Independent auditor's report
on the financial statements of
Credit Agricole CIB AO
for the year ended 31 December 2019

April 2020

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Credit Agricole CIB AO

Contents

Совершенствуя бизнес,
улучшаем мир

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Independent auditor's report

To the Shareholders and Board of Directors of
Credit Agricole CIB AO

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Credit Agricole CIB AO (hereinafter, the "Bank"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019 and its financial performance and its cash flows for 2019 in accordance with International Financial Reporting Standards (IFRSs).

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 financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Bank's ability 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 Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability 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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of Directors 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.

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Report in accordance with the requirements of Article 42 of the Federal Law of the Russian Federation No. 395-1 *Concerning Banks and Banking Activities* of 2 December 1990

Management of the Bank is responsible for the compliance of the Bank with the mandatory prudential ratios established by the Central Bank of the Russian Federation (hereinafter, the "Bank of Russia") and for the conformity of internal control and organization of the risk management systems of the Bank with the requirements set forth by the Bank of Russia in respect of such systems.

In accordance with the requirements of Article 42 of the Federal Law of the Russian Federation No. 395-1 *Concerning Banks and Banking Activities* of 2 December 1990 (hereinafter, the "Federal Law"), during the audit of the Bank's financial statements for the year ended 31 December 2019, we determined:

1) Whether the Bank complied as at 1 January 2020 with the obligatory ratios established by the Bank of Russia.

2) Whether internal control and organization of the risk management systems of the Bank conformed to the requirements set forth by the Bank of Russia for such systems in respect of the following:

   - Subordination of the risk management departments;
   - The existence of methodologies, approved by the Bank's respective authorized bodies, for detecting and managing risks that are significant to the Bank and for performing stress-testing; the existence of a reporting system at the Bank pertaining to its significant risks and capital;
   - Consistency in applying and assessing the effectiveness of methodologies for managing risks that are significant to the Bank;
   - Oversight performed by the Board of Directors and executive management of the Bank in respect of the Bank's compliance with risk limits and capital adequacy requirements set forth in the Bank's internal documents, and effectiveness and consistency of the application of the Bank's risk management procedures.

This work included procedures selected based on our judgment, such as inquiries, analysis, reading of documents, comparison of the requirements, procedures and methodologies approved by the Bank with the requirements set forth by the Bank of Russia, and the recalculation, comparison and reconciliation of numerical values and other information.

The findings from our work are provided below.

Compliance by the Bank with the obligatory ratios established by the Bank of Russia

We found that the values of the obligatory ratios of the Bank as of 1 January 2020 were within the limits established by the Bank of Russia.

We have not performed any procedures in respect of accounting data of the Bank, except for those procedures we considered necessary to express our opinion on the fair presentation of the Bank's financial statements.

Conformity of internal control and organization of the risk management systems of the Bank with the requirements set forth by the Bank of Russia in respect of such systems

- We found that, in accordance with the legal acts and recommendations issued by the Bank of Russia, as at 31 December 2019 the Bank's internal audit division was subordinated and accountable to the Board of Directors, and the Bank's risk management departments were not subordinated or accountable to the departments that take the relevant risks.

- We found that the Bank's internal documents effective as at 31 December 2019 that establish the methodologies for detecting and managing credit (including Counterparty's credit risk), interest rate (part of market risk), operational and liquidity risks that are significant to the Bank and stress-testing have been approved by the Bank's authorized bodies in accordance with the legal acts and recommendations issued by the Bank of Russia. We also found that, as at 31 December 2019, the Bank had a reporting system pertaining to credit (including Counterparty's credit risk), interest rate (part of market risk), operational and liquidity risks that were significant to the Bank and pertaining to its capital.

- We found that the frequency and consistency of reports prepared by the Bank's risk management departments and internal audit division during the year ended 31 December 2019 with regard to the management of credit (including Counterparty's credit risk), interest rate (part of market risk), operational and liquidity risks of the Bank complied with the Bank's internal documents, and that those reports included observations made by the Bank's risk management departments and internal audit division in respect of the effectiveness of relevant risk management methodologies.

- We found that, as at 31 December 2019, the authority of the Board of Directors and executive management bodies of the Bank included control over compliance of the Bank with internally established risk limits and capital adequacy requirements. For the purpose of control over the effectiveness and consistency of the risk management procedures applied by the Bank during the year ended 31 December 2019, the Board of Directors and executive management bodies of the Bank regularly reviewed the reports prepared by the Bank's risk management departments and internal audit division.

The procedures pertaining to the internal control and organization of the risk management systems were conducted by us solely for the purpose of determining the conformity of certain elements of the internal control and organization of the risk management systems of the Bank, as listed in the Federal Law and described above, with the requirements set forth by the Bank of Russia.

D.E. Weinstein
Partner
Ernst & Young LLC

24 April 2020

Details of the audited entity

Name: Credit Agricole CIB AO
Record made in the State Register of Legal Entities on 3 September 2002, State Registration Number 1027800000953.
Address: Russia 191144, Saint-Petersburg, Degtyarny pereulok, 11b.

Details of the auditor

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

Statement of financial position
as of 31 December 2019

(thousands of Russian rubles)

	Notes	2019	2018
Assets			
Cash and cash equivalents	5	11 830 817	26 052 509
Amounts due from credit institutions	6	1 008 426	5 361 161
Derivative financial assets	7	1 428 954	2 450 049
Loans to customers	8	23 958 375	17 533 384
Investment securities at FVOCI	9	6 056 836	520 167
Debt securities at amortized cost	9	–	4 829 844
Fixed assets	10	965 840	1 059 663
Current income tax assets		81 872	73 410
Other assets	12	115 376	119 378
Total assets		**45 446 496**	**57 999 565**
Liabilities			
Amounts due to credit institutions	13	2 091 606	2 685 797
Derivative financial liabilities	7	1 351 385	2 397 325
Amounts due to customers	14	29 689 016	39 764 983
Deferred income tax liabilities	11	158 506	183 833
Other liabilities	12	378 219	326 479
Subordinated loans	15	6 441 346	7 233 582
Total liabilities		**40 110 078**	**52 591 999**
Equity	16		
Share capital		2 959 679	2 959 679
Share premium		734 148	734 148
Revaluation reserve for premises		590 235	622 691
Revaluation reserve for investment securities at FVOCI		475	1 629
Retained earnings		1 051 881	1 089 419
Total equity		**5 336 418**	**5 407 566**
Total equity and liabilities		**45 446 496**	**57 999 565**

Signed and authorised for release on behalf of the Management Board of the Bank.

Erik Koebe President

Корпоративный и Инвестиционный Банк Креди Агриколь КИБ АО Санкт-Петербург CRÉDIT AGRICOLE Saint-Petersburg CREDIT AGRICOLE CIB AO

Alla Astyukevich Chief Accountant

24 April 2020

The accompanying notes are an integral part of these financial statements.

Statement of profit or loss

for the year ended 31 December 2019

(thousands of Russian rubles)

	Note	*2019*	*2018*
Interest revenue calculated using effective interest rate	18	2 566 189	2 799 640
Interest expense	18	(2 067 674)	(1 733 737)
Net interest income	18	**498 515**	**1 065 903**
Fee and commission income	19	537 178	366 023
Fee and commission expense	19	(31 120)	(49 156)
Net gains/(losses) from foreign currencies			
- dealing		457 441	(1 115 518)
- translation differences		11 627	1 166 825
- foreign currency derivatives		(271)	(1 920)
(Reversal)/provision of allowance for impairment of premises	10	(7 730)	(16 322)
Other income		36 406	110 090
Non-interest income		**1 003 531**	**460 022**
Administrative and other operating expenses	20	(1 488 570)	(1 388 326)
Non-interest expense		**(1 488 570)**	**(1 388 326)**
Profit before income tax expense		**13 477**	**137 599**
Income tax expense	11	(51 014)	(56 097)
(Loss)/profit for the year		**(37 538)**	**81 502**

The accompanying notes are an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2019

(thousands of Russian rubles)

	Note	2019	2018
(Loss)/profit for the year		**(37 538)**	**81 502**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net change in fair value of debt instruments at fair value through other comprehensive income		(1 442)	(10 105)
Income tax relating to components of other comprehensive income	11	288	2 021
Net other comprehensive expense to be reclassified to profit or loss in subsequent periods		**(1 154)**	**(8 084)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of buildings	10	(40 570)	(85 661)
Income tax relating to components of other comprehensive income		8 114	17 132
Total other comprehensive expense not to be reclassified to profit or loss in subsequent periods		**(32 456)**	**(68 529)**
Other comprehensive expense for the year, net of tax		**(33 610)**	**(76 613)**
Total comprehensive (expense)/income for the year		**(71 148)**	**4 889**

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2019

(thousands of Russian rubles)

	Attributable to shareholders of the Bank					
	Share capital	***Share premium***	***Revaluation reserve for premises***	***Revaluation reserve for investment securities at FVOCI***	***Retained earnings***	***Total***
1 January 2018	**2 959 679**	**734 148**	**691 220**	**9 713**	**1 210 789**	**5 605 549**
Profit for the year	**–**	**–**	**–**	**–**	**81 502**	**81 502**
Other comprehensive income for the year	–	–	(68 529)	(8 084)	–	**(76 613)**
Total comprehensive income for the year	**–**	**–**	**(68 529)**	**(8 084)**	**81 502**	**4 889**
Dividends to shareholders of the Bank (Note 21)	–	–	–	–	(202 872)	**(202 872)**
31 December 2018	**2 959 679**	**734 148**	**622 691**	**1 629**	**1 089 419**	**5 407 566**
Profit for the year	–	–	–	–	(37 538)	**(37 538)**
Other comprehensive income for the year	–	–	(32 456)	(1 154)	–	**(33 610)**
Total comprehensive income for the year	**–**	**–**	**(32 456)**	**(1 154)**	**(37 538)**	**(71 148)**
Dividends to shareholders of the Bank (Note 21)	–	–	–	–	–	**–**
31 December 2019	**2 959 679**	**734 148**	**590 235**	**475**	**1 051 881**	**5 336 418**

The accompanying notes are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2019
(thousands of Russian rubles)

	Note	2019	2018
Cash flows from operating activities			
Interest received		2 542 053	2 845 034
Interest paid		(1 601 089)	(1 356 063)
Fees and commissions received		537 178	377 147
Fees and commissions paid		(31 120)	(49 411)
Realised gains less losses from dealing in foreign currencies		457 441	(1 115 518)
Realised gains less losses from operations with interest rate derivatives		(271)	(1 920)
Other income received		36 406	110 509
Administrative and other operating expenses paid		(1 419 673)	(1 311 639)
Cash flows from operating activities before changes in operating assets and liabilities		**520 925**	**(501 861)**
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		4 352 421	(5 000 381)
Loans to customers		(7 443 305)	4 606 701
Other assets		(5 322)	(73 271)
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		(421 977)	2 575
Amounts due to customers		(8 923 106)	9 849 671
Other liabilities		81 062	66 123
Net cash flows from operating activities before income tax		**(11 839 302)**	**8 949 557**
Income tax paid		(76 403)	(75 486)
Net cash used in (from) operating activities		**(11 915 705)**	**8 874 071**
Cash flows from investing activities			
Purchase of investment securities		(23 030 467)	(16 356 610)
Proceeds from redemption of investment securities		22 344 393	14 051 427
Purchase of fixed assets	10	(28 866)	(27 479)
Proceeds from sale of fixed assets	10	5 492	–
Net cash used in investing activities		**(709 448)**	**(2 332 662)**
Cash flows from financing activities			
Dividends paid to shareholders of the Bank	21	–	(202 872)
Interest expense paid for subordinated loan		(446 461)	(422 727)
Net cash used in financing activities		**(446 461)**	**(625 599)**
Effect of exchange rates changes on cash and cash equivalents		(1 150 078)	2 416 011
Net (decrease)/increase in cash and cash equivalents		**(14 221 692)**	**8 331 821**
Cash and cash equivalents, beginning		26 052 509	17 720 688
Cash and cash equivalents, ending	5	**11 830 817**	**26 052 509**

The accompanying notes are an integral part of these financial statements.

(thousands of Russian rubles)

1. Principal activities

These financial statements of Credit Agricole CIB AO (the "Bank") have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2019.

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with Russian regulations. The Bank's shareholders are Credit Agricole CIB France (former Calyon S.A.) ("the Parent Bank") holding 82,4% of share capital and Credit Agricole CIB Global Banking (former Calyon Global Banking S.A.) holding 17,6% of share capital (2018: Credit Agricole CIB France holding 82,4% of share capital and Credit Agricole CIB Global Banking holding 17,6% of share capital). Credit Agricole CIB AO is a part of Credit Agricole CIB Group. The ultimate shareholder of the Bank is Crédit Agricole SA.

The Bank's shareholders do not have the power to amend the financial statements after the issue.

The Bank's principal business activity is corporate and investment banking operations within the Russian Federation. The Bank has been operating under a full general banking license issued by the Central Bank of the Russian Federation ("CBR") since 1993. The Bank participates in the state deposit insurance scheme, which was introduced by the Federal Law No. 177-FZ *On Insurance of Individuals Deposits in the Russian Federation* dated 23 December 2003.

On 8 August 2019 ACRA confirmed to Credit Agricole CIB AO a credit rating assigned earlier on 8 August 2018 under the national scale for the Russian Federation at the level of AAA(RU), outlook Stable.

The Bank's registered address is Russian Federation, Saint Petersburg, 11b Degtyarny pereulok. The Bank has one (2018: one) branch in Moscow.

2. Basis of preparation

General

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Bank is required to maintain accounting records and prepare financial statements for regulatory purposes in accordance with Russian accounting and banking legislation and related instructions ("RAL"). These financial statements are based on these RAL accounting records and financial statements, as adjusted and reclassified in order to comply with IFRS.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, securities at FVOCI, derivative financial instruments, buildings have been measured at fair value.

These financial statements are presented in thousands of Russian rubles ("RUB"), except per share amounts and unless otherwise indicated.

3. Summary of accounting policies

Changes in accounting policies

The Bank applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2019. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases − Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Bank also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

Assets	
Property and equipment (right-of-use assets)	307 530
Total assets	**307 530**
Liabilities	
Other liabilities (lease liabilities)	307 530
Total liabilities	**307 530**
Total adjustment on equity	**–**

(a) Nature of the effect of adoption of IFRS 16

The Bank has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Bank; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Other assets and Other liabilities, respectively.

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Bank.

<u>Leases previously classified as finance leases</u>

The Bank did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

<u>Leases previously accounted for as operating leases</u>

The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The discount rate varies from 7,8% to 9,9% depending on the duration of a contract.

The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of RUB 307 530 thousand were recognised and included in Property and equipment;
- Additional lease liabilities of RUB 307 530 thousand (included in Other borrowed funds) were recognised;

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Bank upon adoption of IFRS 16, which have been applied from the date of initial application:

i. Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

<u>Right-of-use assets</u>

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

<u>Lease liabilities</u>

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

<u>Short-term leases and leases of low-value assets</u>

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below EUR 5 thousand). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

<u>Significant judgement in determining the lease term of contracts with renewal options</u>

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has the option, under some of its leases to lease the assets for additional terms of three to five years. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Amounts recognised in the statement of financial position, income statement and statement of cash flows

Set out below, are the carrying amounts of the Bank's right-of-use assets and lease liabilities and the movements during the period:

(In thousands of Russian rubles)	*Right-of-use assets*				
	Buildings	***Office equipment***	***Motor vehicles***	***Total***	***Lease liabilities***
As at 1 January 2019	**307 530**	**–**	**–**	**307 530**	**307 530**
Additions	50 032	490	13 352	**63 874**	63 874
Depreciation expense	(17 666)	(65)	(2 774)	**(20 505)**	–
Interest expense	–	–	–	**–**	34 181
Payments	–	–	–	**–**	(40 355)
Disposals	(262 646)	–	–	**(262 646)**	(271 320)
As at 31 December 2019	**77 250**	**425**	**10 578**	**88 253**	**93 910**

ii. *Operating − Bank as a lessor*

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

iii. *Finance − Bank as a lessor*

The Bank recognises lease receivables 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.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.
The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Bank determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Bank considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Bank's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Bank determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Bank.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Bank.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the financial statements as the Bank does not have long-term interests in its associate and joint venture.

Annual improvements 2015-2017 cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Bank as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Bank as there is no transaction where a joint control is obtained.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Bank’s current practice is in line with these amendments, they had no impact on the financial statements of the Bank.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Bank’s current practice is in line with these amendments, they had no impact on the financial statements of the Bank.

Fair value measurement

The Bank measures financial instruments carried at FVPL and FVOCI and non-financial assets such as investment property, at fair value at each balance sheet date.

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.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Bank commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions, loans to customers, investments securities at amortised cost

The Bank only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Bank measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest revenue and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the asset.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank changes the business model for managing financial assets. Financial liabilities are never reclassified.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBR, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Mandatory reserves on the Central Bank of Russia (the CBR) account

Mandatory cash balances with the CBR are carried at amortised cost and represent non-interest bearing deposits which are not available to finance the Bank's day-to-day operations.

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of profit or loss as net gains/(losses) from financial instruments at fair value through profit or loss or net gains/(losses) from foreign currencies, depending on the nature of the instrument.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in liabilities and non-financial host contacts are treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognised in the statement of profit or loss.

Financial assets are classified based on the business model and SPPI assessments.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the CBR, amounts due to credit institutions, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, presented within interest revenue calculated using EIR in the statement of profit or loss, to the extent that an , impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Bank also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 6-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period in accordance with the modified payment schedule.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and
- The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Russian Federation.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Russia also has various operating taxes, that are assessed on the Bank's activities. These taxes are included as a component of other operating expenses.

Property and equipment

Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Property and equipment (continued)

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	50
Leasehold improvements	49
Equipment	3-10

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Share capital

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar revenue and expense

The Bank calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Bank calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate in "Other interest revenue" in the statement of profit or loss.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Recognition of income and expenses (continued)

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party − such as where the Bank's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses − are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Foreign currency translation

The financial statements are presented in Russian rubles, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of profit or loss as gains less losses from foreign currencies − translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. In 2019, the Bank will continue to assess the potential effect of IFRS 17 on its financial statements.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence 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 amendments to the definition of material is not expected to have a significant impact on the Bank' financial statements.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments come into effect from 1 January 2020, but entities may choose to apply them earlier.
The amendments are not expected to have a significant impact on the Bank' financial statements.

4. Significant accounting judgments and estimates

Judgments

The Bank applies estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated on the basis of management's experience and other factors, including expectations regarding future events that management considers reasonable under the current circumstances. In the process of applying the accounting policies, management use professional judgments and estimates. Professional judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities during the next financial year include:

Going concern

Management prepared these financial statements on a going concern basis. In making this judgment management considered the Bank's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the recent financial crisis on future operations of the Bank.

(thousands of Russian rubles)

4. Significant accounting judgments and estimates (continued)

Expected credit losses / impairment losses on loans and advances

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL / impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Initial recognition of related party transactions

In the normal course of business, the Bank enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party transactions are disclosed in Note 25.

Revaluation of premises

The Building of the Bank is subject to revaluation on annual basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The Bank's management uses judgment for determining the materiality of changes in the fair values of premises during the reporting period for deciding whether a revaluation is necessary.

Fair value of premises is determined with valuation techniques. Valuation is based on the market value. Market value of the Bank's premises is obtained from the report of independent appraiser, who hold a recognised and relevant professional qualification and who has recent experience in valuation of property of similar location and category. Market value was based on the direct comparison of the revalued object with other objects sold or offered for sale.

Deferred tax asset

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. At 31 December 2019 and 31 December 2018 the probability of taxable profit origin is not high, deferred tax assets were not recognized accordingly (Note 11).

5. Cash and cash equivalents

Cash and cash equivalents comprise:

(In thousands of Russian rubles)	***2019***	***2018***
Cash on hand	15 814	84 298
Current accounts with the CBR (other than mandatory reserve deposits)	198 365	778 834
Overnight placements with the CBR	4 200 604	15 212 649
Correspondent accounts and overnight placements with other banks:		
- Russian Federation	50 083	347 645
- Other countries	701 683	310 456
Settlement accounts with trading systems	995 098	1 076 987
Placements with other banks with original maturities of less than 90 days	5 669 170	8 241 640
Cash and cash equivalents	**11 830 817**	**26 052 509**

(thousands of Russian rubles)

5. Cash and cash equivalents (continued)

Correspondent accounts, overnight placements with other banks and placements with other banks with original maturities of less than 90 days are placed with large Russian and European banks.

All balances of cash equivalents are allocated to Stage 1.

The credit quality of cash and cash equivalents balances excluding cash on hand may be summarised based on internal credit ratings as described in Note 22 as follows at 31 December 2019:

(In thousands of Russian rubles)	*Current accounts with the CBR (other than mandatory reserve deposits)*	*Overnight placements with the CBR*	*Correspondent accounts and overnight placements with other banks*	*Settlement accounts with trading systems*	*Placements with other banks with original maturities of less than 90 days*	*Total*
Neither past due nor impaired						
A+	–	–	616 920	–	5 652 947	**6 269 867**
A	–	–	667	–	–	**667**
B+	–	–	83 044	–	–	**83 044**
B	–	–	291	–	–	**291**
C	198 365	4 200 604	–	–	–	**4 398 969**
C-	–	–	50 083	995 098	–	**1 045 181**
D+	–	–	–	–	16 223	**16 223**
D-	–	–	761	–	–	**761**
Total cash and cash equivalents, excluding cash on hand	**198 365**	**4 200 604**	**751 766**	**995 098**	**5 669 170**	**11 815 003**

The credit quality of cash and cash equivalents balances excluding cash on hand may be summarised based on internal credit ratings as described in Note 22 as follows at 31 December 2018:

(In thousands of Russian rubles)	*Current accounts with the CBR (other than mandatory reserve deposits)*	*Overnight placements with the CBR*	*Correspondent accounts and overnight placements with other banks*	*Settlement accounts with trading systems*	*Placements with other banks with original maturities of less than 90 days*	*Total*
Neither past due nor impaired						
A+	–	–	431 533	–	8 241 640	**8 673 173**
A	–	–	2 568	–	–	**2 568**
B+	–	–	123 500	–	–	**123 500**
B	–	–	337	–	–	**337**
C	778 834	15 212 649	–	–	–	**15 991 483**
C-	–	–	100 163	1 076 987	–	**1 177 150**
Total cash and cash equivalents, excluding cash on hand	**778 834**	**15 212 649**	**658 101**	**1 076 987**	**8 241 640**	**25 968 211**

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

(In thousands of Russian rubles)	***2019***	***2018***
Obligatory reserve with the CBR	415 271	459 820
Time deposits for more than 90 days	593 300	4 902 542
Less – allowance for impairment	(145)	(1 201)
Amounts due from credit institutions	**1 008 426**	**5 361 161**

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Bank’s ability to withdraw such deposit is significantly restricted by the statutory legislation.

(thousands of Russian rubles)

6. Amounts due from credit institutions (continued)

The movements in allowance for impairment of amounts due from credit institutions during the year ended 31 December 2019 were as follows:

(In thousands of Russian rubles)	*2019*
1 January 2019	**(1 201)**
Recoveries	1 056
31 December 2019	**(145)**

Analysis by credit quality of amounts due from credit institutions (except obligatory reserve with the CBR) outstanding at 31 December 2019 based on internal credit ratings as described in Note 22 is as follows:

(In thousands of Russian rubles)	*Time deposits for more than 90 days*
C-	593 300
Amounts due from credit institutions	**593 300**

7. Derivative financial instruments

The Bank enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

		2019		*2018*	
(In thousands of Russian rubles)	**Note**	*Contracts with positive fair value*	*Contracts with negative fair value*	*Contracts with positive fair value*	*Contracts with negative fair value*
Currency forwards/swaps and options		1 161 111	(1 083 542)	1 546 649	(1 493 925)
Interest rate swaps		3 296	(3 296)	337 407	(337 407)
Cross currency interest swaps		264 547	(264 547)	565 993	(565 993)
Total derivatives financial instruments		**1 428 954**	**(1 351 385)**	**2 450 049**	**(2 397 325)**

As of 31 December 2019, the Bank has positions in the following types of derivatives:

Forwards and futures

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Swaps

Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

(thousands of Russian rubles)

8. Loans to customers

Loans to customers comprise:

(In thousands of Russian rubles)	*2019*	*2018*
Corporate lending	21 085 434	12 726 712
Structured finance loans	2 878 812	4 810 969
Gross loans to customers at amortised cost	**23 964 246**	**17 537 681**
Less – allowance for impairment	(5 871)	(4 297)
Loans to customers	**23 958 375**	**17 533 384**

Corporate loans represent loans issued to finance borrower's working capital needs and operating expenses. Structured finance loans represent loans issued to finance capital expenditure related to development and new construction and trade finance operations of the borrowers.

As at 31 December 2019, 12,0% of loan portfolio were syndicated loans in amount RUB 2 878 434 thousand (2018: 27,48% were syndicated loans in amount RUB 4 810 969 thousand), which were included into structured finance loans.

As at 31 December 2019, 99,8% of total loans and advances to customers were collateralized by guarantees received from Credit Agricole Group in the total amount of RUB 23 917 801 thousand (2018: 99,6% or RUB 17 475 935 thousand).

Analysis by credit quality of loans and advances to customers outstanding at 31 December 2019 based on internal credit ratings as described in Note 22 is as follows:

(In thousands of Russian rubles)	*Corporate lending (Stage 1)*	*Structured finance loans (Stage 1)*	*Total*
C+	3 042 661	−	**3 042 661**
C	9 341 545	−	**9 341 545**
C-	8 449 356	2 878 812	**11 328 168**
D+	251 872	−	**251 872**
Loans to customers (less – allowance for impairment)	**21 085 434**	**2 878 812**	**23 964 246**

Analysis by credit quality of loans and advances to customers outstanding at 31 December 2018 based on internal credit ratings as described in Note 22 is as follows:

(In thousands of Russian rubles)	*Corporate lending (Stage 1)*	*Structured finance loans (Stage 2)*	*Total*
C+	1 742 401	−	**1 742 401**
C	4 567 155	−	**4 567 155**
C-	6 320 365	−	**6 320 365**
D+	96 791	4 810 969	**4 907 760**
Loans to customers (less – allowance for impairment)	**12 726 712**	**4 810 969**	**17 537 681**

An analysis of changes in the gross carrying value in relation to corporate lending during the year ended 31 December 2019 is as follows:

Corporate lending	*Stage 1*	*Total*
Gross carrying value as at 1 January 2019	**12 726 712**	**12 726 712**
New assets originated or purchased	15 499 626	**15 499 626**
Assets repaid	(9 369 191)	**(9 369 191)**
Foreign exchange adjustments	2 228 287	**2 228 287**
At 31 December 2019	**21 085 434**	**21 085 434**

(thousands of Russian rubles)

8. Loans to customers (continued)

An analysis of changes in the gross carrying value in relation to structured finance loans during the year ended 31 December 2019 is as follows:

Structured finance loans	***Stage 1***	***Stage 2***	***Total***
Gross carrying value as at 1 January 2019	**–**	**4 810 969**	**4 810 969**
New assets originated or purchased	–	–	**–**
Transfer to Stage 1 from Stage 2	4 810 969	(4 810 969)	**–**
Assets repaid	(1 346 064)	–	**(1 346 064)**
Foreign exchange adjustments	(586 093)	–	**(586 093)**
At 31 December 2019	**2 878 812**	**–**	**2 878 812**

A reconciliation of the allowance for impairment of loans to customers by class during the year ended 31 December 2019 is as follows:

(In thousands of Russian rubles)	***Corporate lending***	***Structured finance loans***	***Total***
At 1 January 2019	**(3 118)**	**(1 179)**	**(4 297)**
Charge for the year	(3 797)	–	**(3 797)**
Recoveries	2 295	474	**2 769**
Amounts written off	(546)	–	**(546)**
At 31 December 2019	**(5 166)**	**(705)**	**(5 871)**
Collective impairment	(5 166)	(705)	**(5 871)**
Total allowance for impairment of loans to customers	**(5 166)**	**(705)**	**(5 871)**

Loans are made principally within Russia in the following industry sectors:

(In thousands of Russian rubles)	***2019***	***2018***
Manufacturing	9 922 546	8 925 919
Trade	6 736 863	3 478 488
Financial services and insurance	3 506 628	2 723 687
Leasing	3 515 297	1 843 468
Other	282 912	566 118
Less – allowance for impairment	(5 871)	(4 297)
Loans to customers	**23 958 375**	**17 533 384**

At 31 December 2019 the Bank had 6 groups of related borrowers (2018: 6 groups of related borrowers) with the total amount of loans issued to the group of related borrowers more than RUB 600 000 thousand. The aggregate balance of these loans was RUB 21 986 000 thousand (2018: RUB 16 089 065 thousand) or 91,7% of the gross loan portfolio (2018: 91,7%).

Breakdown of loans and advances to customers by type of collateral at 31 December 2019 is as follows:

(In thousands of Russian rubles)	***Corporate lending***	***Structured finance loans***	***Total***
Unsecured loans	43 729	2 716	**46 445**
Loans collateralized by guarantees received from Credit Agricole Group	21 041 705	2 876 096	**23 917 801**
Loans to customers	**21 085 434**	**2 878 812**	**23 964 246**

Breakdown of loans and advances to customers by type of collateral at 31 December 2018 is as follows:

(In thousands of Russian rubles)	***Corporate lending***	***Structured finance loans***	***Total***
Unsecured loans	55 915	5 832	**61 747**
Loans collateralized by guarantees received from Credit Agricole Group	12 670 797	4 805 137	**17 475 934**
Loans to customers	**12 726 712**	**4 810 969**	**17 537 681**

9. Investment securities

Investment securities owned comprise:

Debt securities at FVOCI:

(In thousands of Russian rubles)	*2019*	*2018*
Federal loan bonds (OFZ)	–	520 167
Bonds of CBR	6 056 836	–
Debt securities at FVOCI	**6 056 836**	**520 167**

Debt securities at amortized cost:

(In thousands of Russian rubles)	*2019*	*2018*
Bonds of CBR	–	4 829 844
Debt securities at amortized cost	**–**	**4 829 844**

To obtain intraday credit and overnight credit in correspondent account in the framework of the General credit agreement for providing Bank of Russia loans secured by pledge (blocking) of securities, OFZ bonds issued by the Ministry of Finance of the Russian Federation and bonds of CBR in amount of RUB 6 000 000 thousand are blocked in “Blocked by CBR” Bank’s depo accounts in NKO ZAO NSD.

At 31 December 2019 and 31 December 2018 the debt securities are not collateralized.

Analysis by credit quality of investment securities outstanding at 31 December 2019 based on internal credit ratings as described in Note 22 is as follows:

(In thousands of Russian rubles)	*Debt securities at FVOCI*	*Debt securities at amortized cost*	*Total*
C	6 056 836	–	**6 056 836**
Investment securities	**6 056 836**	**–**	**6 056 836**

Analysis by credit quality of investment securities outstanding at 31 December 2018 based on internal credit ratings as described in Note 22 is as follows:

(In thousands of Russian rubles)	*Debt securities at FVOCI*	*Debt securities at amortized cost*	*Total*
C	–	4 829 844	**4 829 844**
D+	520 167	–	**520 167**
Investment securities	**520 167**	**4 829 844**	**5 350 011**

(thousands of Russian rubles)

10. Fixed assets

The movements in fixed assets were as follows:

(In thousands of Russian rubles)	*Premises*	*Leasehold improvements*	*Office and computer equipment*	*Right-of-use assets*	*Total*
Cost or revalued amount					
31 December 2018	**885 000**	**824 567**	**367 881**	**–**	**2 077 448**
Impact of adopting IFRS 16	–	–	–	307 530	**307 530**
1 January 2019	**885 000**	**824 567**	**367 881**	**307 530**	**2 384 978**
Additions	–	–	28 866	63 875	**92 741**
Disposals	–	(824 567)	(19 087)	(274 629)	**(1 118 283)**
Charge to profit and loss	(7 730)	–	–	–	**(7 730)**
Revaluation	(40 570)	–	–	–	**(40 570)**
Depreciation write off on revalued premises	(17 700)	–	–	–	**(17 700)**
31 December 2019	**819 000**	**–**	**377 660**	**96 776**	**1 293 436**
Accumulated depreciation					
31 December 2018	**–**	**(716 392)**	**(301 393)**	**–**	**(1 017 785)**
Depreciation charge	(17 700)	(15 465)	(35 732)	(20 505)	**(89 402)**
Depreciation charge on disposals	–	731 857	18 050	11 984	**761 891**
Depreciation write off on revalued premises	17 700	–	–	–	**17 700**
31 December 2019	**–**	**–**	**(319 075)**	**(8 521)**	**(327 596)**
Net book value					
31 December 2018	**885 000**	**108 175**	**66 488**	**–**	**1 059 663**
31 December 2019	**819 000**	**–**	**58 585**	**88 255**	**965 840**

(In thousands of Russian rubles)	*Premises*	*Leasehold improvements*	*Office and computer equipment*	*Total*
Cost or revalued amount				
31 December 2017	**1 007 126**	**824 567**	**340 402**	**2 172 095**
Additions	–	–	27 479	**27 479**
Charge to profit and loss	(16 322)	–	–	**(16 322)**
Revaluation	(85 661)	–	–	**(85 661)**
Depreciation write off on revalued premises	(20 143)	–	–	**(20 143)**
31 December 2018	**885 000**	**824 567**	**367 881**	**2 077 448**
Accumulated depreciation				
31 December 2017	**–**	**(700 927)**	**(261 463)**	**(962 390)**
Depreciation charge	(20 144)	(15 465)	(39 930)	**(75 539)**
Depreciation write off on revalued premises	20 144	–	–	**20 144**
31 December 2018	**–**	**(716 392)**	**(301 393)**	**(1 017 785)**
Net book value				
31 December 2017	**1 007 126**	**123 640**	**78 939**	**1 209 705**
31 December 2018	**885 000**	**108 175**	**66 488**	**1 059 663**

The Bank engaged an independent valuer to determine the fair value of its buildings. Fair value is determined by reference to market-based evidence. The date of the revaluation was 31 December 2019. More details about the fair value of buildings are disclosed in Note 23.

(thousands of Russian rubles)

11. Taxation

The corporate income tax expense comprises:

(In thousands of Russian rubles)	*2019*	*2018*
Current tax charge	76 510	43 250
Deferred tax (credit)/charge − origination and reversal of temporary differences	(17 094)	14 760
Less: deferred tax recognised in other comprehensive income	(8 402)	(19 153)
Income tax expense	**51 014**	**56 097**

Deferred tax related to items charged or credited to other comprehensive income during the year is as follows:

(In thousands of Russian rubles)	*2019*	*2018*
Net losses on debt instruments at fair value through OCI	(288)	(2 021)
Revaluation of buildings	(8 114)	(17 132)
Income tax charged to other comprehensive income	**(8 402)**	**(19 153)**

Russian legal entities have to file individual corporate income tax declarations. Standard corporate income tax rate for companies (including banks) comprised 20% for 2019 and 2018. Corporate income tax rate applicable to interest (coupon) income on state and mortgage-backed bonds in 2019 and 2018 was 15% while corporate income tax rate applicable to interest (coupon) income on municipal bonds in 2019 and 2018 was 9%. Dividends are taxed at the standard corporate income tax rate of 9%, which could be reduced to 0% subject to certain criteria.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

(In thousands of Russian rubles)	*2019*	*2018*
Profit before tax	**13 477**	**137 599**
Statutory tax rate	20%	20%
Theoretical income tax expense/(benefit) at the statutory rate	**2 696**	**27 520**
Non-deductible expenditures	50 013	29 024
Unrecognised deffered tax asset related to tax losses	20 407	13 295
Income on certain securities taxed at different rates	(22 101)	(13 742)
Income tax expense	**51 014**	**56 097**

Deferred tax assets and liabilities as of 31 December and their movements for the respective years comprise:

(In thousands of Russian rubles)	*1 January 2019*	*Origination and reversal in the statement of profit or loss*	*Origination and reversal in other comprehensive income*	*31 December 2019*
Tax effect of deductible temporary differences				
Fixed assets	(199 749)	29 877	8 114	(161 758)
Revaluation of derivatives	(10 545)	(4 969)	−	(15 514)
Revaluation of debt securities at FVOCI (previously classified as available-for-sale)	(859)	−	288	(571)
Accrued staff costs	24 810	(7 309)	−	17 501
IFRS 9 impairment	1 330	766	−	2 096
Other	1 180	(1 440)	−	(260)
Net deferred tax liability	**(183 833)**	**16 925**	**8 402**	**(158 506)**

(thousands of Russian rubles)

11. Taxation (continued)

Deferred tax assets and liabilities as of 31 December and their movements for the respective years comprise:

(In thousands of Russian rubles)	***31 December 2017***	***Effect of adoption of IFRS 9***	***1 January 2018***	***Origination and reversal in the statement of profit or loss***	***Origination and reversal in other comprehen-sive income***	***31 December 2018***
Tax effect of deductible temporary differences						
Fixed assets	(225 782)	–	(225 782)	8 901	17 132	(199 749)
Revaluation of derivatives	11 133	–	11 133	(21 678)	–	(10 545)
Revaluation of debt securities at FVOCI (previously classified as available-for-sale)	(2 880)	–	(2 880)	–	2 021	(859)
Accrued staff costs	19 058	–	19 058	5 752	–	24 810
IFRS 9 impairment	–	1 276	1 276	54	–	1 330
Other	8 969	–	8 969	(7 789)	–	1 180
Net deferred tax liability	**(189 502)**	**1 276**	**(188 226)**	**(14 760)**	**19 153**	**(183 833)**

12. Other assets and liabilities

Other assets comprise:

(In thousands of Russian rubles)	***2019***	***2018***
Other financial assets		
Accrued income	47 558	29 985
Other financial assets	1 277	1 646
Total other financial assets	**48 835**	**31 631**
Prepayments	66 541	87 747
Total other non-financial assets	**66 541**	**87 747**
Other assets	**115 376**	**119 378**

(In thousands of Russian rubles)	***2019***	***2018***
Other financial liabilities	**12 685**	**16 100**
Commissions and fee payable	8 979	10 231
Deferred income on credit related commitments	3 706	3 515
Other financial liabilities	–	2 354
Other non-financial liabilities	**365 534**	**310 379**
Accrued employee benefit costs	177 225	163 215
Liabilities under finance lease agreements	93 911	–
Taxes other than income tax payable	47 447	25 504
Accrued IT expenses	34 590	78 734
Accrued expenses related to fixed assets	–	13 730
Accrued audit and consulting expenses	–	12 484
Accrued rent expenses	–	8 752
Other non-financial liabilities	12 361	7 960
Other liabilities	**378 219**	**326 479**

(thousands of Russian rubles)

13. Amounts due to credit institutions

Amounts due to credit institutions comprise:

(In thousands of Russian rubles)	*2019*	*2018*
Time deposits and loans	1 495 492	2 369 054
Correspondent accounts	596 114	316 743
Amounts due to credit institutions	**2 091 606**	**2 685 797**

As at 31 December 2019, term borrowings from Credit Agricole CIB Group amounted to RUB 495 149 thousand or 33,1% from term placements of other banks (2018: RUB 1 002 759 thousand or 42,3%). The remaining amount of term deposits was attracted from Russian banks.

At 31 December 2019, correspondent accounts with Credit Agricole SA and Credit Agricole CIB amounted to RUB 27 519 thousand or 4,64% and to RUB 371 160 thousand or 62,2%, respectively (2018: correspondent accounts with Credit Agricole CIB Group and Credit Agricole SA amounted to RUB 20 306 thousand or 6,4% and to RUB 296 437 thousand or 93,6%, respectively).

The carrying value of each class of due to credit institutions approximates fair value at 31 December 2019 and 31 December 2018. At 31 December 2019, the estimated fair value of due to credit institutions was RUB 2 091 606 thousand (2018: RUB 2 685 797 thousand). Refer to Note 23.

14. Amounts due to customers

The amounts due to customers include the following:

(In thousands of Russian rubles)	*2019*	*2018*
Time deposits	20 350 774	28 830 223
Current accounts	9 338 242	10 934 760
Amounts due to customers	**29 689 016**	**39 764 983**
Held as security against letters of credit	58 849	3 506 769

At 31 December 2019, amounts due to customers of RUB 19 662 985 thousand (66,2%) were due to the ten largest customers (2018: RUB 31 385 610 thousand (78,9%)).

An analysis of customer accounts by economic sector follows:

(In thousands of Russian rubles)	*2019*	*2018*
Manufacturing	11 170 996	14 580 778
Trade	8 373 935	13 625 972
Construction	4 203 782	7 743 359
Financial services and insurance	3 314 091	1 242 137
Leasing	407 653	121 073
Mining	58 687	27 357
Electric power, gas and water production	41 805	30 300
Transport and telecommunication	39 477	46 371
Operations with real estate	–	197 537
Other	2 078 590	2 150 099
Amounts due to customers	**29 689 016**	**39 764 983**

15. Subordinated loans

The lender of this subordinated loan was Credit Agricole CIB Group. As at 31 December 2019, the carrying value of this loan was USD 104 051 thousand, the equivalent of RUB 6 441 346 thousand (2018: the carrying value of this loan was USD 104 124 thousand, the equivalent of RUB 7 233 582 thousand). The interest rate on this loan is 6M Libor + 3,9% (2018: 6M Libor + 3,9%). As at 31 December 2019, the interest rate was 5,81% (2018: 6,77%). The debt ranks after all other creditors in case of liquidation of the Bank.

At 31 December 2019, the estimated fair value of subordinated loan was RUB 6 441 346 thousand (2018: RUB 7 233 582 thousand). Refer to Note 23. Interest rate and maturity analysis of subordinated loan are disclosed in Note 22. The information on related party balances is disclosed in Note 25.

(thousands of Russian rubles)

16. Equity

Movements in shares outstanding, issued and fully paid were as follows:

In thousands of RUB, except for number of shares	***Number of outstanding shares***	***Nominal amount of ordinary shares***	***Inflation adjusted amount of ordinary shares***	***Inflation adjusted amount of share premium***	***Total***
At 1 January 2018	240 250	2 883 000	2 959 679	734 148	**3 693 827**
At 31 December 2018	240 250	2 883 000	2 959 679	734 148	**3 693 827**
At 31 December 2019	240 250	2 883 000	2 959 679	734 148	**3 693 827**

All shares were paid in cash, except for shares issued in May 2001 for the total nominal amount of RUB 220 000 thousand which were paid in accordance with the Russian statutory legislation by means of capitalisation of statutory revaluation of fixed assets. All ordinary shares have a nominal value of RUB 12 thousand per share (2018: RUB 12 thousand per share) and rank equally. Each share carries one vote. During 2019 and 2018 the Bank did not issue shares.

Nature and purpose of other reserves

Revaluation reserve for premises

The revaluation reserve for property and equipment is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Revaluation reserve for investment securities at FVOCI (previously classified as available-for-sale)

This reserve records fair value changes on available-for-sale investments (before 1 January 2018) and financial assets at FVOCI (after 1 January 2018).

17. Commitments and contingencies

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy has been negatively impacted by a decline in oil prices and sanctions imposed on Russia by a number of countries. The Ruble interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Bank’s future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Bank’s business in the current circumstances.

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Taxation

Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. It is therefore possible that transactions and activities of the Bank that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

The Russian transfer pricing legislation effective since 1 January 2012 aligned to a large extent with the international principles developed by the Organization for Economic Cooperation and Development. This legislation allows tax authorities to perform transfer pricing adjustments and accrue additional tax liabilities in respect of controlled transactions (transactions with related parties and specific types of transactions with unrelated parties), provided that the transaction price is not on an arm’s length basis. The management of the Bank implemented internal control procedures to comply with the transfer pricing legislation requirements. In 2019 the Bank has determined tax liabilities resulting from the controlled transactions based on their actual prices related to transfer pricing regulations.

(thousands of Russian rubles)

17. Commitments and contingencies (continued)

Commitments and contingencies

As of 31 December the Bank's commitments and contingencies comprised the following:

(In thousands of Russian rubles)	***2019***	***2018***
Credit related commitments		
Letters of credit	3 250 189	7 167 865
Financial guarantees issued	14 046 918	4 940 723
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	30 000	405 000
	17 327 107	**12 513 588**
Operating lease commitments		
Performance guarantees	971 378	1 005 298
Commitments and contingencies	**18 298 485**	**13 518 886**

A reconciliation of other reserves during the year ended 31 December 2019 is as follows:

(In thousands of Russian rubles)	***Guarantees and letters of credit***	***Total***
At 1 January 2019	**(2 354)**	**(2 354)**
(Charge)	(2 107)	**(2 107)**
At 31 December 2019	**(4 461)**	**(4 461)**

18. Net interest income

Net interest income comprises:

(In thousands of Russian rubles)	***2019***	***2018***
Financial assets measured at amortized cost		
Cash equivalents	1 137 359	1 598 157
Loans to customers	980 259	912 555
Investment securities	63 376	228 887
Financial assets measured at fair value through other comprehensive income		
Investment securities	385 195	60 041
Interest revenue calculated using effective interest rate	**2 566 189**	**2 799 640**
Current/settlement accounts	156 397	181 222
Term placements of other banks	669 730	541 845
Term placements of CBR	2 211	4 635
Term deposits of legal entities	1 205 155	1 006 035
Lease liabilities	34 181	–
Interest expense	**2 067 674**	**1 733 737**
Net interest income	**498 515**	**1 065 903**

(thousands of Russian rubles)

19. Net fee and commission income

Net fee and commission income comprises:

(In thousands of Russian rubles)	*2019*	*2018*
Currency control	142 295	142 266
Consulting and marketing services for global clients	115 986	–
Commission on trade finance operations	84 348	34 809
Settlements operations	69 570	80 322
Guarantees issued	67 757	34 984
Foreign currency transactions	49 716	56 846
Cash transactions	122	1 330
Other	7 384	15 466
Fee and commission income	**537 178**	**366 023**
Brokerage services	11 134	10 321
Commission on settlement and cash transactions	7 903	8 973
Guarantees received	2 323	22 087
Other	9 760	7 775
Fee and commission expense	**31 120**	**49 156**
Net fee and commission income	**506 058**	**316 867**

20. Personnel and other operating expenses

Personnel and other operating expenses comprise:

(In thousands of Russian rubles)	*2019*	*2018*
Staff costs	828 802	760 474
Services provided by the participants of Credit Agricole CIB Group	165 102	164 954
Other expenses related to fixed assets	121 983	49 588
Depreciation of fixed assets	89 402	75 539
IT expenses	87 222	101 176
Taxes other than income tax	78 823	53 896
Travel and entertainment expenses	26 141	37 184
Professional services	23 962	42 111
Telecommunication expenses	17 802	16 809
Office stationary and typographic services	8 924	8 362
Operating lease expense for premises and land	5 708	36 824
Other	34 699	41 409
Other operating expenses	**1 488 570**	**1 388 326**

21. Dividends

	2019		*2018*	
(In thousands of Russian rubles)	*Ordinary*	*Preference*	*Ordinary*	*Preference*
Dividends payable at 1 January	**–**	**–**	**–**	**–**
Dividends declared during the year	–	–	202 872	–
Dividends paid during the year	–	–	(202 872)	–
Dividends payable at 31 December	**–**	**–**	**–**	**–**
Dividends per share declared during the year	**–**	**–**	**2,15**	**–**

All dividends are declared and paid in Russian rubles.

(thousands of Russian rubles)

22. Risk management

Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Bank.

Risk Department

The Risk Department has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions made in respect of risks and based on the experience of Credit Agricole CIB Group.

Bank Treasury

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal audit

Risk management processes throughout the Bank are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Credit risk

The Bank is exposed to credit risk, which is the risk that one of the parties to a transaction with financial instrument bears losses due to non-fulfilment by other party of contractual obligations in accordance with the terms of the contract. Credit risk arises from credit and other operations of the Bank with counterparties, which cause financial assets.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For credit related commitments, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 17.

Credit operations are governed by a set of policies and procedures to ensure that all aspects of credit risk are adequately covered. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers.

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components:

- The "probability of default" by the client or counterparty on its contractual obligations;
- Current exposures to the counterparty and its likely future development, from which the Bank derives the "exposure at default"; and
- The likely recovery ratio on the defaulted obligations (the "loss given default").

(thousands of Russian rubles)

22. Risk management (continued)

Credit risk (continued)

The Bank determines the level of credit risk by allocating limits to individual borrowers or groups of borrowers. The Bank uses the internal rating system of Credit Agricole CIB Group as follows:

Investment grade

- "A+" – exceptional quality of the borrower. Superior asset quality. Debtors have exceptional debt capacity and coverage.
- "A" – excellent quality of the borrower. Superior asset quality. Debtors have excellent debt capacity and coverage.
- "B+" – very good quality of the borrower. Very good asset quality and liquidity. Debtors have strong debt capacity, very reputed management.
- "B" – good quality of the borrower. Good asset quality and liquidity. Large debt capacity. Very reputable management. The debtor shows no weaknesses.
- "C+" – fairly good quality of the borrower. Good asset quality and liquidity. Debtors have very good management and moderate indebtedness. The debtor may show one average or weak external or internal factor which does not impair it.
- "C" – acceptable quality of the borrower. Satisfactory asset quality and liquidity. Debtors have moderate indebtedness, good management, average size and position in the industry, not more than two weak factors and which are well compensated by strong sides.
- "C-" – medium quality of the borrower. Satisfactory asset quality and liquidity. Debtors have moderate indebtedness and good management, average size and position in the industry. Contrary to "C", it may have also one weak external or internal factor that makes higher the risk of being downgraded to speculative.

Non-investment grade

- "D+" – reasonable quality of the borrower. Acceptable asset quality. Debtors have modest debt capacity or highly leveraged and good management. Two weak external or internal factors do not make it eligible to an investment-grade status.
- "D" – mediocre quality of the borrower. Acceptable asset quality, though illiquid. Debtors are highly or fully leveraged. Debtor is not strong enough to sustain major setbacks.
- "D-" – very mediocre quality of the borrower. Concentrated and rather illiquid assets. Debtors are highly or fully leveraged. Debtors are undersized comparing to competitors and not strong enough to sustain major setbacks.
- "E+" – weak watch quality of the borrower. Debtors are highly leveraged. Weak management do not make it an acceptable debtor without specific external support.
- "E" – poor quality of the borrower, debtors are in the watchlist. Illiquid assets. Debtors are fully leveraged but no default reported.
- "E-" – poor quality of the borrower, debtors are in the watchlist. Illiquid assets. Debtors are fully leveraged. Delay in payments incurred or loan covenants were breached.
- "F/Z" – default situation because of an overdue (3 month) or the bank's doubt on the debtor's capacity to pay. "F" grade indicates transfer of borrower to default category. "Z" grade indicates that litigation against borrower was brought to court.

For internal assessment of credit risk, the Bank applies procedures and methodology of Credit Agricole Group, which includes financial analysis, industry analysis, market analysis, management quality analysis, country analysis, etc. Based on the assessment, a rating is assigned to each client. The Bank monitors credit risks on a daily basis and each borrower is reassessed regularly.

For the management of credit risk concentration by industrial and economic sector and by territory, the Bank uses regulations of Credit Agricole Group. Loans issued by the Bank are normally secured by guarantees received from Credit Agricole Group.

Credit risk exposure (counterparty risk) in respect of derivative financial instruments is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making off-balance sheet items as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

(thousands of Russian rubles)

22. Risk management (continued)

Credit risk (continued)

See Note 9 for more detailed information with respect to the allowance for impairment of loans to customers.

Financial guarantees, letters of credit and loan commitments are assessed and a provision for expected credit losses is calculated in similar manner as for loans.

The geographical concentration of Bank's financial assets and liabilities is set out below:

(In thousands of Russian rubles)	*2019* Russia	*2019* OECD	*2019* CIS and other foreign countries	*2019* Total	*2018* Russia	*2018* OECD	*2018* CIS and other foreign countries	*2018* Total
Assets								
Cash and cash equivalents	5 476 187	6 338 655	15 975	**11 830 817**	17 168 633	8 737 677	146 199	**26 052 509**
Amounts due from credit institutions	1 008 426	–	–	**1 008 426**	5 361 161	–	–	**5 361 161**
Derivative financial assets	481 890	947 064	–	**1 428 954**	1 149 617	1 300 432	–	**2 450 049**
Loans and advances to customers	23 958 375	–	–	**23 958 375**	17 533 384	–	–	**17 533 384**
Investment securities	6 056 836	–	–	**6 056 836**	5 350 011	–	–	**5 350 011**
Other financial assets	2 439	46 356	40	**48 835**	2 219	28 458	954	**31 631**
	36 984 153	**7 332 075**	**16 015**	**44 332 243**	**46 565 025**	**10 066 567**	**147 153**	**56 778 745**
Liabilities								
Amounts due to credit institutions	1 000 342	888 365	202 899	**2 091 606**	1 101 424	1 467 783	116 590	**2 685 797**
Derivative financial liabilities	873 898	477 487	–	**1 351 385**	1 249 940	1 147 385	–	**2 397 325**
Amounts due to customers	27 050 911	2 627 914	10 191	**29 689 016**	31 699 129	7 956 938	108 916	**39 764 983**
Subordinated loan	–	6 441 346	–	**6 441 346**	–	7 233 582	–	**7 233 582**
Other financial liabilities	3 650	9 035	–	**12 685**	5 703	10 397	–	**16 100**
	28 928 801	**10 444 147**	**213 090**	**39 586 038**	**34 056 196**	**17 816 085**	**225 506**	**52 097 787**
Net assets/(liabilities)	**8 055 352**	**(3 112 072)**	**(197 075)**	**4 746 205**	**12 508 829**	**(7 749 518)**	**(78 353)**	**4 680 958**

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations. The Bank is exposed to risk due to the daily need to use available funds for settlements on overnight deposits, customer accounts, deposit repayments, loans, payments on guarantees and derivative financial instruments, settlements on which are made in cash. The Bank does not accumulate funds in case of the need for a one-time fulfilment of all the above obligations, as, based on the all previous experience, it is possible to predict with a sufficient degree of probability the level of funds necessary for the fulfilment of these obligations. Liquidity risk is managed by the Bank's Assets and Liabilities Management Committee.

The Bank maintains a stable funding base which mainly consists of amounts due from other banks, deposits of legal entities, and invests in diversified portfolios of liquid assets in order to be able to meet unforeseen liquidity requirements easily.

Liquidity management of the Bank requires an analysis of the level of liquid assets required to settle liabilities at maturity; to ensure access to various sources of financing; to have plans in case of problems with financing and to monitor the compliance of balance sheet liquidity ratios with legal requirements.

The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Russia. The Bank was in compliance with normative value of liquidity ratios at 31 December 2019 and 31 December 2018.

As at 31 December, these ratios were as follows:

	2019, %	*2018, %*
N2 "Instant Liquidity Ratio" (assets receivable or realisable within one day / liabilities repayable on demand)	49,9	38,6
N3 "Current Liquidity Ratio" (assets receivable or realisable within 30 days / liabilities repayable within 30 days)	72,4	80,5
N4 "Long-Term Liquidity Ratio" (assets receivable in more than one year / sum of capital and liabilities repayable in more than one year)	52,8	48,6

(thousands of Russian rubles)

22. Risk management (continued)

Liquidity risk and funding management (continued)

The Treasury Department of the Bank receives information about the liquidity profile of the financial assets and liabilities and then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid securities and deposits with banks, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Credit Agricole CIB Group's Risk Management Department.

The tables below show liabilities as at 31 December 2019 and 31 December 2018 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including contractual amounts to be paid on gross settled currency derivatives and gross loan commitments. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the each reporting period.

The maturity analysis of financial liabilities at 31 December 2019 is as follows:

(In thousands of Russian rubles)	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Liabilities						
Amounts due to credit institutions	2 091 606	–	–	–	–	**2 091 606**
Amounts due to customers	27 441 450	2 247 566	–	–	–	**29 689 016**
Gross settled derivatives:						
- Payables	35 101 959	8 343 925	5 276 708	21 520 302	–	**70 242 894**
- Receivables	(36 347 906)	(8 194 607)	(5 384 351)	(20 468 088)	–	**(70 394 952)**
Other financial liabilities	8 979	65	1 201	2 406	34	**12 685**
Subordinated loan	30 524	152 622	189 251	1 489 588	7 119 475	**8 981 460**
Total future payments on financial liabilities	**28 326 612**	**2 549 571**	**82 809**	**2 544 208**	**7 119 509**	**40 622 709**
Off-balance sheet and contingent liabilities						
Credit related commitments	75 974	515 984	1 134 876	15 600 273	–	**17 327 107**
Total potential future payments for financial liabilities	**28 402 586**	**3 065 555**	**1 217 685**	**18 144 481**	**7 119 509**	**57 949 816**

The maturity analysis of financial liabilities at 31 December 2018 is as follows:

(In thousands of Russian rubles)	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Liabilities						
Amounts due to credit institutions	2 685 797	–	–	–	–	**2 685 797**
Amounts due to customers	39 764 983	–	–	–	–	**39 764 983**
Gross settled derivatives:						
- Payables	6 103 426	21 243 107	5 372 624	44 475 372	–	**77 194 529**
- Receivables	(6 137 494)	(20 162 945)	(5 323 094)	(44 580 899)	–	**(76 204 432)**
Other financial liabilities	12 614	612	1 057	1 817	–	**16 100**
Subordinated loan	39 933	199 665	247 584	1 948 727	8 121 976	**10 557 885**
Total future payments on financial liabilities	**42 469 259**	**1 280 439**	**298 171**	**1 845 017**	**8 121 976**	**54 014 862**
Off-balance sheet and contingent liabilities						
Credit related commitments	2 587 187	7 555 843	1 601 731	1 774 124	–	**13 518 885**
Total potential future payments for financial liabilities	**45 056 446**	**8 836 282**	**1 899 902**	**3 619 141**	**8 121 976**	**67 533 747**

(thousands of Russian rubles)

22. Risk management (continued)

Liquidity risk and funding management (continued)

The Bank monitors contractual maturities, which may be summarised as follows at 31 December 2019:

(In thousands of Russian rubles)	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 2 years*	*From 2 to 5 years*	*Over 5 years*	*Total*
Assets							
Cash and cash equivalents	11 830 817	–	–	–	–	–	**11 830 817**
Amounts due from credit institutions	415 271	–	–	523 608	69 547	–	**1 008 426**
Derivative financial assets	51 813	251 745	117 294	185 417	805 873	16 812	**1 428 954**
Loans to customers	7 841 582	6 561 506	1 332 099	901 536	7 321 652	–	**23 958 375**
Investment securities	–	6 056 836	–	–	–	–	**6 056 836**
Other financial assets	48 010	16	377	151	281	–	**48 835**
Total financial assets	**20 187 493**	**12 870 103**	**1 449 770**	**1 610 712**	**8 197 353**	**16 812**	**44 332 243**
Liabilities							
Amounts due to credit institutions	2 091 606	–	–	–	–	–	**2 091 606**
Derivative financial liabilities	13 587	211 147	116 931	185 936	806 972	16 812	**1 351 385**
Amounts due to customers	27 441 450	2 247 566	–	–	–	–	**29 689 016**
Other financial liabilities	8 979	65	1 201	2 359	47	34	**12 685**
Subordinated loan	–	–	–	–	–	6 441 346	**6 441 346**
Total financial liabilities	**29 555 622**	**2 458 778**	**118 132**	**188 295**	**807 019**	**6 458 192**	**39 586 038**
Net liquidity gap	**(9 368 129)**	**10 411 325**	**1 331 638**	**1 422 417**	**7 390 334**	**(6 441 380)**	**4 746 205**
Cumulative liquidity gap	**(9 368 129)**	**1 043 196**	**2 374 834**	**3 797 251**	**11 187 585**	**4 746 205**	

The Bank monitors contractual maturities, which may be summarised as follows at 31 December 2018:

(In thousands of Russian rubles)	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 2 years*	*From 2 to 5 years*	*Over 5 years*	*Total*
Assets							
Cash and cash equivalents	26 052 509	–	–	–	–	–	**26 052 509**
Amounts due from credit institutions	459 820	2 891 873	2 009 468	–	–	–	**5 361 161**
Derivative financial assets	307 129	737 088	214 328	456 278	735 226	–	**2 450 049**
Loans to customers	5 438 572	4 631 091	–	410 097	7 053 624	–	**17 533 384**
Investment securities	–	5 350 011	–	–	–	–	**5 350 011**
Other financial assets	30 456	1 168	7	–	–	–	**31 631**
Total financial assets	**32 288 486**	**13 611 231**	**2 223 803**	**866 375**	**7 788 850**	**–**	**56 778 745**
Liabilities							
Amounts due to credit institutions	2 685 797	–	–	–	–	–	**2 685 797**
Derivative financial liabilities	299 572	691 131	213 545	457 435	735 642	–	**2 397 325**
Amounts due to customers	38 239 891	1 525 093	–	–	–	–	**39 764 983**
Other financial liabilities	12 614	612	1 057	1 769	48	–	**16 100**
Subordinated loan	–	–	–	–	–	7 233 582	**7 233 582**
Total financial liabilities	**41 237 873**	**2 216 836**	**214 602**	**459 204**	**735 690**	**7 233 582**	**52 097 787**
Net liquidity gap	**(8 949 387)**	**11 394 395**	**2 009 201**	**407 171**	**7 053 160**	**(7 233 582)**	**4 680 958**
Cumulative liquidity gap	**(8 949 387)**	**2 445 008**	**4 454 209**	**4 861 380**	**11 914 540**	**4 680 958**	

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

(thousands of Russian rubles)

22. Risk management (continued)

Liquidity risk and funding management (continued)

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Market risk

Bank is exposed to market risk connected with (a) open foreign currency position and (b) interest rate instruments that bears the risk of general and specific changes in the market. Limits are set by the Credit Agricole Group in relation to the level of risk taken and compliance with them is monitored on a daily basis. This approach is a standard practice of risk management among market participants, however, it does not prevent losses in case of significant changes in the market.

The Bank applies the “value at risk” (“VAR”) method separately for currency and interest rate risks in estimating the market risk of the positions held and the maximum losses expected, based on a number of assumptions concerning various changes in the market conditions. Credit Agricole Group’s Global Market Risk Management Department (DRM) sets the limits for acceptable risk for the Bank which are monitored on a daily basis.

The daily market VAR is a 99%-reliable estimate of the potential loss, provided that the current positions do not change over the following business day. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

Since VAR constitutes an integral part of the Bank’s market risk controls, VAR limits are established for all trading and portfolio operations. The management assesses the actual risk exposure against the limits on a daily basis. However daily monitoring of VAR limits does not protect the Bank from losses arising from significant market movements. At the local level Capital Markets department of the Bank monitors market risk by determination that VAR and sensitivities are in the limits defined by Credit Agricole Group.

Currency risk

In respect of currency risk, the Bank sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily. The table below summarises the Bank’s exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2019					*At 31 December 2018*				
(In thousands of Russian rubles)	*Monetary financial assets*	*Monetary financial liabilities*	*Derivatives*	*SPOT*	*Net position*	*Monetary financial assets*	*Monetary financial liabilities*	*Derivatives*	*SPOT*	*Net position*
Russian rubles	26 812 090	27 446361	7 860 904	(2 602 262)	**4 624 371**	36 621 163	35 567 209	3 460 819	8 015	**4 522 788**
US dollars	13 456 434	8 090 369	(6 808 251)	1 482 670	**40 484**	11 966 595	8 017 063	(3 778 153)	(32 036)	**139 343**
Euros	2 094 941	2 190 538	(967 643)	1 143 424	**80 184**	4 617 274	5 707 237	916 363	196 313	**22 713**
Other	537 920	498 692	(7 440)	(30 618)	**1 170**	1 122 971	407 644	(546 305)	(172 908)	**(3 886)**
Total	**42 901 385**	**38 225 960**	**77 570**	**(6 786)**	**4 746 209**	**54 328 003**	**49 699 153**	**52 724**	**(616)**	**4 680 958**

Derivatives and spot deals in each column represent the gross settlements at the end of the reporting period, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty.

The amounts by currency of derivatives are presented gross as stated in Note 7. The net total represents fair value of the currency derivatives.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant. The Bank performs currency risk sensitivity analysis on the basis of its forecast of possible changes in exchange rates:

	Impact on profit or loss	
(In thousands of Russian rubles)	***At 31 December 2019***	***At 31 December 2018***
US dollar strengthening by 11% (2018: 14%)	4 453	19 508
US dollar weakening by 13% (2018: 14%)	(5 263)	(19 508)
Euro strengthening by 11% (2018: 14%)	8 820	3 180
Euro weakening by 13% (2018: 14%)	(10 424)	(3 180)

The risk was calculated only for balances in currencies, different from functional Bank’s currency.

(thousands of Russian rubles)

22. Risk management (continued)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

23. Fair value measurements

Fair value measurement procedures

Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; 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.

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

	Fair value measurement using			
At 31 December 2019	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Derivative financial assets				
- Exchange rate forwards/swaps/options	−	1 161 111	−	**1 161 111**
- Interest rate swaps	−	3 296	−	**3 296**
- Cross currency swaps	−	264 547	−	**264 547**
Investment securities – debt securities at FVOCI	6 056 836	−	−	**6 056 836**
Property and equipment − buildings	−	−	819 000	**819 000**
Assets for which fair values are disclosed				
Cash and cash equivalents	15 814	11 815 002	−	**11 830 817**
Amounts due from credit institutions	−	1 008 426	−	**1 008 426**
Loans to customers measured at amortised cost	−	−	23 958 375	**23 958 375**
Liabilities measured at fair value				
Derivative financial liabilities				
- Exchange rate forwards/swaps/options	−	(1 083 542)	−	**(1 083 542)**
- Interest rate swaps	−	(3 296)	−	**(3 296)**
- Cross currency swaps	−	(264 547)	−	**(264 547)**
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	−	−	(2 091 606)	**(2 091 606)**
Amounts due to customers	−	−	(29 689 016)	**(29 689 016)**
Subordinated loan	−	(6 441 346)	−	**(6 441 346)**

(thousands of Russian rubles)

23. Fair value measurements (continued)

Fair value measurement procedures (continued)

	Fair value measurement using			
At 31 December 2018	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Derivative financial assets				
- Exchange rate forwards/swaps/options	–	1 546 649	–	**1 546 649**
- Interest rate swaps	–	337 407	–	**337 407**
- Cross currency swaps	–	565 993	–	**565 993**
Investment securities – debt securities at FVOCI				
- Russian State bonds	520 167	–	–	**520 167**
Property and equipment − buildings	–	–	885 000	**885 000**
Assets for which fair values are disclosed				
Cash and cash equivalents	84 298	25 968 211	–	**26 052 509**
Amounts due from credit institutions	–	5 361 161	–	**5 361 161**
Loans to customers measured at amortised cost	–	17 533 384	–	**17 533 384**
Investment securities measured at amortised cost	4 829 844	–	–	**4 829 844**
Liabilities measured at fair value				
Derivative financial liabilities				
- Exchange rate forwards/swaps/options	–	(1 493 925)	–	**(1 493 925)**
- Interest rate swaps	–	(337 407)	–	**(337 407)**
- Cross currency swaps	–	(565 993)	–	**(565 993)**
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	–	–	(2 685 797)	**(2 685 797)**
Amounts due to customers	–	–	(39 764 983)	**(39 764 983)**
Subordinated loan	–	(7 233 582)	–	**(7 233 582)**

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the financial statements and those items that are not measured at fair value in the statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit.

quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Derivatives valued using a valuation technique with significant non-market observable inputs are primarily long dated option contracts. These derivatives are valued using the binomial models. The models incorporate various non-observable assumptions, which include market rate volatilities.

Investment securities

Trading securities and investment securities 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.

(thousands of Russian rubles)

23. Fair value measurements (continued)

Fair value measurement procedures (continued)

Financial assets and financial liabilities carried at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to the CBR and credit institutions and other financial assets and liabilities, obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Property and equipment − buildings

Premises of the Bank were independently revalued at 31 December 2019. Definition of the market value is based on the sales comparison approach. Using this approach, the subject property is compared to those deemed similar or comparable. Taking into account certain adjustments, which reflect specific advantages and disadvantages over comparable properties, the market value of the subject property can be determined. To reflect the differences between the subject property and each comparable property, adjustments have been made to the comparable sales data.

The following elements of comparison identify specific characteristics of properties considered and the associated price variations:

- -16,8% – adjustment to the asking price allowing for negotiations;
- -4,9% to 0,5% – adjustment for the size of the premises;
- -5% – adjustment for age/date of refurbishment;
- -10% to 5% – adjustments for the parking ratio.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2019 (2018: none).

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2019 and 31 December 2018 is as follows:

(thousands of Russian rubles)	***2019 Premises***	***2018 Premises***
Fair value at 1 January	**885 000**	**1 007 126**
Gains or losses recognised in profit or loss for the year	(25 430)	(36 465)
Gains or losses recognised in other comprehensive income	(40 570)	(85 661)
Fair value at 31 December	**819 000**	**885 000**

The premises of the Bank are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The Bank's management uses judgment for determining the materiality of changes in the fair values of premises during the reporting period for deciding whether a revaluation is necessary.

24. Offsetting of financial instruments

The table below shows financial assets offset against financial liabilities in the statement of financial position, as well as the effect of enforceable master netting agreements and similar arrangements (ISDA, RISDA, etc.) that do not result in an offset in the statement of financial position:

(In thousands of Russian rubles)	***Related amounts not set off in the statement of financial position***
Financial assets	
Derivative financial assets	512 888
Financial liabilities	
Derivative financial liabilities	(855 415)
Net amount	**(342 527)**

(thousands of Russian rubles)

25. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or 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.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

At 31 December 2019, the outstanding balances with related parties were as follows:

	2019	
(In thousands of Russian rubles)	***Shareholders***	***Other related parties***
Cash and cash equivalents:		
- Correspondent accounts and overnight placements (0,0%)	1 721	615 199
- Placements with other banks with original maturities of less than three months (0,1%)	–	5 652 947
Derivative financial instruments (assets)	901 099	45 965
Other assets:		
- Accrued income receivable	34 309	12 086
Due to other banks (0,0-5,0%)	495 149	596 114
Derivative financial instruments (liabilities)	477 403	85
Subordinated loan (4,55%)	6 441 346	–
Other liabilities:		
- Accrued fees	8 535	444
- Deferred income on credit related commitments	31	26
- Accrued IT expenses	30 247	4 343

At 31 December 2018, the outstanding balances with related parties were as follows:

	2018	
(In thousands of Russian rubles)	***Shareholders***	***Other related parties***
Cash and cash equivalents:		
- Correspondent accounts and overnight placements (0,0%)	–	431 534
- Placements with other banks with original maturities of less than three months (0,1%)	4 586 257	3 655 383
Derivative financial instruments (assets)	1 285 412	15 021
Other assets:		
- Accrued income receivable	25 459	2 840
Due to other banks (0,0-5,0%)	1 023 065	561 308
Derivative financial instruments (liabilities)	1 004 597	142 788
Subordinated loan (4,55%)	7 233 582	–
Other liabilities:		
- Accrued fees	10 231	–
- Deferred income on credit related commitments	39	128
- Accrued IT expenses	60 255	2 475

Aggregate amounts lent to / borrowed from and repaid by/to related parties during 2019 were:

(In thousands of Russian rubles)	***Shareholders***	***Other related parties***
Amounts lent to related parties during the period	369 247 010	963 702 326
Amounts repaid by related parties during the period	373 830 349	962 015 306
Amounts borrowed from related parties during the period	69 086 743	5 191 244
Amounts repaid to related parties during the period	70 376 710	5 456 094

(thousands of Russian rubles)

25. Related party disclosures (continued)

Aggregate amounts lent to / borrowed from and repaid by/to related parties during 2018 were:

(In thousands of Russian rubles)	***Shareholders***	***Other related parties***
Amounts lent to related parties during the period	492 524 579	752 219 543
Amounts repaid by related parties during the period	487 939 518	748 255 350
Amounts borrowed from related parties during the period	274 278 125	9 441 051
Amounts repaid to related parties during the period	274 212 346	9 459 201

As at 31 December 2019 loans and advances to customers were collateralised by guarantees received from Credit Agricole CIB or Crédit Agricole SA in the total amount of RUB 23 917 801 thousand (2018: RUB 17 475 934 thousand).

The income and expense items with related parties for the year 2019 and 2018 were as follows:

	2019		***2018***	
(In thousands of Russian rubles)	***Shareholders***	***Other related parties***	***Shareholders***	***Other related parties***
Interest income	236 998	76 870	43 115	10 301
Interest expense	454 559	11 168	468 493	4 198
Fee and commission income	207 249	32 050	32 140	36 923
Comission on guarantees (deductible from interest income)	120 275	4 245	87 296	3 382
Losses less gains from foreign exchange translation	642 242	173 736	3 637 624	61 664
Losses less gains from operations with interest rate derivatives	334 568	–	300 527	–
Other operating income	125	143	82 425	1 586
Administrative and other operating expenses	151 798	13 292	180 820	8 869

Compensation of key management personnel was comprised of the following:

(In thousands of Russian rubles)	***2019***	***2018***
Salaries and short-term bonuses	161 994	168 069
Total management compensation	**161 994**	**168 069**

26. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the CBR in supervising the Bank.

During the past year, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

(thousands of Russian rubles)

26. Capital adequacy (continued)

CBR capital adequacy ratio

The CBR requires banks to maintain a capital adequacy ratio above certain minimum percentage of risk-weighted assets, computed based on RAL. As of 31 December 2019 and 2018, the Bank's capital adequacy ratio on this basis was as follows:

(In thousands of Russian rubles)	***2019***	***2018***
Base capital	4 427 060	4 344 152
Additional capital	7 461 736	8 228 450
Total capital	**11 888 796**	**12 572 602**
Capital adequacy ratio		
- Main capital (minimum requirement: 6,0%)		
- Total capital (minimum requirement: 8,0%)		

The level of capital adequacy ratio as at 31 December 2019 and 2018 are presented in the table below:

	2019	***2018***
Capital adequacy ratio (N1.0)	45,99	40,2
Minimum acceptable level (N1.0)	min 8,0%	min 8,0%

27. Events after the reporting period

Due to fulminant development of coronavirus pandemic (COVID-19) many countries, including Russia, implied quarantine measures which affected on the level and scale of economic activities. It is expected that both pandemic and measures aimed to minimize its consequences can influence on the activity of companies from different sectors. Bank considers the pandemic as an event after the reporting period reflecting new economic environment where Bank operates and which effect cannot be reliably estimated at the present moment.

From March 2020 there is significant volatility in the stock, currency and commodity markets, including falling oil prices and ruble depreciation against the US dollar and euro. The Bank's management is currently analyzing the possible impact of changing micro-and macro-economic conditions on the Bank's financial position and results of operations.

During March 2020, the Bank made an additional issue of 135 000 ordinary shares with a nominal value of RUB 12 000. The increase in share capital amounted to RUB 1 620 000 thousand. All shares were paid in cash and purchased by the Bank's shareholder − Credit Agricole CIB.