

ROSBANK Group

**Interim condensed consolidated
financial statements**

*9 months ended 30 September 2019
(unaudited)*

ROSBANK GROUP

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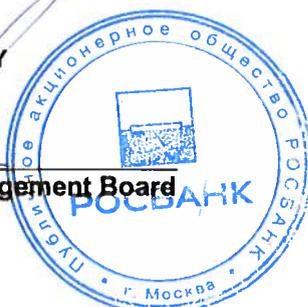
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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2019 (UNAUDITED) (in millions of Russian Roubles)

	Notes	30 September 2019 (unaudited)	31 December 2018
ASSETS			
Cash and cash equivalents	6, 29	248,330	191,279
Mandatory cash balances with the Central Bank of the Russian Federation		9,162	7,722
Financial assets at fair value through profit or loss	7, 8, 29	40,922	43,025
Due from banks	9	11,877	9,391
Loans to customers	10	756,623	723,972
Investments at fair value through other comprehensive income	11	752	46,180
Investments at amortized cost	12	83,969	94,118
Changes in fair value of hedged items	8	(4)	-
Property and equipment and right-of-use assets		23,360	18,922
Intangible assets		5,218	3,686
Current income tax assets		178	295
Deferred income tax assets		2,644	1,272
Other assets	29	19,169	12,660
Total assets		1,202,200	1,152,522
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	8, 13, 29	41,265	41,959
Due to the Central Bank of the Russian Federation		19	25
Due to banks and international financial institutions	14, 29	41,181	72,445
Customer accounts	15, 29	792,429	740,531
Debt securities issued	16, 29	118,511	99,908
Other provisions	28	350	683
Current income tax liabilities		103	333
Deferred income tax liabilities		2,174	1,081
Other liabilities	29	17,805	11,675
Subordinated debt	17, 29	18,751	31,077
Total liabilities		1,032,588	999,717
EQUITY:			
Share capital	18	17,587	17,587
Share premium	18	59,707	59,707
Treasury shares		(17)	-
Perpetual subordinated debt	19, 29	19,324	10,421
Cumulative translation reserve		150	172
Property and equipment revaluation reserve		3,973	4,218
Fair value reserve		32	4
Cash flow hedge		(19)	62
Retained earnings		68,875	60,634
Total equity		169,612	152,805
TOTAL LIABILITIES AND EQUITY		1,202,200	1,152,522

Acting Chairman of the Management Board
U.V. Ilishkin

20 November 2019
Moscow



Member of the Management Board –
Chief Financial Officer
A.A. Ovchinnikov

The notes on pages 8-37 form an integral part of these interim condensed consolidated financial statements.

ROSBANK GROUP

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

(in millions of Russian Roubles, except for earnings per share which are in Roubles)

	Notes	9 months ended 30 September (unaudited)		3 months ended 30 September (unaudited)	
		2019	2018	2019	2018
Interest income at effective interest rate	20, 29	68,406	62,580	22,939	20,943
Other interest income	20, 29	213	199	96	39
Interest expense	20, 29	(34,258)	(31,918)	(11,392)	(10,051)
Net interest income before credit loss expense/ provision for impairment losses		34,361	30,861	11,643	10,931
Credit loss expense/ provision for impairment losses	21	(5,416)	(2,953)	(1,820)	(1,327)
Net interest income		28,945	27,908	9,823	9,604
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	22, 29	(1,028)	(889)	(238)	(376)
Net gain/(loss) on foreign exchange operations	23	2,348	2,306	762	795
Net gain/(loss) on precious metals operations		31	(27)	4	(21)
Net realized gain on sale of Investments at fair value through other comprehensive income		(17)	67	-	(4)
Net gain/(loss) on sale of Investments at amortized cost		217	-	-	-
Fee and commission income	24, 29	12,368	11,084	4,165	4,092
Fee and commission expense	24, 29	(3,477)	(2,732)	(1,256)	(1,013)
Other provisions	21	(124)	(232)	(40)	(149)
Dividend income	29	410	363	-	-
Other income	29	628	818	286	458
Net non-interest income		11,356	10,758	3,683	3,782
Operating income		40,301	38,666	13,506	13,386
Operating expenses	25	(28,671)	(26,995)	(9,589)	(8,950)
Other non-operating income/(expense)		6	(104)	(6)	(29)
Profit/(loss) before income tax		11,636	11,567	3,911	4,407
Income tax credit/(expense)	26	(2,699)	(2,752)	(972)	(953)
Net profit/(loss) for the period		8,937	8,815	2,939	3,454
EARNINGS PER SHARE					
Basic and diluted (in RUB)	27	5.76	5.68	1.89	2.23

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ROSBANK GROUP

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED) (in millions of Russian Rubles)

	Notes	9 months ended 30 September (unaudited)		3 months ended 30 September (unaudited)	
		2019	2018	2019	2018
Net profit/(loss) for the period		8,937	8,815	2,939	3,454
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(25)	(4)	1	47
Income tax on translating foreign operations		3	(16)	-	(9)
Cash flow hedge		(127)	(65)	(19)	(41)
Income tax on cash flow hedge		46	-	3	-
Net change in fair value of investments and loans at fair value through other comprehensive income		35	(80)	59	(1)
Income tax on fair value of investments and loans at fair value through other comprehensive income during the period		(7)	16	(12)	-
Other comprehensive income/(expense) after income tax		(75)	(149)	32	(4)
Total comprehensive income/(expense)		8,862	8,666	2,971	3,450


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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED) (in millions of Russian Roubles)

	Share capital	Share premium	Common shares repurchased	Perpetual subordinated debt	Cumulative translation reserve	Property and equipment revaluation reserve	Fair value reserve	Cash flow hedge	Retained earnings	Total equity
31 December 2017	17,587	59,707	-	-	429	4,941	(1,073)	31	50,975	132,597
Impact of adopting IFRS 9	-	-	-	-	-	-	1,144	-	(2,867)	(1,723)
Restated opening balance under IFRS 9	17,587	59,707	-	-	429	4,941	71	31	48,108	130,874
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	8,815	8,815
Other comprehensive income/(expense) for the period	-	-	-	-	(20)	-	(64)	(65)	-	(149)
Total comprehensive income/(expense) for the period	-	-	-	-	(20)	-	(64)	(65)	8,815	8,666
Property and equipment disposal (net of deferred tax of RUB 138 millions)	-	-	-	-	-	(553)	-	-	553	-
Perpetual subordinated debt	-	-	-	9,875	-	-	-	-	-	9,875
30 September 2018 (unaudited)	17,587	59,707	-	9,875	409	4,388	7	(34)	57,476	149,415
31 December 2018	17,587	59,707	-	10,421	172	4,218	4	62	60,634	152,805
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	8,937	8,937
Other comprehensive income/(expense) for the period	-	-	-	-	(22)	-	28	(81)	-	(75)
Total comprehensive income/(expense) for the period	-	-	-	-	(22)	-	28	(81)	8,937	8,862
Property and equipment disposal (net of deferred tax of RUB 61 millions)	-	-	-	-	-	(245)	-	-	245	-
Perpetual subordinated debt	-	-	-	8,903	-	-	-	-	-	8,903
Payment of interest on perpetual subordinated debt	-	-	-	-	-	-	-	-	(1,175)	(1,175)
Tax on payment of interest on perpetual subordinated debt	-	-	-	-	-	-	-	-	234	234
Common shares repurchased	-	-	(17)	-	-	-	-	-	-	(17)
30 September 2019 (unaudited)	17,587	59,707	(17)	19,324	150	3,973	32	(19)	68,875	169,612



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ROSBANK GROUP

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED) (in millions of Russian Roubles)

	Notes	9 months ended	
		30 September (unaudited) 2019	2018
Cash flows from operating activities:			
Interest received		68,409	62,370
Interest paid		(32,354)	(32,114)
Fees and commissions received		12,368	11,059
Fees and commissions paid		(3,477)	(2,717)
Receipts from/(payment for) financial assets at fair value through profit or loss		3,306	(1,541)
Receipts from/(payment for) trading in foreign currencies		(1,532)	(819)
Other operating income received		628	740
Receipts from/(payment for) precious metals operations		132	(29)
Administrative and other operating expenses paid		(26,164)	(24,916)
Income tax received/(paid)		(2,815)	(1,729)
Cash flows from operating activities before changes in operating assets and liabilities		18,501	10,304
Changes in operating assets and liabilities			
Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation		(1,440)	(871)
Net (increase)/decrease in financial assets at fair value through profit or loss		(6,302)	2,415
Net (increase)/decrease in due from banks		(3,124)	1,993
Net (increase)/decrease in loans to customers		(48,282)	(41,532)
Net (increase)/decrease in other assets		(7,010)	(4,282)
Net increase/(decrease) in financial liabilities at fair value through profit or loss		5,100	(556)
Net increase/(decrease) in due to the Central Bank of the Russian Federation		(6)	(160)
Net increase/(decrease) in due to banks and international financial institutions		(28,985)	2,273
Net increase/(decrease) in customer accounts		71,552	15,598
Net increase/(decrease) in debt securities issued, other than bonds issued		1,164	1,178
Net increase/(decrease) in other liabilities		1,161	884
Net increase/(decrease) in other liabilities on law cases		-	33
Net cash from/(used in) operating activities		2,329	(12,723)
Cash flows from investing activities			
Purchase of financial assets at fair value through other comprehensive income		(113,611)	(98,112)
Proceeds from disposal and redemption of financial assets at fair value through other comprehensive income		158,578	67,090
Proceeds from redemption of financial assets at amortised cost		7,453	7,161
Purchase of financial assets at amortised cost		-	(17,710)
Purchase of property, equipment and intangible assets		(4,205)	(2,905)
Proceeds from disposal of property and equipment		512	423
Dividends received		410	363
Net cash from/(used in) investing activities		49,137	(43,690)
Cash flows from financing activities			
Redemption of bonds issued by the Group	16	(5,269)	(18,219)
Issue of bonds	16	35,000	-
Proceeds from sale of previously bought back bonds issued		-	187
Buy back of bonds issued		(13,010)	(10,206)
Payment of interest on perpetual subordinated debt		(1,175)	-
Common shares repurchased		(17)	-
Net cash from/(used in) financing activities		15,529	(28,238)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(9,948)	636
Net increase/(decrease) in cash and cash equivalents		57,047	(84,015)
CASH AND CASH EQUIVALENTS, beginning of the period	6	191,285	209,810
CASH AND CASH EQUIVALENTS, end of the period	6	248,332	125,795

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ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

1. Organization

ROSBANK (initially named “Nezavisimost”) is a joint stock bank which was incorporated in the Russian Federation in 1993. Over the subsequent five years, ROSBANK customers were mainly comprised of medium-sized trade, finance and technology companies, for which it conducted a variety of activities, including corporate lending, settlement, government bond trading, foreign exchange and money market transactions. In 1998 ROSBANK was acquired by the Interros Group with the initial purpose of providing banking services to Interros Group companies. In 2000 ROSBANK acquired Uneximbank which was merged into ROSBANK and ceased to exist as a legal entity. In 2002 the businesses of ROSBANK and Commercial Bank “MFK Bank”, specializing in investment banking, were consolidated. In 2003 the Interros Group acquired OVK group – one of Russia’s largest retail banking institutions. The integration of OVK with ROSBANK has transformed ROSBANK into a financial institution capable of offering universal services.

Societe Generale became the owner of 20% minus 1 share of Rosbank in 2006. In February 2008 Societe Generale became the owner of Rosbank controlling stock interest by exercising the option for acquisition of 30% stocks. In March 2008 Societe Generale offered to buy the stakes of minority shareholders at 194.09 roubles per share. Having performed the buy-out Societe Generale raised its interest in Rosbank to 57.57%. On 23 March 2009 ROSBANK issued 26,665,928 shares by way of public subscription. The issue was bought by Societe Generale and PHARANCO HOLDINGS CO. LIMITED in the proportion 60.6786% and 39.3214%, respectively. On 27 May 2009 Societe Generale increased its share in Rosbank by 7% after the purchase of this share from PHARANCO HOLDINGS CO. LIMITED.

In February 2010, Societe Generale with the consent of other shareholders of Rosbank Group took the decision to reorganize the legal structure of its Russian subsidiaries in order to build a major financial group.

The first step was achieved in January 2011 with the acquisition of 100% of the share capital of Rusfinance and Delta Credit. The two companies kept acting as separate entities, Rusfinance being mainly dedicated to consumer credit and Delta Credit to mortgages.

The second step was achieved in July 2011 with the merger of the two universal banks ROSBANK and BSGV into a single and unified company ultimately operating under a single brand. Benefiting from their differentiated positioning on both corporate and retail segments, the new structure aims at improving its financial performance by increasing revenues through cross-selling strategy and developing synergies in order to reduce operational costs.

During 2013, Societe Generale further consolidated its positions in Russian market by acquiring in December 2013 an additional 10% stake in ROSBANK equity from VTB Group, increasing it up to 92.4%. As part of the agreement ROSBANK sold to VTB Group certain Russian assets: shares listed on Moscow Exchange as well as some loans and real-estate assets.

In April 2015 Societe Generale acquired further 7% of ROSBANK’s share capital from Interros group, raising its stake to 99.4%, in line with its strategy of building up the Group’s stake in ROSBANK.

ROSBANK is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under license number 2272. ROSBANK is engaged in a full range of banking activities, including commercial and investment banking and custodial services.

The registered office of ROSBANK is located at 34, Masha Poryvaeva Street, Moscow, 107078, Russian Federation.

As of 30 September 2019 and 31 December 2018 ROSBANK had 9 and 8 branches operating in the Russian Federation, respectively.

ROSBANK (“the Bank”) is the parent company of a banking group (the “Group”) which consists of the following material enterprises as of 30 September 2019, 31 December 2018 and 30 September 2018:

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

Name	Country of incorporation	Group's ownership interest / voting rights, %			Type of operations
		30 September 2019	31 December 2018	30 September 2018	
Delta Credit Bank JSC	Russia	Merged	100/100	100/100	Banking
Rusfinance Bank LLC	Russia	100/100	100/100	100/100	Banking
Rusfinance LLC	Russia	100/100	100/100	100/100	Commerce
RB Factoring LLC	Russia	100/100	100/100	100/100	Factoring
Rosbank (Switzerland) SA	Switzerland	100/100	100/100	100/100	In liquidation
RB LEASING LLC	Russia	100/100	100/100	100/100	Leasing
ORS JSC	Russia	100/100	100/100	100/100	Processing
RB Specialized Depository LLC	Russia	100/100	100/100	100/100	Depository services
RB Service LLC	Russia	100/100	100/100	100/100	Service company
Telsikom CJSC	Russia	100/100	100/100	100/100	Telecommunication services
SG Finance	Russia	100/100	100/100	100/100	Leasing

On 14 July 2010 the Group took decision to close its foreign subsidiary in Switzerland – Rosbank (Switzerland) SA. In May 2017 the licence for banking activities was withdrawn. The liquidation process is authorized by Swiss banking authorities. The Group does not anticipate any substantial impact on its financial results nor its financial position as a result of the aforementioned liquidation.

In October 2017 the Group acquired 100% shares in SG Finance, a company operating in leasing. The purchase consideration amounted to RUB 168 million, which was settled in cash.

On 1 June 2019 the merger process of the mortgage bank DeltaCredit and Rosbank is officially completed. "Rosbank Dom" branch has become part of the retail business of Rosbank.

As of 30 September 2019 and 31 December 2018, the controlling shareholder of ROSBANK is Societe Generale S.A. with share more than 99%.

2. Going concern

These interim condensed consolidated financial statements have been prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. Management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio and based on historical experience that short-term obligations will be refinanced in the normal course of business.

3. Basis of presentation

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for 2018 prepared in accordance with IFRS. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the information presented not misleading if these financial

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

statements are read in conjunction with the Group's annual consolidated financial statements for 2018 prepared in accordance with IFRS. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in equity and cash flows for the interim reporting periods.

Since the results of the Group's operations closely relate to and depend on changing market conditions, the results of the Group's operations for the interim period are not necessarily indicative of the results for the full year.

Other basis of presentation criteria

These interim condensed consolidated financial statements have been prepared assuming that the Group is a going concern and will continue operation for the foreseeable future.

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

These interim condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values, and certain land and buildings that are measured at revalued amounts according to International Accounting Standard 16 *Property, Plant and Equipment* ("IAS 16"). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these interim condensed consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS), foreign consolidated companies of the Group maintain their accounting records in accordance with the law of the countries, in which they operate. These interim condensed consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent of the Group is the Russian rouble (RUB). The presentation

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

currency of the interim condensed consolidated financial statements of the Group is the RUB. All values are rounded to the nearest million RUB, except when otherwise indicated.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the interim consolidated statement of financial position only when there is a currently legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the interim consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation permitted by any IFRS, and as specifically disclosed in the accounting policies of the Group.

4. Significant accounting policies

The same accounting policies, presentation and methods of computation have been followed in these interim condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2018, except for the accounting policies and impact of the adoption of the Standards and Interpretations described below.

Rates of exchange and commodity prices

The exchange rates and commodity prices at period-end used by the Group in the preparation of the interim condensed consolidated financial statements are as follows:

	30 September 2019	31 December 2018
RUB/1 US Dollar	64.4156	69.4706
RUB/1 Euro	70.3161	79.4605
RUB/Gold (1 ounce)	95,676.49	88,852.90
RUB/Platinum (1 ounce)	57,974.04	54,742.83
RUB/Palladium (1 ounce)	107,574.05	88,227.66
RUB/Silver (1 ounce)	1,111.49	1,062.55

Critical accounting judgements and key sources of estimation uncertainty

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for 2018 prepared in accordance with IFRS.

The Group adopted new Standards effective as of 1 January 2019 as described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5. Application of new and revised International Financial Reporting Standards (IFRS)

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each amendment is described below:

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

IFRS 16 Leases

The Group has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Group 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 Group; 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.

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 all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged under 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 Group is the lessor.

The Group 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 Group 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 Group 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 Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Nature of the effect of adoption of IFRS 16

Upon adoption of IFRS 16, the Group 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 Group.

The Group 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 were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid 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 Group also applied the available practical expedients wherein it:

- 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

Summary of new accounting policies

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

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- Right-of-use assets

The Group 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. 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.

- Lease liabilities

At the commencement date of the lease, the Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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 Group uses the incremental borrowing rate at the lease commencement date. 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 or in-substance fixed lease payments.

- Short-term leases and leases of low-value assets

The Group 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 that are considered of low value (i.e., below 300,000 RUB). 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.

- Significant judgement in determining the lease term of contracts with renewal options

The Group 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 Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group 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).

There were no change in equity due to adopting IFRS 16.

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A reconciliation of the operating lease commitments to this liability is as follows:

	mRUB
Operating lease commitments as at 31 December 2018	6,961
Weighted average incremental borrowing rates as at 1 January 2019	9,7%
Adjustments to the amount of lease payable:	
Payments in optional extension periods not recognised as at 31 December 2018	695
Commitments relating to short-term leases	(178)
Commitments relating to leases of low-value assets	(226)
Future lease payments under IFRS 16	7,252
Effect of discounting	(1,751)
Lease Liability under IFRS 16 on 01.01.2019	5,500
Amount of prepayments and irrevocable security payments on agreements	163
Right of use under IFRS 16 on 01.01.19	5,663

Right-of-use assets are disclosed within property and equipment and right-of-use assets line of the consolidated statement of financial position, lease liabilities are disclosed within other liabilities line of the consolidated statement of financial position.

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 September 2019 mRUB (unaudited)	31 December 2018 mRUB
Cash	11,850	18,931
Balances with the Central Bank of the Russian Federation	49,868	99,221
Current accounts in banks	53,154	10,028
Demand deposits in banks	18,032	6,116
Loans under reverse repurchase agreements	6,861	7,655
Due from banks with original maturity within 90 days	108,567	49,334
Cash and cash equivalents	248,332	191,285
Less – Allowance for impairment	(2)	(6)
Total cash and cash equivalents	248,330	191,279

Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 30 September 2019 and 31 December 2018 comprise:

	30 September 2019 mRUB (unaudited)		31 December 2018 mRUB	
	Carrying value of loan	Fair value of collateral	Carrying value of loan	Fair value of collateral
Bonds of the Russian Federation	5,842	6,164	1,536	1,618
Shares of Russian banks	1,019	1,534	896	1,381
Bonds of the Russian banks	-	-	2,684	3,096
Bonds of Russian companies	-	-	2,539	2,870
Total loans under reverse repurchase agreements	6,861	7,698	7,655	8,965

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7. Financial assets at fair value through profit or loss

	30 September 2019 mRUB (unaudited)	31 December 2018 mRUB
Debt securities	6,573	453
Derivative financial instruments (Note 8)	34,158	42,381
Shares	191	191
Total financial assets at fair value through profit or loss	40,922	43,025

The debt securities included in financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

	30 September 2019 (unaudited) Amount mRUB	31 December 2018 Amount mRUB
Debt securities:		
Debt securities of the Russian Federation	5,506	453
Debt securities of Russian companies	358	-
Debt securities of Russian banks	709	-
	6,573	453

8. Derivative financial instruments

Derivative financial instruments comprise:

	30 September 2019 mRUB (unaudited)			31 December 2018 mRUB		
	Nominal value	Fair value Assets	Fair value Liabilities	Nominal value	Fair value Assets	Fair value Liabilities
Derivative financial instruments:						
Foreign exchange contracts						
Swaps	92,689	857	(879)	336,482	4,676	(4,782)
Forwards	139,920	1,571	(801)	121,812	348	(1,913)
IRS/CIRS	428,278	29,876	(31,788)	429,200	34,211	(31,601)
Cash flow hedge	3,150	231	(106)	3,184	608	(105)
Fair value hedge	5,000	-	(6)	-	-	-
Foreign exchange and Interest rate options	43,409	850	(855)	66,985	790	(828)
Total foreign exchange contracts		33,385	(34,435)		40,633	(39,229)
Contracts on precious metals and commodities						
Forwards	336	52	(52)	3,948	285	(285)
Swaps	-	-	-	118	20	-
Options	10,739	721	(725)	16,704	1,443	(1,443)
Total contracts on precious metals and commodities		773	(777)		1,748	(1,728)
Total		34,158	(35,212)		42,381	(40,957)

Cash flow hedge

Cash flow hedging is represented by a swap agreement (hedging instrument) that provides the Group with protection against adverse changes in future cash flows related to a subordinated loan, received from Societe General, denominated in US dollars, as a result of a change in exchange rate. As at 30 September 2019 and 31 December 2018, this portion of the group's cash flow hedging relates to a portion of the subordinated loan in the amount of RUB 3,107 million and RUB 3,351 million, respectively.

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Another part of the group's cash flow hedge relates to the risk of changes in the estimated cash flows of financial liabilities related to the Societe General Group share-based payment program.

Fair value hedge

The group's fair value hedge relates to the risk of changes in the fair value of securities carried at amortized cost due to changes in interest rates. As at 30 September 2019, the fair value hedge relates to Government bonds of Russian Federation at fixed rate with a par value of RUB 5,000 million.

Embedded derivatives

The Group issued structural bonds with embedded derivatives included in financial assets at fair value through profit and loss in amount RUB 3,065 million as at 30 September 2019 and in amount RUB 3,569 million as at 31 December 2018, respectively. Simultaneously the Group entered into interest rate swap contracts to compensate future cash flows to be paid on structural bonds issued. The fair value of interest rate swaps included in financial liabilities at fair value through profit and loss amounted to RUB 3,056 million as at 30 September 2019 and amounted to RUB 3,561 million as at 31 December 2018, respectively.

9. Due from banks

	30 September 2019 mRUB (unaudited)	31 December 2018 mRUB
Term deposits in banks	11,882	9,392
Less – Allowance for impairment	(5)	(1)
Total due from banks	11,877	9,391

10. Loans to customers

	30 September 2019 mRUB (unaudited)	31 December 2018 mRUB
Loans at amortised cost		
Loans to Corporate business		
Loans to legal entities	271,561	287,856
Net investments in finance lease	19,105	17,778
Account receivable from RF Government on financed loans	677	1,880
Loans to Retail business		
Loans to individuals	501,436	457,318
Total loans at amortized cost	792,779	764,832
Loans at fair value through other comprehensive income		
Loans to individuals at fair value through other comprehensive income	2,842	3,203
Total loans at fair value through other comprehensive income	2,842	3,203
Total loans to customers before impairment	795,621	768,035
Less – Allowance for impairment	(38,998)	(44,063)
Total loans to customers	756,623	723,972

As of 30 September 2019 the Group had no loans to groups of customers which individually exceeded 10% of the Group's equity.

As of 31 December 2018 the Group had loans to two groups of customers which individually exceeded 10% of the Group's equity.

As of 30 September 2019 the amount receivable from RF Government on the financed car loan program amounted to RUB 677 million (as of 31 December 2018 – to RUB 1,880 million).

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11. Investments at fair value through other comprehensive income

	30 September 2019 (unaudited) Amount mRUB	31 December 2018 Amount mRUB
Debt securities:		
Bonds of the Russian Federation	752	46,180
Investments at fair value through other comprehensive income	752	46,180

12. Investments at amortised cost

	30 September 2019 (unaudited) Amount mRUB	31 December 2018 Amount mRUB
Eurobonds of the Russian Federation	31,129	40,937
Bonds of the Russian Federation	52,860	53,137
Eurobonds of Russian companies	-	78
Less – Allowance for impairment	(20)	(34)
Investments at amortised cost	83,969	94,118

13. Financial liabilities at fair value through profit or loss

	30 September 2019 mRUB (unaudited)	31 December 2018 mRUB
Derivative financial instruments	35,212	40,957
Short position on securities purchased	6,053	1,002
Total financial liabilities at fair value through profit or loss	41,265	41,959

Derivative financial instruments are disclosed in Note 8.

14. Due to banks and international financial institutions

	30 September 2019 mRUB (unaudited)	31 December 2018 mRUB
Time deposits	924	34,467
Demand accounts	40,257	37,431
Loans under repurchase agreements	-	547
Total due to banks and international financial institutions	41,181	72,445

As of 31 December 2018 the Group was obligated to comply with financial covenants in relation to certain balances deposited by banks and international financial institutions deposits. These covenants include various financial performance ratios. As of 31 December 2018 the Group has not breached any of these covenants.

As of 30 September 2019 the Group has no balances deposited by banks and international financial institutions deposits on which financial covenants should be comply.

As at 30 September 2019 and 31 December 2018 included in due to banks and international financial institutions are RUB 21,515 million and RUB 18,825 million (13% and 12% of Group equity), respectively, that were due to three and three banks, respectively, which represents a significant concentration.

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Fair value of assets pledged and carrying value of loans under repurchase agreements as at 30 September 2019 and 31 December 2018 comprise:

	30 September 2019 (unaudited)		31 December 2018	
	Carrying value of loans mRUB	Fair value of collateral mRUB	Carrying value of loans mRUB	Fair value of collateral mRUB
Bonds of the Russian Federation	-	-	547	547
Total	-	-	547	547

15. Customer accounts

	30 September 2019 mRUB (unaudited)	31 December 2018 mRUB
Corporate		
Time deposits	262,351	258,578
Repayable on demand	209,954	192,993
Total corporate	472,305	451,571
Individuals		
Time deposits	176,033	139,826
Repayable on demand	144,091	149,134
Total individuals	320,124	288,960
Total customer accounts	792,429	740,531

Customer accounts which were held as security against letters of credit and guarantees issued and other transaction related contingent obligations of the Group are presented in Note 28.

16. Debt securities issued

	Annual coupon rates %	30 September 2019 mRUB (unaudited)	Annual coupon rates %	31 December 2018 mRUB
Bonds of Deltacredit due in 2019-2026	-	-	5.00-12.40%	55,712
Bonds of Rosbank due in 2020-2026	1.00%-12.00%	91,427	7.50-10.40%	17,639
Bonds of Rusfinancebank due in 2019-2021	9.55%	3,024	2.00-10.00%	3,425
Exchange structural bonds of Rosbank due in 2024	8.67%-9.89%	10,278	9.27-9.89%	10,164
Discount bearing promissory notes	0.00%-8.55%	13,782	0.00-8.55%	12,968
Total debt securities issued		118,511		99,908

Termination of DeltaCredit Bank as a legal entity in accession to ROSBANK became the reason for the replacement of the bond Issuer with the Bank "DeltaCredit" to ROSBANK.

During the period January – September 2019 the following bonds were issued:

Issuer	Issue date	Maturity date	Debt volume, mRUB	Annual coupon rate, %
Rosbank	29.01.2019	31.01.2022	10,000	9.0%
Rosbank	26.04.2019	27.04.2021	10,000	8.5%
Rosbank	12.09.2019	16.03.2023	15,000	7.6%

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During the period January - September 2019 the following bonds were redeemed:

Issuer	Issue date	Maturity date	Debt volume, mRUB	Annual coupon rate, %
DeltaCredit Bank	30.03.2016	01.04.2019	5,000	10.6%
Rusfinance Bank	28.04.2018	22.08.2019	269	10.0%

Changes in the balances for the period ended 30 September 2019, were also due to a partly buyback of the bonds and operations with the bonds issued by its subsidiary.

17. Subordinated debt

	Currency	Interest Rate %	30 September 2019 mRUB (unaudited)	Interest Rate, %	31 December 2018 mRUB
Societe Generale S.A. due in 2020-2023	USD	6.5 - 6.8%	18,751	6.5-10.2%	31,077
Total subordinated debt			18,751		31,077

In January 2019 the terms of subordinated loan attracted by the Group from Societe Generale S.A. in August 2012 in the amount of USD 150 million and annual interest rate of 8.13% and maturity in December 2022 were modified (Note 19).

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

18. Share capital

As of 30 September 2019 and 31 December 2018 the nominal share capital totaling RUB 17,587 million issued and fully paid comprised 1,551,401,853 ordinary shares with par value of RUB 10 each. All shares are ranked equally and carry one vote. The hyperinflation effect has been recorded in the amount of RUB 2,073 million.

As of 30 September 2019 and 31 December 2018 share premium totaling RUB 59,707 million represents an excess of contributions received in share capital over the nominal value of shares issued.

As at 30 September 2019 the Group's share capital comprised the following number of shares of RUB 10 each:

	Share capital authorized	Share capital authorized but not issued	Share capital issued and paid in
Number of ordinary shares	1,846,461,466	295,059,613	1,551,401,853
- including share capital repurchased	-	-	276,716

As at 31 December 2018 the Group's share capital comprised the following number of shares of RUB 10 each:

	Share capital authorized	Share capital authorized but not issued	Share capital issued and paid in
Number of ordinary shares	1,846,461,466	295,059,613	1,551,401,853

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19. Perpetual subordinated debt

The Group accounts for the perpetual subordinated loans as an equity instrument in the consolidated statement of financial position due to undefined maturity and an option for cancellation of both the debt and the interest payment by the Group.

Interest payments may be cancelled in accordance with the terms of the perpetual subordinated loan.

Central Bank of Russian Federation has approved the inclusion of the perpetual subordinated loan in the regulatory capital calculation of the Bank.

	Currency	Interest Rate %	30 September 2019 mRUB (unaudited)	Interest Rate, %	31 December 2018 mRUB
Societe Generale S.A.	USD	7.25%*	9,662	7.25%	10,421
Societe Generale S.A.	USD	LIBOR 6M + 687 bp	9,662	-	-
Total subordinated debt			19,324		10,421

* Annual initial interest rate of 7.25% and annual interest payment. Rate of interest is to be reset every 5 years.

In January 2019 the terms of subordinated loan attracted by the Group from Societe General S.A. in August 2012 in the amount of USD 150 million and annual interest rate of 8.13% and maturity in December 2022 were modified. According to amended terms of the agreement Societe Generale S.A. granted to the Group perpetual subordinated loan in the amount of USD 150 million with an interest rate of LIBOR 6M + 687 bp and half-annual interest payment.

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20. Net interest income

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2019	2018	2019	2018
Interest income at effective interest rate:				
<i>Interest income on financial assets recorded at amortized cost:</i>				
Interest on loans to individuals	41,926	38,669	13,958	13,069
Interest on loans to corporate customers	16,021	14,118	5,661	4,700
Interest on due from banks	3,504	4,913	1,320	1,127
Interest on investments at amortised cost	4,055	3,462	1,328	1,291
<i>Interest income on financial assets recorded at fair value through other comprehensive income</i>				
Interest income on investments at fair value through other comprehensive income	2,673	1,390	596	728
Interest on loans to individuals at fair value through other comprehensive income	227	28	76	28
Total interest income at effective interest rate	68,406	62,580	22,939	20,943
Other interest income				
Interest income on financial assets at fair value through profit and loss	213	199	96	39
Total other interest income	213	199	96	39
Total interest income	68,619	62,779	23,035	20,982
Interest expense:				
<i>Interest expense on financial liabilities recorded at amortized cost:</i>				
Interest on corporate customer accounts	15,638	11,422	5,312	3,531
Interest on debt securities issued	6,890	9,130	2,183	2,812
Interest on deposits from individuals	8,883	8,304	3,206	2,714
Interest on subordinated debt	1,128	1,709	362	558
Interest on deposits from banks	1,310	1,348	199	435
Interest on deposits of the Central Bank of the Russian Federation	1	5	-	1
Other interest expense	408	-	130	-
Total interest expense	34,258	31,918	11,392	10,051
Net interest income before loss expense/provision for impairment losses	34,361	30,861	11,643	10,931

21. Credit loss expense and other provisions

For 9 and 3 months ended 30 September 2019 and 2018 the amount of credit loss expenses / allowance for impairment losses in the interim consolidated statement of profit or loss comprises:

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2019	2018	2019	2018
Stage 1 net allocations	46	(34)	131	186
Stage 2 net allocations	1,288	585	42	111
Stage 3 net allocations	4,061	2,796	1,638	1,095
POCI net allocations	1	-	-	-
Recoveries of loans written off	(25)	(449)	(1)	(68)
Write offs not covered by provisions	45	55	10	3
Credit loss expenses	5,416	2,953	1,820	1,327

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An analysis of changes in the ECLs for financial assets for 9 months ended 30 September 2019 is, as follows:

	Cash and cash equivalents and due from banks mRUB (unaudited)	Loans to Corporate business mRUB (unaudited)	Loans to Retail business mRUB (unaudited)	Investments at amortised cost mRUB (unaudited)	Investments and loans at FVOCI mRUB (unaudited)	Total mRUB (unaudited)
Stage 1						
ECL as at 1 January 2019	7	601	4,838	34	3	5,483
Transfers to Stage 1	-	(10)	287	-	-	277
Transfers to Stage 2	-	(10)	(90)	-	-	(100)
Transfers to Stage 3	-	(1)	(134)	-	-	(135)
Allowance charge	35	603	4,348	1	6	4,993
Recoveries	(35)	(559)	(4,354)	(14)	(9)	(4,971)
Foreign exchange adjustments	-	(30)	(25)	(1)	-	(56)
ECL as at 30 September 2019	7	594	4,870	20	-	5,491
Stage 2						
ECL as at 1 January 2019	-	35	1,204	-	-	1,239
Transfers to Stage 1	-	10	(204)	-	-	(194)
Transfers to Stage 2	-	37	201	-	-	238
Transfers to Stage 3	-	(1)	(1,178)	-	-	(1,179)
Allowance charge	-	157	1,841	-	-	1,998
Recoveries	-	(155)	(544)	-	-	(699)
Foreign exchange adjustments	-	4	(3)	-	-	1
ECL as at 30 September 2019	-	87	1,317	-	-	1,404
Stage 3						
ECL as at 1 January 2019	-	10,108	27,268	-	-	37,376
Transfers to Stage 1	-	-	(83)	-	-	(83)
Transfers to Stage 2	-	(27)	(110)	-	-	(137)
Transfers to Stage 3	-	3	1,313	-	-	1,316
Allowance charge	-	5,468	7,072	-	-	12,540
Recoveries	-	(4,465)	(4,040)	-	-	(8,505)
Amounts written off	-	(5,089)	(4,908)	-	-	(9,997)
Foreign exchange adjustments	-	(285)	(105)	-	-	(390)
ECL as at 30 September 2019	-	5,713	26,407	-	-	32,120
POCI						
ECL as at 1 January 2019	-	-	9	-	-	9
Allowance charge	-	-	1	-	-	1
ECL as at 30 September 2019	-	-	10	-	-	10
Total at 1 January 2019	7	10,744	33,319	34	3	44,107
Total at 30 September 2019	7	6,394	32,604	20	-	39,025

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An analysis of changes in the ECLs for financial assets for nine months ended 30 September 2018 is, as follows:

	Cash and cash equivalents and due from banks mRUB (unaudited)	Loans to Corporate business mRUB (unaudited)	Loans to Retail business mRUB (unaudited)	Investments at amortised cost mRUB (unaudited)	Investments at FVOCI mRUB (unaudited)	Total mRUB (unaudited)
Stage 1						
ECL as at 1 January 2018	8	1,244	4,707	56	3	6,018
Transfers to Stage 1	-	(2)	310	-	-	308
Transfers to Stage 2	-	(4)	(68)	-	-	(72)
Transfers to Stage 3	-	-	(53)	-	-	(53)
Allowance charge	24	247	3,838	13	11	4,133
Recoveries	(29)	(321)	(3,787)	(25)	(10)	(4,172)
Foreign exchange adjustments	-	10	108	3	-	121
ECL as at 30 September 2018	3	1,174	5,055	47	4	6,283
Stage 2						
ECL as at 1 January 2018	3	74	1,051	-	-	1,128
Transfers to Stage 1	-	2	(132)	-	-	(130)
Transfers to Stage 2	-	250	223	-	-	473
Transfers to Stage 3	-	(7)	(782)	-	-	(789)
Allowance charge	-	102	1,485	-	-	1,587
Recoveries	(3)	(337)	(603)	-	-	(943)
Foreign exchange adjustments	-	2	4	-	-	6
ECL as at 30 September 2018	-	86	1,246	-	-	1,332
Stage 3						
ECL as at 1 January 2018	-	9,761	33,640	-	-	43,401
Transfers to Stage 1	-	-	(178)	-	-	(178)
Transfers to Stage 2	-	(246)	(156)	-	-	(402)
Transfers to Stage 3	-	7	834	-	-	841
Allowance charge	-	998	4,607	-	-	5,605
Recoveries	-	(411)	(3,360)	-	-	(3,771)
Amounts written off	-	(2,456)	(6,364)	-	-	(8,820)
Foreign exchange adjustments	-	132	181	-	-	313
ECL as at 30 September 2018	-	7,785	29,204	-	-	36,989
Total at 1 January 2018	11	11,079	39,398	56	3	50,547
Total at 30 September 2018	3	9,045	35,505	47	4	44,604

For 9 months ended 30 September 2019 and 2018 and for 3 months ended 30 September 2019 and 2018 the amount of other provision comprises:

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2019	2018	2019	2018
Net allocations	135	206	35	140
Recoveries of debtors receivables written off	(66)	(23)	(24)	(10)
Write offs not covered by provisions	55	49	29	19
Other provisions	124	232	40	149

The information about other provisions of the Group is disclosed in Note 28.

Allowance for impairment losses on assets is deducted from the respective assets. Provision for impairment losses on financial guarantees issued, claims and other commitments is presented in liabilities.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

An analysis of changes in the ECLs for other financial assets financial guarantees, credit lines, letters of credit and for 9 months ended 30 September 2019 is, as follows:

	Provisions for financial guarantees, credit lines, letters of credit mRUB (unaudited)	Provision for other assets mRUB (unaudited)	Total mRUB (unaudited)
Stage 1			
ECL as at 1 January 2019	107	-	107
Transfers to Stage 1	1	-	1
Transfers to Stage 2	(4)	-	(4)
Transfers to Stage 3	-	-	-
Allowance charge	156	15	171
Recoveries	(139)	(8)	(147)
Foreign exchange adjustments	(6)	1	(5)
ECL as at 30 September 2019	115	8	123
Stage 2			
ECLs as at 1 January 2019	23	4	27
Transfers to Stage 1	-	-	-
Transfers to Stage 2	2	-	2
Transfers to Stage 3	(1)	-	(1)
Allowance charge	26	1	27
Recoveries	(37)	(1)	(38)
Foreign exchange adjustments	(3)	-	(3)
ECL as at 30 September 2019	10	4	14
Stage 3			
ECLs as at 1 January 2019	127	952	1,079
Transfers to Stage 1	-	-	-
Transfers to Stage 2	(2)	-	(2)
Transfers to Stage 3	1	-	1
Accounting transfer	-	-	-
Allowance charge	166	380	546
Recoveries	(269)	(251)	(520)
Amounts written off	-	(26)	(26)
Foreign exchange adjustments	(11)	-	(11)
ECL as at 30 September 2019	12	1,055	1,067
Total at 1 January 2019	257	956	1,213
Total at 30 September 2019	137	1,067	1,204

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

An analysis of changes in the ECLs for other financial assets for six months ended 30 September 2018 is, as follows:

	Provisions for financial guarantees, credit lines, letters of credit mRUB (unaudited)	Provision for other assets mRUB (unaudited)	Total mRUB (unaudited)
Stage 1			
ECL as at 1 January 2018	69	-	69
Transfers to Stage 1	3	-	3
Transfers to Stage 2	-	-	-
Transfers to Stage 3	(7)	-	(7)
Allowance charge	117	-	117
Recoveries	(112)	-	(112)
Foreign exchange adjustments	2	-	2
ECL as at 30 September 2018	72	-	72
Stage 2			
ECLs as at 1 January 2018	65	4	69
Transfers to Stage 1	(3)	-	(3)
Transfers to Stage 2	15	-	15
Transfers to Stage 3	-	-	-
Allowance charge	21	1	22
Recoveries	(80)	(1)	(81)
Foreign exchange adjustments	-	-	-
ECL as at 30 September 2018	18	4	22
Stage 3			
ECLs as at 1 January 2018	17	832	849
Transfers to Stage 1	-	-	-
Transfers to Stage 2	(15)	-	(15)
Transfers to Stage 3	7	-	7
Accounting transfer	-	-	-
Allowance charge	876	181	1,057
Recoveries	(26)	(69)	(95)
Amounts written off	-	(114)	(114)
Foreign exchange adjustments	21	-	21
ECL as at 30 September 2018	880	830	1,710
Total at 1 January 2018	151	836	987
Total at 30 September 2018	970	834	1,804

The movements in provisions according to IAS 36 and IAS 37 were as follows:

	Provision for claims and other commitments mRUB (unaudited)	Provision for repossessed assets mRUB (unaudited)	Total mRUB (unaudited)
Provision as at 1 January 2018	277	495	772
Allowance charge	85	245	330
Recoveries	(108)	(16)	(124)
Amounts written off	(5)	(18)	(23)
Foreign exchange adjustments	15	-	15
Provision as at 30 September 2018	264	706	970
Provision as at 1 January 2019	426	574	1,000
Allowance charge	108	119	227
Recoveries	(34)	(58)	(92)
Amounts written off	(263)	(25)	(288)
Foreign exchange adjustments	(24)	-	(24)
Provision as at 30 September 2019	213	610	823

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

22. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except for forex swaps and forwards

Net loss on financial assets and liabilities at fair value through profit or loss, except for forex swaps and forwards comprises:

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2019	2018	2019	2018
Net gain/(loss) on operations with financial assets and liabilities held-for-trading comprise:				
Realized gain/(loss) on trading operations	(632)	(118)	(194)	(129)
Unrealized revaluation of securities at fair value through profit or loss	416	(12)	106	32
Net gain/(loss) on operations with derivative financial instruments, except for forex swaps and forwards	(812)	(759)	(150)	(279)
Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss, except for forex swaps and forwards	(1,028)	(889)	(238)	(376)

23. Net gain/(loss) on foreign exchange operations

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2019	2018	2019	2018
Net gain/(loss) on foreign exchange operations	2,928	2,362	1,048	1,007
Exchange differences	125	67	123	(41)
Effect of foreign currency swap instruments	(705)	(123)	(409)	(171)
Total net gain/(loss) on foreign exchange operations	2,348	2,306	762	795

24. Fee and commission income and expense

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2019	2018	2019	2018
Fee and commission income:				
Plastic cards operations	3,458	2,791	1,336	1,062
Agency operations	3,220	3,268	970	1,192
Settlements	1,630	1,443	560	508
Documentary operations	972	797	314	298
SMS-informing	888	807	279	307
Internet bank	851	709	320	267
Cash operations	458	471	119	171
Other operations	891	798	267	287
Total fee and commission income	12,368	11,084	4,165	4,092
Fee and commission expense:				
Plastic cards operations	2,159	1,606	815	604
Agency operations	450	364	160	165
Cash operations	386	363	112	116
Settlements	322	275	83	88
Documentary operations	22	44	9	14
Other operations	138	80	77	26
Total fee and commission expense	3,477	2,732	1,256	1,013

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

25. Operating expenses

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2019	2018	2019	2018
Salary and bonuses	13,133	13,054	4,327	4,463
Unified social tax contribution	3,405	3,303	1,024	1,003
Depreciation charge on property and equipment and right-of-use assets	3,551	1,739	1,359	658
Professional services	1,515	1,234	613	353
Deposit insurance charge	1,511	1,173	534	408
Repairs and maintenance expense	1,477	1,538	433	504
Advertising and marketing expenses	841	625	219	193
Communications	722	710	184	250
Operating lease expense	351	1,824	117	591
Security	123	205	50	63
Transportation expenses	59	101	15	37
Other	1,983	1,489	714	427
Total operating expenses	28,671	26,995	9,589	8,950

26. Income tax

The Group measures and records its current income tax payable in its assets and liabilities in accordance with the tax regulations of RF and countries where the Group and its subsidiaries operate, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 30 September 2019 and 31 December 2018 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax - book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits (as defined) under tax law in that jurisdiction.

Based on semi-annual tax business planning exercise, the Group believes that it will generate sufficient taxable profits to recover the deferred tax assets recognized as of 30 September 2019.

Income tax (credit)/expense for 9 month and 3 months ended 30 September 2019 and 2018 comprise:

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2019	2018	2019	2018
Current tax charge	2,701	1,065	649	418
Deferred tax (credit)/charge- origination and reversal of temporary differences and tax loss carried forward	(44)	1,687	332	544
Less: deferred tax recognized directly in other comprehensive income	42	-	(9)	(9)
Income tax (credit)/expense	2,699	2,752	972	953

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

27. Earnings per share attributable to equity holders of the parent

	9 months ended 30 September mRUB (unaudited)		3 months ended 30 September mRUB (unaudited)	
	2019	2018	2019	2018
Profit/(loss)				
Net profit/(loss) attributable to equity holders of the parent for the period (mRUB)	8,937	8,815	2,939	3,454
Weighted average number of ordinary shares				
For basic and diluted earnings per share	1,551,343,435	1,551,401,853	1,551,401,853	1,551,401,853
Earnings per share - basic and diluted (RUB)	5.76	5.68	1.89	2.23

28. Commitments and contingencies

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations. Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

	30 September 2019 mRUB (unaudited)	31 December 2018 mRUB
Litigations and other provisions	213	426
Provision for losses on letters of credit and guarantees	137	257
Total other provisions	350	683

As of 30 September 2019 and 31 December 2018, letters of credit and other transactions related to contingent obligations covered by cash on customers' accounts amounted to RUB 1,161 million and RUB 1,129 million, respectively and guarantees issued covered by cash amounted to RUB 6 million and RUB 65 million, respectively.

As of 30 September 2019 and 31 December 2018, the nominal or contract amounts were:

	30 September 2019 (unaudited)	31 December 2018
	Nominal amount mRUB	Nominal amount mRUB
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	122,108	110,822
Commitments on loans and unused credit lines	114,122	99,146
Letters of credit and other transaction related contingent obligations	41,227	24,642
Total contingent liabilities and credit commitments	277,457	234,610

The Group has commitments to provide funds under credit lines facilities. However, the Group has a right not to exercise such commitments due to certain conditions.

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Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred.

Taxation – The current provisions of the Russian tax legislation are characterized by a significant degree of uncertainty, allow ambiguous interpretation, selective and inconsistent application, and are subject to frequent changes with the possibility of their retrospective application. Every year the approach of the Russian tax authorities in interpreting tax legislation becomes tougher. As a result, previously uncontested approaches to calculating taxes could be challenged in future tax audits.

Russian transfer pricing regulations set out reporting and documentation requirements of the Group's companies aimed to control prices in transactions between related parties. In case the prices applied in controlled transactions differ from the market level, the amounts of taxable income / expenses on such transactions could be disputed by the Russian tax authorities. The sum of potential liabilities from tax authorities pertaining to the transfer pricing could not be estimated. In the management's opinion prices applied by the related parties of the Group in controlled transactions at arm length principle; the Group's methodology for determining market level in transactions between related parties comply with the Russian transfer pricing rules.

Russian tax legislation establishes the order of taxation the controlled foreign companies' profits and relevant reporting requirements. The Group complies with all tax legislation requirements on reporting of controlled foreign companies.

Russian tax legislation establishes the obligation for taxpayers that are constituent entities of a multinational group to submit a Country by country report. Group companies are obliged to provide Russian tax authorities with the following documents: CbCR Notification and CbC report.

Russian tax legislation regulates the procedure for the automatic exchange of information on financial accounts with foreign countries (territories). As part of the requirements for the automatic exchange of information on the financial accounts of a company, the Group is obliged to perform additional procedures to identify its clients, their beneficiaries and (or) persons controlling them, in order to identify tax residents of foreign countries (territories), and to submit annual reports on the accounts of such entities to the Federal Tax Service.

Russian tax legislation sets out a special order for the application of certain provisions of the Double Tax Treaty Agreements. Group companies could be entitled to tax exemption or reduced tax rates stipulated by the Double Tax Treaty for income paid to foreign entities if such entity is a beneficial owner of income. At the same time, for the determining the beneficial owner of income it is possible to use "look through approach". The Group companies have developed a procedure for analyzing and documenting the existence of beneficial owner of income for foreign entities. In the management's opinion the procedures applied by the Group enable to minimize potential tax risks arising from taxation of income in favor of entities.

The Russian tax law sets out the concept of "unjustified tax benefit". Based on this concept Russian tax authorities could refuse in tax deduction input VAT and challenge the deduction expenses for profit tax purposes, due to cumulative risks and deficiencies in the counterparty's activities and transactions with it. In the management' opinion Group companies do not receive unjustified tax benefits from their business.

In the Management's opinion in Q3 2019 the provisions of the tax legislation were appropriately applied to the Group companies.

Operating environment – Emerging markets such as Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

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Because Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2015 and has shown significant degree of volatility over 2016-2019. Management is unable to reliably estimate the effects of any further price fluctuations on the Group's financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. Global geopolitical landscape remains complicated due to stress around numerous regions.

As a consequence of these factors, Russian financial assets have suffered a material rise in volatility over the second half of 2018 and the first 9 months of 2019. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, weakening of the Russian Rouble and other negative economic consequences.

The impact of further political and economic developments in Russian Federation on future operations and financial position of the Group is at this stage difficult to determine.

Share-based payments – The Group engages in cash settled share-based payment transactions in respect of services received from certain employees. The fair value of the services received is measured by reference to the fair value of the shares initially on the date of the grant and then subsequently at each reporting date. The cost of the employee services received in respect of the shares granted is recognized in the interim consolidated statement of profit or loss within administrative expenses, over the period that the services are received, which is the vesting period. A liability equal to the portion of the goods and services received is recognized at the current fair value determined at each balance sheet date for cash settled payments.

29. Transactions with related parties

Transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	30 September 2019 mRUB (unaudited)		31 December 2018 mRUB	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Cash and cash equivalents, gross	111,049	248,332	50,890	191,285
- shareholders	110,778		49,802	
- related parties under common control with the Group	271		1,088	
Financial assets at fair value through profit or loss	11,881	40,922	21,575	43,025
- shareholders	11,801		21,476	
- related parties under common control with the Group	80		99	
Loans to customers, gross	2,822	795,621	2,811	768,035
- key management personnel of the Group	17		4	
- related parties under common control with the Group	2,805		2,807	
Other assets	68	19,169	138	12,660
- shareholders	13		8	
- related parties under common control with the Group	55		130	
Financial liabilities at fair value through profit or loss	22,142	41,265	26,908	41,959
- shareholders	22,142		26,908	
Due to banks and international financial institutions	8,781	41,181	7,523	72,445
- shareholders	8,327		5,273	

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	30 September 2019 mRUB (unaudited)		31 December 2018 mRUB	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
- related parties under common control with the Group	454		2,250	
Customer accounts	5,302	792,429	5,896	740,531
- shareholders	18			
- key management personnel of the Group	187		268	
- related parties under common control with the Group	5,097		5,628	
Debt securities issued	529	118,511	93	99,908
- related parties under common control with the Group	529		93	
Other liabilities	578	17,805	444	11,675
- shareholders	573		428	
- related parties under common control with the Group	5		16	
Subordinated debt	18,751	18,751	31,077	31,077
- shareholders	18,751		31,077	
Perpetual subordinated debt	19,324	19,324	10,421	10,421
- shareholders	19,324		10,421	
Guarantees issued and similar commitments	8,648	122,108	4,567	110,822
- shareholders	3,986		708	
- related parties under common control with the Group	4,662		3,859	
Commitments on loans and unused credit lines	13,058	114,122	13,926	99,146
- shareholders	4,448		5,000	
- key management personnel of the Group	6		8	
- related parties under common control with the Group	8,604		8,918	
Guarantees received	3,409	394,394	4,385	310,879
- shareholders	3,182		4,185	
- related parties under common control with the Group	227		200	

Included in the interim consolidated statements of profit or loss for the 9 months ended 30 September 2019 and 2018 are the following amounts which arose due to transactions with related parties:

	9 months ended 30 September 2019 mRUB (unaudited)		9 months ended 30 September 2018 mRUB (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	1,575	68,619	236	62,779
- shareholders	1,432		151	
- key management personnel of the Group	1		-	
- related parties controlled by, or under common control with the Group	142		85	
Interest expense	(1,922)	(34,258)	(2,097)	(31,918)
- shareholders	(1,753)		(1,795)	
- key management personnel of the Group	(7)		(13)	

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

	9 months ended 30 September 2019		9 months ended 30 September 2018	
	Related party transactions	Total category as per financial statements caption mRUB (unaudited)	Related party transactions	Total category as per financial statements caption mRUB (unaudited)
- related parties under common control with the Group	(162)		(289)	
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	(1,689)	(1,028)	1,521	(889)
- shareholders	(1,689)		1,461	
- related parties under common control with the Group	-		60	
Net gain/(loss) on foreign exchange operations and on precious metals operations	1,017	2,379	(579)	2,279
- shareholders	1,017		(597)	
- related parties under common control with the Group	-		18	
Fee and commission income	2,517	12,368	2,465	11,084
- shareholders	170		107	
- related parties under common control with the Group	2,347		2,358	
Fee and commission expense	(65)	(3,477)	(50)	(2,732)
- shareholders	(64)		(50)	
- related parties under common control with the Group	(1)		-	
Operating expense (other than compensation)	(257)	(12,133)	(265)	(10,638)
- shareholders	(218)		(265)	
- related parties under common control with the Group	(39)		-	
Dividends received	410	410	363	363
- related parties under common control with the Group	410		363	
Other income	10	628	83	818
- shareholders	-		74	
- related parties under common control with the Group	10		9	

For the 9 months ended 30 September 2019 and 2018 total remuneration of the key management amounted to RUB 334 million and RUB 569 million, respectively.

30. Fair value of financial instruments

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IFRS 13 "Fair Value Measurement". Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

- For financial assets and liabilities that have a short term maturity (less than 3 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 maturity.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at variable rates management believes that carrying value may be assumed to be fair value.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at fixed rates fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the interim consolidated statement of financial position of the Group is presented below:

	30 September 2019 (unaudited)		31 December 2018	
	Carrying value, mRUB	Fair value, mRUB	Carrying value, mRUB	Fair value, mRUB
Cash and cash equivalents	248,330	248,330	191,279	191,279
Mandatory cash balances with the Central Bank of the Russian Federation	9,162	9,162	7,722	7,722
Financial assets at fair value through profit or loss				
- <i>Derivative financial instruments</i>	34,158	34,158	42,381	42,381
- <i>Debt securities</i>	6,573	6,573	453	453
- <i>Shares</i>	191	191	191	191
Due from banks	11,877	11,725	9,391	9,280
Loans to customers	756,623	758,443	723,972	731,287
Investments at fair value through other comprehensive income	752	752	46,180	46,180
Investments at amortised cost	83,969	87,313	94,118	93,181
Other financial assets	1,964	1,964	2,516	2,516
Financial liabilities at fair value through profit or loss	41,265	41,265	41,959	41,959
Due to the Central Bank of the Russian Federation	19	19	25	25
Due to banks and international financial institutions	41,181	41,181	72,445	73,120
Customer accounts	792,429	793,232	740,531	739,985
Debt securities issued	118,511	118,807	99,908	98,518
Other financial liabilities	12,532	12,532	8,314	8,314
Subordinated debt	18,751	18,386	31,077	31,300

Assets and liabilities for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts.

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Fair value measurements recognised in the interim consolidated statement of financial position

For the purpose of fair value hierarchy disclosure as at 30 September 2019 and 31 December 2018, the Group has categorized classes of assets and liabilities at fair value into Level 1 to 3 based on the degree to which their fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Balance Sheet Category	30 September 2019, mRUB (unaudited)			31 December 2018, mRUB		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss						
- <i>Derivative financial instruments</i>	-	34,158	-	-	42,381	-
- <i>Debt securities</i>	6,573			453	-	-
- <i>Shares</i>	-	191	-	-	191	-
Investments at fair value through other comprehensive income	752	-	-	46,180	-	-
Loans to individuals at fair value through other comprehensive income	-	2,842	-	-	3,203	-
Financial liabilities at fair value through profit or loss	6,053	35,212	-	1,002	40,957	-

Possibility of transfer from Level 1 to Level 2 category is assessed as low, as liquidity control is performed by Market Risk Department. Control period of liquidity assessment is 90 days from position opening. Market risk department performs liquidity analysis using position turnover, volumes of exchange trades, availability of exchange and brokers quotations. In case of position assessment as insufficiently liquid the necessary actions to close position are taken.

For financial instruments that are recognized at fair value on a recurring basis, the Group 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.

The sensitivity of the fair value measurement to changes in those unobservable inputs indicated above does not result in a significantly higher or lower fair value measurement.

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31. Segment reporting

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 “Operating segments” and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Treasury and Financial institutions – representing all trading financial instruments recognized and measured at fair value through profit and loss as well as loans and borrowings initiated through interbank transactions.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between the operating segments consist only of reallocating of funds. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's marginal funding price. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The main business activity of the Group is concentrated in RF, thus no geographical segmentation is reported.

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Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Treasury and Financial institutions	Unallocated	9 months ended 30 September 2019 (unaudited)
Net interest margin	20,219	7,150	2,390	4,602	34,361
Credit loss expense	(4,478)	(782)	-	(156)	(5,416)
Net gain/(loss) on financial transactions	527	-	959	65	1,551
Net fee and commission income	5,760	2,902	431	(202)	8,891
Other provisions	-	(124)	-	-	(124)
Dividend income	410	-	-	-	410
Other income	91	115	37	385	628
(Expense)/income from other segments	1,918	2,569	207	(4,694)	-
Total operating income	24,447	11,830	4,024	-	40,301
Operating expenses	(23,554)	(3,295)	(1,431)	(391)	(28,671)
(Expense)/income from other segments	(279)	(81)	(31)	391	-
Other non-operating income/(expense)	2	4	-	-	6
Profit before income tax	616	8,458	2,562	-	11,636
Income tax expense	(143)	(1,962)	(594)	-	(2,699)
Net profit/(loss) for the period	473	6,496	1,968	-	8,937
Segment assets as at 30 September 2019 (unaudited)	637,911	479,242	66,763	18,284	1,202,200
Segment liabilities as at 30 September 2019 (unaudited)	405,529	563,874	45,972	17,213	1,032,588

Segment information for 9 months ended 30 September 2018 is presented below:

	Retail banking	Corporate banking	Treasury and financial institutions	Unallocated	9 months ended 30 September 2018 (unaudited)
Net interest margin	19,005	6,911	909	4,036	30,861
Credit loss expense	(2,007)	(1,151)	(2)	207	(2,953)
Net gain/(loss) on financial transactions	375	7	1,146	(71)	1,457
Net fee and commission income	6,372	1,727	331	(78)	8,352
Other provisions	(25)	-	-	(207)	(232)
Dividend income	81	258	24	-	363
Other income	374	23	40	381	818
(Expense)/income from other segments	1,239	2,784	245	(4,268)	-
Total operating income	25,414	10,559	2,693	-	38,666
Operating expenses	(22,386)	(3,193)	(1,456)	40	(26,995)
(Expense)/income from other segments	22	13	5	(40)	-
Other non-operating income/(expense)	(24)	(72)	(8)	-	(104)
Profit before income tax	3,026	7,307	1,234	-	11,567
Income tax expense	(629)	(1,911)	(212)	-	(2,752)
Net profit/(loss) for the period	2,397	5,396	1,022	-	8,815
Segment assets as at 31 December 2018	523,902	553,412	63,168	12,040	1,152,522
Segment liabilities as at 31 December 2018	370,070	549,845	68,532	11,270	999,717

For the purpose of the segment reporting disclosure the category "Net gain/(loss) on financial transactions" includes the following categories:

- Net (loss)/gain on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards;
- Net gain/(loss) on foreign exchange operations;
- Net gain/(loss) on precious metals operations.

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32. Subsequent events

On 1 October 2019 Rusfinance Bank acquired claims under loan agreements from Bank PSA Finance RUS LLC in the amount of RUB 1,594 million.



Acting Chairman of the Management Board
U.V. Ilishkin

20 November 2019
Moscow





Member of the Management Board –
Chief Financial Officer
A.A. Ovchinnikov