

Report on Review of Interim Financial Information
***Joint Stock Company "Leasing company "Europlan"
and its subsidiaries***
for the three- and nine-month period
ended 30 September 2018

November 2018

**Report on Review of Interim Financial Information
Joint Stock Company “Leasing company “Europlan”
and its subsidiaries**

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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 condensed interim consolidated financial statements of Joint Stock Company "Leasing company "Europlan" and its subsidiaries ("the Group"), which comprise the condensed interim consolidated statement of financial position as at 30 September 2018 and the related condensed interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three and nine-month period then ended, and selected explanatory notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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



S.M. Taskaev
Partner
Ernst & Young LLC

23 November 2018

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 119049, Moscow, ul. Korovy Val, 5.

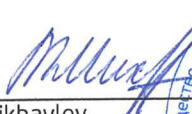
Details of the auditor

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.

Condensed interim consolidated statement of financial position**as at 30 September 2018 (unaudited)***(in thousands of Russian roubles, unless otherwise stated)*

	Note	30 September 2018	31 December 2017
Assets			
Cash and cash equivalents	6	4,223,399	782,720
Deposits in banks	7	49,651	251,619
Net investment in leases after allowance for credit losses	8	50,087,178	40,551,497
Assets purchased and advances to suppliers for lease operations	9	765,691	789,586
Debtors on leasing activity	10	14,519	13,964
Current income tax prepayment		39,192	8,555
VAT recoverable		960,742	777,182
Property and equipment	11	391,728	338,322
Other assets	12	899,699	989,912
Total assets		57,431,799	44,503,357
Liabilities			
Advances received from lessees		1,328,558	1,207,176
Borrowings	13	26,975,439	21,790,611
Bonds issued	14	15,889,959	9,693,895
Current income tax payable		1,356	37,281
Deferred tax liabilities	22	1,180,655	995,481
VAT payable		48,050	54,611
Other liabilities	15	2,014,163	1,597,784
Total liabilities		47,438,180	35,376,839
Equity			
Share capital	16	120,000	120,000
Retained earnings		9,873,619	9,006,518
Total equity		9,993,619	9,126,518
Total liabilities and equity		57,431,799	44,503,357

Approved for issue and signed on behalf of the Company on 23 November 2018.


 Alexander Mikhaylov
 CEO


 Lyudmila Teterikova
 Vice-President, Finance

The notes form an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statement of profit or loss and other comprehensive income**for the three and nine months ended 30 September 2018 (unaudited)***(in thousands of Russian roubles, unless otherwise stated)*

	<i>Note</i>	<i>For the nine months ended</i>		<i>For the three months ended</i>	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
Interest income	17	7,163,876	5,757,608	2,603,893	1,989,007
Interest expense	17	(2,826,358)	(2,326,968)	(1,042,691)	(844,633)
Net interest income		4,337,518	3,430,640	1,561,202	1,144,374
Other income, net	18	1,796,997	1,377,562	621,434	526,021
Income from operations		6,134,515	4,808,202	2,182,636	1,670,395
Net foreign exchange income		(55)	2,607	(561)	(29)
Total income from operations and finance income		6,134,460	4,810,809	2,182,075	1,670,366
Changes in allowance for credit losses on leasing assets	19	(102,691)	(115,439)	(51,816)	(47,610)
Changes in other allowance for losses	19	(35,264)	(171)	(9,773)	(3,032)
Staff expenses	20	(2,360,191)	(1,984,793)	(768,176)	(656,975)
Other operating expenses	21	(760,296)	(479,415)	(239,622)	(165,572)
Other non-operating income		8,397	7,381	2,728	7,381
Profit before income tax		2,884,415	2,238,372	1,115,416	804,558
Income tax expense	22	(586,691)	(470,115)	(226,585)	(164,547)
Net profit		2,297,724	1,768,257	888,831	640,011
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		2,297,724	1,768,257	888,831	640,011

The notes form an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statement of changes in equity
for the nine months ended 30 September 2018 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	Note	Share capital	Retained earnings	Total equity
Balance as at 1 January 2017	16	–	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 reorganisation	3	120,000	(5,460,988)	(5,340,988)
Balance as at 30 September 2017		120,000	8,630,427	8,750,427
Balance as at 1 January 2018		120,000	9,006,518	9,126,518
Effect of transition to IFRS 9	3	–	(21,823)	(21,823)
Balance as at 1 January 2018 under IFRS 9		120,000	8,984,695	9,104,695
Net profit		–	2,297,724	2,297,724
Other comprehensive income for the period		–	–	–
Total comprehensive income for the period		–	2,297,724	2,297,724
Dividends paid	16	–	(1,408,800)	(1,408,800)
Balance as at 30 September 2018		120,000	9,873,619	9,993,619

The notes form an integral part of these condensed interim consolidated financial statements.

Condensed interim consolidated statement of cash flows
for the nine months ended 30 September 2018 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	<i>For the nine months ended</i>	
	30 September 2018	30 September 2017
Cash flows from operating activities		
Interest received	6,396,087	5,355,913
Comissions received	941,800	733,320
Interest paid	(2,697,527)	(2,178,222)
Proceeds from disposal of repossessed assets	707,029	624,882
Cash paid to employees and payroll related taxes paid	(2,133,156)	(1,647,832)
Other operating expenses	(572,405)	(406,732)
Cash flows from operating activities before changes in working capital	2,641,828	2,481,329
Changes in operating assets/liabilities		
Deposits in banks	190,653	(44,892)
Net investment in leases	(9,607,565)	(7,993,051)
Advances on leasing activities	146,046	248,460
Debtors on leasing activity	147,606	30,031
Other assets	466,233	623,287
Other liabilities	196,771	(157,967)
Net cash flows used in operating activities before income tax	(5,818,428)	(4,812,803)
Income tax paid	(462,623)	(305,611)
Net cash flows used in operating activities	(6,281,051)	(5,118,414)
Cash flows from investing activities		
Proceeds from sale of property and equipment	11,111	18,940
Purchase of property and equipment	(125,729)	(59,369)
Net cash flows used in investing activities	(114,618)	(40,429)
Cash flows from financing activities		
Borrowings received (Note 28)	5,901,404	4,600,000
Borrowings repaid (Note 28)	(676,680)	(1,951,903)
Bonds issued (Note 28)	7,949,375	2,582,489
Bonds repaid (Note 28)	(1,922,663)	(694,496)
Dividends paid	(1,408,800)	-
Cash outflow as a result of the reorganisation	-	(4,787,181)
Net cash flows from (used in) financing activities	9,842,636	(251,091)
Effect of exchange rate changes on cash and cash equivalents	105	42
Effect of expected credit losses changes on cash and cash equivalents	(6,393)	-
Net increase (decrease) in cash and cash equivalents	3,440,679	(5,409,892)
Cash and cash equivalents at the beginning of the period (Note 6)	782,720	8,473,335
Cash and cash equivalents at the end of the period (Note 6)	4,223,399	3,063,443

The notes form an integral part of these condensed interim consolidated financial statements.

(in thousands of Russian roubles, unless otherwise stated)

1 Introduction

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") for the nine months ended 30 September 2018 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 investments"). 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". In August 2018 the subsidiaries LLC "Europlan Auto", LLC "Europlan Lease Payments" and LLC "Europlan Service" changed their names to LLC "Autoleasing", LLC "Europlan Service", LLC "Service", respectively.

JSC "LC "Europlan's" registered address is 5, Korovy Val st., Moscow, 119049, Russian Federation.

As at 30 September 2018 the immediate parent company of JSC "LC "Europlan" is PJSC "SFI". As at 30 June 2018 the main ultimate beneficiaries of the Group are Gutseriev Said Mikhaylovich and Gutseriev Mikail Safarbekovich with 26.68% and 6.63% shares, respectively (31 December 2017: 47.22% and 11.49% shares, respectively).

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership %	
			30 September 2018	31 December 2017
LLC "Autoleasing" (until August 2018 – LLC "Europlan Auto")	Russian Federation	Finance leases	100.00	100.00
LLC "Europlan Service" (until August 2018 – LLC "Europlan Lease Payments")	Russian Federation	Insurance agent	100.00	100.00
LLC "Service" (until August 2018 – 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 74 offices (31 December 2017: 72). As at 30 September 2018 the number of employees was 1,913 (31 December 2017: 1,856).

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 condensed interim 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.

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.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies

Basis of preparation

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

These condensed interim consolidated financial statements have been prepared under the historical cost convention except as disclosed in this section.

These condensed interim 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 condensed interim consolidated financial statements are consistent with those followed in the preparation of annual condensed interim consolidated financial statements of JSC "LC "Europlan" for the year ended 31 December 2017, except for the adoption of new Standards effective as of 1 January 2018 and described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed below.

(a) Classification and measurement

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion are classified at initial recognition as fair value through profit or loss (FVPL). Under this criterion, debt instruments that do not correspond to a "basic lending arrangement", such as instruments containing embedded conversion options or "non-recourse" loans, are measured at FVPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- ▶ Instruments that are managed on a "hold to collect" basis are measured at amortised cost;
- ▶ Instruments that are managed on a "hold to collect and for sale" basis are measured at fair value through other comprehensive income (FVOCI);
- ▶ Instruments that are managed on other basis, including trading financial assets, will be measured at FVPL.

The classification and measurement of financial liabilities remains largely unchanged from the current IAS 39 requirements.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment of net investment in leases by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Group has been recording the allowance for credit losses for all net investment in leases and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

The allowance for credit losses is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has adopted a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group combines its financial assets into Stage 1, Stage 2, Stage 3, as described below:

- | | |
|----------|---|
| Stage 1: | When financial assets are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 financial assets also include facilities where the credit risk has decreased and the financial asset has been reclassified from Stage 2. |
| Stage 2: | When a financial asset has shown a significant increase in credit risk since origination (overdue 31 days and more, decrease of external rating by 2 and more notches), the Group records an allowance for the LTECL. Stage 2 financial assets also include facilities, where the credit risk has decreased and the financial asset has been reclassified from Stage 3. |
| Stage 3: | Financial assets are considered credit-impaired. The Group records an allowance for the LTECL. |

For financial assets the Group has no reasonable expectations of recovering either the entire outstanding amount or its proportion, the gross carrying amount of the financial asset is reduced. This is considered as a (partial) derecognition of the financial asset.

If there is an evidence of an increase in credit risk or impairment for at least one of the transactions with a counterparty, the entire counterparty portfolio should be assigned to the relevant stage (2 or 3).

The Group applies not only quantitative, but also qualitative method for triggering a significant increase in credit risk for a financial asset. Regardless of the change in credit grades, if contractual payments for at least one of the transactions with a counterparty are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The Group considers a financial instrument defaulted and therefore recognises it as Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments for at least one of the transactions with a counterparty, or there are other indicators of impairment.

The Group calculates ECL on a collective basis for all other classes of financial assets which it groups into homogeneous portfolios, based on a combination of internal and external characteristics of the assets.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

The key elements of the ECL calculations are outlined below:

PD	is a calculated estimate of the probability of default over a given time interval and is determined based on the risk-segment and the overdue group for a relevant period (12 months or the lifetime of an instrument (Lifetime PD)). Values are determined based on internal statistics using migration matrices (Markov Chains). Current and expected changes in the macroeconomic situation are used as forecast information. A default may happen over the assessed period, if the financial asset has not been previously derecognised and is still in the portfolio.
EAD	The amount of assets at risk (EAD) is an estimate of the exposure at default.
LGD	is the level of losses arising in the case where a default occurs and considering time value of money (discounting at effective interest rate). LGD is based on the difference between the contractual cash flows due and those that the Group receives and would expect to receive, taking into account the asset realisation experience. The values of LGD are determined using models developed on the basis of internal statistics.

The Group calculates the ECLs on the basis of three macroeconomic scenarios weighted by probability. When estimating the ECLs, the Group considers three macroeconomic scenarios (a base case, an upside and a downside). In its ECL models, the Group relies on information of the Ministry of Economic Development of the Russian Federation and the Central Bank of the Russian Federation as economic inputs.

Financial instruments with overdue more than 90 days, as well as financial instruments completed by notification (unilaterally on the initiative of the Group) irrespective of the period of overdue, are classified as defaulted.

(c) Effect of transition to IFRS 9

The following tables set out the impact of adopting IFRS 9 on the statement of financial position and retained earnings including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9 ECL.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as at 1 January 2018 is as follows:

Financial assets	IAS 39 measurement		Reclas- sification	Remeasurement		IFRS 9 measurement	
	Category	Amount		ECL	Other	Amount	Category
Cash and cash equivalents	L&R ¹	782,720	–	(464)	–	782,256	Amortised cost
Deposits in banks	L&R	251,619	–	(355)	–	251,264	Amortised cost
Net investment in leases after allowance for credit losses	L&R	40,551,497	–	(26,254)	–	40,525,243	Amortised cost
Advances to suppliers for lease operations	L&R	789,586	–	(433)	–	789,153	Amortised cost
Debtors on leasing activity	L&R	13,964	–	420	–	14,384	Amortised cost
Other financial asserts	L&R	85,508	–	(193)	–	85,315	Amortised cost
Total assets		44,503,357	–	(27,279)	–	44,476,078	
Total liabilities		35,376,839	–	–	–	35,376,839	

¹ L&R: Loans and receivables

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

The impact of transition to IFRS 9 on retained earnings is as follows:

	<i>Retained earnings</i>
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	9,006,518
Recognition of ECL under IFRS 9	(27,279)
Deferred tax in relation to the above	5,456
Opening balance under IFRS 9 (1 January 2018)	8,984,695
Total change in equity due to adopting IFRS 9	(21,823)

The following table reconciles the aggregate opening loan loss allowances under IAS 39 to the allowances for credit losses under IFRS 9.

	<i>Impairment allowance under IAS 39 / IAS 37 as at 31 December 2017</i>	<i>Remeasurement</i>	<i>Allowance for credit losses under IFRS 9 as at 1 January 2018</i>
Allowance for credit losses			
Loans and receivables at amortised cost	(222,529)	(27,279)	(249,808)
Total allowance for credit losses on loans and receivables at amortised cost	(222,529)	(27,279)	(249,808)

IFRS 15 Revenue from Contracts with Customers

IFRS 15, issued in May 2014, and amended in April 2016, establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. However, the standard does not apply to revenue associated with financial instruments and leases, and therefore, does not impact the majority of the Group's revenue including interest income, gains/(losses) on operations with securities, lease income which are covered by IFRS 9 *Financial Instruments* and IAS 17 *Leases*. As a result, the majority of the Group's income are not impacted by the adoption of this standard.

Basis of consolidation

The Group was organised as a result of reorganisation under common control, during which PJSC "Europlan" transferred leasing activity business to 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" (since August 2018 – LLC "Autoleasing"), LLC "Europlan Lease Payments" (since August 2018 – LLC "Europlan Service"), and LLC "Europlan Service" (since August 2018 – LLC "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.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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.

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.

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 25.

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.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Fair value measurement (continued)

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.

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 and liabilities

Initial recognition

Date of recognition

Purchases and sales of financial assets and liabilities are recognised on the date of transaction i.e. the date that the Group commits to purchase the asset or liability. 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.

Initial measurement

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

Measurement categories of financial assets and liabilities

From 1 January 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- ▶ Amortised cost;
- ▶ FVOCI;
- ▶ FVPL.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

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

Before 1 January 2018, the Group classified its financial assets as loans and receivables (amortised cost), FVPL, available-for-sale or held-to-maturity (amortised cost).

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

Business model assessment

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

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

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

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

The SPPI test

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

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

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

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

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Debt instruments at FVOCI

From 1 January 2018, the Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

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

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

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

Receivables

Before 1 January 2018, receivables was non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. It was not entered into with the intention of immediate or short-term resale and was not classified as trading securities or designated as investment securities available-for-sale. Such assets were carried at amortised cost using the effective interest method. Gains and losses were recognised in profit or loss when the loans and receivables were derecognised or impaired, as well as through the amortisation process.

Reclassification of financial assets and liabilities

From 1 January 2018, the Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2017.

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.

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.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

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.

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.

Assets 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.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Leases (continued)

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.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the condensed interim 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 condensed interim consolidated statement of financial position.

Impairment of financial assets under IAS 39

Before 1 January 2018, the Group assessed at each reporting date whether there was any objective evidence that a financial asset or a group of financial assets was impaired. A financial asset or a group of financial assets was deemed to be impaired if, and only if, there was objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or the group of financial assets that could be reliably estimated. Evidence of impairment may have included indications that the borrower or a group of borrowers was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they would enter bankruptcy or other financial reorganisation and where observable data indicated that there was a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlated with defaults. For available-for-sale financial instruments, evidence of impairment also included significant or prolonged decline in fair value of investment below its cost.

The Group assessed whether objective evidence of impairment existed individually for financial assets that were individually significant, or collectively for financial assets that were not individually significant.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Impairment of financial assets under IAS 39 (continued)

If there was an objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred), discounted using original effective interest rate, or, for financial assets available-for-sale, as the difference between cost of investment and its fair value. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. Interest revenue continued to be accrued on the reduced carrying amount based on the original effective interest rate of the asset, or, for financial assets available-for-sale, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Assets together with the associated allowance were written off when there is no realistic prospect of future recovery and all collateral had been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss decreased because of an event occurring after the impairment had been recognised, the previously recognised impairment loss was reversed in consolidated statement of profit or loss, except for equity investments available-for-sale, for which increase in their fair value after impairment were recognised in other comprehensive income.

For the purpose of a collective evaluation of impairment, financial assets were grouped on the basis of the Group's internal credit grading system that considered credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that were collectively evaluated for impairment were estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience was adjusted on the basis of current observable data to reflect the effects of current conditions that had not affected the years on which the historical loss experience was based and to remove the effects of conditions in the historical period that did not exist currently. Estimates of changes in future cash flows reflected, and were 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 were indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows were reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Information on impairment assessment under IFRS 9 is presented in Note 3.

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 condensed interim 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.

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.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

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 condensed interim consolidated financial statements are authorised for issue.

Contingencies

Contingent liabilities are not recognised in the condensed interim 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 condensed interim 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.

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.
- ▶ *Fee income from providing transaction services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Recognition of income and expenses (continued)

Dividend income

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

Foreign currency translation

The condensed interim 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 condensed interim 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 2018 and 31 December 2017, were 65.8355 roubles and 57.6002 roubles to 1 USD, respectively.

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 condensed interim 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 condensed interim 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 25.

Impairment losses on financial assets

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

- ▶ The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- ▶ The segmentation of financial assets when their ECL is assessed on a collective basis;

(in thousands of Russian roubles, unless otherwise stated)

4 Significant accounting judgments and estimates (continued)

Impairment losses on financial assets (continued)

- ▶ Development of ECL models, including the various formulae and the choice of inputs;
- ▶ Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- ▶ Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The amount of allowance for credit losses recognised in condensed interim consolidated statement of financial position at 30 September 2018 was RUB 354,729 thousand (31 December 2017: RUB 222,529 thousand).

5 Standards issued but not yet effective

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

(in thousands of Russian roubles, unless otherwise stated)

5 Standards issued but not yet effective (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (continued)

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Interpretation also addresses the assumptions an entity makes about the examination of tax treatments by taxation authorities, as well as how it considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- ▶ Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- ▶ Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

(in thousands of Russian roubles, unless otherwise stated)

5 Standards issued but not yet effective (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (continued)

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Annual improvements 2015-2017 cycle (issued in December 2017)

These improvements include:

IAS 12 Income Taxes

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

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 Borrowing Costs

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

6 Cash and cash equivalents

	30 September 2018	31 December 2017
Settlement accounts in banks	1,456,588	141,588
Term deposits in banks with original maturity up to 90 days	2,773,204	641,132
Cash and cash equivalents before impairment allowance	4,229,792	782,720
Allowance for credit losses	(6,393)	–
Total cash and cash equivalents	4,223,399	782,720

(in thousands of Russian roubles, unless otherwise stated)

6 Cash and cash equivalents (continued)

No settlement accounts in banks or term deposits in banks with original maturity up to 90 days 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 settlement accounts in banks and term deposits in banks with original maturity up to 90 days is as follows:

	30 September 2018		31 December 2017	
	Settlement accounts in banks	Term deposits in banks with original maturity up to 90 days	Settlement accounts in banks	Term deposits in banks with original maturity up to 90 days
Neither past due nor impaired				
- Rated higher than BB+	79,259	23,612	57,711	475,484
- BB- to BB+ rated	1,349,086	2,749,592	62,408	165,648
- Rated lower than BB-	28,243	-	19,767	-
Unrated	-	-	1,702	-
Total cash and cash equivalents	1,456,588	2,773,204	141,588	641,132

As at 30 September 2018 the Group has one counterparty (31 December 2017: none) whose aggregate balances on settlement accounts in banks and term deposits in banks with original maturity up to 90 days exceed 10% of equity. The gross value of these balances as of 30 September 2018 is RUB 3,991,425 thousand.

All balances of cash equivalents are allocated to Stage 1. The Stages are described in Note 3. An analysis of changes in the allowances for credit losses during the nine months ended 30 September 2018 is as follows:

Allowance for credit losses as at 1 January 2018	(464)
Increase in allowance for credit losses	(5,929)
Allowance for credit losses as at 30 September 2018	(6,393)

7 Deposits in banks

	30 September 2018	31 December 2017
Term deposits in banks with original maturity over 90 days before allowance for credit losses	50,040	251,619
Allowance for credit losses	(389)	-
Total deposits in banks	49,651	251,619

Deposits in banks as at 30 September 2018 were mainly deposits in RUB and had an average interest rate of 7.33% (31 December 2017: 7.88%). The maturity of these deposits is September 2019 (31 December 2017: March 2018).

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.

(in thousands of Russian roubles, unless otherwise stated)

7 Deposits in banks (continued)

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

	30 September 2018	31 December 2017
BB- to BB+ rated	49,651	251,619
Total deposits in banks	49,651	251,619

As at 30 September 2018 and 31 December 2017 the Group does not have counterparties, whose aggregate balances exceed 10% of equity.

All balances of deposits in banks are allocated to Stage 1. The Stages are described in Note 3. An analysis of changes in the allowances for credit losses during the nine months ended 30 September 2018 is as follows:

Allowance for credit losses as at 1 January 2018	(355)
Increase in allowance for credit losses	(34)
Allowance for credit losses as at 30 September 2018	(389)

8 Net investment in leases after allowance for credit losses

As at 30 September 2018 and 31 December 2017 net investment in leases comprises:

	30 September 2018	31 December 2017
Gross investment in leases	62,028,907	50,755,235
Unearned finance income	(11,666,927)	(10,030,461)
Net investment in leases before allowance for credit losses	50,361,980	40,724,774
Allowance for credit losses	(274,802)	(173,277)
Total net investment in leases after allowance for credit losses	50,087,178	40,551,497

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 2018	35,257,245	26,771,662	62,028,907
Unearned finance income	(2,967,483)	(8,699,444)	(11,666,927)
Allowance for credit losses	(154,344)	(120,458)	(274,802)
Net investment in leases after allowance for credit losses as at 30 September 2018	32,135,418	17,951,760	50,087,178
	Due in 1 year	Due between 1 and 5 years	Total
Gross investment in leases as at 31 December 2017	29,204,722	21,550,513	50,755,235
Unearned finance income	(2,679,817)	(7,350,644)	(10,030,461)
Allowance for credit losses	(95,963)	(77,314)	(173,277)
Net investment in leases after allowance for credit losses as at 31 December 2017	26,428,942	14,122,555	40,551,497

(in thousands of Russian roubles, unless otherwise stated)

8 Net investment in leases after allowance for credit losses (continued)

Movements in the allowance for credit losses for net investment in leases by types of leased assets for the nine months ended 30 September 2018 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Vehicles				
Allowance for credit losses as at 1 January 2018	(168,370)	(8,025)	(9,774)	(186,169)
Transfers to Stage 1	(1,007)	985	22	-
Transfers to Stage 2	2,716	(2,768)	52	-
Transfers to Stage 3	407	130	(537)	-
Increase in allowance for credit losses	(53,322)	(3,236)	(27,371)	(83,929)
Written off	17,678	328	84	18,090
Allowance for credit losses as at 30 September 2018	(201,898)	(12,586)	(37,524)	(252,008)
Mobile machinery and other				
Allowance for credit losses as at 1 January 2018	(12,411)	(314)	(637)	(13,362)
Transfers to Stage 1	(11)	11	-	-
Transfers to Stage 2	214	(214)	-	-
Transfers to Stage 3	3	86	(89)	-
Increase in allowance for credit losses	(8,575)	(299)	(558)	(9,432)
Allowance for credit losses as at 30 September 2018	(20,780)	(730)	(1,284)	(22,794)

The Stages are described in Note 3.

Movements in the allowance for credit losses for net investment in leases by types of leased assets for the nine months ended 30 September 2017 are as follows (according to IAS 39):

	Vehicles	Mobile machinery and other	Total
Allowance for credit losses 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
Allowance for credit losses as at 30 September 2017	(159,562)	(11,267)	(170,829)

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.

(in thousands of Russian roubles, unless otherwise stated)

8 Net investment in leases after allowance for credit losses (continued)

Analysis by credit quality of net investment in leases as at 30 September 2018 by ratings assigned at conclusion of contracts is as follows:

	Stage 1	Stage 2	Stage 3	Total
Vehicles				
- Prime	8,090,984	39,091	9,309	8,139,384
- Strong	17,356,156	248,842	38,657	17,643,655
- Acceptable	18,733,124	399,456	85,970	19,218,550
- Sufficient	1,347,275	21,773	35	1,369,083
Net investment in leases before allowance for credit losses	45,527,539	709,162	133,971	46,370,672
Allowance for credit losses	(201,897)	(12,586)	(37,525)	(252,008)
Total net investment in leases after allowance for credit losses	45,325,642	696,576	96,446	46,118,664
Mobile machinery and other				
- Prime	696,653	8,877	402	705,932
- Strong	1,957,564	21,409	484	1,979,457
- Acceptable	1,251,918	12,883	3,527	1,268,328
- Sufficient	37,591	-	-	37,591
Net investment in leases before allowance for credit losses	3,943,726	43,169	4,413	3,991,308
Allowance for credit losses	(20,779)	(730)	(1,285)	(22,794)
Total net investment in leases after allowance for credit losses	3,922,947	42,439	3,128	3,968,514

Analysis by credit quality of net investment in leases as at 30 September 2018 and 31 December 2017 is as follows:

	30 September 2018	31 December 2017
Not past due and less than 60 days overdue (gross)		
- Prime	8,843,438	8,210,686
- Strong	19,611,004	16,501,885
- Acceptable	20,464,062	14,932,249
- Sufficient	1,406,376	1,059,583
Total not past due and less than 60 days overdue (gross)	50,324,880	40,704,403
Past due (gross)		
- 61 days to 90 days overdue	20,121	8,008
- 91 days to 180 days overdue	6,826	8,249
- 181 days to 365 days overdue	7,491	774
- over 365 days overdue	2,662	3,340
Total past due (gross)	37,100	20,371
After allowance for credit losses	(274,802)	(173,277)
Total net investment in leases after allowance for credit losses	50,087,178	40,551,497

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.

(in thousands of Russian roubles, unless otherwise stated)

8 Net investment in leases after allowance for credit losses (continued)

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.

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.

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

	30 September 2018		31 December 2017	
	Amount	%	Amount	%
Freight transportation and logistics	4,843,305	9.62	3,435,142	8.44
Wholesale operations – specialised	4,603,893	9.14	3,384,470	8.31
Development of construction projects	3,489,233	6.93	2,671,636	6.56
Ancillary transport activities	3,279,268	6.51	2,631,189	6.46
Wholesale operations – non-food consumer goods	2,066,231	4.10	1,916,917	4.71
Wholesale operations – foods and beverages	1,947,815	3.87	1,675,057	4.11
Wholesale operations – other machines and equipment	1,415,689	2.81	1,211,766	2.98
Passenger transportation	1,362,205	2.70	1,340,375	3.29
Wholesale operations – unspecialised	1,307,524	2.60	1,112,198	2.73
Car dealership	1,111,120	2.21	1,077,270	2.65
Construction of roads and railways	900,032	1.79	592,381	1.45
Leasing of other machines and equipment	777,401	1.54	720,163	1.77
Renting and managing real estate	765,602	1.52	567,670	1.39
Preparation of construction site	754,611	1.50	657,833	1.62
Other specialised construction works	750,635	1.49	586,206	1.44
Wholesale operations – for a fee or on a contractual basis	702,994	1.40	548,269	1.35
Trade of motor vehicle parts and accessories	688,621	1.37	552,281	1.36
Growing annual crops	687,449	1.37	579,742	1.42
Production of electrical, plumbing and other construction and installation works	672,070	1.33	523,813	1.29
Wholesale operations – agricultural raw materials and animals	651,744	1.29	578,835	1.42
Leasing of vehicles	518,261	1.03	411,998	1.01
Services related to oil and natural gas	501,213	1.00	276,951	0.68
Production of concrete, cement and plaster	499,770	0.99	485,409	1.19
Animal breeding	497,491	0.99	492,662	1.21
Architecture, engineering research and related technical consulting	471,918	0.94	394,287	0.97
Other industries	15,095,885	29.96	12,300,254	30.19
Net investment in leases before allowance for credit losses	50,361,980	100.00	40,724,774	100.00

As at 30 September 2018 and 31 December 2017 the Group does not have lessees, the aggregate balances of which exceed 10% of equity.

(in thousands of Russian roubles, unless otherwise stated)

9 Assets purchased and advances to suppliers for lease operations

Assets purchased for lease operations represent 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 assets 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 2018	31 December 2017
Assets purchased for lease operations	134,709	114,779
Advances to suppliers for lease operations	635,291	682,066
Allowance for credit losses	(4,309)	(7,259)
Total advances to suppliers for lease operations	630,982	674,807
Total assets purchased and advances to suppliers for lease operations	765,691	789,586

Movements in the allowance for credit losses for the nine months ended 30 September 2018 and 30 September 2017 are as follows. The comparative information for the nine months ended 30 September 2017 represent movements in the allowance for impairment under IAS 39. The Stages are described in Note 3.

	<i>For the nine months ended</i>				30 September 2017
	30 September 2018				Total
	Stage 1	Stage 2	Stage 3	Total	
Allowance for credit losses as at 1 January	(144)	(4)	(7,544)	(7,692)	(6,538)
Transfers to Stage 3	–	1	(1)	–	–
Decrease (increase) in allowance for credit losses	99	2	1,083	1,184	(171)
Written off	–	–	2,199	2,199	224
Allowance for credit losses as at 30 September	(45)	(1)	(4,263)	(4,309)	(6,485)

Analysis by credit quality of advances to suppliers for lease operations as at 30 September 2018 is as follows:

	Stage 1	Stage 2	Stage 3	Total
Advances to suppliers for lease operations	618,153	8,623	8,515	635,291
Allowance for credit losses	(45)	(1)	(4,263)	(4,309)
Total advances to suppliers for lease operations after allowance for credit losses	618,108	8,622	4,252	630,982

(in thousands of Russian roubles, unless otherwise stated)

9 Assets purchased and advances to suppliers for lease operations (continued)

Analysis by credit quality of advances to suppliers for lease operations as at 30 September 2018 and 31 December 2017 is as follows:

	30 September 2018	31 December 2017
Advances to suppliers for lease operations		
Neither past due nor impaired	344,834	349,344
Past due		
- less than 90 days overdue	284,747	321,201
- 91 days to 180 days overdue	308	4,451
- 181 days to 365 days overdue	5,025	3,791
- over 365 days overdue	377	3,279
Total past due	290,457	332,722
Allowance for credit losses	(4,309)	(7,259)
Total advances to suppliers for lease operations	630,982	674,807

10 Debtors on leasing activity

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

	30 September 2018	31 December 2017
Debtors on leasing activity	52,677	55,957
Allowance for credit losses	(38,158)	(41,993)
Total debtors on leasing activity	14,519	13,964

Movements in the allowance for credit losses for debtors on leasing activity for the nine months ended 30 September 2018 and 30 September 2017 are as follows. The comparative information for the nine months ended 30 September 2017 represent movements in the allowance for impairment for debtors on leasing activity under IAS 39. The Stages are described in Note 3.

	For the nine months ended				30 September 2017
	30 September 2018				Total
	Stage 1	Stage 2	Stage 3	Total	
Allowance for credit losses as at 1 January	(217)	(122)	(41,234)	(41,573)	(95,034)
Transfers to Stage 3	4	-	(4)	-	-
(Increase) decrease in allowance for credit losses	(12,004)	(92)	2,766	(9,330)	(44,921)
Written off	12,204	214	327	12,745	73,280
Allowance for credit losses as at 30 September	(13)	-	(38,145)	(38,158)	(66,675)

Analysis by credit quality of debtors on leasing activity as at 30 September 2018 is as follows:

	Stage 1	Stage 2	Stage 3	Total
Debtors on leasing activity	4,768	-	47,909	52,677
Allowance for credit losses	(13)	-	(38,145)	(38,158)
Total debtors on leasing activity after allowance for credit losses	4,755	-	9,764	14,519

*(in thousands of Russian roubles, unless otherwise stated)***10 Debtors on leasing activity (continued)**

Analysis by credit quality of debtors on leasing activity as at 30 September 2018 and 31 December 2017 is as follows:

	30 September 2018	31 December 2017
Not past due and less than 60 days overdue	4,768	7,229
Past due		
- 61 days to 90 days overdue	558	2,851
- 91 days to 180 days overdue	10,960	12,626
- 181 days to 365 days overdue	10,602	16,385
- over 365 days overdue	25,789	16,866
Total debtors on leasing activity	52,677	55,957
Allowance for credit losses	(38,158)	(41,993)
Total debtors on leasing activity after allowance for credit losses	14,519	13,964

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

	30 September 2018	31 December 2017
Vehicles	11,582	12,895
Mobile machinery and other	2,937	1,069
Total debtors on leasing activity	14,519	13,964

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

JSC "LC "Europlan"

(in thousands of Russian roubles, unless otherwise stated)

11 Property and equipment

The movements in property and equipment for the nine months ended 30 September 2018 and 30 September 2017 were as follows:

	<i>Cars</i>	<i>Computer equipment</i>	<i>Office equipment</i>	<i>Buildings and lands</i>	<i>Other</i>	<i>Capital expenditure</i>	<i>Total property and equipment</i>
Cost							
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
1 January 2018	95,085	269,069	129,619	148,043	64,926	10,588	717,330
Additions	28,868	47,169	31,651	–	18,041	–	125,729
Disposals	(13,450)	(39,622)	(14,442)	–	(4,211)	(23)	(71,748)
Transfer between categories	–	10,055	–	–	510	(10,565)	–
Transfer from other assets	699	–	–	–	–	–	699
30 September 2018	111,202	286,671	146,828	148,043	79,266	–	772,010
Accumulated depreciation							
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)
1 January 2018	(48,614)	(163,953)	(95,161)	(31,213)	(40,067)	–	(379,008)
Depreciation charge	(13,843)	(36,407)	(12,892)	(3,942)	(2,541)	–	(69,625)
Disposals	13,350	38,557	13,027	–	3,417	–	68,351
30 September 2018	(49,107)	(161,803)	(95,026)	(35,155)	(39,191)	–	(380,282)
Carrying amount							
1 January 2017	31,503	107,308	44,483	122,086	22,445	41	327,866
31 December 2017	46,471	105,116	34,458	116,830	24,859	10,588	338,322
30 September 2018	62,095	124,868	51,802	112,888	40,075	–	391,728

(in thousands of Russian roubles, unless otherwise stated)

12 Other assets

	30 September 2018	31 December 2017
Other financial assets		
Insurance agency fee receivable	61,429	18,072
Settlements with counterparties	12,946	44,701
Other	40,228	22,735
Allowance for credit losses	(259)	–
Total other financial assets	114,344	85,508
Other non-financial assets		
Prepaid insurance cost	314,092	287,514
Leased objects repossessed/returned	214,336	220,625
Advance payments to counterparties	118,712	207,682
Intangible assets	65,103	88,460
Deferred expenses	39,378	65,368
Prepaid taxes other than income tax	18,680	7,647
Other	15,054	27,108
Total other non-financial assets	785,355	904,404
Total other assets	899,699	989,912

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.

Other financial assets are classified as Stage 1. The Stages are described in Note 3. An analysis of changes in the allowances for credit losses during the nine months ended 30 September 2018 is as follows:

Allowance for credit losses as at 1 January 2018	(193)
Increase in allowance for credit losses	(66)
Allowance for credit losses as at 30 September 2018	(259)

13 Borrowings

As at 30 September 2018 borrowings in the amount of RUB 26,975,439 thousand (31 December 2017: RUB 21,790,611 thousand) are loans attracted from banks registered on the territory of the Russian Federation.

As at 30 September 2018 the Group has two counterparties (31 December 2017: three counterparties), the aggregate amount of borrowings from which individually exceed 10% of equity. The gross value of these borrowings as at 30 September 2018 is RUB 24,173,486 thousand (31 December 2017: RUB 21,790,611 thousand).

As at 30 September 2018 net investment in leases before allowance for credit losses in the amount of RUB 23,936,814 thousand (31 December 2017: RUB 17,060,338 thousand) were pledged as collateral for borrowings amounting to RUB 25,168,903 thousand (31 December 2017: RUB 19,722,716 thousand).

(in thousands of Russian roubles, unless otherwise stated)

14 Bonds issued

Bonds issued comprise the following:

	<i>Date of placement</i>	<i>Maturity</i>	<i>Interest rate as at 30 September 2018</i>	<i>Interest rate as at 31 December 2017</i>	<i>30 September 2018</i>	<i>31 December 2017</i>
Series 04	February 2013	February 2019	12.00%	12.00%	1,062,771	1,082,198
Series 05	April 2013	March 2019	9.30%	12.50%	800,632	1,444,213
Series BO-01	October 2013	September 2019	9.50%	12.50%	1,997,018	2,056,211
Series BO-02	August 2015	August 2021	10.50%	–	1,910,342	–
Series BO-07	October 2016	September 2026	9.50%	11.75%	5,016,888	5,111,273
Series BO-08	July 2018	June 2028	9.35%	–	5,102,308	–
Total bonds issued					15,889,959	9,693,895

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 and in March 2018 the bonds of the series 05 with nominal value of RUB 100,000 thousand were realised again.

In August 2017 the Group redeemed the bonds of the series BO-02 with nominal value of RUB 598,150 thousand prior to its maturity, and, in December 2017 the Group redeemed the bonds of the series BO-02 with nominal value of RUB 2,101,850 thousand by agreement with the bondholders, and, in February-June 2018 the bonds of the series BO-02 with nominal value of RUB 2,650,000 thousand were realised again.

Bonds issued may be repaid by the Group ahead of schedule at the discretion of the bondholders in 2018-2020 within the framework of planned offers, as well as by agreement with the bondholders.

15 Other liabilities

Other liabilities comprise the following:

	<i>30 September 2018</i>	<i>31 December 2017</i>
Other financial liabilities		
Settlements with insurance companies	412,216	356,283
Settlements with counterparties	355,729	217,309
Settlements with employees	104,277	662
Accrued expenses	8,134	4,599
Total other financial liabilities	880,356	578,853
Other non-financial liabilities		
Deferred remuneration to employees	969,040	890,499
Taxes payable other than income tax	97,905	94,153
Legal claims provision	30,419	–
Deferred income	16,928	25,946
Other liabilities	19,515	8,333
Total other non-financial liabilities	1,133,807	1,018,931
Total other liabilities	2,014,163	1,597,784

(in thousands of Russian roubles, unless otherwise stated)

16 Share capital

In June 2017 PJSC "Europlan" have been reorganised in the form of split-off of Joint Stock Company "Leasing company "Europlan". 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.

During the nine months ended 30 September 2018 dividends in the amount of RUB 1,408,800 thousand were paid by the Group based on the results of the year 2017 and the six months ended 30 June 2018. During the nine months ended 30 September 2017 no dividends were paid by the Group.

17 Interest income and expense

Interest income and expense are as follows:

	<i>For the nine months ended</i>		<i>For the three months ended</i>	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Interest income				
Net investment in leases	7,076,666	5,135,024	2,548,755	1,878,413
Deposits in banks	85,966	622,584	54,669	110,594
Other assets	1,244	–	469	–
Total interest income	7,163,876	5,757,608	2,603,893	1,989,007
Interest expense				
Borrowings	(1,783,410)	(1,054,862)	(614,428)	(385,747)
Bonds issued	(1,042,948)	(1,272,106)	(428,263)	(458,886)
Total interest expense	(2,826,358)	(2,326,968)	(1,042,691)	(844,633)
Total net interest income	4,337,518	3,430,640	1,561,202	1,144,374

As at 30 September 2018 interest income accrued on impaired net investment in leases comprised RUB 1,742 thousand (31 December 2017: RUB 1,116 thousand).

18 Other income, net

Other income, net is as follows:

	<i>For the nine months ended</i>		<i>For the three months ended</i>	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Revenues from sale of lease objects repossessed	707,029	624,882	240,127	294,400
Cost of leased objects repossessed	(573,740)	(463,063)	(193,755)	(239,813)
Net result from sale of leased objects repossessed	133,289	161,819	46,372	54,587
Insurance agency fee income	985,157	700,086	350,541	262,766
Revenues from services provided to lessees	470,832	428,804	166,886	153,180
Other gains from lease activities	207,041	111,748	39,946	51,179
Expenses on leased objects repossessed/returned	(25,587)	(34,795)	(8,466)	(12,219)
Impairment of leased objects repossessed	(6,673)	(7,789)	(1)	(2,705)
Other income	32,938	17,689	26,156	19,233
Other income less losses	1,663,708	1,215,743	575,062	471,434
Total other income, net	1,796,997	1,377,562	621,434	526,021

(in thousands of Russian roubles, unless otherwise stated)

19 Changes in allowance for credit losses and other allowance

Changes in allowance for credit losses are as follows:

	<i>For the nine months ended</i>		<i>For the three months ended</i>	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Changes in allowance for credit losses on leasing assets				
Net investment in leases – increase in allowance for credit losses, net	(93,361)	(70,518)	(40,884)	(32,653)
Debtors on leasing activity – increase in allowance for credit losses, net	(9,330)	(44,921)	(10,932)	(14,957)
Total changes in allowance for credit losses on leasing assets	(102,691)	(115,439)	(51,816)	(47,610)
Changes in other allowance for losses				
Changes in other allowance for credit losses				
Cash and cash equivalents – increase in allowance for credit losses, net	(5,929)	–	(6,015)	–
Deposits in banks – increase in allowance for credit losses, net	(34)	–	(306)	–
Assets purchased and advances to suppliers for lease operations – decrease (increase) in allowance for credit losses, net	1,184	(171)	405	(3,032)
Other assets – increase in allowance for credit losses, net	(66)	–	(78)	–
Total changes in other allowance for credit losses	(4,845)	(171)	(5,994)	(3,032)
Legal claims provision – increase in allowance, net	(30,419)	–	(3,779)	–
Total changes in other allowance for losses	(35,264)	(171)	(9,773)	(3,032)
Total changes in allowance for credit losses and other allowance	(137,955)	(115,610)	(61,589)	(50,642)

20 Staff expenses

Staff expenses are as follows:

	<i>For the nine months ended</i>		<i>For the three months ended</i>	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Employee compensation	(1,850,324)	(1,483,466)	(610,754)	(477,834)
Payroll related taxes	(441,900)	(452,825)	(130,802)	(157,479)
Other staff expenses	(67,967)	(48,502)	(26,620)	(21,662)
Total staff expenses	(2,360,191)	(1,984,793)	(768,176)	(656,975)

(in thousands of Russian roubles, unless otherwise stated)

21 Other operating expenses

Other operating expenses are as follows:

	<i>For the nine months ended</i>		<i>For the three months ended</i>	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Office maintenance	(307,671)	(146,613)	(90,350)	(49,855)
General business expenses and other administrative expenses	(157,194)	(126,645)	(51,165)	(41,930)
Advertisement and marketing	(155,273)	(81,566)	(50,460)	(34,925)
Depreciation of property and equipment	(69,625)	(62,382)	(24,220)	(21,066)
Professional services	(24,740)	(19,119)	(8,644)	(3,020)
Amortisation of intangible assets	(21,642)	(21,418)	(7,150)	(7,067)
Communication	(19,072)	(19,727)	(6,430)	(6,808)
Other	(5,079)	(1,945)	(1,203)	(901)
Total other operating expenses	(760,296)	(479,415)	(239,622)	(165,572)

22 Income tax

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

	<i>For the nine months ended</i>		<i>For the three months ended</i>	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Current tax charge	(396,061)	(419,096)	(187,573)	(201,676)
Deferred tax charge	(190,630)	(51,019)	(39,012)	37,129
Total income tax expense	(586,691)	(470,115)	(226,585)	(164,547)

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.

	<i>For the nine months ended</i>		<i>For the three months ended</i>	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Profit before income tax	2,884,415	2,238,372	1,115,416	804,558
Theoretical tax charge – the Russian Federation statutory rate: 20%	(576,883)	(447,674)	(223,083)	(160,911)
Non-deductible expenses and other permanent differences	(9,808)	(22,441)	(3,502)	(3,636)
Income tax expense	(586,691)	(470,115)	(226,585)	(164,547)

The effective income tax rate for the nine months ended 30 September 2018 is 20% (30 September 2017: 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%.

(in thousands of Russian roubles, unless otherwise stated)

22 Income tax (continued)

	1 January 2018	Recognised in profit or loss	Effect of transition to IFRS 9	30 September 2018
Other assets	67,750	138,109	289	206,148
Other liabilities	181,869	18,023	–	199,892
Deferred income tax asset	249,619	156,132	289	406,040
Net investment in leases after allowance for credit losses	(1,185,819)	(358,321)	5,167	(1,538,973)
Property and equipment	(34,965)	(5,697)	–	(40,662)
Borrowings	(24,316)	17,256	–	(7,060)
Deferred income tax liabilities	(1,245,100)	(346,762)	5,167	(1,586,695)
Net deferred income tax liabilities	(995,481)	(190,630)	5,456	(1,180,655)

	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 allowance for credit losses	(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)

23 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.

(in thousands of Russian roubles, unless otherwise stated)

23 Financial risk management (continued)

Risk management structure (continued)

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.

Risk management strategy

The risk management strategy is approved by the Company's Management board. The objective of this strategy 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.

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 system.

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").

(in thousands of Russian roubles, unless otherwise stated)

23 Financial risk management (continued)

Risk management strategy (continued)

The Group applied the following approach to collateralised assets:

- ▶ The Group is the owner of the leased property;
- ▶ The Group funds liquid and highly liquid property (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 by the business origination 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, managers of the payment control department, monitoring experts (debt servicing monitoring), credit experts (financial performance monitoring) and property risk 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.

The Group holds collateral against net investment in leases and loans to customers. Estimates of value are based on the value 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 allowance for credit losses – in the Note 8.

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.

(in thousands of Russian roubles, unless otherwise stated)

23 Financial risk management (continued)**Liquidity risk (continued)**

The table below shows financial liabilities as at 30 September 2018 and 31 December 2017 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 condensed interim consolidated statement of financial position because the amount in the condensed interim 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 2018 is as follows:

	<i>Demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 12 months to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Advances received from lessees	971,030	357,528	–	–	–	1,328,558
Borrowings	425,778	3,908,213	5,387,061	21,600,280	–	31,321,332
Bonds issued	4,633,615	2,313,776	2,130,359	5,414,926	5,874,867	20,367,543
Other financial liabilities	874,970	5,000	386	–	–	880,356
Total potential future payments for financial liabilities	6,905,393	6,584,517	7,517,806	27,015,206	5,874,867	53,897,789

The undiscounted maturity analysis of financial liabilities as at 31 December 2017 is as follows:

	<i>Demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 12 months to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Advances received from lessees	958,900	248,276	–	–	–	1,207,176
Borrowings	229,884	1,488,702	2,626,579	22,241,267	–	26,586,432
Bonds issued	–	1,268,548	4,031,025	4,138,198	3,671,800	13,109,571
Other financial liabilities	574,254	4,599	–	–	–	578,853
Total potential future payments for financial liabilities	1,763,038	3,010,125	6,657,604	26,379,465	3,671,800	41,482,032

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)

23 Financial risk management (continued)

Liquidity risk (continued)

The maturity analysis of assets and liabilities as at 30 September 2018 is as follows:

	<i>Demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 12 months to 5 years</i>	<i>Over 5 years / not stated maturity</i>	<i>Total</i>
Assets						
Cash and cash equivalents	4,223,399	-	-	-	-	4,223,399
Deposits in banks	40	-	49,611	-	-	49,651
Net investment in leases after allowance for credit losses	3,170,181	12,813,287	11,595,445	22,508,265	-	50,087,178
Assets purchased and advances to suppliers for lease operations	556,091	209,600	-	-	-	765,691
Debtors on leasing activity	-	14,519	-	-	-	14,519
Current income tax prepayment	-	39,192	-	-	-	39,192
VAT recoverable	960,742	-	-	-	-	960,742
Property and equipment	-	-	-	-	391,728	391,728
Other assets	243,771	487,173	72,511	31,141	65,103	899,699
Total assets	9,154,224	13,563,771	11,717,567	22,539,406	456,831	57,431,799
Liabilities						
Advances received from lessees	971,030	357,528	-	-	-	1,328,558
Borrowings	362,503	2,832,594	4,256,470	19,523,872	-	26,975,439
Bonds issued	4,602,586	1,995,228	1,704,201	3,440,413	4,147,531	15,889,959
Current income tax payable	-	1,356	-	-	-	1,356
Deferred income tax liabilities	-	-	-	-	1,180,655	1,180,655
VAT payable	-	48,050	-	-	-	48,050
Other liabilities	1,010,766	16,961	694,300	284,010	8,126	2,014,163
Total liabilities	6,946,885	5,251,717	6,654,971	23,248,295	5,336,312	47,438,180
Net position	2,207,339	8,312,054	5,062,596	(708,889)	(4,879,481)	9,993,619
Cumulative liquidity position	2,207,339	10,519,393	15,581,989	14,873,100	9,993,619	

As at 30 September 2018 bonds issued totalling RUB 1,236,859 thousand with maturity from 6 to 12 months, bonds issued totalling RUB 3,098,029 thousand with maturity over 5 years can be repaid earlier at the buyback option date in the period from less than 1 month; bonds issued totalling RUB 946,123 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; bonds issued totalling RUB 2,494,290 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)

23 Financial risk management (continued)

Liquidity risk (continued)

The maturity analysis of assets and liabilities as at 31 December 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	782,720	-	-	-	-	782,720
Deposits in banks	-	251,619	-	-	-	251,619
Net investment in leases after allowance for credit losses	2,308,890	10,587,864	9,753,504	17,901,239	-	40,551,497
Assets purchased and advances to suppliers for lease operations	631,714	157,872	-	-	-	789,586
Debtors on leasing activity	-	13,964	-	-	-	13,964
Current income tax prepayment	-	8,555	-	-	-	8,555
VAT recoverable	777,182	-	-	-	-	777,182
Property and equipment	-	-	-	-	338,322	338,322
Other assets	152,876	675,617	69,946	3,013	88,460	989,912
Total assets	4,653,382	11,695,491	9,823,450	17,904,252	426,782	44,503,357
Liabilities						
Advances received from lessees	958,900	248,276	-	-	-	1,207,176
Borrowings	178,032	535,231	1,500,393	19,576,955	-	21,790,611
Bonds issued	-	985,698	3,485,619	2,732,669	2,489,909	9,693,895
Current income tax payable	-	37,281	-	-	-	37,281
Deferred income tax liabilities	-	-	-	-	995,481	995,481
VAT payable	-	54,611	-	-	-	54,611
Other liabilities	720,545	49,187	333,085	494,967	-	1,597,784
Total liabilities	1,857,477	1,910,284	5,319,097	22,804,591	3,485,390	35,376,839
Net position	2,795,905	9,785,207	4,504,353	(4,900,339)	(3,058,608)	9,126,518
Cumulative liquidity position	2,795,905	12,581,112	17,085,465	12,185,126	9,126,518	

As at 31 December 2017 bonds issued totalling RUB 1,694,831 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 in the amount of RUB 699,121 thousand, and in the period from 6 to 12 months in the amount of RUB 995,710 thousand, and bonds issued totalling RUB 2,489,909 thousand with maturity over 5 years can be repaid earlier at the buyback option date in the period from 6 to 12 months.

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)

23 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 2018 and 31 December 2017 the Group is constrained by covenants under loan agreements to have a maximum open currency position of 15% of its equity. As at 30 September 2018 and 31 December 2017 the Group complied with this contractual obligation.

The table below summarises exposure to foreign currency exchange rate risk as at 30 September 2018:

	<i>RUB</i>	<i>USD</i>	<i>EUR</i>	<i>GBP</i>	<i>Total</i>
Financial assets					
Cash and cash equivalents	4,222,531	237	631	–	4,223,399
Deposits in banks	49,651	–	–	–	49,651
Net investment in leases after allowance for credit losses	50,082,691	–	4,487	–	50,087,178
Assets purchased and advances to suppliers for lease operations	705,242	6,039	54,410	–	765,691
Debtors on leasing activity	14,519	–	–	–	14,519
Other financial assets	114,344	–	–	–	114,344
Total financial assets	55,188,978	6,276	59,528	–	55,254,782
Financial liabilities					
Advances received from lessees	1,325,412	2,128	1,018	–	1,328,558
Borrowings	26,975,439	–	–	–	26,975,439
Bonds issued	15,889,959	–	–	–	15,889,959
Other financial liabilities	879,103	897	356	–	880,356
Total financial liabilities	45,069,913	3,025	1,374	–	45,074,312
Net position	10,119,065	3,251	58,154	–	

(in thousands of Russian roubles, unless otherwise stated)

23 Financial risk management (continued)**Market risk (continued)**

The table below summarises exposure to foreign currency exchange rate risk as at 31 December 2017:

	RUB	USD	EUR	Total
Financial assets				
Cash and cash equivalents	781,755	361	604	782,720
Deposits in banks	251,619	–	–	251,619
Net investment in leases after allowance for credit losses	40,546,279	–	5,218	40,551,497
Assets purchased and advances to suppliers for lease operations	693,382	22,966	73,238	789,586
Debtors on leasing activity	13,960	4	–	13,964
Other financial assets	85,499	–	9	85,508
Total financial assets	42,372,494	23,331	79,069	42,474,894
Financial liabilities				
Advances received from lessees	1,205,163	1,914	99	1,207,176
Borrowings	21,790,611	–	–	21,790,611
Bonds issued	9,693,895	–	–	9,693,895
Other financial liabilities	568,874	913	9,066	578,853
Total financial liabilities	33,258,543	2,827	9,165	33,270,535
Net position	9,113,951	20,504	69,904	

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 2018			31 December 2017		
	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	325	260	10.00	2,050	1,640
USD	(10.00)	(325)	(260)	(10.00)	(2,050)	(1,640)
EUR	10.00	5,815	4,652	10.00	6,990	5,592
EUR	(10.00)	(5,815)	(4,652)	(10.00)	(6,990)	(5,592)

A strengthening of the rouble against the above currencies at 30 September 2018 and 31 December 2017 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.

The Group only offers lease product on a fixed term basis and therefore is exposed to interest rate risk through its borrowings and bonds issued with variable coupon. 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)

23 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) and bonds issued with variable coupon as at 30 September 2018 is following:

	<i>Impact on profit before tax, gain/(loss)</i>	<i>Impact on net profit and equity, gain/(loss)</i>
10% parallel rise	(117,202)	(93,762)
10% parallel fall	117,202	93,762

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) and bonds issued with variable coupon as at 31 December 2017 is following:

	<i>Impact on profit before tax, gain/(loss)</i>	<i>Impact on net profit and equity, gain/(loss)</i>
10% parallel rise	(171,099)	(136,880)
10% parallel fall	171,099	136,880

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.

24 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 condensed interim 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 2018 is equity attributable to equity holders of the Group of RUB 9,993,619 thousand (31 December 2017: RUB 9,126,518 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 (33 months).

(in thousands of Russian roubles, unless otherwise stated)

25 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 2018 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 allowance for credit losses	50,087,178	50,929,322
Borrowings	26,975,439	27,634,828
Bonds issued	15,889,959	15,145,461

Management believes that the fair value of its financial assets and financial liabilities as at 31 December 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 allowance for credit losses	40,551,497	41,489,751
Borrowings	21,790,611	22,545,495
Bonds issued	9,693,895	9,647,344

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)

25 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 2018 and 31 December 2017.

	Level 1	Level 2	Level 3	Total
As at 30 September 2018				
Assets for which fair values are disclosed				
Cash and cash equivalents	4,223,399	-	-	4,223,399
Deposits in banks	-	49,651	-	49,651
Net investment in leases after allowance for credit losses	-	-	50,929,322	50,929,322
Debtors on leasing activity	-	-	14,519	14,519
Other financial assets	-	-	114,344	114,344
Liabilities for which fair values are disclosed				
Borrowings	-	27,634,828	-	27,634,828
Bonds issued	4,778,876	10,366,585	-	15,145,461
Other financial liabilities	-	-	882,308	882,308
As at 31 December 2017				
Assets for which fair values are disclosed				
Cash and cash equivalents	782,720	-	-	782,720
Deposits in banks	-	251,619	-	251,619
Net investment in leases after allowance for credit losses	-	-	41,489,751	41,489,751
Debtors on leasing activity	-	-	13,964	13,964
Other financial assets	-	-	85,508	85,508
Liabilities for which fair values are disclosed				
Borrowings	-	22,545,495	-	22,545,495
Bonds issued	5,050,000	4,597,344	-	9,647,344
Other financial liabilities	-	-	578,853	578,853

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 2018			31 December 2017		
	Carrying value	Fair value	Unrecognised gains/(losses)	Carrying value	Fair value	Unrecognised gains/(losses)
Financial assets						
Cash and cash equivalents	4,223,399	4,223,399	-	782,720	782,720	-
Deposits in banks	49,651	49,651	-	251,619	251,619	-
Net investment in leases after allowance for credit losses	50,087,178	50,929,322	842,144	40,551,497	41,489,751	938,254
Debtors on leasing activity	14,519	14,519	-	13,964	13,964	-
Other financial assets	114,344	114,344	-	85,508	85,508	-
Financial liabilities						
Borrowings	26,975,439	27,634,828	(659,389)	21,790,611	22,545,495	(754,884)
Bonds issued	15,889,959	15,145,461	744,498	9,693,895	9,647,344	46,551
Other financial liabilities	882,308	882,308	-	578,853	578,853	-
Total unrecognised change in fair value			927,253			229,921

(in thousands of Russian roubles, unless otherwise stated)

26 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 the Group has formed legal claims provision of RUB 30,419 thousand (Note 15) in these condensed interim consolidated financial statements as at 30 September 2018.

Taxation

Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. 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. As a result, additional taxes, penalties and interest may be assessed by the relevant authorities.

In accordance with the Russian transfer pricing legislation, tax authorities are entitled to apply tax base adjustments and impose additional income tax and value added tax (VAT) liabilities in respect of "controlled" transactions, where the transaction price differs from the market price. Management believes that the Group fully complies with transfer pricing rules, and "controlled" transaction prices are consistent with market prices.

As at 30 September 2018 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 2018 and 31 December 2017.

27 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.

Amounts of related party transactions for the nine months ended 30 September 2018 and 31 December 2017 are as follows:

	<i>For the nine months ended</i>					
	30 September 2018			30 September 2017		
	Share-holders	Other related parties	Key management	Share-holders	Other related parties	Key management
Interest income	–	17,595	–	–	153,962	–
Interest expense	(77,757)	(3,132)	–	–	(220,644)	–
Other income, net	–	508,662	–	–	344,583	–
Changes in allowance for credit losses on leasing assets	–	(341)	–	–	(67)	–
Staff expenses	–	(22,277)	(402,809)	–	(17,984)	(86,097)
Other operating expense	–	8,393	–	–	–	–

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27 Related party transactions (continued)

	30 September 2018			31 December 2017		
	Share-holders	Other related parties	Key management	Share-holders	Other related parties	Key management
Net investment in leases after allowance for credit losses	-	160,463	-	-	46,324	-
Other assets	-	9,350	-	-	1,409	-
Bonds issued	815,880	37,548	-	-	35,467	-
Other liabilities	-	-	599,641	-	-	599,592

During the nine months ended 30 September 2018 the remuneration of members of the key management including salaries, discretionary bonuses and other short-term remuneration amounted to RUB 402,809 thousand (30 September 2018: RUB 86,097 thousand).

The Group has the long-term remuneration program for members of the key management, under which the Group establishes the reserve fund with payouts made resulting from achievement of determined key performance indicators.

28 Changes in liabilities arising from financing activities

	Borrowings	Bonds issued	Total liabilities from financing activities
Carrying amount at 31 December 2016	10,204,713	13,361,729	23,566,442
Proceeds from issue	4,600,000	2,582,489	7,182,489
Redemption	(1,951,903)	(694,496)	(2,646,399)
Other	5,446	143,313	148,759
Carrying amount at 30 September 2017	12,858,256	15,393,035	28,251,291
Carrying amount at 31 December 2017	21,790,611	9,693,895	31,484,506
Proceeds from issue	5,901,404	7,949,375	13,850,779
Redemption	(676,680)	(1,922,663)	(2,599,343)
Other	(39,896)	169,352	129,456
Carrying amount at 30 September 2018	26,975,439	15,889,959	42,865,398

The "Other" line includes the effect of accrued but not yet paid interest on borrowings and bonds issued. The Group classifies interest paid as cash flows from operating activities.

29 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 consolidated financial statements in accordance to the pooling of interests method, used in preparation of these consolidated financial statements.

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29 Supplementary information (unaudited) (continued)

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 on the 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 convenience 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 consolidated statement of financial position of the Group as at 30 September 2018 and 31 December 2017 is compiled after cease of control over JSC "POMESTIE", therefore it is not presented as supplementary information.

The information accompanying the 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.

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 relates to the Group JSC "POMESTIE" and the "Leasing activity" and "Cession activity", that relate to the other companies of the Group.

Consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2018

	<i>For the nine months ended</i>	
	30 September 2018	30 September 2017
Continuing operations		
Interest income	7,163,876	5,757,608
Interest expense	(2,826,358)	(2,326,968)
Net interest income	4,337,518	3,430,640
Other income, net	1,796,997	1,281,456
Income from operations	6,134,515	4,712,096
Net foreign exchange income	(55)	2,607
Total income from operations and finance income	6,134,460	4,714,703
Changes in allowance for credit losses on leasing assets	(102,691)	(115,439)
Changes in other allowance for losses	(35,264)	(171)
Staff expenses	(2,360,191)	(1,984,793)
Other operating expenses	(760,296)	(478,973)
Other non-operating expenses	8,397	7,381
Profit before income tax from continuing operations	2,884,415	2,142,708
Income tax expense	(586,691)	(450,982)
Net profit from continuing operations	2,297,724	1,691,726
Discontinued operations		
Profit before income tax from discontinued operations	-	281,540
Financial result from disposal of discontinued operations	-	954,134
Income tax expense	-	(456,089)
Net profit from discontinued operations	-	779,585
Net profit	2,297,724	2,471,311
Other comprehensive income	-	-
Total comprehensive income for the period	2,297,724	2,471,311

(in thousands of Russian roubles, unless otherwise stated)

29 Supplementary information (unaudited) (continued)**Consolidated statement of changes in equity for the nine months ended 30 September 2018**

	Share capital	Retained earnings	Total equity
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	(7,247,735)	(7,127,735)
Balance as at 30 September 2017	120,000	8,630,427	8,750,427
Balance as at 1 January 2018	120,000	9,006,518	9,126,518
Effect of transition to IFRS 9	-	(21,823)	(21,823)
Balance as at 1 January 2018 under IFRS 9	120,000	8,984,695	9,104,695
Net profit from continuing operations	-	2,297,724	2,297,724
Net profit from discontinued operations	-	-	-
Other comprehensive income for the period	-	-	-
Dividends paid	-	(1,408,800)	(1,408,800)
Total comprehensive income for the period	-	1,408,893	1,408,893
Balance as at 30 September 2018	120,000	9,873,619	9,993,619

Segment information

The Total Group has two 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.

For the nine months ended 30 September 2018 all income and expenses of the Total Group were referred to the "Leasing activity" segment. As at 30 September 2018 all the assets, liabilities and equity of the Total Group were referred to the "Leasing activity" segment.

(in thousands of Russian roubles, unless otherwise stated)

29 Supplementary information (unaudited) (continued)**Segment information (continued)**

Information for the segments of the Total Group for 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	3,137,807	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
Changes in allowance for credit losses on leasing assets	(115,439)	–	–	(115,439)
Changes in other allowance for losses	(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 income	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 31 December 2017 all the assets, liabilities and equity of the Total Group were referred to the "Leasing activity" segment.