Consolidated Financial Statements

Sberbank of Russia and its subsidiaries

For the year ended 31 December 2018

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 2018, 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 2018;
- 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") together with 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.

Our audit approach

Overview

Audit scope

- We audited the financial information of the Bank. Total assets of the Bank (excluding intercompany balances) represented approximately 80% of total assets of the Group as at 31 December 2018. 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 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.

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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 ("ECL") from loans and advances to customers. Collective assessment of ECL is based on models, which use internally developed risk metrics assigned to the balances. Individual assessment of ECL 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 32 "Financial and Insurance Risk Management" and Note 42 "Basis of Preparation and Significant Accounting Policies" to the consolidated financial statements provide detailed information on the allowance.	In relation to the Bank: We assessed the key methodologies 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 ECL. 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 ECL 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 ECL 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 loan balance and subjectivity of valuation of loans and advances to customers at fair value through profit or loss. These loans are valued using complex valuation models incorporating unobservable (Level 3) inputs 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 35 "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 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 2019 (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 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 financial reporting process of the Group.

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 internal control of the Group.
- 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 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 2018:

- compliance of the Group as at 1 January 2019 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 2019, the Group statutory ratios set by the Bank of Russia 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 2018, 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 2019, 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 2019 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 2019 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 2018 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; and

   e) as at 1 January 2019 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 2018, 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

27 February 2019
Moscow, Russian Federation

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

Акционерное общество "ПрайсвотерхаусКуперс Аудит" PricewaterhouseCoopers Audit ОГРН 1027700148431 pwc

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 No. 008.890

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

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

SBERBANK

Consolidated Statement of Financial Position

in billions of Russian Roubles	Note	31 December 2018	31 December 2017	1 January 2017
ASSETS				
Cash and cash equivalents	5	2,098.8	2,329.4	2,560.8
Mandatory cash balances with central banks		222.1	427.1	402.0
Due from banks	6	1,420.7	1,317.8	965.4
Loans and advances to customers	7	19,585.0	18,488.1	17,361.3
Securities	8	3,442.5	3,030.5	2,603.6
Financial instruments pledged under repurchase agreements	9	307.0	258.9	113.9
Derivative financial assets	10	177.6	140.9	206.6
Deferred tax asset	28	15.3	15.5	13.9
Premises and equipment	11	593.9	516.2	482.9
Assets of the disposal groups and non-current assets held for sale	12	2,569.9	10.5	5.8
Other assets	13	764.7	577.3	652.3
TOTAL ASSETS		**31,197.5**	**27,112.2**	**25,368.5**
LIABILITIES				
Due to banks	14	1,096.8	693.3	561.9
Due to individuals	15	13,495.1	13,420.3	12,449.6
Due to corporate customers	15	7,402.2	6,393.9	6,235.2
Debt securities in issue	16	843.6	934.6	1,161.0
Other borrowed funds	17	56.5	247.3	261.4
Derivative financial liabilities and obligations to deliver securities	18	181.6	164.4	212.9
Deferred tax liability	28	33.4	27.7	55.1
Liabilities of the disposal groups	12	2,235.1	—	0.8
Other liabilities	19	1,290.1	1,078.4	869.1
Subordinated debt	20	707.3	716.3	739.9
TOTAL LIABILITIES		**27,341.7**	**23,676.2**	**22,546.9**
EQUITY				
Share capital and share premium	21	320.3	320.3	320.3
Treasury shares	21	(18.1)	(15.3)	(7.9)
Other reserves	30	(10.9)	68.4	70.0
Retained earnings		3,560.7	3,058.6	2,435.7
Total equity attributable to shareholders of the Bank		**3,852.0**	**3,432.0**	**2,818.1**
Non-controlling interest		3.8	4.0	3.5
TOTAL EQUITY		**3,855.8**	**3,436.0**	**2,821.6**
TOTAL LIABILITIES AND EQUITY		**31,197.5**	**27,112.2**	**25,368.5**

Approved for issue and signed on behalf of the Executive Board on 27 February 2019.

Herman Gref,
Chairman of the Executive Board and CEO

Mikhail Ratinskii,
Chief Accountant

Consolidated Statement of Profit or Loss

in billions of Russian Roubles	Note	Year ended 31 December 2018	2017
Continuing operations			
Interest income calculated using the effective interest method	22	2,047.3	2,098.3
Other interest income	22	141.0	33.1
Interest expense calculated using the effective interest method	22	(696.2)	(725.4)
Other interest expense	22	(22.0)	(2.1)
Deposit insurance expenses	22	(73.6)	(55.1)
Net interest income	**22**	**1,396.5**	**1,348.8**
Net credit loss allowance charge for debt financial assets	6,7,8	(162.4)	(263.8)
Net interest income after credit loss allowance charge for debt financial assets		**1,234.1**	**1,085.0**
Fee and commission income	23	598.5	479.0
Fee and commission expense	23	(153.2)	(101.9)
Net (losses) / gains from non-derivative financial instruments at fair value through profit or loss (2017: Net gains from trading securities and securities designated as at fair value through profit or loss)	7	(69.8)	5.1
Net gains from financial instruments at fair value through other comprehensive income (2017: Net gains from investment securities available-for-sale)		5.9	27.6
Net gains from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	24	52.2	20.1
Net (losses) / gains arising on initial recognition of financial instruments and loan modification		(0.5)	4.7
Impairment of non-financial assets		(11.3)	(20.8)
Net charge for other provisions		(25.4)	(15.0)
Revenue of non-core business activities	25	36.2	38.8
Cost of sales and other expenses of non-core business activities	25	(34.5)	(33.7)
Net premiums from insurance and pension fund operations	26	337.3	249.6
Net claims, benefits, change in contract liabilities and acquisition costs on insurance and pension fund operations	26	(271.0)	(232.6)
Income from operating lease of equipment		6.2	2.8
Expenses related to equipment leased out	11	(3.2)	(1.7)
Other net operating income		9.5	19.5
Operating income		**1,711.0**	**1,526.5**
Staff and administrative expenses	27	(664.8)	(623.4)
Profit before tax		**1,046.2**	**903.1**
Income tax expense	28	(215.0)	(187.5)
Profit from continuing operations		**831.2**	**715.6**
Profit from discontinued operations (attributable to shareholders of the Bank)	12	0.5	33.1
Profit for the year		**831.7**	**748.7**
Attributable to:			
- shareholders of the Bank		832.9	750.4
- non-controlling interest		(1.2)	(1.7)
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)	**29**	**38.16**	**34.58**
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)	**29**	**38.13**	**33.04**

Approved for issue and signed on behalf of the Executive Board on 27 February 2019.

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 2018	2017
Profit for the year		**831.7**	**748.7**
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 (2017: Investment securities available-for-sale):			
- Net change in fair value, net of tax (2017: Net gains on revaluation of investment securities available-for-sale, net of tax)		(54.0)	31.5
- Impairment transferred to profit or loss, net of tax		—	0.2
- Accumulated gains transferred to profit or loss upon disposal, net of tax		(4.7)	(22.1)
- Exchange differences on translating foreign operations for the year		17.6	9.5
- Accumulated exchange differences on translating foreign operations transferred to profit or loss upon disposal of subsidiary		—	5.1
Total other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods, net of tax		**(41.1)**	**24.2**
Items that will not be reclassified to profit or loss in subsequent periods			
Change in valuation of office premises transferred to other classes of assets, net of tax		(1.6)	(2.9)
Remeasurement of defined benefit pension plans		(0.7)	—
Total other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(2.3)**	**(2.9)**
Total other comprehensive (loss) / income from continuing operations		**(43.4)**	**21.3**
Total other comprehensive loss from discontinued operations to be reclassified to profit or loss in subsequent periods, net of tax	**12**	**(25.6)**	**(19.5)**
Total other comprehensive (loss) / income		**(69.0)**	**1.8**
Total comprehensive income for the year		**762.7**	**750.5**
Attributable to:			
- shareholders of the Bank		764.0	752.2
- non-controlling interest		(1.3)	(1.7)
Total comprehensive income for the year, attributable to shareholders of the Bank from:			
- continuing operations		**789.1**	**738.6**
- discontinued operations		**(25.1)**	**13.6**

Consolidated Statement of Changes in Equity

in billions of Russian Roubles	Note	Attributable to shareholders of the Bank: Share capital	Share premium	Treasury shares	Other reserves (Note 30)	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 31 December 2016		**87.7**	**232.6**	**(7.9)**	**70.0**	**2,435.7**	**2,818.1**	**3.5**	**2,821.6**
Changes in equity for the year ended 31 December 2017									
Net result from treasury shares transactions		—	—	(7.4)	—	4.0	(3.4)	—	(3.4)
Dividends declared	29	—	—	—	—	(134.9)	(134.9)	—	(134.9)
Transfer of revaluation reserve for office premises upon disposal or depreciation		—	—	—	(3.4)	3.4	—	—	—
Changes in ownership interest in subsidiaries		—	—	—	—	—	—	2.2	2.2
Profit for the year		—	—	—	—	*750.4*	*750.4*	*(1.7)*	*748.7*
Other comprehensive income for the year		—	—	—	*1.8*	—	*1.8*	—	*1.8*
Total comprehensive income / (loss) for the year		—	—	—	1.8	750.4	752.2	(1.7)	750.5
Balance as at 31 December 2017		**87.7**	**232.6**	**(15.3)**	**68.4**	**3,058.6**	**3,432.0**	**4.0**	**3,436.0**
Impact of adopting IFRS 9 as at 1 January 2018	**4**	**—**	**—**	**—**	**(7.1)**	**(62.4)**	**(69.5)**	**—**	**(69.5)**
Restated 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	29	—	—	—	—	(269.8)	(269.8)	—	(269.8)
Transfer of revaluation reserve for office premises upon disposal or depreciation		—	—	—	(3.3)	3.3	—	—	—
Changes in ownership interest in subsidiaries		—	—	—	—	—	—	1.1	1.1
Profit 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**

Consolidated Statement of Cash Flows

in billions of Russian Roubles	Note	Year ended 31 December 2018	2017
Cash flows from operating activities			
Interest income calculated using the effective interest method received		2,277.2	2,271.0
Other interest income received		136.1	41.0
Interest expense calculated using the effective interest method paid		(779.7)	(845.0)
Other interest expense paid		(25.7)	(2.9)
Deposit insurance expenses paid		(70.4)	(55.7)
Fees and commissions received		650.5	498.8
Fees and commissions paid		(165.5)	(112.2)
Net gains received / (losses incurred) received on non-derivative financial instruments at fair value through profit or loss (2017: Net gains received from trading securities and securities designated as at fair value through profit or loss)		5.7	(2.1)
Net (losses incurred) / gains received from financial instruments at fair value through other comprehensive income		(4.6)	39.2
Dividends received		2.1	0.3
Net (losses incurred) / gains received on derivatives, trading in foreign currencies and operations with precious metals		(12.6)	68.9
Revenue received from non-core business activities		34.9	33.2
Expenses paid on non-core business activities		(26.3)	(28.4)
Insurance premiums received		228.2	140.0
Claims, benefits and acquisition costs on insurance operations paid		(19.0)	(5.6)
Pension fund premiums received		101.5	109.7
Claims, benefits and acquisition costs on pension fund operations paid		(17.8)	(21.8)
Income received from operating lease of equipment		7.7	3.5
Expenses paid related to equipment leased out		(0.7)	(0.4)
Other net operating income received		2.8	10.8
Staff and administrative expenses paid		(627.9)	(596.0)
Income tax paid		(218.8)	(210.1)
Cash flows from operating activities before changes in operating assets and liabilities		**1,477.7**	**1,336.2**
Changes in operating assets and liabilities			
Net decrease / (increase) in mandatory cash balances with central banks		39.7	(50.0)
Net increase in due from banks		(63.5)	(325.0)
Net increase in loans and advances to customers		(2,560.7)	(1,624.3)
Net increase in securities and financial instruments pledged under repurchase agreements		(553.6)	(626.1)
Net increase in derivative financial assets		(9.9)	(5.7)
Net (increase) / decrease in other assets		(193.1)	54.3
Net increase in due to banks		397.2	136.0
Net increase in due to individuals		914.2	1,084.8
Net increase in due to corporate customers		1,034.3	316.4
Net decrease in debt securities in issue		(70.7)	(197.3)
Net decrease in other borrowed funds		(26.3)	(7.4)
Net increase / (decrease) in obligations to deliver securities		3.2	(0.2)
Net increase / (decrease) in other liabilities		16.8	(26.9)
Net cash from operating activities		**405.3**	**64.8**

Consolidated Statement of Cash Flows (Continued)

in billions of Russian Roubles	Note	Year ended 31 December 2018	2017
Cash flows from investing activities			
Acquisition of premises, equipment and intangible assets		(177.9)	(116.3)
Proceeds from disposal of premises, equipment and intangible assets including insurance payments		14.3	10.6
Acquisition of investment property		(0.1)	(0.7)
Proceeds from disposal of investment property		—	0.7
Acquisition of associates and joint ventures		(32.7)	(0.3)
Proceeds from disposal of associates		0.2	0.1
Acquisition of subsidiaries net of cash acquired		(0.8)	(1.4)
Proceeds from disposal of subsidiaries net of cash disposed		1.0	1.7
Net cash used in investing activities		**(196.0)**	**(105.6)**
Cash flows from financing activities			
Funds received from subordinated debt issued or reissued		4.6	0.6
Redemption of subordinated debt		(52.6)	(24.9)
Cash received from non-controlling shareholders		0.6	0.1
Purchase of treasury shares		(8.3)	(9.8)
Proceeds from disposal of treasury shares		3.6	6.4
Dividends paid	29	(268.5)	(134.7)
Net cash used in financing activities		**(320.6)**	**(162.3)**
Effect of exchange rate changes on cash and cash equivalents		150.8	(23.5)
Net effect of changes in cash and cash equivalents included in disposal groups except for discontinued operations		(0.5)	(4.8)
Net increase / (decrease) in cash and cash equivalents		**39.0**	**(231.4)**
Cash and cash equivalents as at the beginning of the year		**2,329.4**	**2,560.8**
Cash and cash equivalents of discontinued operations as at the end of the year		**269.6**	**—**
Cash and cash equivalents of continuing operations as at the end of the year	**5**	**2,098.8**	**2,329.4**

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 2018. 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 40.

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 preferred shares as at 31 December 2018 (31 December 2017: 52.3% of ordinary shares or 50.0% plus 1 share of the issued and outstanding ordinary and preferred shares).

As at 31 December 2018 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 2018 the Group conducts its business in Russia through Sberbank with its network of 12 (31 December 2017: 14) regional head offices, 77 (31 December 2017: 78) branches and 14,186 (31 December 2017: 14,312) sub-branches, and through principal subsidiaries located in Russia such as JSC Sberbank Leasing, LLC Sberbank Capital, Sberbank CIB group companies, JSC Non-state Pension Fund of Sberbank, Insurance company "Sberbank life insurance" LLC, Insurance company "Sberbank insurance" LLC, Sberbank Factoring LLC, LLC Digital Technologies and Cetelem Bank LLC (former BNP Paribas Vostok LLC). The Group carries out banking operations in Turkey, 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 Sberbank CIB group companies located in the United States of America, the United Kingdom, Cyprus and certain other jurisdictions. In May 2018 the Group signed binding agreement on sale of its operations in Turkey (Refer to Note 12).

The actual headcount of the Group's full-time employees as at 31 December 2018 was 293,752 (31 December 2017: 310,277).

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 economy has adapted to the deteriorated oil and gas market conjuncture and the international sectoral sanctions imposed against the Russian Federation. GDP dynamics remains in the positive zone and GDP growth in 2018 is estimated at 2.3%[1] year-on-year while in 2017 GDP growth was estimated at 1.6%[1] year-on-year.

The situation in the labour market has improved. The unemployment rate at the end of 2018 decreased to 4.8%[1] versus 5.1%[1] in December 2017. The real accrued wages increased by 6.8%[1] in annual terms against growth by 2.9%[1] in 2017. The growth of wages in the economy was supported by the increase in wages of state employees under decrees of President of the Russian Federation and the increase in the minimum wage. The real disposable income of households decreased by 0.2%[1] year-on-year, against a decline by 1.2%[1] in 2017 taking into consideration onetime cash payment to pensioners in January 2018. The income of households was supported by the wage growth and indexation of pensions. The retail sales increased by 2.6%[1] in 2018 while in 2017 the growth rate comprised 1.3%[1].

The public's propensity to save declined. The share of disposable income allocated to savings amounted to 5.6%[1] in 2018. This index decreased compared to 8.1%[1] in 2017. The consumer confidence index which reflects the total consumer expectations of the public decreased by 6.0% to (17.0)%[1] in the fourth quarter of 2018 compared to the fourth quarter of 2017.

Annualized inflation accelerated to 4.3%[1] by the end of 2018 compared to 2.5%[1] in December 2017. The acceleration is explained by the preparation for the increase in VAT from 18% to 20%, the weakening of the Russian Rouble on the background of capital outflows and the growth of geopolitical tensions, as well as a weak harvest. This led to a tightening of monetary policy by the Bank of Russia in the second half of the year. The key rate was decreasing during 2018, however by the end of 2018 it returned to its initial level which was in the end of 2017 and remained at 7.75% p.a.

Oil prices increased in 2018. The average price for Urals oil in 2018 was 69.8 US dollars per barrel versus 53.4 US dollars per barrel in 2017. The average oil price in the fourth quarter 2018 increased to 66.9 US dollars per barrel against 65.2 US dollars per barrel in the first quarter of 2018. The average Russian Rouble exchange rate for the fourth quarter of 2018 weakened (66.6 Russian Roubles per 1 US dollar) compared to the first quarter of 2018 (56.9 Russian Roubles per 1 US dollar). The weakening of the exchange rate is mainly due to the outflow of capital from developing countries and the growth of geopolitical tensions. The average Russian Rouble exchange rate was 62.8 Russian Roubles per US dollar in 2018.

The surplus in the current account of the balance of payments of the Russian Federation reached USD 114.9 billion[2] in 2018 (compared to USD 33.3 billion[2] in 2017). The rise in the surplus resulted from the increase in oil and gas export revenues due to higher oil prices compared to 2017. The private sector capital outflow amounted to USD 67.5 billion[2] compared to USD 25.2 billion[2] in 2017. In conditions of a large inflow of funds on the current account, the acceleration of capital outflow is mainly due to the suspension of the purchase of foreign currency under the budget rule. The main channel of the outflow was the purchase of foreign assets by the non-banking sector. The external debt of the Russian Federation from the beginning of 2018 decreased by USD 64.4 billion[2] to USD 453.7 billion[2].

In 2018 the Russian banking sector earned profit of RR 1 345.0[2] billion versus RR 790.0 billion[2] in 2017. In 2018 assets of the Russian banking system adjusted for the foreign exchange revaluation increased by 6.9%[2] compared to 2017. The loan portfolio of the banking sector increased by 10.7%[2] in 2018 due to growth in loans to non-financial organizations and individuals by 5.8%[2] and 22.8%[2] respectively (adjusted for the foreign exchange revaluation).

The situation on the Russian stock markets has deteriorated. The RTS index decreased by 7.4% in 2018 compared to 2017. However, MOEX Russia index increased by 12% due to Russian Rouble exchange rate weakening. Capitalization of the Bank in Russian Roubles decreased by 17.1% in 2018.

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[1] Rosstat data

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

2 Operating Environment of the Group (continued)

International rating agencies improved the outlook for the sovereign credit ratings of the Russian Federation. Rating actions on the Bank mirrored the same on the sovereign's. In January 2018 Moody's improved the outlook on sovereign credit rating of the Russian Federation from "stable" to "positive" keeping the rating at Ba1. In February 2018 the international rating agency Standard & Poor's increased the sovereign credit rating of the Russian Federation from the speculative level of BB+ to the investment BBB- with the "stable" outlook.

In January 2019, Standard & Poor's Agency confirmed the rating of the Russian Federation for liabilities in foreign currency at the investment level BBB-, the "stable" outlook. In February 2019, Moody's improved the sovereign credit rating of the Russian Federation from the speculative level Ba1 to the investment Baa3, changing the outlook from "positive" to "stable". Now, 3 major international rating agencies have assigned an investment rating to the Russian Federation, which is a positive argument for investors considering the possibility of investing capital in the Russian Federation.

In February 2019 Moody's improved the long-term foreign currency deposit rating of the Bank from speculative level Ba2 to investment Baa3 with a "stable" outlook and also improved the long-term national currency deposit rating from speculative level Ba1 to investment Baa3, changing the outlook from "positive" to "stable". The short-term foreign currency and national currency deposit ratings of the Bank were also improved from "Not Prime" (NP) to "Prime-3" (P-3).

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), Turkey, Switzerland and some other countries.

According to a preliminary estimate, economic growth in Belarus in 2018 amounted to 3%[1] in annual terms, after 2.5%[1] a year earlier. The industry increased by 5.7%[1] in 2018 in annual terms. Inflation slowed down to record lows and ended the year 2018 with a result of 5.6%[1]. At the same time, the National Bank reduced the base rate twice, and at the end of 2018 it comprised 10%[2] p.a.

Due to the increase in oil prices and the increase in the volume of oil produced, Kazakhstan managed to maintain high growth rates for the second year successively. As in the previous year, in 2018, the economy increased by 4.1%[3]. Industry increased by 4.1%[3] trade - by 7.6%[3] in 2018 in annual terms. At the end of 2018, the rate of the National Bank of the Republic of Kazakhstan comprised 9.25%[4] p.a.

In order to satisfy the conditions of the IMF, Ukraine was forced to raise gas tariffs for the population sharply. The consequence of these actions was another acceleration of inflation, which in December 2018 amounted to 9.8%[5] in annual terms. The rapid rise in prices forced the National Bank to tighten monetary policy. The base rate at the end of 2018 comprised at 18%[6] p.a. As at 31 December 2018, the Group's exposure to Ukrainian risk amounted to approximately 0.1% of total consolidated assets (31 December 2016: 0.1%). The exposure consists of the net assets of and the Group funding to the Group's Ukrainian subsidiaries, as well as exposure of the Group (excluding that of the Ukrainian subsidiaries) to equity and debt instruments issued by and loans to the Ukrainian government and corporate clients.

The growth of the economies of Central and Eastern Europe remains dependent on external demand and economic conditions in the Eurozone. The GDP growth in the Eurozone in 2018 amounted to 1.8%[7] in annual terms, being forecasted at 2.3%[8] for the same period in annual terms. The main drivers of growth were low interest rates and the revival of domestic demand.

[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] State Statistics Service of Ukraine data
[6] National Bank of Ukraine data
[7] Eurostat data
[8] European Commission assessment

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised 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 recognised 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 (from 1 January 2018). 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 Notes 4 and 42.

Measurement of ECL allowance (from 1 January 2018). 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 associate ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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 new 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 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 32.

Definitions of terms related to ECL measurement are detailed in the Note 42.

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

During 2018 as a result of the accumulation of statistics on the behavior of the credit card portfolio, it was possible to achieve a more accurate selection of financial instruments with a significant increase in credit risk. In this regard, the Group clarified methodological approaches for the purposes of provision for credit cards, as a result of which there was a redistribution of the credit card portfolio between the first and second stages and an increase in the level of coverage by the credit loss allowance of the second stage balances. The Group recorded these changes in the fourth quarter of 2018 as an increase in the amount of credit loss allowances of RR 1.0 billion.

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 risk metrics based on the latest available external and internal statistics. The result of updating the statistics during 2018 was a reduction of the credit loss allowances in the amount of RR 29.9 billion. The main effect on the result of the credit loss allowances calculation is related to updating the data for calculating the probability of default on corporate clients based on statistics for 2016–2017 (before that, statistics for 2015–2016 were used).

During the development of the credit loss allowances calculation related to life time model, an early repayment model for loans to legal entities was developed and implemented. As a result of the implementation of this change, the Group recorded in the fourth quarter of 2018 a decrease in provisions of RR 8.3 billion.

The Group made a number of changes in the approach to determining a significant increase in credit risk for certain segments of the Bank’s corporate lending, as well as in the model for assessing losses in case of default (LGD) for individual products of the Bank’s retail lending (mortgage and consumer loans). These changes led to an increase in the provision for expected credit losses in the first quarter of 2018 in the amount of RR 6.2 billion.

Changes to ECL measurement model assumptions and estimates applied by the subsidiaries of the Group resulted in the reduction of credit loss allowance in the amount of RR 0.7 billion.

As a result of these changes to ECL measurement model assumptions and estimates the Group recorded reduction of credit loss allowance in 2018 in the amount of RR 31.7 billion.

During 2018 the Group changed approach to assessment of credit quality of consumer and other loans to individuals, measured at fair value through profit or loss. As a result, these loans migrated to a high credit risk grade.

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 35.

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 2016. 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. The basis used for the appraisal was mainly market value. The most significant assumptions made during the appraisal included those related to: selection of similar premises; adjustments to market values of similar premises to reflect differences in conditions and location between similar premises and the appraised premises; cash flow projections and discount rates. Revalued premises are depreciated in accordance with their remaining useful lives since 1 January 2017. Refer to Note 11.

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

Life insurance contract liabilities (including investment contract liabilities with discretionary participation features (hereafter "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 increased with a margin for risk and adverse deviation. 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 32.

4 Adoption of New or Revised Standards and Interpretations, Reclassifications

Certain new standards and interpretations became effective for the Group from 1 January 2018:

IFRS 9 "Financial Instruments". The Group has adopted IFRS 9 "Financial Instruments" issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The Group elected to recognise any adjustments to the carrying amounts of financial assets and liabilities at the date of initial application in the opening retained earnings of the current period. Consequently, the revised requirements of the IFRS 7 "Financial Instruments: Disclosures", have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year except as detailed below.

Details of the specific IFRS 9 accounting policies applied in the current period are described in Note 42. Respective policies adopted prior to 1 January 2018 and applicable for comparative information are disclosed in Note 43.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarized below.

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at FVOCI and those to be measured subsequently at FVPL.
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect contractual cash flows, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets is classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but are included in assessing the SPPI condition. For an explanation of how the Group classifies financial assets under IFRS 9, see further in this Note.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

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

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. For an explanation of how the Group classifies financial liabilities under IFRS 9, see further in this Note.
- IFRS 9 replaces the incurred loss model in IAS 39 with the ECL model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that the Group have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. For an explanation of how the Group applies the impairment requirements of IFRS 9, see further in Note 32.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging. The Group has elected to continue to apply the hedge accounting requirements of IAS 39.

Transition. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Amounts for the previous periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held,
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL,
  - The designation of certain investments in equity instruments not held for trading at FVOCI,
  - For financial liabilities designated at FVPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

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

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

in billions of Russian Roubles	Measurement category under IAS 39	Measurement category under IFRS 9	IAS 39 carrying amount 31 December 2017	Reclassi-fication	Remeasurement under IFRS 9	IFRS 9 carrying amount 1 January 2018
Financial assets						
Cash and cash equivalents	Loans and receivables	Amortized cost	2,329.4	(4.3)	(0.2)	2,324.9
Cash and cash equivalents	Loans and receivables	FVPL (mandatorily)	—	4.3	—	4.3
Total cash and cash equivalents			**2,329.4**	**—**	**(0.2)**	**2,329.2**
Mandatory cash balances with central banks	Loans and receivables	Amortized cost	427.1	—	—	427.1
Due from banks	Loans and receivables	Amortized cost	1,317.8	(337.8)	(2.1)	977.9
Due from banks	Loans and receivables	FVPL (mandatorily)	—	309.2	0.8	310.0
Total due from banks			**1,317.8**	**(28.6)**	**(1.3)**	**1,287.9**
Loans and advances to customers	Loans and receivables	Amortized cost	18,488.1	(607.4)	(73.4)	17,807.3
Loans and advances to customers	Loans and receivables	FVPL (mandatorily)	—	565.4	(4.2)	561.2
Total loans and advances to customers			**18,488.1**	**(42.0)**	**(77.6)**	**18,368.5**
Securities	FVPL	FVPL (mandatorily)	84.2	291.6	—	375.8
Securities	FVPL (designated)	FVPL (designated)	429.0	(429.0)	—	—
Securities	Available-for-sale	FVOCI	1,743.7	8.7	—	1,752.4
Securities	Held-to-maturity	Amortized cost	773.6	199.3	(3.3)	969.6
Total securities			**3,030.5**	**70.6**	**(3.3)**	**3,097.8**
Financial instruments pledged under repurchase agreements	FVPL	FVPL (mandatorily)	0.4	—	—	0.4
Financial instruments pledged under repurchase agreements	Held-to-maturity	Amortized cost	33.8	—	—	33.8
Financial instruments pledged under repurchase agreements	Available-for-sale	FVOCI	224.7	—	—	224.7
Total financial instruments pledged under repurchase agreements			**258.9**	**—**	**—**	**258.9**
Derivative financial instruments	FVPL	FVPL (mandatorily)	140.9	—	—	140.9
Other financial assets	Loans and receivables	Amortized cost	253.1	—	(2.6)	250.5
Total financial assets			**26,245.8**	**—**	**(85.0)**	**26,160.8**
Financial liabilities						
Due to banks	Amortized cost	Amortized cost	693.3	(254.3)	—	439.0
Due to banks	Amortized cost	FVPL (designated)	—	254.3	0.2	254.5
Total due to banks			**693.3**	**—**	**0.2**	**693.5**
Due to individuals	Amortized cost	Amortized cost	13,420.3	—	—	13,420.3
Due to corporate customers	Amortized cost	Amortized cost	6,393.9	(0.6)	—	6,393.3
Due to corporate customers	Amortized cost	FVPL (designated)	—	0.6	—	0.6
Total due to corporate customers			**6,393.9**	**—**	**—**	**6,393.9**
Debt securities in issue	Amortized cost	Amortized cost	934.6	—	—	934.6
Other borrowed funds	Amortized cost	Amortized cost	247.3	—	—	247.3
Derivative financial liabilities and obligations to deliver securities	FVPL	FVPL (mandatorily)	164.4	—	—	164.4
Other financial liabilities and credit loss allowance for credit related commitments and other commitments	Amortized cost	Amortized cost	317.8	—	1.6	319.4
Subordinated debt	Amortized cost	Amortized cost	716.3	—	—	716.3
Total financial liabilities			**22,887.9**	**—**	**1.8**	**22,889.7**

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

The above table represents the transition effect to IFRS 9 of financial assets and liabilities before taxation. Related tax effect amounted to RR 17.3 billion increase in deferred tax asset.

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 42. The application of these policies resulted in the reclassifications set out in the table above and explained below.

- A portfolio of short-term placements with banks and reverse repo agreements (accounted within financial statement captions Cash and cash equivalents, Due from banks and Loans and advances to customers) was previously measured at amortized cost under IAS 39. The Group has clarified and amended its business model in respect of this portfolio as at 1 January 2018 and classified respective financial assets as measured at fair value through profit or loss under IFRS 9. In addition, the Group has designated financial liabilities associated with these financial assets at fair value through profit or loss to eliminate an accounting mismatch that would otherwise arise.
- Certain loans and advances to customers mainly held by the Group's corporate-investment banking business are classified under IFRS 9 as mandatorily measured at fair value through profit or loss because the contractual cash flows of these assets are not solely payments of principal and interest on the principal amount outstanding.
- Certain debt securities held by the Group were originally designated at fair value through profit or loss. The Group holds those assets to meet stress liquidity needs and to maximize the Group's return. The return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The Group considers that under IFRS 9 this portfolio of financial assets shall be separated into trading portfolio and portfolio for collection of contractual cash flows.

The following table analyses the impact, net of tax, of transition to IFRS 9 on reserves and retained earnings. There is no impact on other components of equity.

In billions of Russian Roubles	Impact of adopting IFRS 9 at 1 January 2018
Fair value reserve for investment securities available-for-sale under IAS 39 (31 December 2017)	**35.3**
Reclassification of investment securities from available-for-sale to FVPL	(13.0)
Recognition of ECL under IFRS 9 for debt financial assets at FVOCI	5.9
Fair value reserve for debt securities measured at FVOCI under IFRS 9 (1 January 2018)	**28.2**
Retained earnings under IAS 39 (31 December 2017)	**3,058.6**
Reclassification of debt investment securities from available-for-sale to FVPL	13.0
Remeasurement to fair value for reclassified financial instruments under IFRS 9	(3.0)
Recognition of ECL under IFRS 9 for debt financial assets at FVOCI	(5.9)
Recognition of ECL under IFRS 9 for debt financial assets at amortized cost and credit related commitments	(66.5)
Retained earnings under IFRS 9 (1 January 2018)	**2,996.2**

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

The following table reconciles:

- the closing loss allowance for financial assets in accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 as at 31 December 2017; to
- the credit loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

in billions of Russian Roubles	31 December 2017 (IAS 39/IAS 37)	Reclassification under IFRS 9	Remeasurement under IFRS 9	1 January 2018 (IFRS 9)
Due from banks, loans and advances to customers and investment securities held to maturity under IAS 39 / financial assets at amortised cost under IFRS 9	1,406.7	(28.0)	144.8	1,523.5
Available-for-sale debt investment securities under IAS 39 / debt securities at FVOCI under IFRS 9	—	—	5.9	5.9
Other financial assets	5.9	—	2.6	8.5
Credit related commitments and performance guarantees	22.2	—	1.6	23.8
Total	**1,434.8**	**(28.0)**	**154.9**	**1,561.7**

As at 1 January 2018 the amount of remeasurement of the credit loss allowance for financial assets at amortized cost includes RR 65.8 billion related to increase of the gross carrying amount of those assets and related credit loss allowance to reflect all interest contractually receivable at this date.

Adoption of IFRS 15 "Revenue from Contracts with Customers" (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018) and ***Amendments to IFRS 15 "Revenue from Contracts with Customers"*** (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The Group adopted IFRS 15 "Revenue from Contracts with Customers" with the date of initial application as of 1 January 2018, which did not result in any material impact on the Group.

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

- ***Amendments to IFRS 2 "Share-based Payment"*** (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- ***Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" – Amendments to IFRS 4*** (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- ***Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28*** (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- ***IFRIC 22 – "Foreign Currency Transactions and Advance Consideration"*** (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- ***Transfers of Investment Property – Amendments to IAS 40*** (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

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

Changes in presentation and reclassifications. Starting from 1 January 2018 the Group changed presentation of financial instruments following the application of IFRS 9. In these consolidated financial statements the Group changed presentation of the consolidated statement of financial position as at 31 December 2017 and 1 January 2017, and consolidated statement of profit or loss for the year ended 31 December 2017. These changes were implemented to increase comparability of the financial information for 2017 with the respective information for 2018. Also the Group changed the presentation of the consolidated statement of profit or loss and of the consolidated statement of comprehensive income due to separate presentation of discontinued operations of Denizbank. The effect of changes on the consolidated statements of financial position as at 31 December 2017 and 1 January 2017 is as follows:

in billions of Russian Roubles	As previously reported	Reclassification	As reclassified
As at 31 December 2017:			
Assets			
Financial assets at fair value through profit or loss	654.1	(654.1)	—
Securities pledged under repurchase agreements	258.9	(258.9)	—
Investment securities available-for-sale	1,743.7	(1,743.7)	—
Investment securities held-to-maturity	773.6	(773.6)	—
Other financial assets	253.1	(253.1)	—
Other non-financial assets	324.2	(324.2)	—
Securities	—	3,030.5	3,030.5
Financial instruments pledged under repurchase agreements	—	258.9	258.9
Derivative financial assets	—	140.9	140.9
Other assets	—	577.3	577.3
Liabilities			
Financial liabilities at fair value through profit or loss other than debt securities in issue	164.4	(164.4)	—
Derivative financial liabilities and obligations to deliver securities	—	164.4	164.4
Provisions on insurance and pension fund operations	688.1	(688.1)	—
Other financial liabilities	289.9	(289.9)	—
Other non-financial liabilities	100.4	(100.4)	—
Other liabilities	—	1,078.4	1,078.4
As at 1 January 2017:			
Assets			
Financial assets at fair value through profit or loss	605.5	(605.5)	—
Securities pledged under repurchase agreements	113.9	(113.9)	—
Investment securities available-for-sale	1,658.9	(1,658.9)	—
Investment securities held-to-maturity	545.8	(545.8)	—
Other financial assets	314.5	(314.5)	—
Other non-financial assets	337.8	(337.8)	—
Securities	—	2,603.6	2,603.6
Financial instruments pledged under repurchase agreements	—	113.9	113.9
Derivative financial assets	—	206.6	206.6
Other assets	—	652.3	652.3
Liabilities			
Financial liabilities at fair value through profit or loss other than debt securities in issue	212.9	(212.9)	—
Derivative financial liabilities and obligations to deliver securities	—	212.9	212.9
Provisions on insurance and pension fund operations	479.2	(479.2)	—
Other financial liabilities	312.6	(312.6)	—
Other non-financial liabilities	77.3	(77.3)	—
Other liabilities	—	869.1	869.1

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

The effect of changes on the consolidated statement of profit and loss for the year ended 31 December 2017 is as follows:

in billions of Russian Roubles	As previously reported	Reclassification	As reclassified
Year ended 31 December 2017			
Interest income	2,335.8	(2,335.8)	—
Interest income calculated using the effective interest method	—	2,098.3	2,098.3
Other interest income	—	33.1	33.1
Interest expense	(826.4)	826.4	—
Interest expense calculated using the effective interest method	—	(725.4)	(725.4)
Other interest expense	—	(2.1)	(2.1)
Deposit insurance expenses	(57.3)	2.2	(55.1)
Net provision charge for impairment of debt financial assets	(287.3)	287.3	—
Impairment of investment securities available-for-sale	(0.2)	0.2	—
Net credit loss allowance charge for debt financial assets	—	(263.8)	(263.8)
Fee and commission income	505.1	(26.1)	479.0
Fee and commission expense	(110.9)	9.0	(101.9)
Net (losses) / gains from trading securities	(3.0)	3.0	—
Net gains from securities designated as at fair value through profit or loss	8.0	(8.0)	—
Net gains from investment securities available-for-sale	27.2	(27.2)	—
Net (losses) / gains from non-derivative financial instruments at fair value through profit or loss (2017: Net gains from trading securities and securities designated as at fair value through profit or loss)	—	5.1	5.1
Net gains from financial instruments at fair value through other comprehensive income (2017: Net gains from investment securities available-for-sale)	—	27.6	27.6
Net gains / (losses) from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation	20.6	(20.6)	—
Net gains from operations with precious metals, precious metals derivatives and precious metals accounts translation	4.1	(4.1)	—
Net (losses) / gains from operations with other derivatives	(13.5)	13.5	—
Net gains from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	—	20.1	20.1
Impairment of premises, equipment and intangible assets	(9.5)	9.5	—
Goodwill impairment	(11.3)	11.3	—
Impairment of non-financial assets	—	(20.8)	(20.8)
Net charge for other provisions	(16.7)	1.7	(15.0)
Revenue of non-core business activities	42.4	(3.6)	38.8
Cost of sales and other expenses of non-core business activities	(36.7)	3.0	(33.7)
Income from operating lease of equipment	—	2.8	2.8
Expenses related to equipment leased out	—	(1.7)	(1.7)
Other net operating income	23.9	(4.4)	19.5
Staff and administrative expenses	(672.8)	49.4	(623.4)
Income tax expense	(194.5)	7.0	(187.5)
Profit from discontinued operations (attributable to shareholders of the Bank)	—	33.1	33.1

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

The effect of changes on the consolidated statement of comprehensive income for the year ended 31 December 2017 is as follows:

in billions of Russian Roubles	**As previously reported**	**Reclassification**	**As reclassified**
Year ended 31 December 2017			
Items to be reclassified to profit or loss in subsequent periods			
Debt financial instruments measured at fair value through other comprehensive income (2017: Investment securities available-for-sale):			
- Net change in fair value, net of tax (2017: Net gains on revaluation of investment securities available-for-sale, net of tax)	32.9	(1.4)	31.5
- Accumulated gains transferred to profit or loss upon disposal, net of tax	(21.8)	(0.3)	(22.1)
Exchange differences on translating foreign operations for the period	(11.7)	21.2	9.5
Items that will not be reclassified to profit or loss in subsequent periods			
Change in valuation of office premises transferred to other classes of assets, net of tax	(2.7)	(0.2)	(2.9)
Remeasurement of defined benefit pension plans	(0.2)	0.2	—
Total other comprehensive (loss) / income from discontinued operations	—	(19.5)	(19.5)

Starting from 1 January 2018 the Group changed presentation of the consolidated statement of cash flows to reflect impact of adoption of IFRS 9 and to improve presentation of cash flows related to certain assets and liabilities. Those assets and liabilities are rather operating for the Group and since 2018 the cash flows related to those assets and liabilities are presented in the cash flows from operating activities.

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

The effect of changes on the consolidated statement of cash flows for the year ended 31 December 2017 is as follows:

in billions of Russian Roubles	As previously reported	Reclassification	As reclassified
Cash flows from operating activities			
Interest received	2,134.5	(2,134.5)	—
Interest income calculated using the effective interest method received	—	2,271.0	2,271.0
Other interest income received	—	41.0	41.0
Interest paid	(767.4)	767.4	—
Interest expense calculated using the effective interest method paid	—	(845.0)	(845.0)
Other interest expense paid	—	(2.9)	(2.9)
Net gains received / (losses incurred) received on non-derivative financial instruments at fair value through profit or loss (2017: Net gains received from trading securities and securities designated as at fair value through profit or loss)	—	(2.1)	(2.1)
Net (losses incurred) / gains received from financial instruments at fair value through other comprehensive income	—	39.2	39.2
Net losses incurred on trading securities	(3.2)	3.2	—
Net gains received on securities designated as at fair value through profit or loss	1.7	(1.7)	—
Net gains received / (losses incurred) from trading in foreign currencies and from operations with foreign currency derivatives	62.8	(62.8)	—
Net (losses incurred) / gains received from operations with other derivatives	(4.0)	4.0	—
Net gains received from operations with precious metals and precious metals derivatives	2.6	(2.6)	—
Net (losses incurred) / gains received on derivatives, trading in foreign currencies and operations with precious metals	—	68.9	68.9
Net other income received	14.3	(3.5)	10.8
Income received from operating lease of equipment	—	3.5	3.5
Expenses paid related to equipment leased out	—	(0.4)	(0.4)
Staff and administrative expenses paid	(596.4)	0.4	(596.0)
Changes in operating assets and liabilities			
Net increase in securities and financial instruments pledged under repurchase agreements	—	(626.1)	(626.1)
Net increase in derivative financial assets	—	(5.7)	(5.7)
Net increase in financial assets at fair value through profit or loss	(124.7)	124.7	—
Net (increase) / decrease in other assets	61.8	(7.5)	54.3
Net (decrease) / increase in financial liabilities at fair value through profit or loss other than debt securities in issue	(0.2)	0.2	—
Net decrease in debt securities in issue	(33.1)	(164.2)	(197.3)
Net decrease in other borrowed funds	—	(7.4)	(7.4)
Net increase / (decrease) in obligations to deliver securities	—	(0.2)	(0.2)
Cash flows from investing activities			
Purchase of investment securities available-for-sale	(1,497.3)	1,497.3	—
Proceeds from disposal and redemption of investment securities available-for-sale	1,285.3	(1,285.3)	—
Interest received on investment securities available-for-sale	129.4	(129.4)	—
Purchase of investment securities held-to-maturity	(374.2)	374.2	—
Proceeds from redemption of investment securities held-to-maturity	117.7	(117.7)	—
Interest received on investment securities held-to-maturity	48.1	(48.1)	—
Cash flows from financing activities			
Other borrowed funds received	268.9	(268.9)	—
Redemption of other borrowed funds	(276.3)	276.3	—
Interest on other borrowed funds paid	(11.0)	11.0	—
Interest on subordinated debt paid	(45.3)	45.3	—
Funds received from loan participation notes issued or reissued	0.1	(0.1)	—
Redemption of loan participation notes issued	(164.3)	164.3	—
Interest on loan participation notes issued paid	(24.2)	24.2	—

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

Starting from the beginning of 2018 the Group refined the methodology for classification of project finance loans to legal entities since models of credit risk management for clients with project risk profile were refined. The comparative information as at 31 December 2017 was amended accordingly.

in billions of Russian Roubles	As previously reported	Reclassification	As reclassified
Gross carrying amount of commercial loans to legal entities	10,468.1	1,927.3	12,395.4
Commercial loans to legal entities - credit loss allowance	(853.3)	(155.7)	(1,009.0)
Gross carrying amount of specialized loans to legal entities	3,706.5	(3,706.5)	—
Specialized loans to legal entities – provision for loan impairment	(316.1)	316.1	—
Gross carrying amount of project finance loans to legal entities	—	1,779.2	1,779.2
Project finance loans to legal entities – credit loss allowance	—	(160.4)	(160.4)

5 Cash and Cash Equivalents

in billions of Russian Roubles	31 December 2018	31 December 2017
Cash and cash equivalents at amortized cost	2,092.6	2,329.4
Cash and cash equivalents at fair value through profit or loss	6.2	—
Total cash and cash equivalents	**2,098.8**	**2,329.4**

Cash and cash equivalents at amortized cost

in billions of Russian Roubles	31 December 2018	31 December 2017
Cash on hand	695.0	646.8
Cash balances with the Bank of Russia (other than mandatory reserve deposits)	681.5	920.4
Correspondent accounts and placements with other banks:		
- Russian Federation	13.4	19.4
- Other countries	696.7	722.4
Reverse repo agreements	6.0	20.4
Total cash and cash equivalents at amortized cost	**2,092.6**	**2,329.4**

As at 31 December 2018 and 31 December 2017 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 at 31 December 2018. Refer to Note 32 for the description of credit risk grading system used by the Group. The carrying amount of cash and cash equivalents at 31 December 2018 below also represents the Group's maximum exposure to credit risk on these assets:

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**

5 Cash and Cash Equivalents (continued)

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 32 for the ECL measurement approach.

Analysis by credit quality of the correspondent accounts and placements with other banks and reverse repo agreements with original maturities up to 1 business day at 31 December 2017 is as follows:

in billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with other banks	562.2	167.1	12.5	741.8
Reverse repo agreements	0.5	6.2	13.7	20.4
Total correspondent accounts and placements with banks and reverse repo agreements at amortized cost	**562.7**	**173.3**	**26.2**	**762.2**

Credit quality in the table above is based on the rating scale developed by the international rating agencies.

As at 31 December 2018 and 31 December 2017 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 2018
Reverse repo agreements	6.2
Total cash and cash equivalents at fair value through profit or loss	**6.2**

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

Refer to Note 36 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 35. Currency and maturity analyses of cash and cash equivalents are disclosed in Note 32. The information on related parties balances is disclosed in Note 38.

6 Due from Banks

in billions of Russian Roubles	31 December 2018	31 December 2017
Due from banks at amortized cost	770.8	1,317.8
Due from banks at fair value through profit or loss	649.9	—
Total due from banks	**1,420.7**	**1,317.8**

Due from banks at amortized cost

in billions of Russian Roubles	31 December 2018	31 December 2017
Term placements with banks:		
- Russian Federation	147.9	104.2
- Other countries	235.4	111.0
Reverse repo agreements with banks	389.4	1,105.0
Gross carrying amount of due from banks at amortized cost	**772.7**	**1,320.2**
Credit loss allowance	(1.9)	(2.4)
Total due from banks at amortized cost	**770.8**	**1,317.8**

6 Due from Banks (continued)

As at 31 December 2018 and 31 December 2017 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 other banks balances by credit quality at 31 December 2018 based on credit risk grades and discloses due from other banks balances by three stages for the purpose of ECL measurement. Refer to Note 32 for the description of credit risk grading system used by the Group and the approach to ECL measurement of due from other banks balances.

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

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**

Analysis by credit quality of the term placements with banks and reverse repo agreements with original maturities over 1 business day at 31 December 2017 is as follows:

in billions of Russian Roubles	**Investment rating**	**Speculative rating**	**Not rated**	**Total**
Term placements with banks	73.0	100.6	41.6	215.2
Reverse repo agreements with banks	1,057.3	47.7	—	1,105.0
Total due from banks before provision for impairment	**1,130.3**	**148.3**	**41.6**	**1,320.2**

Credit quality in the table above is based on the rating scale developed by the international rating agencies.

6 Due from Banks (continued)

The following table explains the changes in the credit loss allowance of due from banks 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 credit-impaired	Total
At 1 January 2018	**0.7**	**1.4**	**2.1**
Movements with impact on credit loss allowance charge from continuing operations for the year:			
Net remeasurement of credit loss allowance	(0.2)	(0.1)	**(0.3)**
Foreign exchange differences and other movements	—	0.2	**0.2**
Total movements with impact on credit loss allowance charge from continuing operations for the year	**(0.2)**	**0.1**	**(0.1)**
Movements without impact on credit loss allowance charge for the year:			
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(0.1)	—	**(0.1)**
Total movements without impact on credit loss allowance charge for the year	**(0.1)**	**—**	**(0.1)**
At 31 December 2018	**0.4**	**1.5**	**1.9**

The changes in provision for impairment of due from banks for the year ended 31 December 2017 are presented in the table below:

in billions of Russian Roubles	**2017**
Provision for impairment of due from banks as at 1 January	**2.6**
Net recovery of provision for impairment during the year	(0.2)
Provision for impairment of due from banks as at 31 December	**2.4**

As at 31 December 2018 term placements with banks at amortized cost of RR 1.5 billion are past due (31 December 2017: nil).

Due from banks at fair value through profit or loss

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

As at 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 36 for the information on amounts due from banks which are collateralized by securities received under reverse sale and repurchase agreements.

The estimated fair value of due from banks and reverse repo agreements and fair value measurement technique used are disclosed in Note 35. Currency and maturity analyses of due from banks are disclosed in Note 32. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 38 and 39.

7 Loans and Advances to Customers

in billions of Russian Roubles	31 December 2018	31 December 2017
Loans and advances to customers at amortized cost	18,899.1	18,488.1
Loans and advances to customers at fair value through profit or loss	685.9	—
Total loans and advances to customers	**19,585.0**	**18,488.1**

Loans and advances to customers at amortized cost

			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**

			31 December 2017
in billions of Russian Roubles	Carrying amount before provision	Provision for impairment	Amortized cost
Commercial loans to legal entities	12,395.4	(1,009.0)	11,386.4
Project finance loans to legal entities	1,779.2	(160.4)	1,618.8
Mortgage loans to individuals	3,190.6	(59.7)	3,130.9
Consumer and other loans to individuals	1,725.9	(108.9)	1,617.0
Credit cards and overdrafts to individuals	678.9	(57.1)	621.8
Car loans to individuals	121.2	(8.0)	113.2
Total loans and advances to customers at amortized cost	**19,891.2**	**(1,403.1)**	**18,488.1**

7 Loans and Advances to Customers (continued)

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.

The tables below show the credit quality analysis of the Group's loans and advances to customers at amortized cost as at 31 December 2018. Explanation of the terms 12-month ECL, lifetime ECL and purchased or originated credit-impaired is disclosed in Note 32. Credit quality in the table below is based on the scale developed internally by the Group. The scale is described in Note 32.

					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)

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	31 December 2018 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**

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	31 December 2018 Total
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	31 December 2018 Total
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**

in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/ originated credit-impaired	31 December 2018 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	31 December 2018 Total
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 annual 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 to customers										
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)	—	—	—
Foreign exchange differences and other movements	10.1	8.7	26.0	0.7	**45.5**	509.2	82.0	61.8	(1.8)	**651.2**
Total movements with impact on credit loss allowance charge from continuing operations for the year	**(79.4)**	**62.5**	**180.4**	**(3.3)**	**160.2**	**2,516.8**	**235.4**	**98.3**	**(6.6)**	**2,843.9**
Net remeasurement of credit loss allowance and change in gross carrying amount 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)**
Recoveries of amounts previously written off	—	—	6.3	0.1	**6.4**	—	—	6.3	0.1	**6.4**
Exchange differences on translating foreign operations	1.3	3.9	27.1	0.4	**32.7**	85.5	18.6	31.0	0.6	**135.7**
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)	(2.3)	—	**(11.8)**	(7.3)	0.1	0.2	—	**(7.0)**
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	**(22.7)**	**(38.0)**	**(146.9)**	**0.3**	**(207.3)**	**(1,458.8)**	**(173.9)**	**(157.7)**	**—**	**(1,790.4)**
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)

	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
Commercial loans to legal entities										
At 1 January 2018	**189.1**	**88.0**	**714.8**	**11.5**	**1,003.4**	**9,849.5**	**1,053.3**	**1,099.2**	**24.0**	**12,026.0**
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	6.9	(23.6)	(15.4)	—	**(32.1)**	501.9	(439.8)	(62.1)	—	—
- to lifetime ECL not credit-impaired	(45.3)	93.8	(21.8)	—	**26.7**	(1,130.1)	1,183.7	(53.6)	—	—
- to lifetime ECL credit-impaired	(5.3)	(24.0)	95.2	—	**65.9**	(97.4)	(98.8)	196.2	—	—
Net remeasurement of credit loss allowance within the same stage	(55.1)	12.5	71.3	0.4	**29.1**	—	—	—	—	—
New originated or purchased and impact of other increases in gross carrying amount	86.0	23.3	58.4	—	**167.7**	7,888.7	333.7	103.4	1.4	**8,327.2**
Derecognised during the period and impact of other decreases in gross carrying amount	(49.2)	(38.8)	(104.9)	(4.2)	**(197.1)**	(6,529.4)	(628.3)	(189.4)	(5.6)	**(7,352.7)**
Changes to ECL measurement model assumptions and estimates	(26.2)	(8.8)	(0.6)	—	**(35.6)**	—	—	—	—	—
Foreign exchange differences and other movements	11.0	8.2	38.3	0.7	**58.2**	461.7	77.9	72.5	(1.8)	**610.3**
Total movements with impact on credit loss allowance charge from continuing operations for the year	**(77.2)**	**42.6**	**120.5**	**(3.1)**	**82.8**	**1,095.4**	**428.4**	**67.0**	**(6.0)**	**1,584.8**
Net remeasurement of credit loss allowance and change in gross carrying amount of discontinued operations	**0.6**	**22.5**	**3.3**	**—**	**26.4**	**39.7**	**13.6**	**11.0**	**—**	**64.3**
Movements without impact on credit loss allowance charge for the year:										
Write-offs	—	—	(55.3)	—	**(55.3)**	—	—	(55.3)	—	**(55.3)**
Recoveries of amounts previously written off	—	—	2.8	—	**2.8**	—	—	2.8	—	**2.8**
Exchange differences on translating foreign operations	0.7	3.5	23.0	0.2	**27.4**	42.1	14.1	25.8	0.4	**82.4**
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	18.3	0.1	**18.4**	—	—	18.3	0.1	**18.4**
Other movements	(0.6)	(1.0)	(0.8)	—	**(2.4)**	0.3	0.1	0.2	—	**0.6**
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(9.3)	(38.9)	(38.1)	—	**(86.3)**	(1,086.4)	(164.0)	(53.6)	—	**(1,304.0)**
Total movements without impact on credit loss allowance charge for the year	**(9.2)**	**(36.4)**	**(50.1)**	**0.3**	**(95.4)**	**(1,044.0)**	**(149.8)**	**(61.8)**	**0.5**	**(1,255.1)**
At 31 December 2018	**103.3**	**116.7**	**788.5**	**8.7**	**1,017.2**	**9,940.6**	**1,345.5**	**1,115.4**	**18.5**	**12,420.0**

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
Project finance loans to legal entities										
At 1 January 2018	**24.1**	**17.4**	**183.9**	**0.2**	**225.6**	**1,152.9**	**134.2**	**265.8**	**4.0**	**1,556.9**
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	2.0	(6.0)	(2.5)	—	**(6.5)**	57.7	(45.5)	(12.2)	—	**—**
- to lifetime ECL not credit-impaired	(3.6)	13.8	(1.5)	—	**8.7**	(89.0)	107.2	(18.2)	—	**—**
- to lifetime ECL credit-impaired	(2.1)	(3.4)	15.3	—	**9.8**	(26.7)	(16.5)	43.2	—	**—**
Net remeasurement of credit loss allowance within the same stage	7.8	3.1	4.7	(0.2)	**15.4**	—	—	—	—	**—**
New originated or purchased and impact of other increases in gross carrying amount	5.4	18.2	2.3	—	**25.9**	311.0	72.7	6.6	0.2	**390.5**
Derecognised during the period and impact of other decreases in gross carrying amount	(6.0)	(10.5)	(3.8)	—	**(20.3)**	(403.2)	(94.2)	(8.9)	—	**(506.3)**
Changes to ECL measurement model assumptions and estimates	(1.0)	(0.3)	—	—	**(1.3)**	—	—	—	—	**—**
Foreign exchange differences and other movements	0.3	0.2	(2.8)	—	**(2.3)**	34.1	1.6	(4.4)	—	**31.3**
Total movements with impact on credit loss allowance charge from continuing operations for the year	**2.8**	**15.1**	**11.7**	**(0.2)**	**29.4**	**(116.1)**	**25.3**	**6.1**	**0.2**	**(84.5)**
Net remeasurement of credit loss allowance and change in gross carrying amount of discontinued operations	**—**	**—**	**—**	**—**	**—**	**(5.5)**	**0.6**	**—**	**—**	**(4.9)**
Movements without impact on credit loss allowance charge for the year:										
Write-offs	—	—	(65.6)	—	**(65.6)**	—	—	(65.6)	—	**(65.6)**
Exchange differences on translating foreign operations	—	0.1	2.4	—	**2.5**	12.1	1.3	2.4	0.1	**15.9**
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	1.6	—	**1.6**	—	—	1.6	—	**1.6**
Other movements	(7.7)	—	(0.7)	—	**(8.4)**	(7.6)	—	—	—	**(7.6)**
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(1.3)	(0.2)	(0.6)	—	**(2.1)**	(178.2)	(3.6)	0.1	(0.5)	**(182.2)**
Total movements without impact on credit loss allowance charge for the year	**(9.0)**	**(0.1)**	**(62.9)**	**—**	**(72.0)**	**(173.7)**	**(2.3)**	**(61.5)**	**(0.4)**	**(237.9)**
At 31 December 2018	**17.9**	**32.4**	**132.7**	**—**	**183.0**	**857.6**	**157.8**	**210.4**	**3.8**	**1,229.6**

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 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**	—	—	—	—	**—**
Foreign exchange differences and 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 and change in gross carrying amount 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)**
Recoveries of amounts previously written off	—	—	0.7	0.1	**0.8**	—	—	0.7	0.1	**0.8**
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**
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)

	Credit loss allowance				Gross carrying amount			
in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Consumer and other loans to individuals								
At 1 January 2018	**27.5**	**5.7**	**98.1**	**131.3**	**1,563.7**	**75.5**	**146.4**	**1,785.6**
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	2.1	(4.9)	(3.3)	**(6.1)**	68.1	(55.5)	(12.6)	—
- to lifetime ECL not credit-impaired	(2.8)	18.6	(0.6)	**15.2**	(118.8)	121.3	(2.5)	—
- to lifetime ECL credit-impaired	(0.5)	(11.0)	26.8	**15.3**	(12.0)	(40.1)	52.1	—
Net remeasurement of credit loss allowance within the same stage	(8.6)	0.7	15.1	**7.2**	—	—	—	—
New originated or purchased and impact of other increases in gross carrying amount	21.6	1.9	—	**23.5**	1,505.0	20.8	—	**1,525.8**
Derecognised during the period and impact of other decreases in gross carrying amount	(10.4)	(1.5)	(1.5)	**(13.4)**	(991.6)	(29.8)	(11.9)	**(1,033.3)**
Changes to ECL measurement model assumptions and estimates	—	1.2	1.5	**2.7**	—	—	—	—
Foreign exchange differences and other movements	(1.1)	0.2	(4.3)	**(5.2)**	6.3	1.2	(2.0)	**5.5**
Total movements with impact on credit loss allowance charge from continuing operations for the year	**0.3**	**5.2**	**33.7**	**39.2**	**457.0**	**17.9**	**23.1**	**498.0**
Net remeasurement of credit loss allowance and change in gross carrying amount of discontinued operations	**0.3**	**0.1**	**0.7**	**1.1**	**(0.5)**	**—**	**0.2**	**(0.3)**
Movements without impact on credit loss allowance charge for the year:								
Write-offs	—	—	(22.4)	**(22.4)**	—	—	(22.4)	**(22.4)**
Recoveries of amounts previously written off	—	—	2.8	**2.8**	—	—	2.8	**2.8**
Exchange differences on translating foreign operations	0.2	0.2	0.9	**1.3**	12.1	1.2	1.3	**14.6**
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	7.3	**7.3**	—	—	7.3	**7.3**
Other movements	—	(0.2)	(0.5)	**(0.7)**	—	—	—	—
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(4.1)	(1.3)	(8.6)	**(14.0)**	(152.5)	(14.6)	(9.8)	**(176.9)**
Total movements without impact on credit loss allowance charge for the year	**(3.9)**	**(1.3)**	**(20.5)**	**(25.7)**	**(140.4)**	**(13.4)**	**(20.8)**	**(174.6)**
At 31 December 2018	**24.2**	**9.7**	**112.0**	**145.9**	**1,879.8**	**80.0**	**148.9**	**2,108.7**

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	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Credit cards and overdrafts to individuals								
At 1 January 2018	**3.7**	**10.2**	**54.0**	**67.9**	**261.4**	**367.0**	**62.4**	**690.8**
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	0.1	(0.5)	—	**(0.4)**	7.7	(7.6)	(0.1)	**—**
- to lifetime ECL not credit-impaired	(0.8)	2.8	(0.1)	**1.9**	(53.3)	53.8	(0.5)	**—**
- to lifetime ECL credit-impaired	(0.1)	(8.4)	18.8	**10.3**	(0.3)	(24.6)	24.9	**—**
Net remeasurement of credit loss allowance within the same stage	(0.5)	5.4	3.3	**8.2**	—	—	—	**—**
New originated or purchased and impact of other increases in gross carrying amount	2.3	4.0	0.2	**6.5**	177.5	229.8	0.4	**407.7**
Derecognised during the period and impact of other decreases in gross carrying amount	(1.3)	(4.5)	(8.6)	**(14.4)**	(99.5)	(207.5)	(11.2)	**(318.2)**
Changes to ECL measurement model assumptions and estimates	3.8	(2.8)	0.8	**1.8**	294.1	(294.1)	—	**—**
Foreign exchange differences and other movements	—	0.1	(4.2)	**(4.1)**	1.2	1.0	(4.7)	**(2.5)**
Total movements with impact on credit loss allowance charge from continuing operations for the year	**3.5**	**(3.9)**	**10.2**	**9.8**	**327.4**	**(249.2)**	**8.8**	**87.0**
Net remeasurement of credit loss allowance and change in gross carrying amount of discontinued operations	**(0.1)**	**—**	**0.2**	**0.1**	**(31.7)**	**(0.1)**	**0.1**	**(31.7)**
Movements without impact on credit loss allowance charge for the year:								
Write-offs	—	—	(8.0)	**(8.0)**	—	—	(8.0)	**(8.0)**
Exchange differences on translating foreign operations	—	—	—	**—**	0.7	0.2	0.2	**1.1**
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	0.7	**0.7**	—	—	0.7	**0.7**
Other movements	—	—	(0.3)	**(0.3)**	—	—	—	**—**
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(1.0)	(0.3)	(5.1)	**(6.4)**	(71.5)	(5.0)	(5.9)	**(82.4)**
Total movements without impact on credit loss allowance charge for the year	**(1.0)**	**(0.3)**	**(12.7)**	**(14.0)**	**(70.8)**	**(4.8)**	**(13.0)**	**(88.6)**
At 31 December 2018	**6.1**	**6.0**	**51.7**	**63.8**	**486.3**	**112.9**	**58.3**	**657.5**

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	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Car loans to individuals								
At 1 January 2018	**0.6**	**0.2**	**9.9**	**10.7**	**109.0**	**0.4**	**11.6**	**121.0**
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	0.1	(0.4)	(0.2)	**(0.5)**	1.4	(1.2)	(0.2)	**—**
- to lifetime ECL not credit-impaired	(0.3)	0.8	—	**0.5**	(2.7)	2.7	—	**—**
- to lifetime ECL credit-impaired	—	(0.6)	0.8	**0.2**	—	(1.4)	1.4	**—**
Net remeasurement of credit loss allowance within the same stage	—	0.2	0.5	**0.7**	—	—	—	**—**
New originated or purchased and impact of other increases in gross carrying amount	0.3	—	—	**0.3**	92.5	—	—	**92.5**
Derecognised during the period and impact of other decreases in gross carrying amount	(0.3)	(0.1)	(2.4)	**(2.8)**	(78.0)	(0.3)	(3.1)	**(81.4)**
Foreign exchange differences and other movements	—	—	(0.1)	**(0.1)**	0.8	—	0.2	**1.0**
Total movements with impact on credit loss allowance charge from continuing operations for the year	**(0.2)**	**(0.1)**	**(1.4)**	**(1.7)**	**14.0**	**(0.2)**	**(1.7)**	**12.1**
Net remeasurement of credit loss allowance and change in gross carrying amount of discontinued operations	**—**	**—**	**—**	**—**	**(0.5)**	**0.3**	**—**	**(0.2)**
Movements without impact on credit loss allowance charge for the year:								
Write-offs	—	—	(1.4)	**(1.4)**	—	—	(1.4)	**(1.4)**
Exchange differences on translating foreign operations	0.1	—	0.1	**0.2**	0.7	0.1	(0.1)	**0.7**
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	0.5	**0.5**	—	—	0.5	**0.5**
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	—	—	(0.1)	**(0.1)**	(2.3)	(0.2)	(0.2)	**(2.7)**
Total movements without impact on credit loss allowance charge for the year	**0.1**	**—**	**(0.9)**	**(0.8)**	**(1.6)**	**(0.1)**	**(1.2)**	**(2.9)**
At 31 December 2018	**0.5**	**0.1**	**7.6**	**8.2**	**120.9**	**0.4**	**8.7**	**130.0**

7 Loans and Advances to Customers (continued)

The analysis of changes in provision for loan impairment for the year ended 31 December 2017 is presented in the table below. Amounts for 2017 are based on IAS 39 measurement.

in billions of Russian Roubles	Commercial loans to legal entities	Specialized loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts to individuals	Car loans to individuals	Total
Provision for loan impairment at 1 January 2017	**934.5**	**124.8**	**46.6**	**130.3**	**56.5**	**10.7**	**1,303.4**
Net provision charge / (recovery of provision) for loan impairment during the year	168.7	63.5	15.1	6.4	12.1	(2.1)	263.7
Net provision charge / (recovery of provision) for loan impairment of discontinued operations during the year	15.1	0.4	(0.1)	5.3	2.9	(0.1)	23.5
Recovery of loans previously written off	1.6	0.1	0.3	3.2	0.8	—	6.0
Loans and advances to customers written off during the year	(98.4)	(28.1)	(1.9)	(34.3)	(14.3)	(0.4)	(177.4)
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(0.6)	(0.4)	(0.6)	(0.8)	—	—	(2.4)
Exchange differences on translating foreign operations	(11.9)	0.1	0.3	(1.2)	(0.9)	(0.1)	(13.7)
Provision for loan impairment at 31 December 2017	**1,009.0**	**160.4**	**59.7**	**108.9**	**57.1**	**8.0**	**1,403.1**

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

The following table sets 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 2018 using the credit quality scale same as for loans and advances to customers at amortized cost:

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**

Included in Net (losses) / gains from non-derivative financial instruments at fair value through profit or loss RR 62.9 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.

7 Loans and Advances to Customers (continued)

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.

The table below shows the analysis of 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 at amortized cost	**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 loans at fair value as at 31 December 2018:

in billions of Russian Roubles	**Loans and advances at fair value through profit and loss**
Commercial loans to legal entities	
Loans not past due	212.1
Loans 1 to 90 days overdue	2.7
Total commercial loans to legal entities	**214.8**
Project finance loans to legal entities	
Loans not past due	466.7
Total project finance loans to legal entities	**466.7**
Total loans to legal entities	**681.5**
Consumer loans to individuals	
Loans not past due	4.4
Total consumer loans to individuals	**4.4**
Total loans to individuals	**4.4**
Total loans at fair value	**685.9**

7 Loans and Advances to Customers (continued)

The table below shows the analysis of loans at amortized cost and provisions for loan impairment as at 31 December 2017:

in billions of Russian Roubles	Gross carrying amount of loans	Provision for loan impairment	Total amortized cost of loans	Provision for loan impairment to gross carrying amount of loans
Commercial loans to legal entities				
Loans not past due	11,800.1	(564.8)	11,235.3	4.8%
Loans 1 to 90 days overdue	112.0	(35.0)	77.0	31.3%
Loans over 90 days overdue	483.3	(409.2)	74.1	84.7%
Total commercial loans to legal entities	**12,395.4**	**(1,009.0)**	**11,386.4**	**8.1%**
Project finance loans to legal entities				
Loans not past due	1,646.7	(95.0)	1,551.7	5.8%
Loans 1 to 90 days overdue	15.2	(4.8)	10.4	31.6%
Loans over 90 days overdue	117.3	(60.6)	56.7	51.7%
Total project finance loans to legal entities	**1,779.2**	**(160.4)**	**1,618.8**	**9.0%**
Total loans to legal entities	**14,174.6**	**(1,169.4)**	**13,005.2**	**8.2%**
Mortgage loans to individuals				
Loans not past due	3,087.0	(15.9)	3,071.1	0.5%
Loans 1 to 90 days overdue	45.5	(6.4)	39.1	14.1%
Loans over 90 days overdue	58.1	(37.4)	20.7	64.4%
Total mortgage loans to individuals	**3,190.6**	**(59.7)**	**3,130.9**	**1.9%**
Consumer and other loans to individuals				
Loans not past due	1,572.0	(20.6)	1,551.4	1.3%
Loans 1 to 90 days overdue	41.2	(6.9)	34.3	16.7%
Loans over 90 days overdue	112.7	(81.4)	31.3	72.2%
Total consumer and other loans to individuals	**1,725.9**	**(108.9)**	**1,617.0**	**6.3%**
Credit cards and overdrafts to individuals				
Loans not past due	592.1	(5.7)	586.4	1.0%
Loans 1 to 90 days overdue	31.6	(4.6)	27.0	14.6%
Loans over 90 days overdue	55.2	(46.8)	8.4	84.8%
Total credit cards and overdrafts to individuals	**678.9**	**(57.1)**	**621.8**	**8.4%**
Car loans to individuals				
Loans not past due	109.2	(0.1)	109.1	0.1%
Loans 1 to 90 days overdue	2.2	(0.3)	1.9	13.6%
Loans over 90 days overdue	9.8	(7.6)	2.2	77.6%
Total car loans to individuals	**121.2**	**(8.0)**	**113.2**	**6.6%**
Total loans to individuals	**5,716.6**	**(233.7)**	**5,482.9**	**4.1%**
Total loans at amortized cost	**19,891.2**	**(1,403.1)**	**18,488.1**	**7.1%**

7 Loans and Advances to Customers (continued)

Restructured loans. Renegotiated loan portfolio of the Group consists of "modified" and "restructured" loans. A loan is considered renegotiated if terms of the original loan contract have been changed.

Modified loans represent loans with changes to the initial loan terms caused by changes in market conditions, changes in a product, client requests or reclassified out of the restructured loan portfolio provided reclassifications terms are met, i.e. where loan renegotiation is not considered as distressed.

Restructured loans represent loans which were distressed at the moment of the renegotiation. A loan is initially classified as a restructured loan if:

- The renegotiation is in favor of a borrower due to its inability to fulfill obligations and the borrower is assigned high / medium credit risk. Renegotiation is considered to be in favor of the borrower if, for example, frequency of loan repayments is reduced, interest rate is reduced, loan tenor or limit are extended, amount of total loan payments is reduced, loan payments are rescheduled for later dates, etc., or
- Refinancing of a loan is due to inability of the borrower to fulfill its obligations and the borrower is assigned high / medium credit risk.

Features of a high / medium credit risk borrower which are examined by the Group may include but are not limited to the following: the borrower's obligations are overdue for a period of more than 30 calendar days, non-compliance with a loan collateralization requirements by 30%, initiation of bankruptcy proceeding in respect of the borrower, change / replacement of the key management and/or owners, etc.

Information on restructured corporate loans and renegotiated loans to individuals at amortized cost as at 31 December 2018 is presented in the table below.

in billions of Russian Roubles	Commercial loans to legal entities	Project finance loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Car loans to individuals	Total
Loans not past due	451.0	55.4	223.7	88.7	—	818.8
Loans 1 to 90 days overdue	56.4	6.0	8.7	5.3	—	76.4
Loans over 90 days overdue	259.7	41.6	21.7	35.6	1.2	359.8
Total restructured loans before credit loss allowance	**767.1**	**103.0**	**254.1**	**129.6**	**1.2**	**1,255.0**
Less credit loss allowance	(537.2)	(70.5)	(24.4)	(26.4)	(1.2)	(659.7)
Total restructured loans at amortized cost as at 31 December 2018	**229.9**	**32.5**	**229.7**	**103.2**	**—**	**595.3**

Information on restructured corporate loans and renegotiated loans to individuals at fair value as at 31 December 2018 is presented in the table below.

in billions of Russian Roubles	Commercial loans to legal entities	Project finance loans to legal entities	Total
Restructured loans at fair value through profit and loss			
Loans not past due	0.2	10.4	10.6
Total restructured loans at fair value through profit and loss as at 31 December 2018	**0.2**	**10.4**	**10.6**

7 Loans and Advances to Customers (continued)

Information on restructured corporate loans and renegotiated loans to individuals at amortized cost as at 31 December 2017 is presented in the table below.

in billions of Russian Roubles	Commercial loans to legal entities	Project finance loans to legal entities	Mortgage loans to individuals	Consumer and other loans to individuals	Credit cards and overdrafts to individuals	Car loans to individuals	Total
Loans not past due	533.4	48.8	163.7	48.4	—	1.5	795.8
Loans 1 to 90 days overdue	33.8	4.6	12.3	4.6	—	0.8	56.1
Loans over 90 days overdue	231.1	39.6	21.0	35.4	0.2	2.8	330.1
Total restructured loans before provision for loan impairment	**798.3**	**93.0**	**197.0**	**88.4**	**0.2**	**5.1**	**1,182.0**
Provision for loan impairment	(471.8)	(60.9)	(17.6)	(27.5)	(0.2)	(2.3)	(580.3)
Total restructured loans at amortized cost as at 31 December 2017	**326.5**	**32.1**	**179.4**	**60.9**	**—**	**2.8**	**601.7**

A loan may be reclassified out of the restructured loans category (and classified as modified) when all of the following criteria are met:

- the borrower has repaid not less than 5% of the loan principal balance (except for the borrowers in the investment stage of construction projects where execution of any six contractual payments is monitored);
- the borrower performed all of its contractual obligations for at least six months after the renegotiation; and
- no other signs of impairment are identified during the period of at least six months after the renegotiation.

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

in billions of Russian Roubles	31 December 2018 Amount	31 December 2018 %	31 December 2017 Amount	31 December 2017 %
Individuals	6,751.2	32.0%	5,716.6	28.7%
Oil and gas	1,866.5	8.9%	1,754.4	8.8%
Real estate	1,662.5	7.9%	1,457.3	7.3%
Metallurgy	1,587.1	7.5%	1,324.7	6.7%
Trade	1,527.0	7.2%	1,530.8	7.7%
Food and agriculture	1,105.8	5.2%	1,097.0	5.5%
Machinery	845.0	4.0%	865.2	4.3%
Telecommunications	842.1	4.0%	822.4	4.1%
Energy	814.8	3.9%	878.4	4.4%
Transport and logistics	811.4	3.8%	636.9	3.2%
Government and municipal bodies	765.2	3.6%	724.6	3.6%
Construction	684.1	3.2%	828.3	4.2%
Chemical industry	574.0	2.7%	592.0	3.0%
Services	505.3	2.4%	827.9	4.2%
Timber industry	100.9	0.5%	92.7	0.5%
Other	639.4	3.2%	742.0	3.8%
Total loans and advances to customers before credit loss allowance	**21,082.3**	**100.0%**	**19,891.2**	**100.0%**

7 Loans and Advances to Customers (continued)

As at 31 December 2018 the Group had 20 largest groups of related corporate borrowers with aggregated loan amounts due from each of these groups exceeding RR 115.6 billion (31 December 2017: 20 largest groups of related corporate borrowers with aggregated loan amounts due from each of these groups exceeding RR 98.2 billion). The total aggregate amount of these loans was RR 5,586.0 billion or 26.5% of the total gross loan portfolio of the Group (31 December 2017: RR 4,660.4 billion or 23.4%).

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 36 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.

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 11.7 billion (31 December 2017: RR 15.4 billion).

The estimated fair value of loans and advances to customers and fair value measurement technique used are disclosed in Note 35. Currency and maturity analyses of loans and advances to customers are disclosed in Note 32. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 38 and 39.

8 Securities

in billions of Russian Roubles	**31 December 2018**	**31 December 2017**
Securities measured at fair value through other comprehensive income - debt instruments	1,858.0	—
Securities measured at amortized cost	1,118.9	—
Securities mandatorily measured at fair value through profit or loss	462.7	84.2
Securities designated at fair value through profit or loss	2.6	429.0
Securities designated at fair value through other comprehensive income - equity instruments	0.3	—
Investment securities available-for-sale	—	1,743.7
Investment securities held-to-maturity	—	773.6
Total securities	**3,442.5**	**3,030.5**

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 2018 is presented below:

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

Refer to Note 32 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and significant increase in credit risk (“SICR”) as applicable to debt securities at FVOCI and at AC. The carrying amount of debt securities at 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 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**
Credit loss allowance	–	–	–
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 table explains 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.

	Credit loss allowance		
in billions of Russian Roubles	**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 from continuing operations 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)
Foreign exchange differences and other movements	0.4	—	0.4
Total movements with impact on credit loss allowance charge from continuing operations for the year	**(0.5)**	**0.3**	**(0.2)**
Movements without impact on credit loss allowance charge for the year:			
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	**(0.5)**	**—**	**(0.5)**
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 2018 is presented below:

in billions of Russian Roubles	**31 December 2018**
Corporate bonds	701.3
Russian federal loan bonds (OFZ bonds)	218.5
Russian municipal and subfederal bonds	149.3
Russian Federation Eurobonds	39.3
Foreign government and municipal bonds	19.9
Total securities at amortized cost before credit loss allowance	**1,128.3**
Credit loss allowance	(9.4)
Total securities at amortized cost	**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 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**

The following table 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 2018	**5.0**	**1.0**	**0.9**	**6.9**
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	—	(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**
Foreign exchange differences and other movements	0.2	—	—	**0.2**
Total movements with impact on credit loss allowance charge from continuing operations for the year	**2.0**	**0.1**	**0.4**	**2.5**
At 31 December 2018	**7.0**	**1.1**	**1.3**	**9.4**

8 Securities (continued)

At 31 December 2018 there are restructured securities measured at amortized cost in the amount of RR 0.6 billion that would otherwise be past due (at 31 December 2017: 0.8 billion).

At 31 December 2018 there are past due securities measured at amortized cost in the amount of RR 0.9 billion (at 31 December 2017: RR 0.9 billion).

At 31 December 2018 the debt securities at FVOCI and at AC are not collateralized except for mortgage-backed securities of RR 80.2 billion accounted at FVOCI which are collatoralized by mortgage loans to individuals and guarantee of JSC "DOM.RF" (the former Agency for Housing Mortgage Lending).

Securities mandatorily measured at fair value through profit or loss

The composition of investment securities mandatorily measured at fair value through profit or loss as at 31 December 2018 and 31 December 2017 is presented below:

in billions of Russian Roubles	31 December 2018	31 December 2017
Russian federal loan bonds (OFZ bonds)	231.0	14.5
Corporate bonds	152.6	35.0
Russian Federation Eurobonds	4.6	9.7
Foreign government and municipal bonds	1.8	1.3
Russian municipal and subfederal bonds	—	0.1
Total debt securities mandatorily measured at fair value through profit or loss	**390.0**	**60.6**
Corporate shares	56.9	23.5
Investments in mutual funds	15.8	0.1
Total securities mandatorily measured at fair value through profit or loss	**462.7**	**84.2**

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 2018 and 31 December 2017 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.

Investment securities available-for-sale

The composition of investment securities available-for-sale as at 31 December 2017 is presented below:

in billions of Russian Roubles	31 December 2017
Russian federal loan bonds (OFZ bonds)	897.9
Corporate bonds	393.1
Russian Federation Eurobonds	192.1
Foreign government and municipal bonds	161.0
Mortgage-backed securities	45.6
Russian municipal and subfederal bonds	12.0
Bonds of the Bank of Russia	10.2
Promissory notes	1.4
Total debt investment securities available-for-sale	**1,713.3**
Corporate shares	30.4
Total investment securities available-for-sale	**1,743.7**

8 Securities (continued)

At 31 December 2017 the debt investment securities available-for-sale are not collateralized except for mortgage-backed securities of RR 45.6 billion which are collatoralized by mortgage loans to individuals and guarantee of JSC “DOM.RF”.

Analysis by credit quality of debt investment securities available-for-sale outstanding as at 31 December 2017 is as follows:

in billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Russian federal loan bonds (OFZ bonds)	897.9	—	—	897.9
Corporate bonds	147.8	242.4	2.9	393.1
Russian Federation Eurobonds	—	192.1	—	192.1
Foreign government and municipal bonds	117.6	43.4	—	161.0
Mortgage-backed securities	—	—	45.6	45.6
Russian municipal and subfederal bonds	0.8	11.2	—	12.0
Bonds of the Bank of Russia	10.2	—	—	10.2
Promissory notes	—	1.4	—	1.4
Total debt investment securities available-for-sale	**1,174.3**	**490.5**	**48.5**	**1,713.3**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

Investment securities held-to-maturity

The composition of investment securities held-to-maturity as at 31 December 2017 is presented below:

in billions of Russian Roubles	31 December 2017
Corporate bonds	481.5
Russian municipal and subfederal bonds	108.6
Russian federal loan bonds (OFZ bonds)	88.2
Foreign government and municipal bonds	63.9
Russian Federation Eurobonds	32.6
Total investment securities held-to-maturity before provision for impairment	**774.8**
Less provision for impairment	(1.2)
Total investment securities held-to-maturity	**773.6**

Analysis by credit quality of debt investment securities held-to-maturity outstanding at 31 December 2017 is as follows:

in billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Corporate bonds	79.7	367.9	33.9	481.5
Russian municipal and subfederal bonds	9.4	73.8	25.4	108.6
Russian federal loan bonds (OFZ bonds)	88.2	—	—	88.2
Foreign government and municipal bonds	37.8	25.2	0.9	63.9
Russian Federation Eurobonds	—	32.6	—	32.6
Total investment securities held-to-maturity before provision for impairment	**215.1**	**499.5**	**60.2**	**774.8**

Credit quality in the table above is based on the rating scale developed by the international rating agencies.

8 Securities (continued)

The changes in provision for impairment of investment securities held-to-maturity for the year ended 31 December 2017 is presented below:

in billions of Russian Roubles	**2017**
Provision for impairment of investment securities held-to-maturity as at 1 January	**0.9**
Net provision charge for impairment during the year	0.3
Provision for impairment of investment securities held-to-maturity as at 31 December	**1.2**

Securities designated at fair value through profit or loss

The composition of securities designated at fair value through profit or loss as at 31 December 2018 and 31 December 2017 is presented below:

in billions of Russian Roubles	**31 December 2018**	**31 December 2017**
Foreign government and municipal bonds	2.6	2.5
Corporate bonds	—	220.6
Russian federal loan bonds (OFZ bonds)	—	164.0
Russian municipal and subfederal bonds	—	1.4
Russian Federation Eurobonds	—	0.5
Total debt securities designated at fair value through profit or loss	**2.6**	**389.0**
Corporate shares	—	28.8
Investments in mutual funds	—	11.2
Total securities designated at fair value through profit or loss	**2.6**	**429.0**

Debt securities designated 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.

The debt securities designated at fair value through profit or loss are not collateralised.

At 31 December 2018 and 31 December 2017 there are no restructured debt securities designated at fair value through profit or loss that would otherwise be past due. All debt securities designated at fair value through profit or loss are not past due.

The estimated fair value of securities is disclosed in Note 35. Currency and maturity analyses of securities are disclosed in Note 32.

The information on securities issued by related parties and state-controlled entities is disclosed in Notes 38 and 39.

9 Financial Instruments Pledged under Repurchase Agreements

in billions of Russian Roubles	31 December 2018	31 December 2017
Securities measured at fair value through other comprehensive income - debt instruments	301.0	—
Securities measured at amortized cost	5.9	—
Securities mandatorily measured at fair value through profit or loss	0.1	0.4
Investment securities available-for-sale pledged under repurchase agreements	—	224.7
Investment securities held-to-maturity pledged under repurchase agreements	—	33.8
Total financial instruments pledged under repurchase agreements	**307.0**	**258.9**

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 2018 is presented below:

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

Refer to Note 32 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at FVOCI and at AC. The carrying amount of debt securities pledged under repurchase agreements at 31 December 2018 below also represents the Group's maximum exposure to credit risk on these assets.

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 36 for more information on securities pledged under repurchase agreements with banks and corporate customers.

Investment securities available-for-sale pledged under repurchase agreements

The composition of investment securities available-for-sale pledged under repurchase agreements as at 31 December 2017 is presented below:

in billions of Russian Roubles	31 December 2017
Russian federal loan bonds (OFZ bonds)	176.8
Foreign government and municipal bonds	44.2
Corporate bonds	3.6
Russian Federation Eurobonds	0.1
Total investment securities available-for-sale pledged under repurchase agreements	**224.7**

9 Financial Instruments Pledged under Repurchase Agreements (continued)

Investment securities held-to-maturity pledged under repurchase agreements

The composition of investment securities held-to-maturity pledged under repurchase agreements as at 31 December 2017 is presented below:

in billions of Russian Roubles	31 December 2017
Foreign government and municipal bonds	19.9
Federal loan bonds (OFZ bonds)	13.8
Russian Federation Eurobonds	0.1
Total investment securities held-to-maturity pledged under repurchase agreements	**33.8**

Analysis by credit quality of debt securities pledged under repurchase agreements outstanding as at 31 December 2017 is as follows:

in billions of Russian Roubles	Investment rating	Speculative rating	Not rated	Total
Russian federal loan bonds (OFZ bonds)	190.6	—	—	190.6
Foreign government and municipal bonds	57.8	6.3	—	64.1
Corporate bonds	1.2	2.4	—	3.6
Russian Federation Eurobonds	—	0.2	—	0.2
Total debt securities pledged under repurchase agreements	**249.6**	**8.9**	**—**	**258.5**

Credit quality in the tables above is based on the rating scale developed by the international rating agencies.

All corporate bonds 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 35. Currency and maturity analyses of securities pledged under repurchase agreements are disclosed in Note 32. The information on securities issued by related parties and state-controlled entities is disclosed in Notes 38 and 39.

10 Derivative Financial Assets

The composition of derivative financial assets as at 31 December 2018 and 31 December 2017 is presented below:

in billions of Russian Roubles	31 December 2018	31 December 2017
Foreign currency	55.8	30.1
Foreign currency interest rate	54.5	39.8
Interest rate	25.7	25.4
Commodities including precious metals	12.4	25.4
Equities	11.6	10.1
Debt securities	3.1	9.8
Credit risk	0.3	0.2
Other	14.2	0.1
Total derivative financial assets	**177.6**	**140.9**

For the detailed analysis of the derivative instruments of the Group refer to Note 34.

Currency and maturity analyses of derivative financial assets are disclosed in Note 32. The information on related parties balances is disclosed in Note 38.

11 Premises and Equipment

in billions of Russian Roubles	Office premises	Other premises	Office and computer equipment	Vehicles and other equipment	Premises and equip-ment in operating lease	Constru-ction in progress and premises and equip-ment before beginning of operations	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 assets held for sale	—	—	(0.8)	—	—	—	(0.8)
Transfers (to) / from other types of property	0.3	0.1	—	—	0.1	(0.1)	0.4
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 of premises and equipment	—	—	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**

in billions of Russian Roubles	Office premises	Other premises	Office and computer equipment	Vehicles and other equipment	Premises and equip-ment in operating lease	Constru-ction in progress and premises and equip-ment before beginning of operations	Total
Carrying amount at 31 December 2016	**299.7**	**18.3**	**76.2**	**46.3**	**8.6**	**33.8**	**482.9**
Cost or revalued amount							
Balance at the beginning of the year	299.7	20.4	319.8	75.7	9.3	33.8	758.7
Additions	3.0	0.3	3.0	3.7	32.5	66.2	108.7
Acquisitions through business combinations	—	0.5	—	1.5	—	0.1	2.1
Transfers	4.7	0.6	35.3	5.3	—	(45.9)	—
Transfers to investment property	(0.1)	—	—	—	—	(0.2)	(0.3)
Transfers (to) / from other types of property	(5.5)	—	—	—	3.6	(1.0)	(2.9)
Transfers to assets held for sale	(0.3)	—	—	—	—	—	(0.3)
Disposals – at cost or revalued amount	(9.5)	(2.7)	(32.6)	(6.9)	(1.6)	(2.7)	(56.0)
Impairment of premises and equipment recognized in the consolidated statement of profit or loss	(0.4)	(0.1)	—	(3.0)	—	(2.0)	(5.5)
Change in valuation of office premises transferred to other classes of assets, recognized in other comprehensive income	(3.4)	—	—	—	—	—	(3.4)
Exchange differences on translating foreign operations related to cost or revalued amount	(0.2)	0.1	(0.6)	(0.8)	(1.1)	—	(2.6)
Cost or revalued amount at the end of the year	**288.0**	**19.1**	**324.9**	**75.5**	**42.7**	**48.3**	**798.5**
Accumulated depreciation							
Balance at the beginning of the year	—	(2.1)	(243.6)	(29.4)	(0.7)	—	(275.8)
Disposals - accumulated depreciation	0.1	0.3	31.9	3.7	0.3	—	36.3
Depreciation charge	(6.0)	(1.9)	(27.7)	(4.6)	(1.5)	—	(41.7)
Depreciaion charge attributed to discontinued operations	—	—	(1.3)	(0.8)	(0.2)	—	(2.3)
Exchange differences on translating foreign operations related to depreciation	—	—	0.9	0.3	—	—	1.2
Accumulated depreciation at the end of the year	**(5.9)**	**(3.7)**	**(239.8)**	**(30.8)**	**(2.1)**	**—**	**(282.3)**
Carrying amount at 31 December 2017	**282.1**	**15.4**	**85.1**	**44.7**	**40.6**	**48.3**	**516.2**

11 Premises and Equipment (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 2016. At 31 December 2018 the carrying amount of office premises would have been RR 212.8 billion (31 December 2017: RR 203.0 billion) had the premises been carried at cost less depreciation.

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

12 Disposal Groups and Non-current Assets Held for Sale

in billions of Russian Roubles	31 December 2018	31 December 2017
Assets of discontinued operations	2,562.4	—
Non-current assets held for sale	6.2	10.4
Assets of the disposal groups	1.3	0.1
Total assets of the disposal groups and non-current assets held for sale	**2,569.9**	**10.5**
Liabilities of discontinued operations	2,234.8	—
Liabilities of the disposal groups	0.3	—
Total liabilities of the disposal groups	**2,235.1**	**—**

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 will sell its entire 99.85% stake in Denizbank for TRY 14.6 billion under a locked box mechanism. The price is based on the Denizbank consolidated equity as at 31 October 2017. In addition Emirates NBD will pay interest on the consideration for the period between 31 October 2017 and the transaction closing. The consideration is settled in US Dollars and the documentation includes hedging element for the TRY/US Dollar exchange rate to be determined within a narrow range. Therefore impact of changes in TRY/US Dollar exchange rates on the US Dollars amount of consideration to be received is insignificant. As part of the transaction Emirates NBD will acquire from Sberbank at nominal value Denizbank's subordinated debt previously provided by Sberbank. Upon closing of the transaction, Sberbank will cease to be a shareholder in Denizbank. The closing of the transaction is subject to regulatory approval in Turkey, Russia, the United Arab Emirates (UAE) and other relevant jurisdictions where Denizbank operates. The transaction is expected to close in the first half of 2019.

Starting from May 2018 Denizbank is considered as discontinued operations. The comparative consolidated statements of profit or loss and consolidated statements of comprehensive income have been reclassified to show the discontinued operations separately from continuing operations (Refer to Note 4). 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.

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

The table below shows the assets and liabilities of Denizbank as at 31 December 2018.

in billions of Russian Roubles	**DenizBank 31 December 2018**
ASSETS	
Cash and cash equivalents	269.6
Mandatory cash balances with central banks	167.6
Due from banks	20.6
Loans and advances to customers	1,796.0
Securities	170.4
Financial instruments pledged under repurchase agreements	19.0
Derivative financial assets	26.3
Deferred tax asset	23.0
Premises and equipment	13.1
Other assets	56.8
Total assets of discontinued operations	**2,562.4**
LIABILITIES	
Due to banks	39.8
Due to individuals	1,297.3
Due to corporate customers	524.5
Debt securities in issue	52.4
Other borrowed funds	206.7
Derivative financial liabilities and obligations to deliver securities	27.0
Deferred tax liability	0.3
Other liabilities	86.8
Total liabilities of discontinued operations	**2,234.8**

The results of Denizbank for the year ended 31 December 2018 and 31 December 2017 are presented in the table below:

	Denizbank	
	Year ended 31 December	
in billions of Russian Roubles	**2018**	**2017**
Interest income calculated using the effective interest method and other interest income	236.4	204.4
Interest expense calculated using the effective interest method, other interest expense and deposit insurance expenses	(140.6)	(101.1)
Net interest income	**95.8**	**103.3**
Fee and commission income	47.0	35.5
Fee and commission expense	(14.0)	(9.0)
Net fee and commission income	**33.0**	**26.5**
Net other operating income, expenses and charges	(127.6)	(89.7)
Income tax expense	(0.7)	(7.0)
Profit for the period from discontinued operations	**0.5**	**33.1**
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)	**0.02**	**1.54**
Total other comprehensive loss from discontinued operations to be reclassified to profit or loss in subsequent periods, net of tax	**(25.6)**	**(19.5)**
Total comprehensive (loss) / income for the year from discontinued operations, attributable to shareholders of the Bank	**(25.1)**	**13.6**

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

Total comprehensive losses from discontinued operations are formed mainly by exchange difference on translating foreign operations.

The cash flows from / (used in) discontinued operations of Denizbank for the year ended 31 December 2018 and 31 December 2017 are presented below:

	Year ended 31 December	
in billions of Russian Roubles	**2018**	**2017**
Cash flows from operating activities	99.6	23.9
Cash flows used in investing activities	(5.3)	(4.1)
Cash flows used in financing activities	(10.5)	(10.2)
Total cash flows from discontinued operations	**83.8**	**9.6**
Effect of exchange rate changes on cash and cash equivalents	(4.0)	(10.1)

13 Other Assets

in billions of Russian Roubles	31 December 2018	31 December 2017
Other financial assets		
Receivables on bank cards settlements	164.4	102.0
Settlements on foreign exchange operations	87.3	29.2
Investments in associates and joint ventures	42.6	8.8
Margin calls transferred	24.9	49.1
Funds in settlement	20.6	5.4
Trade receivables	19.7	20.7
Settlements on operations with securities	19.6	5.7
Accrued fees and commissions	18.8	18.0
Receivables from Deposit Insurance Agency	14.1	7.2
Restricted cash balances	1.7	2.8
Other	32.4	10.1
Total other financial assets before credit loss allowance	**446.1**	**259.0**
Less credit loss allowance	(10.3)	(5.9)
Total other financial assets after credit loss allowance	**435.8**	**253.1**
Other non-financial assets		
Inventory	93.2	99.1
Intangible assets	64.6	76.0
Prepayments for premises and other assets	55.7	42.8
Precious metals	23.4	41.1
Prepayment on income tax	20.7	2.2
Goodwill	10.8	10.0
Tax settlements (other than on income tax)	8.7	7.3
Investment property	4.8	7.7
Prepaid expenses	2.3	10.3
Other	58.8	40.2
Total other non-financial assets before provision for impairment	**343.0**	**336.7**
Less provision for impairment of other non-financial assets	(14.1)	(12.5)
Total other non-financial assets after provision for impairment	**328.9**	**324.2**
Total other assets	**764.7**	**577.3**

Movements in goodwill arising on the acquisition of subsidiaries for the year ended 31 December 2018 and 31 December 2017 are:

in billions of Russian Roubles	2018	2017
Carrying amount as at 1 January	**10.0**	**18.9**
Acquisition of subsidiaries	4.3	2.6
Disposal of subsidiaries	(0.2)	(0.1)
Impairment of goodwill	(0.3)	(11.3)
Impairment of goodwill related to discontinued operations	(3.2)	—
Exchange differences on translating foreign operations	(0.3)	(0.1)
Other	0.5	—
Carrying amount as at 31 December	**10.8**	**10.0**

13 Other Assets (continued)

Movements in intangible assets for the year ended 31 December 2018 and 31 December 2017 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 2016		**9.8**	**65.2**	**75.0**
Cost of intangible assets				
Balance at the beginning of the year		32.9	92.2	125.1
Additions		—	17.4	17.4
Internally generated		—	15.1	15.1
Acquisitions through business combinations		0.1	—	0.1
Disposals – at cost		—	(6.4)	(6.4)
Impairment of intangible assets recognized in the consolidated statement of profit or loss		—	(4.0)	(4.0)
Exchange differences on translating foreign operations related to cost		(3.1)	(0.8)	(3.9)
Cost of intangible assets at the end of the year		**29.9**	**113.5**	**143.4**
Accumulated amortisation				
Balance at the beginning of the year		(23.1)	(27.0)	(50.1)
Amortisation charge	25,27	(0.3)	(18.1)	(18.4)
Amortisation charge attributed to discontinued operations		(3.1)	(1.7)	(4.8)
Disposals - accumulated amortisation		—	2.5	2.5
Exchange differences on translating foreign operations related to amortisation		2.8	0.6	3.4
Accumulated amortisation at the end of the year		**(23.7)**	**(43.7)**	**(67.4)**
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	25,27	(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**

13 Other Assets (continued)

In April 2018 Sberbank 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 is valued at RR 60.0 billion with two parties owning equal stakes. Sberbank 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 Sberbank to develop a leading B2C eCommerce ecosystem.

As at 31 December 2018 receivables on bank cards settlements of RR 164.4 billion (31 December 2017: RR 102.0 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).

As at 31 December 2018 receivables from Deposit Insurance Agency of RR 14.1 billion (31 December 2017: RR 7.2 billion) represent receivables recognized from settlements on deposit compensations to clients of the banks which licenses were withdrawn by the Bank of Russia. The settlement of receivables due to the Group from the Deposit Insurance Agency is conducted in tranches and not earlier than 3 months from the date of first payment of deposit compensations to clients or from the date of previous tranche transfer. For the purpose of ECL measurement these receivables are included in Stage 1 (12-month ECL).

The estimated fair value of other financial assets is disclosed in Note 35. Currency and maturity analyses of other assets are disclosed in Note 32. The information on related parties balances is disclosed in Note 38.

14 Due to Banks

in billions of Russian Roubles	31 December 2018	31 December 2017
Due to banks at amortized cost	534.2	693.3
Due to banks at fair value through profit or loss	562.6	—
Total due to banks	**1,096.8**	**693.3**

Term placements of banks represent funds received on interbank market.

Due to banks at amortized cost

in billions of Russian Roubles	31 December 2018	31 December 2017
Term placements of banks	363.8	391.9
Direct repo agreements with banks	95.9	194.4
Correspondent accounts and overnight placements of banks	74.5	107.0
Total due to banks at amortized cost	**534.2**	**693.3**

Due to banks at fair value through profit or loss

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

Refer to Note 36 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 35. Currency and maturity analyses of due to banks are disclosed in Note 32. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 38 and 39.

15 Due to Individuals and Corporate Customers

in billions of Russian Roubles	31 December 2018	31 December 2017
Individuals:		
- Current/demand accounts	3,368.1	3,052.2
- Term deposits	10,126.9	10,366.1
- Direct repo agreements	0.1	2.0
Total due to individuals	**13,495.1**	**13,420.3**
State and public organizations:		
- Current/settlement accounts	198.0	181.5
- Term deposits	432.6	180.9
- Direct repo agreements	82.3	—
Total due to state and public organizations	**712.9**	**362.4**
Other corporate customers:		
- Current/settlement accounts	2,225.9	2,023.3
- Term deposits	4,462.3	3,955.0
- Direct repo agreements	1.1	53.2
Total due to other corporate customers	**6,689.3**	**6,031.5**
Total due to corporate customers	**7,402.2**	**6,393.9**
Total due to individuals and corporate customers	**20,897.3**	**19,814.2**

As at 31 December 2018 included in amounts due to individuals and corporate customers are direct repo agreements with individuals and corporate customers designated at FVPL in the amount of RR 1.0 billion (31 December 2017: nil).

As at 31 December 2018 included in due to corporate customers are deposits of RR 163.9 billion (31 December 2017: RR 121.6 billion) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 33.

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

	31 December 2018		31 December 2017	
in billions of Russian Roubles	Amount	%	Amount	%
Individuals	13,495.1	64.6	13,420.3	67.7
Oil and gas	2,195.6	10.5	1,411.9	7.1
Services	814.8	3.9	788.6	4.0
Trade	557.5	2.7	609.6	3.1
Machinery	527.4	2.5	620.7	3.1
Municipal bodies and state organizations	422.1	2.0	126.9	0.6
Construction	354.7	1.7	353.7	1.8
Energy	351.1	1.7	344.7	1.7
Real estate	310.0	1.5	167.9	0.8
Metallurgy	264.3	1.3	247.4	1.2
Food and agriculture	256.8	1.2	184.8	0.9
Transport and logistics	225.7	1.1	276.2	1.4
Telecommunications	207.3	1.0	217.1	1.1
Chemical	101.3	0.5	100.5	0.5
Timber industry	54.3	0.3	32.5	0.2
Other	759.3	3.5	911.4	4.8
Total due to individuals and corporate customers	**20,897.3**	**100.0**	**19,814.2**	**100.0**

15 Due to Individuals and Corporate Customers (continued)

As at 31 December 2018 the Group had 20 largest groups of related customers with balances above RR 32.7 billion each (31 December 2017: 20 largest groups of related customers with balances above RR 25.9 billion each). The aggregate balance of these customers was RR 3,293.3 billion (31 December 2017: RR 2,362.7 billion) or 15.8% (31 December 2017: 11.9%) of total due to individuals and corporate customers.

Refer to Note 36 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 35. Currency and maturity analyses of due to individuals and corporate customers are disclosed in Note 32. The information on related parties balances as well as state-controlled entities and government bodies balances is disclosed in Notes 38 and 39.

16 Debt Securities in Issue

in billions of Russian Roubles	31 December 2018	31 December 2017
Loan participation notes issued under the MTN programme of Sberbank	343.6	302.5
Savings certificates	150.4	374.9
Promissory notes	97.6	103.4
Bonds issued:		
- on the local market	249.6	133.2
- on international capital markets	—	16.0
Bonds issued under mortgage securitization programme of Sberbank	2.4	3.9
Other debt securities issued	—	0.7
Total debt securities in issue	**843.6**	**934.6**

Description of the debt securities issued under MTN programme of Sberbank 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 2018 Carrying value, in billions of RR	31 December 2018 Effective interest rate, % p.a.	31 December 2017 Carrying value, in billions of RR	31 December 2017 Effective interest rate, % p.a.
Series 7	16 June 2011	16 June 2021	USD	1,000	5.7	**58.1**	5.8	**48.0**	5.8
Series 9	07 February 2012	07 February 2022	USD	1,500	6.1	**97.6**	5.6	**87.0**	5.6
Series 11	28 June 2012	28 June 2019	USD	1,000	5.2	**61.9**	5.3	**52.8**	5.3
Series 15	04 March 2013	04 March 2018	TRY	550	7.4	—	—	**6.8**	7.6
Series 18	06 March 2014	06 March 2019	USD	500	4.2	**35.2**	4.2	**29.2**	4.2
Series 19	07 March 2014	07 March 2019	EUR	500	3.1	**40.1**	3.1	**34.8**	3.1
Series 20	26 June 2014	15 November 2019	EUR	1,000	3.4	**50.7**	3.4	**43.9**	3.4
Total loan participation notes issued under the MTN programme of Sberbank						**343.6**		**302.5**	

16 Debt Securities in Issue (continued)

Savings certificates are interest-bearing securities issued by the Group. They are denominated in Russian Roubles and have maturity dates from three months to three years (31 December 2017: from three months to three years). Interest rates on these securities vary from 5.2% to 10.3% p.a. (31 December 2017: from 5.2% to 10.3% p.a.).

Bonds issued represent interest-bearing securities issued by the members of the Group. They are denominated in Russian Roubles, Belarusian Roubles, US Dollars, Euro, Kazakh Tenge and Czech Koruna and have maturity dates from April 2019 to December 2024 (31 December 2017: from January 2018 to December 2024). Interest rates on these securities vary from 0.5% to 11.0% p.a. (31 December 2017: from 1.3% to 17.7% p.a.).

Promissory notes are interest-bearing or discount securities issued by the members of the Group. They are denominated in Russian Roubles, US Dollars and Euro and have maturity dates from two weeks to ten years (31 December 2017: from two weeks to ten years). Interest or discount rates on promissory notes issued by the Group vary from 0.01% to 6.7% p.a. (31 December 2017: from 0.01% to 7.3% p.a.).

The estimated fair value of debt securities in issue and fair value measurement technique used are disclosed in Note 35. Currency and maturity analyses of debt securities in issue are disclosed in Note 32.

17 Other Borrowed Funds

As at 31 December 2018 trade finance deals were accounted for at amortized cost of RR 56.5 billion (31 December 2017: RR 247.3 billion), had interest rates varying from 0.4% to 5.0% p.a. (31 December 2017: from 0.1% to 16.4% p.a.) and maturity dates from January 2019 to June 2029 (31 December 2017: from January 2018 to June 2029).

The estimated fair value of other borrowed funds and fair value measurement technique used are disclosed in Note 35. Currency and maturity analyses of other borrowed funds are disclosed in Note 32.

18 Derivative Financial Liabilities and Obligations to Deliver Securities

in billions of Russian Roubles	**31 December 2018**	**31 December 2017**
Derivative financial liabilities	147.7	133.5
Obligations to deliver securities	33.9	30.9
Total derivative financial liabilities and obligations to deliver securities	**181.6**	**164.4**

The composition of derivative financial liabilities as at 31 December 2018 and 31 December 2017 is presented below:

in billions of Russian Roubles	**31 December 2018**	**31 December 2017**
Foreign currency interest rate	53.5	53.3
Foreign currency	46.1	33.5
Interest rate	25.1	22.1
Commodities including precious metals	4.9	23.3
Equities	1.7	1.0
Credit risk	—	0.3
Other	16.4	—
Total derivative financial liabilities	**147.7**	**133.5**

For the detailed analysis of the derivative instruments of the Group refer to Note 34.

Currency and maturity analyses of derivative financial liabilities and obligations to deliver securities are disclosed in Note 32. The information on related parties balances is disclosed in Note 38.

19 Other Liabilities

in billions of Russian Roubles	31 December 2018	31 December 2017
Provisions on insurance and pension fund operations		
Provisions on pension fund operations	599.4	492.2
Provisions on insurance operations	316.3	189.4
Provision on unearned premium	9.7	6.5
Total provisions on insurance and pension fund operations	**925.4**	**688.1**
Other financial liabilities		
Payables on bank card settlements	54.4	66.0
Payables	43.4	43.3
Accrued employee benefit costs	42.1	43.6
Margin calls received	37.7	26.1
Funds in settlement	24.0	57.8
Deposit insurance system fees payable	18.8	14.4
Settlements on operations with securities	5.4	4.0
Other	41.1	34.7
Total other financial liabilities	**266.9**	**289.9**
Other non-financial liabilities		
Credit loss allowance for credit related commitments and provision for other contingencies and commitments	37.5	27.9
Taxes payable other than on income	24.5	25.1
Advances received	23.1	25.8
Deferred commissions received on guarantees issued	3.0	3.0
Income tax payable	2.9	10.0
Other	6.8	8.6
Total other non-financial liabilities	**97.8**	**100.4**
Total other liabilities	**1,290.1**	**1,078.4**

19 Other Liabilities (continued)

Movement in the provision for impairment of credit related commitments and 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 impairment during the year	3.3	2.2	1.9	4.4	11.8
Net credit loss allowance /provision charge for impairment during 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**

Movement in the provision for impairment of credit related commitments and other contingencies and commitments during the year ended 31 December 2017 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
Provision for impairment at 1 January 2017	**11.4**	**4.6**	**0.1**	**2.9**	**19.0**
Net provision charge for impairment during the year	4.5	0.8	0.8	0.6	6.7
Net provision charge for impairment during the year of discontinued operations	0.2	—	—	1.7	1.9
Write-off and utilization	—	—	—	(0.5)	(0.5)
Business combinations	—	—	—	1.2	1.2
Exchange differences on translating foreign operations	(0.3)	—	0.1	(0.2)	(0.4)
Provision for impairment at 31 December 2017	**15.8**	**5.4**	**1.0**	**5.7**	**27.9**

19 Other Liabilities (continued)

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 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 insurance operations for the year ended 31 December 2017:

in billions of Russian Roubles	Insurance contracts with DPF	Insurance contracts without DPF	Total gross insurance contracts
Provision at 1 January 2017	**6.4**	**104.9**	**111.3**
Increase related to new contracts	9.7	73.8	83.5
Payments and transfers	(0.1)	(1.9)	(2.0)
Other movements including changes on run-off contracts	3.4	0.6	4.0
Foreign currency translation	(0.4)	(0.5)	(0.9)
Provision at 31 December 2017	**19.0**	**176.9**	**195.9**

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 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**

19 Other Liabilities (continued)

The table below represents the movement of actuarial provision on pension fund operations for the year ended 31 December 2017:

in billions of Russian Roubles	**Insurance contracts with DPF**	**Investment contracts with DPF**	**Total gross insurance contracts**
Provision at 1 January 2017	**351.1**	**16.8**	**367.9**
Acquisition of new subsidiary	1.4	2.0	3.4
Increase related to new contracts	102.9	6.9	109.8
Payments and transfers	(24.0)	(0.4)	(24.4)
Other movements including changes on run-off contracts	34.4	1.1	35.5
Provision at 31 December 2017	**465.8**	**26.4**	**492.2**

Pension plans for employees of the Group. The Group applies IAS 19 Employee Benefits for accounting for its pension liabilities. As at 31 December 2018 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 2018 pension liabilities of the Group comprised RR 15.6 billion (31 December 2017: RR 16.3 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 2018 amounted to RR 3.4 billion (31 December 2017: RR 3.3 billion) and were included in staff costs within operating expenses in the consolidated statement of profit or loss.

The estimated fair value of other financial liabilities is disclosed in Note 35. Currency and maturity analyses of other liabilities are disclosed in Note 32.

20 Subordinated Debt

in billions of Russian Roubles	31 December 2018	31 December 2017
Subordinated debt received from the Bank of Russia	504.1	504.4
Subordinated debt issued under the MTN programme of Sberbank	199.7	193.6
Other subordinated debt	3.5	18.3
Total subordinated debt	**707.3**	**716.3**

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 2018		31 December 2017	
Drawdown date	Interest rate repricing 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.
16 December 2008	31 December 2019	RR	300,000	6.5	**303.6**	6.5	**303.9**	6.5
18 June 2014	31 December 2019	RR	200,000	6.5	**200.5**	6.5	**200.5**	6.5
Total subordinated debt received from the Bank of Russia					**504.1**		**504.4**	

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 Bank of Russia) roll over this subordinated facility at its maturity. The subordinated loan facility bears an interest rate of 6.5% p.a. Based on the terms and conditions of the modified subordinated loan the interest rate can be reset after 31 December 2019.

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

						31 December 2018		31 December 2017	
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	**80.4**	5.2	**80.3**	5.2
Series 16	23 May 2013	23 May 2023	USD	1,000	5.3	**55.5**	5.4	**56.9**	5.4
Series 17	26 February 2014	26 February 2024	USD	1,000	5.5	**63.8**	5.6	**56.4**	5.6
Total subordinated debt issued under the MTN programme of Sberbank						**199.7**		**193.6**	

In February 2019 the Group repaid in full the Series 17 of the loan participation notes issued under the MTN programme. Refer to Note 45.

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 35. Currency and maturity analyses of subordinated debt are disclosed in Note 32. The information on related parties balances is disclosed in Note 38.

21 Share Capital and Treasury Shares

In billions of Russian Roubles, except for number of shares	31 December 2018 Number of shares, in millions	Nominal amount	Inflation adjusted nominal amount	31 December 2017 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**

As at 31 December 2018 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 400.0% of nominal value for the year ended 31 December 2017 (200.0% of nominal value for the year ended 31 December 2016). Preference share dividends rank above ordinary dividends.

The treasury shares as at 31 December 2018 and 31 December 2017 were as follows:

In billions of Russian Roubles, except for number of shares	31 December 2018 Number of shares, in millions	Inflation adjusted nominal amount	Acquisition cost	31 December 2017 Number of shares, in millions	Inflation adjusted nominal amount	Acquisition cost
Ordinary shares	88.8	0.3	15.1	66.3	0.3	10.7
Preference shares	32.6	0.1	3.0	30.4	0.1	4.6
Total treasury shares	**121.4**	**0.4**	**18.1**	**96.7**	**0.4**	**15.3**

22 Interest Income and Expense

in billions of Russian Roubles	Year ended 31 December 2018	2017
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	1,802.7	1,823.7
- Debt securities measured at amortized cost (2017: Debt investment securities held-to-maturity)	70.7	43.2
- Due from banks measured at amortized cost	29.6	102.8
- Cash and cash equivalents measured at amortized cost	5.5	8.6
	1,908.5	**1,978.3**
Interest income on debt financial assets measured at fair value through other comprehensive income:		
- Debt securities measured at fair value through other comprehensive income (2017: Debt investment securities available-for-sale)	138.8	120.0
	138.8	**120.0**
Total interest income calculated using the effective interest method	**2,047.3**	**2,098.3**
Other interest income:		
- Loans and advances to customers at fair value through profit or loss	62.6	—
- Due from banks at fair value through profit or loss	48.7	—
- Securities at fair value through profit or loss (2017: Debt trading securities and debt securities designated as at fair value through profit or loss)	29.7	33.1
Total other interest income	**141.0**	**33.1**
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	(377.3)	(424.4)
- Due to corporate customers - term deposits - measured at amortized cost	(139.8)	(109.6)
- Debt securities in issue measured at amortized cost	(60.9)	(58.4)
- Subordinated debt measured at amortized cost	(43.6)	(43.4)
- Due to corporate customers - current/settlement accounts - measured at amortized cost	(35.1)	(45.6)
- Due to individuals - current/demand accounts - measured at amortized cost	(24.5)	(19.9)
- Due to banks measured at amortized cost	(14.7)	(20.1)
- Other borrowed funds measured at amortized cost	(0.3)	(4.0)
Total interest expense calculated using the effective interest method	**(696.2)**	**(725.4)**
Other interest expense:		
- Due to banks measured at fair value through profit or loss	(20.0)	—
- Obligation to deliver securities	(1.7)	(1.6)
- Other	(0.3)	(0.5)
Total other interest expense	**(22.0)**	**(2.1)**
Deposit insurance expenses	**(73.6)**	**(55.1)**
Net interest income	**1,396.5**	**1,348.8**

23 Fee and Commission Income and Expense

in billions of Russian Roubles	Year ended 31 December 2018	2017
Fee and commission income		
Operations with banking cards:		
- Acquiring, commissions of payment systems and other similar commissions	232.4	170.0
- Service fees	60.2	51.4
- Other	3.9	0.6
Cash and settlements transactions	202.3	178.6
Client operations with foreign currencies and precious metals	48.0	34.4
Documentary and other credit related commitments commissions	26.8	19.1
Agent commissions	9.9	12.4
Securities and commodities brokerage, custodian and investment banking (including syndications) commissions	7.1	4.2
Other	7.9	8.3
Total fee and commission income	**598.5**	**479.0**
Fee and commission expense		
Operations with banking cards:		
- Commissions to payment systems and other similar commissions	(95.3)	(65.7)
- Loyalty programs	(33.1)	(19.5)
- Other	(10.3)	(7.5)
Settlement transactions	(6.1)	(5.4)
Client operations with foreign currencies	(0.3)	(0.4)
Other	(8.1)	(3.4)
Total fee and commission expense	**(153.2)**	**(101.9)**
Net fee and commission income	**445.3**	**377.1**

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.

in billions of Russian Roubles	Year ended 31 December 2018 Russia	Other countries
Fee and commission income		
Operations with bank cards		
- Acquiring, commissions of payment systems and other similar commissions	229.1	3.3
- Service fees	56.9	3.3
- Other	3.8	0.1
Cash and settlements transactions	192.9	9.4
Operations with foreign currencies and precious metals	42.8	5.2
Documentary commissions	25.4	1.4
Agent commissions	9.6	0.3
Operations on financial markets on behalf of clients and investment banking operations	6.9	0.2
Other	6.0	1.9
Total fee and commission income	**573.4**	**25.1**

24 Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation

in billions of Russian Roubles	Year ended 31 December 2018	2017
Net gains from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation:		
- Net foreign exchange translation gains / (losses)	33.8	(25.2)
- Net gains from operations with foreign currency and foreign currency interest rate derivatives	16.5	35.4
- Net gains from trading in foreign currencies	18.2	13.7
Net (losses) / gains from operations with precious metals, precious metals derivatives and precious metals accounts translation	(0.6)	2.3
Net losses from operations with other derivatives	(15.7)	(6.1)
Total net gains from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	**52.2**	**20.1**

25 Net Results of Non-core Business Activities

in billions of Russian Roubles	Year ended 31 December 2018	2017
Revenue:		
Revenue from sale of goods	26.7	31.1
Revenue from rendering of services	0.7	0.6
Revenue from operating lease	0.5	0.4
Revenue from completed construction contracts	—	0.2
Revenue from other activities	8.3	6.5
Total revenue of non-core business activities	**36.2**	**38.8**
Cost of sales and other expenses:		
Cost of goods sold	(20.3)	(22.5)
Staff costs	(2.6)	(3.7)
Customs duties and taxes	(2.3)	(0.1)
Depreciation of fixed assets	(1.6)	(0.9)
Amortization of intangible assets	(0.3)	(0.3)
Maintenance of premises and eqiupment	(0.2)	(0.4)
Transport costs	(0.2)	(0.1)
Other expenses	(7.0)	(5.7)
Total cost of sales and other expenses	**(34.5)**	**(33.7)**
Total net result of non-core business activities	**1.7**	**5.1**

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

in billions of Russian Roubles	Year ended 31 December 2018	2017
Net premium		
Gross premium written	337.9	251.4
Premium ceded to reinsurers	(0.6)	(0.5)
Premium returns	—	(1.3)
Total net premiums	**337.3**	**249.6**
Net claims, benefits and changes in contract liabilities		
Gross benefits and claims	(32.7)	(26.7)
Claims ceded to reinsurers	0.2	0.4
Change in contract liabilities	(237.3)	(205.5)
Total net claims, benefits and changes in contract liabilities	**(269.8)**	**(231.8)**
Acquisition cost	(1.2)	(0.8)
Total net claims, benefits, changes in contract liabilities and acquisition costs from insurance and pension fund operations	**(271.0)**	**(232.6)**
Net premiums, claims, benefits, change in contract liabilities and acquisition costs on insurance and pension fund operations	**66.3**	**17.0**

27 Staff and Administrative Expenses

in billions of Russian Roubles	Year ended 31 December 2018	2017
Staff costs	404.4	379.6
Depreciation of premises and equipment	46.7	39.3
Repairs and maintenance of premises and equipment	38.2	37.0
Administrative expenses	37.9	38.3
Taxes other than on income	37.8	34.4
Operating lease expenses	26.2	25.9
Telecommunication expenses	24.2	24.0
Amortization of intangible assets	20.6	18.1
Consulting and assurance services	11.2	12.1
Advertising and marketing services	8.4	5.9
Other	9.2	8.8
Total staff and administrative expenses	**664.8**	**623.4**

For the year ended 31 December 2018 expenses for defined benefit pension contribution plans amounted to RR 57.4 billion (for the year ended 31 December 2017: RR 53.3 billion).

28 Income Taxes

Income tax expenses consist of the following components:

in billions of Russian Roubles	Year ended 31 December 2018	2017
Current tax	192.1	216.5
Deferred tax	22.9	(29.0)
Income tax expense for the year	**215.0**	**187.5**

The income tax rate applicable to the major part of the Group's income for 31 December 2018 is 20% (31 December 2017: 20%).

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

in billions of Russian Roubles	Year ended 31 December 2018	2017
Profit before tax	**1,046.2**	**903.1**
Theoretical tax charge at statutory rate (2018: 20%; 2017: 20%)	209.2	180.6
Tax effect on income on government securities taxed at rates other than 20%	(7.3)	(5.0)
Non-deductible staff costs	1.9	1.3
Unrecognized tax assets	1.8	4.5
Differences between 20% and income tax rate adopted in jurisdiction of subsidiary	0.9	(0.5)
Non-deductible losses on cessions	0.2	3.0
Other non-temporary differences	8.3	3.6
Income tax expense for the year	**215.0**	**187.5**

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 2017: 20%), except for income on state, municipal and certain other types of securities that is taxed at 15% (31 December 2017: 15%) and on dividends that are taxed at 13% and 0% (31 December 2017: 13% and 0%) and except for the temporary differences related to foreign subsidiaries for which local corporate tax rates are applied.

28 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)**

28 Income Taxes (continued)

in billions of Russian Roubles	31 December 2016	Business combinations and disposal of subsidiaries	Credited/ (charged) to profit or loss	Credited/ (charged) to profit or loss attributed to discontinued operations	Recognized in other comprehen-sive income	Recognized in other comprehen-sive income attributed to discontinued operations	Currency translation differences	31 December 2017
Tax effect of deductible temporary differences								
Staff expenses accrued (bonuses, annual leave, pension liabilities)	3.5	—	1.2	(0.1)	—	—	(0.1)	4.5
Provision for impairment of debt financial assets	9.8	—	2.6	1.5	—	—	(0.6)	13.3
Accounting for derivatives at fair value	2.9	—	2.4	1.1	—	—	(0.2)	6.2
Accounting for loans by effective rate method	16.5	—	3.0	(0.1)	—	—	—	19.4
Other provisions	5.2	—	(5.3)	0.1	—	—	—	—
Write-down of low value assets	2.1	—	—	—	—	—	—	2.1
Accounting for financial contracts with embedded derivatives	1.3	—	0.5	—	—	—	—	1.8
Accrual of expenses on customer loyalty programs	3.2	—	(2.7)	—	—	—	—	0.5
Accounting for securities	1.1	—	(0.2)	(0.3)	—	(0.2)	—	0.4
Tax losses carry forward	4.9	(0.3)	(0.9)	—	—	—	0.1	3.8
Other	17.8	—	1.5	(2.7)	—	3.6	(0.1)	20.1
Gross deferred tax asset	**68.3**	**(0.3)**	**2.1**	**(0.5)**	**—**	**3.4**	**(0.9)**	**72.1**
Tax effect of taxable temporary differences								
Provision for impairment of debt financial assets	(25.2)	0.1	7.9	—	—	—	0.3	(16.9)
Accounting for derivatives at fair value	(1.5)	—	0.2	(0.1)	—	—	0.2	(1.2)
Accounting for loans by effective rate method	(5.3)	—	—	—	—	—	—	(5.3)
Other provisions	(0.3)	—	(4.1)	—	—	—	—	(4.4)
Depreciation and initial cost or revalued amount of premises and equipment	(38.6)	—	(3.9)	(0.1)	0.7	(0.1)	—	(42.0)
Accounting for financing by the effective rate method and early redemption of own issued bonds	(1.3)	—	0.6	—	—	—	—	(0.7)
Credit related commitments provision	(6.0)	—	(2.7)	—	—	—	—	(8.7)
Accounting for securities	(26.8)	—	28.3	—	(2.2)	—	—	(0.7)
Other	(4.5)	(0.1)	0.6	(0.3)	—	—	(0.1)	(4.4)
Gross deferred tax liability	**(109.5)**	**—**	**26.9**	**(0.5)**	**(1.5)**	**(0.1)**	**0.4**	**(84.3)**
Total net deferred tax (liability) / asset	**(41.2)**	**(0.3)**	**29.0**	**(1.0)**	**(1.5)**	**3.3**	**(0.5)**	**(12.2)**

28 Income Taxes (continued)

As at 31 December 2018 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 8.1 billion (31 December 2017: the taxable temporary difference of RR 18.9 billion). In accordance with IAS 12 "Income Taxes" respective deferred tax liability of RR 1.6 billion (31 December 2017: respective deferred tax liability of RR 3.8 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.

29 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	**2018**	**2017**
Profit for the year attributable to the shareholders of the Bank	832.9	750.4
Less preference dividends declared	(11.7)	(5.8)
Profit attributable to the ordinary shareholders of the Bank	**821.2**	**744.6**
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)	**38.16**	**34.58**

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	**2018**	**2017**
Profit from continuing operations attributable to the shareholders of the Bank	832.4	717.3
Less preference dividends declared	(11.7)	(5.8)
Profit from continuing operations attributable to the ordinary shareholders of the Bank	**820.7**	**711.5**
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)	**38.13**	**33.04**

29 Earnings per Share and Dividends (continued)

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). On 26 May 2017, the Annual General Shareholders' Meeting of the Bank declared dividends of RR 135.5 billion for 2016 (including RR 0.4 billion of ordinary dividends and RR 0.2 billion of preference dividends attributable to the subsidiaries of the Bank).

	Year ended 31 December 2018		Year ended 31 December 2017	
in billions of Russian Roubles	**Ordinary**	**Preference**	**Ordinary**	**Preference**
Dividends payable as at 1 January	0.5	0.1	0.3	0.1
Dividends declared during the year	258.1	11.7	129.1	5.8
Dividends paid during the year	(257.0)	(11.5)	(128.9)	(5.8)
Dividends payable as at 31 December	**1.6**	**0.3**	**0.5**	**0.1**
Dividends per share declared during the year (expressed in RR per share)	**12.00**	**12.00**	**6.00**	**6.00**

30 Other Reserves

		Attributable to shareholders of the Bank					
in billions of Russian Roubles	**Note**	**Revaluation reserve for office premises**	**Fair value reserve for investment securities available-for-sale**	**Fair value reserve for debt instruments measured at FVOCI**	**Foreign currency translation reserve**	**Remeasure-ment of defined benefit pension plans**	**Total**
Balance as at 31 December 2016		**66.9**	**24.0**	**—**	**(19.8)**	**(1.1)**	**70.0**
Changes in equity for the year ended 31 December 2017							
Transfer of revaluation reserve for office premises upon disposal or depreciation		(3.4)	—	—	—	—	(3.4)
Other comprehensive (loss) / income for the year		(2.7)	11.3	—	(6.6)	(0.2)	1.8
Balance as at 31 December 2017		**60.8**	**35.3**	**—**	**(26.4)**	**(1.3)**	**68.4**
Impact of adopting IFRS 9 as at 1 January 2018	**4**	**—**	**(35.3)**	**28.2**	**—**	**—**	**(7.1)**
Restated 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)**

31 Segment Analysis

For the purposes of management the Group is divided into operating segments of activity – Central head office, 12 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,
  - Zapadno-Sibirsky – Tumen,
  - Dalnevostochny – Khabarovsk,
  - Baikalsky – Irkutsk;

  Subsidiaries of the Group located in the region.
- **Other countries, including:**
  - Subsidiaries 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.

31 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 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**

Segment reporting of the Group's assets and liabilities as at 31 December 2017 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	12,812.1	3,313.6	3,189.6	3,451.8	4,222.8	**26,989.9**
Total liabilities	8,879.1	4,623.2	3,547.0	3,454.3	3,244.9	**23,748.5**

31 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 2018 and 31 December 2017 is as follows:

	31 December 2018		31 December 2017	
in billions of Russian Roubles	**Total assets**	**Total liabilities**	**Total assets**	**Total liabilities**
Total segment assets and liabilities	**30,976.8**	**27,400.2**	**26,989.9**	**23,748.5**
Difference in netting sets	51.9	51.9	0.7	0.7
Adjustment to staff expenses accrued (bonuses, annual leave, pension liabilities)	—	(0.1)	—	0.1
Adjustment of credit loss allowance for debt financial assets	57.8	—	75.8	—
Accounting for derivatives at fair value	2.6	(4.7)	(1.4)	11.5
Accounting for loans by effective rate method	47.1	—	(8.5)	—
Write-down of low value assets	(10.0)	—	(10.0)	—
Adjustment of other provisions	195.3	—	157.1	—
Adjustment of depreciation and initial cost or revalued amount of premises and equipment	5.7	—	(0.5)	—
Accounting for financial contracts with embedded derivatives	(0.2)	—	(1.0)	—
Accounting for financing by the effective rate method and early redemption of debt securities in issue	(129.6)	(132.2)	(81.1)	(78.5)
Accrual of expenses on customer loyalty programs	—	0.9	—	0.7
Currency translation of investments in subsidiaries and associates	(3.3)	—	(3.3)	—
Adjustment for credit related commitments provision	—	(34.3)	—	(41.6)
Adjustment for legal claims provision	—	3.4	—	1.1
Commission income adjustment	16.3	12.5	7.3	2.6
Accounting for mortgage loans securitisation	2.4	2.4	3.9	3.9
Adjustment for deferred tax	(10.0)	44.2	(2.7)	23.9
Accounting for loans at fair value	5.6	(0.2)	—	—
Effect of initial recognition of financial instruments at fair value	(15.5)	—	(5.0)	(1.6)
Other	4.6	(2.3)	(9.0)	4.9
The Group's total assets/liabilities under IFRS	**31,197.5**	**27,341.7**	**27,112.2**	**23,676.2**

31 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)**

31 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2017 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	955.1	368.9	364.1	412.2	293.7	(72.1)	**2,321.9**
Interest expense	(362.6)	(181.4)	(134.9)	(131.9)	(145.1)	71.6	**(884.3)**
Intersegment income / (expense)	112.1	(37.9)	(36.3)	(37.9)	—	—	—
Net interest income	**704.6**	**149.6**	**192.9**	**242.4**	**148.6**	**(0.5)**	**1,437.6**
Net fee and commission income	10.5	117.6	104.6	112.3	41.9	(3.0)	**383.9**
Net trading income and fair valuation results	59.2	(0.1)	(0.1)	—	0.2	(12.3)	**46.9**
Other net operating losses	(44.6)	(12.0)	(8.1)	(10.8)	(6.7)	8.7	**(73.5)**
Net operating income before credit loans allowance	**729.7**	**255.1**	**289.3**	**343.9**	**184.0**	**(7.1)**	**1,794.9**
Net credit loss allowance charge for debt financial assets	(92.3)	(25.2)	(58.6)	(6.8)	(59.0)	—	**(241.9)**
Staff and administrative expenses	(314.8)	(93.5)	(89.2)	(96.1)	(92.3)	4.7	**(681.2)**
Profit before tax (Segment result)	**322.6**	**136.4**	**141.5**	**241.0**	**32.7**	**(2.4)**	**871.8**
Other disclosures							
Capital expenditure incurred (additions of premises, equipment, intangible assets and investment property)	43.8	12.2	16.1	12.1	44.3	—	**128.5**
Depreciation of premises and equipment and amortisation of intangible assets	(40.5)	(7.3)	(8.5)	(8.0)	(9.2)	—	**(73.5)**

31 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 2018 and 31 December 2017 is as follows:

	Year ended 31 December	
in billions of Russian Roubles	2018	2017
Total segments result	**925.0**	**871.8**
Adjustment to staff expenses accrued (bonuses, annual leave, pension liabilities)	0.2	(0.8)
Adjustment of credit loss allowance for debt financial assets	79.6	(37.4)
Accounting for derivatives at fair value	8.1	(21.0)
Accounting for loans by effective rate method	4.8	7.7
Write-down of low value assets	0.1	—
Adjustment of other provisions	40.3	82.0
Adjustment of depreciation and initial cost or revalued amount of premises and equipment	4.6	10.6
Accounting for financial contracts with embedded derivatives	0.9	2.3
Accounting for financing by the effective rate method and early redemption of debt securities in issue	1.5	(0.7)
Accrual of expenses on customer loyalty programs	(0.5)	13.2
Adjustment for credit related commitments provision	(9.3)	14.4
Adjustment for legal claims provision	(2.3)	(0.3)
Commission income adjustment	1.3	3.7
Reclassification of securities between portfolios	(1.7)	2.1
Accounting for mortgage loans securitisation	0.1	4.8
Adjustment for deferred tax	5.2	—
Effect of initial recognition of financial instruments at fair value	(12.1)	(0.6)
Accounting for loans at fair value	6.0	—
Other	(4.4)	(8.6)
The Group's profit before tax under IFRS	**1,047.4**	**943.2**

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 2018 the Group's revenues from customers in the Russian Federation amounted to RR 3,060.3 billion (for the year ended 31 December 2017: RR 2,892.4 billion); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 382.3 billion (for the year ended 31 December 2017: RR 312.5 billion). For the year ended 31 December 2018 intersegment revenues amounted to RR 170.6 billion (for the year ended 31 December 2017: RR 141.2 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 2018 and 31 December 2017.

32 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:

- 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 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;
- 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;
- 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 1st and 2nd levels of management;
- 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.

32 Financial and Insurance Risk Management (continued)

Integrated risk management process includes five core steps:

- risk 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 correspond 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 failure to fulfill, as well as untimely or incomplete fulfillment of financial obligations by debtor in accordance with contract conditions.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on 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 credit risk is mitigated by collateral and other credit enhancements.

The group of credit risks includes the following key types of risks: risk of default, concentration risk (under credit risk), financial markets counterparty risk and residual risk.

Risk of default - the risk related to full or partial loss of value of financial asset which is not subject to everyday remeasurement at fair value (for example, a loan, a bond) due to borrower or issuer default, or counterparty's credit quality deterioration (migration).

Concentration risk (under credit risk) is the risk related to:

- significant loans provided to single borrower or group of connected borrowers;
- debt concentration in certain economic sectors, segments, portfolios or geographical areas, etc.;
- identical types of collateral, external guarantees granted by the same counterparty;
- considerable volume of investments in instruments of one type and instruments which value depends on the same factors.

Financial markets counterparty risk is the risk related to the unwillingness or failure of counterparty to pay its obligations under a transaction in full and timely. Counterparty risk relates to credit risk exposure for term deals, which can change in the course of time in line with basic market factors or underlying assets price.

Counterparty risk consists of two components:

- pre-settlement risk which occurs before settlement / transfer of assets, represents the risk of loss related to counterparty's possible failure to fulfil its obligation during the transaction;
- settlement risk which represents the risk of loss related to counterparty's failure to fulfil its obligation after the Group's obligations under the contract were fulfilled (by cash payments, securities or other assets transfer) at the settlement date.

32 Financial and Insurance Risk Management (continued)

Residual risk is the risk which arises because the Group's risk mitigation methods may fail to perform as expected in relation to received collateral, due to legal risk or liquidity risk.

The objectives of the risk management system are:

- correspondence 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;
- retention 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.

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 for loans issued.

32 Financial and Insurance Risk Management (continued)

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 per borrower within the group of related borrowers;
- control over exposures to industry or country.

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 assessed financial and non-financial (qualitative) position of the borrower. The following non-financial factors are indicators of market and external influence of the borrower, characteristics of management quality, business reputation assessment and other factors. 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.

32 Financial and Insurance Risk Management (continued)

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 the main instrument 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 which defines the principles and elements of organizing work with collateral in the lending process was developed.

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 on the basis of the collateral value stated in the accounting records of the borrower with application of appropriate discount. The use of guarantee of solvent legal entities as collateral requires the procedure of assessment of risks related to the guarantor which is the same as the one done for the borrower.

32 Financial and Insurance Risk Management (continued)

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 territorial unit and subsidiary is assigned a risk profile, which defines the discretionary powers of the unit to take independent decisions, depending on the risk category of the requested loan. In turn, the risk category of the requested loan depends on the aggregate risk limit and the risk category of the borrower/group of related borrowers and also on the type of credit product. 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.

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 fair value of collateral is less than the costs to repossess it or enforcement activities were completed.

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

Adoption of IFRS 9: ***Credit risk. 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.

32 Financial and Insurance Risk Management (continued)

Depending on the change in credit quality from the time of initial recognition, the Group classifies financial instruments 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 created 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 created 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, availability of 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.).

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.

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.

32 Financial and Insurance Risk Management (continued)

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 counterparty level. An assessment at the transaction level is used for all debt financial instruments except for Retail segment.

An assessment at the 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.

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:

1) free cash flows from operating activities;
2) future amounts recoverable upon the sale of a collateral;
3) 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.

32 Financial and Insurance Risk Management (continued)

Current and expected changes in macroeconomic situation are used as forward looking information (real GDP growth, average annual RUB/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.

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 scale 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.

32 Financial and Insurance Risk Management (continued)

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 securities 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.

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.

32 Financial and Insurance Risk Management (continued)

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 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%

The table below shows the types of risk calculation using the VaR methodology as at 31 December 2017:

In billions of Russian Roubles	**Value as at 31 December 2017**	**Impact on equity**	**Impact on profit**
Interest rate risk	24.8	0.7%	3.3%
Equity price risk	0.2	0.0%	0.0%
Currency risk	5.8	0.2%	0.8%
Commodity risk	0.2	0.0%	0.0%
Market risk including diversification effect	29.6	0.9%	4.0%
Diversification effect	1.4	0.0%	0.2%

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 of the banking book and other limits for interest rate and currency risk of the banking book;
- supporting level of interest rate and currency risk of the banking book in terms of stated appetite for interest rate and currency risk of the banking book and other limits for interest rate and currency risk of the banking book.

32 Financial and Insurance Risk Management (continued)

Interest rate risk on non-trading assets and liabilities. The Group takes on interest rate risk on non-trading assets and liabilities (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 2018 and 31 December 2017. Change in net interest income is calculated as revaluation of assets and liabilities with expected maturity of less than one year. Such approach is adopted since assets and liabilities with such maturity have the most impact on the net interest income in case of shocks of interest rates.

	Decrease in interest rates		Increase in interest rates	
	31 December 2018	*31 December 2017*	*31 December 2018*	*31 December 2017*
Russian Rouble				
Change in interest rates, bps	(400)	(400)	400	400
Change in net interest income, billions of Russian Roubles	126.3	116.6	(126.3)	(116.6)
Turkish Lyra				
Change in interest rates, bps	(400)	(400)	400	400
Change in net interest income, billions of Russian Roubles	12.6	13.8	(12.6)	(13.8)
US Dollar				
Change in interest rates, bps	(200)	(200)	200	200
Change in net interest income, billions of Russian Roubles	(11.1)	(7.4)	11.1	7.4
Euro				
Change in interest rates, bps	(200)	(200)	200	200
Change in net interest income, billions of Russian Roubles	(1.5)	(3.6)	1.5	3.6

As part of the interest rate risk management in the Group's business plan for 2019 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. Interest rate risk reports and issues are reviewed regularly by Sberbank committee for assets and liabilities management (ALCO).

Currency risk of non-trading assets and liabilities

The Group is exposed to currency risk on non-trading assets and liabilities, or the foreign currency exchange rate 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.

32 Financial and Insurance Risk Management (continued)

The risk of a market credit spread of securities of the banking book

The risk of a market credit spread of securities of the banking book (RCSBB) is the risk of losses or a decrease in capital due to a fall in market prices of debt securities of the banking book, measured at current fair value and classified as securities measured at fair value through other comprehensive income as a result of an adverse change 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 in the FVOCI portfolio, 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, with the following assumptions used:

- the nominal value and structure (including the composition of issuers) of the FVOCI portfolio are assumed to be unchanged;
- the fair value of the debt securities of the FVOCI portfolio 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 the FVOCI portfolio 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 in the FVOCI portfolio, as a result of changes in market credit spreads over a given period of time (one year) with a given probability (99.8%). Simulation of losses is based on the Monte Carlo method.

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

32 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 2018. 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 Roubles	US Dollars	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	204.1	41.1	11.4	—	10.3	**266.9**
Subordinated debt	506.0	199.7	0.7	—	0.9	**707.3**
Total financial liabilities	**16,422.0**	**5,737.2**	**2,412.3**	**765.9**	**750.1**	**26,087.5**
Net financial assets/(liabilities)	**3,827.5**	**(540.8)**	**235.1**	**206.4**	**170.6**	**3,898.8**
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 33)	**3,834.3**	**642.2**	**488.6**	**582.2**	**115.1**	**5,662.4**

32 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 2017.

in billions of Russian Roubles	Russian Roubles	US Dollars	Euro	Turkish Lyra	Other	Total
Assets						
Cash and cash equivalents	1,415.2	457.9	299.6	32.0	124.7	**2,329.4**
Mandatory cash balances with central banks	158.9	117.8	45.4	30.0	75.0	**427.1**
Due from banks	1,089.5	107.3	45.3	9.1	66.6	**1,317.8**
Loans and advances to customers	12,241.7	3,483.6	1,436.0	872.2	454.6	**18,488.1**
Securities	2,068.1	670.1	133.8	86.3	72.2	**3,030.5**
Financial instruments pledged under repurchase agreements	191.0	8.0	1.1	57.7	1.1	**258.9**
Other financial assets	154.0	34.3	35.9	9.7	19.2	**253.1**
Total financial assets	**17,318.4**	**4,879.0**	**1,997.1**	**1,097.0**	**813.4**	**26,104.9**
Liabilities						
Due to banks	395.2	111.3	142.7	4.0	40.1	**693.3**
Due to individuals	9,571.8	1,950.4	1,180.5	431.9	285.7	**13,420.3**
Due to corporate customers	2,901.0	2,459.5	498.6	257.8	277.0	**6,393.9**
Debt securities in issue	517.5	260.4	97.7	45.9	13.1	**934.6**
Other borrowed funds	0.2	145.4	66.0	23.2	12.5	**247.3**
Obligations to deliver securities	10.8	19.4	0.3	—	0.4	**30.9**
Other financial liabilities	194.2	26.5	24.5	36.6	8.1	**289.9**
Subordinated debt	506.2	205.2	0.6	—	4.3	**716.3**
Total financial liabilities	**14,096.9**	**5,178.1**	**2,010.9**	**799.4**	**641.2**	**22,726.5**
Net financial assets/(liabilities)	**3,221.5**	**(299.1)**	**(13.8)**	**297.6**	**172.2**	**3,378.4**
Net derivatives	**(137.7)**	**341.2**	**(46.6)**	**(126.0)**	**(23.5)**	**7.4**
Credit related commitments and performance guarantees before loss allowance (Note 33)	**3,145.4**	**629.1**	**412.1**	**633.4**	**125.9**	**4,945.9**

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.

32 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 amount of cash and liquidity reserves 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 / Sberbank 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 and branches of the Bank;

• 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 passive base / Sberbank Group member from one / several clients or funding sources in a certain currency or on a certain term.

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 liquidity limits, 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 and manages liquidity position 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 managing and controlling the liquidity of the Group members. They are also responsible for monitoring limits and controls required by the Bank and requirements of 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.

32 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 risk metrics in order to control and measure liquidity risk;
- forecasting key balance sheet line items of the Group members by major currencies to ensure the necessary volume of liquid assets to cover liquidity deficit and liquidity requirements stated by local regulators;
- forecasting assets and liabilities structure for different scenarios of the Group balance development to control the required volume of liquid assets in medium-term and long-term perspective in the context of 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 ensure the work of the Group members in the event of each of the following scenarios: a market crisis, a name crisis, or both;
- planning actions to maintain the necessary level of liquidity during crisis.

32 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 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
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	**9,521.4**	**5,121.1**	**5,092.8**	**3,383.1**	**1,497.8**	**24,616.2**
Credit related commitments and performance guarantees before provision	4,711.6	—	—	—	—	4,711.6

The analysis of undiscounted cash flows as at 31 December 2017 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	455.9	78.0	56.9	106.1	21.3	718.2
Due to individuals	4,533.0	5,315.1	1,380.0	2,209.9	211.7	13,649.7
Due to corporate customers	4,083.0	989.2	461.2	693.5	282.7	6,509.6
Debt securities in issue	116.1	301.0	118.2	313.7	167.4	1,016.4
Other borrowed funds	50.6	99.3	67.5	24.6	37.6	279.6
Gross settled derivatives:						
- inflows	(948.7)	(439.9)	(86.1)	(156.6)	(162.1)	(1,793.4)
- outflows	965.0	466.5	98.6	188.3	164.0	1,882.4
Net settled derivatives	9.7	18.3	14.5	31.3	10.2	84.0
Other financial liabilities	227.0	28.3	17.9	15.2	1.6	290.0
Subordinated debt	—	16.9	41.5	536.6	243.8	838.8
Total liabilities	**9,491.6**	**6,872.7**	**2,170.2**	**3,962.6**	**978.2**	**23,475.3**
Credit related commitments and performance guarantees before provision	4,945.9	—	—	—	—	4,945.9

32 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 (2017: trading securities and securities designated as 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 (2017: investment securities available-for-sale) 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 (2017: investment securities held-to-maturity) 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.

32 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 and equipment	—	—	—	—	—	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**	**—**

32 Financial and Insurance Risk Management (continued)

The analysis of liquidity position of the Group's assets and liabilities as at 31 December 2017 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	2,329.4	—	—	—	—	—	**2,329.4**
Mandatory cash balances with central banks	185.7	99.4	40.8	37.9	63.3	—	**427.1**
Due from banks	926.1	137.5	237.3	11.6	4.1	1.2	**1,317.8**
Loans and advances to customers	905.8	1,836.0	2,090.1	5,089.6	7,974.6	592.0	**18,488.1**
Securities	2,173.9	54.8	33.1	184.0	582.9	1.8	**3,030.5**
Financial instruments pledged under repurchase agreements	222.8	15.2	—	—	20.9	—	**258.9**
Derivative financial assets	17.7	24.0	27.8	43.6	27.8	—	**140.9**
Deferred tax asset	—	—	—	—	—	15.5	**15.5**
Premises and equipment	—	—	—	—	—	516.2	**516.2**
Assets of the disposal groups and non-current assets held for sale	—	10.5	—	—	—	—	**10.5**
Other assets	202.4	44.3	53.6	46.6	28.6	201.8	**577.3**
Total assets	**6,963.8**	**2,221.7**	**2,482.7**	**5,413.3**	**8,702.2**	**1,328.5**	**27,112.2**
Liabilities							
Due to banks	455.4	76.5	47.4	93.6	20.4	—	**693.3**
Due to individuals	2,998.1	4,671.2	1,655.1	1,334.7	2,761.2	—	**13,420.3**
Due to corporate customers	1,757.5	850.4	416.3	611.0	2,758.7	—	**6,393.9**
Debt securities in issue	115.7	292.0	110.8	278.3	137.8	—	**934.6**
Other borrowed funds	44.6	82.0	66.7	19.0	35.0	—	**247.3**
Derivative financial liabilities and obligations to deliver securities	53.8	34.0	20.9	41.9	13.8	—	**164.4**
Deferred tax liability	—	—	—	—	—	27.7	**27.7**
Other liabilities	223.2	73.4	37.2	107.8	559.3	77.5	**1,078.4**
Subordinated debt	0.1	16.6	39.1	493.4	167.1	—	**716.3**
Total liabilities	**5,648.4**	**6,096.1**	**2,393.5**	**2,979.7**	**6,453.3**	**105.2**	**23,676.2**
Net liquidity gap	**1,315.4**	**(3,874.4)**	**89.2**	**2,433.6**	**2,248.9**	**1,223.3**	**3,436.0**
Cumulative liquidity gap as at 31 December 2017	**1,315.4**	**(2,559.0)**	**(2,469.8)**	**(36.2)**	**2,212.7**	**3,436.0**	**—**

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.

32 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.

32 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.

32 Financial and Insurance Risk Management (continued)

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

Effect of changes in the key assumptions as at 31 December 2017:

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%	(0.3)	(0.3)	0.3	0.2
Mortality/morbidity	+10%	0.3	0.3	(0.3)	(0.2)
Expenses	-10%	(0.2)	(0.2)	0.2	0.2
Expenses	+10%	0.2	0.2	(0.2)	(0.2)
Discount rate	-1%	5.5	5.5	(5.5)	(4.4)
Discount rate	+1%	(5.9)	(5.9)	5.9	4.7

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.

32 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 2017 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. Risk of theft of funds from customer's accounts, risk of theft of self-service machines and cash inside them, risk of errors of personnel when analysing applications of corporate clients on loan grant are reduced. 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.

Among the key events in the area of compliance risk management in 2018 were the following:

- the Bank's compliance management system successfully passed the second oversight audit of the International Compliance Association for compliance with quality standards ISO 19600: 2014 and ISO 37001: 2016;
- the volume of suspicious customers' transactions made through the Bank's system decreased according to the Bank of Russia assessment due to the Bank's measures taken in the area of preventing suspicious transactions;
- NFA and NAUFOR audits were successfully passed in terms of compliance with the requirements for brokerage and dealer activities;
- measures were completed to bring the activities of the Bank to the requirements of the Base Standard for Brokerage Activities of the Bank of Russia;
- approved a new version of the Anti-Corruption Policy;
- the Policy «On counteracting the unlawful use of insider information and market manipulation in Sberbank» was approved;

32 Financial and Insurance Risk Management (continued)

- communication campaigns were conducted aimed at raising the level of awareness of employees with compliance requirements for disclosure by the Bank's employees of information on conflicts of interest and compliance with anti-corruption legislation, as well as the Bank's internal regulations in this area;
- a «Compliance» section was developed and implemented in mobile application «Sbercode» for new employees, containing basic information on compliance culture at the Bank;
- ensured regular training for Bank employees in compliance areas;
- the process of identifying clients was launched in order to identify the tax status of clients within the CRS framework, the first reporting to the Federal Tax Service of Russia was prepared and sent in accordance with the new requirements.

33 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.

Moscow Prosecutor's office filed a claim in the Moscow Arbitration Court against the Bank and a customer of the Bank (together - parties) to void the derivative deals concluded between the parties. The Bank's management examined the circumstances of the case, the existing documentation and the Bank estimates the outflow of resources on this lawsuit as possible. In relation to this claim the Group booked a provision in the amount of expected losses.

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 of the shares of Sberbank JSC (Ukraine) and restrictions on disposal of movable and immovable property of Sberbank JSC (Ukraine). However restrictions on liquidation and reorganization of Sberbank JSC (Ukraine) were not formally removed, the Group continues analyzing the documents on this legal claim.

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.

33 Contingencies and Commitments (continued)

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 2018 the provisions of the tax laws applicable to the Group, are interpreted appropriately.

Capital expenditure commitments. As at 31 December 2018 the Group had contractual capital expenditure commitments in respect of premises and equipment totalling RR 26.2 billion (31 December 2017: RR 22.0 billion) and in respect of computer equipment acquisition of RR 0.3 billion (31 December 2017: RR 0.8 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.

Operating lease commitments. When the Group is the lessee, the future minimum lease payments under non-cancellable operating lease are as follows:

In billions of Russian Roubles	**31 December 2018**	**31 December 2017**
Not later than 1 year	1.5	8.7
Later than 1 year and not later than 5 years	3.1	10.8
Later than 5 years	24.9	17.9
Total operating lease commitments	**29.5**	**37.4**

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.

33 Contingencies and Commitments (continued)

Outstanding credit related commitments and performance guarantees are as follows:

in billions of Russian Roubles	31 December 2018	31 December 2017
Commitments to extend credit	2,427.3	2,028.2
Guarantees issued:		
- Performance guarantees	820.5	638.6
- Financial guarantees	609.8	1,069.9
Undrawn credit lines	418.8	831.4
Export letters of credit:		
- with credit risk	3.0	6.1
- without credit risk	199.0	188.6
Import letters of credit and letters of credit for domestic settlements	233.2	183.1
Total credit related commitments and performance guarantees before loss allowance / provision (except for those of discontinued operations)	**4,711.6**	**4,945.9**
Less loss allowance / provision	(28.7)	(22.2)
Credit related commitments and performance guarantees of discontinued operations before loss allowance / provision	**950.8**	**—**
Less loss allowance / provision related to discontinued operations	(4.3)	—
Total credit related commitments and performance guarantees	**5,629.4**	**4,923.7**

For the purpose of ECL measurement credit related commitments balances are included in Stage 1. Refer to Note 32 for the ECL measurement approach.

As at 31 December 2018 included in due to corporate customers are deposits of RR 163.9 billion (31 December 2017: RR 121.6 billion) held as collateral for irrevocable commitments under import 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 provision for impairment of credit related commitments and performance guarantees refer to Note 19.

Assets under management. As at 31 December 2018 and 31 December 2017 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 2018	31 December 2017
Funds of individuals	124.3	85.7
Mutual investment funds	79.7	72.5
Pension funds and insurance companies	59.7	45.1
Designated funds	3.6	3.2
Other	9.3	2.3
Total	**276.6**	**208.8**

34 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 35 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 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 Derivative Financial Instruments (continued)

The table below shows the analysis of derivative financial instruments of the Group as at 31 December 2017:

In billions of Russian Roubles	Fair value of expected amounts: Receivable	Fair value of expected amounts: Payable	Assets - Positive fair value	Liabilities - Negative fair value
Foreign currency:				
Market swaps	12.3	(12.3)	—	—
OTC options	132.8	(133.5)	5.4	(6.1)
OTC swaps	2,126.1	(2,127.6)	20.0	(21.5)
Forwards	474.1	(475.3)	4.7	(5.9)
Total	**2,745.3**	**(2,748.7)**	**30.1**	**(33.5)**
Interest rate:				
Market options	2.2	(2.2)	—	—
Market swaps	22.8	(22.7)	0.1	—
OTC options	15.1	(14.8)	1.4	(1.1)
OTC swaps	341.6	(338.8)	23.6	(20.8)
Forwards	0.3	(0.2)	0.1	—
Futures	0.2	(0.2)	0.2	(0.2)
Total	**382.2**	**(378.9)**	**25.4**	**(22.1)**
Foreign currency interest rate:				
OTC swaps	941.9	(955.4)	39.8	(53.3)
Total	**941.9**	**(955.4)**	**39.8**	**(53.3)**
Commodities including precious metals:				
Market options	10.7	(14.4)	9.2	(12.9)
OTC options	9.5	(6.1)	5.7	(2.3)
OTC swaps	84.6	(83.0)	2.3	(0.7)
Forwards	31.9	(30.3)	1.7	(0.1)
Futures	6.5	(7.3)	6.5	(7.3)
Total	**143.2**	**(141.1)**	**25.4**	**(23.3)**
Equities:				
Market options	6.5	(0.8)	6.5	(0.8)
OTC options	2.4	(0.2)	2.2	—
Forwards	0.9	—	0.9	—
Futures	0.5	(0.2)	0.5	(0.2)
Total	**10.3**	**(1.2)**	**10.1**	**(1.0)**
Debt securities:				
Market options	9.7	—	9.7	—
Futures	0.1	—	0.1	—
Total	**9.8**	**—**	**9.8**	**—**
Credit risk:				
OTC swaps	0.6	(0.7)	0.2	(0.3)
Total	**0.6**	**(0.7)**	**0.2**	**(0.3)**
Other:				
Market options	0.1	—	0.1	—
Total	**0.1**	**—**	**0.1**	**—**
Total	**4,233.4**	**(4,226.0)**	**140.9**	**(133.5)**

35 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.

35 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 bonds	—	—	—	**—**
Corporate shares	0.1	—	—	**0.1**
Derivative financial assets	**—**	**176.5**	**1.1**	**177.6**
Foreign currency interest rate derivatives	—	54.5	—	**54.5**
Foreign currency derivatives	—	55.8	—	**55.8**
Commodity derivatives including precious metals derivatives	—	12.4	—	**12.4**
Interest rate derivatives	—	25.7	—	**25.7**
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**

35 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 2017:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Assets carried at fair value or revalued amount				
Securities mandatorily measured at fair value through profit or loss	**77.1**	**7.1**	**—**	**84.2**
Corporate bonds	27.9	7.1	—	**35.0**
Corporate shares	23.5	—	—	**23.5**
Russian federal loan bonds (OFZ bonds)	14.5	—	—	**14.5**
Russian Federation Eurobonds	9.7	—	—	**9.7**
Foreign government and municipal bonds	1.3	—	—	**1.3**
Investments in mutual funds	0.1	—	—	**0.1**
Russian municipal and subfederal bonds	0.1	—	—	**0.1**
Securities designated as at fair value through profit or loss	**269.5**	**125.4**	**34.1**	**429.0**
Corporate bonds	94.9	125.4	0.3	**220.6**
Russian federal loan bonds (OFZ bonds)	164.0	—	—	**164.0**
Corporate shares	6.2	—	22.6	**28.8**
Investments in mutual funds	—	—	11.2	**11.2**
Foreign government and municipal bonds	2.5	—	—	**2.5**
Russian municipal and subfederal bonds	1.4	—	—	**1.4**
Russian Federation Eurobonds	0.5	—	—	**0.5**
Financial instruments pledged under repurchase agreements	**225.1**	**—**	**—**	**225.1**
Russian federal loan bonds (OFZ bonds)	176.8	—	—	**176.8**
Foreign government and municipal bonds	44.2	—	—	**44.2**
Corporate bonds	3.6	—	—	**3.6**
Corporate shares	0.4	—	—	**0.4**
Russian Federation Eurobonds	0.1	—	—	**0.1**
Investment securities available-for-sale	**1,643.4**	**51.9**	**48.4**	**1,743.7**
Russian federal loan bonds (OFZ bonds)	897.9	—	—	**897.9**
Corporate bonds	379.3	13.8	—	**393.1**
Russian Federation Eurobonds	192.1	—	—	**192.1**
Foreign government and municipal bonds	124.3	36.7	—	**161.0**
Mortgage-backed securities	—	—	45.6	**45.6**
Corporate shares	27.6	—	2.8	**30.4**
Russian municipal and subfederal bonds	12.0	—	—	**12.0**
Bonds of the Bank of Russia	10.2	—	—	**10.2**
Promissory notes	—	1.4	—	**1.4**
Derivative financial instruments	**—**	**140.0**	**0.9**	**140.9**
Foreign currency interest rate derivatives	—	39.8	—	**39.8**
Foreign currency derivatives	—	30.1	—	**30.1**
Commodity derivatives including precious metals derivatives	—	25.4	—	**25.4**
Interest rate derivatives	—	25.4	—	**25.4**
Equity securities derivatives	—	9.2	0.9	**10.1**
Debt securities derivatives	—	9.8	—	**9.8**
Credit risk derivatives	—	0.2	—	**0.2**
Other derivatives	—	0.1	—	**0.1**
Investment property	**—**	**—**	**7.7**	**7.7**
Office premises	**—**	**—**	**276.7**	**276.7**
Total assets carried at fair value or revalued amount	**2,215.1**	**324.4**	**367.8**	**2,907.3**

35 Fair Value Disclosures (continued)

The following table shows fair values of 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					
- Cash on hand	695.0	695.0	—	—	**695.0**
- Cash balances with the Bank of Russia (other than mandatory reserve deposits)	681.5	—	681.5	—	**681.5**
- Correspondent accounts and placements with other banks	710.1	—	710.1	—	**710.1**
- Reverse repo agreements	6.0	—	6.0	—	**6.0**
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**

35 Fair Value Disclosures (continued)

The following table shows fair values of assets for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2017:

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					
- Cash on hand	646.8	646.8	—	—	**646.8**
- Cash balances with the Bank of Russia (other than mandatory reserve deposits)	920.4	—	920.4	—	**920.4**
- Correspondent accounts and placements with other banks	741.8	—	741.8	—	**741.8**
- Reverse repo agreements	20.4	—	20.4	—	**20.4**
Mandatory cash balances with central banks	427.1	—	427.1	—	**427.1**
Due from banks	1,317.8	—	1,317.8	—	**1,317.8**
Loans and advances to customers					
- Loans to corporate customers	13,005.2	—	—	13,467.1	**13,467.1**
- Loans to individuals	5,482.9	—	—	5,820.8	**5,820.8**
Financial instruments pledged under repurchase agreements	33.8	33.1	—	—	**33.1**
Investment securities held-to-maturity	773.6	719.9	71.9	—	**791.8**
Other financial assets	253.1	—	—	253.1	**253.1**
Total financial assets carried at amortized cost	**23,622.9**	**1,399.8**	**3,499.4**	**19,541.0**	**24,440.2**

35 Fair Value Disclosures (continued)

The following table shows an analysis of 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
Liabilities carried at fair value				
Due to banks designated at fair value through profit or loss	—	562.6	—	**562.6**
Due to corporate customers designated at fair value through profit or loss	—	—	1.0	**1.0**
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 liabilities carried at fair value	**33.9**	**737.3**	**1.0**	**772.2**

The following table shows an analysis of liabilities carried at fair value by level of the fair value hierarchy as at 31 December 2017:

in billions of Russian Roubles	Level 1	Level 2	Level 3	Total
Liabilities carried at fair value				
Derivative financial instruments	**—**	**133.5**	**—**	**133.5**
Foreign currency interest rate derivatives	—	53.3	—	**53.3**
Foreign currency derivatives	—	33.5	—	**33.5**
Commodity derivatives including precious metals derivatives	—	23.3	—	**23.3**
Interest rate derivatives	—	22.1	—	**22.1**
Equity securities derivatives	—	1.0	—	**1.0**
Credit risk derivatives	—	0.3	—	**0.3**
Obligation to deliver securities	**30.9**	**—**	**—**	**30.9**
Corporate bonds	12.8	—	—	**12.8**
Russian federal loan bonds (OFZ bonds)	7.3	—	—	**7.3**
Corporate shares	5.6	—	—	**5.6**
Russian Federation Eurobonds	4.4	—	—	**4.4**
Foreign government and municipal bonds	0.6	—	—	**0.6**
Investments in mutual funds	0.2	—	—	**0.2**
Total liabilities carried at fair value	**30.9**	**133.5**	**—**	**164.4**

35 Fair Value Disclosures (continued)

The following table shows fair values of 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	Fair value Level 2	Fair value Level 3	Fair value Total
Financial liabilities carried at amortized cost					
Due to banks	534.2	—	513.3	15.2	**528.5**
Due to individuals					
- Current/demand accounts	3,368.1	—	3,368.1	—	**3,368.1**
- Term deposits and direct repo agreements	10,127.0	—	—	10,055.1	**10,055.1**
Due to corporate customers					
- Current/demand accounts	2,423.9	—	2,423.9	—	**2,423.9**
- 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 liabilities carried at amortized cost	**25,490.0**	**798.7**	**6,633.6**	**17,827.8**	**25,260.1**

The following table shows fair values of liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2017:

in billions of Russian Roubles	Carrying value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
Financial liabilities carried at amortized cost					
Due to banks	693.3	—	693.8	—	**693.8**
Due to individuals					
- Current/demand accounts	3,052.2	—	3,052.2	—	**3,052.2**
- Term deposits and direct repo agreements	10,368.1	—	—	10,347.1	**10,347.1**
Due to corporate customers					
- Current/demand accounts	2,204.8	—	2,204.8	—	**2,204.8**
- Term deposits and direct repo agreements	4,189.1	—	—	4,131.8	**4,131.8**
Debt securities in issue	934.6	396.9	492.1	61.6	**950.6**
Other borrowed funds	247.3	—	2.4	244.2	**246.6**
Other financial liabilities	289.9	—	—	289.9	**289.9**
Subordinated debt	716.3	199.8	6.5	515.4	**721.7**
Total liabilities carried at amortized cost	**22,695.6**	**596.7**	**6,451.8**	**15,590.0**	**22,638.5**

35 Fair Value Disclosures (continued)

Level 2 assets carried at fair value include short tem 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. Option-pricing 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 (2017: investment securities available-for-sale)

Securities measured at fair value through profit or loss, securities measured at fair value through other comprehensive income (2017: investment securities available-for-sale) 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.

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 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 2017:

	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 mandatorily measured at fair value through profit or loss	0.3	0.1
Securities designated as at fair value through profit or loss	1.6	4.1
Investment securities available-for-sale	20.5	10.4
Total transfers of financial assets	**22.4**	**14.6**

35 Fair Value Disclosures (continued)

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.

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 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 gains/ (losses) reported in other compre-hensive income	Origination/ Purchases	Sales/ Settlements	Transfers from Level 3	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 assets	**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	(11.4)	0.3	(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**	**(386.1)**	**0.3**	**—**	**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**

35 Fair Value Disclosures (continued)

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.

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%, 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%, 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 Fair Value Disclosures (continued)

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 2017:

in billions of Russian Roubles	At 31 December 2016	Total gains/ (losses) reported in profit or loss	Foreign currency revaluation	Total losses reported in other compre-hensive income	Purchases	Sales/ Settlements	Transfers from Level 3	Transfers to other classes of assets	Transfers to Level 3	At 31 December 2017
Securities mandatorily measured at fair value through profit or loss	**—**	—	—	—	0.7	—	(0.7)	—	—	**—**
Securities designated as at fair value through profit or loss	**22.8**	2.0	(0.6)	—	4.1	—	(0.7)	—	6.5	**34.1**
Investment securities available-for-sale	**0.2**	3.7	—	(2.4)	57.2	(10.3)	—	—	—	**48.4**
Derivative financial instruments	**—**	0.9	—	—	—	—	—	—	—	**0.9**
Investment property	**8.4**	(0.6)	(0.3)	—	2.1	(1.9)	—	—	—	**7.7**
Office premises	**293.6**	(5.9)	(0.8)	(3.4)	7.5	(8.9)	—	(5.4)	—	**276.7**
Total level 3 assets	**325.0**	**0.1**	**(1.7)**	**(5.8)**	**71.6**	**(21.1)**	**(1.4)**	**(5.4)**	**6.5**	**367.8**

For the year ended 31 December 2017 the gains in the amount of RR 6.9 billion reported in the consolidated statement of profit or loss on Level 3 financial assets were unrealized.

For the year ended 31 December 2017 the losses in the amount RR 2.4 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 2017 are summarised below.

Valuation of mortgage-backed securities of RR 45.6 billion using valuation techniques based on non-observable inputs

The model uses a number of observable and unobservable inputs to derive a valuation. Examples of such include Russian mortgage rates and the credit spread for JSC "DOM.RF" (all considered observable), while portfolio aging period and behavioral adjustment on refinancing position are examples of unobservable inputs.

Should the Russian mortgage rate used by the Group (published by the Bank of Russia) in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.01 billion higher / RR 0.02 million lower. 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.

36 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 2018				31 December 2017			
	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	220.3	206.8	86.7	82.5	201.1	190.1	57.8	54.7
Securities received under reverse repo agreements pledged under repurchase agreements	43.1	38.5	0.9	1.0	5.0	4.3	0.5	0.5
GCC pledged under repurchase agreements	177.5	178.9	—	—	—	—	—	—
Total before margin calls	**440.9**	**424.2**	**87.6**	**83.5**	**206.1**	**194.4**	**58.3**	**55.2**
Other financial assets (margin calls under repurchase agreements)	—	—	—	—	—	—	0.3	—
Total	**440.9**	**424.2**	**87.6**	**83.5**	**206.1**	**194.4**	**58.6**	**55.2**

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 2018	
in billions of Russian Roubles	Carrying value of assets transferred to the GCC collateral pool	Nominal value of GCC
Securities tranferred to the GCC collateral pool		
- Corporate bonds	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	39.2	33.0
Total	**280.8**	**220.4**

36 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:

	31 December 2018		31 December 2017	
in billions of Russian Roubles	**Carrying value of assets**	**Carrying value of related liability**	**Carrying value of assets**	**Carrying value of related liability**
Loans to corporate customers	176.7	170.2	101.6	81.2
Loans to individuals	3.5	2.4	5.1	3.9
Securities	27.4	24.0	38.2	32.0
Other assets	15.8	39.4	0.4	0.2
Total	**223.4**	**236.0**	**145.3**	**117.3**

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:

	31 December 2018		31 December 2017	
in billions of Russian Roubles	**Amount of loans granted under repo agreements**	**Fair value of securities received as collateral**	**Amount of loans granted under repo agreements**	**Fair value of securities received as collateral**
Cash and cash equivalents	12.2	12.2	20.4	21.9
Due from banks	938.4	1,139.5	1,105.0	1,275.6
Loans and advances to customers	96.8	101.6	122.7	170.4
Total	**1,047.4**	**1,253.3**	**1,248.1**	**1,467.9**

37 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 2018:

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)	—	—
Other financial assets	—	—	—	—	—	—
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 comparative information as at 31 December 2017 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	104.3	—	104.3	(65.3)	(13.6)	25.4
Reverse repurchase agreements	1,248.1	—	1,248.1	(1,248.1)	—	—
Total financial assets	**1,352.4**	**—**	**1,352.4**	**(1,313.4)**	**(13.6)**	**25.4**
Financial liabilities						
Derivative financial liabilities	129.8	—	129.8	(65.3)	(45.7)	18.8
Direct repurchase agreements	249.6	—	249.6	(249.6)	—	—
Total financial liabilities	**379.4**	**—**	**379.4**	**(314.9)**	**(45.7)**	**18.8**

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 19).

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.

38 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 39 for significant transactions with state-controlled entities and government bodies.

As at 31 December 2018 and 31 December 2017, the outstanding balances with the Bank of Russia and other related parties were as follows:

	31 December 2018		31 December 2017	
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: 6.8% p.a. - 7.7% p.a.)	681.5	0.4	920.4	—
Mandatory cash balances with the Bank of Russia	188.0	—	158.9	—
Derivative financial assets	—	1.5	—	2.4
Due from banks (contractual interest rates: 1.5% p.a. - 8.4% p.a.)	8.6	—	5.2	6.9
Gross loans and advances to customers before credit loss allowance (contractual interest rates: 4.2% p.a. - 20.0% p.a.)	—	80.5	—	42.2
Securities (contractual interest rate: 7.8% p.a.)	189.2	—	10.2	—
Other assets	—	8.6	—	0.2
Assets of the disposal groups and non-current assets held for sale	2.4	—	—	—
Liabilities				
Due to banks (contractual interest rates: 6.3% p.a. - 6.8% p.a.)	71.2	3.8	90.5	0.1
Due to individuals	—	13.6	—	10.1
Due to corporate customers (contractual interest rates: 3.3% p.a. - 14.0% p.a.)	—	3.8	—	1.8
Derivative financial liabilities and obligations to deliver securities	—	9.0	—	16.6
Subordinated debt (contractual interest rate: 6.5% p.a.)	504.1	—	504.4	—
Other liabilities	—	4.5	—	3.0

As at 31 December 2018 included in operations with other related parties are deposits attracted from key management personnel and their close family members in the amount of RR 13.6 billion (31 December 2017: RR 10.1 billion). As at 31 December 2018 and 31 December 2017 there were no loans and advances granted to key management personnel and their close family members.

38 Related Party Transactions (continued)

The income and expense items with the Bank of Russia and other related parties for the year ended 31 December 2018 and 31 December 2017 were as follows:

				Year ended 31 December
		2018		2017
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	18.3	2.4	8.7	6.3
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	(5.3)	(0.8)	(7.2)	(0.6)
Revenue of non-core business activities	—	—	—	0.2
Fee and commission income	0.3	0.2	0.5	—
Fee and commission expense	(1.8)	(0.4)	(1.7)	—
Net losses from non-derivative financial instruments at fair value through profit or loss	(0.1)	(0.9)	—	—
Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	0.6	(1.4)	—	—
Other net operating income / (expenses)	0.1	—	—	(0.6)
Staff and administrative expenses	(0.1)	(6.1)	—	(6.6)

For the year ended 31 December 2018, interest expense on deposits attracted from key management personnel and their close family members comprised RR 0.4 billion (for the year ended 31 December 2017: RR 0.5 billion).

For the year ended 31 December 2018, regular remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 4.4 billion (for the year ended 31 December 2017: RR 4.2 billion). Payments to the key management personnel on regular remuneration for the year ended 31 December 2018 comprised RR 4.3 billion (for the year ended 31 December 2017: RR 4.0 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.

38 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 2018 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 1.7 billion (for the year ended 31 December 2017: RR 2.1 billion). Payments to the key management personnel on share-based long term compensation for the year ended 31 December 2018 comprised RR 1.2 billion (for the year ended 31 December 2017: RR 1.2 billion).

Payables on share-based long term compensation as at 31 December 2018 amounted to RR 2.8 billion (31 December 2017: RR 2.2 billion). The related obligations are included in other financial liabilities in the consolidated statement of financial position until paid.

39 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 2018 are disclosed below:

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

Additionally as at 31 December 2018 balances from operations with state-controlled entities and government bodies include receivables from Deposit Insurance Agency of RR 14.1 billion (31 December 2017: RR 7.2 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.

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

Balances with state-controlled entities and government bodies as at 31 December 2017 disclosed below contain balances of clients which are significant in terms of the carrying amounts as at 31 December 2018 (Clients 1 -20), and in addition entities with the balances which were significant as at 31 December 2017 (Clients 21-22):

in billions of Russian Roubles		Loans and advances to customers / Due from banks (31 December 2017)	Due to corporate customers / Due to banks (31 December 2017)	Guarantees issued/ Undrawn credit lines (31 December 2017)
Client	**Sector**			
Client 1	Oil and gas	424.9	41.7	15.1
Client 2	Banking	86.1	25.9	—
Client 3	Oil and gas	244.0	6.4	5.3
Client 4	Machinery	194.4	70.5	10.7
Client 5	Government and municipal bodies	—	20.0	—
Client 6	Oil and gas	13.0	119.5	180.2
Client 7	Energy	54.1	166.8	19.7
Client 8	Machinery	60.9	55.1	108.1
Client 9	Energy	102.4	25.6	2.4
Client 10	Machinery	31.9	47.2	74.0
Client 11	Machinery	87.4	53.5	11.1
Client 12	Machinery	—	7.1	86.5
Client 14	Machinery	39.7	23.4	4.4
Client 15	Transport and logistics	69.2	14.9	7.7
Client 16	Machinery	11.0	45.3	79.1
Client 17	Machinery	33.6	59.9	9.7
Client 19	Metallurgy	58.9	6.3	—
Client 20	Energy	60.1	10.1	—
Client 21	Government and municipal bodies	50.9	—	—
Client 22	Services	47.6	3.1	—

As at 31 December 2018 and 31 December 2017 the Group's investments in securities issued by government-controlled corporate entities were as follows:

	31 December 2018		31 December 2017	
In billions of Russian Roubles	Corporate bonds	Corporate shares	Corporate bonds	Corporate shares
Securities mandatorily measured at fair value through profit or loss (2017: Trading securities)	139.6	2.3	16.2	6.7
Securities designated at fair value through profit or loss	—	—	341.3	4.6
Securities measured at amortized cost (2017: Investment securities held-to-maturity)	222.2	—	226.1	—
Securities measured at fair value through other comprehensive income - debt instruments (2017: Investment securities available-for-sale)	196.5	—	243.3	25.2
Financial instruments pledged under repurchase agreements	3.6	3.8	—	0.3

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

40 Principal Subsidiaries

The table below provides details on principal subsidiaries of the Bank as at 31 December 2018:

Name	Nature of business	Percentage of ownership	Country of registration
DenizBank (DenizBank AS)	banking	99.85%	Turkey
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
JSC Sberbank Leasing	leasing	100.00%	Russia
LLC Sberbank Capital	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
JSC Rublyovo-Arkhangelskoye	construction	100.00%	Russia
LLC Sberbank Investments	finance	100.00%	Russia
Aukcion LLC	services	100.00%	Russia
PS Yandex.Money LLC	finance	75.00% minus one Russian Rouble	Russia
LLC Digital Technologies	digital business	100.00%	Russia
JSC Non-state Pension Fund of Sberbank	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 2018, the net assets of subsidiaries subject to regulatory or capital adequacy requirements were RR 769.2 billion (31 December 2017: RR 642.0 billion), before intercompany eliminations.

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 31 December 2018 was 20.9% (31 December 2017: 20.4%).

41 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 2017: 8.0%).

The total regulatory capital of the Bank and regulatory capital adequacy ratios of the Bank as at 31 December 2018 (before adjustments for subsequent events) and 31 December 2017 are disclosed below.

in billions of Russian Roubles	31 December 2018	31 December 2017
Total capital	**4,260.6**	**3,668.1**
Common equity adequacy ratio N1.1, %	11.1	10.7
Tier 1 capital adequacy ratio N1.2, %	11.1	10.7
Total capital adequacy ratio N1.0, %	**14.9**	**14.9**

From February 2018 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-E "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.

Starting from 30 June 2018 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.

41 Capital Adequacy Ratio (continued)

The capital adequacy ratio of the Group as at 31 December 2018 and 31 December 2017 calculated in accordance with Basel III requirements is disclosed below.

in billions of Russian Roubles	31 December 2018 Standardised and IRB approach	31 December 2018 Standardised approach	1 January 2018 Standardised approach as adjusted under IFRS 9	31 December 2017 Standardised approach
Tier 1 capital				
Share capital	87.7	87.7	87.7	87.7
Share premium	232.6	232.6	232.6	232.6
Retained earnings	3,560.7	3,560.7	2,996.2	3,058.6
Non-controlling interest	7.1	7.1	4.4	4.4
Treasury shares	(18.1)	(18.1)	(15.3)	(15.3)
Revaluation reserve for office premises	56.2	56.2	60.8	60.8
Fair value reserve for investment securities available-for-sale	—	—	—	35.3
Fair value reserve for debt instruments measured at fair value through other comprehensive income	(35.1)	(35.1)	28.2	—
Foreign currency translation reserve	(29.6)	(29.6)	(21.0)	(21.0)
Remeasurement of defined benefit pension plans	(2.4)	(2.4)	(1.0)	(1.0)
less goodwill	(10.8)	(10.8)	(8.0)	(8.0)
less intangible assets	(64.6)	(64.6)	(60.8)	(60.8)
Other deductions from capital	(17.2)	(17.2)	(12.7)	(12.7)
Tier 1 capital	***3,766.5***	***3,766.5***	***3,291.1***	***3,360.6***
Tier 2 capital				
Eligible subordinated debt	142.1	142.1	459.7	459.7
Excess of total eligible provisions over expected loss amount under IRB approach	42.0	—	—	—
Tier 2 capital	***184.1***	***142.1***	***459.7***	***459.7***
Total capital	**3,950.6**	**3,908.6**	**3,750.8**	**3,820.3**
Risk weighted assets (RWA)				
Credit risk	27,477.4	28,288.6	25,195.1	25,245.7
Operational risk	3,339.9	3,339.9	3,092.8	3,092.8
Market risk	975.8	975.8	1,081.1	1,158.3
Total risk weighted assets (RWA)	**31,793.1**	**32,604.3**	**29,369.0**	**29,496.8**
Common equity Tier 1 capital adequacy ratio (Common equity Tier 1 capital / Total RWA), %	**11.8**	**11.6**	**11.2**	**11.4**
Tier 1 capital adequacy ratio (Tier 1 capital / Total RWA), %	**11.8**	**11.6**	**11.2**	**11.4**
Total capital adequacy ratio (Total capital / Total RWA), %	**12.4**	**12.0**	**12.8**	**13.0**

In the table below is disclosed the leverage ratio as at 31 December 2018 and 31 December 2017 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 2018	1 January 2018 as adjusted under IFRS 9	31 December 2017
Tier 1 capital	3,766.5	3,291.1	3,360.6
Total leverage ratio exposure	33,471.1	29,033.3	29,112.0
Leverage ratio, %	**11.3**	**11.3**	**11.5**

The Group was in compliance with external capital requirements during the year ended 31 December 2018 and the year ended 31 December 2017.

42 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. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Notes 4 and 43.

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.

42 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 35 for more information on fair values and fair value measurement used.

42 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. From 1 January 2018 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.

42 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.

42 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 SICR 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 32 for a description of how the Group determines when a SICR 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 32. 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 32 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.

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 dercognition 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 32 for more information about the Group's policy on write-offs.

42 Basis of Preparation and Significant Accounting Policies (continued)

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.

42 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.

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.

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.

42 Basis of Preparation and Significant Accounting Policies (continued)

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 market 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.

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.

If impaired, premises are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss to the extent it exceeds the previous revaluation surplus in other comprehensive income.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss.

42 Basis of Preparation and Significant Accounting Policies (continued)

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.

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.

Operating leases. 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. When assets are leased out under operating lease, the lease payments receivable are recognized 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.

42 Basis of Preparation and Significant Accounting Policies (continued)

Finance leases. 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.

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in premises and equipment at the commencement of the lease at the lower of the fair value of the leased asset, and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in other borrowed funds. The interest cost is charged to profit or loss for the year over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life, or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

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.

42 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.

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.

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.

42 Basis of Preparation and Significant Accounting Policies (continued)

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*.

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.

42 Basis of Preparation and Significant Accounting Policies (continued)

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.

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.

42 Basis of Preparation and Significant Accounting Policies (continued)

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.

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.

42 Basis of Preparation and Significant Accounting Policies (continued)

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.

Fee and commission income and expense. All other fees, commissions and other income and expense items 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.

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.

42 Basis of Preparation and Significant Accounting Policies (continued)

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 2018 the 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

At 31 December 2017 the principal rates of exchange used for translating each entity's functional currency into the Group's presentation currency and foreign currency monetary balances were as follows:

	/RR	/UAH	/BYN	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.488	0.034	5.774	0.015	0.017	0.066
USD/	57.600	28.104	1.979	332.595	0.836	0.977	3.780
EUR/	68.867	33.601	2.366	397.651	1.000	1.168	4.519

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.

42 Basis of Preparation and Significant Accounting Policies (continued)

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 32.

43 Accounting Policies Applicable before 1 January 2018

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9, are as follows.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or AC as described below. Refer to Note 42 for the definition of fair value and AC as well as for description of valuation techniques.

Trading securities. Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or trader’s margin, or are securities on initial recognition included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest rate method is accounted for in the consolidated statement of profit or loss as interest income. Dividend income is recognized when the Group’s right to receive the dividend payment is established. Translation differences are included in net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in the consolidated statement of profit or loss as net gains/(losses) arising from trading securities in the period in which they arise.

Securities designated as at fair value through profit or loss. Securities designated as at fair value through profit or loss are securities designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if a group of financial assets is managed and its performance is evaluated on a fair value basis and information on that basis is regularly provided to and reviewed by the Group’s key management personnel. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

Due from banks. Amounts due from banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from banks are carried at amortized cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortized cost.

43 Accounting Policies Applicable before 1 January 2018 (continued)

Impairment of financial assets carried at amortized cost. Impairment losses on financial assets carried at amortized cost are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers when deciding whether a financial asset is impaired or not are (i) past due status of financial asset, (ii) financial position of the borrower, (iii) unsatisfactory debt servicing and (iv) realisability of related collateral, if any.

A loan is considered past due when the borrower fails to make any payment due under the loan at the reporting date. In this case a past due amount is recognized as the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions. As defined by the Group for the purposes of internal credit risk assessment, loans fall into the "non-performing" category when a principal and/or interest payment becomes more than 90 days overdue.

Impairment losses are recognized through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralized financial asset accounts for cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Reversals of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss.

Write-off of assets at amortized cost. Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Impairment of loans and advances to legal entities. Estimating loan portfolio impairment provision for corporate loans involves the following steps:

- Identification of loans that are individually significant and contain signs of impairment, i.e., those loans, that, if fully impaired, would have a material impact on the Group's operating income.
- Determination of whether an individually significant loan shows objective evidence of impairment. This requires estimating the expected timing and amount of cash flows from interest and principal payments and other cash flows, including amounts recoverable from guarantees and collateral, and discounting them at the loan's original effective interest rate. The loan is considered impaired if its carrying amount materially exceeds its estimated recoverable amount. A separate impairment loss is recorded on an individually significant impaired loans.
- All remaining loans and individually significant loans without objective evidence of impairment are assessed on a portfolio basis.

The Group applies the portfolio provisioning methodology prescribed by IAS 39 *Financial Instruments: Recognition and Measurement*, and creates portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the reporting date.

For the purposes of credit risk measurement and analysis the Group internally classifies loans depending on their quality. The quality of a corporate loan is monitored regularly on the basis of a comprehensive analysis of the borrower's financial position and includes analysis of liquidity, profitability and sufficiency of own funds. The capital structure, organizational structure, credit history and business reputation of the borrower are also taken into consideration. The Group takes into account the customer's position in the industry and the region, production equipment and level of the technology used as well as the general efficiency of management. Upon analysis corporate borrowers are assigned internal ratings. Calculation of provisions on collective basis depends on assets' credit risk profile (similar credit risk and product characteristics) and is based on internal models calculations.

43 Accounting Policies Applicable before 1 January 2018 (continued)

Impairment of loans and advances to individuals. For the purpose of credit quality analysis, loans to individuals are grouped by type of credit product into homogeneous sub-portfolios with similar risk characteristics. The Group analyses each sub-portfolio by the internal rating and ageing of past due debts.

Investment securities available-for-sale. This classification includes investment securities, which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as available-for-sale at the time of purchase.

Investment securities available-for-sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognized in profit or loss. Dividend income is recognized when the Group's right to receive payment is established. Foreign currency exchange differences arising on debt investment securities available-for-sale are recognized in profit or loss in the period in which they arise. All other elements of changes in the fair value are recognized in other comprehensive income until the investment is derecognized, at which time the cumulative gain or loss is reclassified to profit or loss, or impaired.

Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available-for-sale. Though a significant or prolonged decline in the fair value of the security below its cost is one of indicators that it is impaired, the Group also considers an objective evidence of expected receipt of contractual cashflows for debt securities. If the Group expects to receive all contractual cashflows in full, such debt security is not considered impaired. The cumulative impairment loss – measured as the difference between the acquisition cost (less scheduled principal repayments for debt securities) and the current fair value, less any impairment loss on that asset previously recognized in profit or loss – is reclassified from other comprehensive income and recognized in profit or loss. Recognized impairment losses on equity instruments are not reversed through profit or loss in a subsequent period. As for debt instruments classified as available-for-sale, if, in a subsequent period, the fair value of such instruments increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through current period's profit or loss. The unrealised gains/(losses) on revaluation of investment securities available-for-sale other than impairment losses are presented in other comprehensive income as net gains/(losses) on revaluation of investment securities available-for-sale.

If the Group has both the intention and ability to hold quoted in active market debt investment securities available-for-sale to maturity, they may be reclassified as investment securities held-to-maturity. In this case the fair value of securities as at the date of reclassification becomes their new amortized cost. For instruments with a fixed maturity the fair value reserve as at the date of reclassification is amortized to profit or loss during the period until maturity using the effective interest rate method.

Investment securities held-to-maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held-to-maturity at their initial recognition or upon reclassification from available-for-sale category when the Group changes its intention and has the ability to hold investment securities which were previously classified as available-for-sale to maturity. The investment securities held-to-maturity are carried at amortized cost.

Finance leases. 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.

43 Accounting Policies Applicable before 1 January 2018 (continued)

Income and expense recognition. Interest income and expense are recorded in profit or loss for interest-bearing instruments on accrual basis using effective interest rate 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 fair value through profit or loss.

When loans and other debt instruments become doubtful for collection, the base for calculation of interest income is reduced to present value of expected cash inflows and interest income is thereafter recorded based on the asset’s original effective interest rate which was used before impairment recognition.

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, which are earned on execution of the underlying transaction are recorded on its completion. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportion basis. Trust and custody services fees related to investment funds are recorded proportionally over the period the service is provided.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Credit related commitments. The Group enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized 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.

44 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early 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 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group decided that it will apply the standard using the modified retrospective method, without restatement of comparatives. The Group will recognise a right of use asset of RR 75.5 billion against a corresponding lease liability on 1 January 2019. A reconciliation of the operating lease commitments disclosed in Note 33 to this liability is as follows:

(unaudited) *in billions of Russian Roubles*	**Note**	**As at 1 January 2019**
Lease payments under operating lease, including:		**113.6**
Lease payments under cancellable operating lease		84.1
Lease payments under non-cancellable operating lease	33	29.5
Adjustments to amount of lease payable:		
Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised		6.0
Recognition exemption: short-term leases		(2.9)
Recognition exemption: the underlying asset is of low value		(0.1)
Revision of lease agreements		(0.3)
Future lease payments under IFRS 16		**116.3**
Effect of discounting		(43.5)
Lease liability under IFRS 16		**72.8**
Amount of prepayments and irrevocable security payments on agreements		2.7
Right of use under IFRS 16		**75.5**

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation.

44 New Accounting Pronouncements (continued)

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 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). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares.

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). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete.

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). The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires to remeasure net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.

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.

44 New Accounting Pronouncements (continued)

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 materiality – 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.

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.

45 Subsequent Events

In February 2019 the Group repaid in full the Series 17 of the subordinated loan participation notes issued under the MTN programme of Sberbank with a nominal value of USD 1.0 billion. The notes were issued in February 2014 and had contractual interest rate of 5.5% p.a. Refer to Note 20.