Report on Review of Interim Financial Information

Joint Stock Company "Leasing company "Europlan" and its subsidiaries

for the nine-month period ended 30 September 2017

November 2017

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Report on Review of Interim Financial Information

To the sole shareholder of
Joint Stock Company "Leasing company "Europlan"

Introduction

We have reviewed the accompanying interim carve-out consolidated financial statements of Joint Stock Company "Leasing company "Europlan" and its subsidiaries ("the Group"), which comprise the interim carve-out consolidated statement of financial position as at 30 September 2017 and the related interim carve-out consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, the interim carve-out consolidated statement of changes in equity and the interim carve-out consolidated statement of cash flows for the nine-month period then ended, and notes to the interim carve-out consolidated financial statements, including a summary of significant accounting policies (interim financial information).

Management of Joint Stock Company "Leasing company "Europlan" is responsible for the preparation and fair 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,
улучшаем мир

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information do not present fairly, in all material respects, the financial position of the Group as at 30 September 2017 and its financial performance and its cash flows for the three-month and nine-month periods then ended in accordance with IAS 34 *Interim Financial Reporting*.

S.M. Taskaev
Partner
Ernst & Young LLC

23 November 2017

Details of the entity

Name: Joint Stock Company "Leasing company "Europlan"
Record made in the State Register of Legal Entities on 30 June 2017, State Registration Number 1177746637584.
Address: Russia 115093, Moscow, 1st Shchipovsky pereulok, 20.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

Interim carve-out consolidated statement of financial position as at 30 September 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	Note	30 September 2017	31 December 2016
Assets			
Cash and cash equivalents	5	3,063,443	8,473,335
Deposits in banks	6	250,223	252,208
Net investment in leases after impairment allowance	7	35,091,156	27,470,596
Equipment purchased and advances to suppliers for lease operations	8	679,282	564,785
Debtors on leasing activity	9	20,537	8,476
Current income tax prepayment		9,709	101,389
VAT recoverable		260,709	96,129
Property and equipment	10	319,959	327,866
Other assets	11	869,055	834,476
Total assets		**40,564,073**	**38,129,260**
Liabilities			
Advances received from lessees		973,755	610,169
Borrowings	12	12,858,256	10,204,713
Bonds issued	13	15,393,035	13,361,729
Current income tax payable		150,787	313
Deferred tax liabilities	21	979,386	928,367
VAT payable		118,800	34,878
Other liabilities	14	1,182,435	665,933
Total liabilities		**31,656,454**	**25,806,102**
Equity			
Share capital	15	120,000	-
Additional paid-in capital	15	758,667	-
Retained earnings		8,028,952	12,323,158
Total equity		**8,907,619**	**12,323,158**
Total liabilities and equity		**40,564,073**	**38,129,260**

Approved for issue and signed on behalf of the Company on 23 November 2017.

Alexander Mikhaylov
CEO

Lyudmila Teterikova
Vice-President, Finance

The notes form an integral part of these interim carve-out consolidated financial statements.

Interim carve-out consolidated statement of profit or loss and other comprehensive income

for the nine months ended 30 September 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

		For the nine months ended		For the three months ended	
	Note	***30 September 2017***	***30 September 2016***	***30 September 2017***	***30 September 2016***
Interest income	16	5,757,608	4,867,015	1,989,007	1,578,193
Interest expense	16	(2,326,968)	(1,771,649)	(844,633)	(525,943)
Net interest income		**3,430,640**	**3,095,366**	**1,144,374**	**1,052,250**
Other income, net	17	1,377,562	1,187,944	526,021	466,700
Income from operations		**4,808,202**	**4,283,310**	**1,670,395**	**1,518,950**
Net foreign exchange income (losses)		2,607	(3,923)	(29)	(99)
Total income from operations and finance income		**4,810,809**	**4,279,387**	**1,670,366**	**1,518,851**
Impairment charges on leasing assets	18	(115,439)	19,412	(47,610)	26,233
Impairment charges on other assets	18	(171)	(40,592)	(3,032)	15,819
Staff expenses	19	(1,984,793)	(1,454,806)	(656,975)	(474,591)
Other operating expenses	20	(479,415)	(449,120)	(165,572)	(158,738)
Other non-operating expenses		7,381	(5)	7,381	–
Profit before income tax		**2,238,372**	**2,354,276**	**804,558**	**927,574**
Income tax expense	21	(470,115)	(497,418)	(164,547)	(219,629)
Net profit		**1,768,257**	**1,856,858**	**640,011**	**707,945**
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		**1,768,257**	**1,856,858**	**640,011**	**707,945**

The notes form an integral part of these interim carve-out consolidated financial statements.

Interim carve-out consolidated statement of changes in equity

for the nine months ended 30 September 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	Note	*Share capital*	*Additional paid-in capital*	*Retained earnings*	*Total equity*
Balance as at 1 January 2016		**–**	**–**	**9,917,589**	**9,917,589**
Net profit		–	–	1,856,858	**1,856,858**
Other comprehensive income for the period		–	–	–	**–**
Total comprehensive income for the period		**–**	**–**	**1,856,858**	**1,856,858**
Balance as at 30 September 2016		**–**	**–**	**11,774,447**	**11,774,447**
Balance as at 1 January 2017		**–**	**–**	**12,323,158**	**12,323,158**
Net profit		–	–	1,768,257	**1,768,257**
Other comprehensive income for the period		–	–	–	**–**
Total comprehensive income for the period		**–**	**–**	**1,768,257**	**1,768,257**
Effect of the reorganization	3	120,000	758,667	(6,062,463)	**(5,183,796)**
Balance as at 30 September 2017		**120,000**	**758,667**	**8,028,952**	**8,907,619**

The notes form an integral part of these interim carve-out consolidated financial statements.

Interim carve-out consolidated statement of cash flows
for the nine months ended 30 September 2017 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	For the nine months ended	
	30 September 2017	***30 September 2016***
Cash flows from operating activities		
Interest received	5,355,913	4,922,719
Comissions received	733,320	403,779
Interest paid	(2,178,222)	(1,778,613)
Proceeds from disposal of repossessed assets	624,882	964,577
Cash paid to employees and payroll related taxes paid	(1,647,832)	(1,389,321)
Other operating expenses	(406,732)	(441,575)
Cash flows from operating activities before changes in working capital	**2,481,329**	**2,681,566**
Changes in operating assets/liabilities		
Deposits in banks	(44,892)	4,304,291
Net investment in leases	(7,993,051)	(466,806)
Loans to customers	–	39,654
Advances on leasing activities	248,460	(191,529)
Debtors on leasing activity	30,031	649,719
Other assets	623,287	134,837
Other liabilities	(157,967)	(613,373)
Net cash flows (used in) from operating activities before income tax	**(4,812,803)**	**6,538,359**
Income tax paid	(305,611)	(717,031)
Net cash flows (used in) from operating activities	**(5,118,414)**	**5,821,328**
Cash flows from investing activities		
Proceeds from sale of property and equipment	18,940	11,490
Purchase of property and equipment	(59,369)	(47,065)
Net cash used in investing activities	**(40,429)**	**(35,575)**
Cash flows from financing activities		
Borrowings received	4,600,000	2,800,000
Borrowings repaid	(1,951,903)	(7,418,626)
Bonds issued	2,582,489	2,430,808
Bonds repaid	(694,496)	(3,000,000)
Cash outflow as a resut of reorganisation	(4,787,181)	–
Net cash flows used in financing activities	**(251,091)**	**(5,187,818)**
Effect of exchange rate changes on cash and cash equivalents	42	(182)
Net (decrease) increase in cash and cash equivalents	**(5,409,892)**	**597,753**
Cash and cash equivalents at the beginning of the period (Note 5)	8,473,335	394,531
Cash and cash equivalents at the end of the period (Note 5)	**3,063,443**	**992,284**

The notes form an integral part of these interim carve-out consolidated financial statements.

(in thousands of Russian roubles, unless otherwise stated)

1 Introduction

These interim carve-out consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") for the nine months ended 30 September 2017 for Joint Stock Company "Leasing company "Europlan" (the "Company") and its subsidiaries (together referred to as the "Group").

In February 2017 the decision on reorganisation of the Company in the form of split-off of Joint Stock Company "Leasing company "Europlan" was accepted at the extraordinary general meeting of the shareholders of Public Joint Stock Company "Europlan" (PJSC "Europlan") (in August 2017 PJSC "Europlan" changed its name to Public Joint Stock Company "SAFMAR Financial investment"). On 30 June 2017, after the reorganisation was completed, all rights and obligations under the contracts on leasing activity concluded before the completion date of reorganisation were transferred to the separated company. The subsidiaries LLC "Europlan Auto", LLC "Europlan Lease Payments" and LLC "Europlan Service" as well as all bonds issues (issued and not issued) were also transferred to JSC "LC "Europlan".

JSC "LC "Europlan's" registered address is 20, 1st Shchipkovsky pereulok, Moscow, 115093, Russian Federation. The Group's head office is located at 12, Malaya Sukharevskaya Square, Moscow, 127051, Russian Federation.

As at 30 September 2017 the immediate parent company of JSC "LC "Europlan" is PJSC "SAFMAR Financial investment". As at 30 September 2017 the main ultimate beneficiaries of the Group are Gutseriev Said Mikhaylovich and Gutseriev Mikail Safarbekovich with 47.12% and 11.47% shares, respectively. As at 31 December 2016 the main ultimate beneficiaries of the Group are Shishkhanov Mikail Osmanovich, Gutseriev Said Mikhaylovich and Gutseriev Sait-Salam Safarbekovich with 33.82%, 23.05% and 11.45% shares, respectively. There is no sole party, the Group is ultimately controlled by as at 30 September 2017 and 31 December 2016.

In June 2016 the shares of 0.01% in the equities of LLC "Europlan Auto" and LLC "Europlan Service", which were on the balance of the companies, by decision of the sole stakeholder of these companies – PJSC "Europlan" – were redistributed in favour of PJSC "Europlan", and PJSC "Europlan" became the sole stakeholder of these companies. In July 2016, similar redistribution of shares in the amount of 0.01% in the equities of LLC "POMESTIE" and LLC "Europlan Lease Payments" was carried out, and PJSC "Europlan" became the sole stakeholder of these companies.

Details of the subsidiaries are as follows:

			Ownership %	
Name	***Country of incorporation***	***Principal activities***	***30 September 2017***	***31 December 2016***
LLC "Europlan Auto"	Russian Federation	Finance leases	100.00	100.00
LLC "Europlan Lease Payments"	Russian Federation	Insurance agent	100.00	100.00
LLC "Europlan Service"	Russian Federation	Other	100.00	100.00

The principal activity of the Group is leasing of various types of automobiles and equipment to individual entrepreneurs and legal entities within the Russian Federation. The Group purchases leasing assets from suppliers operating on the territory of the Russian Federation. The Group's principal place of business is the Russian Federation. During the period the Group provided its services via 72 offices (2016: 72). As at 30 September 2017 the number of employees was 1,753 (31 December 2016: 1,540).

(in thousands of Russian roubles, unless otherwise stated)

2 Operating environment of the Group

The Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the risks on economic and financial markets of the Russian Federation, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The interim carve-out consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group.

Management determines investment in lease impairment provisions by considering the economic situation and outlook at the end of the reporting period and applies the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

Although the future business environment may differ from management's assessment, management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

3 Summary of significant accounting policies

Basis of preparation

These interim carve-out consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The interim carve-out consolidated financial statements have been prepared under the historical cost convention except as disclosed in this section.

These interim carve-out consolidated financial statements are presented in thousands of Russian roubles ("RUB"), except per share amounts and unless otherwise indicated.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim carve-out consolidated financial statements are consistent with those followed in the preparation of annual carve-out consolidated financial statements of JSC "LC "Europlan" for the year ended 31 December 2016, except for the adoption of new Standards effective as of 1 January 2017 and described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2017, they do not have a material effect on the interim carve-out consolidated financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim carve-out consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance.

Annual Improvements Cycle – 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The Group has adopted the amendments retrospectively. The amendments have no effect on the Group's financial statements.

Basis of consolidation

The Group was organised as a result of reorganisation under common control, during which PJSC "Europlan" transferred leasing activity business to the holding company JSC "LC "Europlan" registered on 30 June 2017. The reorganisation was accounted for using the pooling of interests method including comparative data on leasing activity, carved out from the consolidated financial statements of PJSC "Europlan".

Since leasing activity transferred was held by PJSC "Europlan" before the reorganisation, the Company used the following assumptions for carving out of assets and operations of transferred business from the financial statements of PJSC "Europlan":

- Assets, liabilities and operations of the subsidiaries LLC "Europlan Auto", LLC "Europlan Lease Payments" and LLC "Europlan Service", involved in leasing activity and transferred during the reorganisation, are reported in the consolidated financial statements of the Group at cost as in the previous parent company (PJSC "Europlan");
- Assets, liabilities and operations of PJSC "Europlan", related to leasing activity, are reported at their previous carrying values.

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date when control ceases to be. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests either at fair value or at the proportionate share of the acquiree’s identifiable net assets and other components of non-controlling interests at their acquisition date fair value. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group’s net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, starting from the acquisition date, goodwill acquired in a business combination is allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Acquisition of subsidiaries from parties under common control

Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these interim carve-out consolidated financial statements at the carrying amounts of the transferring entity (the predecessor) at the date of the transfer. Related goodwill inherent in the predecessor's original acquisition is also recorded in these interim carve-out consolidated financial statements. Any difference between the total book value of net assets, including the predecessor's goodwill, and the consideration paid is accounted for in these interim carve-out consolidated financial statements as an adjustment to the shareholders' equity.

These interim carve-out consolidated financial statements, including comparative data, are presented as if the subsidiaries had been acquired by the Group on the date they were originally acquired by the predecessor.

Fair value measurement

The Group measures financial instruments, such as trading and available-for-sale securities, derivatives and non-financial assets such as investment property, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 24.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the 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.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

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

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the interim carve-out consolidated statement of profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- A financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Group has the intention and ability to hold it for the foreseeable future or until maturity;
- Other financial assets may be reclassified to available-for-sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Group has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash in hand and highly liquid placements with banks with original maturities of up to 90 days. Funds placed for a period of more than 90 days are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost using the effective interest rate method.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the interim carve-out consolidated statement of profit or loss as net gains/(losses) from trading securities or net gains/(losses) from foreign currencies, depending on the nature of the instrument. Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in profit or loss.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Hedge accounting

To qualify for hedge accounting in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, hedges must be highly effective. Derivatives used for hedging purposes are measured at fair value in the interim carve-out consolidated statement of financial position.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed for effectiveness on monthly basis. A hedge is regarded as highly effective if the changes in the fair value of cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the hedging period.

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised as other comprehensive income in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Borrowings

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

Leases

Inception of the lease

The inception of the lease is considered to be the date of the lease agreement, or the date of commitment, if earlier. For purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall specifically set forth the principal terms of the transaction.

Commencement of the lease term

The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

Lease classification

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. All other leases are operating leases.

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Leases (continued)

Net investment in leases / finance income from leases

Net investment in leases is calculated as the aggregate of minimum lease payments net of reimbursable expenses, representing the amounts guaranteed by the lessee and any unguaranteed residual value (together gross investment in leases), discounted at the interest rate implicit in lease. The interest rate implicit in lease is the discount rate that, at the inception of lease, causes the present value of the gross investment in lease to be equal to the fair value of the leased asset.

The difference between the gross investment in leases and the net investment in leases represents unearned finance income. This income is recognised over the term of the lease using net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Initial direct transaction costs incurred by the lessor include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. For finance leases, initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Net investment in leases also includes equipment under installation if all the significant risks and rewards of ownership of leased assets are transferred to the lessee. The Group starts to accrue interest income from the commencement date.

Payments received by the Group from lessees are treated as advances received from lessees (a separate line within liabilities section) up to the commencement date of the lease when net investment in leases adjusted by payments received from lessees are recognised.

Any advances made to the supplier are recorded as advances to suppliers for lease operations.

Equipment purchased for leasing purposes

Items purchased for leasing purposes represent assets purchased for subsequent transfer to lessees but not transferred at the reporting date. The assets are carried at the lower of cost and net realisable value.

Leased objects repossessed

Leased objects repossessed generally represent the assets repossessed by the Group from delinquent lessees under terminated finance lease contracts. The major types of assets held are cars, trucks and other equipment. When the Group takes possession of the collateral under terminated lease contracts, it measures the assets obtained at the lower of cost or net realisable value. When estimating the net realisable value the Group makes assumptions to assess the market values depending on the type of asset being assessed and then applies market realisation cost adjustments to certain types of assets for obsolescence, illiquidity and trade discounts expected.

Operating leases

Where the Group is a lessee in a lease, which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term.

Measurement of financial instruments at initial recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Measurement of financial instruments at initial recognition (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Group determines that the fair value at initial recognition differs from the transaction price, then:

- If the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Group recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- In all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Group recognises that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognised.

Offsetting of financial instruments

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

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

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

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of net investment in leases, debtors on leasing activities, loans to customers and other receivables

The Group reviews its net investment in lease ("NIL"), debtors on leasing activities, loans to customers and other receivables ("NIL and other receivables") to assess impairment on a regular basis. NIL and other receivables are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the NIL and other receivables and that event (or events) has had an impact on the estimated future cash flows of the assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a lessee or other borrower, breach of contract conditions, restructuring of a contract or advance on terms that the Group would not otherwise consider, indications that a lessee or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

The Group first assesses whether objective evidence of impairment exists individually for NIL and other receivables that are individually significant, and individually or collectively for NIL and other receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed NIL and other receivables, whether significant or not, it includes the NIL and other receivables in a group of NIL and other receivables with similar credit risk characteristics and collectively assesses them for impairment. NIL and other receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not collectively assessed for impairment.

If there is objective evidence that an impairment loss on NIL and other receivables has been incurred, the amount of the loss is measured as the difference between the carrying amount of NIL and other receivables and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at NIL or other receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on NIL and other receivables may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of NIL and other receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Uncollectible assets are written off against the related impairment loss allowance after all the necessary procedures to recover the receivable have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the other income account.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is reclassified from other comprehensive income to the interim carve-out consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through the interim carve-out consolidated statement of profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the interim carve-out consolidated statement of profit or loss.

Renegotiated lease agreements

Where possible, the Group seeks to restructure leases rather than to take possession of leased object. This may involve extending the payment arrangements and the agreement of new lease conditions.

The accounting treatment of such restructuring is as follows:

- If the currency of the leases has been changed the old leases are derecognised and the new leases are recognised;
- If the leases restructuring is not caused by the financial difficulties of the leasee the Group uses the same approach as for financial liabilities described below;
- If the leases restructuring is due to the financial difficulties of the leasee and the leases are impaired after restructuring, the Group recognises the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the allowance charges for the period. In case leases are not impaired after restructuring the Group recalculates the effective interest rate.

Once the terms have been renegotiated, the leases are no longer considered past due. Management continuously reviews renegotiated leases to ensure that all criteria are met and that future payments are likely to occur. The leases continue to be subject to an individual or collective impairment assessment, calculated using the leases' original or current effective interest rate.

Derecognition of financial assets and liabilities

Financial assets

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

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

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

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

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

Financial liabilities

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

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

Taxation

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Value added tax ("VAT")

Output value added tax is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount due from the debtor, including VAT.

VAT recoverable represents the amount of VAT paid on assets acquired for leasing purposes. This VAT is recoverable from lease payments of the lessees (sales VAT).

For the purpose of these interim carve-out consolidated financial statements, VAT payable to the state is netted against VAT receivables from lessees and VAT recoverable on assets acquired for leasing purposes within each component of the Group.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of equipment items are capitalised and the replaced part is amortised. Gains and losses on disposals determined by comparing proceeds with the carrying amount are recognised in profit or loss. Costs related to repairs and renewals are charged as incurred and included in general and administrative expenses, unless they qualify for capitalisation.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

Building	30 years
Computer equipment	5 years
Office equipment	5 years
Vehicles	5 years
Other equipment	5 years

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

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. Goodwill on an acquisition of a subsidiary is included in goodwill and other intangible assets. Goodwill on an acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than the operating segment as defined in IFRS 8 *Operating Segments* before aggregation.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Intangible assets other than goodwill

Intangible assets other than goodwill include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other employee benefit obligations

The Group does not have any pension arrangements separate from the State pension system of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Group has no significant post-employment benefits.

Share capital

Share capital

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

Dividends

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

Contingencies

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

Recognition of income and expenses

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

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Recognition of income and expenses (continued)

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense. Once the value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fee and commission income

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

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

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

- *Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income

Revenue is recognised when the Group's right to receive the payment is established.

Foreign currency translation

The interim carve-out consolidated financial statements are presented in Russian roubles, which is the Group's functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the interim carve-out consolidated statement of profit or loss as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Differences between the contractual exchange rate of a transaction in a foreign currency and the Central Bank exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official CBR exchange rates at 30 September 2017 and 31 December 2016, were 58.0169 roubles and 60.6569 roubles to 1 USD, respectively

(in thousands of Russian roubles, unless otherwise stated)

4 Significant accounting judgments and estimates

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the interim carve-out consolidated financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the interim carve-out consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 24.

Allowance for net investment in leases and other receivables

The Group regularly reviews its net investment in leases and other receivables to assess impairment. The Group uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of net investment in leases and other receivables. The Group uses its experienced judgment to adjust observable data for a group of net investment in leases or other receivables to reflect current circumstances. The amount of allowance for impairment recognised in interim carve-out consolidated statement of financial position at 30 September 2017 was RUB 243,989 thousand (31 December 2016: RUB 218,327 thousand). More details are provided in Note 18.

5 Cash and cash equivalents

	30 September 2017	*31 December 2016*
Cash on hand	–	144
Current accounts with banks	658,984	346,176
Term deposits with banks with original maturity up to three months	2,404,459	8,127,015
Total cash and cash equivalents	**3,063,443**	**8,473,335**

No bank balances or term deposits with banks are past due or impaired. The credit quality of cash and cash equivalent balances is based on Standard and Poor's ratings, or ratings of Moody's or Fitch, which are converted to the nearest equivalent to the Standard and Poor's ratings. Analysis by credit quality of current accounts with banks and term deposits with banks is as follows:

	30 September 2017		*31 December 2016*	
	Current accounts with banks	*Term deposits with banks*	*Current accounts with banks*	*Term deposits with banks*
Neither past due nor impaired				
- BB- to BB+ rated	652,105	2,404,459	321,578	8,127,015
- Rated lower than BB-	5,177	–	19,641	–
Unrated	1,702	–	4,957	–
Total cash and cash equivalents	**658,984**	**2,404,459**	**346,176**	**8,127,015**

As at 30 September 2017 the Group has two counterparties with credit rating from BB- to BB+ (31 December 2016: two counterparties), whose aggregate balances on current accounts with banks and short-term deposits exceed 10% of equity as at the end of reporting period. The gross value of these balances of these counterparties as at 30 september 2017 is RUB 2,999,107 thousand (31 December 2016: RUB 7,924,316 thousand).

(in thousands of Russian roubles, unless otherwise stated)

6 Deposits in banks

Deposits in banks as at 30 September 2017 were mainly deposits in RUB and had an average interest rate of 8.13% (31 December 2016: 9.77%). The maturity of these deposits is March 2018 (31 December 2016: January 2017 – September 2017).

All deposits in banks are neither past due nor impaired. The credit quality of the deposits in banks is based on Standard and Poor's ratings, or ratings of Moody's or Fitch, which are converted to the nearest equivalent to the Standard and Poor's ratings.

Analysis by credit quality of deposits in banks is as follows:

	30 September 2017	*31 December 2016*
BB- to BB+ rated	250,223	252,208
Total deposits in banks	**250,223**	**252,208**

As at 30 September 2017 and 31 December 2016 the Group does not have counterparties, whose aggregate balances exceed 10% of equity.

7 Net investment in leases after impairment allowance

As at 30 September 2017 and 31 December 2016 net investment in leases comprises:

	30 September 2017	*31 December 2016*
Gross investment in leases	**43,505,650**	**33,975,355**
Unearned finance income	(8,243,665)	(6,388,004)
Net investment in leases before impairment allowance	**35,261,985**	**27,587,351**
Impairment allowance	(170,829)	(116,755)
Total net investment in leases after impairment allowance	**35,091,156**	**27,470,596**

Finance lease payments receivable (gross investment in leases) and their present values are as follows:

	Due in 1 year	*Due between 1 and 5 years*	*Total*
Gross investment in leases as at 30 September 2017	**25,470,659**	**18,034,991**	**43,505,650**
Unearned finance income	(2,234,858)	(6,008,807)	**(8,243,665)**
Impairment allowance	(103,822)	(67,007)	**(170,829)**
Net investment in leases after impairment allowance as at 30 September 2017	**23,131,979**	**11,959,177**	**35,091,156**

	Due in 1 year	*Due between 1 and 5 years*	*Total*
Gross investment in leases as at 31 December 2016	**20,660,907**	**13,314,448**	**33,975,355**
Unearned finance income	(2,023,345)	(4,364,659)	**(6,388,004)**
Impairment allowance	(64,916)	(51,839)	**(116,755)**
Net investment in leases after impairment allowance as at 31 December 2016	**18,572,646**	**8,897,950**	**27,470,596**

(in thousands of Russian roubles, unless otherwise stated)

7 Net investment in leases after impairment allowance (continued)

Movements in the impairment allowance for net investment in leases by types of leased assets for the nine months ended 30 September 2017 are as follows:

	Vehicles	*Construction equipment – mobile machinery and other*	*Total*
Impairment allowance as at 1 January 2017	**(106,813)**	**(9,942)**	**(116,755)**
Impairment charges	(69,193)	(1,325)	**(70,518)**
Written off	16,444	–	**16,444**
Impairment allowance as at 30 September 2017	**(159,562)**	**(11,267)**	**(170,829)**

Movements in the impairment allowance for net investment in leases by types of leased assets for the nine months ended 30 September 2016 are as follows:

	Vehicles	*Construction equipment – mobile machinery and other*	*Total*
Impairment allowance as at 1 January 2016	**(86,218)**	**(35,825)**	**(122,043)**
Impairment recovery	25,545	21,101	**46,646**
Impairment allowance as at 30 September 2016	**(60,673)**	**(14,724)**	**(75,397)**

The lessees of the Group are divided into 4 rating groups for credit quality analysis. The Group's rating scale reflects the credit quality of net investment in leases.

Prime credit rating: the lowest level of credit risk is attributable to the lessee and the leasing transaction.

Strong credit rating: high creditworthiness lessee and low risk for the Group.

Acceptable credit rating: average risk assigned to lessee and the leasing transaction.

Sufficient credit rating: the credit risk is higher than average.

The assigned ratings are under constant review and are regularly updated.

Analysis by credit quality of net investment in leases as at 30 September 2017 is as follows:

	Vehicles	*Construction equipment – mobile machinery and other*	*Total*
Not past due and less than 60 days overdue (gross)			
- Prime	6,639,421	532,575	**7,171,996**
- Strong	13,652,761	1,087,771	**14,740,532**
- Acceptable	11,731,610	641,683	**12,373,293**
- Sufficient	867,618	77,654	**945,272**
Total not past due and less than 60 days overdue (gross)	**32,891,410**	**2,339,683**	**35,231,093**
Past due (gross)			
- 61 days to 90 days overdue	11,390	1,733	**13,123**
- 91 days to 180 days overdue	10,890	2,102	**12,992**
- 181 days to 365 days overdue	1,951	226	**2,177**
- over 365 days overdue	1,978	622	**2,600**
Total past due (gross)	**26,209**	**4,683**	**30,892**
Less impairment allowance	(159,562)	(11,267)	**(170,829)**
Total net investment in leases after impairment allowance	**32,758,057**	**2,333,099**	**35,091,156**

(in thousands of Russian roubles, unless otherwise stated)

7 Net investment in leases after impairment allowance (continued)

Analysis by credit quality of net investment in leases as at 31 December 2016 is as follows:

	Vehicles	*Construction equipment – mobile machinery and other*	*Total*
Not past due and less than 60 days overdue (gross)			
- Prime	5,274,806	395,493	**5,670,299**
- Strong	11,585,016	1,022,860	**12,607,876**
- Acceptable	7,928,937	561,225	**8,490,162**
- Sufficient	729,563	66,228	**795,791**
Total not past due and less than 60 days overdue (gross)	**25,518,322**	**2,045,806**	**27,564,128**
Past due (gross)			
- 61 days to 90 days overdue	6,768	175	**6,943**
- 91 days to 180 days overdue	949	5,096	**6,045**
- 181 days to 365 days overdue	2,720	2,364	**5,084**
- over 365 days overdue	4,084	1,067	**5,151**
Total past due (gross)	**14,521**	**8,702**	**23,223**
Less impairment allowance	(106,813)	(9,942)	**(116,755)**
Total net investment in leases after impairment allowance	**25,426,030**	**2,044,566**	**27,470,596**

The Group estimates net investment in leases impairment based on the internal model that takes into account its historical loss experience. The management analyses historical losses and computes a probability of default and loss given default, which then are used to calculate impairment allowance for each type of leasing.

The Group normally structures its finance lease contracts so that the lessee makes an average prepayment of 25% of the asset purchase price at the beginning of the lease term. The Group holds the title to the asset during the lease term.

Risks related to the leased asset such as damage caused by various reasons and theft are insured. The beneficiary under the insurance policy in case of total loss or theft is the Group.

In assessing impairment allowance, the Group uses the assumption that overdue net investment in leases will be recovered primarily through sale of leased assets. As such, the financial effect of collateral on impairment assessment is significant.

Based on historic experience management estimates that the fair value of collateral securing net investments in lease is at least equal to their carrying amounts. Estimates of collateral value are based on the value of collateral assessed at the time of lease origination, and generally are not updated except when a lease is individually assessed as impaired.

Changes in these estimates could affect the impairment allowance. For example, if net present value of the estimated cash flows changes by one percent, the impairment allowance on net investment in leases as at 30 September 2017 would be RUB 352,620 thousand lower/higher (31 December 2016: RUB 275,874 thousand lower/higher).

(in thousands of Russian roubles, unless otherwise stated)

7 Net investment in leases after impairment allowance (continued)

Economic sector risk concentrations of net investment in leases are as follows:

	30 September 2017		*31 December 2016*	
	Amount	*%*	*Amount*	*%*
Goods transportation & logistics	6,756,883	19.16	4,837,710	17.54
Automobile manufacturing and service	5,130,885	14.55	2,348,718	8.51
Construction	3,945,834	11.19	3,028,370	10.98
Wholesale operations – raw materials	2,191,604	6.22	2,185,684	7.92
Wholesale operations – foods	1,774,625	5.03	1,962,817	7.11
Agriculture	1,597,601	4.53	1,076,188	3.90
Manufacturing activity	1,107,990	3.14	408,910	1.48
Food and drinks	1,076,633	3.05	937,838	3.40
Leasing	996,895	2.83	558,910	2.03
Pharmaceutical industry	857,799	2.43	847,935	3.07
Retail operations	842,056	2.39	665,289	2.41
Other services	723,344	2.05	561,828	2.04
Wholesale operations – means of production	679,389	1.93	666,517	2.42
Wholesale operations – FMCG	674,973	1.91	797,083	2.89
Other industries	6,905,474	19.59	6,703,554	24.30
Net investment in leases before impairment allowance	**35,261,985**	**100.00**	**27,587,351**	**100.00**

As at 30 September 2017 and 31 December 2016 the Group does not have lessees, the aggregate balances of which exceed 10% of equity.

8 Equipment purchased and advances to suppliers for lease operations

Equipment purchased for lease operations represents assets which will be subsequently transferred to lessees. Advances to suppliers for lease operations represent payments to suppliers for assets which will be subsequently transferred to lessees. In accordance with the Russian Civil Code, the lessor is not liable to the lessee if the supplier fails to fulfil its obligations under the asset sales contract when the lessee chooses the supplier.

The Group is exposed to financial risks in relation to equipment purchased for leasing purposes and advances to suppliers for lease operations as these assets represent the first stage of settlements under the leasing contracts which are performed after inception of the lease.

	30 September 2017	*31 December 2016*
Equipment purchased for leasing purposes	62,869	73,089
Advances to suppliers for lease operations	622,898	498,234
Impairment allowance	(6,485)	(6,538)
Total equipment purchased and advances to suppliers for lease operations	**679,282**	**564,785**

(in thousands of Russian roubles, unless otherwise stated)

8 Equipment purchased and advances to suppliers for lease operations (continued)

Analysis by credit quality of advances to suppliers for lease operations is as follows:

	30 September 2017	*31 December 2016*
Equipment purchased for leasing purposes	**62,869**	**73,089**
Advances to suppliers for lease operations		
Neither past due nor impaired	**344,463**	**274,532**
Past due		
- less than 90 days overdue	268,130	212,911
- 91 days to 180 days overdue	6,434	6,255
- 181 days to 365 days overdue	1,473	4,312
- over 365 days overdue	2,398	224
Total past due	**278,435**	**223,702**
Impairment allowance	(6,485)	(6,538)
Total equipment purchased and advances to suppliers for lease operations	**679,282**	**564,785**

Movements in the impairment allowance for the nine months ended 30 September 2017 and 30 September 2016 are as follows:

	For the nine months ended	
	30 September 2017	*30 September 2016*
Impairment allowance as at 1 January	**(6,538)**	**(43,123)**
Impairment (charges) recovery	(171)	12,070
Written off	224	24,563
Impairment allowance as at 30 September	**(6,485)**	**(6,490)**

9 Debtors on leasing activities

Debtors on leasing activities consist of accounts receivable on terminated lease agreements.

	30 September 2017	*31 December 2016*
Debtors on leasing activities	87,212	103,510
Less impairment allowance	(66,675)	(95,034)
Total debtors on leasing activities	**20,537**	**8,476**

Movements in the impairment allowance for debtors on leasing activities for the nine months ended 30 September 2017 and 30 September 2016 are as follows:

	For the nine months ended	
	30 September 2017	*30 September 2016*
Impairment allowance as at 1 January	**(95,034)**	**(154,490)**
Impairment charges	(44,921)	(27,234)
Written off	73,280	59,528
Impairment allowance as at 30 September	**(66,675)**	**(122,196)**

(in thousands of Russian roubles, unless otherwise stated)

9 Debtors on leasing activities (continued)

Analysis by credit quality of debtors on leasing activities is as follows:

	30 September 2017	***31 December 2016***
Not past due and less than 60 days overdue	11,677	4,826
Past due		
- 61 days to 90 days overdue	6,447	4,006
- 91 days to 180 days overdue	8,327	10,763
- 181 days to 365 days overdue	16,843	10,850
- over 365 days overdue	43,918	73,065
Total debtors on leasing actitvities	**87,212**	**103,510**
Less impairment allowance	(66,675)	(95,034)
Total debtors on leasing actitvities after impairment allowance	**20,537**	**8,476**

The following table provides information on collateral securing debtors on leasing activities (net), by types of collateral (excluding the effect of overcollateralisation):

	30 September 2017	***31 December 2016***
Vehicles	18,943	8,476
Construction equipment, mobile machinery and other	1,594	–
Total debtors on leasing activities	**20,537**	**8,476**

The amounts shown in the table above represent the net carrying amount of the debtors on leasing activities, and do not necessarily represent the fair value of the collateral.

(in thousands of Russian roubles, unless otherwise stated)

10 Property and equipment

The movements in property and equipment for the nine months ended 30 September 2017 and 30 September 2016 were as follows:

	Cars	*Computer equipment*	*Office equipment*	*Buildings and lands*	*Other*	*Capital expenditure*	*Total property and equipment*
Cost							
1 January 2016	**115,452**	**189,085**	**113,122**	**148,043**	**49,763**	**9,576**	**625,041**
Additions	8,638	19,748	18,329	–	350	–	**47,065**
Disposals	(33,315)	(5,411)	(2,880)	–	(422)	(9,535)	**(51,563)**
30 September 2016	**90,775**	**203,422**	**128,571**	**148,043**	**49,691**	**41**	**620,543**
1 January 2017	**100,616**	**247,408**	**132,214**	**148,043**	**58,821**	**41**	**687,143**
Additions	33,360	12,104	8,263	–	5,642	–	**59,369**
Disposals	(27,028)	(6,343)	(7,459)	–	(463)	–	**(41,293)**
30 September 2017	**106,948**	**253,169**	**133,018**	**148,043**	**64,000**	**41**	**705,219**
Accumulated depreciation							
1 January 2016	**(79,238)**	**(115,734)**	**(73,553)**	**(20,702)**	**(29,502)**	**–**	**(318,729)**
Depreciation charge	(13,600)	(21,929)	(12,925)	(3,942)	(5,367)	–	**(57,763)**
Disposals	24,448	4,997	1,653	–	354	–	**31,452**
30 September 2016	**(68,390)**	**(132,666)**	**(84,825)**	**(24,644)**	**(34,515)**	**–**	**(345,040)**
1 January 2017	**(69,113)**	**(140,100)**	**(87,731)**	**(25,957)**	**(36,376)**	**–**	**(359,277)**
Depreciation charge	(13,017)	(28,235)	(12,496)	(3,942)	(4,692)	–	**(62,382)**
Disposals	25,106	5,486	5,352	–	455	–	**36,399**
30 September 2017	**(57,024)**	**(162,849)**	**(94,875)**	**(29,899)**	**(40,613)**	**–**	**(385,260)**
Carrying amount							
1 January 2016	**36,214**	**73,351**	**39,569**	**127,341**	**20,261**	**9,576**	**306,312**
31 December 2016	**31,503**	**107,308**	**44,483**	**122,086**	**22,445**	**41**	**327,866**
30 September 2017	**49,924**	**90,320**	**38,143**	**118,144**	**23,387**	**41**	**319,959**

(in thousands of Russian roubles, unless otherwise stated)

11 Other assets

	30 September 2017	*31 December 2016*
Other financial assets		
Insurance agency fee receivable	67,276	21,686
Settlements with counterparties	–	73,443
Settlements on disposal of credit portfolio	–	24,365
Settlements on disposal of JSC "Europlan Bank"	–	515
Other	32,518	46,245
Total other financial assets	**99,794**	**166,254**
Other non-financial assets		
Prepaid insurance cost	257,060	276,269
Leased objects repossessed/returned	213,030	133,251
Advance payments to counterparties	111,663	51,090
Intangible assets	91,700	109,052
Deferred expenses	63,429	47,673
Prepaid taxes other than income tax	120	18,285
Other	32,259	32,602
Total other non-financial assets	**769,261**	**668,222**
Total other assets	**869,055**	**834,476**

Leased objects repossessed are assets repossessed by the Group from delinquent lessees under cancelled finance lease contracts. These leased objects repossessed are recognised at lower of their cost or net realisable value.

Movements in the impairment allowance for other assets for the nine months ended 30 September 2017 and 30 September 2016 are as follows:

	For the nine months ended	
	30 September 2017	*30 September 2016*
Impairment allowance as at 1 January	**–**	**–**
Impairment charges	–	(36,548)
Impairment allowance as at 30 September	**–**	**(36,548)**

12 Borrowings

As at 30 September 2017 borrowings in the amount of RUB 12,858,256 thousand (31 December 2016: RUB 10,204,713 thousand) are loans attracted from banks registered on the territory of the Russian Federation.

As at 30 September 2017 the Group has two counterparties (31 December 2016: two counterparties), the aggregate amount of borrowings from which individually exceed 10% of equity. The gross value of these borrowings as at 30 September 2017 is RUB 12,046,232 thousand (31 December 2016: RUB 7,994,861 thousand).

As at 30 September 2017 net investment in leases before impairment allowance in the amount of RUB 10,973,555 thousand (31 December 2016: RUB 7,243,817 thousand) were pledged as collateral for borrowings amounting to RUB 11,360,065 thousand (31 December 2016: RUB 7,713,941 thousand).

(in thousands of Russian roubles, unless otherwise stated)

13 Bonds issued

Bonds issued comprise the following:

	Date of placement	*Maturity*	*Interest rate as at 30 September 2017*	*Interest rate as at 31 December 2016*	*30 September 2017*	*31 December 2016*
Series 03	November 2012	October2017	11.50%	11.50%	3,676,632	933,058
Series 04	February 2013	February 2019	12.00%	12.00%	1,050,256	1,079,924
Series 05	April 2013	March 2019	12.50%	12.50%	1,399,740	1,442,282
Series BO-01	October 2013	September 2019	12.50%	12.50%	1,991,930	2,050,463
Series BO-02	August 2015	August 2021	10.50%	11.50%	2,120,201	2,726,160
Series BO-07	October 2016	September 2026	11.75%	11.75%	5,154,276	5,129,842
Total bonds issued					**15,393,035**	**13,361,729**

In February 2016 the Group redeemed the bonds of the series 04 with nominal value of RUB 1,500,000 thousand prior to its maturity, and, in August 2016 the bonds of the series 04 with nominal value of RUB 1,040,000 thousand were realised again.

In April 2016 the Group redeemed the bonds of the series 05 with nominal value of RUB 1,500,000 thousand prior to its maturity, and, in May-June 2016 the bonds of the series 05 with nominal value of RUB 1,400,000 thousand were realised again.

In November 2016 the Group redeemed the bonds of the series 03 with nominal value of RUB 2,362,469 thousand prior to its maturity, and, in April 2017 the bonds of the series 03 with nominal value of RUB 2,582,489 thousand were realised again.

Bonds issued can be repaid earlier at discretion of bondholders during the year 2018.

14 Other liabilities

Other liabilities comprise the following:

	30 September 2017	*31 December 2016*
Other financial liabilities		
Settlements with insurance companies	288,345	317,337
Settlements with counterparties	279,697	53,448
Settlements with employees	87,677	9,134
Accrued expenses	7,199	–
Total other financial liabilities	**662,918**	**379,919**
Other non-financial liabilities		
Deferred remuneration to employees	394,307	217,298
Taxes payable other than income tax	95,672	45,120
Deferred income	23,243	17,439
Other liabilities	6,295	6,157
Total other non-financial liabilities	**519,517**	**286,014**
Total other liabilities	**1,182,435**	**665,933**

(in thousands of Russian roubles, unless otherwise stated)

15 Share capital and additional paid-in capital

In June 2017 PJSC "Europlan" have been reorganised in the form of split-off of Joint Stock Company "Leasing company "Europlan". As at 30 September 2017 the issued share capital of JSC "LC "Europlan" in the amount of RUB 120,000 thousand comprises 120,000,000 ordinary shares with nominal value of RUB 1 each, as a result of the reorganisation.

As at 30 September 2017 additional paid-in capital of the Group of RUB 758,667 thousand have been set as a result of reorganisation in the form of split-off.

During the nine months ended 30 September 2017 and 30 September 2016 no dividends were paid by the Group.

16 Interest income and expense

Interest income and expense are as follows:

	For the nine months ended		*For the three months ended*	
	30 September 2017	***30 September 2016***	***30 September 2017***	***30 September 2016***
Interest income				
Net investment in leases	5,135,024	4,451,368	1,878,413	1,488,085
Deposits in banks	622,584	415,647	110,594	90,108
Total interest income	**5,757,608**	**4,867,015**	**1,989,007**	**1,578,193**
Interest expense				
Bonds issued	(1,272,106)	(1,092,599)	(458,886)	(373,250)
Borrowings	(1,054,862)	(679,050)	(385,747)	(152,693)
Total interest expense	**(2,326,968)**	**(1,771,649)**	**(844,633)**	**(525,943)**
Total net interest income	**3,430,640**	**3,095,366**	**1,144,374**	**1,052,250**

As at 30 September 2017 interest income accrued on impaired net investment in leases comprised RUB 1,649 thousand (31 December 2016: RUB 1,669 thousand).

17 Other income, net

Other income, net is as follows:

	For the nine months ended		*For the three months ended*	
	30 September 2017	***30 September 2016***	***30 September 2017***	***30 September 2016***
Revenues from sale of lease objects repossessed	624,882	964,577	294,400	238,590
Cost of leased objects repossessed	(463,063)	(736,874)	(239,813)	(166,666)
Net result from sale of leased objects repossessed	**161,819**	**227,703**	**54,587**	**71,924**
Insurance agency fee income	700,086	461,579	262,765	174,404
Revenues from services provided to lessees	459,292	395,179	160,492	160,501
Other gains from lease activities	64,154	44,382	50,882	61,673
Impairment of leased objects repossessed	(7,789)	(33,288)	(2,705)	(1,870)
Income on ceded loan portfolio	–	92,404	–	83
Other losses	–	(15)	–	(15)
Other income less losses	**1,215,743**	**960,241**	**471,434**	**394,776**
Total other income, net	**1,377,562**	**1,187,944**	**526,021**	**466,700**

(in thousands of Russian roubles, unless otherwise stated)

18 Impairment charges

Impairment charges are as follows:

	For the nine months ended		*For the three months ended*	
	30 September 2017	***30 September 2016***	***30 September 2017***	***30 September 2016***
Impairment charges on leasing assets				
Net investment in leases impairment (charges) recovery, net	(70,518)	46,646	(32,653)	15,029
Debtors on leasing activities impairment charges (recovery), net	(44,921)	(27,234)	(14,957)	11,204
Total impairment charges on leasing assets	**(115,439)**	**19,412**	**(47,610)**	**26,233**
Impairment charges on other assets				
Loans to customers impairment charges, net	–	(16,114)	–	–
Equipment purchased and advances to suppliers for lease operations impairment (charges) recovery, net	(171)	12,070	(3,032)	3,637
Other assets impairment (charges) recovery, net	–	(36,548)	–	12,182
Total impairment charges on other assets	**(171)**	**(40,592)**	**(3,032)**	**15,819**
Total impairment charges	**(115,610)**	**(21,180)**	**(50,642)**	**42,052**

19 Staff expenses

Staff expenses are as follows:

	For the nine months ended		*For the three months ended*	
	30 September 2017	***30 September 2016***	***30 September 2017***	***30 September 2016***
Employee compensation	(1,483,466)	(1,117,096)	(477,834)	(372,379)
Payroll related taxes	(452,825)	(297,054)	(157,479)	(89,930)
Other staff expenses	(48,502)	(40,656)	(21,662)	(12,282)
Total staff expenses	**(1,984,793)**	**(1,454,806)**	**(656,975)**	**(474,591)**

20 Other operating expenses

Other operating expenses are as follows:

	For the nine months ended		*For the three months ended*	
	30 September 2017	***30 September 2016***	***30 September 2017***	***30 September 2016***
Office maintenance	(146,613)	(158,268)	(49,855)	(53,066)
General business expenses and other administrative expenses	(126,645)	(132,534)	(41,930)	(49,590)
Advertisement and marketing	(81,566)	(43,571)	(34,925)	(18,166)
Depreciation of property and equipment	(62,382)	(57,763)	(21,066)	(19,329)
Professional services	(19,119)	(20,781)	(3,020)	(5,981)
Amortisation of intangible assets	(21,418)	(11,539)	(7,067)	(4,643)
Communication	(19,727)	(22,073)	(6,808)	(7,128)
Other	(1,945)	(2,591)	(901)	(835)
Total other operating expenses	**(479,415)**	**(449,120)**	**(165,572)**	**(158,738)**

(in thousands of Russian roubles, unless otherwise stated)

21 Income tax

Income tax expense recorded in profit or loss for the nine months comprises the following:

	For the nine months ended		*For the three months ended*	
	30 September 2017	***30 September 2016***	***30 September 2017***	***30 September 2016***
Current tax charge	(419,096)	(398,384)	(201,676)	(141,649)
Deferred tax charge	(51,019)	(99,034)	(37,129)	(77,980)
Total income tax expense	**(470,115)**	**(497,418)**	**(164,547)**	**(219,629)**

Current income tax rate applicable to the majority of the Group's income is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

	For the nine months ended		*For the three months ended*	
	30 September 2017	***30 September 2016***	***30 September 2017***	***30 September 2016***
Profit before income tax	**2,238,372**	**2,354,276**	**804,558**	**927,574**
Theoretical tax charge – the Russian Federation statutory rate: 20%	**(447,674)**	**(470,855)**	**(160,911)**	**(185,515)**
Non-deductible expenses and other permanent differences	(22,441)	(26,563)	(3,636)	(34,114)
Income tax expense	**(470,115)**	**(497,418)**	**(164,547)**	**(219,629)**

The effective income tax rate for the nine months ended 30 September 2017 is 21% (30 September 2016: 21%).

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20%.

	1 January 2017	***Recognised in profit or loss***	***30 September 2017***
Other assets	168,983	(168,983)	–
Other liabilities	80,597	3,388	83,985
Deferred income tax asset	**249,580**	**(165,595)**	**83,985**
Net investment in leases after impairment allowance	(1,120,044)	121,405	(998,639)
Property and equipment	(38,931)	6,258	(32,673)
Other assets	–	(8,184)	(8,184)
Borrowings	(18,972)	(4,903)	(23,875)
Deferred income tax liabilities	**(1,177,947)**	**114,576**	**(1,063,371)**
Net deferred income tax liabilities	**(928,367)**	**(51,019)**	**(979,386)**

	1 January 2016	***Recognised in profit or loss***	***30 September 2016***
Loans to customers after impairment allowance	105,855	(105,855)	–
Other assets	181,122	2,577	183,699
Other liabilities	89,743	(17,158)	72,585
Deferred income tax asset	**376,720**	**(120,436)**	**256,284**
Net investment in leases after impairment allowance	(1,116,842)	9,662	(1,107,180)
Property and equipment	(34,934)	2,206	(32,728)
Borrowings	(20,994)	9,534	(11,460)
Deferred income tax liabilities	**(1,172,770)**	**21,402**	**(1,151,368)**
Net deferred income tax liabilities	**(796,050)**	**(99,034)**	**(895,084)**

(in thousands of Russian roubles, unless otherwise stated)

22 Financial risk management

The risk management function within the Group is carried out in respect of financial risks (credit, market, and liquidity risks), operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Risk management structure

Risk management functions are implemented at all corporate governance levels and are allocated as follows.
The Executive committee for leasing activities ensures the implementation of strategy, approves the risk management policy, allocates the risk management functions between the governance bodies and business units of the Group and controls their performance. The responsibilities of the Executive committee include the approval of total risk limits by type of risk and type of business. The Executive committee reviews risk level reports on a regular basis and reallocates the risk limits where necessary.

Risk Management Department is responsible for:

- Consideration and structuring of applications for new leasing limits, supporting of applications approval by the Executive committee;
- Preparing internal documents on the risk management procedures, including the identification, evaluation and control of risks;
- Independent analyses and evaluation of all types of risk to which the Group is exposed, including risks associated with its lease portfolio;
- Determining categories of credit risks;
- Independent monitoring of the financial and business position of clients (corporate customers, middle market customers and small-business customers);
- Evaluating and monitoring of assets leased out (collateral).

The Credit Committee is responsible for:

- Review and approval of limits for finance lease contracts;
- Determination and approval of the terms of leasing products;
- Determination of categories of credit risks;
- Establishing requirements to assets and equipment leased out (collateral).

The Treasury Department is responsible for management of foreign currency risk, liquidity risk and interest rate risk.

The Portfolio Assets Department is responsible for notification of the customers about overdue lease payments (early collection) and monitoring the repayment of overdue net investment in leases.

Used Vehicles Sales Department is responsible for sale of problem assets.

Credit policies

Corporate credit policies are approved annually. The objective of these credit policies is to define standards for the composition of the leasing portfolio with regard to the exposure to certain industries and to define specific underwriting criteria, in particular with regard to the structure of risk limits and assets leased out (collateral). The credit policies utilise pre-defined customer profiles and scorecards which allow the risk originating units to efficiently evaluate risks associated with potential customers.

(in thousands of Russian roubles, unless otherwise stated)

22 Financial risk management (continued)

Credit policies (continued)

The decision whether or not to conclude a leasing contract with small and medium businesses depends primarily on the lessee's credit quality as reflected by the credit rating assigned under the internal rating system and leasing object provided in the transaction. In assigning such a rating, the Group considers factors such as the customer's financial position, the market in which the customer operates, the marketability of the customer's products and the customer's management syste.

The decision-making process is centralised in the Head office.

All business processes starting from the initiation of the project and ending with a proposed agreement approval (or rejection in funding) are fully automated in the Front Office Automation System (the "FOAS").

The Group applied the following approach to collateralised assets:

- The Group is the owner of the leased property;
- Liquid and highly liquid property is funded by the Group (illiquid assets are not funded);
- The lessee is required to make a down payment on the lease agreement.

Additional collateral may be presented by:

- Corporate guarantee/surety;
- Personal guarantee of an owner/director.

There are procedures in place that help to determine acceptability and the amount of collateral depending on the type of transaction, and the procedures of monitoring of the fair value of the collateral, which include the request of additional collateral in case of impairment of the current collateral. In order to mitigate the risks, the Group requires insurance of the leased asset.

Lease approval policies and procedures

A basic feature of the lease application process is a clear separation between business origination and risk management activities. Risk assessments are performed on the basis of a dual assessment by both the business origination units and the risk management units. The credit quality group depends on the client's financial performance, the liquidity of the leased property, the client's share in the project and the availability of additional collateral. The subsequent support and monitoring of the lease transactions are carried out by client managers (debt servicing monitoring), credit managers (financial performance monitoring) and collateral assessment managers (leased assets monitoring).

Credit risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one lessee, or groups of related lessees. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product and debtor are approved regularly by the Executive committee.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the interim carve-out consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

(in thousands of Russian roubles, unless otherwise stated)

22 Financial risk management (continued)

Credit risk (continued)

The Group holds collateral against net investment in leases and loans to customers. Estimates of value are based on the value of collateral assessed at the time of concluding the finance lease and loan agreement, and generally are not updated.

Credit quality per class of the following assets is disclosed in respective notes: Net investment in leases after impairment allowance – in the Note 7.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The liquidity is managed on a continuous basis and is designed to establish and maintain a diversified funding base. Liquidity risk is managed by the Treasury Department.

The Treasury Department performs day-to-day management of liquidity risk designed to maintain current and medium-term liquidity. Key management tools include the daily and long-term cash-flows planning, liquidity gap analysis and establishing portfolios (reserves) of liquid assets at different levels.

The table below shows financial liabilities as at 30 September 2017 and 31 December 2016 by their remaining contractual maturities. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the interim carve-out consolidated statement of financial position because the amount in the interim carve-out consolidated statement of financial position is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The undiscounted maturity analysis of financial liabilities as at 30 September 2017 is as follows:

	Demand and less than 1 month	*From 1 to 6 months*	*From 6 to 12 months*	*From 12 months to 5 years*	*Over 5 years*	*Total*
Borrowings	206,629	1,133,271	1,269,342	13,162,878	–	**15,772,120**
Advances received from lessees	708,188	265,567	–	–	–	**973,755**
Bonds issued	3,987,995	1,085,650	627,163	10,262,269	3,744,700	**19,707,777**
Other financial liabilities	655,719	6,900	299	–	–	**662,918**
Total potential future payments for financial liabilities	**5,558,531**	**2,491,388**	**1,896,804**	**23,425,147**	**3,744,700**	**37,116,570**

The undiscounted maturity analysis of financial liabilities as at 31 December 2016 is as follows:

	Demand and less than 1 month	*From 1 to 6 months*	*From 6 to 12 months*	*From 12 months to 5 years*	*Over 5 years*	*Total*
Borrowings	144,617	1,838,471	1,393,775	9,491,733	–	**12,868,596**
Advances received from lessees	441,152	169,017	–	–	–	**610,169**
Bonds issued	–	751,248	3,080,751	11,137,681	3,964,750	**18,934,430**
Other financial liabilities	167,576	176,764	35,579	–	–	**379,919**
Total potential future payments for financial liabilities	**753,345**	**2,935,500**	**4,510,105**	**20,629,414**	**3,964,750**	**32,793,114**

The maturity analysis of borrowings is based on contractual tranches of repayment.

The maturity of the borrowings is longer than maturity of the current lease portfolio and the Group is in compliance with covenant requirements set by loan agreements.

(in thousands of Russian roubles, unless otherwise stated)

22 Financial risk management (continued)

Liquidity risk (continued)

The maturity analysis of financial assets and liabilities as at 30 September 2017 is as follows:

	Demand and less than 1 month	*From 1 to 6 months*	*From 6 to 12 months*	*From 12 months to 5 years*	*Over 5 years / not stated maturity*	*Total*
Assets						
Cash and cash equivalents	3,063,443	–	–	–	–	**3,063,443**
Deposits in banks	–	250,223	–	–	–	**250,223**
Net investment in leases after impairment allowance	2,422,260	9,262,689	8,336,539	15,069,402	266	**35,091,156**
Equipment purchased and advances to suppliers for lease operations	470,193	209,089	–	–	–	**679,282**
Debtors on leasing activities	–	20,537	–	–	–	**20,537**
Current income tax prepayment	–	9,709	–	–	–	**9,709**
VAT recoverable	260,709	–	–	–	–	**260,709**
Property and equipment	–	–	–	–	319,959	**319,959**
Other assets	171,879	605,476	–	–	91,700	**869,055**
Total assets	**6,388,484**	**10,357,723**	**8,336,539**	**15,069,402**	**411,925**	**40,564,073**
Liabilities						
Borrowings	167,659	535,221	569,851	11,585,525	–	**12,858,256**
Advances received from lessees	708,188	265,567	–	–	–	**973,755**
Bonds issued	3,947,055	735,771	–	8,268,282	2,441,927	**15,393,035**
Current income tax payable	–	150,787	–	–	–	**150,787**
Deferred income tax liabilities	–	–	–	–	979,386	**979,386**
VAT payable	–	118,800	–	–	–	**118,800**
Other liabilities	795,292	6,900	153,483	226,760	–	**1,182,435**
Total liabilities	**5,618,194**	**1,813,046**	**723,334**	**20,080,567**	**3,421,313**	**31,656,454**
Net position	**770,290**	**8,544,677**	**7,613,205**	**(5,011,165)**	**(3,009,388)**	**8,907,619**
Cumulative liquidity position	**770,290**	**9,314,967**	**16,928,172**	**11,917,007**	**8,907,619**	

As at 30 September 2017 bonds issued totalling RUB 698,912 thousand with maturity from 12 months to 5 years can be repaid earlier at the buyback option date in the period from 1 to 6 months. Bonds issued totalling RUB 2,441,927 thousand with maturity over 5 years can be repaid earlier at the buyback option date in the period from 12 months to 5 years.

(in thousands of Russian roubles, unless otherwise stated)

22 Financial risk management (continued)

Liquidity risk (continued)

The maturity analysis of financial assets and liabilities as at 31 December 2016 is as follows:

	Demand and less than 1 month	*From 1 to 6 months*	*From 6 to 12 months*	*From 12 months to 5 years*	*Over 5 years / not stated maturity*	*Total*
Assets						
Cash and cash equivalents	8,473,335	–	–	–	–	**8,473,335**
Deposits in banks	–	–	252,208	–	–	**252,208**
Net investment in leases after impairment allowance	1,777,806	7,834,026	6,806,263	11,052,501	–	**27,470,596**
Equipment purchased and advances to suppliers for lease operations	400,756	164,029	–	–	–	**564,785**
Debtors on leasing activities	–	8,476	–	–	–	**8,476**
Current income tax prepayment	–	101,389	–	–	–	**101,389**
VAT recoverable	96,129	–	–	–	–	**96,129**
Property and equipment	–	–	–	–	327,866	**327,866**
Other assets	148,900	576,524	–	–	109,052	**834,476**
Total assets	**10,896,926**	**8,684,444**	**7,058,471**	**11,052,501**	**436,918**	**38,129,260**
Liabilities						
Borrowings	101,716	1,344,842	880,557	7,877,598	–	**10,204,713**
Advances received from lessees	441,152	169,017	–	–	–	**610,169**
Bonds issued	–	329,065	2,264,801	8,268,124	2,499,739	**13,361,729**
Current income tax payable	–	313	–	–	–	**313**
Deferred income tax liabilities	–	–	–	–	928,367	**928,367**
VAT payable	–	34,878	–	–	–	**34,878**
Other liabilities	177,836	262,724	194,402	30,971	–	**665,933**
Total liabilities	**720,704**	**2,140,839**	**3,339,760**	**16,176,693**	**3,428,106**	**25,806,102**
Net position	**10,176,222**	**6,543,605**	**3,718,711**	**(5,124,192)**	**(2,991,188)**	**12,323,158**
Cumulative liquidity position	**10,176,222**	**16,719,827**	**20,438,538**	**15,314,346**	**12,323,158**	

As at 31 December 2016 bonds issued totalling RUB 1,349,054 thousand with maturity from 12 months to 5 years can be repaid earlier at the buyback option date in the period from 6 to 12 months and bonds issued totalling RUB 2,499,739 thousand with maturity over 5 years can be repaid earlier at the buyback option date in the period from 12 months to 5 years.

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

Geographical risk

All assets and liabilities relate to Russian entities.

(in thousands of Russian roubles, unless otherwise stated)

22 Financial risk management (continued)

Market risk

The Group is exposed to market risks. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements. The Group sets limits on the value of risk that may be accepted which is monitored on a daily basis. However, the use of this approach does not prevent from incurring losses outside of these limits in the event of more significant market movements.

Currency risk

The Group is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group sets limits on the level of exposure by currency (primarily US dollars and euro).

The Group minimises foreign exchange risk by matching its fundraising to the ongoing demand for its lease products. In case of discrepancy between its borrowings and the lease portfolio, the Group may face significant foreign exchange risk. This could occur in the event of a drastic shift in currency demanded by its customers for lease contracts rapidly changing the currency composition of the lease portfolio. On the other hand, the loan portfolio will only change in a material way at a slower pace through new borrowings. The Group can choose either to restrain the risk origination or more likely enter into derivative transactions to cover this currency risk as has been the case historically. Historically, the Group has used options and SWAPs to cover open currency positions.

The Group applies a foreign-currency risk-management strategy that uses derivative instruments to protect its interests from unanticipated fluctuations in earnings and cash flows that may arise from volatility in currency exchange rates. Movements in foreign-currency exchange rates pose a risk to the Group's operations and competitive position, since changes in exchange rates may affect the profitability and cash flows.

As at 30 September 2017 and 31 December 2016 the Group is constrained by covenants under loan agreements to have a maximum open currency position of 15% of its equity.

The table below summarises exposure to foreign currency exchange rate risk as at 30 September 2017:

	RUB	*USD*	*EUR*	*Total*
Financial assets				
Cash and cash equivalents	3,062,381	366	696	**3,063,443**
Deposits in banks	250,223	–	–	**250,223**
Net investment in leases after impairment allowance	35,082,555	1,730	6,871	**35,091,156**
Equipment purchased and advances to suppliers for lease operations	632,124	4,594	42,564	**679,282**
Debtors on leasing activities	18,935	1,602	–	**20,537**
Other financial assets	99,785	–	9	**99,794**
Total financial assets	**39,146,003**	**8,292**	**50,140**	**39,204,435**
Financial liabilities				
Borrowings	12,858,256	–	–	**12,858,256**
Advances received from lessees	971,350	1,986	419	**973,755**
Bonds issued	15,393,035	–	–	**15,393,035**
Other financial liabilities	661,340	854	724	**662,918**
Total financial liabilities	**29,883,981**	**2,840**	**1,143**	**29,887,964**
Net position	**9,262,022**	**5,452**	**48,997**	

(in thousands of Russian roubles, unless otherwise stated)

22 Financial risk management (continued)

Market risk (continued)

The table below summarises exposure to foreign currency exchange rate risk as at 31 December 2016:

	RUB	*USD*	*EUR*	*Total*
Financial assets				
Cash and cash equivalents	8,472,249	390	696	**8,473,335**
Deposits in banks	252,208	–	–	**252,208**
Net investment in leases after impairment allowance	27,449,993	4,997	15,606	**27,470,596**
Equipment purchased and advances to suppliers for lease operations	551,309	1,070	12,406	**564,785**
Debtors on leasing activities	7,725	751	–	**8,476**
Other financial assets	166,254	–	–	**166,254**
Total financial assets	**36,899,738**	**7,208**	**28,708**	**36,935,654**
Financial liabilities				
Borrowings	10,204,713	–	–	**10,204,713**
Advances received from lessees	608,566	1,603	–	**610,169**
Bonds issued	13,361,729	–	–	**13,361,729**
Other financial liabilities	379,919	–	–	**379,919**
Total financial liabilities	**24,554,927**	**1,603**	**–**	**24,556,530**
Net position	**12,344,811**	**5,605**	**28,708**	

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates calculated based on currency volatility in the reporting year applied to the positions at the end of reporting period with all other variables held constant:

	30 September 2017			***31 December 2016***		
	Change in currency rate in %	***Impact on profit before tax, gain/(loss)***	***Impact on net profit and equity, gain/(loss)***	***Change in currency rate in %***	***Impact on profit before tax, gain/(loss)***	***Impact on net profit and equity, gain/(loss)***
USD	10.00	545	436	10.00	561	449
USD	(10.00)	(545)	(436)	(10.00)	(561)	(449)
EUR	10.00	4,900	3,920	10.00	2,871	2,297
EUR	(10.00)	(4,900)	(3,920)	(10.00)	(2,871)	(2,297)

A strengthening of the rouble against the above currencies at 30 September 2017 and 31 December 2016 would have had the opposite effect on the above currencies if all other variables had remained constant.

Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Margins between finance income earned and interest expenses paid may increase as a result of such changes but may reduce or create losses in the event unexpected movements arise.

The Treasury Department focuses mainly on the management of interest rate risk arising from net investment in leases and borrowings. The Group only offers lease product on a fixed term basis and therefore is only exposed to interest rate risk through its borrowings. The treasury policy of the Group is to minimise interest rate risk on its long term funding.

The Group does not have significant interest rate risk on this partially open interest rate risk exposure as it occurs after the average repayment term on its current portfolio (repaying at an average of 26 months) and thus the Group is able to change the pricing on its offered leases or choose to have a lower margin.

(in thousands of Russian roubles, unless otherwise stated)

22 Financial risk management (continued)

Market risk (continued)

The sensitivity of profit and loss to changes in market interest rates (with other factors unchanged) calculated for financial instruments with floating interest rate (borrowings) as at 30 September 2017 is following:

	Impact on profit before tax, gain/(loss)	*Impact on net profit and equity, gain/(loss)*
10% parallel rise	(4,116)	(3,293)
10% parallel fall	4,116	3,293

The sensitivity of profit and loss to changes in market interest rates (with other factors unchanged) calculated for financial instruments with floating interest rate (borrowings) as at 31 December 2016 is following:

	Impact on profit before tax, gain/(loss)	*Impact on net profit and equity, gain/(loss)*
10% parallel rise	(31,880)	(25,504)
10% parallel fall	31,880	25,504

Operational risk

Operational risk is the risk of direct or indirect losses resulting from deficiencies or errors in internal processes, actions of employees, operations of information systems and technologies, and resulting from external events.

The Risk Management Department is engaged in the control over operational risks. Key tasks of this department include the day-to-day control over compliance with internal regulations, control over reporting by the employees of the Group and correct reporting on the impaired/potentially impaired debt by the employees of the Group. In addition, the Department controls compliance with the obligation to insure the leased assets, documentation and filing procedures. The Portfolio Assets Department controls over the client's payment discipline.

23 Management of capital

The objective when managing capital is to maintain healthy capital ratios in order to support its business and to maximise shareholder's value.

The Group considers total capital under management to be equity attributable to equity holders of the Group as shown in the interim carve-out consolidated statement of financial position. Certain loan agreements establish the minimum level of capital that the Group should maintain.

The amount of capital that the Group managed as at 30 September 2017 is equity attributable to equity holders of the Group of RUB 8,907,619 thousand (31 December 2016: RUB 12,323,158 thousand), which is in compliance with covenants under loan agreements.

In order to maintain or adjust the capital structure the Group attracts funding with maturity of not less than the average period of the lease contracts (26 months).

(in thousands of Russian roubles, unless otherwise stated)

24 Fair value estimation

The estimated fair values of financial instruments at fair value through profit or loss is based on quoted market prices at the reporting date without any reduction for transaction costs. If quoted market prices are not available, the fair value is estimated using valuation techniques, which include discounted cash flow analysis and other valuation techniques commonly used by market participants.

Management believes that the fair value of its financial assets and financial liabilities as at 30 September 2017 is not materially different from their carrying values, except for the following financial assets and liabilities:

	Total carrying amount	***Fair value***
Net investment in leases after impairment allowance	35,091,156	35,401,965
Borrowings	12,858,256	13,334,937
Bonds issued	15,393,035	14,572,216

Management believes that the fair value of its financial assets and financial liabilities as at 31 December 2016 is not materially different from their carrying values, except for the following financial assets and liabilities:

	Total carrying amount	***Fair value***
Net investment in leases after impairment allowance	27,470,596	27,912,470
Borrowings	10,204,713	10,378,980
Bonds issued	13,361,729	13,186,415

The estimates of fair value are intended to approximate 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as realisable in an immediate sale of the assets or transfer of liabilities.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(in thousands of Russian roubles, unless otherwise stated)

24 Fair value estimation (continued)

Fair value hierarchy (continued)

The following table analyses the fair value of major financial instruments not measured at fair value, by the level in the fair value hierarchy as at 30 September 2017 and 31 December 2016.

	Level 1	*Level 2*	*Level 3*	*Total*
As at 30 September 2017				
Assets for which fair values are disclosed				
Cash and cash equivalents	3,063,443	–	–	**3,063,443**
Deposits in banks	–	250,223	–	**250,223**
Net investment in leases after impairment allowance	–	–	35,401,965	**35,401,965**
Debtors on leasing activity	–	–	20,537	**20,537**
Other financial assets	–	–	99,794	**99,794**
Liabilities for which fair values are disclosed				
Borrowings	–	13,334,937	–	**13,334,937**
Bonds issued	8,252,131	6,320,085	–	**14,572,216**
Other financial liabilities	–	–	662,918	**662,918**
As at 31 December 2016				
Assets for which fair values are disclosed				
Cash and cash equivalents	8,473,335	–	–	**8,473,335**
Deposits in banks	–	252,208	–	**252,208**
Net investment in leases after impairment allowance	–	–	27,912,470	**27,912,470**
Debtors on leasing activity	–	–	8,476	**8,476**
Other financial assets	–	–	166,254	**166,254**
Liabilities for which fair values are disclosed				
Borrowings	–	10,378,980	–	**10,378,980**
Bonds issued	5,917,099	7,269,316	–	**13,186,415**
Other financial liabilities	–	–	379,919	**379,919**

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 statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 September 2017			***31 December 2016***		
	Carrying value	*Fair value*	*Unrecognised gains/(losses)*	*Carrying value*	*Fair value*	*Unrecognised gains/(losses)*
Financial assets						
Cash and cash equivalents	3,063,443	3,063,443	–	8,473,335	8,473,335	–
Deposits in banks	250,223	250,223	–	252,208	252,208	–
Net investment in leases after impairment allowance	35,091,156	35,401,965	310,809	27,470,596	27,912,470	441,874
Debtors on leasing activity	20,537	20,537	–	8,476	8,476	–
Other financial assets	99,794	99,794	–	166,254	166,254	–
Financial liabilities						
Borrowings	12,858,256	13,334,937	(476,681)	10,204,713	10,378,980	(174,267)
Bonds issued	15,393,035	14,572,216	820,819	13,361,729	13,186,415	175,314
Other financial liabilities	662,918	662,918	–	379,919	379,919	–
Total unrecognised change in fair value			**654,947**			**442,921**

(in thousands of Russian roubles, unless otherwise stated)

25 Contingencies and commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of own estimates and internal professional advice management believes that no material losses will be incurred and accordingly no provision was made in these interim carve-out consolidated financial statements.

Taxation contingencies

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 activity of the Group may be challenged by the relevant regional and federal authorities. The tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged at any time in the future.

The interpretation of the provisions of Russian tax legislation as well as the last trends in law enforcement practice point to potential possibility of increase of tax end penalties paid including due to the fact that the tax authorities may be taking a more assertive position in their application of tax legislation and tax reviewing. It is not practical to determine the amount of unasserted claims that may arise, if any, or the likelihood of any unfavourable outcome.

Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

As at 30 September 2017 management believes that its interpretation of the tax, currency and customs legislation as applied to the Group is appropriate.

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including a growth in the cost of borrowings and declaration of default. The Group is in compliance with covenants as at 30 September 2017 and 31 December 2016.

26 Related party transactions

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

(in thousands of Russian roubles, unless otherwise stated)

26 Related party transactions (continued)

Amounts of related party transactions for the nine months ended 30 September 2017 and 30 September 2016 and as at 30 September 2017 and 31 December 2016 are as follows:

	For the nine months ended					
	30 September 2017			***30 September 2016***		
	Share-holders	***Other related parties***	***Key management***	***Share-holders***	***Other related parties***	***Key management***
Interest income	–	153,137	–	–	15,467	–
Interest expense	–	(220,644)	–	–	–	–
Other income, net	–	344,583	–	–	173,032	–
Impairment charges on leasing assets	–	(67)	–	–	–	–
Impairment charges on other assets	–	–	–	–	(36,548)	–
Staff expenses	–	(17,984)	(86,097)	–	–	(197,853)

	30 September 2017			***31 December 2016***		
	Share-holders	***Other related parties***	***Key management***	***Share-holders***	***Other related parties***	***Key management***
Cash and cash equivalents	–	–	–	–	17,397	–
Net investment in leases after impairment allowance	–	58,285	–	–	78,130	–
Other assets	–	7,100	–	515	73,465	–
Bonds issued	–	2,838,697	–	–	2,253,985	–
Other liabilities	–	–	259,592	–	16	148,734

During the nine months ended 30 September 2017 the remuneration of members of the key management including salaries, discretionary bonuses and other short-term remuneration amounted to RUB 86,097 thousand (30 September 2016: RUB 197,853 thousand)

27 Supplementary information (unaudited)

In June 2017 PJSC "Europlan" ceased control over JSC "POMESTIE" and its subsidiaries LLC "KRAUN KD" and LLC "IC Europlan" (together referred to as the "Group JSC "POMESTIE") as a result of the sale of its shares to the related parties. As the Group JSC "POMESTIE" have been disposed before the reorganisation of PJSC "Europlan", and the shares of JSC "POMESTIE" have not been transferred to JSC "LC "Europlan" during the reorganisation of PJSC "Europlan", the assets, liabilities and transactions of the Group JSC "POMESTIE" are not included in these interim carve-out financial statements in accordance to the pooling of interests method, used in preparation of these interim carve-out consolidated financial statements.

Due to the fact that before the disposal the insurance activity of the Group JSC "POMESTIE" was an integral part of the leasing business of the Group PJSC "Europlan" and the Group's investors are interested in obtaining the information of the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income of the Group and the Group JSC "POMESTIE" (together referred to as the "Total Group"), for the users convinience the management of the Group provided the financial information set out below, that reflects financial data consolidated with the Group JSC "POMESTIE" before the control over it has been ceased.

The information accompanying the interim carve-out consolidated financial statements of the Group which has been disclosed as supplementary information is presented for purposes of additional analysis and for the convenience of users. The supplementary information presented is not within the scope of International Financial Reporting Standards.

(in thousands of Russian roubles, unless otherwise stated)

27 Supplementary information (unaudited) (continued)

The Group JSC "POMESTIE" was classified as discontinued operations in the consolidated statement of profit or loss and other comprehensive income set out below. Transactions between discontinued and continuing operations are eliminated according to requirements of IFRS. As a consequence, income and expense ascribed to discontinued operations are only from transactions with counterparties external to the Total Group. Information on intragroup adjustments of the Group JSC "POMESTIE" with other entities of the Total Group in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income is presented below as an information for the "Insurance activity" segment, that reates to the Group JSC "POMESTIE" and the "Leasing activity" and "Cession activity", that relate to the other companies of the Group.

Consolidated statement of financial position as at 30 September 2017

	30 September 2017	*31 December 2016*
Assets		
Cash and cash equivalents	3,063,443	8,593,526
Financial instruments at fair value through profit or loss	–	129,702
Deposits in banks	250,223	1,457,979
Net investments in leases after impairment allowance	35,091,156	27,470,596
Equipment purchased and advances to suppliers for lease operations	679,282	564,785
Debtors on leasing activity	20,537	8,476
Current income tax prepayment	9,709	105,119
VAT recoverable	260,709	96,132
Property and equipment	319,959	327,885
Other assets	869,055	1,150,808
Total assets	**40,564,073**	**39,905,008**
Liabilities		
Borrowings	12,858,256	10,204,713
Liabilities under insurance agreements	–	857,125
Advances received from lessees	973,755	610,169
Bonds issued	15,393,035	13,361,729
Current income tax payable	150,787	336
Deferred tax liabilities	979,386	742,054
VAT payable	118,800	36,939
Other liabilities	1,182,435	685,092
Total liabilities	**31,656,454**	**26,498,157**
Equity		
Share capital	120,000	–
Additional paid-in capital	758,667	–
Retained earnings	8,028,952	13,406,851
Total equity	**8,907,619**	**13,406,851**
Total liabilities and equity	**40,564,073**	**39,905,008**

(in thousands of Russian roubles, unless otherwise stated)

27 Supplementary information (unaudited) (continued)

Consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2017

	For the nine months ended 30 September 2017	*For the nine months ended* 30 September 2016
Continuing operations		
Interest income	5,757,608	4,867,015
Interest expense	(2,326,968)	(1,771,649)
Net interest income	**3,430,640**	**3,095,366**
Other income, net	1,281,456	1,045,885
Income from operations	**4,712,096**	**4,141,251**
Net foreign exchange income (losses)	2,607	(3,923)
Total income from operations and finance income	**4,714,703**	**4,137,328**
Impairment charges on leasing assets	(115,439)	19,412
Impairment charges on other assets	(171)	(40,592)
Staff expenses	(1,984,793)	(1,454,806)
Other operating expenses	(478,973)	(447,637)
Other non-operating expenses	7,381	(5)
Profit before income tax from continuing operations	**2,142,708**	**2,213,700**
Income tax expense	(450,982)	(469,303)
Net profit from continuing operations	**1,691,726**	**1,744,397**
Discontinued operations		
Profit before income tax from discontinued operations	281,540	463,085
Financial result from disposal of discontinued operations	954,134	–
Income tax expense	(456,089)	(92,617)
Net profit from discontinued operations	**779,585**	**370,468**
Net profit	**2,471,311**	**2,114,865**
Other comprehensive income	–	–
Total comprehensive income for the period	**2,471,311**	**2,114,865**

Consolidated statement of changes in equity for the nine months ended 30 September 2017

	Share capital	*Additional paid-in capital*	*Retained earnings*	*Total equity*
Balance as at 1 January 2016	**–**	**–**	**10,656,298**	**10,656,298**
Net profit from continuing operations	–	–	1,744,397	**1,744,397**
Net profit from discontinued operations	–	–	370,468	**370,468**
Other comprehensive income for the period	–	–	–	**–**
Total comprehensive income for the period	**–**	**–**	**2,114,865**	**2,114,865**
Balance as at 30 September 2016	**–**	**–**	**12,771,163**	**12,771,163**
Balance as at 1 January 2017	**–**	**–**	**13,406,851**	**13,406,851**
Net profit from continuing operations	–	–	1,691,726	**1,691,726**
Net profit from discontinued operations	–	–	779,585	**779,585**
Other comprehensive income for the period	–	–	–	**–**
Total comprehensive income for the period	**–**	**–**	**2,471,311**	**2,471,311**
Effect of the reorganisation	120,000	758,667	(7,849,210)	**(6,970,543)**
Balance as at 30 September 2017	**120,000**	**758,667**	**8,028,952**	**8,907,619**

(in thousands of Russian roubles, unless otherwise stated)

27 Supplementary information (unaudited) (continued)

Segment information

The Total Group has three segments, as described below, which are the Total Group's strategic business components. The strategic business components offer different products and services, and are managed separately because they require different technology and marketing strategies. Each of the strategic business components may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (the "CODM") and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the Total Group.

The following summary describes the operations in each of the reportable segments:

- Leasing activity – includes conclusion of financial lease contracts with legal entities and its further monitoring.
- Insurance activity – includes sales and servicing of insurance contracts.
- Cession activity – includes the activity, related with repayment of liabilities on credit agreements, obtained under the cession agreements.

Information for the segments of the Total Group for the nine months ended 30 September 2017 is set out below:

	Leasing activity	*Insurance activity*	*Intersegment adjustments*	*Total*
Interest income	5,757,608	58,374	–	**5,815,982**
Interest expense	(2,326,968)	–	–	**(2,326,968)**
Net interest income	**3,430,640**	**58,374**	**–**	**3,489,014**
Other income, net	1,377,562	172,412	11,132	**1,561,106**
Income from operations	**4,808,202**	**230,786**	**11,132**	**5,050,120**
Net losses from financial instruments at fair value through profit or loss	–	(366)	–	**(366)**
Net foreign exchange income	2,607	–	–	**2,607**
Income from operations and finance income	**4,810,809**	**230,420**	**11,132**	**5,052,361**
Impairment charges on leasing assets	(115,439)	–	–	**(115,439)**
Impairment charges on other assets	(171)	–	–	**(171)**
Staff expenses	(1,984,793)	(28,399)	–	**(2,013,192)**
Other operating expenses	(479,415)	(10,558)	(16,207)	**(506,180)**
Other non-operating expenses	7,381	953,622	–	**961,003**
Profit (loss) before income tax	**2,238,372**	**1,145,085**	**(5,075)**	**3,378,382**
Income tax (expense) benefit	(470,115)	(437,971)	1,015	**(907,071)**
Net profit (loss)	**1,768,257**	**707,114**	**(4,060)**	**2,471,311**

As at 30 September 2017 all the assets, liabilities and equity of the Total Group were refered to the "Leasing activity" segment.

(in thousands of Russian roubles, unless otherwise stated)

27 Supplementary information (unaudited) (continued)

Segment information (continued)

Information for the segments of the Total Group for the nine months ended 30 September 2016 is set out below:

	Leasing activity	*Insurance activity*	*Cession activity*	*Intersegment adjustments*	*Total*
Interest income	4,867,015	92,763	–	–	**4,959,778**
Interest expense	(1,771,649)	–	–	–	**(1,771,649)**
Net interest income	**3,095,366**	**92,763**	**–**	**–**	**3,188,129**
Impairment charges on interest earning assets	46,645	–	(16,114)	–	**30,531**
Net interest income (expense) after impairment charges on interest earning assets	**3,142,011**	**92,763**	**(16,114)**	**–**	**3,218,660**
Other income, net	1,095,366	249,999	89,434	58,377	**1,493,176**
Income from operations	**4,237,377**	**342,762**	**73,320**	**58,377**	**4,711,836**
Net losses from financial instruments at fair value through profit or loss	–	3,242	–	–	**3,242**
Net foreign exchange income (losses)	(3,923)	1	–	–	**(3,922)**
Income from operations and finance income	**4,233,454**	**346,005**	**73,320**	**58,377**	**4,711,156**
Staff expenses	(1,436,528)	(45,719)	(18,278)	–	**(1,500,525)**
Other operating expenses	(442,646)	(11,344)	(3,499)	(24,559)	**(482,048)**
Impairment charges on other assets	(2,981)	–	(48,730)	–	**(51,711)**
Other non-operating income (expenses)	162	1,401	–	(1,650)	**(87)**
Profit before income tax	**2,351,461**	**290,343**	**2,813**	**32,168**	**2,676,785**
Income tax expense	(467,855)	(58,069)	(563)	(35,433)	**(561,920)**
Net profit	**1,883,606**	**232,274**	**2,250**	**(3,265)**	**2,114,865**

(in thousands of Russian roubles, unless otherwise stated)

27 Supplementary information (unaudited) (continued)

Segment information (continued)

Information for the segments of Total Group as at 31 December 2016 is set out below:

	Leasing activity	*Insurance activity*	*Intersegment adjustments*	*Total*
Assets				
Cash and cash equivalents	8,473,335	120,191	–	**8,593,526**
Financial instruments at fair value through profit or loss	–	129,702	–	**129,702**
Deposits in banks	252,208	1,205,771	–	**1,457,979**
Net investments in leases after impairment allowance	27,470,596	–	–	**27,470,596**
Equipment purchased and advances to suppliers for lease operations	564,785	–	–	**564,785**
Debtors on leasing activity	8,476	–	–	**8,476**
Current income tax prepayment	101,389	3,730	–	**105,119**
VAT recoverable	96,129	3	–	**96,132**
Property and equipment	327,866	19	–	**327,885**
Investments in associates	186,942	–	(186,942)	**–**
Other assets	834,476	484,040	(167,708)	**1,150,808**
Total assets	**38,316,202**	**1,943,456**	**(354,650)**	**39,905,008**
Liabilities				
Borrowings	10,204,713	–	–	**10,204,713**
Liabilities under insurance agreements	–	857,125	–	**857,125**
Advances received from lessees	610,169	–	–	**610,169**
Bonds issued	13,361,729	–	–	**13,361,729**
Current income tax payable	313	23	–	**336**
Deferred income tax liabilities	740,153	11,869	(9,968)	**742,054**
VAT payable	34,878	2,061	–	**36,939**
Other liabilities	665,933	83,786	(64,627)	**685,092**
Total liabilities	**25,617,888**	**954,864**	**(74,595)**	**26,498,157**
Equity				
Share capital	15,395	10	(10)	**15,395**
Additional paid-in capital	2,986,075	186,916	(373,858)	**2,799,133**
Retained earnings	9,696,844	801,666	93,813	**10,592,323**
Total equity	**12,698,314**	**988,592**	**(280,055)**	**13,406,851**
Total liabilities and equity	**38,316,202**	**1,943,456**	**(354,650)**	**39,905,008**