VTB BANK

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

31 MARCH 2019

CONTENTS

Совершенствуя бизнес,
улучшаем мир

ООО «Центр аудиторских
технологий и решений»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 00139790
ОГРН: 1167746123478
ИНН: 9705059497

Report on Review of Interim Financial Information

To the Shareholders and Supervisory Council of
VTB Bank (public joint stock company)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of VTB Bank (public joint stock company) and its subsidiaries, which comprise the interim consolidated income statement and interim consolidated statement of comprehensive income for the three-month period ended 31 March 2019, interim consolidated statement of financial position as at 31 March 2019, interim consolidated statement of cash flows and interim consolidated statement of changes in shareholders` equity for the three-month period ended 31 March 2019, and selected notes to the interim condensed consolidated financial statements (interim financial information).

Management of VTB Bank (public joint stock company) is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Совершенствуя бизнес, улучшая мир

Conclusion

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

P.P. Tsebernyak
Partner
Center for Audit Technologies and Solutions, Limited Liability Company

30 May 2019

Details of the entity

Name: VTB Bank (public joint stock company)
Record made in the State Register of Legal Entities on 22 November 2002, State Registration Number 1027739609391.
Address: Russia 190000, Saint-Petersburg, Bolshaya Morskaya st., 29.

Details of the auditor

Name: Center for Audit Technologies and Solutions, Limited Liability Company
Record made in the State Register of Legal Entities on 4 February 2016, State Registration Number 1167746123478.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Center for Audit Technologies and Solutions, Limited Liability Company is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Center for Audit Technologies and Solutions, Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 11603050953.

(IN BILLIONS OF RUSSIAN ROUBLES)

	Note	2019	2018	Change
Interest income calculated using the effective interest method	4	256.1	228.1	12.3%
Other interest income	4	12.6	20.1	-37.3%
Interest expense	4	(157.3)	(126.6)	24.2%
Payments to deposit insurance system	4	(7.2)	(5.3)	35.8%
Net interest income	4	**104.2**	**116.3**	-10.4%
Provision charge for credit losses on debt financial assets	13, 14, 15	(14.3)	(20.5)	-30.2%
Net interest income after charge for credit losses		**89.9**	**95.8**	-6.2%
Net fee and commission income	5	**21.6**	**21.9**	-1.4%
Gains net of losses / (losses net of gains) arising from sale of loans at fair value through profit or loss		1.0	(0.9)	211.1%
Gains net of losses arising from other financial instruments at fair value through profit or loss		11.2	3.2	250.0%
Gains net of losses arising from sale of financial assets at fair value through other comprehensive income		0.1	4.9	-98.0%
Losses net of gains arising from foreign currencies and precious metals		(8.1)	(1.4)	478.6%
Other gains net of losses on financial instruments at amortised cost		1.4	–	n/a
Share in profit of associates and joint ventures		2.4	1.2	100.0%
Gains/(loss) from disposal of subsidiaries and associates		0.1	(0.1)	200.0%
Losses net of gains arising from extinguishment of liabilities		(0.1)	–	n/a
Provision charge for credit losses on credit related commitments and other financial assets	8, 26	(0.9)	(0.3)	200.0%
Reversal of provision for legal claims and other commitments	26	–	0.1	-100.0%
Excess of fair value of acquired net asset over cost	27	5.6	–	n/a
Other operating income		1.3	3.0	-56.7%
Non-interest gains		**14.0**	**9.7**	44.3%
Revenue from operating lease of equipment		7.5	5.7	31.6%
Expenses related to equipment leased out		(4.0)	(3.3)	21.2%
Revenues less expenses from operating leasing		**3.5**	**2.4**	45.8%
Net insurance premiums earned		38.0	62.6	-39.3%
Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs		(40.7)	(56.3)	-27.7%
Revenues less expenses from insurance activity		**(2.7)**	**6.3**	-142.9%
Revenue and other gains from other non-banking activities		15.2	11.1	36.9%
Cost of sales and other expenses from other non-banking activities	7	(12.9)	(11.2)	15.2%
Reversal of impairment of land, premises and intangible assets other than goodwill used in other non-banking activities		1.2	–	n/a
Net (loss)/gain from change in fair value of investment property recognised on revaluation or disposal		(1.2)	0.3	-500.0%
Revenues less expenses from other non-banking activities		**2.3**	**0.2**	1,050.0%
Reversal of impairment/(impairment) of land, premises and intangible assets other than goodwill		0.2	(0.5)	140.0%
Other operating expense		(7.0)	(3.9)	79.5%
Staff costs and administrative expenses	6	(60.7)	(63.1)	-3.8%
Non-interest expenses		**(67.5)**	**(67.5)**	0.0%
Profit before tax		**61.1**	**68.8**	-11.2%
Income tax expense	9	(14.6)	(13.3)	9.8%
Net profit		**46.5**	**55.5**	-16.2%
Net profit/(loss) attributable to:				
Shareholders of the parent		46.6	55.6	-16.2%
Non-controlling interests		(0.1)	(0.1)	0.0%
Basic and diluted earnings per share (expressed in Russian roubles per share)	30	0.00360	0.00430	-16.3%
Basic and diluted earnings per share before loss after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian roubles per share)	30	0.00360	0.00430	-16.3%

Notes № 1-32 form an integral part of these interim condensed consolidated financial statements.

(IN BILLIONS OF RUSSIAN ROUBLES)

	2019	2018
Net profit	**46.5**	**55.5**
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Net result on debt financial assets at fair value through other comprehensive income, net of tax	(0.1)	(4.4)
Cash flow hedges, net of tax	0.1	–
Share of other comprehensive loss of associates and joint ventures	(1.2)	(0.1)
Effect of translation, net of tax	(12.8)	(0.4)
Total other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(14.0)**	**(4.9)**
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Net result on equity instruments at fair value through other comprehensive income	0.9	(0.8)
Total other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	**0.9**	**(0.8)**
Other comprehensive loss, net of tax	**(13.1)**	**(5.7)**
Total comprehensive income	**33.4**	**49.8**
Total comprehensive income/(loss) attributable to:		
Shareholders of the parent	33.7	50.4
Non-controlling interests	(0.3)	(0.6)

Notes № 1-32 form an integral part of these interim condensed consolidated financial statements.

VTB BANK
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH (IN BILLIONS OF RUSSIAN ROUBLES)

	Note	31 March 2019 (unaudited)	31 December 2018	Change
ASSETS				
Cash and short-term funds	10	817.4	935.8	-12.7%
Mandatory cash balances with central banks		114.2	111.1	2.8%
Trading financial assets	11	353.7	298.7	18.4%
∘ Trading financial assets		351.5	264.6	32.8%
∘ Trading financial assets, pledged under repurchase agreements		2.2	34.1	-93.5%
Derivative financial assets	12	143.4	202.5	-29.2%
Due from other banks	13	1,026.4	693.1	48.1%
Loans and advances to customers	14, 32	10,555.0	10,695.2	-1.3%
∘ Loans and advances to customers		10,514.6	10,669.3	-1.4%
∘ Loans and advances to customers, pledged under repurchase agreements		40.4	25.9	56.0%
Investment financial assets	15	339.6	352.6	-3.7%
∘ Investment financial assets		331.8	339.5	-2.3%
∘ Investment financial assets, pledged under repurchase agreements		7.8	13.1	-40.5%
Investments in associates and joint ventures	16	284.3	283.2	0.4%
Assets of disposal groups and non-current assets held for sale	17	24.9	22.0	13.2%
Land, premises and equipment		436.9	402.3	8.6%
Investment property		197.5	197.2	0.2%
Goodwill and other intangible assets		160.0	160.0	0.0%
Deferred income tax asset		129.1	119.6	7.9%
Other assets		259.4	287.3	-9.7%
Total assets		**14,841.8**	**14,760.6**	0.6%
LIABILITIES				
Due to other banks	18	1,529.2	1,425.7	7.3%
Customer deposits	19	10,149.0	10,403.7	-2.4%
Derivative financial liabilities	12	113.6	140.2	-19.0%
Other borrowed funds	20	318.1	329.7	-3.5%
Debt securities issued	21	286.3	259.1	10.5%
Liabilities of disposal groups held for sale	17	0.4	–	n/a
Deferred income tax liability		14.2	12.4	14.5%
Other liabilities		674.2	452.3	49.1%
Total liabilities before subordinated debt		**13,085.0**	**13,023.1**	0.5%
Subordinated debt		210.2	214.5	-2.0%
Total liabilities		**13,295.2**	**13,237.6**	0.4%
EQUITY				
Share capital		659.5	659.5	0.0%
Share premium		433.8	433.8	0.0%
Perpetual loan participation notes		145.7	156.3	-6.8%
Treasury shares and bought back perpetual loan participation notes		(0.4)	(1.0)	-60.0%
Other reserves		69.4	82.4	-15.8%
Retained earnings		240.5	197.0	22.1%
Equity attributable to shareholders of the parent		**1,548.5**	**1,528.0**	1.3%
Non-controlling interests		**(1.9)**	**(5.0)**	-62.0%
Total equity		**1,546.6**	**1,523.0**	1.5%
Total liabilities and equity		**14,841.8**	**14,760.6**	0.6%

Approved for issue and signed on 30 May 2019.

A.L. Kostin
President – Chairman of the Management Board

D.Y. Olyunin
First Deputy President – Chairman of the Management Board

Notes № 1-32 form an integral part of these interim condensed consolidated financial statements.

(IN BILLIONS OF RUSSIAN ROUBLES)

	Note	2019	2018
Cash flows from/ (used in) operating activities			
Interest received		276.1	231.3
Interest paid		(157.1)	(120.2)
Payments to deposit insurance system		(6.1)	(5.3)
Gains earned/ (losses incurred) on operations with trading financial assets and derivative financial instruments		11.9	(0.6)
(Losses incurred)/ gains earned on dealing in foreign currency		(39.3)	10.8
Fees and commissions received		34.2	32.6
Fees and commissions paid		(12.6)	(9.8)
Other operating income received		1.7	3.1
Other operating expenses paid		(2.2)	(4.5)
Revenue received from operating lease of equipment		7.4	5.4
Expenses paid related to equipment leased out		(0.2)	(3.3)
Staff costs and administrative expenses paid		(72.4)	(75.3)
Revenue received from non-banking activities		6.5	7.4
Expenses paid related to non-banking activities		(6.5)	(10.8)
Net insurance premiums received		37.9	69.6
Net insurance claims paid		(2.1)	(10.4)
Income tax paid		(16.3)	(11.2)
Cash flows from operating activities before changes in operating assets and liabilities		**60.9**	**108.8**
Net (increase)/ decrease in operating assets			
Net (increase)/ decrease in mandatory cash balances with central banks		(2.3)	3.7
Net increase in restricted cash		–	(0.9)
Net decrease in correspondent accounts in precious metals		0.5	27.4
Net increase in trading financial assets		(24.1)	(67.4)
Net increase in due from other banks		(348.4)	(140.2)
Net decrease/ (increase) in loans and advances to customers		93.9	(72.9)
Net (increase)/ decrease in other assets		(32.3)	42.2
Net (decrease)/ increase in operating liabilities			
Net increase/ (decrease) in due to other banks		123.5	(60.8)
Net (decrease)/ increase in customer deposits		(141.9)	171.7
Net increase/ (decrease) in debt securities issued other than bonds issued		1.4	(4.1)
Net increase/ (decrease) in other liabilities		117.9	(19.1)
Net cash used in operating activities		**(150.9)**	**(11.6)**
Cash flows (used in) / from investing activities			
Dividends and other distributions received		2.5	0.1
Proceeds from redemption and sale of investment financial assets		65.7	15.0
Purchase of investment financial assets		(30.2)	(13.3)
Purchase of subsidiaries, net of cash	27	5.9	–
Disposal of subsidiaries, net of cash		–	0.5
Acquisition of shares in associates		(0.1)	(138.2)
Proceeds from sale of shares in associates and other distributions		–	4.6
Purchase of land, premises and equipment		(3.1)	(7.1)
Proceeds from sale of land, premises and equipment		0.7	1.2
Purchase or construction of investment property		(1.8)	(2.2)
Proceeds from sale of investment property		1.1	0.3
Purchase of intangible assets		(1.7)	(1.7)
Net cash from / (used in) investing activities		**39.0**	**(140.8)**

(IN BILLIONS OF RUSSIAN ROUBLES) (CONTINUED)

	Note	2019	2018
Cash flows from/ (used in) financing activities			
Proceeds, net of repayment, from short-term local bonds issued		26.6	(6.1)
Proceeds from local bonds issued		4.5	–
Repayment of local bonds		(2.1)	–
Buy-back of local bonds		(0.2)	(4.0)
Proceeds from sale of previously bought-back local bonds		0.1	1.6
Repayment of Eurobonds		–	(30.8)
Buy-back of Eurobonds		(2.0)	(0.1)
Proceeds from sale of previously bought-back Eurobonds		0.9	0.1
Repayment of syndicated loans		(0.9)	(0.8)
Proceeds from other borrowings and funds from local central banks		342.8	9.4
Repayment of other borrowings and funds from local central banks		(349.0)	(6.4)
Purchase of shares in subsidiaries from non-controlling interests		(1.3)	–
Cash received from sale of treasury shares		0.6	2.2
Cash paid for treasury shares		(0.2)	(1.0)
Buy-back of perpetual loan participation notes		(3.2)	(1.9)
Proceeds from sale of previously bought-back perpetual loan participation notes		3.4	2.5
Net cash from/ (used in) financing activities		**20.0**	**(35.3)**
Effect of exchange rate changes on cash and cash equivalents		(26.0)	(5.1)
Net decrease in cash and cash equivalents		**(117.9)**	**(192.8)**
At the beginning of period	10	**929.3**	**738.1**
At the end of period	10	**811.4**	**545.3**

Notes № 1-32 form an integral part of these interim condensed consolidated financial statements.

(IN BILLIONS OF RUSSIAN ROUBLES)

	Attributable to shareholders of the parent								
	Share capital	Share premium	Perpetual loan partici-pation notes	Treasury shares and bought back perpetual loan partici-pation loan notes	Other reserves	Retained earnings (Note 32)	Total	Non-controlling interests	Total equity
Balance at 1 January 2018	**659.5**	**433.8**	**129.6**	**(3.3)**	**54.1**	**126.6**	**1,400.3**	**10.5**	**1,410.8**
Net result from treasury shares transactions	–	–	–	1.1	–	–	**1.1**	–	**1.1**
Net result from bought-back perpetual loan participation notes transactions	–	–	–	0.6	–	0.2	**0.8**	–	**0.8**
Profit/(loss) for the period	–	–	–	–	–	55.6	**55.6**	(0.1)	**55.5**
Other comprehensive loss	–	–	–	–	(5.2)	–	**(5.2)**	(0.5)	**(5.7)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**(5.2)**	**55.6**	**50.4**	**(0.6)**	**49.8**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.1)	0.1	**–**	–	**–**
Share-based payments	–	–	–	–	–	(0.7)	**(0.7)**	–	**(0.7)**
Foreign exchange translation of perpetual loan participation notes	–	–	(0.8)	–	–	0.8	**–**	–	**–**
Tax effect recognised on perpetual loan participation notes	–	–	–	–	–	(0.2)	**(0.2)**	–	**(0.2)**
Balance at 31 March 2018	**659.5**	**433.8**	**128.8**	**(1.6)**	**48.8**	**182.4**	**1,451.7**	**9.9**	**1,461.6**
Balance at 1 January 2019	**659.5**	**433.8**	**156.3**	**(1.0)**	**82.4**	**197.0**	**1,528.0**	**(5.0)**	**1,523.0**
Impact of adopting IFRS 16 at 1 January 2019 (Note 31)	–	–	–	–	–	(6.7)	**(6.7)**	–	**(6.7)**
Balance at 1 January 2019 after adoption	**659.5**	**433.8**	**156.3**	**(1.0)**	**82.4**	**190.3**	**1,521.3**	**(5.0)**	**1,516.3**
Net result from treasury shares transactions	–	–	–	0.4	–	–	**0.4**	–	**0.4**
Net result from bought-back perpetual loan participation notes transactions	–	–	–	0.2	–	–	**0.2**	–	**0.2**
Profit/(loss) for the period	–	–	–	–	–	46.6	**46.6**	(0.1)	**46.5**
Other comprehensive loss	–	–	–	–	(12.9)	–	**(12.9)**	(0.2)	**(13.1)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**(12.9)**	**46.6**	**33.7**	**(0.3)**	**33.4**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.1)	0.1	**–**	–	**–**
Share-based payments	–	–	–	–	–	(0.3)	**(0.3)**	–	**(0.3)**
Acquisition of subsidiaries (Note 27)	–	–	–	–	–	0.6	**0.6**	4.8	**5.4**
Acquisition of non-controlling interests	–	–	–	–	–	1.7	**1.7**	(1.1)	**0.6**
Put options over non-controlling interests (Note 27)	–	–	–	–	–	(4.1)	**(4.1)**	–	**(4.1)**
Foreign exchange translation of perpetual loan participation notes	–	–	(10.6)	–	–	10.6	**–**	–	**–**
Tax effect recognised on perpetual loan participation notes	–	–	–	–	–	(2.1)	**(2.1)**	–	**(2.1)**
Dividends declared and other distributions to shareholders (Notes 16, 22)	–	–	–	–	–	(2.9)	**(2.9)**	(0.3)	**(3.2)**
Balance at 31 March 2019	**659.5**	**433.8**	**145.7**	**(0.4)**	**69.4**	**240.5**	**1,548.5**	**(1.9)**	**1,546.6**

1. PRINCIPAL ACTIVITIES

VTB Bank and its subsidiaries (the "Group") comprise Russian and foreign commercial banks, insurance, leasing and other entities controlled by the Group.

VTB Bank, formerly known as Vneshtorgbank (the "Bank", or "VTB"), was formed as Russia's foreign trade bank under the laws of the Russian Federation on 17 October 1990. In 1998, following several reorganisations, VTB was reorganised into an open joint stock company. In October 2006 the Group started re-branding to change its name from Vneshtorgbank to VTB. In March 2007, the Bank for Foreign Trade was renamed into "VTB Bank" (Open Joint Stock Company). In June 2015, "VTB Bank" (Open Joint Stock Company) was renamed into VTB Bank (Public Joint Stock Company) in accordance with the legislative requirements.

On 2 January 1991, VTB received a general banking license (number 1000) from the Central Bank of the Russian Federation (CBR). In addition, VTB holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer and a custodian, and providing asset management and special depositary services. VTB and other Russian banks within the Group are regulated and supervised by the CBR. Foreign banks within the Group operate under the bank regulatory regimes of their respective countries.

On 29 December 2004, the Bank became a member of the obligatory deposit insurance system provided by the State Corporation "Deposit Insurance Agency" (DIA). The Group subsidiary banks in Russia: "BM-Bank", JSC, "Vozrozhdenie Bank", PJSC, "Sarovbusinessbank", PJSC and "Zapsibcombank", PJSC are also members of the obligatory deposit insurance system provided by DIA. The State deposit insurance scheme implies that DIA guarantees repayment of individual deposits up to the maximum total guaranteed amount of RUR 1.4 million with a 100% compensation of deposited amount from 29 December 2014. Starting 2019, the same guaranties are implied to deposits of legal entities referred to 'small entities' as it stated in legislation of the RF.

On 5 October 2005, VTB re-registered its legal address to 29 Bolshaya Morskaya Street, Saint-Petersburg 190000, Russian Federation. VTB's Head Office is located in Moscow.

The Group operates in the corporate and investment banking, retail banking, real estate and other sectors. Corporate and investment banking include deposit taking and commercial lending, support of clients' export/import transactions, foreign exchange, securities trading and trading in derivative financial instruments. The Group's operations are conducted in both Russian and international markets. The Group conducts its banking business in Russia through VTB as a parent and several subsidiary banks.

The Group operates outside Russia through 8 subsidiary banks, located in Germany, the UK, Armenia, Belarus, Kazakhstan, Azerbaijan, Georgia and Angola; through 3 representative offices located in Italy, China and Kyrgyzskaya Republic; through 2 VTB branches in China and India, a branch of "VTB Bank (Europe)" in Austria and a branch of "VTB Capital", Plc in Singapore. The Group investment banking division also engages in securities dealing and financial advisory in Hong Kong and investment banking operations in Bulgaria.

VTB's majority shareholder is the Russian Federation, acting through the Federal Property Agency, which holds 60.9% of VTB's issued and outstanding ordinary shares as at 31 March 2019 (31 December 2018: 60.9%).

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements as at 31 March 2019 and for the three-month period ended 31 March 2019 ("financial statements") have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. As a result, they do not include all of the information required by International Financial Reporting Standards (IFRS) for a complete set of financial statements. The Bank and its subsidiaries and associates maintain their accounting records in accordance with regulations applicable in their country of registration. These interim condensed consolidated financial statements are based on those accounting books and records, as adjusted and reclassified to comply with IAS 34, *Interim Financial Reporting.*

These interim condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, by the revaluation of land, premises and investment properties, financial instruments at fair value through other comprehensive income and through profit or loss, by assets of disposal groups held for sale measured at the lower of carrying value and fair value less costs to sell, and property held for sale in the ordinary course of business measured at the lower of cost and net realisable value.

Income tax expense in respect of the current tax assets and liabilities is recognised based on the income tax rates enacted as at the end of the reporting period in relevant tax jurisdictions where the Group is present. Income tax expense in respect of the deferred tax assets and liabilities is measured at the income tax rates that are expected to apply to the period when deferred tax assets are realized or tax liabilities are settled based on the income tax rates officially enacted as at the end of the reporting period.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as at 31 December 2018. Operating results for the three-month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019.

These interim condensed consolidated financial statements are presented in Russian roubles (RUR), the national currency of the Russian Federation, where the Bank is domiciled.

Unless otherwise noted herein, all amounts are expressed in billions of Russian roubles rounded off to one decimal. Due to rounding, numbers presented throughout this document may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as at the date of the financial statements. Actual results can differ significantly from such estimates. Judgments and significant estimates in these financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of new and revised Standards effective as of 1 January 2019. The nature and the effect of these changes are disclosed in Note 31 below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

DELVING INTO NUMBERS

3. ANALYSIS BY SEGMENT

In accordance with IFRS 8, *Operating Segments*, the Group has defined five reportable segments.

- Corporate-Investment banking (CIB);
- Small and Medium banking (SMB);
- Retail business (RB);
- Treasury;
- Other business.

The Group has also separately disclosed information on its Corporate Centre.

The Group also disclosed a new acquisition - non distributed item as a separate reportable segment that presents data on subsidiary banks acquired in the fourth quarter of 2018 and in the first quarter of 2019. As control over the subsidiary banks was obtained only recently, the Group has not yet allocated the respective data to reportable segments. Following further integration of activities of the subsidiary banks into the Group's global business lines, the data on the subsidiary banks will be presented within the reportable segments listed above.

The composition of the reportable segments is approved by resolutions of VTB Group's Management Committee (Chief Decision Makers), the body that on a regular basis assesses performance of the reportable segments and allocates resources to them.

3. ANALYSIS BY SEGMENT (CONTINUED)

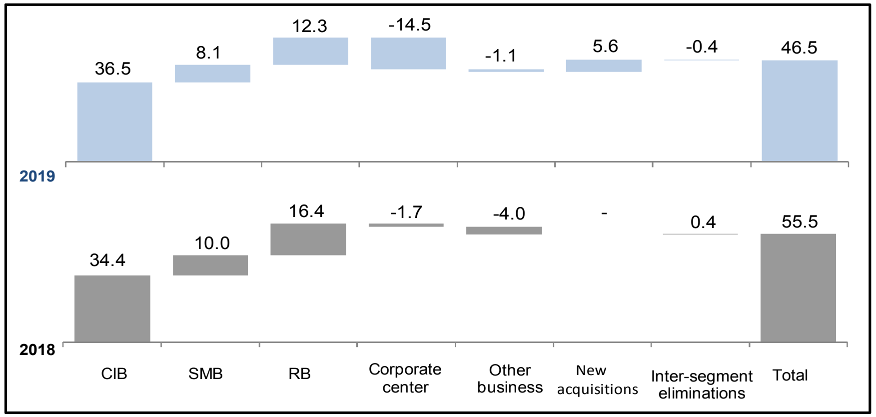
For the three-month period ended 31 March (unaudited)	Corporate-Investment banking (CIB)		Small and Medium banking (SMB)		Retail business (RB)		Treasury		Corporate centre		Other business		New acquisitions – non distributed		Inter-segment eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues from:																		
External customers	170.3	141.2	36.2	31.0	154.6	172.8	15.6	22.2	0.2	1.0	13.2	8.6	4.5	n/a	–	–	394.6	376.8
Other segments	63.5	58.9	26.1	22.1	65.5	58.2	195.2	178.5	–	–	1.2	1.7	0.3	n/a	(351.8)	(319.4)	–	–
Total revenues	**233.8**	**200.1**	**62.3**	**53.1**	**220.1**	**231.0**	**210.8**	**200.7**	**0.2**	**1.0**	**14.4**	**10.3**	**4.8**	**n/a**	**(351.8)**	**(319.4)**	**394.6**	**376.8**
Segment income and expense:																		
Interest income	190.5	175.7	54.1	45.4	157.2	146.4	210.1	195.6	–	0.1	1.3	1.6	3.9	n/a	(348.4)	(316.6)	268.7	248.2
Interest expense	(158.7)	(138.7)	(38.7)	(32.2)	(108.6)	(96.4)	(190.8)	(169.1)	(0.1)	(0.1)	(6.8)	(6.8)	(1.9)	n/a	348.3	316.7	(157.3)	(126.6)
Payments to deposit insurance system	–	–	(0.9)	(0.1)	(6.1)	(5.2)	–	–	–	–	–	–	(0.2)	n/a	–	–	(7.2)	(5.3)
Treasury result allocation	(1.2)	7.3	0.9	4.2	5.6	7.6	1.9	(25.3)	(9.5)	3.8	2.3	2.4	–	n/a	–	–	–	–
Net interest income/(expense)	**30.6**	**44.3**	**15.4**	**17.3**	**48.1**	**52.4**	**21.2**	**1.2**	**(9.6)**	**3.8**	**(3.2)**	**(2.8)**	**1.8**	**n/a**	**(0.1)**	**0.1**	**104.2**	**116.3**
(Provision charge) / reversal of provision for credit losses on debt financial assets	3.0	(6.0)	(3.1)	(3.1)	(13.2)	(12.0)	–	0.8	–	–	–	(0.2)	(1.0)	n/a	–	–	(14.3)	(20.5)
Net interest income/(expense) after provision charge for credit losses	**33.6**	**38.3**	**12.3**	**14.2**	**34.9**	**40.4**	**21.2**	**2.0**	**(9.6)**	**3.8**	**(3.2)**	**(3.0)**	**0.8**	**n/a**	**(0.1)**	**0.1**	**89.9**	**95.8**
Net fee and commission income	3.7	5.1	6.3	6.3	10.3	9.8	0.4	0.3	–	–	0.1	0.1	0.7	n/a	0.1	0.3	21.6	21.9
Gains net of losses / (losses net of gains) arising from financial instruments and foreign currencies	22.9	5.4	0.6	0.5	1.6	1.8	(21.6)	(2.2)	–	–	2.5	0.5	–	n/a	(0.5)	(0.2)	5.5	5.8
Share in profit/(loss) of associates and joint ventures	0.4	0.7	0.1	0.1	1.6	–	(0.1)	0.2	0.1	0.9	0.3	(0.7)	–	n/a	–	–	2.4	1.2
Gains from disposal of subsidiaries and associates	–	–	–	–	–	–	0.1	–	–	–	–	(0.1)	–	n/a	–	–	0.1	(0.1)
Provision charge for impairment of other assets, credit related commitments and legal claims	–	1.1	(0.7)	(1.1)	(0.2)	0.1	–	(0.2)	–	–	–	(0.1)	–	n/a	–	–	(0.9)	(0.2)
Other operating income/(expense)	5.4	4.6	0.4	0.4	(9.7)	2.9	–	(0.1)	–	(0.1)	1.7	(0.1)	5.5	n/a	(0.1)	(0.1)	3.2	7.5
Net operating income/ (expense)	**66.0**	**55.2**	**19.0**	**20.4**	**38.5**	**55.0**	**–**	**–**	**(9.5)**	**4.6**	**1.4**	**(3.4)**	**7.0**	**n/a**	**(0.6)**	**0.1**	**121.8**	**131.9**
Staff costs and administrative expenses	(17.9)	(13.2)	(8.9)	(7.8)	(23.7)	(34.3)	–	–	(6.5)	(6.2)	(2.5)	(1.8)	(1.3)	n/a	0.1	0.2	(60.7)	(63.1)
Profit/(loss) before tax	**48.1**	**42.0**	**10.1**	**12.6**	**14.8**	**20.7**	**–**	**–**	**(16.0)**	**(1.6)**	**(1.1)**	**(5.2)**	**5.7**	**n/a**	**(0.5)**	**0.3**	**61.1**	**68.8**
Income tax (expense)/benefit	(11.6)	(7.6)	(2.0)	(2.6)	(2.5)	(4.3)	–	–	1.5	(0.1)	–	1.2	(0.1)	n/a	0.1	0.1	(14.6)	(13.3)
Net profit/(loss)	**36.5**	**34.4**	**8.1**	**10.0**	**12.3**	**16.4**	**–**	**–**	**(14.5)**	**(1.7)**	**(1.1)**	**(4.0)**	**5.6**	**n/a**	**(0.4)**	**0.4**	**46.5**	**55.5**

3. ANALYSIS BY SEGMENT (CONTINUED)

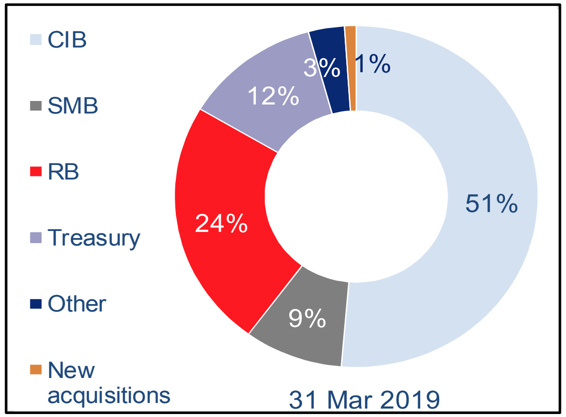
For the three-month period ended	Corporate-Investment banking (CIB)		Small and Medium banking (SMB)		Retail business (RB)		Treasury		Corporate centre		Other business		New acquisitions – non distributed		Inter-segment eliminations		Total	
31 March (unaudited)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net profit/(loss)	**36.5**	**34.4**	**8.1**	**10.0**	**12.3**	**16.4**	**–**	**–**	**(14.5)**	**(1.7)**	**(1.1)**	**(4.0)**	**5.6**	**n/a**	**(0.4)**	**0.4**	**46.5**	**55.5**
Net result on debt financial assets at fair value through other comprehensive income, net of tax	1.1	(1.2)	–	–	–	–	(0.3)	(3.7)	–	–	–	–	0.1	n/a	(0.1)	(0.3)	0.8	(5.2)
Cash flow hedges, net of tax	0.1	–	–	–	–	–	–	–	–	–	–	–	–	n/a	–	–	0.1	–
Share of other comprehensive loss of associates and joint ventures	–	–	–	–	–	–	(1.3)	(0.1)	0.1	–	–	–	–	n/a	–	–	(1.2)	(0.1)
Effect of translation, net of tax	–	–	–	–	–	–	(12.8)	(0.4)	–	–	–	–	–	n/a	–	–	(12.8)	(0.4)
Total other comprehensive income/(loss) before treasury result allocation	**1.2**	**(1.2)**	**–**	**–**	**–**	**–**	**(14.4)**	**(4.2)**	**0.1**	**–**	**–**	**–**	**0.1**	**n/a**	**(0.1)**	**(0.3)**	**(13.1)**	**(5.7)**
Treasury result allocation	0.2	(0.3)	–	(0.2)	–	(0.1)	14.4	4.2	(14.6)	(3.6)	–	–	–	n/a	–	–	–	–
Total other comprehensive income/(loss)	**1.4**	**(1.5)**	**–**	**(0.2)**	**–**	**(0.1)**	**–**	**–**	**(14.5)**	**(3.6)**	**–**	**–**	**0.1**	**n/a**	**(0.1)**	**(0.3)**	**(13.1)**	**(5.7)**
Total comprehensive income/(loss)	**37.9**	**32.9**	**8.1**	**9.8**	**12.3**	**16.3**	**–**	**–**	**(29.0)**	**(5.3)**	**(1.1)**	**(4.0)**	**5.7**	**n/a**	**(0.5)**	**0.1**	**33.4**	**49.8**

3. ANALYSIS BY SEGMENT (CONTINUED)

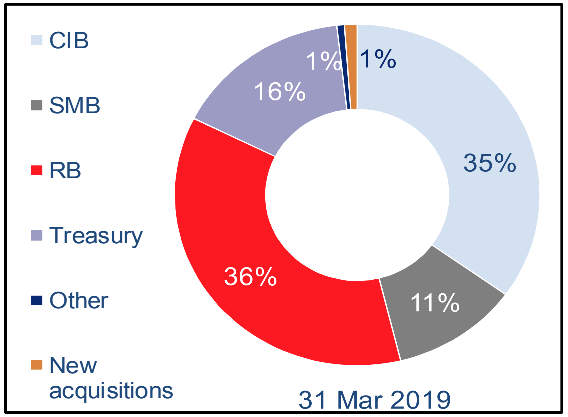
Net (loss)/profit after tax by segment



Segment assets



Segment liabilities



	Corporate-Investment banking (CIB)		Small and Medium banking (SMB)		Retail business (RB)		Treasury		Corporate centre		Other business		New acquisitions – non distributed		Inter-segment eliminations		Total	
	31 March 2019 (unaudited)	31 December 2018	31 March 2019 (unaudited)	31 December 2018	31 March 2019 (unaudited)	31 December 2018	31 March 2019 (unaudited)	31 December 2018	31 March 2019 (unaudited)	31 December 2018	31 March 2019 (unaudited)	31 December 2018	31 March 2019 (unaudited)	31 December 2018	31 March 2019 (unaudited)	31 December 2018	31 March 2019 (unaudited)	31 December 2018
Cash and short-term funds	18.3	25.8	–	–	82.7	103.6	700.6	788.8	–	–	0.1	0.1	15.7	17.5	–	–	817.4	935.8
Mandatory cash balances with central banks	–	–	–	–	–	–	113.1	109.4	–	–	–	–	1.1	1.7	–	–	114.2	111.1
Due from other banks	595.3	207.4	–	–	23.2	22.2	392.1	443.2	3.0	4.9	–	–	12.8	15.4	–	–	1,026.4	693.1
Loans and advances to customers	6,020.9	6,368.1	1,213.5	1,132.8	2,906.3	2,694.7	323.5	358.7	(22.2)	(29.1)	15.2	15.1	97.8	154.9	–	–	10,555.0	10,695.2
Other financial instruments	366.2	389.4	0.3	0.3	166.4	138.2	267.0	287.7	0.3	–	16.0	13.7	20.5	24.5	–	–	836.7	853.8
Investments in associates and joint ventures	170.6	167.3	0.7	0.6	75.3	73.8	4.2	7.3	19.3	20.5	14.2	13.7	–	–	–	–	284.3	283.2
Other assets	444.1	472.8	91.4	78.5	228.3	197.4	9.1	14.0	17.1	2.2	411.4	408.8	6.4	14.7	–	–	1,207.8	1,188.4
Net amount of intersegment settlements	–	–	310.0	347.3	1,610.7	1,576.0	857.8	760.8	12.5	22.2	–	–	22.0	15.7	(2,813.0)	(2,722.0)	–	–
Segment assets	**7,615.4**	**7,630.8**	**1,615.9**	**1,559.5**	**5,092.9**	**4,805.9**	**2,667.4**	**2,769.9**	**30.0**	**20.7**	**456.9**	**451.4**	**176.3**	**244.4**	**(2,813.0)**	**(2,722.0)**	**14,841.8**	**14,760.6**
Due to other banks	582.0	346.0	0.7	1.8	0.1	0.1	944.6	1,076.7	–	–	–	–	1.8	1.1	–	–	1,529.2	1,425.7
Customer deposits	3,514.4	3,874.8	1,456.8	1,404.8	4,410.1	4,201.6	621.0	702.2	–	–	4.2	4.6	142.5	215.7	–	–	10,149.0	10,403.7
Other borrowed funds	156.6	167.2	0.8	0.8	0.4	0.4	160.3	159.4	–	–	–	–	–	1.9	–	–	318.1	329.7
Debt securities issued	30.4	25.2	17.6	19.4	95.2	93.0	142.2	118.4	–	–	–	–	0.9	3.1	–	–	286.3	259.1
Subordinated debt	–	–	–	–	–	–	209.7	211.5	–	–	–	–	0.5	3.0	–	–	210.2	214.5
Other liabilities	355.6	270.1	23.4	14.6	311.9	231.2	23.5	12.6	13.7	2.1	71.2	69.8	3.1	4.5	–	–	802.4	604.9
Net amount of intersegment settlements	2,416.1	2,331.5	–	–	–	–	–	–	–	–	396.9	390.5	–	–	(2,813.0)	(2,722.0)	–	–
Segment liabilities	**7,055.1**	**7,014.8**	**1,499.3**	**1,441.4**	**4,817.7**	**4,526.3**	**2,101.3**	**2,280.8**	**13.7**	**2.1**	**472.3**	**464.9**	**148.8**	**229.3**	**(2,813.0)**	**(2,722.0)**	**13,295.2**	**13,237.6**

4. INTEREST INCOME AND EXPENSE

	For the three-month period ended 31 March (unaudited)	
	2019	2018
Interest income calculated using the effective interest method		
Financial assets measured at amortised cost		
• Loans and advances to customers	237.9	211.3
• Due from other banks	12.1	9.6
• Investment financial assets	0.2	0.3
Debt financial assets measured at fair value through other comprehensive income	5.9	6.9
Total interest income calculated using the effective interest method	**256.1**	**228.1**
Other interest income		
Net investments in finance lease	6.6	6.0
Financial assets at fair value through profit or loss	6.0	14.1
Total other interest income	**12.6**	**20.1**
Total interest income	**268.7**	**248.2**
Interest expense		
Customer deposits	(119.2)	(100.9)
Due to other banks and other borrowed funds	(29.9)	(17.2)
Debt securities issued	(3.9)	(5.4)
Subordinated debt	(3.0)	(3.1)
Total interest expense calculated using the effective interest method	**(156.0)**	**(126.6)**
Interest expense on lease liabilities	(1.0)	–
Advances received under construction agreements	(0.3)	–
Total interest expense	**(157.3)**	**(126.6)**
Payments to deposit insurance system	**(7.2)**	**(5.3)**
Net interest income	**104.2**	**116.3**

5. NET FEE AND COMMISSION INCOME

	For the three-month period ended 31 March (unaudited)	
	2019	2018
Commission on settlement transactions and trade finance	18.7	17.8
Fees received for insurance products distribution and other agency services	6.2	4.4
Commission on cash transactions	2.8	2.5
Commission on guarantees and other credit related commitments issued	2.6	2.6
Commission on securities and capital markets transactions	2.0	2.2
Other	1.3	1.5
Total fee and commission income	**33.6**	**31.0**
Commission on settlement transactions and trade finance	(10.2)	(7.5)
Commission on cash transactions	(0.7)	(0.5)
Commission on securities and capital markets transactions	(0.4)	(0.3)
Commission on guarantees and other credit related facilities received	(0.3)	(0.3)
Other	(0.4)	(0.5)
Total fee and commission expense	**(12.0)**	**(9.1)**
Net fee and commission income	**21.6**	**21.9**

6. STAFF COSTS AND ADMINISTRATIVE EXPENSES

	For the three-month period ended 31 March (unaudited)	
	2019	2018
Staff costs	35.4	35.5
Defined contribution pension expense	5.1	4.2
Depreciation and other expenses related to premises and equipment	6.9	5.3
Advertising expenses	3.1	3.1
Amortisation and other expenses related to intangibles, except for amortisation of core deposit and customer loan intangible	2.7	3.3
Charity	1.8	2.9
Professional services	1.4	1.3
Post and telecommunication expenses	0.9	1.1
Taxes other than on income	0.9	0.8
Leasing and rent expenses	0.7	4.0
Security expenses	0.5	0.4
Transport expenses	0.5	0.2
Insurance	0.2	–
Amortisation of core deposit and customer loan intangible	–	0.7
Other	0.6	0.3
Total staff costs and administrative expenses	**60.7**	**63.1**

7. COST OF SALES AND OTHER EXPENSES FROM OTHER NON-BANKING ACTIVITIES

	For the three-month period ended 31 March (unaudited)	
	2019	2018
Cost of sales	8.2	6.0
Administrative expenses	3.0	2.9
Staff costs	1.0	0.9
Depreciation and amortisation	0.5	0.2
Expenses from write-down of property held for sale in the ordinary course of business and impairment of other assets related to non-banking activities	0.2	1.2
Total cost of sales and other expenses from other non-banking activities	**12.9**	**11.2**

8. ALLOWANCE FOR IMPAIRMENT OF OTHER FINANCIAL ASSETS

The movements in allowances for impairment of other financial assets measured at amortised cost were as follows:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2018	**1.0**	**1.3**	**1.5**	**–**	**3.8**
Transfer to lifetime ECL credit-impaired	–	(0.1)	0.1	–	**–**
Net remeasurement of loss allowance	0.1	(0.2)	(0.1)	–	**(0.2)**
Write-offs	(0.1)	–	–	–	**(0.1)**
Foreign exchange	–	(0.1)	–	–	**(0.1)**
Balance at 31 March 2018 (unaudited)	**1.0**	**0.9**	**1.5**	**–**	**3.4**
Balance at 1 January 2019	**0.6**	**1.0**	**1.2**	**–**	**2.8**
Net remeasurement of loss allowance	–	0.1	0.1	–	**0.2**
Write-offs	–	(0.2)	–	–	**(0.2)**
Recoveries of amounts written-off in previous periods	–	0.1	–	–	**0.1**
Balance at 31 March 2019 (unaudited)	**0.6**	**1.0**	**1.3**	**–**	**2.9**

9. INCOME TAX

Income tax expense comprises the following:

	For the three-month period ended 31 March (unaudited) 2019	2018
Current income tax expense	16.9	10.5
Deferred income tax (benefit)/expense due to the origination and reversal of temporary differences	(2.3)	2.8
Income tax expense for the period	**14.6**	**13.3**

The Group's effective income tax rate for the three-month period ended 31 March 2019 was 23.9% (for the three months ended 31 March 2018: 19.3%). The effective income tax rate for the three-month period ended 31 March 2019 differs from the theoretical tax rate mainly due to non-deductible expenses.

10. CASH AND SHORT-TERM FUNDS

	31 March 2019 (unaudited)	31 December 2018
Cash on hand	299.9	328.6
Cash balances (other than mandatory) with central banks	287.7	386.0
Correspondent accounts with other banks	229.8	221.3
Less: allowance for impairment of correspondent accounts	–	(0.1)
Total cash and short-term funds	**817.4**	**935.8**
Less: correspondent accounts in precious metals	(5.9)	(6.4)
Less: restricted cash	(0.1)	(0.1)
Total cash and cash equivalents	**811.4**	**929.3**

The following table shows reconciliation from the opening to the closing balance of the allowance for impairment for correspondent accounts with other banks by class:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2018	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2018 (unaudited)	**–**	**–**	**–**	**–**	**–**
Balance at 1 January 2019	**0.1**	**–**	**–**	**–**	**0.1**
Foreign exchange	(0.1)	–	–	–	**(0.1)**
Balance at 31 March 2019 (unaudited)	**–**	**–**	**–**	**–**	**–**

11. TRADING FINANCIAL ASSETS

	31 March 2019 (unaudited)	31 December 2018
Trading financial assets		
Debt securities	305.2	225.0
Equity securities	46.3	39.6
Total trading financial assets	**351.5**	**264.6**
Trading financial assets, pledged under repurchase agreements		
Debt securities	1.7	33.9
Equity securities	0.5	0.2
Total trading financial assets, pledged under repurchase agreements	**2.2**	**34.1**
Total trading financial assets	**353.7**	**298.7**

At 31 March 2019, debt securities are mostly those issued by the state and financial companies; equity securities are mostly represented by those issued by metals and railway companies.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange and other financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. The table below includes derivative contracts outstanding at 31 March 2019 and 31 December 2018:

	31 March 2019 (unaudited)		31 December 2018	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Derivative financial assets and liabilities at fair value through profit or loss held for trading				
Interest rate contracts	69.2	(44.7)	114.0	(64.3)
Foreign exchange and precious metals contracts	40.6	(38.0)	55.0	(47.3)
Contracts with securities	9.9	(5.3)	9.3	(3.4)
Contracts with commodities	21.5	(23.1)	22.7	(22.2)
Contracts with other underlyings	2.2	(2.3)	1.4	(2.7)
Total derivative financial assets and liabilities at fair value through profit or loss held for trading	**143.4**	**(113.4)**	**202.4**	**(139.9)**
Derivative financial assets and liabilities designated as hedging instruments				
Derivatives held as fair value hedges	–	–	0.1	–
Derivatives held as cash flow hedges	–	(0.2)	–	(0.3)
Total derivative financial assets and liabilities designated as hedging instruments	**–**	**(0.2)**	**0.1**	**(0.3)**
Total derivative financial assets and liabilities	**143.4**	**(113.6)**	**202.5**	**(140.2)**

13. DUE FROM OTHER BANKS

	31 March 2019 (unaudited)	31 December 2018
Due from other banks at amortised cost	1,013.2	686.1
Less: impairment loss allowance	(0.7)	(0.6)
Total net due from other banks at amortised cost	**1,012.5**	**685.5**
Due from other banks at fair value through profit or loss	13.9	7.6
Total due from other banks	**1,026.4**	**693.1**

The following table shows reconciliation from the opening to the closing balance of the allowance for impairment for due from other banks at amortised cost, including pledged under repurchase agreements by class:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	**Total**
Balance at 1 January 2018	**1.0**	**–**	**0.1**	**–**	**1.1**
Net remeasurement of loss allowance	(0.2)	–	–	–	**(0.2)**
Foreign exchange	0.1	–	–	–	**0.1**
Balance at 31 March 2018 (unaudited)	**0.9**	**–**	**0.1**	**–**	**1.0**
Balance at 1 January 2019	**0.4**	**–**	**0.2**	**–**	**0.6**
Net remeasurement of loss allowance	0.1	–	–	–	**0.1**
Balance at 31 March 2019 (unaudited)	**0.5**	**–**	**0.2**	**–**	**0.7**

The following table shows reconciliation from the opening to the closing balance of the allowance for impairment for due from other banks at fair value through other comprehensive income:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	**Total**
Balance at 1 January 2018	**0.1**	**–**	**–**	**–**	**0.1**
Net remeasurement of loss allowance	(0.1)	–	–	–	**(0.1)**
Balance at 31 March 2018 (unaudited)	**–**	**–**	**–**	**–**	**–**
Balance at 1 January 2019	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2019 (unaudited)	**–**	**–**	**–**	**–**	**–**

14. LOANS AND ADVANCES TO CUSTOMERS

	31 March 2019 (unaudited)	31 December 2018
Loans and advances to customers at amortised cost		
Loans at amortised cost to legal entities		
• Current activity financing	5,868.4	6,144.9
• Project finance and other	1,345.8	1,384.1
• Reverse sale and repurchase agreements	394.3	393.9
• Finance leases	316.4	308.0
Total gross loans at amortised cost to legal entities	7,924.9	8,230.9
Less: impairment loss allowance	(491.7)	(501.4)
Loans and advances to legal entities at amortised cost pledged under repurchase agreements		
• Reverse sale and repurchase agreements	26.9	26.1
• Current activity financing	13.6	–
Total loans and advances to legal entities at amortised cost pledged under repurchase agreements	40.5	26.1
Less: impairment loss allowance	(0.1)	(0.2)
Net loans at amortised cost to legal entities	**7,473.6**	**7,755.4**
Loans at amortised cost to individuals		
• Mortgages	1,527.5	1,442.0
• Consumer loans and other	1,369.7	1,281.1
• Credit cards	137.4	130.7
• Car loans	121.1	123.7
• Reverse sale and repurchase agreements	10.3	11.0
Total gross loans at amortised cost to individuals	3,166.0	2,988.5
Less: impairment loss allowance	(244.7)	(230.3)
Net loans at amortised cost to individuals	**2,921.3**	**2,758.2**
Loans and advances to customers at fair value through profit or loss		
Loans at fair value through profit or loss to legal entities	87.2	107.4
Total loans and advances to customers at fair value through profit or loss	**87.2**	**107.4**
Loans and advances to customers at fair value through other comprehensive income		
Loans at fair value through other comprehensive income to legal entities	72.9	74.2
Total loans and advances to customers at fair value through other comprehensive income	**72.9**	**74.2**
Total loans and advances to customers	**10,555.0**	**10,695.2**

As at 31 March 2019, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprises RUR 2,290.6 billion, or 20.3% of the gross loan portfolio, including loans pledged under repurchase agreements (31 December 2018: RUR 2,575.8 billion or 22.5%).

As at 31 March 2019, the gross amount of non-performing loans was RUR 657.6 billion or 5.8% of the aggregate of the gross loan portfolio, including loans pledged under repurchase agreements and loans at fair value through profit or loss (31 December 2018: RUR 653.7 billion or 5.7%).

14. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The following table shows reconciliation from the opening to the closing balance of the allowance for impairment for loans and advances to legal entities, including pledged under repurchase agreements, at amortised cost by class:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Current activity financing					
Balance at 1 January 2019	**29.8**	**76.3**	**273.7**	**6.4**	**386.2**
Transfer to 12-month ECL	0.6	(0.5)	(0.1)	–	**–**
Transfer to lifetime ECL not credit-impaired	(1.0)	1.1	(0.1)	–	**–**
Transfer to lifetime ECL credit-impaired	(0.3)	–	0.3	–	**–**
Net remeasurement of impairment loss allowance	1.2	(0.6)	(12.8)	7.8	**(4.4)**
Unwinding of discount	–	–	1.3	0.1	**1.4**
Write-offs	–	–	(6.0)	–	**(6.0)**
Recoveries of amounts previously written off	–	–	2.5	0.9	**3.4**
Foreign exchange	(0.6)	–	(5.1)	(0.1)	**(5.9)**
Balance at 31 March 2019 (unaudited)	**29.7**	**76.2**	**253.8**	**15.1**	**374.7**
Project finance and other					
Balance at 1 January 2019	**8.0**	**18.9**	**50.1**	**4.1**	**81.1**
Transfer to lifetime ECL not credit-impaired	–	0.3	(0.3)	–	**–**
Net remeasurement of impairment loss allowance	4.5	(0.7)	(0.4)	0.9	**4.2**
Unwinding of discount	–	–	0.1	–	**0.1**
Write-offs	–	–	(0.1)	–	**(0.1)**
Recoveries of amounts previously written off	–	–	0.1	–	**0.1**
Foreign exchange	(0.3)	(0.1)	(1.5)	(0.1)	**(2.0)**
Balance at 31 March 2019 (unaudited)	**12.2**	**18.4**	**47.9**	**4.9**	**83.4**
Reverse sale and repurchase agreements					
Balance at 1 January 2019	**0.4**	**6.5**	**0.1**	**–**	**7.0**
Net remeasurement of impairment loss allowance	0.1	–	–	–	**0.1**
Unwinding of discount	–	–	–	**0.1**	**0.1**
Balance at 31 March 2019 (unaudited)	**0.5**	**6.5**	**0.1**	**0.1**	**7.2**
Finance leases					
Balance at 1 January 2019	**0.8**	**3.4**	**22.7**	**0.1**	**27.0**
Transfer to 12-month ECL	0.1	–	(0.1)	–	**–**
Net remeasurement of impairment loss allowance	0.1	–	0.4	–	**0.5**
Foreign exchange	–	–	(1.0)	–	**(1.0)**
Balance at 31 March 2019 (unaudited)	**1.0**	**3.4**	**22.0**	**0.1**	**26.5**

14. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	**Total**
Current activity financing					
Balance at 1 January 2018	**29.3**	**12.0**	**291.3**	**1.7**	**334.3**
Transfer to 12-month ECL	2.4	(1.6)	(0.8)	–	**–**
Transfer to lifetime ECL not credit-impaired	(1.8)	2.0	(0.2)	–	**–**
Transfer to lifetime ECL credit-impaired	(2.3)	(1.2)	3.5	–	**–**
Net remeasurement of impairment loss allowance	0.4	2.5	3.8	0.8	**7.5**
Unwinding of discount	–	–	3.9	–	**3.9**
Write-offs	–	–	(1.1)	(0.8)	**(1.9)**
Foreign exchange	0.1	–	0.3	–	**0.4**
Balance at 31 March 2018 (unaudited)	**28.1**	**13.7**	**300.7**	**1.7**	**344.2**
Project finance and other					
Balance at 1 January 2018	**6.1**	**4.1**	**96.7**	**21.9**	**128.8**
Transfer to 12-month ECL	0.1	–	(0.1)	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.1)	0.1	–	–	**–**
Transfer to lifetime ECL credit-impaired	(0.1)	–	0.1	–	**–**
Net remeasurement of impairment loss allowance	(0.4)	(0.4)	4.2	(0.1)	**3.3**
Unwinding of discount	–	–	0.5	–	**0.5**
Write-offs	–	–	(1.6)	(4.7)	**(6.3)**
Recoveries of amounts previously written off	–	–	–	0.1	**0.1**
Foreign exchange	–	–	0.2	(0.1)	**0.1**
Balance at 31 March 2018 (unaudited)	**5.6**	**3.8**	**100.0**	**17.1**	**126.5**
Reverse sale and repurchase agreements with legal entities					
Balance at 1 January 2018	**0.5**	**–**	**–**	**–**	**0.5**
Net remeasurement of impairment loss allowance	(0.2)	–	–	–	**(0.2)**
Balance at 31 March 2018 (unaudited)	**0.3**	**–**	**–**	**–**	**0.3**
Finance leases					
Balance at 1 January 2018	**1.5**	**0.1**	**24.8**	**0.2**	**26.6**
Net remeasurement of impairment loss allowance	(0.9)	–	(0.8)	(0.1)	**(1.8)**
Write-offs	–	–	(1.4)	–	**(1.4)**
Balance at 31 March 2018 (unaudited)	**0.6**	**0.1**	**22.6**	**0.1**	**23.4**

Impairment loss allowance for finance leases represents allowances for loans to leasing companies and net investment in leases.

14. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The following table shows reconciliation from the opening to the closing balance of the allowance for impairment for loans and advances to individuals at amortised cost by class:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Mortgages					
Balance at 1 January 2019	**2.1**	**1.4**	**10.5**	**0.1**	**14.1**
Transfer to 12-month ECL	0.4	(0.4)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.2)	0.4	(0.2)	–	**–**
Transfer to lifetime ECL credit-impaired	(0.1)	(0.2)	0.3	–	**–**
Net remeasurement of impairment loss allowance	(0.2)	0.3	0.5	0.2	**0.8**
Unwinding of discount	–	–	0.1	–	**0.1**
Write-offs	–	–	(0.4)	–	**(0.4)**
Recoveries of amounts previously written off	–	–	0.2	–	**0.2**
Foreign exchange	–	–	(0.2)	–	**(0.2)**
Balance at 31 March 2019 (unaudited)	**2.0**	**1.5**	**10.8**	**0.3**	**14.6**
Consumer loans and other					
Balance at 1 January 2019	**29.1**	**8.0**	**131.8**	**–**	**168.9**
Transfer to 12-month ECL	2.7	(2.7)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(1.8)	2.3	(0.5)	–	**–**
Transfer to lifetime ECL credit-impaired	(2.1)	(3.7)	5.8	–	**–**
Net remeasurement of impairment loss allowance	4.1	4.4	3.5	(0.2)	**11.8**
Unwinding of discount	–	–	2.0	–	**2.0**
Write-offs	–	–	(1.7)	–	**(1.7)**
Recoveries of amounts previously written off	–	–	0.2	0.4	**0.6**
Foreign exchange	(0.2)	0.1	(0.3)	0.1	**(0.3)**
Balance at 31 March 2019 (unaudited)	**31.8**	**8.4**	**140.8**	**0.3**	**181.3**
Credit cards					
Balance at 1 January 2019	**2.8**	**1.0**	**28.7**	**–**	**32.5**
Transfer to 12-month ECL	0.3	(0.3)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.3)	0.5	(0.2)	–	**–**
Transfer to lifetime ECL credit-impaired	(0.4)	(0.9)	1.3	–	**–**
Net remeasurement of impairment loss allowance	0.7	0.7	(0.2)	–	**1.2**
Unwinding of discount	–	–	0.7	–	**0.7**
Write-offs	–	–	(0.2)	–	**(0.2)**
Foreign exchange	–	0.1	(0.2)	–	**(0.1)**
Balance at 31 March 2019 (unaudited)	**3.1**	**1.1**	**29.9**	**–**	**34.1**
Car loans					
Balance at 1 January 2019	**1.0**	**0.2**	**13.6**	**–**	**14.8**
Transfer to 12-month ECL	0.1	(0.1)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.1)	0.1	–	–	**–**
Transfer to lifetime ECL credit-impaired	–	(0.1)	0.1	–	**–**
Net remeasurement of impairment loss allowance	(0.1)	0.1	(0.1)	–	**(0.1)**
Write-offs	–	–	(0.1)	–	**(0.1)**
Recoveries of amounts previously written off	–	–	0.2	–	**0.2**
Foreign exchange	–	–	(0.1)	–	**(0.1)**
Balance at 31 March 2019 (unaudited)	**0.9**	**0.2**	**13.6**	**–**	**14.7**

14. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	**Total**
Mortgages					
Balance at 1 January 2018	**1.6**	**1.3**	**12.4**	**0.1**	**15.4**
Transfer to lifetime ECL not credit-impaired	(0.3)	0.3	–	–	**–**
Transfer to lifetime ECL credit-impaired	(0.1)	(0.5)	0.6	–	**–**
Net remeasurement of impairment loss allowance	0.3	0.2	(0.9)	–	**(0.4)**
Unwinding of discount	–	–	0.1	–	**0.1**
Write-offs	–	–	(0.2)	–	**(0.2)**
Recoveries of amounts previously written off	–	–	0.2	–	**0.2**
Balance at 31 March 2018 (unaudited)	**1.5**	**1.3**	**12.2**	**0.1**	**15.1**
Consumer loans and other					
Balance at 1 January 2018	**25.7**	**7.4**	**157.4**	**–**	**190.5**
Transfer to 12-month ECL	0.5	(0.4)	(0.1)	–	**–**
Transfer to lifetime ECL not credit-impaired	(4.4)	4.6	(0.2)	–	**–**
Transfer to lifetime ECL credit-impaired	(1.1)	(5.0)	6.1	–	**–**
Net remeasurement of impairment loss allowance	5.7	2.9	2.5	0.4	**11.5**
Unwinding of discount	–	–	2.1	–	**2.1**
Write-offs	–	–	(7.1)	–	**(7.1)**
Recoveries of amounts previously written off	–	–	0.1	–	**0.1**
Balance at 31 March 2018 (unaudited)	**26.4**	**9.5**	**160.8**	**0.4**	**197.1**
Credit cards					
Balance at 1 January 2018	**3.9**	**1.1**	**28.5**	**–**	**33.5**
Transfer to 12-month ECL	0.1	–	(0.1)	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.9)	0.9	–	–	**–**
Transfer to lifetime ECL credit-impaired	(0.4)	(1.0)	1.4	–	**–**
Net remeasurement of impairment loss allowance	0.8	–	0.3	–	**1.1**
Unwinding of discount	–	–	0.5	–	**0.5**
Write-offs	–	–	(0.3)	–	**(0.3)**
Foreign exchange	–	–	0.1	–	**0.1**
Balance at 31 March 2018 (unaudited)	**3.5**	**1.0**	**30.4**	**–**	**34.9**
Car loans					
Balance at 1 January 2018	**1.0**	**0.2**	**12.2**	**–**	**13.4**
Transfer to lifetime ECL not credit-impaired	(0.1)	0.1	–	–	**–**
Transfer to lifetime ECL credit-impaired	–	(0.1)	0.1	–	**–**
Net remeasurement of impairment loss allowance	–	–	(0.2)	–	**(0.2)**
Write-offs	–	–	(0.1)	–	**(0.1)**
Recoveries of amounts previously written off	–	–	0.1	–	**0.1**
Balance at 31 March 2018 (unaudited)	**0.9**	**0.2**	**12.1**	**–**	**13.2**

The following table shows reconciliation from the opening to the closing balance of the allowance for impairment for loans and advances to customers at fair value through other comprehensive income:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	**Total**
Balance at 1 January 2019	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2019 (unaudited)	**–**	**–**	**–**	**–**	**–**
Balance at 1 January 2018	**0.1**	**–**	**–**	**–**	**0.1**
Balance at 31 March 2018 (unaudited)	**0.1**	**–**	**–**	**–**	**0.1**

15. INVESTMENT FINANCIAL ASSETS

	31 March 2019 (unaudited)	31 December 2018
Investment financial assets measured at fair value through other comprehensive income	291.2	319.7
Investment financial assets mandatorily measured at fair value through profit or loss	29.8	21.7
Investment financial assets designated as at fair value through profit or loss	6.6	7.0
Investment financial assets measured at amortised cost	12.0	4.2
Total investment financial assets	**339.6**	**352.6**

Investment financial assets measured at fair value through other comprehensive income

	31 March 2019 (unaudited)	31 December 2018
Investment financial assets measured at fair value through other comprehensive income		
− Debt securities	272.9	297.1
− Equity securities	10.5	9.5
Total investment financial assets measured at fair value through other comprehensive income	**283.4**	**306.6**
Investment financial assets measured at fair value through other comprehensive income, pledged under repurchase agreements		
− Debt securities	7.8	13.1
Total investment financial assets measured at fair value through other comprehensive income, pledged under repurchase agreements	**7.8**	**13.1**
Total investment financial assets measured at fair value through other comprehensive income	**291.2**	**319.7**

Investment financial assets mandatorily measured at fair value through profit or loss

	31 March 2019 (unaudited)	31 December 2018
Investment financial assets mandatorily measured at fair value through profit or loss		
− Equity securities	22.8	21.7
− Debt securities and other debt financial assets	7.0	–
Total investment financial assets mandatorily measured at fair value through profit or loss	**29.8**	**21.7**

Investment financial assets designated as at fair value through profit or loss

	31 March 2019 (unaudited)	31 December 2018
Reverse sale and repurchase agreements to maturity	6.6	7.0
Total investment financial assets designated as at fair value through profit or loss	**6.6**	**7.0**

Investment financial assets measured at amortised cost

	31 March 2019 (unaudited)	31 December 2018
Investment financial assets measured at amortised cost	12.0	4.2
Total investment financial assets measured at amortised cost	**12.0**	**4.2**

The following table shows reconciliations from the opening to the closing balance for the loss allowance of debt investment financial assets at fair value through other comprehensive income, including pledged under repurchase agreements:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2019	**0.3**	**–**	**–**	**–**	**0.3**
Balance at 31 March 2019 (unaudited)	**0.3**	**–**	**–**	**–**	**0.3**
Balance at 1 January 2018	**0.2**	**–**	**–**	**–**	**0.2**
Balance at 31 March 2018 (unaudited)	**0.2**	**–**	**–**	**–**	**0.2**

15. INVESTMENT FINANCIAL ASSETS (CONTINUED)

The following table shows reconciliations from the opening to the closing balance for the loss allowance of debt investment financial assets at amortised cost, including pledged under repurchase agreements:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Balance at 1 January 2019	–	–	–	–	–
Balance at 31 March 2019 (unaudited)	–	–	–	–	–
Balance at 1 January 2018	–	0.1	–	–	0.1
Balance at 31 March 2018 (unaudited)	–	0.1	–	–	0.1

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 March 2019 (unaudited)	31 December 2018
Investments accounted under equity method		
− Investments in associates	188.0	188.9
− Investments in joint ventures	23.9	23.6
Investments designated as at fair value through profit or loss		
− Investments in joint ventures	53.5	53.5
− Investments in associates	18.9	17.2
Total investments in associates and joint ventures	**284.3**	**283.2**

In February 2019, as a result of loan settlement the Group acquired a 50.0% -1 share ownership interest in JSC “United Grain Company” with estimated fair value of RUR 9.7 billion. The Group exercises significant influence over the investee and accounts for it as an investment in associate under the equity method. JSC “United Grain Company” is an agri-food company with the state participatory interest that focuses on the development and operation of the grain market infrastructure facilities, sales of the Russian grain in the global market, trade and purchase activities in the domestic grain market.

In March 2019, the Group acquired a 20% ownership interest in JSC “Channel One”. The Group exercises significant influence over the investee and accounts for it as an investment in associate designated at fair value through profit or loss.

In January 2019, the Group increased its share in “Novorossiysk Grain Plant” PJSC. As at 31 March 2019, the Group share is 33.2%.

Considering the current economic situation and in order to optimize the Group`s structure, it was decided to transfer a stake in OJSC Evrofinance Mosnarbank owned by the Group to the Russian Federation represented by the Federal Agency for State Property Management. A minority stake (7.99%) in OJSC Evrofinance Mosnarbank owned by VTB Bank (PJSC) was transferred in the first quarter of 2019. Transfer of the remaining part of the shares classified as a disposal group held for sale (Note 17) is expected in the second quarter of 2019. The fair value of the 25% stake was estimated to be RUR 2.9 billion. The transaction was recognised as a reduction in retained earnings as other distributions to shareholders

As of March 31, 2019, the value of the Group’s investment in "Magnit" PJSC decreased by 8.7 RUR billion, including as a result of the application of IFRS 16 (Note 31). The cost of investment in "Magnit" PJSC as of 31 March 2019 amounted to RUR 79.9 RUR billion.

17. DISPOSAL GROUPS AND NON-CURRENT ASSETS HELD FOR SALE

The Group has non-current assets and investments in the disposal groups held for sale, including subsidiaries acquired exclusively with a view to resale, accounted for in accordance with IFRS 5. The Management of the Group is committed to dispose of these non-current assets and investments in the near future, within one year from the initial classification as a disposal group.

		31 March 2019 (unaudited)	31 December 2018
Assets of disposal groups held for sale:			
Teghout Investments Ltd	100.0% owned subsidiary	20.5	22.0
Evrofinance Mosnarbank, OJSC	17.0% owned investment	2.0	n/a
Medialogia, LLC	63.0% owned subsidiary	1.4	n/a
Land and premises	non-current asset	1.0	n/a
Total assets of disposal groups and non-current assets held for sale		**24.9**	**22.0**
Liabilities of disposal groups held for sale:			
Medialogia, LLC	63.0% owned subsidiary	0.4	n/a
Total liabilities of disposal groups held for sale		**0.4**	**–**

As at 31 March 2019 the Group accounted for investments in Teghout Investments, Ltd as a disposal group held for sale under IFRS 5 presented in segment “CIB” and considered that sale was highly probable.

As at 31 March 2019 the Group accounted for investments Evrofinance Mosnarbank, JSC as a disposal group held for sale under IFRS 5 presented in segment “Treasury” (Note 16).

In the first quarter of 2019 the Group obtained control over Medialogia, LLC. As at 31 March 2019, the Group Group accounted for investments Medialogia, LLC as investments in subsidiary acquired exclusively with a view to resale under IFRS 5 presented in segment “CIB” and considered that sale was highly probable.

In the first quarter of 2019, the Group reclassified land and premises presented in segment “Other” from investment property to non-current assets.

18. DUE TO OTHER BANKS

	31 March 2019 (unaudited)	31 December 2018
Term loans and deposits	858.7	1,006.1
Sale and repurchase agreements	536.6	315.6
Correspondent accounts and overnight deposits of other banks	133.9	104.0
Total due to other banks	**1,529.2**	**1,425.7**

19. CUSTOMER DEPOSITS

	31 March 2019 (unaudited)	31 December 2018
Government bodies		
• Current/settlement deposits	267.3	70.4
• Term deposits	1,083.1	1,048.4
Other legal entities		
• Current/settlement deposits	1,064.8	1,505.1
• Term deposits	3,160.2	3,336.7
Individuals		
• Current/settlement deposits	1,019.6	1,085.3
• Term deposits	3,543.4	3,320.4
Sale and repurchase agreements	10.6	37.4
Total customer deposits	**10,149.0**	**10,403.7**

As at 31 March 2019, the Group’s 10 largest groups of interrelated customers had aggregated balances amounting to RUR 2,494.0 billion, or 24.6% of total customer deposits (31 December 2018: RUR 2,683.1 billion, or 25.8%).

As at 31 March 2019, deposits of RUR 36.9 billion (31 December 2018: RUR 39.7 billion) were held as collateral against irrevocable commitments under import letters of credit and guarantees (Note 26).

20. OTHER BORROWED FUNDS

	31 March 2019 (unaudited)	31 December 2018
Term deposits from local central banks:	53.4	57.4
Syndicated loans	7.6	9.2
Other borrowings	257.1	263.1
Total other borrowed funds	**318.1**	**329.7**

As at 31 March 2019, term deposits from local central banks contain the amount of RUR 30.4 billion (31 December 2018: RUR 32.6 billion) secured by pledged loans to customers in the amount of RUR 37.1 billion (31 December 2018: RUR 39.9 billion).

21. DEBT SECURITIES ISSUED

	31 March 2019 (unaudited)	31 December 2018
Bonds	184.2	159.2
Promissory notes	100.7	98.6
Deposit certificates	1.4	1.3
Total debt securities issued	**286.3**	**259.1**

22. DIVIDENDS DECLARED

In February 2019, the Annual General Meeting of VTB Capital AD shareholders approved dividends for 2018 in the amount of RUR 1,305,800.0 (EUR 17,452.0) for each Class B share.

The total amount of dividends to non-controlling shareholders was RUR 0.3 billion.

RISK

23. OPERATING ENVIRONMENT OF THE GROUP

The Russian Federation

The Group conducts the majority of its operations in the Russian Federation (Russia). The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Its economy is particularly sensitive to oil and gas prices. The Russian economy is susceptible also to the ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

These matters may have significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations. Additionally, certain economic factors, including contraction of real incomes of households, reduced corporate liquidity and profitability and increased corporate and personal insolvencies, may affect the Group's borrowers' ability to repay the amounts due to the Group.

Adverse changes in economic conditions may result in deterioration in the value of collateral held against loans and other obligations. The Group considered available current macro-economic information in its impairment assessments.

As of 31 March 2019 and 31 December 2018, select Russian macro-economic indicators were as follows:

(1) The CBR key interest rate was 7.75 % p.a. and 7.75% p.a., respectively;

(2) The CBR foreign exchange rate was RUR 64.7347 per USD 1 and RUR 69.4706 per USD 1, respectively.

Other jurisdictions

In addition to Russia, the Group conducts operations in Belarus, Kazakhstan, Azerbaijan, Armenia and Georgia, certain European countries (Austria, Germany, the UK) and several other countries. Difficult economic and financial market situation in certain of these jurisdictions led to a decrease or negative growth of GDP, currency devaluation, reduced consumption, as well as a decline in investment activities.

The Group operates in the UK via a subsidiary bank. Negotiations between the UK and the EU in relation to an exit deal remain complicated. The draft agreement includes a 21-month transition period (to 31 December 2020) to smooth the exit process and allow for further negotiations in relation to a trade agreement between the EU and the UK. However, the UK parliament has rejected the draft agreement and is considering changes to the agreement which would have to be negotiated with the EU. At this time there seems to be little willingness at the EU to accept any changes to the draft which means that there is a real risk that the UK will leave the EU without an overarching deal (the so-called "hard Brexit"). There also still remains a possibility that the UK will extend the timetable, or even not leave the EU (possibly via a second referendum).

Due to the uncertainty surrounding the final Brexit deal and the subsequent UK relationship with the EU, the net effect on business and markets cannot be accurately gauged. The Bank has been analysing different Brexit scenarios and their impact on the Bank's client offering and trading business, and is taking measures to minimize the potential impact.

Sanctions

Since the second half of 2014 the Group operates under limited sectorial sanctions imposed by several countries on the Group. The Group considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Group's financial position and its financial performance.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

24. FAIR VALUE MEASUREMENT

Fair value of financial instruments measured at fair value

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 Group. 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.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement of a financial instrument in its entirety.

Assets and liabilities measured at fair value

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy as at 31 March 2019 (unaudited):

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets measured at fair value				
Trading financial assets				
Trading financial assets	222.5	101.7	27.3	**351.5**
Trading financial assets, pledged under repurchase agreements	1.5	0.7	–	**2.2**
Derivative financial assets				
Derivative financial assets held for trading	0.1	141.7	1.6	**143.4**
Loans and advances to customers				
Loans and advances to customers at fair value through profit or loss	–	–	87.2	**87.2**
Loans and advances to customers at fair value through other comprehensive income	72.9	–	–	**72.9**
Due from other banks				
Due from other banks at fair value through profit or loss	–	6.2	7.7	**13.9**
Investment financial assets				
Investment financial assets measured at fair value through other comprehensive income	234.1	44.0	**5.3**	**283.4**
Investment financial assets measured at fair value through other comprehensive income, pledged under repurchase agreements	1.6	6.2	–	**7.8**
Investment financial assets mandatorily measured at fair value through profit or loss	7.6	4.2	18.0	**29.8**
Investment financial assets designated as at fair value through profit or loss including pledged under repurchase agreements	–	6.6	–	**6.6**
Investments in associates and joint ventures designated as at fair value through profit or loss	–	0.6	71.8	**72.4**
Other financial assets	–	0.3	–	**0.3**
Financial liabilities measured at fair value				
Derivative financial liabilities				
Derivative financial liabilities held for trading	0.2	110.6	2.6	**113.4**
Derivative financial liabilities designated as hedging instruments	–	0.2	–	**0.2**
Other financial liabilities				
Obligation to deliver securities	39.0	1.5	0.1	**40.6**
Non-controlling interests in consolidated mutual funds	–	–	2.6	**2.6**
Other financial liabilities accounted at fair value	–	0.5	2.4	**2.9**

24. FAIR VALUE MEASUREMENT (CONTINUED)

Assets and liabilities measured at fair value (continued)

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

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets measured at fair value				
Trading financial assets				
Trading financial assets	168.1	83.9	12.6	**264.6**
Trading financial assets, pledged under repurchase agreements	31.0	3.1	–	**34.1**
Derivative financial assets				
Derivative financial assets held for trading	0.7	200.1	1.6	**202.4**
Derivative financial liabilities designated as hedging instruments	–	0.1	–	**0.1**
Loans and advances to customers				
Loans and advances to customers at fair value through profit or loss	–	–	107.4	**107.4**
Loans and advances to customers at fair value through other comprehensive income	74.2	–	–	**74.2**
Due from other banks				
Due from other banks at fair value through profit or loss	–	–	7.6	**7.6**
Investment financial assets				
Investment financial assets measured at fair value through other comprehensive income	250.5	50.6	5.5	**306.6**
Investment financial assets mandatorily measured at fair value through profit or loss	7.1	3.4	11.2	**21.7**
Investment financial assets measured at fair value through other comprehensive income, pledged under repurchase agreements	7.8	5.3	–	**13.1**
Investment financial assets designated as at fair value through profit or loss including pledged under repurchase agreements	–	7.0	–	**7.0**
Investments in associates and joint ventures designated as at fair value through profit or loss	–	–	70.7	**70.7**
Financial liabilities measured at fair value				
Derivative financial liabilities				
Derivative financial liabilities held for trading	0.1	137.0	2.8	**139.9**
Derivative financial liabilities designated as hedging instruments	–	0.3	–	**0.3**
Other financial liabilities				
Obligation to deliver securities	22.1	–	–	**22.1**
Non-controlling interests in consolidated mutual funds	–	–	2.7	**2.7**
Other financial liabilities accounted at fair value	–	–	2.4	**2.4**

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

A significant portion of the investment financial assets in Level 3 is invested in shares of non-listed companies, which are valued based on non-market observable information. Changes in assumptions can lead to adjustments in the fair value of these investments.

24. FAIR VALUE MEASUREMENT (CONTINUED)

Movement in Level 3 financial instruments measured at fair value

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the three-month period ended 31 March 2019 is as follows:

		Investment financial assets						Other financial liabilities		
	Trading financial assets including pledged under repurchase agreements	Investment financial assets mandatorily measured at fair value through profit or loss, including pledged under repurchase agreements	Investment financial assets measured at fair value through other comprehensive income, including pledged under repurchase agreements	Investments in associates and joint ventures at fair value through profit or loss	Derivative financial assets and liabilities held for trading (net)	Due from other banks at fair value through profit or loss	Loans and advances to customers at fair value through profit or loss	Obligation to deliver securities	Non-controlling interests in consolidated mutual funds	Other financial liabilities measured at fair value
Fair value at 1 January 2019	**12.6**	**11.2**	**5.5**	**70.7**	**(1.2)**	**7.6**	**107.4**	**–**	**(2.7)**	**(2.4)**
Interest income and gains or (losses) recognised in income statement	0.1	–	0.2	1.1	–	0.1	(2.5)	–	0.1	–
• of which unrealised gains or (losses)	0.1	–	0.2	1.1	–	(0.1)	(3.9)	–	0.1	–
Gains recognised in other comprehensive income	–	–	(0.7)	–	–	–	–	–	–	–
Purchase	12.2	–	0.6	–	–	–	–	(0.1)	–	–
Sale	(1.8)	–	(0.4)	–	–	–	(2.0)	–	–	–
Issue	–	6.8	–	–	–	–	1.9	–	–	–
Settlement	–	–	–	–	–	–	–	–	–	–
Acquisition of subsidiaries	0.7	–	–	–	–	–	–	–	–	–
Transfers into Level 3	7.1	–	0.3	–	–	–	–	–	–	–
Transfers out of Level 3	(3.6)	–	(0.2)	–	0.2	–	–	–	–	–
Derecognition	–	–	–	–	–	–	(17.6)	–	–	–
Fair value at 31 March 2019 (unaudited)	**27.3**	**18.0**	**5.3**	**71.8**	**(1.0)**	**7.7**	**87.2**	**(0.1)**	**(2.6)**	**(2.4)**

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the three-month period ended 31 March 2018 is as follows:

		Investment financial assets						Other financial liabilities	
	Trading financial assets including pledged under repurchase agreements	Investment financial assets mandatory measured at fair value through profit or loss, including pledged under repurchase agreements	Investment financial assets measured at fair value through other comprehensive income, including pledged under repurchase agreements	Investments in associates and joint ventures at fair value through profit or loss	Derivative financial assets and liabilities held for trading (net)	Due from other banks at fair value through profit or loss	Loans and advances to customers at fair value through profit or loss	Non-controlling interests in consolidated mutual funds	Other financial liabilities accounted at fair value
Fair value at 1 January 2018	**3.9**	**9.7**	**4.7**	**66.7**	**7.4**	**2.8**	**439.1**	**(2.6)**	**(1.2)**
Interest income and gains or (losses) recognised in income statement	(0.2)	–	–	1.0	(0.3)	(0.5)	5.0	–	–
• of which unrealised gains or (losses)	(0.1)	(0.1)	–	1.0	(0.3)	(0.5)	5.0	–	–
Losses recognised in other comprehensive income	–	–	(0.1)	–	–	–	–	–	–
Purchase	0.3	–	0.3	0.1	–	–	1.4	–	–
Sale	(0.4)	(0.2)	(0.4)	–	–	–	–	0.1	–
Settlement	(0.3)	–	–	–	–	–	(6.0)	–	–
Transfers into Level 3	3.9	–	0.5	–	–	–	–	–	–
Transfers out of Level 3	(1.5)	–	–	(5.6)	–	–	–	–	–
Fair value at 31 March 2018 (unaudited)	**5.7**	**9.5**	**5.0**	**62.2**	**7.1**	**2.3**	**439.5**	**(2.5)**	**(1.2)**

24. FAIR VALUE MEASUREMENT (CONTINUED)

Transfers between levels

For the three-month period ended 31 March 2019 (unaudited)	Reason for transfer (valuation at the reporting date)	Trading financial assets	Investment financial assets measured at fair value through other comprehensive income, including pledged under repurchase agreements	Derivative financial assets and liabilities held for trading	Total
From Level 1:					
• to Level 2	valuation models with market observable inputs	27.2	0.2	–	**27.4**
• to Level 3	valuation models with non-market-observable inputs	0.7	–	–	**0.7**
From Level 2:					
• to Level 1	active market quotes	13.2	0.5	–	**13.7**
• to Level 3	valuation models with non-market-observable inputs	6.4	0.3	–	**6.7**
From Level 3:					
• to Level 1	active market quotes	0.9	0.2	–	**1.1**
• to Level 2	valuation models with market observable inputs	2.7	–	(0.2)	**2.5**
Total		**51.1**	**1.2**	**(0.2)**	**52.3**

For the three-month period ended 31 March 2018 (unaudited)	Reason for transfer (valuation at the reporting date)	Trading financial assets	Investment financial assets measured at fair value through other comprehensive income, including pledged under repurchase agreements	Investments in associates and joint ventures at fair value through profit or loss	Total
From Level 1:					
• to Level 2	valuation models with market observable inputs	17.9	0.1	–	**18.0**
• to Level 3	valuation models with non-market-observable inputs	0.5	–	–	**0.5**
From Level 2:					
• to Level 1	active market quotes	7.6	3.6	–	**11.2**
• to Level 3	valuation models with non-market-observable inputs	3.4	0.5	–	**3.9**
From Level 3:					
• to Level 1	active market quotes	0.1	–	–	**0.1**
• to Level 2	valuation models with market observable inputs	1.4	–	5.6	**7.0**
Total		**30.9**	**4.2**	**5.6**	**40.7**

24. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions

The following table shows the quantitative information as at 31 March 2019 (unaudited) about significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy:

	Fair value	Valuation techniques	Unobservable input description	Reasonable range (values used)
Trading financial assets, including pledged under repurchase agreements	27.3	Traders price	Traders price	94.78%-104.78% (99.78%)
		Discounted Cash flow	Expected prepayment rate	95.9%-105.9% (100.9%)
		Traders price	Traders price	96.5%-106.5% (101.5%)
		Traders price	Traders price	105%-115% (110%)
		Traders price	Traders price	90.75%-100.75% (95.75%)
		Traders price	Traders price	95.5%-105.5% (100.5%)
		Traders price	Traders price	96.1%-106.1% (101.1%)
		Traders price	Traders price	95.11%-105.11% (100.11%)
		Other	n/a	n/a
Derivative financial assets and liabilities held for trading (net)	(1.0)	Other	n/a	n/a
Investment financial assets mandatorily measured at fair value through profit or loss. including pledged under repurchase agreements	18.0	Discounted Cash flow; EV/EBITDA multiple	Weighted average cost of capital	11.78%-13.78% (12.78%)
			Weight of DCF and multiple valuations	0.0%-100.0% (50% & 50%)
			Terminal growth rate	3.0%-5.0% (4.0%)
			Average Gross margin (total sales) 2018-2021	29.0%-31.0% (30.0%)
		Discounted Cash flow	Discount rate	13.0%-15.0% (14.0%)
		Other	n/a	n/a
Investment financial assets measured at fair value through other comprehensive income. including pledged under repurchase agreements	5.3	Gordon and Comparable method	Discount rate that can be changed based on changes in macroeconomic backdrop	7.6%-11.6% (9.6%)
			Exit multiple	0.4-0.8 (0.6)
		Other	n/a	n/a
Loans and advances to customers at fair value through profit or loss	87.2	Fair value model	Fair value of collateral	43.0-53.5 (53.5)
		Discounted Cash flow	Discount rate	(1.0)%-1.0% (various)
Due from other banks at fair value through profit or loss	7.7	Fair value model	Discount rate	(1.0)%-1.0% (various)
Investments in associates and joint ventures designated as at fair value through profit or loss	71.8	Discounted Dividend flow	Base equity risk premium	7.78%-8.78% (8.28%)
			RUR inflation (CPI) from 2019	3.5%-4.5% (4.0%)
			Growth rate of duty free revenue (in euro) per international passenger	0.0%-3.6% (1.8%)
		Discounted Cash flow; EV/EBITDA, EV/Revenue multiple	CAGR 2019-2022 (ARPU)	(0.2)%-3.0% (0.5%)
			CAGR 2019-2022 (subscriber base)	2%-6.0% (4.0%)
			Terminal growth	1.7%-3.3% (2.5%)
			CAPEX (incl. Yarovaya) / Revenue	16%-20% (18%)
			Multiple EV/Revenue 2020	1.57x и 1.97x (2.3x)
			Multiple EV/EBITDA 2020	2.46x и 5.34x (3.94x)
			Weight of core value	0%-50.0% (33.3%)
			Premium of strategic valuation scenario to base scenario	44.2%-51.4% (51.4%)
			WACC (in USD terms)	9.3%-13.3% (11.3%)
			MVNO Revenue Growth	20%-80% (77%)
		Discounted Cash flow; EV/EBITDA multiple; Precedent Transaction	WACC	6.0%-8.0% (7.0%)
			Terminal Growth Rate	0.5%-1.5% (1%)
			Special situation discount	35%-15% (25%)
			Weight of DCF / Multiple valuations / Precedent Transactions	0%-100% (33.3% & 33.3% & 33.3%)
			Liquidity discount	20.0%-30.0% (25%)
		Discounted Cash flow; EV/EBITDA multiple	Weight of multiples-based valuation	0%-100% (50% & 50%)
			LFL sales CAGR 2019-2023	3.9%-5.9% (4.9%)
			WACC	11.9%-16.9% (14.9%)
			Terminal Growth	2%-6% (4%)
		Other	n/a	n/a
Obligation to deliver securities	(0.1)	Other	n/a	n/a
Other financial liabilities accounted at fair value	(5.0)	Discounted Cash flow	Discount rate	22.5%-24.0% (23.2%)
		Net asset value	n/a	n/a

24. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)

The following table shows the quantitative information as at 31 December 2018 about significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy:

	Fair value	Valuation techniques	Unobservable input description	Reasonable range (values used)
Trading financial assets, including pledged under repurchase agreements	12.6	Traders price	Traders price	103%-113% (108%)
		Traders price	Traders price	79%-89% (84%)
		Traders price	Traders price	94.75%-104.75% (99.75%)
		Other	n/a	n/a
Derivative financial assets and liabilities held for trading (net)	(1.2)	Black model	Implied volatility	17.87%-23.16% (20.517%)
		Other	n/a	n/a
Investment financial assets mandatorily measured at fair value through profit or loss, including pledged under repurchase agreements	11.2	Discounted Cash flow; EV/EBITDA multiple	Weighted average cost of capital	10.83%-12.83% (11.83%)
			Weight of DCF and multiple valuations	0.0%-100.0% (50% & 50%)
			Terminal growth rate	3.0%-5.0% (4.0%)
			Average Gross margin (total sales) 2018-2021	30.0%-32.0% (31.0%)
		Other	n/a	n/a
Investment financial assets measured at fair value through other comprehensive income, including pledged under repurchase agreements	5.5	Gordon and Exit multiple	Discount rate that can be changed based on changes in macroeconomic backdrop	8.1%-12.1% (10.1%)
			Exit multiple	0.4-0.8 (0.6)
		Other	n/a	n/a
Loans and advances to customers at fair value through profit or loss	107.4	Discounted Cash flow	Discount rate	(1.0)%-1.0% (various)
		Fair value model	Fair value of collateral	43.0-53.5 (53.5)
Due from other banks at fair value through profit or loss	7.6	Fair value model	Discount rate	(1.0)%-1.0% (various)
Investments in associates and joint ventures designated as at fair value through profit or loss	70.7	Discounted Dividend flow	Base equity risk premium	7.0%-8.0% (7.5%)
			RUR inflation (CPI) from 2019	4.3%-5.3% (4.8%)
			Growth rate of duty free revenue (in euro) per international passenger	0.0%-3.6% (1.8%)
		Discounted Cash flow; EV/EBITDA, EV/Revenue multiple	CAGR 2019-2022 (ARPU)	(0.2)%-3.0% (0.4%)
			CAGR 2019-2022 (subscriber base)	2.0%-6.0% (4%)
			Terminal growth	1.7%-3.3% (2.5%)
			CAPEX (incl. Yarovaya) / Revenue	16.0%-20.0% (18.0%)
			Multiple EV/Revenue 2020	1.57x и 1.97x (1.64x)
			Multiple EV/EBITDA 2020	2.46x и 5.34x (3.94x)
			Weight of core value	0.0%-50.0% (33.3%)
			Premium of strategic valuation scenario to base scenario	44.2%-51.4% (51.4%)
			WACC (in USD terms)	9.3%-13.3% (11.3%)
			MVNO Revenue Growth	20.0%-80.0% (77.0%)
		Discounted Cash flow; EV/EBITDA multiple; Precedent Transaction	WACC	6.2%-8.2% (7.2%)
			Terminal Growth Rate	0.5%-1.5% (1%)
			Special situation discount	35.0%-15.0% (25.0%)
			Weight of DCF / Multiple valuations / Precedent Transactions	0.0%-100.0% (33.3% & 33.3% & 33.3%)
			Liquidity discount	20.0%-30.0% (25%)
		Discounted Cash flow; EV/EBITDA multiple	Weight of multiples-based valuation	0.0%-100.0% (50.0% & 50.0%)
			LFL sales CAGR 2018-2023	3.9%-5.9% (4.9%)
			WACC	11.7%-15.7% (13.7%)
			Terminal Growth	2.0%-6.0% (4.0%)
		Other	n/a	n/a
Other financial liabilities accounted at fair value	(5.1)	Discounted Cash flow	Discount rate	22.5%-24.0% (23.2%)
		Net asset value	n/a	n/a

24. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)

For financial instruments, which fair value is estimated using significant unobservable inputs, parameters and assumptions, the exact value of such inputs at the reporting date might be drawn from a range of reasonably possible alternatives. For each unobservable input to which the fair value is most sensitive, the Group calculates its impact on valuation by taking each individual input to the extreme point of its reasonably possible range, while keeping other inputs unchanged.

The table below presents the range of fair value of the respective class of financial instruments calculated using the approach discussed above. Should all the parameters be changed simultaneously to the extreme points of their reasonable ranges, the impact on the fair value would be more significant than disclosed in the table, however, the Group considers that it is unlikely that all parameters and assumptions will be simultaneously at their extreme points.

This disclosure is intended to illustrate the magnitude of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable parameters; however, the disclosure is not indicative of future movements in fair value.

The following table shows the quantitative information about sensitivity of the fair value measurement categorised within Level 3 of the fair value hierarchy to changes in significant unobservable inputs:

	31 March 2019 (unaudited)		31 December 2018	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Trading financial assets, including pledged under repurchase agreements	27.3	26.3-28.5	12.6	12.1-13.0
Derivative financial instruments held for trading, net	(1.0)	(1.0)-(1.0)	(1.2)	(1.2)-(1.2)
Investment financial assets mandatorily measured at fair value through profit or loss, including pledged under repurchase agreements	18.0	17.5-18.8	11.2	10.5-11.8
Investment financial assets measured at fair value through other comprehensive income, including pledged under repurchase agreements	5.3	4.7-6.0	5.5	4.7-6.3
Loans and advances to customers at fair value through profit or loss	87.2	86.4-88.0	107.4	106.2-108.3
Due from other banks at fair value through profit or loss	7.7	7.6-7.7	7.6	7.5-7.7
Investments in associates and joint ventures designated as at fair value through profit or loss	71.8	54.7-90.1	70.7	53.6-89.1
Obligation to deliver securities	(0.1)	(0.0)-(0.0)	–	–
Other financial liabilities accounted at fair value	(5.0)	(4.6)-(5.3)	(5.1)	(4.7)-(5.4)

Methods and assumptions for Level 2 financial instruments

The fair value of financial assets at fair value through profit or loss, available for sale and derivative financial instruments valued according to Level 2 models was estimated based on DCF (projected cash flows) method using the assumption of future coupon payment, recent transactions prices and the quotes of non-active markets if based on the Group's analysis such quotes represent the best estimate of the fair value of the financial instrument as at the reporting date. Probability models were calibrated using market indicators (currency forward, ITRAX Index).

Valuation methods for level 3 fair value measurements

In order to value Level 3 equity investments, the Group utilizes comparable trading multiples. Management (if deemed necessary based on external valuation reports) determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortization (EBITDA). The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

Internal valuation of the fair value of joint ventures and associates designated as at fair value is performed at the time of commencing the project. Internal valuations of the fair value are performed on the quarterly basis, which are reviewed by business owners of the portfolio on at least a quarterly basis to make decisions on the best timing to exit the investment according to the investment strategy.

The Level 3 debt instruments are valued at the net present value of estimated future cash flows. The Group also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

For loans measured at fair value through profit or loss a combination of techniques are used. These include internally developed models based on discounted cash flow (DCF) principles or external valuation reports where deemed necessary. The Group also considers liquidity, credit and market risk factors, and adjusts the valuation model as appropriate.

24. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 March 2019 (unaudited)		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets for which fair values are disclosed				
Cash and short-term funds	817.4	817.4	935.8	935.8
Mandatory cash balances with central banks	114.2	114.2	111.1	111.1
Due from other banks at amortised cost	1,012.5	1,011.5	685.5	683.4
Loans and advances to customers at amortised cost	10,394.9	10,519.3	10,513.6	10,697.3
Investment financial assets at amortised cost	12.0	11.9	4.2	4.2
Financial assets within assets of disposal groups held for sale	2.1	2.1	–	–
Other financial assets at amortised cost	63.1	63.1	67.7	67.7
Financial liabilities for which fair values are disclosed				
Due to other banks	1,529.2	1,529.2	1,425.7	1,425.5
Customer deposits	10,149.0	10,055.5	10,403.7	10,293.7
Other borrowed funds	318.1	357.4	329.7	368.8
Debt securities issued	286.3	288.2	259.1	260.7
Other financial liabilities	235.3	235.3	66.0	66.0
Subordinated debt	210.2	214.5	214.5	215.1

25. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

Capital adequacy ratio in accordance with CBR requirements

The CBR requires Russian banks to maintain a minimum capital adequacy ratios in percentage of risk-weighted assets, determined in accordance with CBR's requirements by following categories of capital: common equity adequacy ratio (N 1.1); core capital adequacy ratio (N 1.2) and total capital adequacy ratio (N 1.0).

In other countries, the Group members comply with the regulatory capital requirements of the local central banks or other supervisory authorities.

During the three-month period ended 31 March 2019 the Bank's capital adequacy ratios in accordance with CBR requirements exceeded the minimum level.

25. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (CONTINUED)

Capital adequacy ratio in accordance with the Basel Accord

The Group's international risk based capital adequacy ratio is computed in accordance with the Basel Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks.

These ratios exceeded the minimum ratio of 8.0% recommended by the Basel Accord as disclosed below:

	31 March 2019 (unaudited)	31 December 2018
Tier 1 capital		
Share capital	659.5	659.5
Share premium	433.8	433.8
Treasury shares	(0.4)	(0.8)
Perpetual loan participation notes excluding bought-back	145.7	156.1
Retained earnings	240.5	197.0
Unrealised gain on investment financial assets measured at fair value through other comprehensive income, financial assets available for sale and cash flow hedge	0.2	(0.9)
Currency translation difference	44.7	58.7
Non-controlling interests	(1.9)	(5.0)
Deducted: goodwill	(116.7)	(115.6)
Total Tier 1 capital	**1,405.4**	**1,382.8**
Tier 2 capital		
Land and premises revaluation reserve	24.5	24.6
Subordinated debt	186.1	189.8
Total Tier 2 capital	**210.6**	**214.4**
Total capital before deductions	**1,616.0**	**1,597.2**
Deducted: equity investments in financial institutions and subordinated debt provided	(57.7)	(53.3)
Total capital after deductions	**1,558.3**	**1,543.9**
Risk-weighted assets	**11,406.3**	**11,476.0**
Tier 1 capital ratio to total risk-weighted assets	**12.3%**	**12.0%**
Total capital ratio to total risk-weighted assets	**13.7%**	**13.5%**

26. CONTINGENCIES AND COMMITMENTS

LEGAL PROCEEDINGS

From time to time and in the normal course of business, claims against the Group are received. As at the reporting date the Group had several unresolved legal claims. Management assessed probable outflow of resources and the respective provision has been made as at 31 March 2019 and 31 December 2018.

The movements in provisions for legal claims recorded in liabilities were as follows:

1 January 2018	**0.1**
Provision during the period	0.1
Foreign exchange	(0.1)
31 March 2018 (unaudited)	**0.1**
1 January 2019	**1.1**
Provision during the period	0.1
31 March 2019 (unaudited)	**1.2**

As at 31 March 2019, the Group was involved in several legal cases related to its borrowers which are currently undergoing bankruptcy procedures. In these cases, the bankruptcy trustees' claims against the Group aggregate RUR 0.5 billion (31 December 2018: RUR 4.5 billion). The Group intends to defend itself vigorously. Management views the risk of loss from these legal cases as possible but not probable, therefore, no provision for these legal claims is made in these consolidated financial statements

TAX CONTINGENCIES

Major part of the Group's business activity is carried out in the Russian Federation. 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. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant state authorities.

The Russian transfer pricing legislation as currently in effect allows the Russian tax authorities to apply transfer pricing adjustments and impose additional profits tax and VAT liabilities in respect of all "controlled" transactions if the transaction price differs from the market level of prices unless the Group is able to demonstrate the use of market prices with respect to the "controlled" transactions supported by the appropriate transfer pricing documentation and proper reporting to the Russian tax authorities. For the three-month periods ended 31 March 2019 and for the year ended 31 December 2018 the Group determined its tax liabilities arising from controlled transactions using actual transaction prices.

Apart from the Russian Federation, the Group also operates in a number of foreign jurisdictions. The Group includes companies incorporated outside of Russia that are taxed pursuant to the provisions of the tax legislation of the jurisdictions of tax residence of the respective companies. Tax liabilities of the foreign companies of the Group are determined on the basis that non-Russian companies of the Group do not qualify as Russian tax residents, do not have a permanent establishment in Russia and hence are not subject to Russian profits tax except for Russian tax withheld at source (i.e. dividend, interest, certain capital gains, etc.).

Effective 1 January 2015 the concepts of "tax residency" for foreign legal entities, "beneficial owner of income" and rules for taxation of undistributed profit of controlled foreign companies in Russia were introduced into the Russian tax legislation.

The practice for application of these concepts is currently being developed, and the respective provisions of the Russian Tax Code undergo frequent revisions and are subject to varying interpretations by the tax authorities.

Russian tax laws related to the rules for taxation of foreign companies are quite unclear. It is possible that with the evolution of these rules and changes in the approach of the Russian tax authorities and courts as to their interpretation and application, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged, in which case the foreign companies may be taxed according to the rules similar to the rules applicable to the Russian entities.

So far, since 2015, there has been a number of relevant changes and additions to the Russian Tax Code, including those that have been applied retrospectively.

The introduction and frequent revision of these concepts generally leads to an increase in the administrative (including tax) burden for the Russian entities that have subsidiary and affiliated structures incorporated outside of Russia.

The recent trends in law enforcement practice in taxation indicate that the tax authorities and courts are taking assertive positions in their interpretation of the tax legislation and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged in the future. As such, taxpayers may be subject to significant additional taxes, fines and late payment interest.

Fiscal periods remain open and subject to review by the Russian 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.

As at 31 March 2019 and 31 December 2018, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions should be sustained vis-a-vis tax authorities and courts.

26. CONTINGENCIES AND COMMITMENTS (CONTINUED)

CREDIT RELATED COMMITMENTS

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit (L/Cs), which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by cash deposits and therefore carry less risk than direct borrowings.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards and/or the Bank confirming its willingness to extend a loan.

The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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

Outstanding credit related commitments are as follows:

	31 March 2019 (unaudited)	31 December 2018
Financial guarantees issued	78.7	71.5
Import letters of credit	45.0	46.2
Undrawn credit lines (irrevocable)	34.4	32.2
Commitments to extend credit (irrevocable)	1.3	2.7
Less: provision for credit related commitments	(1.9)	(2.0)
Total credit related commitments	**157.5**	**150.6**

As at 31 March 2019 revocable loan commitments in the total amount of RUR 2,918.8 billion with the loss allowance of RUR 13.7 billion (31 December 2018: RUR 2,903.9 billion with the loss allowance of RUR 13.0 billion). The loss allowance is disclosed within provision for credit related commitments.

The Group has received export letters of credit for further advising to its customers. The total amount of received letters of credit as at 31 March 2019 is RUR 132.5 billion (31 December 2018: RUR 160.6 billion).

Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 36.9 billion (31 December 2018: RUR 39.7 billion) (Note 19).

As at 31 March 2019, the 10 largest groups of interrelated customers accounted for RUR 30.2 billion or 38.4% of the financial guarantees issued (31 December 2018: RUR 31.3 billion or 43.8%).

The movements in loss allowance for loan commitments and financial guarantees were as follows:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financial guarantees				
Balance at 1 January 2019	**0.3**	**0.2**	**0.8**	**1.3**
Net remeasurement of loss allowance	–	0.1	–	**0.1**
Balance at 31 March 2019 (unaudited)	**0.3**	**0.3**	**0.8**	**1.4**
Loan commitments and letters of credit				
Balance at 1 January 2019	**4.2**	**9.4**	**0.1**	**13.7**
Transfer to 12-month ECL	0.3	(0.3)	–	–
Transfer to lifetime ECL not credit-impaired	(0.4)	0.4	–	–
Net remeasurement of loss allowance	(0.4)	0.7	0.3	**0.6**
Financial assets that have been derecognised during the period	(0.1)	–	–	**(0.1)**
Foreign exchange	(0.2)	–	0.2	–
Balance at 31 March 2019 (unaudited)	**3.4**	**10.2**	**0.6**	**14.2**

26.CONTINGENCIES AND COMMITMENTS (CONTINUED)

CREDIT RELATED COMMITMENTS (CONTINUED)

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financial guarantees				
Balance at 1 January 2018	**0.2**	**–**	**2.6**	**2.8**
Net remeasurement of loss allowance	–	0.1	0.7	**0.8**
Write-offs	–	–	(0.1)	**(0.1)**
Foreign exchange	(0.1)	–	–	**(0.1)**
Balance at 31 March 2018 (unaudited)	**0.1**	**0.1**	**3.2**	**3.4**
Loan commitments and letters of credit				
Balance at 1 January 2018	**3.0**	**2.2**	**0.2**	**5.4**
Transfer to 12-month ECL	0.7	(0.5)	(0.2)	**–**
Transfer to lifetime ECL not credit-impaired	0.5	(0.5)	–	**–**
Net remeasurement of loss allowance	(0.8)	0.6	(0.1)	**(0.3)**
Foreign exchange	(0.1)	0.1	0.1	**0.1**
Balance at 31 March 2018 (unaudited)	**3.3**	**1.9**	–	**5.2**

ECL for credit-related commitments and financial guarantees are recorded within other financial liabilities.

PERFORMANCE GUARANTEES

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract.

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.

As at 31 March 2019 the Group has provided performance guarantees in the gross amount of RUR 583.4 billion (31 December 2018: RUR 618.5 billion).

The movements in provision for performance guarantees were as follows:

Balance at 1 January 2018	**16.6**
Net remeasurement of loss allowance	(0.2)
Foreign exchange	0.1
Balance at 31 March 2018 (unaudited)	**16.5**
Balance at 1 January 2019	**10.3**
Net remeasurement of loss allowance	(0.1)
Write-offs	(0.9)
Balance at 31 March 2019 (unaudited)	**9.3**

Provisions for performance guarantees are recorded within other non-financial liabilities.

As at 31 March 2019, the Group was involved in a number of legal cases with claims in the total amount of RUR 1.8 billion (31 December 2018: RUR 3.3 billion) related to issued performance guarantees. The Group contests the validity or amount of the claims made by the beneficiaries and has created the provision in the amount of RUR 1.8 billion (31 December 2018: RUR 2.6 billion), which is the Group's best estimate of the loss under these guarantees.

PURCHASE COMMITMENTS

As at 31 March 2019 the Group had RUR 156.8 billion of outstanding commitments for the purchase of precious metals (31 December 2018: RUR 116.8 billion). As the price of these contracts is linked to the fair value of precious metals at the date of delivery, no gain or loss is recognised on these contracts.

27. BUSINESS COMBINATIONS

“Sarovbusinessbank”, PJSC: In January 2019 the Group purchased 81.1% of the ordinary shares of “Sarovbusinessbank”, PJSC. The share capital acquired will be redefined as a result of the mandatory share purchase offer to the minority shareholders. The initial accounting for this acquisition is incomplete as at the date of these financial statements and the Group expects to complete its identification and measurement of the various components of the business combination as at the acquisition date by 31 December 2019.

The gross contractual amounts receivable from acquired loans and advances to customers as at the date of acquisition comprised RUR 23.6 billion of which the Group does not expect to collect the contractual cash flows of RUR 0.3 billion.

For the purpose of determining goodwill arising from the acquisition the provisional fair values of identifiable assets and liabilities of “Sarovbusinessbank”, PJSC based on the results of both an independent external appraisal and management considerations, at the acquisition date were as follows:

	Fair value
Assets	
Cash and short-term funds	10.3
Mandatory reserve deposits with central banks	0.3
Due from other banks	3.5
Loans and advances to customers	23.3
Investment financial assets	6.5
Land, premises and equipment	1.3
Other assets	0.3
Total assets	**45.5**
Liabilities	
Due to other banks	2.3
Customer deposits	34.8
Deferred tax liability	0.2
Other liabilities	0.9
Total liabilities	**38.2**
Fair value of identifiable net assets acquired	**7.3**
Consideration transferred	7.0
Non-controlling interests (proportionate share of the acquiree’s identifiable net assets)	1.4
Less: fair value of identifiable net assets acquired	(7.3)
Goodwill arising from the acquisition	**1.1**

As a result of this acquisition the Group expects to extend its branch network and activity in Nizhniy Novgorod region.

In accordance with the Russian legislation in March 2019, the Group made the binding offer to repurchase the non-controlling interests of “Sarovbusinessbank”, PJSC in the amount of RUR 1.6 billion. The Group made the relevant accrual in Other liabilities with corresponding entry in equity, as this transaction is defined as an equity transaction.

27. BUSINESS COMBINATIONS (CONTINUED)

"Zapsibcombank", PJSC: In January 2019 the Group purchased 71.8% of ordinary shares of the "Zapsibcombank", PJSC, 20.0% of preference shares with the stated dividends of 30% per annum and 18.8% of preference shares with the stated dividends of 100% per annum. The share capital acquired will be redefined as a result of the mandatory share purchase offer to the minority shareholders. The initial accounting for this acquisition is incomplete as at the date of these financial statements and the Group expects to complete its identification and measurement of the various components of the business combination as at the acquisition date by 31 December 2019.

The gross contractual amounts receivable from acquired loans and advances to customers as at the date of acquisition comprised RUR 82.4 billion of which the Group does not expect to collect the contractual cash flows of RUR 3.4 billion.

For the purpose of determining excess of fair value of acquired net assets over cost from the acquisition the provisional fair values of identifiable assets and liabilities of "Zapsibcombank", PJSC based on the results of both an independent external appraisal and management considerations, at the acquisition date were as follows:

	Fair value
Assets	
Cash and short-term funds	9.8
Mandatory reserve deposits with central banks	0.8
Due from other banks	10.2
Loans and advances to customers	79.0
Investment financial assets	21.9
Land, premises and equipment	2.8
Intangible assets	0.1
Other assets	0.6
Total assets	**125.2**
Liabilities	
Due to other banks	0.2
Customer deposits	107.6
Other borrowed funds	0.1
Debt securities issued	0.9
Deferred tax liability	0.8
Other liabilities	1.3
Total liabilities before subordinated debt	**110.9**
Subordinated debt	0.5
Total liabilities	**111.4**
Fair value of identifiable net assets acquired	**13.8**
Total consideration:	**5.0**
• consideration transferred	7.2
• pre-existing relationship	(5.3)
• contingent consideration	3.1
Non-controlling interests (proportionate share of the acquiree's identifiable net assets)	3.3
Less: fair value of identifiable net assets acquired	(13.8)
Excess of fair value of acquired net assets over cost	**(5.5)**

The excess of fair value of acquired net assets over cost of RUR 5.5 billion was disclosed in separate line item "Excess of fair value of acquired net assets over cost" in the Interim Consolidated Income Statement which corresponds to current market situation. As a result of this acquisition the Group expects to extend its branch network and activity in Tyumen region.

In accordance with the Russian legislation, in March 2019, the Group made the binding offer to repurchase the non-controlling interests of "Zapsibcombank", PJSC in the amount of RUR 2.5 billion. The Group made the relevant accrual in Other liabilities with corresponding entry in equity, as this transaction is defined as an equity transaction.

27. BUSINESS COMBINATIONS (CONTINUED)

JCS NPF "Magnit". In February 2019, the Group purchased control over JCS NPF "Magnit" from its associate.

For the purpose of determining excess of fair value of acquired net assets over cost from the acquisition the fair values of identifiable assets and liabilities of JCS NPF "Magnit" based on results of both an independent external appraisal and management considerations, at the acquisition date were as follows:

	Fair value
Assets	
Cash and short-term funds	0.4
Trading financial assets	12.7
Total assets	**13.1**
Liabilities	
Other liabilities	11.9
Total liabilities	**11.9**
Fair value of identifiable net assets acquired	**1.2**
Consideration transferred	0.4
Non-controlling interests (proportionate share of the acquiree's identifiable net assets)	0.1
Less: fair value of identifiable net assets acquired	(1.2)
- excluding mandatory pension insurance reserve	0.6
Excess of fair value of acquired net assets over cost	**(0.1)**

As a result of this acquisition the Group expects to extend its product line "Pension business" in Retail banking. The excess of fair value of acquired net assets over cost of RUR 0.1 billion was disclosed in separate line item "Excess of fair value of acquired net assets over cost" in the Interim Consolidated Income Statement.

"Vozrozhdenie Bank", PJSC: In accordance with the Russian legislation in November 2018, the Group made the binding offer to repurchase the non-controlling interests of "Vozrozhdenie Bank", PJSC in the amount of RUR 1.7 billion. In February 2019 the Group increased its ownership share in "Vozrozhdenie Bank", PJSC from 85.0% to 96.3% by purchasing 2,683,425 shares for RUR 1.3 billion under binding offer.

28. SUBSEQUENT EVENTS

In April 2019 the Group purchased 99.9961% of ordinary shares of FC "Dynamo-Moscow", JSC for the total consideration of RUR 1.

In May 2019 the Group acquired 99.99% of ordinary shares of "Novorossiysk Grain Terminal", LLC.

The initial accounting for these acquisitions is incomplete as at the date of these financial statements and the Group expects to complete it identification and measurement of the various components of the business combination as of the acquisition date by 31 December 2019

29. RELATED PARTY TRANSACTIONS

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 as defined by IAS 24, *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.
A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

Transactions and balances with related parties comprise transactions and balances with Russian government-related entities and associates and joint ventures and are stated in the tables below:

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Statement of financial position

	31 March 2019 (unaudited)			31 December 2018		
	Government-related entities	Associates	Joint ventures	Government-related entities	Associates	Joint ventures
Assets						
Cash and short-term funds	269.1	0.1	–	355.8	0.1	–
Mandatory cash balances with central banks	104.4	–	–	102.8	–	–
Trading financial assets	246.7	2.4	–	199.7	–	–
Derivative financial assets	37.8	0.1	–	87.2	–	–
Due from other banks	755.2	156.4	7.7	318.0	258.6	7.6
Less impairment loss allowance	(0.4)	–	–	(0.2)	(0.1)	–
Loans and advances to customers	2,021.8	195.4	90.6	2,137.4	170.6	90.6
Less impairment loss allowance	(18.8)	(7.9)	(0.3)	(20.0)	(7.7)	(0.3)
Investment financial assets	244.4	0.2	6.9	240.5	–	–
Other assets	0.9	0.4	0.4	16.5	0.2	0.4
Liabilities						
Due to other banks	1,174.1	150.3	23.6	826.0	255.1	22.4
Customer deposits	2,870.3	82.9	13.3	3,045.4	106.9	11.5
Derivatives financial liabilities	16.6	0.3	–	22.0	–	0.1
Other borrowed funds	155.0	–	–	156.2	–	–
Subordinated debt	102.4	–	–	101.2	–	–
Other liabilities	37.4	2.3	–	12.3	0.9	0.1
Credit related commitments						
Financial guarantees issued	8.3	0.7	0.6	11.9	0.7	2.7
Undrawn credit lines (irrevocable)	4.5	–	–	–	–	–
Import letters of credit	1.6	–	0.3	3.6	–	0.7
Commitments to extend credit (irrevocable)	0.7	–	–	1.2	–	–
Performance guarantees issued	275.8	14.0	0.5	307.9	14.3	0.3

Income statement

	For the three-month period ended 31 March (unaudited)					
	2019			2018		
	Government-related entities	Associates	Joint ventures	Government-related entities	Associates	Joint ventures
Interest income calculated using the effective interest method						
Financial assets measured at amortised cost						
Loans and advances to customers	39.4	3.9	1.3	27.6	6.4	1.8
Due from other banks	9.7	1.4	–	5.3	2.1	–
Investment financial assets	0.2	–	–	–	–	–
Debt financial assets measured at fair value through other comprehensive income	4.2	–	–	4.1	–	–
Other interest income						
Financial assets at fair value through profit or loss	2.9	–	0.3	2.8	–	–
Net investments in finance lease	1.0	–	–	1.0	–	–
Interest expense						
Customer deposits	(41.1)	(1.1)	–	(35.9)	(0.2)	–
Due to other banks and other borrowed funds	(20.6)	(2.3)	(0.6)	(7.9)	(5.7)	–
Subordinated debt	(1.2)	–	–	(1.6)	–	–
Provision for credit losses						
Reversal of provision/(provision charge) for credit losses on debt financial assets	0.2	0.1	–	0.4	(0.3)	0.1
Provision charge for credit losses on credit related commitments	(0.5)	–	–	(0.3)	(0.2)	–

29. RELATED PARTY TRANSACTIONS (CONTINUED)

The key management personnel includes certain senior members (executive body) of the Group Management Committee, Heads of Global Business Lines, all members of the Management Board of VTB Bank, as well as all members of the Supervisory Council of VTB Bank and their aggregate remuneration for the three-month period ended 31 March 2019 amounted to RUR 1.0 billion (for the three-month period ended 31 March 2018: RUR 0.8 billion). Compensation of key management personnel consists primarily of short-term employee benefits, including pension contributions.

As at 31 March 2019 the liability arising from cash-settled share-based payment transaction amounted to RUR 0.6 billion and was recognized in Other liabilities (31 December 2018: RUR 0.6 billion).

30. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share are equal to basic earnings per share.

	For the three-month period ended 31 March 2019 (unaudited)	For the three-month period ended 31 March 2018 (unaudited)
Weighted average number of ordinary shares in issue	12,951,991,148,698	12,930,429,410,128
Net profit attributable to shareholders of the parent	46.6	55.6
Basic and diluted earnings per share (expressed in Russian roubles per share)	**0.00360**	**0.00430**
Total net profit attributable to shareholders of the parent net of loss after tax from subsidiaries acquired exclusively with a view to resale	46.6	55.6
Basic and diluted earnings per share before loss after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian roubles per share)	**0.00360**	**0.00430**

31. NEW AND REVISED STANDARDS

IFRS 16 Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).

IFRS 16 *Leases* replaces 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*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

To the lessor accounting IFRS 16, in fact, retains the requirements for accounting under IAS 17. Thus, the lessor continues to classify lease agreements as operating or financial leases and, accordingly, reflect them differently in the financial statements.

The Group has adopted IFRS 16 *Leases* from the date of initial application of 1 January 2019. The transition to the new standard was applied using a modified retrospective method with recognition of cumulative effect of the initial application as an adjustment of opening retained earnings as of initial application date. Under using the modified retrospective method the comparatives were not restated.

On adoption of IFRS 16, the Group recognised lease liabilities for leases, which had previously been classified as operating leases under IAS 17 *Leases*.

These liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rates as at 1 January 2019.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued operating lease payments relating to those leases recognised in the statement of financial position as at 1 January 2019 within Land, premises and equipment.

31. NEW AND REVISED STANDARDS (CONTINUED)

IFRS 16 Leases (continued)

On transition to IFRS 16, the Group recognised lease liabilities amounted to RUR 49.6 billion within Other liabilities and right-of-use assets equal to the amount of lease liabilities adjusted by the amount of any prepaid and accrued payments. As a result, as at 1 January 2019 the Group recognised right-of-use assets in the amount of RUR 48.6 billion.

The Group also recognised a reduction in a carrying value of an associate (Note 16) and a reduction in retained earnings in the amount of RUR 6.7 billion as an associate company of Group determined the value of right-of-use-assets as if IFRS 16 was applied from the start of the term of the lease agreements

A reconciliation of the operating lease commitments to this liability in accordance to IFRS 16 is as follows (unaudited):

Operating lease commitments disclosed as at 31 December 2018	**60.2**
Discounted using the Group's incremental borrowing rate	50.3
Add: finance lease liabilities recognised as at 31 December 2018	0.1
(Less): short-term leases recognised on a straight-line basis as expense	(0.3)
(Less): low-value leases recognised on a straight-line basis as expense	(0.5)
Lease liability recognised as at 1 January 2019	**49.6**

On transition to IFRS 16, the Group applied the following practical expedients:

- Applied a single discount rate to the portfolio of lease agreements with relatively similar characteristics (the same remaining lease terms or the same currency);
- Recognised lease agreements expiring within 12 months from the date of initial application of the standard as short-term leases;
- Excluded initial direct costs from the measurement of a right-of-use asset at the date of initial application.

The following amendments and interpretations, effective starting 1 January 2019, did not have any substantial impact on the consolidated financial statements:

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

32. CHANGES IN PRESENTATION AND CORRECTION

In the course of preparing its annual financial statements for the year ended 31 December 2018, the Group adjusted the effect of transition to IFRS 9 which was previously reported in the interim condensed consolidated financial statements for the periods ended 31 March 2018, 30 June 2018 and 30 September 2018.

The correction was driven by changes in the staging of certain corporate borrowers for which information about credit risk at origination date became available and by recalculation of the certain parameters of the expected credit loss model for retail borrowers following review of model's input data accuracy. As a result of the adjustment, the expected credit losses as of the date of transition increased by RUR 9.3 billion, equity decreased by RUR 7.4 billion, and deferred tax asset increased by RUR 1.9 billion.

Effect on the consolidated statement of changes in shareholders' equity previously included in the interim condensed consolidated financial statements for the three-month period ended 31 March 2018 is as follows:

	As previously reported	Adjustment	As adjusted
Retained earnings			
Opening balance (1 January 2018)	134.0	(7.4)	126.6
Closing balance (31 March 2018 – unaudited)	189.8	(7.4)	182.4
Total equity			
Opening balance (1 January 2018)	1,418.2	(7.4)	1,410.8
Closing balance (31 March 2018 – unaudited)	1,469.0	(7.4)	1,461.6

Also, as at transition date the Group reassessed modifications of certain problematic loans to individuals and concluded that modifications were not substantial and did not result in derecognition of those loans. As a result, the Group reclassified such loans to individuals out of purchased credit-impaired to other ECL stages as at 1 January 2018.

Effect of the adjustments above on reconciliation from the opening to the closing balance of the loss allowance for loans and advances to customers previously reported in the interim condensed consolidated financial statements is as follows:

	Opening balance (1 January 2018)			
	As previously reported	Remeasurement	Reclassification	As reclassified
Loans and advances to legal entities at amortised cost				
12-month ECL	37.2	0.2	–	37.4
Lifetime ECL not credit-impaired	20.5	(4.3)	–	16.2
Lifetime ECL credit-impaired	413.0	(0.2)	–	412.8
Purchased credit-impaired	23.8	–	–	23.8
Loans and advances to legal entities at fair value through other comprehensive income	0.1	–	–	0.1
Total	**494.6**	**(4.3)**	**–**	**490.3**
Loans and advances to individuals at amortised cost				
12-month ECL	26.4	5.8	–	32.2
Lifetime ECL not credit-impaired	8.0	1.9	0.1	10.0
Lifetime ECL credit-impaired	190.0	9.4	11.1	210.5
Purchased credit-impaired	14.8	(3.5)	(11.2)	0.1
Total	**239.2**	**13.6**	**–**	**252.8**

32. CHANGES IN PRESENTATION AND CORRECTION (CONTINUED)

	Closing balance (31 March 2018 – unaudited)			
	As previously reported	Remeasurement	Reclassification	As reclassified
Loans and advances to legal entities at amortised cost				
12-month ECL	34.5	0.2	–	34.7
Lifetime ECL not credit-impaired	21.8	(4.3)	–	17.5
Lifetime ECL credit-impaired	423.5	(0.2)	–	423.3
Purchased credit-impaired	18.9	–	–	18.9
Loans and advances to legal entities at fair value through other comprehensive income	0.1	–	–	0.1
Total	**498.8**	**(4.3)**	**–**	**494.5**
Loans and advances to individuals at amortised cost				
12-month ECL	26.5	5.8	–	32.3
Lifetime ECL not credit-impaired	10.0	1.9	0.1	12.0
Lifetime ECL credit-impaired	195.0	9.4	11.1	215.5
Purchased credit-impaired	15.2	(3.5)	(11.2)	0.5
Total	**246.7**	**13.6**	**–**	**260.3**

Adjustments mentioned above did not have any substantial impact on the interim consolidated statement of income for the three-month period ended 31 March 2018.