on the security of market and non-market collateral.

31 Financial and Insurance Risk Management (continued)

Insurance risk. Insurance risk is the risk of losing or adversely changing the value of insurance liabilities due to incorrect pricing policies and assumptions about the amount of required insurance reserves.

Insurance risk management of the Group is based on the requirements of the Bank of Russia, as well as the provisions and principles of Solvency II.

The insurance risks that the Group is exposed to are as follows:

- Catastrophic risk - the risk of loss or adverse changes in the value of insurance liabilities arising due to significant uncertainty in pricing assumptions and assumptions about the amount of the required insurance reserves in relation to emergency or exceptional events.
- Longevity risk - the risk of loss or adverse changes in the value of insurance liabilities arising due to changes in the level, trend or volatility of mortality, in which a decrease in mortality leads to an increase in insurance liabilities.
- Cost risk - the risk of loss or adverse change in the value of insurance liabilities arising due to changes in the level, trend, or volatility of costs incurred in servicing insurance or reinsurance contracts.
- Disability risk - morbidity - the risk of losses or an adverse change in the value of insurance liabilities arising due to a change in the level, trend, or volatility of the indicators of disability and morbidity.
- Premium risk and provisioning risk - the risk of loss or adverse change in the value of insurance liabilities arising due to fluctuations in terms, frequency and size of insurance events, terms and amounts settled for insurance claims.
- Revision risk - the risk of loss or adverse changes in the value of insurance liabilities arising due to fluctuations in the level, trend or volatility of revision rates applied to annuities due to changes in legislation or the health status of the insured person.
- Cancellation risk - the risk of loss or adverse change in the value of insurance liabilities arising due to changes in the level or volatility of non-renewal rates, cancellations, renewals and early termination of insurance contracts.
- Mortality risk - the risk of loss or adverse change in the value of insurance liabilities arising due to a change in the level, trend or volatility of mortality, in which an increase in mortality leads to an increase in insurance liabilities.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

- *Mortality and morbidity rates*

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, underwriting class and contract type. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

- *Longevity*

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, underwriting class and contract type. An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

- *Investment return*

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the shareholders.

31 Financial and Insurance Risk Management (continued)

- *Expenses*

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force contracts and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

- *Lapse and surrender rates*

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of agreement by policyholders, depositors and insured persons. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type and contract duration as well as sales trends for insurance contracts. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

- *Discount rate*

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. In relation to pension contracts on each reporting date liabilities adequacy test is made which implies that the Group takes into account all the future discounted cash flows stipulated by the contract (including future receipts in the form of contributions, payment of pensions, redemption amounts and payments to legal successors), and other relevant cash flows, such as expenses on contracts administration, on embedded guarantees as well as investment income on assets which guarantee these liabilities. Discount rates are based on current industry risk rates and interest rates on Russian federal loan bonds (OFZ bonds), adjusted for the Group's own risk. A decrease in the discount rate will increase the value of the life insurance liabilities and may lead to the increase in pension contracts liabilities.

- *Minimal interest guarantees*

According to the current legislation the Group has an obligation to ensure the safety of assets covering pension contribution received from Pension Fund of the Russian Federation, and from depositors under the programme of non-state pension provisions. Financial responsibility of the Group will include non-negative investment return over assets covering pension liabilities during each five years period of contract term starting from 1 January 2015.

- *Actuarial assumptions on other than life insurance*

To determine insurance tariffs, liabilities and assumptions actuarial judgements are used in relation to parameters which influence the amount of insurance provisions, initial data and valuation methods used. For insurance contracts portfolio for which the probability theory was used in relation to pricing and provisioning, the insufficient provisioning risk means that actual losses may exceed balance value of insurance liabilities. This may occur if frequency or average amount of losses exceed the estimated level calculated by statistical methods. Actuarial assumptions used by the Group are analysed regularly to provide realistic and reasonable valuation of insurance contracts liabilities. The criteria for adequacy of insurance statistics are reviewed periodically based on required level of confidence interval of error.

Sensitivity analysis

The following analyses the possible changes in the key assumptions used in the calculation of insurance liabilities under contracts of life insurance and investment life insurance contracts, provided that the other assumptions are constant. This analysis reflects the impact on gross and net liabilities, profit before tax and equity of the Group. Correlation of the assumptions has a significant impact on the procedure for determining final liability for claims, however, to demonstrate the impact due to changes the assumptions need to be changed individually. Changes in the assumptions are not linear. Sensitivity of the information will also vary depending on the current economic assumptions.

31 Financial and Insurance Risk Management (continued)

Effect of changes in the key assumptions as at 31 December 2019:

in billions of Russian Roubles	Change of assumptions	Increase/ (decrease) in gross liabilities	Increase/ (decrease) in net liabilities	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
Mortality/morbidity	-10%	(0.5)	(0.5)	0.5	0.4
Mortality/morbidity	+10%	0.5	0.5	(0.5)	(0.4)
Expenses	-10%	(0.4)	(0.4)	0.4	0.3
Expenses	+10%	0.4	0.4	(0.4)	(0.3)
Discount rate	-1%	8.2	8.2	(8.2)	(6.6)
Discount rate	+1%	(2.7)	(2.7)	2.7	2.1

Effect of changes in the key assumptions as at 31 December 2018:

in billions of Russian Roubles	Change of assumptions	Increase/ (decrease) in gross liabilities	Increase/ (decrease) in net liabilities	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
Mortality/morbidity	-10%	(0.4)	(0.4)	0.4	0.3
Mortality/morbidity	+10%	0.4	0.4	(0.4)	(0.3)
Expenses	-10%	(0.3)	(0.3)	0.3	0.3
Expenses	+10%	0.3	0.3	(0.3)	(0.3)
Discount rate	-1%	9.8	9.8	(9.8)	(7.8)
Discount rate	+1%	(9.1)	(9.1)	9.1	7.2

Sensitivity of pension liabilities to the changes in actuarial assumptions is not relevant since these changes in assumptions do not lead to deficit as a result of liabilities adequacy test.

Operational Risk. Operational risk is the risk of Group losses caused by defects of internal processes, functioning of informational systems, unapproved/unlawful actions or mistakes of employees as well as due to external events.

Operational risk management system is defined by the Policy for operational risk management and aimed at prevention of such risk or maximum possible decrease of potential loss danger (direct and/or related) connected to internal process organization and external factors (events), measurement of operational risk for the calculation of required regulatory and economic capital as well as generation of adequate system of internal control.

Operational risk management process in Group includes following basic phases:

- operational risk identification;
- operational risk assessment;
- analysis of problem zones of processes, development of solution and decision-making concerning optimization / change in processes in order to decrease operational risk level;
- operational risk monitoring;
- control and/or decrease of operational risk.

In order to perform the phases mentioned above such operational risk management instruments as collection of internal data concerning losses caused by the realization of operational risk incidents, self-appraisal of departments and scenario analysis for operational risks are integrated in the Group.

Risk-coordinators were appointed in all organization departments of the Bank and the Group members. Their functions include interaction with operational risk departments concerning questions of identification, measurement, monitoring and control over operational risk. In particular risk-coordinators inform about realized incidents of operational risk as well as measure potential risks during self-appraisal.

In order to monitor operational risk the Group uses the system of reports for the management and collegial bodies, involved in risk management process. Operational risk reporting is formed on daily, monthly and quarterly basis.

31 Financial and Insurance Risk Management (continued)

Evaluation of risk data and incurred losses allow to identify areas of risk concentration for further development of measures which reduce the Group's risk level.

In 2019 Bank continued to implement measures to reduce risks. These activities are aimed at both modification of the existing processes and technologies of the transactions and increase in employees discipline. A new approach was developed and approved to establish key performance indicators for internal operational risk departments, the operational risk appetite values were approved, including internal structural units, operational risk loss limits, and a target level for detecting operational risk events was established for the first and the second line of defense. As part of the analysis, control and forecasting of operational risks, key risk indicators are developed and monitored.

Regular monitoring of the status of the measures implementation and the level of residual risk is performed by both the structural units and the operational risk departments, as well as by the management and collegial bodies of the management of the Bank and the Group members.

In order to prevent or/and decrease losses arised from operational risk the Group has developed and used mechanisms and procedures such as overall reglamentation of business-processes and procedures, segregation of duties, rules and procedures for deals and transactions execution, control over credit limit discipline, action plan for information security, continuity, improvement of an audit procedures and quality control over performance of automatized systems and hardware complex, property and assets insurance, ongoing professional development of staff across the Group's hierarchy, etc.

Compliance Risk. Compliance risk is the risk of legal or other regulator bodies' sanctions, material finance loss or loss to reputation the Bank or Group member may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards and code of conduct applicable to its banking activities.

The Group's main focus areas in the compliance risk management are as follows:

- prevention of abuse of authority and corruption of the Group employees;
- avoidance and regulation of conflicts of interest which appear in the Group normal course of activity;
- anti-money laundering and financing of terrorism;
- compliance with financial markets license and other regulations;
- market behavior and fair play compliance during the global market trading, prevention of unfair business practice (insider trading, price manipulation and etc.);
- compliance with economic sanctions and restrictions set up by the Russian Federation, other countries and international organizations;
- assurance of customer rights, including investment activity.

As a result of work in those areas Group has developed and approved internal compliance documents and control procedures. Compliance control is organized consistently with involvement of all Group employees and is performed continuously.

31 Financial and Insurance Risk Management (continued)

Among the key events in the area of compliance risk management were the following:

- the Bank's compliance management system successfully passed the certification audit of the International Compliance Association for compliance with quality standards ISO 19600:2014 ‘Compliance management’ and regular re-certification for compliance with international standard ISO 37001:2016 ‘Anti-bribery management systems’;
- compliance training program successfully passed international accreditation EFMD EOCCS (European Foundation for Management Development Online Course Certification System) in December 2019;
- training program "Anti-corruption" is developed and performed for the employees whose official and/or functional duties include participation in anti-corruption activities;
- machine learning tools are introduced into key compliance control processes to improve the detection of doubtful operations;
- Supervisory Board of the Bank developed and approved a new version of the Conflict of Interest Management Policy;
- communication campaigns were conducted for all Bank employees to comply with the provisions of the Code of Corporate Ethics, control of conflicts of interest and rules for handling gifts;
- measures were taken to sign guarantees with counterparties and partners of the Bank to prevent acts of a corruption by establishing contractual relations with them;
- efficiency of monitoring operations with signs of market manipulation increased;
- compliance support was provided to bring the Bank's activities in line with the requirements for the provision of services to provide customers with individual investment recommendations;
- regular training for Bank employees in compliance areas was ensured.

32 Contingencies and Commitments

Legal proceedings**.** From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and internal professional advice the Management is of the opinion that no material losses will be incurred in respect of the claims in excess of the amounts already provided for in these consolidated financial statements.

In relation to the claim against the Bank and a customer of the Bank to void the derivative deals concluded between the parties the court of first instance in the first quarter of 2019 delivered judgement in favour of the plaintiff. In the third quarter of 2019 the arbitration court approved the judgement of the court of first instance, and in the fourth quarter of 2019 the court of cassation approved the judgements of the court of first instance and the appeal court. The Group made settlements in relation to the claim. At the same time assessment of the Group has not changed, and the Group will continue to appeal the delivered judgments.

In the context of recognition and enforcement on Ukrainian territory of the decision of the international commercial arbitration court (Hague, Kingdom of Netherlands) in relation to the legal claim of residents of Ukraine against the Russian Federation (represented by the Ministry of Justice of the Russian Federation) Kiev Appeal Court has imposed an arrest / restrictions on the shares of Sberbank JSC (Ukraine) owned by the Group, imposing restrictions on operations with these shares. Besides, Kiev appeal court set restrictions on disposal of movable and immovable property of Sberbank JSC (Ukraine) as well as liquidation and reorganization of Sberbank JSC (Ukraine). In January 2019 the Supreme Court of Ukraine satisfied the appeal complaint of the Group and removed arrest from the shares of Sberbank JSC (Ukraine) owned by the Group and restrictions on disposal of movable and immovable property of Sberbank JSC (Ukraine). However formally these restrictions in respect of the shares were not removed. Following the claim from the Group those restrictions on shares have been withdrawn in accordance with the decision of the Kiev Civil Court which came into force in December 2019.

Tax legislation. Russian tax, currency and customs current legislation is vaguely drafted and is subject to varying interpretations, selective application and changes. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged. As a result, additional taxes, penalties and interest may be assessed by the relevant authorities.

Federal law No. 376-FZ dated 24 November 2014 took effect from 1 January 2015 and new rules for taxation of controlled foreign companies as well as conception of beneficial owner and tax resident of legal entities took place. The adoption of this law generally leads to an increase in the administrative and in several cases tax burden for the Russian entities that have subsidiary structures incorporated outside the Russian Federation and/or carry out transactions with foreign companies.

In accordance with the requirements of the Tax Code of the Russian Federation the Bank calculates and records through the current income tax the tax liabilities in respect of profits of foreign companies, as well as foreign organizations without a legal entity, which are recognized as controlled foreign companies of the Group. The calculation of tax liabilities in respect of profits of controlled foreign companies takes into account proposed dividend distributions and expected reorganizations within the Group.

Adoption of new norms as well as other Russian tax legislation interpretations along with recent trends in legal succession could lead to potential possibility of increase in tax paid and tax penalties driven by rigid position of tax authorities and courts concerning tax legislation interpretation and tax calculations. At the same time determination of size and possibility of adverse results of such tax claims could not be measured. The scope of tax inspections could be up to three years prior to the year of inspection. If certain conditions are present this scope could be extended to earlier years.

Management believes that as at 31 December 2019 the provisions of the tax laws applicable to the Group, are interpreted appropriately.

32 Contingencies and Commitments (continued)

Capital expenditure commitments. As at 31 December 2019 the Group had contractual capital expenditure commitments in respect of premises and equipment totalling RR 45.1 billion (31 December 2018: RR 26.2 billion) and in respect of computer equipment acquisition of RR 7.8 billion (31 December 2018: RR 0.3 billion). The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

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

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

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cashflows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests.

32 Contingencies and Commitments (continued)

Outstanding credit related commitments and performance guarantees are as follows:

in billions of Russian Roubles	31 December 2019	31 December 2018
Commitments to extend credit	2,601.6	2,427.3
Commitments to extend guarantees	1,228.5	1,114.2
Guarantees issued:		
- Performance guarantees	726.5	820.5
- Financial guarantees	764.9	609.8
Undrawn credit lines	469.7	418.8
Export letters of credit with credit risk	9.2	3.0
Import letters of credit and letters of credit for domestic settlements	323.5	233.2
Total credit related commitments and performance guarantees before loss allowance / provision (except for those of discontinued operations)	**6,123.9**	**5,626.8**
Loss allowance / provision	(37.3)	(28.7)
Credit related commitments and performance guarantees of discontinued operations before loss allowance / provision	**—**	**950.8**
Loss allowance / provision related to discontinued operations	—	(4.3)
Total credit related commitments and performance guarantees	**6,086.6**	**6,544.6**

For the purpose of ECL measurement credit related commitments balances are included in Stage 1. Refer to Note 31 for the ECL measurement approach.

As at 31 December 2019 included in due to corporate customers are deposits of RR 264.4 billion (31 December 2018: RR 163.9 billion) held as collateral for irrevocable commitments under letters of credit. Refer to Note 15.

The total outstanding contractual amount of undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash payments, as these instruments may expire or terminate without any payments being made.

For the movements in the credit loss allowance / provision for impairment of credit related commitments and performance guarantees refer to Note 18.

Assets under management. As at 31 December 2019 and 31 December 2018 several asset management companies of the Group were managing assets of various investment entities. The net value of such assets was as follows:

in billions of Russian Roubles	31 December 2019	31 December 2018
Funds of individuals	164.8	124.3
Mutual investment funds	106.3	79.7
Pension funds and insurance companies	44.3	59.7
Designated funds	4.0	3.6
Venture funds	1.9	—
Other	56.3	9.3
Total	**377.6**	**276.6**

33 Derivative Financial Instruments

Foreign exchange and other derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties. Derivatives have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. Fair value of derivative financial assets and liabilities can fluctuate significantly from time to time. Refer to Note 34 for the information on valuation of derivative financial instruments.

The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting date.

The table below shows the analysis of derivative financial instruments of the Group as at 31 December 2019:

	Fair value of expected amounts			
in billions of Russian Roubles	**Receivable**	**Payable**	**Assets - Positive fair value**	**Liabilities - Negative fair value**
Foreign currency:				
Market swaps	3.7	(3.7)	0.1	(0.1)
OTC options	4.9	(5.9)	4.9	(5.9)
OTC swaps	2,126.2	(2,122.3)	24.5	(20.6)
Forwards	412.5	(403.8)	12.8	(4.1)
Total	**2,547.3**	**(2,535.7)**	**42.3**	**(30.7)**
Interest rate:				
Market swaps	—	(0.2)	—	(0.2)
OTC options	6.4	(1.0)	6.4	(1.0)
OTC swaps	43.2	(54.9)	40.5	(52.2)
Total	**49.6**	**(56.1)**	**46.9**	**(53.4)**
Foreign currency interest rate:				
OTC swaps	1,066.8	(1,051.8)	37.1	(22.1)
Total	**1,066.8**	**(1,051.8)**	**37.1**	**(22.1)**
Commodities including precious metals:				
Market options	2.1	(0.6)	2.1	(0.6)
OTC options	2.5	(2.1)	2.5	(2.1)
OTC swaps	6.3	(6.1)	0.5	(0.3)
Forwards	1.6	(1.7)	—	(0.1)
Futures	0.1	(0.1)	0.1	(0.1)
Total	**12.6**	**(10.6)**	**5.2**	**(3.2)**
Equities:				
Market options	27.6	(1.1)	27.6	(1.1)
OTC options	0.2	(5.7)	0.2	(5.7)
OTC swaps	—	(0.7)	—	(0.7)
Futures	0.1	(0.3)	0.1	(0.3)
Total	**27.9**	**(7.8)**	**27.9**	**(7.8)**
Debt securities:				
Market options	16.8	—	16.8	—
Total	**16.8**	**—**	**16.8**	**—**
Credit risk:				
OTC swaps	—	(0.2)	—	(0.2)
Total	**—**	**(0.2)**	**—**	**(0.2)**
Other:				
Market options	2.8	(0.1)	2.8	(0.1)
OTC options	14.9	(17.1)	14.9	(17.1)
Total	**17.7**	**(17.2)**	**17.7**	**(17.2)**
Total	**3,738.7**	**(3,679.4)**	**193.9**	**(134.6)**

33 Derivative Financial Instruments (continued)

The table below shows the analysis of derivative financial instruments of the Group as at 31 December 2018:

	Fair value of expected amounts			
in billions of Russian Roubles	**Receivable**	**Payable**	**Assets - Positive fair value**	**Liabilities - Negative fair value**
Foreign currency:				
Market swaps	7.8	(8.0)	0.1	(0.3)
OTC options	10.3	(7.3)	9.5	(6.5)
OTC swaps	2,329.0	(2,314.5)	37.8	(23.3)
Forwards	589.2	(596.8)	8.4	(16.0)
Total	**2,936.3**	**(2,926.6)**	**55.8**	**(46.1)**
Interest rate:				
Market swaps	4.6	(4.5)	0.2	(0.1)
OTC options	0.7	(1.1)	1.5	(1.9)
OTC swaps	118.9	(118.0)	24.0	(23.1)
Total	**124.2**	**(123.6)**	**25.7**	**(25.1)**
Foreign currency interest rate:				
OTC swaps	1,208.0	(1,207.0)	54.5	(53.5)
Total	**1,208.0**	**(1,207.0)**	**54.5**	**(53.5)**
Commodities including precious metals:				
Market options	2.6	(2.2)	2.6	(2.2)
OTC options	2.0	(1.4)	2.0	(1.4)
OTC swaps	41.7	(37.3)	5.5	(1.1)
Forwards	1.7	(0.8)	0.9	—
Futures	1.4	(0.2)	1.4	(0.2)
Total	**49.4**	**(41.9)**	**12.4**	**(4.9)**
Equities:				
Market options	10.0	(0.2)	10.0	(0.2)
OTC options	0.2	(0.8)	0.2	(0.8)
Forwards	1.0	(0.6)	1.0	(0.6)
Futures	0.4	(0.1)	0.4	(0.1)
Total	**11.6**	**(1.7)**	**11.6**	**(1.7)**
Debt securities:				
Market options	3.1	—	3.1	—
Total	**3.1**	**—**	**3.1**	**—**
Credit risk:				
OTC swaps	0.7	(0.4)	0.3	—
Total	**0.7**	**(0.4)**	**0.3**	**—**
Other:				
Market options	12.5	(14.6)	12.5	(14.6)
OTC options	1.7	(1.8)	1.7	(1.8)
Total	**14.2**	**(16.4)**	**14.2**	**(16.4)**
Total	**4,347.5**	**(4,317.6)**	**177.6**	**(147.7)**

34 Fair Value Disclosures

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

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

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

34 Fair Value Disclosures (continued)

The following table shows an analysis of assets carried at fair value by level of the fair value hierarchy as at 31 December 2019:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Assets carried at fair value or revalued amount				
Cash and cash equivalents	—	4.2	—	**4.2**
Due from banks	—	513.9	—	**513.9**
Loans and advances to customers	**—**	**—**	**952.7**	**952.7**
- Commercial loans to legal entities	—	—	186.8	**186.8**
- Project finance loans to legal entities	—	—	739.3	**739.3**
- Consumer and other loans to individuals	—	—	26.6	**26.6**
Securities				
- Securities measured at fair value through other comprehensive income	***1,877.7***	***373.9***	***101.1***	***2,352.7***
Russian federal loan bonds (OFZ bonds)	1,087.6	151.1	—	**1,238.7**
Corporate bonds	285.2	180.8	—	**466.0**
Bonds of the Bank of Russia	238.6	—	—	**238.6**
Russian Federation Eurobonds	209.8	—	—	**209.8**
Mortgage-backed securities	—	—	98.4	**98.4**
Foreign government and municipal bonds	54.3	31.2	1.1	**86.6**
Russian municipal and subfederal bonds	2.1	9.5	—	**11.6**
Corporate shares	0.1	—	1.6	**1.7**
Promissory notes	—	1.3	—	**1.3**
- Securities mandatorily measured at fair value through profit or loss	***428.6***	***61.1***	***37.3***	***527.0***
Russian federal loan bonds (OFZ bonds)	250.1	—	—	**250.1**
Corporate bonds	88.9	59.1	(0.1)	**147.9**
Corporate shares	64.9	—	23.2	**88.1**
Investments in mutual funds	11.7	—	14.2	**25.9**
Foreign government and municipal bonds	7.6	—	—	**7.6**
Russian Federation Eurobonds	5.4	2.0	—	**7.4**
- Securities designated at fair value through profit or loss	***0.1***	**—**	**—**	***0.1***
Corporate shares	0.1	—	—	**0.1**
Financial instruments pledged under repurchase agreements				
- Securities measured at fair value through other comprehensive income	***168.2***	***3.1***	**—**	***171.3***
Russian federal loan bonds (OFZ bonds)	131.9	0.8	—	**132.7**
Russian Federation Eurobonds	19.4	—	—	**19.4**
Bonds of the Bank of Russia	10.6	—	—	**10.6**
Corporate bonds	6.0	2.3	—	**8.3**
Foreign government and municipal bonds	0.3	—	—	**0.3**
- Securities mandatorily measured at fair value through profit or loss	***5.4***	**—**	**—**	***5.4***
Corporate shares	5.4	—	—	**5.4**
Derivative financial assets	**—**	**193.2**	**0.7**	**193.9**
Interest rate derivatives	—	46.9	—	**46.9**
Foreign currency derivatives	—	42.3	—	**42.3**
Foreign currency interest rate derivatives	—	37.1	—	**37.1**
Equities	—	27.4	0.5	**27.9**
Debt securities derivatives	—	16.8	—	**16.8**
Commodity derivatives including precious metals derivatives	—	5.2	—	**5.2**
Other derivatives	—	17.5	0.2	**17.7**
Investment property	**—**	**—**	**4.7**	**4.7**
Office premises	**—**	**—**	**280.6**	**280.6**
Total assets carried at fair value or revalued amount	**2,480.0**	**1,149.4**	**1,377.1**	**5,006.5**

34 Fair Value Disclosures (continued)

The following table shows an analysis of assets carried at fair value by level of the fair value hierarchy as at 31 December 2018:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Assets carried at fair value or revalued amount				
Cash and cash equivalents	—	6.2	—	**6.2**
Due from banks	—	649.9	—	**649.9**
Loans and advances to customers	**—**	**—**	**685.9**	**685.9**
- Commercial loans to legal entities	—	—	214.8	**214.8**
- Project finance loans to legal entities	—	—	466.7	**466.7**
- Consumer and other loans to individuals	—	—	4.4	**4.4**
Securities				
- Securities measured at fair value through other comprehensive income	***1,546.0***	***231.4***	***80.9***	***1,858.3***
Russian federal loan bonds (OFZ bonds)	831.1	108.1	—	**939.2**
Corporate bonds	266.0	70.7	—	**336.7**
Russian Federation Eurobonds	190.5	—	—	**190.5**
Bonds of the Bank of Russia	185.7	—	—	**185.7**
Foreign government and municipal bonds	70.1	42.2	0.7	**113.0**
Mortgage-backed securities	—	—	80.2	**80.2**
Russian municipal and subfederal bonds	2.4	8.9	—	**11.3**
Promissory notes	—	1.4	—	**1.4**
Corporate shares	0.2	0.1	—	**0.3**
- Securities mandatorily measured at fair value through profit or loss	***353.7***	***60.8***	***48.2***	***462.7***
Russian federal loan bonds (OFZ bonds)	231.0	—	—	**231.0**
Corporate bonds	91.8	60.8	—	**152.6**
Corporate shares	24.2	—	32.7	**56.9**
Investments in mutual funds	0.3	—	15.5	**15.8**
Russian Federation Eurobonds	4.6	—	—	**4.6**
Foreign government and municipal bonds	1.8	—	—	**1.8**
- Securities designated at fair value through profit or loss	***2.6***	***—***	***—***	***2.6***
Foreign government and municipal bonds	2.6	—	—	**2.6**
Financial instruments pledged under repurchase agreements				
- Securities measured at fair value through other comprehensive income	***272.3***	***28.7***	***—***	***301.0***
Russian federal loan bonds (OFZ bonds)	230.7	28.7	—	**259.4**
Russian Federation Eurobonds	30.2	—	—	**30.2**
Corporate bonds	7.9	—	—	**7.9**
Bonds of the Bank of Russia	3.5	—	—	**3.5**
- Securities mandatorily measured at fair value through profit or loss	***0.1***	***—***	***—***	***0.1***
Corporate shares	0.1	—	—	**0.1**
Derivative financial assets	**—**	**176.5**	**1.1**	**177.6**
Foreign currency derivatives	—	55.8	—	**55.8**
Foreign currency interest rate derivatives	—	54.5	—	**54.5**
Interest rate derivatives	—	25.7	—	**25.7**
Commodity derivatives including precious metals derivatives	—	12.4	—	**12.4**
Equity securities derivatives	—	10.5	1.1	**11.6**
Debt securities derivatives	—	3.1	—	**3.1**
Credit risk derivatives	—	0.3	—	**0.3**
Other derivatives	—	14.2	—	**14.2**
Investment property	**—**	**—**	**4.8**	**4.8**
Office premises	**—**	**—**	**288.2**	**288.2**
Assets of discontinued operations	**107.2**	**26.3**	**5.7**	**139.2**
Total assets carried at fair value or revalued amount	**2,281.9**	**1,179.8**	**1,114.8**	**4,576.5**

34 Fair Value Disclosures (continued)

The following table shows fair values of financial assets for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2019:

in billions of Russian Roubles	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial assets carried at amortized cost					
Cash and cash equivalents	2,079.0	641.0	1,438.0	—	**2,079.0**
Mandatory cash balances with central banks	235.5	—	235.5	—	**235.5**
Due from banks	569.3	—	569.3	—	**569.3**
Loans and advances to customers					
- Loans to corporate customers	11,921.5	—	—	12,156.7	**12,156.7**
- Loans to individuals	7,489.3	—	—	7,714.0	**7,714.0**
Securities measured at amortized cost	1,302.6	975.5	375.7	2.0	**1,353.2**
Financial instruments pledged under repurchase agreements measured at amortized cost	10.6	11.3	—	—	**11.3**
Other financial assets	504.6	—	—	504.6	**504.6**
Total financial assets carried at amortized cost	**24,112.4**	**1,627.8**	**2,618.5**	**20,377.3**	**24,623.6**

The following table shows fair values of financial assets for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2018:

in billions of Russian Roubles	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial assets carried at amortized cost					
Cash and cash equivalents	2,092.6	695.0	1,397.6	—	**2,092.6**
Mandatory cash balances with central banks	222.1	—	222.1	—	**222.1**
Due from banks	770.8	—	770.8	—	**770.8**
Loans and advances to customers					
- Loans to corporate customers	12,449.4	—	—	13,324.5	**13,324.5**
- Loans to individuals	6,449.7	—	—	6,625.0	**6,625.0**
Securities measured at amortized cost	1,118.9	752.3	358.4	1.0	**1,111.7**
Financial instruments pledged under repurchase agreements measured at amortized cost	5.9	3.8	2.2	—	**6.0**
Other financial assets	435.8	—	—	435.8	**435.8**
Assets of discontinued operations	2,367.3	76.7	457.9	1,789.8	**2,324.4**
Total financial assets carried at amortized cost	**25,912.5**	**1,527.8**	**3,209.0**	**22,176.1**	**26,912.9**

34 Fair Value Disclosures (continued)

The following table shows an analysis of financial liabilities carried at fair value by level of the fair value hierarchy as at 31 December 2019:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Financial liabilities carried at fair value				
Due to banks designated at fair value through profit or loss	—	368.3	—	**368.3**
Due to individuals designated at fair value through profit or loss	—	106.4	—	**106.4**
Due to corporate customers designated at fair value through profit or loss	—	18.6	—	**18.6**
Derivative financial instruments	**—**	**132.4**	**2.2**	**134.6**
Interest rate derivatives	—	53.4	—	**53.4**
Foreign currency derivatives	—	30.7	—	**30.7**
Foreign currency interest rate derivatives	—	22.1	—	**22.1**
Equities	—	7.8	—	**7.8**
Commodity derivatives including precious metals derivatives	—	3.2	—	**3.2**
Credit risk derivatives	—	0.2	—	**0.2**
Other derivatives	—	15.0	2.2	**17.2**
Obligation to deliver securities	**32.2**	**9.0**	**—**	**41.2**
Corporate bonds	14.9	—	—	**14.9**
Russian Federation Eurobonds	3.7	9.0	—	**12.7**
Corporate shares	9.6	—	—	**9.6**
Russian federal loan bonds (OFZ bonds)	3.8	—	—	**3.8**
Russian municipal and subfederal bonds	0.1	—	—	**0.1**
Investments in mutual funds	0.1	—	—	**0.1**
Total financial liabilities carried at fair value	**32.2**	**634.7**	**2.2**	**669.1**

34 Fair Value Disclosures (continued)

The following table shows an analysis of financial liabilities carried at fair value by level of the fair value hierarchy as at 31 December 2018:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Financial liabilities carried at fair value				
Due to banks designated at fair value through profit or loss	—	562.6	—	**562.6**
Due to individuals designated at fair value through profit or loss	—	102.4	—	**102.4**
Due to corporate customers designated at fair value through profit or loss	—	7.7	1.0	**8.7**
Derivative financial instruments	**—**	**147.7**	**—**	**147.7**
Foreign currency interest rate derivatives	—	53.5	—	**53.5**
Foreign currency derivatives	—	46.1	—	**46.1**
Interest rate derivatives	—	25.1	—	**25.1**
Commodity derivatives including precious metals derivatives	—	4.9	—	**4.9**
Equity securities derivatives	—	1.7	—	**1.7**
Other derivatives	—	16.4	—	**16.4**
Obligation to deliver securities	**33.9**	**—**	**—**	**33.9**
Corporate bonds	12.6	—	—	**12.6**
Russian federal loan bonds (OFZ bonds)	11.9	—	—	**11.9**
Russian Federation Eurobonds	7.3	—	—	**7.3**
Corporate shares	2.1	—	—	**2.1**
Liabilities of discontinued operations	**—**	**27.0**	**—**	**27.0**
Total financial liabilities carried at fair value	**33.9**	**847.4**	**1.0**	**882.3**

The following table shows fair values of financial liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2019:

	Carrying value				Fair value
in billions of Russian Roubles		Level 1	Level 2	Level 3	Total
Financial liabilities carried at amortized cost					
Due to banks	402.0	—	391.1	9.7	**400.8**
Due to individuals					
- Current/demand accounts	3,763.1	—	3,763.1	—	**3,763.1**
- Term deposits and direct repo agreements	10,340.1	—	—	10,378.1	**10,378.1**
Due to corporate customers					
- Current/demand accounts	2,675.2	—	2,675.2	—	**2,675.2**
- Term deposits and direct repo agreements	4,671.0	—	—	4,615.9	**4,615.9**
Debt securities in issue	729.7	127.6	627.5	3.0	**758.1**
Other borrowed funds	24.6	—	23.8	0.8	**24.6**
Other financial liabilities	339.1	—	—	339.1	**339.1**
Subordinated debt	619.9	125.5	1.8	499.8	**627.1**
Total financial liabilities carried at amortized cost	**23,564.7**	**253.1**	**7,482.5**	**15,846.4**	**23,582.0**

34 Fair Value Disclosures (continued)

The following table shows fair values of financial liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2018:

in billions of Russian Roubles	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial liabilities carried at amortized cost					
Due to banks	534.2	—	513.3	15.2	**528.5**
Due to individuals					
- Current/demand accounts	3,265.7	—	3,265.7	—	**3,265.7**
- Term deposits and direct repo agreements	10,127.0	—	—	10,055.1	**10,055.1**
Due to corporate customers					
- Current/demand accounts	2,416.2	—	2,416.2	—	**2,416.2**
- Term deposits and direct repo agreements	4,977.3	—	—	4,795.1	**4,795.1**
Debt securities in issue	843.6	602.1	269.0	4.2	**875.3**
Other borrowed funds	56.5	—	55.9	0.5	**56.4**
Other financial liabilities	266.9	—	—	266.9	**266.9**
Subordinated debt	707.3	196.6	3.4	504.1	**704.1**
Liabilities of discontinued operations	2,185.2	—	—	2,186.7	**2,186.7**
Total financial liabilities carried at amortized cost	**25,379.9**	**798.7**	**6,523.5**	**17,827.8**	**25,150.0**

Level 2 assets carried at fair value include short term liquid balances due from banks, debt securities of first-class borrowers and derivative financial instruments that are not actively traded on the market. Fair value of these financial instruments was calculated using techniques for which all inputs which have a significant effect on the recorded fair value are observable on the active market. Financial characteristics of comparable financial instruments actively traded on the market were used as inputs for the fair valuation models.

The following describes the methodologies and assumptions used to determine fair values for financial instruments.

Derivatives

Derivatives valued using a valuation technique with market observable inputs derived from well-known market information systems are mainly foreign currency interest rate swaps, interest rate swaps, currency swaps, forward foreign exchange contracts and foreign exchange option contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Pricing of options is mostly done with Black-Scholes model and for certain types of options with stochastic local volatility model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and implied volatility. In rare exceptional cases, DCF model may be applied, in case where it is impossible to obtain market data.

Securities measured at fair value through profit or loss and securities at fair value through other comprehensive income

Securities measured at fair value through profit or loss, securities measured at fair value through other comprehensive income valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. 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 geographical jurisdiction in which the investee operates.

34 Fair Value Disclosures (continued)

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and financial liabilities measured at fair value during the year ended 31 December 2019:

	Transfers between Level 1 and Level 2	
in billions of Russian Roubles	**From Level 1 to Level 2**	**From Level 2 to Level 1**
Financial assets		
Securities measured at fair value through other comprehensive income	133.3	241.3
Securities mandatorily measured at fair value through profit or loss	42.8	47.8
Securities measured at fair value through other comprehensive income pledged under repurchase agreements	2.3	16.5
Total transfers of financial assets	**178.4**	**305.6**
Obligation to deliver securities	9.0	0.8
Total transfers of financial liabilities	**9.0**	**0.8**

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets measured at fair value during the year ended 31 December 2018:

	Transfers between Level 1 and Level 2	
in billions of Russian Roubles	**From Level 1 to Level 2**	**From Level 2 to Level 1**
Financial assets		
Securities measured at fair value through other comprehensive income	232.8	36.5
Securities mandatorily measured at fair value through profit or loss	44.4	7.5
Securities measured at fair value through other comprehensive income pledged under repurchase agreements	43.5	—
Total transfers of financial assets	**320.7**	**44.0**

The financial instruments are transferred from Level 2 and Level 3 to Level 1 when they become actively traded and fair values are determined using quoted prices in an active market.

The financial instruments are transferred from Level 1 to Level 2 when they ceased to be actively traded, the liquidity of the market is not sufficient to use the market quotation for the valuation and fair values are consequently obtained from valuation techniques using observable market inputs.

The financial instruments are transferred to Level 3 when they ceased to be actively traded and there is no possibility to use valuation techniques with observable market inputs.

34 Fair Value Disclosures (continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 assets and liabilities which are recorded at fair value as at 31 December 2019:

in billions of Russian Roubles	At 31 December 2018	Total gains/ (losses) reported in profit or loss	Foreign currency revaluation	Total gains/ (losses) reported in other compre-hensive income	Origination/ Purchases	Sales/ Settlements/ Transfers	Transfers from Level 3	Transfers to Level 3	At 31 December 2019
Securities mandatorily measured at fair value through profit or loss	**48.2**	0.4	(0.4)	—	1.6	(12.6)	(0.8)	0.9	**37.3**
Securities measured at fair value through other comprehensive income	**80.9**	5.0	—	10.3	24.6	(21.4)	—	1.7	**101.1**
Loans and advances to customers	**685.9**	(27.2)	(49.4)	—	592.5	(249.1)	—	—	**952.7**
Derivative financial assets	**1.1**	—	—	—	0.5	(0.9)	—	—	**0.7**
Investment property	**4.8**	(0.2)	—	—	1.7	(1.6)	—	—	**4.7**
Office premises	**288.2**	(10.3)	(1.1)	(7.9)	26.4	(14.7)	—	—	**280.6**
Assets of discontinued operations	**5.7**	—	—	—	—	(5.7)	—	—	**—**
Total level 3 assets	**1,114.8**	**(32.3)**	**(50.9)**	**2.4**	**647.3**	**(306.0)**	**(0.8)**	**2.6**	**1,377.1**
Due to corporate customers	**1.0**	—	—	—	—	(1.0)	—	—	**—**
Derivative financial instruments	**—**	—	—	—	2.2	—	—	—	**2.2**
Total level 3 liabilities	**1.0**	**—**	**—**	**—**	**2.2**	**(1.0)**	**—**	**—**	**2.2**

34 Fair Value Disclosures (continued)

For the year ended 31 December 2019 the gains / losses in the amount of RR 21.6 billion reported in the consolidated statement of profit or loss on Level 3 financial assets were unrealized.

For the year ended 31 December 2019 the gains / losses in the amount RR 10.3 billion reported in the consolidated statement of comprehensive income on Level 3 financial assets were unrealized.

Details of valuation of significant assets as at 31 December 2019 are summarised below.

Valuation of loans using valuation techniques based on non-observable inputs

The Group determined fair value of loans based on discounted cash flow models and using the pricing of embedded derivatives. The models use a number of observable and non-observable inputs on the market, key of which are the interest rates and the credit spread.

Should the interest rate used by the Group in the valuation model for loans to a chemical company with fair value of RR 239.0 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 7.7 billion lower / RR 7.7 billion higher. Should the credit spread used by the Group in the valuation model for loans to the company increase / decrease by 1.0%, the carrying value of the loans would be RR 4.2 billion lower / RR 4.2 billion higher.

Should the interest rate used by the Group in the valuation model for loans to oil refining company with fair value of 88.5 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 2.6 billion lower / RR 2.6 billion higher. Should the credit spread used by the Group in the valuation model for loans to the company increase / decrease by 1.0%, the carrying value of the loans would be RR 0.6 billion lower / RR 0.6 billion higher.

Should the interest rate used by the Group in the valuation model for loans to another chemical company with fair value of 59.4 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 0.3 billion lower / RR 0.3 billion higher. Should the credit spread used by the Group in the valuation model for loans to the company increase / decrease by 1.0%, the carrying value of the loans would be RR 0.1 billion lower / RR 0.1 billion higher.

In valuation above the credit spread should be interpreted with market convention LGD equal to 75%.

The Group determined fair value of loans to oil refining companies based on discounted cash flow models and using the pricing of embedded derivatives. The models use a number of observable and non-observable inputs on the market, key of which are the discount rate and estimated cash flows.

Should the sum of discounted cash flows used by the Group in the valuation model for loans to an oil refining company with fair value of RR 88.5 billion increase / decrease by 5%, the carrying value of the loans would be RR 4.5 billion higher / RR 4.5 billion lower.

Should the sum of discounted cash flows used by the Group in the valuation model for loans to another oil refining company with fair value of RR 75.0 billion increase / decrease by 5.0%, the carrying value of the loans would be RR 3.5 billion higher / RR 3.5 billion lower.

Valuation of mortgage-backed securities using valuation techniques based on non-observable inputs

The model uses a number of observable and unobservable inputs to derive a valuation, key of which include risk-free curve and the credit spread for JSC "DOM.RF" (all considered observable), while portfolio aging period and behavioral adjustment on refinancing position represent key unobservable inputs.

Should the risk-free curve used by the Group in the valuation model for securities of RR 31.2 billion increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.0 billion lower / RR 1.1 billion higher. Should the JSC "DOM.RF" credit spread used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.0 billion lower / RR 1.1 billion higher.

Should the risk-free curve used by the Group in the valuation model for securities of RR 43.1 billion increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.8 billion lower / RR 1.9 billion higher. Should the JSC "DOM.RF" credit spread used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.8 billion lower / RR 1.9 billion higher.

34 Fair Value Disclosures (continued)

Should the risk-free curve used by the Group in the valuation model for securities of RR 24.1 billion increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.0 billion lower / RR 1.0 billion higher. Should the JSC "DOM.RF" credit spread used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.0 billion lower / RR 1.0 billion higher.

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which are recorded at fair value as at 31 December 2018:

in billions of Russian Roubles	At 1 January 2018 as adjusted under IFRS 9	Total gains/ (losses) reported in profit or loss	Foreign currency revaluation	Total losses reported in other compre-hensive income	Purchases	Sales/ Settlements/ Transfers	Transfers to assets of discontinued operations	Transfers to Level 3	At 31 December 2018
Securities mandatorily measured at fair value through profit or loss	**36.9**	5.9	2.4	—	1.6	(0.8)	—	2.2	**48.2**
Securities measured at fair value through other comprehensive income	**45.7**	0.1	—	1.8	46.7	(13.4)	—	—	**80.9**
Loans and advances to customers	**561.2**	(14.4)	91.5	—	405.9	(358.3)	—	—	**685.9**
Derivative financial instruments	**0.9**	0.2	—	—	—	—	—	—	**1.1**
Investment property	**7.7**	(0.7)	0.2	—	2.3	(2.2)	(2.5)	—	**4.8**
Office premises	**276.7**	(6.2)	0.8	(2.1)	32.8	(11.1)	(2.7)	—	**288.2**
Assets of discontinued operations	**—**	0.3	(0.2)	0.3	0.1	—	5.2	—	**5.7**
Total level 3 assets	**929.1**	**(14.8)**	**94.7**	**—**	**489.4**	**(385.8)**	**—**	**2.2**	**1,114.8**
Due to corporate customers	**0.6**	—	—	—	0.4	—	—	—	**1.0**
Total level 3 liabilities	**0.6**	**—**	**—**	**—**	**0.4**	**—**	**—**	**—**	**1.0**

For the year ended 31 December 2018 the losses in the amount of RR 1.2 billion reported in the consolidated statement of profit or loss on Level 3 financial assets were unrealized.

For the year ended 31 December 2018 the losses in the amount RR 1.8 billion reported in the consolidated statement of comprehensive income on Level 3 financial assets were unrealized.

34 Fair Value Disclosures (continued)

Details of valuation of significant assets as at 31 December 2018 are summarised below.

Valuation of loans using valuation techniques based on non-observable inputs

The Group determined fair value of loans based on discounted cash flow models and using the pricing of embedded derivatives. The models use a number of observable and non-observable inputs on the market, key of which are the discount rate and the credit spread.

Should the discount rate used by the Group in the valuation model for loans to a chemical company of RR 152.6 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 2.2 billion lower / RR 2.2 billion higher. Should the credit spread used by the Group in the valuation model for loans to the company increase / decrease by 1.0%, the carrying value of the loans would be RR 1.3 billion lower / RR 1.3 billion higher.

Should the discount rate used by the Group in the valuation model for loans to another chemical company of RR 65.7 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 0.3 billion lower / RR 0.3 billion higher. Should the credit spread used by the Group in the valuation model for loans to the company increase / decrease by 1.0%, the carrying value of the loans would be RR 0.1 billion lower / RR 0.1 billion higher.

Should the discount rate used by the Group in the valuation model for loans to metallurgical company of RR 34.9 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 0.2 billion lower / RR 0.2 billion higher. Should the credit spread used by the Group in the valuation model for loans to the company increase / decrease by 1%, the carrying value of the loans would be RR 0.1 billion lower / RR 0.1 billion higher.

In valuation above the credit spread should be interpreted with market convention LGD equal to 75%.

The Group determined fair value of loans to two oil refining companies based on discounted cash flow models and using the pricing of embedded derivatives. The models use a number of observable and non-observable inputs on the market, key of which are the discount rate and estimated cash flows.

Should the discount rate used by the Group in the valuation model for loans to an oil refining company of RR 105.2 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 7.3 billion lower / RR 7.3 billion higher. Should the sum of discounted cash flows used by the Group in the valuation model increase / decrease by 5.0%, the carrying value of the loans would be RR 5.3 billion higher / RR 5.3 billion lower.

Should the discount rate used by the Group in the valuation model for loans to another oil refining company of RR 66.4 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 3.4 billion lower / RR 3.4 billion higher. Should the sum of discounted cash flows used by the Group in the valuation model increase / decrease by 5.0%, the carrying value of the loans would be RR 3.3 billion higher / RR 3.3 billion lower.

Valuation of mortgage-backed securities using valuation techniques based on non-observable inputs

The model uses a number of observable and unobservable inputs to derive a valuation, key of which include risk-free curve and the credit spread for JSC "DOM.RF" (all considered observable), while portfolio aging period and behavioral adjustment on refinancing position represent key unobservable inputs.

Should the risk-free curve used by the Group in the valuation model for securities of RR 34.2 billion increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.1 billion lower / RR 0.9 billion higher. Should the JSC "DOM.RF" credit spread used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.2 billion lower / RR 1.3 billion higher.

Should the risk-free curve used by the Group in the valuation model for securities of RR 46.0 billion increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.5 billion lower / RR 1.4 billion higher. Should the JSC "DOM.RF" credit spread used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.6 billion lower / RR 1.7 billion higher.

35 Transfers of Financial Assets and Pledged Assets

The following note provides a summary of financial assets which have been pledged or transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition.

The table below shows the amount of operations under sale and repurchase agreements which the Group enters into in the normal course of business.

	31 December 2019				31 December 2018			
	Due to banks		Due to customers		Due to banks		Due to customers	
in billions of Russian Roubles	Carrying value of assets	Carrying value of related liability	Carrying value of assets	Carrying value of related liability	Carrying value of assets	Carrying value of related liability	Carrying value of assets	Carrying value of related liability
Securities pledged under repurchase agreements	165.6	152.4	21.7	21.0	220.3	206.8	86.7	82.5
Securities received under reverse repo agreements pledged under repurchase agreements	113.7	93.0	4.9	6.3	43.1	38.5	0.9	1.0
GCC pledged under repurchase agreements	7.8	7.9	—	—	177.5	178.9	—	—
Total before margin calls	**287.1**	**253.3**	**26.6**	**27.3**	**440.9**	**424.2**	**87.6**	**83.5**
Other financial assets (margin calls under repurchase agreements)	—	—	0.2	—	—	—	—	—
Total	**287.1**	**253.3**	**26.8**	**27.3**	**440.9**	**424.2**	**87.6**	**83.5**

Refer to Note 9 for information on details of own securities portfolio pledged under repurchase agreements.

The Group enters in repurchase agreements with general collateral certificates (the "GCC") on MOEX. The GCC are issued based on collateral pool and are used as a homogeneous universal collateral for repurchase agreements cleared through the central counterparty. The GCC are obtained under reverse repo agreements or by transferring assets to the collateral pool. Pool participant has the right to manage the assets in the collateral pool, including their replacement. The central counterparty evaluates the assets transferred to the collateral pool based on technique covering all risks. The GCC are issued at nominal value to the pool participants as the collateral value equivalent of the instruments transferred to the collateral pool. The GCC may only be used as a collateral in repurchase agreements. The collateral pool is revalued on a daily basis, and rebalancing of the GCC amount to match the updated estimated collateral value is performed. Title on assets transferred to the collateral pool remains with the participant. If the participant fails to repay repo transaction with GCC, the central counterparty enforces repo liability settlement by selling the assets transferred to the collateral pool by this participant.

	31 December 2019		31 December 2018	
in billions of Russian Roubles	Carrying value of assets transferred to the GCC collateral pool	Nominal value of GCC	Carrying value of assets transferred to the GCC collateral pool	Nominal value of GCC
Securities transferred to the GCC collateral pool				
- Corporate bonds	89.8	72.0	230.7	178.6
- Russian municipal and subfederal bonds	—	—	10.9	8.8
Securities received under reverse repo agreements transferred to the GCC collateral pool				
- Corporate bonds	47.5	42.3	39.2	33.0
Total	**137.3**	**114.3**	**280.8**	**220.4**

35 Transfers of Financial Assets and Pledged Assets (continued)

In the normal course of business, the Group makes borrowings on interbank market using different financial instruments as collateral to support its everyday operations in terms of liquidity.

The summary of the financial assets transferred without derecognition and pledged assets is presented below:

in billions of Russian Roubles	31 December 2019 Carrying value of assets	31 December 2019 Carrying value of related liability	31 December 2018 Carrying value of assets	31 December 2018 Carrying value of related liability
Loans to corporate customers	38.8	35.2	176.7	170.2
Loans to individuals	—	—	3.5	2.4
Securities	8.7	5.7	27.4	24.0
Other assets	5.4	22.2	15.8	39.4
Total	**52.9**	**63.1**	**223.4**	**236.0**

Margin calls transferred are disclosed in Note 13.

The Group also enters into reverse sale and repurchase agreements. The summary of such operations is provided in the table below:

in billions of Russian Roubles	31 December 2019 Amount of loans granted under repo agreements	31 December 2019 Fair value of securities received as collateral	31 December 2018 Amount of loans granted under repo agreements	31 December 2018 Fair value of securities received as collateral
Cash and cash equivalents	21.1	23.0	12.2	12.2
Due from banks	756.2	943.2	938.4	1,139.5
Loans and advances to customers	102.2	124.6	96.8	101.6
Total	**879.5**	**1,090.8**	**1,047.4**	**1,253.3**

36 Offsetting of Financial Instruments

Financial instruments subject to offsetting, enforceable master netting (ISDA, RISDA, etc.) and similar arrangements are as follows as at 31 December 2019:

in billions of Russian Roubles	Gross amount of recognized financial assets/ liabilities	Gross amount of recognized financial assets/ liabilities set off in the consolidated statement of financial position	Net amount of financial assets/ liabilities presented in the consolidated statement of financial position	Financial instruments	Cash collateral	Net amount
Financial assets						
Derivative financial assets	127.5	—	127.5	(77.8)	(17.5)	32.2
Reverse repurchase agreements	879.5	—	879.5	(879.5)	—	—
Total financial assets	**1,007.0**	**—**	**1,007.0**	**(957.3)**	**(17.5)**	**32.2**
Financial liabilities						
Derivative financial liabilities	108.9	—	108.9	(77.8)	(12.1)	19.0
Direct repurchase agreements	280.6	—	280.6	(278.7)	—	1.9
Other financial liabilities	2.4	—	2.4	(2.4)	—	—
Total financial liabilities	**391.9**	**—**	**391.9**	**(358.9)**	**(12.1)**	**20.9**

The comparative information as at 31 December 2018 is presented in the table below:

in billions of Russian Roubles	Gross amount of recognized financial assets/ liabilities	Gross amount of recognized financial assets/ liabilities set off in the consolidated statement of financial position	Net amount of financial assets/ liabilities presented in the consolidated statement of financial position	Financial instruments	Cash collateral	Net amount
Financial assets						
Derivative financial assets	150.7	—	150.7	(87.9)	(13.7)	49.1
Reverse repurchase agreements	1,047.4	—	1,047.4	(1,047.4)	—	—
Total financial assets	**1,198.1**	**—**	**1,198.1**	**(1,135.3)**	**(13.7)**	**49.1**
Financial liabilities						
Derivative financial liabilities	142.9	—	142.9	(87.9)	(18.4)	36.6
Direct repurchase agreements	507.7	—	507.7	(507.7)	—	—
Other financial liabilities	2.7	—	2.7	(2.7)	—	—
Total financial liabilities	**653.3**	**—**	**653.3**	**(598.3)**	**(18.4)**	**36.6**

The Group has master netting arrangements with counterparty banks, which are enforceable in case of default. The Group also made margin deposits with clearing house counterparty as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default. Margin calls transferred are presented within other financial assets (refer to Note 13).

The Group also received margin deposits as collateral which may be set off with the Group's counterparties' liabilities on outstanding derivative contracts in case of default of the Group's counterparties. Margin calls received are presented within other financial liabilities (refer to Note 18).

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are set off in the consolidated statement of financial position.

37 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal shareholder is the Bank of Russia (refer to Note 1). Other related parties in the tables below comprise subsidiaries and associates of the Bank of Russia Group, key management personnel, their close family members, associated companies of the Group. Disclosures are made in Note 38 for significant transactions with state-controlled entities and government bodies.

As at 31 December 2019 and 31 December 2018, the outstanding balances with the Bank of Russia and other related parties were as follows:

	31 December 2019		31 December 2018	
in billions of Russian Roubles	**Bank of Russia**	**Other related parties**	**Bank of Russia**	**Other related parties**
Assets				
Cash and cash equivalents (contractual interest rates for term deposits: 5.0% p.a. - 5.3% p.a.)	964.2	2.0	681.5	0.4
Mandatory cash balances with the Bank of Russia	202.8	—	188.0	—
Derivative financial assets	—	2.0	—	1.5
Due from banks (contractual interest rates: 5.3% p.a. - 6.1% p.a.)	13.6	—	8.6	—
Loans and advances to customers before credit loss allowance (contractual interest rates: 3.6% p.a. - 18.5% p.a.)	—	99.4	—	80.5
Securities (contractual interest rate: 6.3% p.a.)	238.6	—	189.2	—
Assets of the disposal groups and non-current assets held for sale	—	—	2.4	—
Other assets	—	2.6	—	8.6
Liabilities				
Due to banks (contractual interest rates: 5.3% p.a. - 6.5% p.a.)	42.3	25.2	71.2	3.8
Due to individuals	—	14.4	—	13.6
Due to corporate customers (contractual interest rates: 3.0% p.a. - 7.2% p.a.)	—	18.4	—	3.8
Derivative financial liabilities and obligations to deliver securities	—	5.2	—	9.0
Subordinated debt (contractual interest rate: 6.5% p.a.)	499.9	—	504.1	—
Other liabilities	—	5.2	—	4.5
Credit related commitments				
Guarantees issued	—	6.5	—	7.9
Commitments to extend guarantees	—	11.6	—	—
Undrawn credit lines	—	11.6	—	0.8

Refer to Note 13 for the information on investments in associates and joint ventures.

As at 31 December 2019 included in operations with other related parties are deposits attracted from key management personnel and their close family members in the amount of RR 14.4 billion (31 December 2018: RR 13.6 billion). As at 31 December 2019 and 31 December 2018 there were no loans and advances granted to key management personnel and their close family members.

37 Related Party Transactions (continued)

The income and expense items with the Bank of Russia and other related parties for the year ended 31 December 2019 and 31 December 2018 were as follows:

				Year ended 31 December
		2019		2018
in billions of Russian Roubles	**Bank of Russia**	**Other related parties**	**Bank of Russia**	**Other related parties**
Interest income calculated using the effective interest method	35.0	15.6	18.3	2.4
Interest expense on subordinated debt calculated using the effective interest method	(32.3)	—	(32.3)	—
Interest expense calculated using the effective interest method other than on subordinated debt	(4.0)	(2.7)	(5.3)	(0.8)
Revenue of non-core business activities	0.1	—	—	—
Fee and commission income	—	0.7	0.3	0.2
Fee and commission expense	(2.3)	(0.4)	(1.8)	(0.4)
Net (losses) / gains from non-derivative financial instruments at fair value through profit or loss	(0.1)	2.0	(0.1)	(0.9)
Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	0.3	(3.6)	0.6	(1.4)
Other net operating income	0.1	0.3	0.1	—
Staff and administrative expenses	(0.1)	(10.0)	(0.1)	(6.1)
Loss from discontinued operations	—	(0.4)	—	—

For the year ended 31 December 2019, interest expense on deposits attracted from key management personnel and their close family members comprised RR 0.5 billion (for the year ended 31 December 2018: RR 0.4 billion).

For the year ended 31 December 2019, regular remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 4.3 billion (for the year ended 31 December 2018: RR 4.4 billion). Payments to the key management personnel on regular remuneration for the year ended 31 December 2019 comprised RR 4.2 billion (for the year ended 31 December 2018: RR 4.3 billion).

Also in 2015 the Bank has introduced a long term cash settled motivation program for the key management personnel with share-based features. The program has been designed within a framework of risk oriented remuneration and is in full compliance with the requirements of the Bank of Russia on the remuneration system for Russian credit institutions. The program parameters are as follows:

- 40% of the variable part of the annual compensation is deferred and is paid in 3 annual installments;
- payments to the participants of the program are contingent upon the Bank's positive performance, e.g. if the Bank has a loss in any of the 3 years following the year in which the award was granted, payments to the participants are forfeited for that particular year;
- awards may be fully or partially forfeited, for example, due to individual misconduct (including a breach of regulations) or termination for cause and also due to negative individual contributions to the Bank's results.

37 Related Party Transactions (continued)

Share-based long term compensation is payable in cash, and is remeasured at each reporting date based on the forward price of the Bank's ordinary shares. For the year ended 31 December 2019 share-based long term compensation (including remeasurement of the outstanding balance to reflect changes in the price of the Bank's ordinary shares) has amounted to RR 3.0 billion (for the year ended 31 December 2018: RR 1.7 billion). Payments to the key management personnel on share-based long term compensation for the year ended 31 December 2019 comprised RR 2.0 billion (for the year ended 31 December 2018: RR 1.2 billion).

Payables on share-based long term compensation as at 31 December 2019 amounted to RR 3.8 billion (31 December 2018: RR 2.8 billion). The related obligations are included in other financial liabilities in the consolidated statement of financial position until paid.

38 Operations with State-Controlled Entities and Government Bodies

In the normal course of business, the Group enters into contractual agreements with the government of the Russian Federation and entities controlled by it. The Group provides the state-controlled entities and government bodies with a full range of banking services including, but not limited to, lending, deposit-taking, issue of guarantees, operations with securities, cash and settlement transactions. Operations with state-controlled entities and government bodies are generally carried out on market terms and constitute the minority of the Group's operations.

Balances with state-controlled entities and government bodies which are significant in terms of the carrying amounts as at 31 December 2019 are disclosed below:

in billions of Russian Roubles		31 December 2019 Loans and advances to customers / Due from banks	Due to corporate customers / Due to banks	Guarantees issued/ Undrawn credit lines
Client	**Sector**			
Client 1	Government and municipal bodies	—	467.5	—
Client 2	Oil and gas	342.1	22.2	11.7
Client 3	Banking	210.2	42.7	—
Client 4	Oil and gas	179.7	28.9	23.2
Client 5	Machinery	147.2	34.0	14.8
Client 6	Energy	17.1	150.0	27.9
Client 7	Oil and gas	174.9	10.2	0.4
Client 8	Government and municipal bodies	—	172.5	—
Client 9	Machinery	21.8	36.3	113.4
Client 10	Banking	—	169.0	—
Client 11	Machinery	14.8	31.5	96.4
Client 12	Energy	121.6	—	—
Client 13	Machinery	58.6	17.2	26.8
Client 14	Machinery	84.0	10.2	0.3
Client 15	Machinery	5.4	29.6	45.1
Client 16	Government and municipal bodies	1.5	75.8	—
Client 17	Government and municipal bodies	61.2	—	—
Client 18	Machinery	6.0	41.5	12.3
Client 19	Machinery	—	—	58.2
Client 20	Transport and logistics	—	32.1	—

Additionally as at 31 December 2019 balances from operations with state-controlled entities and government bodies include receivables from Deposit Insurance Agency of RR 5.9 billion (31 December 2018: RR 14.1 billion) which represent receivables recognized from settlements on deposit compensations to clients of the banks whose license was withdrawn by the Bank of Russia. These balances are included in other assets in the consolidated statement of financial position. Refer to Note 13.

38 Operations with State-Controlled Entities and Government Bodies (continued)

Balances with state-controlled entities and government bodies as at 31 December 2018 disclosed below contain balances of clients which are significant in terms of the carrying amounts as at 31 December 2019 (Clients 1-20), and in addition the entities with the balances which were significant as at 31 December 2018 (Clients 21-23):

in billions of Russian Roubles		31 December 2018 Loans and advances to customers / Due from banks	Due to corporate customers / Due to banks	Guarantees issued/ Undrawn credit lines
Client	**Sector**			
Client 1	Government and municipal bodies	—	235.0	—
Client 2	Oil and gas	531.1	2.4	20.7
Client 3	Banking	300.3	128.4	—
Client 4	Oil and gas	288.2	14.5	4.5
Client 5	Machinery	194.9	42.9	16.4
Client 6	Energy	48.6	151.7	16.2
Client 7	Oil and gas	184.9	43.1	0.3
Client 8	Government and municipal bodies	—	56.2	—
Client 9	Machinery	40.6	52.1	99.6
Client 10	Banking	2.8	103.8	—
Client 11	Machinery	21.8	36.3	80.4
Client 12	Energy	140.3	30.6	—
Client 13	Machinery	91.0	32.7	11.5
Client 14	Machinery	87.3	11.7	2.1
Client 15	Machinery	—	25.2	66.9
Client 16	Government and municipal bodies	—	53.4	—
Client 17	Government and municipal bodies	61.7	—	—
Client 18	Machinery	29.2	33.1	17.6
Client 19	Machinery	—	31.6	93.9
Client 20	Transport and logistics	—	32.7	—
Client 21	Transport and logistics	94.9	—	4.3
Client 22	Metallurgy	60.7	—	—
Client 23	Energy	—	58.7	—

As at 31 December 2019 and 31 December 2018 the Group’s investments in securities issued by government-controlled corporate entities were as follows:

	31 December 2019		31 December 2018	
In billions of Russian Roubles	Corporate bonds	Corporate shares	Corporate bonds	Corporate shares
Securities mandatorily measured at fair value through profit or loss	100.3	18.3	139.6	2.3
Securities measured at amortized cost	343.2	—	222.2	—
Securities measured at fair value through other comprehensive income - debt instruments	224.6	—	196.5	—
Financial instruments pledged under repurchase agreements	9.6	4.9	3.6	3.8

For disclosures on investments in government debt securities please refer to Notes 8 and 9.

39 Principal Subsidiaries

The table below provides details on principal subsidiaries of the Bank as at 31 December 2019:

Name	Nature of business	Percentage of ownership	Country of registration
Sberbank Europe AG	banking	100.00%	Austria
OJSC BPS-Sberbank	banking	98.43%	Belarus
SB JSC Sberbank	banking	100.00%	Kazakhstan
SBERBANK JSC	banking	100.00%	Ukraine
Sberbank (Switzerland) AG	banking	99.28%	Switzerland
Cetelem Bank LLC	banking	79.20%	Russia
Sberbank Leasing JSC	leasing	100.00%	Russia
Sberbank Capital LLC	finance	100.00%	Russia
SB CIB Holding LLC	finance	100.00%	Russia
Insurance company "Sberbank life insurance" LLC	finance	100.00%	Russia
Insurance company "Sberbank insurance" LLC	finance	100.00%	Russia
Sberbank Factoring LLC	finance	100.00%	Russia
Rublyovo-Arkhangelskoye JSC	construction	100.00%	Russia
Sberbank Investments LLC	finance	100.00%	Russia
PS Yandex.Money LLC	finance	75.00% minus one Russian Rouble	Russia
Digital Technologies LLC	digital business	100.00%	Russia
Non-state Pension Fund of Sberbank JSC	finance	100.00%	Russia

Certain of the Bank's subsidiaries have to fulfill regulatory requirements, in order to transfer funds, including paying dividends to, repaying loans to, or redeeming subordinated debentures issued to the Bank.

These customary regulatory requirements include, but are not limited to:

- local regulatory capital and/or surplus adequacy requirements;
- Basel requirements under Pillar I and Pillar II;
- local regulatory approval requirements; and
- local corporate and/or securities laws.

As at 31 December 2019, the net assets of subsidiaries subject to regulatory or capital adequacy requirements were RR 447.1 billion (31 December 2018: RR 769.2 billion), before intercompany eliminations.

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 31 December 2019 was 14.1% (31 December 2018: 20.9%).

40 Capital Adequacy Ratio

The Group's objectives when managing capital are (i) to comply with the regulatory capital requirements set by the Bank of Russia and (ii) to safeguard the Group's ability to continue as a going concern.

According to requirements set by the Bank of Russia regulatory capital adequacy ratio N1.0 has to be maintained by the Bank above the minimum level of 8.0% (31 December 2018: 8.0%).

The total regulatory capital of the Bank and regulatory capital adequacy ratios of the Bank as at 31 December 2019 (before adjustments for subsequent events) and 31 December 2018 are disclosed below.

in billions of Russian Roubles	31 December 2019	31 December 2018
Total capital	**4,560.5**	**4,243.8**
Common equity adequacy ratio N1.1, %	10.5	11.1
Tier 1 capital adequacy ratio N1.2, %	10.5	11.1
Total capital adequacy ratio N1.0, %	**14.5**	**14.8**

The Bank calculates capital adequacy ratios using internal ratings-based ("IRB") approach for part of certain classes of financial instruments:

- Loans to corporate customers;
- Loans to individuals;
- Debt securities;
- Derivatives;
- Credit related commitments.

The Group also monitors capital adequacy ratio based on requirements of Basel Committee of Banking Supervision "Basel III: A global regulatory framework for more resilient banks and banking systems" (December 2010, updated in June 2011), commonly known as Basel III requirements. According to Basel III requirements minimum level of capital adequacy ratio is 6.0% for Tier 1 capital and 8.0% for total capital.

For assessment of credit risk in accordance with standardised approach the requirements of the national regulator (the Bank of Russia Instruction № 180-I "Mandatory bank ratios" dated 28 June 2017) were applied in the calculation of risk weighted assets where Basel III requirements allow to apply such national regulator requirements. In particular such approach was used for the following main types of assets:

- government and municipal debt financial instruments of the Russian Federation and its subjects nominated and funded in Russian Roubles;
- specific types of loans to which higher risk weights are applied in accordance with the Bank of Russia requirements;
- correspondent accounts and mandatory cash balances with the Bank of Russia.

For the purposes of calculation of capital adequacy ratio in accordance with Basel III requirements credit risk was assessed using IRB approach for part of certain classes of financial instruments. Financial instruments to which IRB approach is applied for the purposes of credit risk calculation under Basel III requirements are the same as financial instruments to which IRB approach is applied for the purposes of regulatory reporting.

40 Capital Adequacy Ratio (continued)

Starting from the third quarter of 2019 the Group has aligned the approach to the calculation of risk weighted assets on credit risk for the purpose of Basel III capital adequacy ratio calculation with the Bank of Russia's regulatory requirements. The alignment includes:

- application of the macroprudential adjustments to the risk coefficients for both standardized and IRB approaches;
- application of other regulatory requirements of the Bank of Russia to risk coefficients applied.

Should the mentioned above alignment with the Bank of Russia's requirements is not applied, the credit risk as part of the risk weighted assets as at 31 December 2019 would comprise RR 26,626.9 billion.

The capital adequacy ratio of the Group as at 31 December 2019 and 31 December 2018 calculated in accordance with Basel III requirements is disclosed below.

in billions of Russian Roubles	**31 December 2019**	**31 December 2018**
Tier 1 capital		
Share capital	87.7	87.7
Share premium	232.6	232.6
Retained earnings	4,049.2	3,560.7
Non-controlling interest	11.9	7.1
Treasury shares	(21.5)	(18.1)
Revaluation reserve for office premises	44.6	56.2
Fair value reserve for debt instruments measured at fair value through other comprehensive income	88.2	(35.1)
Foreign currency translation reserve	1.8	(29.6)
Remeasurement of defined benefit pension plans	(2.1)	(2.4)
less goodwill	(13.6)	(10.8)
less intangible assets	(78.4)	(64.6)
Other deductions from capital	(22.8)	(17.2)
Tier 1 capital	***4,377.6***	***3,766.5***
Tier 2 capital		
Eligible subordinated debt	55.1	142.1
Excess of total eligible provisions over expected loss amount under IRB approach	3.0	42.0
Tier 2 capital	***58.1***	***184.1***
Total capital	**4,435.7**	**3,950.6**
Risk weighted assets (RWA)		
Credit risk	28,062.7	27,477.4
Operational risk	3,486.8	3,339.9
Market risk	1,084.6	975.8
Total risk weighted assets (RWA)	**32,634.1**	**31,793.1**
Common equity Tier 1 capital adequacy ratio (Common equity Tier 1 capital / Total RWA), %	**13.4**	**11.8**
Tier 1 capital adequacy ratio (Tier 1 capital / Total RWA), %	**13.4**	**11.8**
Total capital adequacy ratio (Total capital / Total RWA), %	**13.6**	**12.4**

In the table below is disclosed the leverage ratio as at 31 December 2019 and 31 December 2018 calculated in accordance with "Basel III: Leverage ratio framework and disclosure requirements" issued in January 2014 updated with "Basel III: Finalising post-crisis reforms" requirements issued in December 2017.

in billions of Russian Roubles	**31 December 2019**	**31 December 2018**
Tier 1 capital	4,377.6	3,766.5
Total leverage ratio exposure	31,885.0	33,471.1
Leverage ratio, %	**13.7**	**11.3**

The Group was in compliance with external capital requirements during the year ended 31 December 2019 and the year ended 31 December 2018.

41 Basis of Preparation and Significant Accounting Policies

Basis of Preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises and equipment, investment properties, financial instruments categorised at fair value through profit or loss ("FVPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group's equity.

41 Basis of Preparation and Significant Accounting Policies (continued)

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognized at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognized as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognized in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognized in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group owns certain investments in associates through venture capital organisations, investment funds or similar subsidiary entities. In accordance with the exemption in IAS 28 *Investments in Associates and Joint Ventures*, the Group does not account for such investments using the equity method. Instead, these investments are measured at fair value through profit or loss and are classified as securities designated as at fair value through profit or loss in the consolidated statement of financial position with the change in fair value reflected within net gains/(losses) arising from securities designated as at fair value through profit or loss.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss, where appropriate.

Financial instruments – Key measurement terms. Depending on their classification financial instruments are carried at fair value, or amortized cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. Fair value is the current bid price for financial assets, current ask price for financial liabilities and the average of current bid and ask prices when the Group is both in short and long position for the financial instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis. Valuation techniques are used to fair value certain financial instruments for which external market pricing information is not available. Such valuation techniques include discounted cash flows models, generally accepted option pricing models, models based on recent arm's length transactions or consideration of financial data of the investees. Valuation techniques may require assumptions not supported by observable market data. Refer to Note 34 for more information on fair values and fair value measurement used.

41 Basis of Preparation and Significant Accounting Policies (continued)

Amortized cost is the amount at which the financial instrument was measured at initial recognition less any principal repayments, plus accrued interest, and for financial assets, adjusted for any expected credit loss ("ECL") allowance. Accrued interest includes amortization of transaction costs, fees and commissions deferred at initial recognition and of any premium or discount to maturity using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount and premium (including transaction costs, fees and commissions deferred at origination, if any), are not presented separately and are included in the carrying values of the related consolidated statement of financial position items.

Gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation of the effective interest rate includes transaction costs and fees and commissions paid or received that are an integral part of the effective interest rate.

Initial recognition of financial instruments. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by either observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Classification of financial instruments. On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give right on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

41 Basis of Preparation and Significant Accounting Policies (continued)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give right on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment. The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio management as well as compliance with those policies and practice. In particular, whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money - e.g. periodical reset of interest rates, which is not consistent with the interest payment period.

41 Basis of Preparation and Significant Accounting Policies (continued)

The Group holds portfolios of fixed rate loans for which the Group has the option to propose to revise the interest rate. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or repay the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate within market interest rate corridor in a way that it always represents consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassification of financial assets. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The reclassification has a prospective effect.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 months ECL"). If the Group identifies significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 31 for a description of how the Group determines when a significant increase in credit risk has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 31. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired. Note 31 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Presentation of allowance for ECL in the statement of financial position. Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is recognised as part of fair value reserve.

41 Basis of Preparation and Significant Accounting Policies (continued)

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. Refer to Note 31 for more information about the Group's policy on write-offs.

Derecognition of financial assets. The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without need to impose additional restrictions on the sale. Refer to paragraph below on treatment of renegotiations which lead to derecognition of financial assets.

Renegotiated financial assets. From time to time in the normal course of business the Group performs restructuring of financial assets, mostly of loans. If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. The terms are substantially different if present value of the cash flows under the new terms discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include corresponding accounts, overnight interbank loans and reverse sale and repurchase agreements with original maturity up to 1 business day. Funds restricted for a period of more than 1 business day on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory cash balances with central banks. Mandatory cash balances with central banks are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Banking cards settlements. Banking cards settlements are recorded when the legal right to receive the payment or legal obligation to execute payment arise under the agreement and are carried at amortized cost.

Due from banks. Amounts due from banks are recorded when the Group advances money to counterparty banks. Amounts due from banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVPL.

41 Basis of Preparation and Significant Accounting Policies (continued)

Loans and advances to customers. Loans and advances to customers captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and advances mandatorily measured at FVPL; these are measured at fair value with changes recognised immediately in profit or loss; and
- finance lease receivables.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

The Group issues loans for development of residential properties which are acquired by the buyers using escrow deposits with the Group. Interest rates on these loans usually depend on the balance of escrow deposits related to the respective construction project. The Group concluded that the principal terms of these loans in general are in line with the market and these loans are to be classified as financial assets measured at amortized cost unless SPPI test is failed which requires a loan to be classified as measured at FVPL. Interest income on these loans measured at amortized cost is recognized using the effective interest method.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the acquisition method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation). Accounting policy for associates is applied to repossessed shares where the Group obtains significant influence, but not control. The cost of the associate is the fair value of the loan settled by repossessing the pledged shares.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

41 Basis of Preparation and Significant Accounting Policies (continued)

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Group. Investments in equity securities are measured at FVPL, except where the Group elects at initial recognition to irrevocably designate an equity investments at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Group's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are reclassified as repurchase receivables in the statement of financial position if the transferee has the right by contract or custom to sell or repledge the securities. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the consolidated statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year. The obligation to return the securities is recorded at fair value in obligations to deliver securities.

Based on classification of securities sold under the sale and repurchase agreements, the Group classifies repurchase receivables into one of the following measurement categories: AC, FVOCI, and FVPL.

Derivative financial instruments. Derivative financial instruments, including forwards and futures contracts, option contracts and swap contracts are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of foreign exchange derivative financial instruments are included in the consolidated statement of profit or loss in net results arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation; changes in the fair value of derivative financial instruments on precious metals are included in net results arising from operations with precious metals, precious metals derivatives and precious metals accounts translation; changes in the fair value of derivatives on securities, interest rates and other derivatives – in net results arising from operations with other derivative financial instruments.

Premises and equipment. Equipment and premises other than office premises are stated at cost less accumulated depreciation. Office premises of the Group are held at revalued amount subject to revaluation to fair value on a regular basis. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation reserve in equity; all other decreases are charged to profit or loss for the year. Positive revaluation shall be recognized in profit or loss to the extent that it reverses a negative revaluation of the same asset previously recognized in profit or loss. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation reserve for office premises included in equity is reclassified directly to retained earnings on a straight-line basis as the asset is used by the Group. On the retirement or disposal of the asset the remaining revaluation reserve is immediately transferred to the retained earnings.

41 Basis of Preparation and Significant Accounting Policies (continued)

Construction in progress is accounted for based on actual costs, less provision for impairment where required. Upon completion, assets are transferred to corresponding category of Premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor current repairs and maintenance are expensed when incurred through consolidated statement of profit or loss. Cost of replacing major parts or components of premises and equipment items are capitalized and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is charged to profit or loss to the extent it exceeds the previous revaluation surplus in other comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate cost or revalued amounts of premises and equipment to their residual values over the estimated remaining useful lives. The Group applies the annual rates of depreciation based on the analysis of estimated remaining useful lives of premises and equipment which may differ significantly within one category of premises and equipment due to individual approach to evaluation of useful lives of the items.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Goodwill. Goodwill represents the excess of the aggregate of consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill on acquisitions of subsidiaries is included in other assets. Goodwill on acquisitions of associates is included as part of investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than a segment before aggregation. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Intangible assets. The Group's intangible assets other than goodwill have definite useful life and primarily include capitalized computer software and intangible assets acquired through business combinations (e.g. customer base and brands). Acquired and recognized intangible assets are capitalized on the basis of the costs incurred to acquire and bring to use those assets. Following the initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The accounting policy for estimation and recognition of impairment of intangible assets is the same as for the premises and equipment.

41 Basis of Preparation and Significant Accounting Policies (continued)

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group and not used in its primary operations.

Investment property is stated at fair value. Revaluation of investment property is held on each reporting date and recognized in consolidated statement of profit or loss as Other net operating income. Earned rental income is recorded in consolidated statement of profit or loss within other net operating income.

Subsequent expenditure on investment property is capitalized only when it is probable that additional future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

If an investment property becomes occupied by the Group, it is reclassified to the corresponding category of Premises and equipment, and its carrying value at the date of reclassification becomes its deemed cost to be subsequently measured according to the accounting policy provided for such category.

Accounting for leases by the Group as a lessee from 1 January 2019. The Group leases office premises and land. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are disclosed within premises, equipment and right-of-use assets line of the consolidated statement of financial position, lease liabilities are disclosed within other liabilities line of the consolidated statement of financial position. Finance cost is disclosed within interest expense calculated using the effective interest method line of the consolidated statement of profit or loss, depreciation of right-of-use assets is disclosed within staff and administrative expenses line of the consolidated statement of profit or loss. Cash outflow to settle principal amount of lease liabilities is disclosed within cash flows from financing activities of the consolidated statement of cash flows.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable under cancellable and non-cancellable operating leases,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee’s incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

41 Basis of Preparation and Significant Accounting Policies (continued)

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Accounting for operating leases by the Group as a lessee prior to 1 January 2019. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Accounting for operating leases by the Group as a lessor. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income within Income from operating lease of equipment in the consolidated statement of profit or loss on a straight-line basis over the lease term.

Accounting for finance leases by the Group as a lessor. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Where the Group is a lessor lease receivables are recognized at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables. The net investment in finance lease is recorded within loans and advances to customers.

Assets and liabilities of the disposal group and non-current assets classified as held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are disclosed separately in the statement of financial position if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period. Non-current assets held for sale and disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment, investment properties and intangible assets are not depreciated or amortized.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings of discontinued operations are disclosed separately from continuing operations with comparatives being re-presented.

Financial liabilities. The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVPL.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Financial liabilities designated at FVPL. The Group may designate certain liabilities at FVPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

41 Basis of Preparation and Significant Accounting Policies (continued)

Due to banks. Amounts due to banks are recorded when money or other assets are advanced to the Group by counterparty banks. Amounts due to banks present non-derivative financial liabilities and are carried at amortized cost or FVPL.

Due to individuals and corporate customers. Amounts due to individuals and corporate customers are non-derivative financial liabilities to individuals and corporate customers (including state agencies and state-controlled companies) and are carried at amortized cost or FVPL.

Amounts due to individuals include escrow deposits of buyers of residential properties under construction. The Group concluded that the principal terms of these deposits are in line with the market and they are to be classified as measured at amortized cost.

Debt securities in issue. Debt securities in issue include promissory notes, certificates of deposit, savings certificates and other debt securities issued by the Group. Debt securities in issue except equity linked notes and credit linked notes which are described below are stated at amortized cost. If the Group repurchases its debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in Other net operating income in the consolidated statement of profit or loss.

Other borrowed funds. Other borrowed funds represent syndicated loans attracted by the Group on financial markets and trade finance deals. Other borrowed funds are carried at amortized cost.

Obligation to deliver securities. Obligation to deliver securities refers to transactions in which the Group sells securities which it does not own, and which it is obligated to deliver at a future date. Such transactions are initially recorded at cost as liabilities and then are carried at fair value. Any unrealized gain or loss is recorded in the consolidated statement of profit or loss in net gains / (losses) arising from trading securities for the difference between the proceeds from the sale and the value of the open short position. The Group realizes a gain or loss when the short position is closed. Valuation of such securities is consistent with the accounting policy of the Group for trading securities.

Subordinated debt. Subordinated debt represents long-term funds attracted by the Group on the international financial markets or domestic market. The holders of subordinated debt would be subordinate to all other creditors to receive repayment on debt in case of the respective Group company liquidation. Subordinated debt is carried at amortized cost.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation and legislation of other jurisdictions in which the Group performs business enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognized in the profit or loss except if it is recognized in other comprehensive income or equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is recognized for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recognized for temporary differences on initial recognition of goodwill or any other asset or liability if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded in the statement of financial position only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

41 Basis of Preparation and Significant Accounting Policies (continued)

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Insurance and pension contracts.

Contracts classification. Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Investment contracts are those contracts that transfer significant financial risk and do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Discretionary participation features (DPF). Insurance and investment contracts are classified as ones with DPF or ones without DPF. A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio whose amount or timing is contractually at the discretion of the Group. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders, but not less than defined by the current legislation. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

Description of insurance and pension contracts. The Group issues the following types of life insurance contracts:

Saving life insurance contracts (SLI) are those contracts of life insurance and investment contracts with an option to receive an additional investment return.

Investment life insurance contracts (ILI) are those contracts of life insurance with deposit components and an option to receive an additional investment return. The Group does not account for the deposit component separately and applies the accounting policy for insurance contracts to those contracts.

The Group also provides the following services to corporate customers and individuals other than life types of insurance services: property insurance, job loss insurance, bank cards insurance and foreign travel insurance.

Both ILI and SLI contract are accounted for in line with IFRS 4 *Insurance contracts* and classified as insurance contracts with DPF or insurance contracts without DPF. All insurance contracts other than life types of insurance contracts are classified as insurance contracts and accounted for in accordance with IFRS 4 *Insurance contracts*.

Under its pension business activity the Group provides the following types of contracts:

Obligatory pension insurance (OPI) is the activity performed under Federal Law 167-FZ "On obligatory pension insurance in the Russian Federation" of 15 December 2001, which is designed to provide deferred pension. The Group classifies contract under OPI as insurance contracts with DPF and account for those contracts in line with IFRS 4 *Insurance contracts*.

Non-state pension provisions (NSPP) are the type of voluntary pension provisions with an option to receive an additional investment return. The Group classifies contracts under NSPP concluded in accordance with existing non-state pension rules either as investment or insurance contracts with DPF and accounts for those contracts in line with IFRS 4 *Insurance contracts*.

41 Basis of Preparation and Significant Accounting Policies (continued)

Insurance and pension contract liabilities. Liabilities on life insurance contracts are recognized when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used.

Liabilities on other than life insurance contracts are assessed based on the best estimate principles. The amount of liabilities is determined as weighted average future expenses of insurer, taking into account probability of their occurrence, less weighted average future income from concluded insurance contracts.

Liabilities on OPI and NSPP contracts are determined as accrued contributions less payments, increased by the amount of income received from investing operations on pension contributions. At the same time on each reporting date liabilities adequacy test is performed.

Investment contract liabilities. Investment contracts are classified as contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Liability is terminated if contract is expired, the contract is either settled or cancelled. Contract carrying value which can be cancelled by policyholder cannot be less than the amount payable to the policyholder in the case of the contract’s termination.

Insurance and pension contract liabilities adequacy test. At each reporting date, an assessment is made of whether the recognized insurance and pension liabilities are adequate. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual discounted cash flows are used. Any inadequacy is recorded in the consolidated statement of comprehensive income by establishing an additional liability for the remaining loss.

Gross premiums. Gross recurring premiums on insurance and investment contracts with DPF are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized on the date on which the policy is effective.

Premiums under other than life insurance contracts are recorded as written upon inception of a contract and are earned on a pro-rata basis over the term of the related contract coverage.

Pension contributions are recognized upon inception of the contract. In accordance with the requirements of in-force pension schemes liability is recognized at the moment of receipt of initial pension contribution from the Pension Fund of the Russian Federation, other non-state pension funds or depositor. Subsequent contributions are recognized in those periods when they are paid by the insured person or depositor under the conditions of the contract.

Gross benefits and claims paid for all insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year and policyholder bonuses declared on DPF contracts. Changes in the gross valuation of insurance and investment contract liabilities with DPF are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Provision for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

41 Basis of Preparation and Significant Accounting Policies (continued)

Loan commitments. The Group issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Group cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

Financial guarantees. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as an asset upon transfer of the loss compensation to the guarantee's beneficiary. These fees are recognised within fee and commission income in profit or loss.

Trade and other payables. Trade and other payables are accrued when the counterparty performed its obligations under the contract and are carried at amortized cost.

Share premium. Share premium represents the excess of equity contributions over the nominal value of the shares issued.

Preference shares. Preference shares are not redeemable. Dividend payments are at the discretion of the Bank. When a dividend is paid, the preference shares attract a minimum payment of annual dividends of 15% of their nominal value, subject to confirmation of the annual shareholders' meeting. Preference shares are classified as a part of equity.

Treasury shares. Where the Bank or its subsidiaries purchase the Bank's equity instruments, the consideration paid including any attributable incremental external costs is deducted from equity until they are cancelled or disposed of. When such shares are subsequently disposed or reissued, any consideration received is included in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the consolidated financial statements are authorized for issue are disclosed in the subsequent events note. Dividends are calculated based on the Group IFRS net profit and distributed out from the Bank statutory net results.

41 Basis of Preparation and Significant Accounting Policies (continued)

Interest income and expense calculated using effective interest method recognition. Interest income and expense are recorded for debt instruments measured at amortized cost or at FVOCI on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Financial assets that have become credit-impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (net of the expected credit loss ("ECL") provision); and
- Financial assets that are purchased or originated credit-impaired, for which the original credit-adjusted effective interest rate is applied to the amortized cost.

Other interest income and expense. Other interest income and expense represents interest income and expense recorded for debt instruments measured at FVPL and is recognised on an accrual basis using nominal interest rate. This line also contains the effect of amortization of premium / discount between the initial cost and the nominal amount of the instrument.

Fee and commission income and expense. Fees, commissions and other income and expense items (excluding those included in calculation of effective interest rate) are generally recorded on an accrual basis over the period in which the services are rendered as the customer simultaneously receives and consumes the benefits as the Group performs, usually on a straight-line basis.

Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned when the Group satisfies the performance obligation are recorded upon the completion of the transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, over the period in which the services are rendered as the customer simultaneously receives and consumes the benefits as the Group performs, usually on a straight-line basis. Asset management fees relating to investment funds are recognised over the period in which services are rendered as the customer simultaneously receives and consumes the benefits as the Group performs, usually on a straight-line basis. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

41 Basis of Preparation and Significant Accounting Policies (continued)

Customer loyalty program. The Group operates a loyalty program where retail clients accumulate points, which entitle them to discounts on future services. Revenue from the award points is recognised when the points are redeemed or when they expire after the initial transaction. The amount of revenue is estimated based on the number of points redeemed relative to the total number expected to be redeemed. A contract liability is recognised for the amount of fair value of points expected to be redeemed until they are actually redeemed or expire.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Rouble ("RR").

Monetary assets and liabilities are translated into each entity's functional currency at the applicable exchange rate at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions performed by the companies of the Group and from the translation of monetary assets and liabilities into each entity's functional currency are recognized in profit or loss. Effects of exchange rate changes on the fair value of equity instruments are recorded as part of the fair value gain or loss.

The results and financial position of each group entity (except for the subsidiary bank in Belarus the economy of which was considered hyperinflationary before 2015) are translated into the presentation currency as follows:

(I) assets and liabilities for each statement of financial position presented are translated at the applicable closing rate at the respective reporting date;

(II) income and expenses for each statement of profit or loss and statement of other comprehensive income are translated either at the rates prevailing at the dates of the transactions or at average exchange rates (in case this average is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates).

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedure: all amounts (ie assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent statement of financial position.

When amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (ie not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Exchange differences arising on the translation of results and financial position of each of the Group's consolidated entities are included in Exchange differences on translating foreign operations in other comprehensive income and taken to a separate component of equity - Foreign currency translation reserve.

At 31 December 2019 principal rates of exchange used for translating foreign currency monetary balances and each entity's functional currency into the Group's presentation currency were as follows:

	/RR	/UAH	/BYN	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.383	0.034	6.166	0.014	0.016	0.096
USD/	61.906	23.700	2.104	381.724	0.893	0.973	5.947
EUR/	69.341	26.546	2.356	427.569	1.000	1.090	6.662

At 31 December 2018 principal rates of exchange used for translating foreign currency monetary balances and each entity's functional currency into the Group's presentation currency were as follows:

	/RR	/UAH	/BYN	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.399	0.031	5.538	0.013	0.014	0.076
USD/	69.471	27.710	2.166	384.729	0.874	0.984	5.273
EUR/	79.461	31.695	2.477	440.054	1.000	1.126	6.031

41 Basis of Preparation and Significant Accounting Policies (continued)

Assets under management. The Group has set up mutual investment funds and acts as the manager of their assets. The assets of these funds do not represent assets of the Group and therefore are not reported on the consolidated statement of financial position. The management fee income is recorded in the consolidated statement of profit or loss within fee and commission income.

Contingent assets. Contingent assets are assets that could arise from past events and their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognized by the Group in its consolidated statement of financial position, but disclosed in the notes to the consolidated financial statements if inflow of economic benefits is highly probable.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Earnings per share. Preference shares are not redeemable and are not considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the reporting period, excluding treasury shares.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, pensions, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

Segment reporting. The Group determined its operating segments on the basis of organizational structure of the Group and geographical areas. Segments whose revenue, result or assets are 10% or more of all the segments are reported separately.

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the consolidated statement of financial position. Instead, assets and liabilities are presented in order of their liquidity in accordance with best banking industry practices. Analysis of assets and liabilities by their expected maturities is presented in Note 31.

42 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Group has not early adopted.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term ‘outputs’ is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a ‘concentration test’. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of material – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

42 New Accounting Pronouncements (continued)

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The Group is considering the implications of the above standards and amendments, the impact on the Group and the timing of their adoption by the Group.

43 Subsequent events

In January 2020 the Group issued the exchange traded local bonds Sber 15 with a nominal amount of RR 35.0 billion. The interest rate is set at 6.3% The bonds mature in January 2024.