

Condensed interim consolidated financial statements of  
***Joint Stock Company "Leasing company "Europlan"  
and its subsidiaries***  
for the nine months ended 30 September 2020

*November 2020*

**Condensed interim consolidated financial statements of  
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 2020 and the related condensed interim consolidated statements profit or loss and other comprehensive income, changes in equity and cash flows for the 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

19 November 2020

## **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, Korovy Val street, 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-regulatory organization of auditors Association "Sodruzhestvo".  
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020


**Condensed interim consolidated statement of financial position****as at 30 September 2020 (unaudited)***(in thousands of Russian roubles, unless otherwise stated)*

	Note	30 September 2020	31 December 2019
<b>Assets</b>			
Cash and cash equivalents	5	3,541,094	2,762,117
Deposits in banks	6	–	49,703
Net investment in leases after allowance for expected credit losses	7	78,547,175	71,563,218
Assets purchased and advances to suppliers for lease operations	8	1,605,650	1,017,275
Debtors on leasing activity	9	63,377	36,377
Current income tax prepayment		11,840	5,954
VAT recoverable		329,845	831,354
Property and equipment and right-of-use assets	10	1,468,019	1,639,718
Other assets	11	1,562,147	1,515,686
<b>Total assets</b>		<b>87,129,147</b>	<b>79,421,402</b>
<b>Liabilities</b>			
Derivative financial instruments	12	60,062	–
Advances received from lessees		2,408,595	2,209,451
Borrowings	13	40,694,032	38,055,638
Bonds issued	14	23,272,907	20,070,206
Lease liabilities		659,125	822,400
Current income tax payable		163,447	198,205
Deferred tax liabilities	22	1,895,409	1,500,803
VAT payable		113,050	91,513
Other liabilities	15	2,379,226	2,542,417
<b>Total liabilities</b>		<b>71,645,853</b>	<b>65,490,633</b>
<b>Equity</b>			
Share capital	16	120,000	120,000
Retained earnings		15,411,343	13,810,769
Other reserves		(48,049)	–
<b>Total equity</b>		<b>15,483,294</b>	<b>13,930,769</b>
<b>Total liabilities and equity</b>		<b>87,129,147</b>	<b>79,421,402</b>

Approved for issue and signed on behalf of the Company on 19 November 2020.

  
 Alexander Mikhaylov  
 CEO



  
 Anatoly Aminov  
 CFO

The notes 1-29 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 nine months ended 30 September 2020 (unaudited)***(in thousands of Russian roubles, unless otherwise stated)*

	<b>Note</b>	<b>For the nine months ended</b>		<b>For the three months ended</b>	
		<b>30 September 2020</b>	<b>30 September 2019</b>	<b>30 September 2020</b>	<b>30 September 2019</b>
Interest income	17	10,400,449	9,114,974	3,531,830	3,234,781
Interest expense	17	(4,012,326)	(3,676,107)	(1,324,490)	(1,322,945)
<b>Net interest income</b>		<b>6,388,123</b>	<b>5,438,867</b>	<b>2,207,340</b>	<b>1,911,836</b>
Other income, net	18	3,113,416	2,716,033	1,238,046	1,229,814
Other expense, net	18	(172,359)	(73,867)	(86,730)	(33,452)
<b>Income from operations</b>		<b>9,329,180</b>	<b>8,081,033</b>	<b>3,358,656</b>	<b>3,108,198</b>
Net foreign exchange (losses) income		(646)	(1,616)	103	533
<b>Total income from operations and finance income</b>		<b>9,328,534</b>	<b>8,079,417</b>	<b>3,358,759</b>	<b>3,108,731</b>
Changes in allowance for expected credit losses on leasing assets	19	(130,355)	(289,039)	196,704	(77,661)
Changes in allowance for expected credit losses on other assets	19	(60,749)	(3,107)	(1,368)	(1,455)
Changes in other allowance for losses	19	(74,036)	(42,680)	(20,522)	(19,415)
Staff expenses	20	(2,740,670)	(2,625,577)	(985,857)	(881,109)
Other operating expenses	21	(792,110)	(838,384)	(279,999)	(293,021)
Other non-operating income		6,491	5,634	2,672	960
<b>Profit before income tax</b>		<b>5,537,105</b>	<b>4,286,264</b>	<b>2,270,389</b>	<b>1,837,030</b>
Income tax expense	22	(1,135,731)	(873,395)	(467,765)	(373,577)
<b>Net profit</b>		<b>4,401,374</b>	<b>3,412,869</b>	<b>1,802,624</b>	<b>1,463,453</b>
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>					
Result from financial instruments of cash flow hedge		(70,706)	-	(7,834)	-
Reclassified to profit or loss		10,645	-	11,202	-
Effect of deferred income tax		12,012	-	(674)	-
<b>Other comprehensive income for the period</b>		<b>(48,049)</b>	<b>-</b>	<b>2,694</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>4,353,325</b>	<b>3,412,869</b>	<b>1,805,318</b>	<b>1,463,453</b>

The notes 1-29 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 2020 (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

	Share capital	Retained earnings	Other reserves		Total equity
			Cashflow hedge reserve	Total other reserves	
<b>Balance as at 1 January 2019</b>	<b>120,000</b>	<b>10,867,736</b>	-	-	<b>10,987,736</b>
Net profit	-	3,412,869	-	-	<b>3,412,869</b>
Other comprehensive income for the period	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>3,412,869</b>	<b>-</b>	<b>-</b>	<b>3,412,869</b>
Dividends paid (Note 16)	-	(1,882,800)	-	-	<b>(1,882,800)</b>
<b>Balance as at 30 September 2019</b>	<b>120,000</b>	<b>12,397,805</b>	<b>-</b>	<b>-</b>	<b>12,517,805</b>
<b>Balance as at 1 January 2020</b>	<b>120,000</b>	<b>13,810,769</b>	<b>-</b>	<b>-</b>	<b>13,930,769</b>
Net profit	-	4,401,374	-	-	<b>4,401,374</b>
Result from financial instruments of cashflow hedge	-	-	(70,706)	<b>(70,706)</b>	<b>(70,706)</b>
Reclassified to profit or loss	-	-	10,645	<b>10,645</b>	<b>10,645</b>
Effect of deferred income tax	-	-	12,012	<b>12,012</b>	<b>12,012</b>
<b>Other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(48,049)</b>	<b>(48,049)</b>	<b>(48,049)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>4,401,374</b>	<b>(48,049)</b>	<b>(48,049)</b>	<b>4,353,325</b>
Dividends paid (Note 16)	-	(2,800,800)	-	-	<b>(2,800,800)</b>
<b>Balance as at 30 September 2020</b>	<b>120,000</b>	<b>15,411,343</b>	<b>(48,049)</b>	<b>(48,049)</b>	<b>15,483,294</b>

The notes 1-29 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 2020 (unaudited)**

(in thousands of Russian roubles, unless otherwise stated)

	<i>For the nine months ended</i>	
	<b>30 September 2020</b>	<b>30 September 2019</b>
<b>Cash flows from operating activities</b>		
Interest received	10,102,777	8,627,551
Comissions received	1,318,781	1,219,001
Interest paid	(3,792,807)	(3,740,059)
Proceeds from disposal of repossessed assets	2,050,713	1,327,949
Cash paid to employees and payroll related taxes paid	(3,018,294)	(2,782,407)
Other operating income	1,389,346	1,284,763
Other operating expenses	(539,033)	(513,773)
<b>Cash flows from operating activities before changes in working capital</b>	<b>7,511,483</b>	<b>5,423,025</b>
<b>Changes in operating assets/liabilities</b>		
Deposits in banks	50,000	-
Net investment in leases	(8,868,807)	(11,124,805)
Advances to suppliers and from lessees on leasing activities	(386,303)	(120,215)
Debtors on leasing activity	236,634	198,389
Assets under operating lease	(112,034)	(149,955)
Other assets including VAT recoverable	551,100	677,578
Other liabilities including VAT payable	(31,458)	(73,298)
<b>Net cash flows used in operating activities before income tax</b>	<b>(1,049,385)</b>	<b>(5,169,281)</b>
Income tax paid	(769,757)	(685,651)
<b>Net cash flows used in operating activities</b>	<b>(1,819,142)</b>	<b>(5,854,932)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property and equipment	8,157	13,119
Purchase of property and equipment (Note 10)	(73,612)	(380,021)
<b>Net cash flows used in investing activities</b>	<b>(65,455)</b>	<b>(366,902)</b>
<b>Cash flows from financing activities</b>		
Borrowings received (Note 28)	18,891,750	13,651,595
Borrowings repaid (Note 28)	(16,188,135)	(8,211,261)
Bonds issued (Note 28)	3,090,192	6,396,137
Bonds repaid/redeemed (Note 28)	(180,671)	(4,648,170)
Lease liabilities repaid (Note 28)	(156,396)	(136,887)
Dividends paid	(2,800,800)	(1,882,800)
<b>Net cash flows from financing activities</b>	<b>2,655,940</b>	<b>5,168,614</b>
Effect of exchange rate changes on cash and cash equivalents	110	(92)
Effect of expected credit losses changes on cash and cash equivalents	7,524	241
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>778,977</b>	<b>(1,053,071)</b>
Cash and cash equivalents at the beginning of the period (Note 5)	2,762,117	1,490,035
<b>Cash and cash equivalents at the end of the period (Note 5)</b>	<b>3,541,094</b>	<b>436,964</b>

The notes 1-29 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 2020 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 2020 and 31 December 2019 the immediate parent company of JSC "LC "Europlan" is PJSC "SFI". As at 30 September 2020 the ultimate controlling party is Gutseriev Said Mikhaylovich with 58.79% share (31 December 2019: Gutseriev Said Mikhaylovich with 36.5% share).

As at 30 September 2020 and 31 December 2019 the main subsidiaries of JSC "LC "Europlan" are LLC "Autoleasing" and LLC "Europlan Service" with 100% ownership.

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 79 offices (31 December 2019: 77). As at 30 September 2020 the number of employees was 2,106 (31 December 2019: 2,043).

## 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)

## 2. Operating environment of the Group (continued)

### Effect of COVID-19 pandemic

Due to rapid spread of COVID-19 pandemic in the early of 2020 many governments, including the Russian Government, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain area. These measures have affected the global supply chain, demand for goods and services, as well as scale of business activity. It is expected that pandemic itself as well as measures for its consequences' minimisation may influence the business of the entities in wide range of industries. Since March 2020 significant volatility in stock, currency and commodity markets exists, including decrease in crude prices and decrease in RUB to USD and EUR foreign exchange rates.

In 2020, support measures were introduced by the Government and the Central Bank of Russia to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidised lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.

During April and May 2020 the Group continued to operate remotely and provide small and medium-sized Russian businesses with vehicles. In June 2020, the month when restrictions on movement in all regions of the Russian Federation were removed and business activity began to recover, the Group reached the pre-crisis volume of executed leasing transactions. The results of stress testing show that the Group is able to meet its obligations on time due to the positive liquidity position it has created (Note 23). Given the high degree of uncertainty and the lack of sufficient data to build statistical models, the further impact of COVID-19 on the estimate of expected credit losses will be updated as new information becomes available. The Group's management believes that the impact of the COVID-19 pandemic will not have a significant negative impact on the Group's financial position and financial results in 2020. The Group continues to assess pandemic effect and changes in micro- and macroeconomic conditions on its activities, financial position and financial results.

## 3 Summary of significant accounting policies

### Basis of preparation

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

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") unless otherwise indicated.

### Basis of consolidation

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

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

(in thousands of Russian roubles, unless otherwise stated)

### 3 Summary of significant accounting policies (continued)

#### Basis of consolidation (continued)

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

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

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

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

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

#### 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.

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

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

(in thousands of Russian roubles, unless otherwise stated)

### 3 Summary of significant accounting policies (continued)

#### Fair value measurement (continued)

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

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

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

#### Financial assets 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 fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount.

##### Measurement categories of financial assets and liabilities

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;
- ▶ Fair value through other comprehensive income (FVOCI);
- ▶ FVPL.

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.

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.

(in thousands of Russian roubles, unless otherwise stated)

### 3 Summary of significant accounting policies (continued)

#### Financial assets and liabilities (continued)

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 in assessment of the Group's business model.

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 "solely payments of principal and interest" (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.

#### Debt instruments at FVOCI

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.

(in thousands of Russian roubles, unless otherwise stated)

### 3 Summary of significant accounting policies (continued)

#### Financial assets and liabilities (continued)

The expected credit losses (ECL) 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.

#### *Reclassification of financial assets and liabilities*

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.

#### 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.

#### Derivative financial instruments and hedge accounting

#### *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Fair value is determined based on quoted market prices or pricing models based on the current market and contractual values of the underlying instruments and other factors. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, interest rate swaps are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

(in thousands of Russian roubles, unless otherwise stated)

### 3 Summary of significant accounting policies (continued)

#### Derivative financial instruments and hedge accounting (continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- ▶ There is 'an economic relationship' between the hedged item and the hedging instrument;
- ▶ The effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- ▶ The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

##### *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group designates interest rate swaps as a hedging instrument. Interest rate swaps are recognised in OCI and accumulated in a separate component of equity in cashflow hedge reserve in other reserves. The amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment.

#### **Leases**

##### *i. Group as a lessee*

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

##### Right-of-use assets

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

(in thousands of Russian roubles, unless otherwise stated)

### 3 Summary of significant accounting policies (continued)

#### Leases (continued)

##### Lease liabilities

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

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

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

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

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

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

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

#### *ii. Operating – Group as a lessor*

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

#### *iii. Finance – Group as a lessor*

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



(in thousands of Russian roubles, unless otherwise stated)

### 3 Summary of significant accounting policies (continued)

#### Leases (continued)

##### 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 is the date on which the lessor makes the underlying asset available for use by the lessee. It is the date of initial recognition of the lease.

##### 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.

Initial direct costs, other than those incurred by lessors which are manufacturers or dealers, are included in the initial measurement of net investment in leases and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is determined so that the initial direct costs are automatically included in net investment in leases; there is no need for their separate inclusion.

##### Definition of a lease

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For a contract that is, or contains, a lease, an entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract, unless the entity applies the practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, a lessor shall allocate the consideration in the contract applying IFRS 15 *Revenue from Contracts with Customers*.

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.

##### 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.

(in thousands of Russian roubles, unless otherwise stated)

### 3 Summary of significant accounting policies (continued)

#### 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.

#### 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.

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.

(in thousands of Russian roubles, unless otherwise stated)

### 3 Summary of significant accounting policies (continued)

#### 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.

#### 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.

(in thousands of Russian roubles, unless otherwise stated)

### 3 Summary of significant accounting policies (continued)

#### Property and equipment (continued)

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

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.

#### 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.

(in thousands of Russian roubles, unless otherwise stated)

### 3 Summary of significant accounting policies (continued)

#### Segment information

The Group operates in one segment – "Leasing activity":

- ▶ Leasing activity includes conclusion of financial lease contracts with legal entities and individual entrepreneurs and further monitoring of the execution of these contracts.

#### 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*

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

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

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

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

##### *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 2020 and 31 December 2019 were 79.6845 roubles and 61.9057 roubles to 1 USD, respectively. The official CBR exchange rates at 30 September 2020 and 31 December 2019 were 93.0237 roubles and 69.3406 roubles to 1 EUR, respectively.

#### 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 17 Insurance Contracts*

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

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The standard is not expected to have an impact on the Group's consolidated financial statements.

(in thousands of Russian roubles, unless otherwise stated)

## 4 Significant accounting judgments and estimates

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

### Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 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;
- ▶ 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.

## 5 Cash and cash equivalents

	30 September 2020	31 December 2019
Settlement accounts in banks	2,324,557	361,294
Term deposits in banks with original maturity up to 90 days	1,221,951	2,413,761
<b>Cash and cash equivalents before impairment allowance</b>	<b>3,546,508</b>	<b>2,775,055</b>
Allowance for expected credit losses	(5,414)	(12,938)
<b>Total cash and cash equivalents</b>	<b>3,541,094</b>	<b>2,762,117</b>

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 2020		31 December 2019	
	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
<b>Neither past due nor impaired</b>				
- Rated higher than BB+	782,708	221,951	356,374	463,761
- BB- (inclusive) to BB+ rated	3,716	1,000,000	1,028	-
- Rated lower than BB-	1,538,123	-	3,244	1,950,000
- Unrated	10	-	648	-
<b>Total cash and cash equivalents</b>	<b>2,324,557</b>	<b>1,221,951</b>	<b>361,294</b>	<b>2,413,761</b>

(in thousands of Russian roubles, unless otherwise stated)

## 5 Cash and cash equivalents (continued)

As at 30 September 2020 the Group does not have counterparties (31 December 2019: one counterparty) 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 at 31 December 2019 is RUB 1,952,175 thousand.

All balances of cash equivalents are allocated to Stage 1. The Stages are described in Note 23. An analysis of changes in the allowances for expected credit losses during the nine months ended 30 September 2020 and 30 September 2019 is as follows:

	<i>For the nine months ended</i>	
	<b>30 September 2020</b>	<b>30 September 2019</b>
<b>Allowance for expected credit losses as at 1 January</b>	<b>(12,938)</b>	<b>(2,437)</b>
(Increase) decrease in allowance for expected credit losses	7,524	241
<b>Allowance for expected credit losses as at 30 September</b>	<b>(5,414)</b>	<b>(2,196)</b>

## 6 Deposits in banks

	<b>30 September 2020</b>	<b>31 December 2019</b>
Term deposits in banks with original maturity over 90 days before allowance for expected credit losses	-	50,000
Allowance for expected credit losses	-	(297)
<b>Total deposits in banks</b>	<b>-</b>	<b>49,703</b>

Deposits in banks as at 31 December 2019 were deposits in Russian banks in RUB. As at 31 December 2019 the maturity of these deposits is March 2020.

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

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

	<b>30 September 2020</b>	<b>31 December 2019</b>
Rated lower than BB-	-	49,703
<b>Total deposits in banks</b>	<b>-</b>	<b>49,703</b>

As at 30 September 2020 and 31 December 2019 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 23. An analysis of changes in the allowances for expected credit losses during the nine months ended 30 September 2020 and 30 September 2019 is as follows:

	<i>For the nine months ended</i>	
	<b>30 September 2020</b>	<b>30 September 2019</b>
<b>Allowance for expected credit losses as at 1 January</b>	<b>(297)</b>	<b>(267)</b>
(Increase)/decrease in allowance for expected credit losses	297	(454)
<b>Allowance for expected credit losses as at 30 September</b>	<b>-</b>	<b>(721)</b>



(in thousands of Russian roubles, unless otherwise stated)

## 7 Net investment in leases after allowance for expected credit losses

As at 30 September 2020 and 31 December 2019 net investment in leases comprises:

	30 September 2020	31 December 2019
<b>Gross investment in leases</b>	<b>96,014,758</b>	<b>88,492,076</b>
Unearned finance income	(17,073,071)	(16,563,125)
<b>Net investment in leases before allowance for expected credit losses</b>	<b>78,941,687</b>	<b>71,928,951</b>
Allowance for expected credit losses	(394,512)	(365,733)
<b>Total net investment in leases after allowance for expected credit losses</b>	<b>78,547,175</b>	<b>71,563,218</b>

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

	30 September 2020	31 December 2019
<b>Gross investment in leases</b>		
Due in 1 year	50,686,662	47,001,952
Due between 1 and 2 years	28,269,073	25,484,322
Due between 2 and 3 years	11,904,708	11,789,070
Due between 3 and 4 years	3,760,486	3,170,470
Due between 4 and 5 years	1,391,889	1,046,004
Due over 5 years	1,940	258
<b>Gross investment in leases</b>	<b>96,014,758</b>	<b>88,492,076</b>
Unearned finance income	(17,073,071)	(16,563,125)
<b>Net investment in leases before allowance for expected credit losses</b>	<b>78,941,687</b>	<b>71,928,951</b>
Allowance for expected credit losses	(394,512)	(365,733)
<b>Total net investment in leases after allowance for expected credit losses</b>	<b>78,547,175</b>	<b>71,563,218</b>

Movements in the allowance for expected credit losses for net investment in leases by types of leased assets for the nine months ended 30 September 2020 are as follows:

	Stage 1	Stage 2	Stage 3	Total
<b>Vehicles</b>				
<b>Allowance for expected credit losses as at 1 January 2020</b>	<b>(247,942)</b>	<b>(18,461)</b>	<b>(59,697)</b>	<b>(326,100)</b>
Transfers to Stage 1	(18,736)	5,545	13,191	-
Transfers to Stage 2	12,345	(13,219)	874	-
Transfers to Stage 3	1,146	442	(1,588)	-
Impact on ECL of exposures transferred between stages	16,131	(20,960)	(34,044)	<b>(38,873)</b>
Effect of changes in the gross carrying amount, net	(3,763)	(10,042)	24,378	<b>10,573</b>
Changes to models and inputs used for ECL calculations	8,897	(284)	(2,256)	<b>6,357</b>
Write-offs	582	-	-	<b>582</b>
<b>Allowance for expected credit losses as at 30 September 2020</b>	<b>(231,340)</b>	<b>(56,979)</b>	<b>(59,142)</b>	<b>(347,461)</b>
<b>Mobile machinery and other</b>				
<b>Allowance for expected credit losses as at 1 January 2020</b>	<b>(33,985)</b>	<b>(1,268)</b>	<b>(4,380)</b>	<b>(39,633)</b>
Transfers to Stage 1	(309)	175	134	-
Transfers to Stage 2	949	(949)	-	-
Transfers to Stage 3	27	23	(50)	-
Impact on ECL of exposures transferred between stages	241	(1,663)	(801)	<b>(2,223)</b>
Effect of changes in the gross carrying amount, net	(8,204)	(283)	2,198	<b>(6,289)</b>
Changes to models and inputs used for ECL calculations	1,119	(45)	20	<b>1,094</b>
<b>Allowance for expected credit losses as at 30 September 2020</b>	<b>(40,162)</b>	<b>(4,010)</b>	<b>(2,879)</b>	<b>(47,051)</b>

The Stages are described in Note 23.

(in thousands of Russian roubles, unless otherwise stated)

**7 Net investment in leases after allowance for expected credit losses (continued)**

Movements in the allowance for expected credit losses for net investment in leases by types of leased assets for the nine months ended 30 September 2019 are as follows:

	Stage 1	Stage 2	Stage 3	Total
<b>Vehicles</b>				
<b>Allowance for expected credit losses as at 1 January 2019</b>	<b>(213,393)</b>	<b>(14,269)</b>	<b>(35,871)</b>	<b>(263,533)</b>
Transfers to Stage 1	(5,694)	3,674	2,020	-
Transfers to Stage 2	7,639	(7,639)	-	-
Transfers to Stage 3	576	570	(1,146)	-
Impact on ECL of exposures transferred between stages	2,062	(20,059)	(29,160)	<b>(47,157)</b>
Effect of changes in the gross carrying amount, net	(50,898)	(5,268)	13,826	<b>(42,340)</b>
Changes to models and inputs used for ECL calculations	(76,904)	(447)	232	<b>(77,119)</b>
Write-offs	9,006	1,297	17	<b>10,320</b>
<b>Allowance for expected credit losses as at 30 September 2019</b>	<b>(327,606)</b>	<b>(42,141)</b>	<b>(50,082)</b>	<b>(419,829)</b>
<b>Mobile machinery and other</b>				
<b>Allowance for expected credit losses as at 1 January 2019</b>	<b>(25,292)</b>	<b>(1,061)</b>	<b>(1,031)</b>	<b>(27,384)</b>
Transfers to Stage 1	(95)	95	-	-
Transfers to Stage 2	811	(811)	-	-
Transfers to Stage 3	153	4	(157)	-
Impact on ECL of exposures transferred between stages	22	(2,862)	(2,310)	<b>(5,150)</b>
Effect of changes in the gross carrying amount, net	(9,933)	(396)	(733)	<b>(11,062)</b>
Changes to models and inputs used for ECL calculations	(14,827)	(2)	(26)	<b>(14,855)</b>
<b>Allowance for expected credit losses as at 30 September 2019</b>	<b>(49,161)</b>	<b>(5,033)</b>	<b>(4,257)</b>	<b>(58,451)</b>

Changes in the gross carrying amount of net investment in leases by types of leased assets for the nine months ended 30 September 2020 are as follows:

	Stage 1	Stage 2	Stage 3	Total
<b>Vehicles</b>				
<b>Gross carrying amount as at 1 January 2020</b>	<b>63,247,073</b>	<b>1,390,662</b>	<b>326,937</b>	<b>64,964,672</b>
Transfers to Stage 1	571,338	(485,107)	(86,231)	-
Transfers to Stage 2	(2,728,797)	2,737,362	(8,565)	-
Transfers to Stage 3	(267,613)	(23,160)	290,773	-
Changes in the gross carrying amount, net	4,604,222	806,105	(154,843)	<b>5,255,484</b>
Write-offs	(582)	-	-	<b>(582)</b>
<b>Gross carrying amount as at 30 September 2020</b>	<b>65,425,641</b>	<b>4,425,862</b>	<b>368,071</b>	<b>70,219,574</b>
<b>Mobile machinery and other</b>				
<b>Gross carrying amount as at 1 January 2020</b>	<b>6,861,825</b>	<b>77,191</b>	<b>25,263</b>	<b>6,964,279</b>
Transfers to Stage 1	13,780	(12,778)	(1,002)	-
Transfers to Stage 2	(153,078)	153,078	-	-
Transfers to Stage 3	(4,698)	(1,933)	6,631	-
Changes in gross carrying amount, net	1,727,292	39,450	(8,908)	<b>1,757,834</b>
<b>Gross carrying amount as at 30 September 2020</b>	<b>8,445,121</b>	<b>255,008</b>	<b>21,984</b>	<b>8,722,113</b>

(in thousands of Russian roubles, unless otherwise stated)

**7 Net investment in leases after allowance for expected credit losses (continued)**

Changes in the gross carrying amount of net investment in leases by types of leased asset for the nine months ended 30 September 2019 are as follows:

	Stage 1	Stage 2	Stage 3	Total
<b>Vehicles</b>				
<b>Gross carrying amount as at 1 January 2019</b>	<b>51,174,135</b>	<b>888,291</b>	<b>108,916</b>	<b>52,171,342</b>
Transfers to Stage 1	349,330	(335,395)	(13,935)	-
Transfers to Stage 2	(1,536,056)	1,536,056	-	-
Transfers to Stage 3	(133,344)	(34,774)	168,118	-
Changes in the gross carrying amount, net	8,025,271	370,059	(20,223)	<b>8,375,107</b>
Write-offs	(9,006)	(1,297)	(17)	<b>(10,320)</b>
<b>Gross carrying amount as at 30 September 2019</b>	<b>57,870,330</b>	<b>2,422,940</b>	<b>242,859</b>	<b>60,536,129</b>
<b>Mobile machinery and other</b>				
<b>Gross carrying amount as at 1 January 2019</b>	<b>4,680,341</b>	<b>63,684</b>	<b>2,428</b>	<b>4,746,453</b>
Transfers to Stage 1	12,265	(12,265)	-	-
Transfers to Stage 2	(89,611)	89,611	-	-
Transfers to Stage 3	(11,627)	(75)	11,702	-
Changes in gross carrying amount, net	1,504,819	12,967	7,373	<b>1,525,159</b>
<b>Gross carrying amount as at 30 September 2019</b>	<b>6,096,187</b>	<b>153,922</b>	<b>21,503</b>	<b>6,271,612</b>

Analysis by credit quality of net investment in leases as at 30 September 2019 by ratings assigned at conclusion of contracts is as follows:

	Stage 1	Stage 2	Stage 3	Total
<b>Vehicles</b>				
- Prime	10,925,699	156,028	20,648	<b>11,102,375</b>
- Strong	22,420,070	785,716	102,777	<b>23,308,563</b>
- Acceptable	28,388,580	2,493,179	192,635	<b>31,074,394</b>
- Sufficient	3,691,292	990,939	52,011	<b>4,734,242</b>
<b>Net investment in leases before allowance for expected credit losses</b>	<b>65,425,641</b>	<b>4,425,862</b>	<b>368,071</b>	<b>70,219,574</b>
Allowance for expected credit losses	(231,340)	(56,979)	(59,142)	<b>(347,461)</b>
<b>Total net investment in leases after allowance for expected credit losses</b>	<b>65,194,301</b>	<b>4,368,883</b>	<b>308,929</b>	<b>69,872,113</b>
<b>Mobile machinery and other</b>				
- Prime	1,152,626	17,416	1,732	<b>1,171,774</b>
- Strong	3,286,945	115,624	4,159	<b>3,406,728</b>
- Acceptable	3,674,462	121,418	16,093	<b>3,811,973</b>
- Sufficient	331,088	550	-	<b>331,638</b>
<b>Net investment in leases before allowance for expected credit losses</b>	<b>8,445,121</b>	<b>255,008</b>	<b>21,984</b>	<b>8,722,113</b>
Allowance for expected credit losses	(40,162)	(4,010)	(2,879)	<b>(47,051)</b>
<b>Total net investment in leases after allowance for expected credit losses</b>	<b>8,404,959</b>	<b>250,998</b>	<b>19,105</b>	<b>8,675,062</b>

(in thousands of Russian roubles, unless otherwise stated)

**7 Net investment in leases after allowance for expected credit losses (continued)**

Analysis by credit quality of net investment in leases as at 31 December 2019 by ratings assigned at conclusion of contracts is as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Vehicles</b>				
- Prime	11,290,047	46,228	32,674	<b>11,368,949</b>
- Strong	22,354,426	365,711	51,891	<b>22,772,028</b>
- Acceptable	26,526,233	899,365	210,618	<b>27,636,216</b>
- Sufficient	3,076,367	79,358	31,754	<b>3,187,479</b>
<b>Net investment in leases before allowance for expected credit losses</b>	<b>63,247,073</b>	<b>1,390,662</b>	<b>326,937</b>	<b>64,964,672</b>
Allowance for expected credit losses	(247,942)	(18,461)	(59,697)	<b>(326,100)</b>
<b>Total net investment in leases after allowance for expected credit losses</b>	<b>62,999,131</b>	<b>1,372,201</b>	<b>267,240</b>	<b>64,638,572</b>
<b>Mobile machinery and other</b>				
- Prime	1,173,444	10,493	3,346	<b>1,187,283</b>
- Strong	3,010,013	24,877	20,053	<b>3,054,943</b>
- Acceptable	2,644,817	41,821	1,864	<b>2,688,502</b>
- Sufficient	33,551	-	-	<b>33,551</b>
<b>Net investment in leases before allowance for expected credit losses</b>	<b>6,861,825</b>	<b>77,191</b>	<b>25,263</b>	<b>6,964,279</b>
Allowance for expected credit losses	(33,985)	(1,268)	(4,380)	<b>(39,633)</b>
<b>Total net investment in leases after allowance for expected credit losses</b>	<b>6,827,840</b>	<b>75,923</b>	<b>20,883</b>	<b>6,924,646</b>

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 risk is assigned to a lessee and a leasing transaction. The lowest level of risk corresponds to counterparties with a high ability to fulfill financial obligations in a timely manner and with a low probability of default on a transaction.

Strong credit rating: low risk is assigned to a lessee and a leasing transaction. Low risk is determined by the stable ability to fulfill financial obligations in a timely manner and a slight probability of default.

Acceptable credit rating: average risk is assigned to a lessee and a leasing transaction. Average risk is determined by the moderate probability of default and the average ability to fulfill financial obligations in a timely manner.

Sufficient credit rating: the risk is higher than average. The higher than average risk is characterised by an increased probability of default on transactions with low property risk (mainly by the type of assets "Vehicles").

The ratings are determined and fixed at the time of a transaction.

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

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.

(in thousands of Russian roubles, unless otherwise stated)

## 7 Net investment in leases after allowance for expected credit losses (continued)

In the absence of possibility of repossession and selling a leased asset for net investment in leases, the allowance for expected credit losses on net investment in leases of Stage 3 as at 30 September 2020 and 31 December 2019 would be higher by:

	30 September 2020	31 December 2019
Automobile total	(176,423)	(165,890)
Mobile machinery and other	(11,191)	(13,051)
<b>Total effect on the allowance for expected credit losses</b>	<b>(187,614)</b>	<b>(178,941)</b>

During the year, the Group took possession of different assets in exchange of indebtedness of respective lessees. The Group is in the process of selling of those assets. It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not use repossessed assets for business use. The carrying value of the assets repossessed and held as at the reporting date is as follows:

	30 September 2020	31 December 2019
Other assets	685,210	699,010
<b>Total repossessed collateral</b>	<b>685,210</b>	<b>699,010</b>

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

	30 September 2020		31 December 2019	
	Amount	%	Amount	%
Freight transportation and logistics	11,707,992	14.83	8,798,752	12.23
Development of construction projects	6,681,369	8.46	6,027,695	8.38
Wholesale operations – specialised	5,812,068	7.36	5,836,351	8.11
Ancillary transport activities	3,245,672	4.11	4,531,060	6.30
Leasing of vehicles	2,544,610	3.22	1,453,415	2.02
Wholesale operations – other machines and equipment	2,520,304	3.19	1,947,391	2.71
Wholesale operations – foods and beverages	2,481,420	3.14	2,297,481	3.19
Construction of roads and railways	2,438,748	3.09	1,598,388	2.22
Wholesale operations – non-food consumer goods	2,230,595	2.83	2,180,393	3.03
Passenger transportation	1,974,796	2.50	1,891,377	2.63
Wholesale operations – unspecialised	1,858,200	2.35	1,766,638	2.46
Leasing of other machines and equipment	1,417,173	1.80	1,324,975	1.84
Waste collection	1,360,605	1.72	1,229,100	1.71
Manufacture of electrical, plumbing and other construction and installation works	1,332,588	1.69	1,152,710	1.60
Other specialised construction works	1,189,403	1.51	967,253	1.34
Growing annual crops	1,152,346	1.46	939,627	1.31
Trade of motor vehicle parts and accessories	1,064,174	1.35	862,709	1.20
Car dealership	1,026,855	1.30	1,325,077	1.84
Renting and managing real estate	911,515	1.15	936,461	1.30
Preparation of construction site	859,062	1.09	1,005,939	1.40
Activities in the field of architecture, engineering research and the provision of technical advice in these areas	836,269	1.06	723,661	1.01
Wholesale operations – on a fee or contract basis	785,591	1.00	837,289	1.16
Manufacture of products from concrete, cement and plaster	775,748	0.98	620,057	0.86
Wholesale operations – agricultural raw materials and live animals	772,999	0.98	669,594	0.93
Engineering communications construction	753,613	0.95	624,245	0.87
Other industries	21,207,972	26.88	20,381,313	28.35
<b>Net investment in leases before allowance for expected credit losses</b>	<b>78,941,687</b>	<b>100.00</b>	<b>71,928,951</b>	<b>100.00</b>

As at 30 September 2020 and 31 December 2019 the Group does not have lessees, the aggregate balances of which exceed 10% of equity.

(in thousands of Russian roubles, unless otherwise stated)

**8 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.

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Assets purchased for lease operations</b>	<b>207,998</b>	<b>194,268</b>
Advances to suppliers for lease operations	1,402,973	823,915
Allowance for impairment	(5,321)	(908)
<b>Total advances to suppliers for lease operations</b>	<b>1,397,652</b>	<b>823,007</b>
<b>Total assets purchased and advances to suppliers for lease operations</b>	<b>1,605,650</b>	<b>1,017,275</b>

Movements in the allowance for impairment for the nine months ended 30 September 2020 and 30 September 2019 are as follows.

	<b>For the nine months ended</b>	
	<b>30 September 2020</b>	<b>30 September 2019</b>
<b>Allowance for impairment as at 1 January</b>	<b>(908)</b>	<b>(5,671)</b>
Increase in allowance for impairment	(4,413)	5,263
Write-offs	–	377
<b>Allowance for impairment as at 30 September</b>	<b>(5,321)</b>	<b>(31)</b>

Analysis by credit quality of advances to suppliers for lease operations as at 30 September 2020 and 31 December 2019 is as follows:

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Advances to suppliers for lease operations</b>		
Neither past due nor impaired	1,386,891	708,215
Past due		
- Less than 90 days overdue	6,293	113,512
- 91 days to 180 days overdue	4,890	2,188
- 181 days to 365 days overdue	4,899	–
<b>Total past due</b>	<b>16,082</b>	<b>115,700</b>
Allowance for impairment	(5,321)	(908)
<b>Total advances to suppliers for lease operations</b>	<b>1,397,652</b>	<b>823,007</b>

(in thousands of Russian roubles, unless otherwise stated)

## 9 Debtors on leasing activity

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

	30 September 2020	31 December 2019
Debtors on leasing activity	138,626	89,579
Allowance for expected credit losses	(75,249)	(53,202)
<b>Total debtors on leasing activity</b>	<b>63,377</b>	<b>36,377</b>

Movements in the allowance for expected credit losses for debtors on leasing activity for the nine months ended 30 September 2020 are as follows. The Stages are described in Note 23.

	For the nine months ended 30 September 2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Allowance for expected credit losses as at 1 January</b>	<b>(51)</b>	<b>–</b>	<b>(53,151)</b>	<b>(53,202)</b>
Transfers to Stage 3	5	–	(5)	–
Effect of changes in the gross carrying amount, net	(29,726)	(8,381)	(53,867)	<b>(91,974)</b>
Changes to models and inputs used for ECL calculations	–	–	(9,020)	<b>(9,020)</b>
Write-offs	29,719	8,268	40,960	<b>78,947</b>
<b>Allowance for expected credit losses as at 30 September</b>	<b>(53)</b>	<b>(113)</b>	<b>(75,083)</b>	<b>(75,249)</b>

Movements in the allowance for impairment for debtors on leasing activity for the nine months ended 30 September 2019 are as follows.

	For the nine months ended 30 September 2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Allowance for expected credit losses as at 1 January</b>	<b>(3)</b>	<b>(18)</b>	<b>(35,351)</b>	<b>(35,372)</b>
Effect of changes in the gross carrying amount, net	(38,977)	(3,329)	(49,050)	<b>(91,356)</b>
Write-offs	38,954	3,174	36,269	<b>78,397</b>
<b>Allowance for expected credit losses as at 30 September</b>	<b>(26)</b>	<b>(173)</b>	<b>(48,132)</b>	<b>(48,331)</b>

Changes in the gross carrying amount of debtors on leasing activity for the nine months ended 30 September 2020 are as follows.

	For the nine months ended 30 September 2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 1 January</b>	<b>10,435</b>	<b>–</b>	<b>79,144</b>	<b>89,579</b>
Transfers to Stage 3	(856)	–	856	–
Effect of changes in the gross carrying amount, net	31,131	13,274	83,589	<b>127,994</b>
Write-offs	(29,719)	(8,268)	(40,960)	<b>(78,947)</b>
<b>Gross carrying amount as at 30 September</b>	<b>10,991</b>	<b>5,006</b>	<b>122,629</b>	<b>138,626</b>

(in thousands of Russian roubles, unless otherwise stated)

**9 Debtors on leasing activity (continued)**

Changes in the gross carrying amount of debtors on leasing activity for the nine months ended 30 September 2019 are as follows.

	<i>For the nine months ended 30 September 2019</i>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying amount as at 1 January</b>	<b>770</b>	<b>573</b>	<b>42,773</b>	<b>44,116</b>
Effect of changes in the gross carrying amount, net	46,016	10,521	67,396	<b>123,933</b>
Write-offs	(38,954)	(3,174)	(36,269)	<b>(78,397)</b>
<b>Gross carrying amount as at 30 September</b>	<b>7,832</b>	<b>7,920</b>	<b>73,900</b>	<b>89,652</b>

Analysis by credit quality of debtors on leasing activity as at 30 September 2020 is as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Debtors on leasing activity	10,991	5,006	122,629	<b>138,626</b>
Allowance for expected credit losses	(53)	(113)	(75,083)	<b>(75,249)</b>
<b>Total debtors on leasing activity after allowance for expected credit losses</b>	<b>10,938</b>	<b>4,893</b>	<b>47,546</b>	<b>63,377</b>

Analysis by credit quality of debtors on leasing activity as at 31 December 2019 is as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Debtors on leasing activity	10,435	–	79,144	<b>89,579</b>
Allowance for expected credit losses	(51)	–	(53,151)	<b>(53,202)</b>
<b>Total debtors on leasing activity after allowance for expected credit losses</b>	<b>10,384</b>	<b>–</b>	<b>25,993</b>	<b>36,377</b>

In the absence of possibility of repossession and selling a leased asset for debtors on leasing activity, the allowance for expected credit losses on debtors on leasing activity of Stage 3 as at 30 September 2020 would be higher by RUB 28,995 thousand (31 December 2019: RUB 16,961 thousand).



(in thousands of Russian roubles, unless otherwise stated)

**10 Property and equipment and right-of-use assets**

The movements in property and equipment and right-of-use assets for the nine months ended 30 September 2020 and 30 September 2019 were as follows:

	Assets owned by the Group						Right-of-use assets	Total property and equipment and right-of-use assets	
	Cars	Computer equipment	Office equipment	Buildings and land	Assets under operating lease	Other	Capital expenditure	Rent of offices	
Cost									
1 January 2019	110,035	329,974	145,178	148,043	-	83,895	2,944	-	820,069
Effect of transition to IFRS 16	-	-	-	-	-	-	-	1,000,072	1,000,072
Additions	349,801	20,540	9,231	-	149,955	423	26	-	529,976
Disposals	(17,537)	(11,138)	(3,761)	-	(559)	(138)	-	(8,763)	(41,896)
Transfer between categories	-	22,689	54,131	-	-	(73,933)	(2,887)	-	-
Transfer from other assets	-	-	-	-	4,410	-	-	-	4,410
Recognition/revaluation of the right-of-use assets	-	-	-	-	-	-	-	7,509	7,509
30 September 2019	442,299	362,065	204,779	148,043	153,806	10,247	83	998,818	2,320,140
1 January 2020	428,986	373,673	185,053	149,494	223,863	19,776	17	1,006,138	2,387,000
Additions	27,467	37,815	3,208	-	112,034	5,115	7	-	185,646
Disposals	(21,776)	(3,651)	(2,915)	-	-	(369)	-	-	(28,711)
Transfer between categories	-	-	17	-	-	-	(17)	-	-
Transfer from (to) other assets	830	-	-	-	(1,872)	-	-	-	(1,042)
Recognition/revaluation of the right-of-use assets	-	-	-	-	-	-	-	(6,879)	(6,879)
30 September 2020	435,507	407,837	185,363	149,494	334,025	24,522	7	999,259	2,536,014
Accumulated depreciation									
1 January 2019	(46,982)	(172,653)	(96,883)	(36,469)	-	(40,066)	-	-	(393,053)
Depreciation charge	(43,807)	(40,129)	(22,553)	(3,929)	(5,663)	(1,387)	-	(183,645)	(301,113)
Disposals	10,483	10,947	3,445	-	13	150	-	2,032	27,070
Transfer between categories	-	(7,379)	(27,357)	-	-	34,736	-	-	-
Transfer from other assets	-	-	-	-	(3)	-	-	-	(3)
30 September 2019	(80,306)	(209,214)	(143,348)	(40,398)	(5,653)	(6,567)	-	(181,613)	(667,099)
1 January 2020	(96,684)	(222,089)	(126,877)	(41,780)	(10,595)	(6,446)	-	(242,811)	(747,282)
Depreciation charge	(63,106)	(41,764)	(14,580)	(4,147)	(22,813)	(4,906)	-	(182,571)	(333,887)
Disposals	6,607	3,269	2,755	-	-	270	-	-	12,901
Transfer from to other assets	-	-	-	-	273	-	-	-	273
30 September 2020	(153,183)	(260,584)	(138,702)	(45,927)	(33,135)	(11,082)	-	(425,382)	(1,067,995)
Carrying amount									
1 January 2019	63,053	157,321	48,295	111,574	-	43,829	2,944	-	427,016
31 December 2019	332,302	151,584	58,176	107,714	213,268	13,330	17	763,327	1,639,718
30 September 2020	282,324	147,253	46,661	103,567	300,890	13,440	7	573,877	1,468,019

(in thousands of Russian roubles, unless otherwise stated)

**10 Property and equipment and right-of-use assets (continued)**

Analysis of undiscounted lease payments (excluding VAT) receivable under operating lease agreements, where the Group acts as a lessor, by maturity as at 30 September 2020 and 31 December 2019 is as follows.

	<b>30 September 2020</b>	<b>31 December 2019</b>
Due in 1 year	97,512	75,828
Due between 1 and 2 years	81,832	76,021
Due between 2 and 3 years	24,457	48,623
Due between 3 and 4 years	3,060	7,477
Due between 4 and 5 years	632	842
<b>Total undiscounted lease payments receivable</b>	<b>207,493</b>	<b>208,791</b>

**11 Other assets**

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Other financial assets</b>		
Insurance premium receivable	384,087	456,207
Settlements with counterparties	122,935	73,389
Insurance agency fee receivable	26,225	21,899
Loans issued	–	15,878
Other	6,076	3,320
Less allowance for expected credit losses	(83,549)	(29,486)
<b>Total other financial assets</b>	<b>455,774</b>	<b>541,207</b>
<b>Other non-financial assets</b>		
Leased objects repossessed/returned	709,225	706,757
Advance payments to counterparties	131,748	97,148
Deferred expenses	94,782	56,551
Prepaid insurance cost	69,777	22,042
Intangible assets	46,627	62,905
Prepaid taxes other than income tax	8,907	15,059
Other	45,307	14,017
<b>Total other non-financial assets</b>	<b>1,106,373</b>	<b>974,479</b>
<b>Total other assets</b>	<b>1,562,147</b>	<b>1,515,686</b>

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 23. An analysis of changes in the allowances for expected credit losses during the nine months ended 30 September 2020 and 30 September 2019 is as follows:

	<b>For the nine months ended 30 September 2020</b>	<b>30 September 2019</b>
<b>Allowance for expected credit losses as at 1 January</b>	<b>(29,486)</b>	<b>(247)</b>
Increase in allowance for expected credit losses	(68,570)	(2,894)
Write-offs	14,507	–
<b>Allowance for expected credit losses as at 30 September</b>	<b>(83,549)</b>	<b>(3,141)</b>

(in thousands of Russian roubles, unless otherwise stated)

## 12 Derivative financial instruments

As at 30 September 2020 the Group has the following interest rate swaps:

	<i>Carrying value – assets</i>	<i>Carrying value – liabilities</i>	<i>Notional amount</i>
<b>Derivative financial instruments used as cash flow hedges</b>			
Interest rate swaps	–	60,062	11,583,300
<b>Total derivative financial instruments</b>	<b>–</b>	<b>60,062</b>	<b>11,583,300</b>

Interest rate swap is a derivative instrument designated by the Group as a cash flow hedge. Hedge of interest rates volatility on borrowings is carried out in accordance with the risk management policy (Note 23).

The notional amount is the quantity of the derivative instrument's underlying asset, base rate or index; changes in the value of derivative instruments are estimated on their basis. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of credit risk.

The Group evaluates derivative financial instruments using generally recognised valuation techniques based on market interest rates for forward transactions. Significant changes in these indicators may result in significant fluctuations in the fair value of derivative financial instruments.

The Group designates interest rate swap as a hedge against the risk of changes in cash flows arising from floating interest rates on borrowings. During the nine months ended 30 September 2020, the effective portion of the change in the fair value of derivative financial instruments for hedging purposes, recorded as part of other comprehensive income in equity, amounted to RUB 48,049 thousand net of deferred tax in the amount of RUB 12,012 thousand.

## 13 Borrowings

As at 30 September 2020 borrowings in the amount of RUB 40,694,032 thousand (31 December 2019: RUB 38,055,638 thousand) are loans attracted in roubles from banks registered on the territory of the Russian Federation.

As at 30 September 2020 the Group has five counterparties (31 December 2019: four counterparties), the aggregate amount of borrowings from which individually exceed 10% of equity. The gross value of these borrowings as at 30 September 2020 is RUB 37,633,296 thousand (31 December 2019: RUB 32,832,223 thousand).

As at 30 September 2020 net investment in leases before allowance for expected credit losses in the amount of RUB 37,131,939 thousand (31 December 2019: RUB 29,606,788 thousand) were pledged as collateral for borrowings amounting to RUB 33,210,135 thousand (31 December 2019: RUB 35,743,617 thousand).

## 14 Bonds issued

Bonds issued comprise the following:

	<i>Date of placement</i>	<i>Maturity</i>	<i>Offer date</i>	<i>Interest rate as at 30 September 2020</i>	<i>Interest rate as at 31 December 2019</i>	<i>30 September 2020</i>	<i>31 December 2019</i>
Series BO-02	August 2015	August 2021	–	8.60%	8.60%	4,253,638	1,889,666
Series BO-03	October 2019	September 2029	October 2022	8.80%	8.80%	5,204,804	5,092,804
Series BO-05	February 2019	February 2029	March 2021	9.75%	9.75%	3,021,579	3,093,131
Series BO-06	May 2019	May 2029	May 2021	9.40%	9.40%	3,092,451	3,020,884
Series BO-07	October 2016	September 2026	October 2021	8.50%	8.50%	2,787,293	1,983,898
Series BO-08	July 2018	June 2028	December 2021	7.40%	9.35%	4,913,142	4,989,823
<b>Total bonds issued</b>						<b>23,272,907</b>	<b>20,070,206</b>

(in thousands of Russian roubles, unless otherwise stated)

**14 Bonds issued (continued)**

During the nine months ended 30 September 2020 the bonds of the series BO-02 with nominal value of RUB 2,349,884 thousand were realised again. As at 30 September 2019 the Group redeemed the bonds of the series BO-02 with nominal value of RUB 800,116 thousand (31 December 2019: RUB 3,150,000 thousand).

During the nine months ended 30 September 2020 the Group redeemed the bonds of the series BO-07 with nominal value of RUB 500 thousand, and the bonds of the series BO-07 with nominal value of RUB 727,936 thousand were realised again. As at 30 September 2020 the Group redeemed the bonds of the series BO-07 with nominal value of RUB 2,312,992 thousand (31 December 2019: RUB 3,040,428 thousand).

Bonds issued have put options that allow bondholders at their discretion to force repayment of principal amount of bond ahead of schedule at specified dates in 2021-2022. Bonds issued also may be repaid by agreement with the bondholders (Note 23).

**15 Other liabilities**

Other liabilities comprise the following:

	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Other financial liabilities</b>		
Settlements with insurance companies	495,512	514,831
Settlements with counterparties	411,899	302,175
Settlements with employees	144,887	–
Taxes payable other than income tax	128,451	47,797
Accrued expenses	9,062	5,099
<b>Total other financial liabilities</b>	<b>1,189,811</b>	<b>869,902</b>
<b>Other non-financial liabilities</b>		
Deferred remuneration to employees	702,685	1,208,184
Deferred income	341,248	363,019
Provision for possible legal claims payments	124,684	87,654
Other	20,798	13,658
<b>Total other non-financial liabilities</b>	<b>1,189,415</b>	<b>1,672,515</b>
<b>Total other liabilities</b>	<b>2,379,226</b>	<b>2,542,417</b>

Movements in the provision for deferred remuneration to employees for the nine months ended 30 September 2020 and 30 September 2019 are as follows:

	<b>For the nine months ended</b>	
	<b>30 September 2020</b>	<b>30 September 2019</b>
<b>Provision for deferred remuneration to employees as at 1 January</b>	<b>1,208,184</b>	<b>1,227,183</b>
Increase in provision for deferred remuneration to employees	578,462	561,809
Payments	(1,083,961)	(893,697)
<b>Provision for deferred remuneration to employees as at 30 September</b>	<b>702,685</b>	<b>895,295</b>

Movements in the provision for possible legal claims payments for the nine months ended 30 September 2020 and 30 September 2019 are as follows:

	<b>For the nine months ended</b>	
	<b>30 September 2020</b>	<b>30 September 2019</b>
<b>Provision for possible legal claims payments as at 1 January</b>	<b>87,654</b>	<b>45,629</b>
Increase in provision for possible legal claims payments	69,623	47,943
Payments	(32,593)	(46,221)
<b>Provision for possible legal claims payments as at 30 September</b>	<b>124,684</b>	<b>47,351</b>

(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 2020 dividends in the total amount of RUB 2,800,800 thousand were paid by the Group to the shareholder based on the results of the year 2019 and the first half of the year 2020. During the nine months ended 30 September 2019 final dividends in the amount of RUB 1,882,800 thousand were paid by the Group to the shareholder based on the results of the year 2018.

## 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>	
	<b>30 September 2020</b>	<b>30 September 2019</b>	<b>30 September 2020</b>	<b>30 September 2019</b>
<b>Interest income</b>				
Net investment in leases	10,269,797	9,046,031	3,502,631	3,220,098
Cash and cash equivalents and deposits in banks	130,506	68,138	29,199	14,662
Other assets	146	805	-	21
<b>Total interest income</b>	<b>10,400,449</b>	<b>9,114,974</b>	<b>3,531,830</b>	<b>3,234,781</b>
<b>Interest expense</b>				
Borrowings	(2,521,919)	(2,496,873)	(815,416)	(890,731)
Bonds issued	(1,432,719)	(1,106,315)	(491,262)	(409,097)
Lease liabilities	(57,688)	(72,919)	(17,812)	(23,117)
<b>Total interest expense</b>	<b>(4,012,326)</b>	<b>(3,676,107)</b>	<b>(1,324,490)</b>	<b>(1,322,945)</b>
<b>Total net interest income</b>	<b>6,388,123</b>	<b>5,438,867</b>	<b>2,207,340</b>	<b>1,911,836</b>

As at 30 September 2020 interest income accrued on impaired net investment in leases comprised RUB 1,452 thousand (31 December 2019: RUB 743 thousand).

## 18 Other income and expense, net

Other income, net is as follows:

	<i>For the nine months ended</i>		<i>For the three months ended</i>	
	<b>30 September 2020</b>	<b>30 September 2019</b>	<b>30 September 2020</b>	<b>30 September 2019</b>
Revenues from sale of lease objects repossessed	2,050,713	1,327,949	797,380	611,189
Cost of leased objects repossessed	(1,762,448)	(1,122,791)	(695,851)	(524,924)
<b>Net result from sale of leased objects repossessed</b>	<b>288,265</b>	<b>205,158</b>	<b>101,529</b>	<b>86,265</b>
Insurance agency fee income	1,324,171	1,205,787	514,567	434,652
Revenues from services provided to lessees	631,237	618,189	234,952	211,709
Other gains from lease activities	463,069	408,806	193,195	230,769
Government subsidy	264,874	-	131,294	-
Revenues from operating lease	72,401	18,842	27,255	18,842
One-off income in the form of a property tax refund from the budget	-	213,753	-	213,753
Other income	69,399	45,498	35,254	33,824
<b>Other income</b>	<b>2,825,151</b>	<b>2,510,875</b>	<b>1,136,517</b>	<b>1,143,549</b>
<b>Total other income, net</b>	<b>3,113,416</b>	<b>2,716,033</b>	<b>1,238,046</b>	<b>1,229,814</b>

(in thousands of Russian roubles, unless otherwise stated)

**18 Other income and expense, net (continued)**

Other expense, net is as follows:

	<i>For the nine months ended</i>		<i>For the three months ended</i>	
	<b>30 September 2020</b>	<b>30 September 2019</b>	<b>30 September 2020</b>	<b>30 September 2019</b>
Transport tax expenses	(52,905)	(15,846)	(45,688)	(5,736)
Expenses on leased objects repossessed	(52,330)	(44,172)	(19,786)	(15,480)
Impairment of leased objects repossessed	(27,096)	(2,601)	(6,379)	(988)
Depreciation of assets under operating lease	(22,813)	(5,663)	(8,594)	(5,663)
Expenses from operating lease	(17,215)	(5,585)	(6,283)	(5,585)
<b>Total other expense, net</b>	<b>(172,359)</b>	<b>(73,867)</b>	<b>(86,730)</b>	<b>(33,452)</b>

**19 Changes in allowance for expected credit losses and other allowance for losses**

Changes in allowance for expected credit losses and other allowance for losses are as follows:

	<i>For the nine months ended</i>		<i>For the three months ended</i>	
	<b>30 September 2020</b>	<b>30 September 2019</b>	<b>30 September 2020</b>	<b>30 September 2019</b>
<b>Changes in allowance for expected credit losses on leasing assets</b>				
Net investment in leases – (increase) decrease in allowance for expected credit losses, net	(29,361)	(197,683)	211,070	(54,460)
Debtors on leasing activity – increase in allowance for expected credit losses, net	(100,994)	(91,356)	(14,366)	(23,201)
<b>Total changes in allowance for expected credit losses on leasing assets</b>	<b>(130,355)</b>	<b>(289,039)</b>	<b>196,704</b>	<b>(77,661)</b>
<b>Changes in allowance for expected credit losses on other assets</b>				
Cash and cash equivalents – decrease (increase) in allowance for expected credit losses, net	7,524	241	13,815	(744)
Deposits in banks – decrease (increase) in allowance for expected credit losses, net	297	(454)	315	(655)
Other assets – increase in allowance for expected credit losses, net	(68,570)	(2,894)	(15,498)	(56)
<b>Total changes in allowance for expected credit losses on other assets</b>	<b>(60,749)</b>	<b>(3,107)</b>	<b>(1,368)</b>	<b>(1,455)</b>
<b>Changes in other allowance for losses</b>				
Assets purchased and advances to suppliers for lease operations – (increase) decrease in allowance for impairment, net	(4,413)	5,263	55	10,124
Legal claims provision – increase in allowance, net	(69,623)	(47,943)	(20,577)	(29,539)
<b>Total changes in other allowance for losses</b>	<b>(74,036)</b>	<b>(42,680)</b>	<b>(20,522)</b>	<b>(19,415)</b>
<b>Total changes in allowance for expected credit losses and other allowance for losses</b>	<b>(265,140)</b>	<b>(334,826)</b>	<b>174,814</b>	<b>(98,531)</b>

(in thousands of Russian roubles, unless otherwise stated)

## 20 Staff expenses

Staff expenses are as follows:

	<i>For the nine months ended</i>		<i>For the three months ended</i>	
	<b>30 September 2020</b>	<b>30 September 2019</b>	<b>30 September 2020</b>	<b>30 September 2019</b>
Employee compensation	(2,111,268)	(2,019,954)	(776,449)	(683,711)
Payroll related taxes	(520,494)	(484,121)	(168,866)	(147,183)
Other staff expenses	(108,908)	(121,502)	(40,542)	(50,215)
<b>Total staff expenses</b>	<b>(2,740,670)</b>	<b>(2,625,577)</b>	<b>(985,857)</b>	<b>(881,109)</b>

## 21 Other operating expenses

Other operating expenses are as follows:

	<i>For the nine months ended</i>		<i>For the three months ended</i>	
	<b>30 September 2020</b>	<b>30 September 2019</b>	<b>30 September 2020</b>	<b>30 September 2019</b>
Depreciation of property and equipment and right-of-use assets	(311,074)	(295,450)	(104,025)	(107,698)
General business expenses and other administrative expenses	(176,078)	(185,533)	(63,604)	(65,794)
Advertisement and marketing	(149,688)	(203,355)	(58,745)	(67,905)
Office maintenance	(92,181)	(95,244)	(32,750)	(31,457)
Amortisation of intangible assets	(19,444)	(20,670)	(6,595)	(5,953)
Communication	(19,781)	(18,276)	(6,943)	(6,140)
Professional services	(21,371)	(17,762)	(6,140)	(6,616)
Other	(2,493)	(2,094)	(1,197)	(1,458)
<b>Total other operating expenses</b>	<b>(792,110)</b>	<b>(838,384)</b>	<b>(279,999)</b>	<b>(293,021)</b>

## 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>	
	<b>30 September 2020</b>	<b>30 September 2019</b>	<b>30 September 2020</b>	<b>30 September 2019</b>
Current tax charge	(729,113)	(444,241)	(379,430)	(131,870)
Deferred tax charge	(406,618)	(429,154)	(88,335)	(241,707)
<b>Total income tax expense</b>	<b>(1,135,731)</b>	<b>(873,395)</b>	<b>(467,765)</b>	<b>(373,577)</b>

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>	
	<b>30 September 2020</b>	<b>30 September 2019</b>	<b>30 September 2020</b>	<b>30 September 2019</b>
<b>Profit before income tax</b>	<b>5,537,105</b>	<b>4,286,264</b>	<b>2,270,389</b>	<b>1,837,030</b>
<b>Theoretical tax charge – the Russian Federation statutory rate: 20%</b>	<b>(1,107,421)</b>	<b>(857,253)</b>	<b>(454,078)</b>	<b>(367,406)</b>
Non-deductible expenses and other permanent differences	(28,310)	(16,142)	(13,687)	(6,171)
<b>Income tax expense</b>	<b>(1,135,731)</b>	<b>(873,395)</b>	<b>(467,765)</b>	<b>(373,577)</b>

The effective income tax rate for the nine months ended 30 September 2020 is 20.5% (30 September 2019: 20.4%).

(in thousands of Russian roubles, unless otherwise stated)

## 22 Income tax (continued)

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%.

	<b>1 January 2020</b>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehensive income</b>	<b>30 September 2020</b>
Other assets	132,063	(22,734)	-	109,329
Derivative financial instruments	-	-	12,012	12,012
Borrowings	-	2,060	-	2,060
Lease liabilities	164,480	(32,655)	-	131,825
Other liabilities	259,168	(55,121)	-	204,047
<b>Deferred income tax asset</b>	<b>555,711</b>	<b>(108,450)</b>	<b>12,012</b>	<b>459,273</b>
Net investment in leases after allowance for expected credit losses	(1,804,444)	(317,997)	-	(2,122,441)
Property and equipment and right-of-use assets	(250,772)	18,531	-	(232,241)
Borrowings and bonds issued	(1,298)	1,298	-	-
<b>Deferred income tax liabilities</b>	<b>(2,056,514)</b>	<b>(298,168)</b>	<b>-</b>	<b>(2,354,682)</b>
<b>Net deferred tax liabilities</b>	<b>(1,500,803)</b>	<b>(406,618)</b>	<b>12,012</b>	<b>(1,895,409)</b>

	<b>1 January 2019</b>	<b>Recognised in profit or loss</b>	<b>Effect of transition to IFRS 16</b>	<b>30 September 2019</b>
Other assets	258,344	(79,186)	-	179,158
Borrowings and bonds issued	3,768	(3,224)	-	544
Lease liabilities	-	(27,258)	200,014	172,756
Other liabilities	254,294	(65,765)	-	188,529
<b>Deferred income tax asset</b>	<b>516,406</b>	<b>(175,433)</b>	<b>200,014</b>	<b>540,987</b>
Net investment in leases after allowance for expected credit losses	(1,537,445)	(249,644)	-	(1,787,089)
Property and equipment and right-of-use assets	(46,375)	(4,076)	(200,014)	(250,465)
<b>Deferred income tax liabilities</b>	<b>(1,583,820)</b>	<b>(253,720)</b>	<b>(200,014)</b>	<b>(2,037,554)</b>
<b>Net deferred tax liabilities</b>	<b>(1,067,414)</b>	<b>(429,153)</b>	<b>-</b>	<b>(1,496,567)</b>

## 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.



(in thousands of Russian roubles, unless otherwise stated)

## 23 Financial risk management (continued)

### Risk management structure (continued)

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

*Risk Management Department* is responsible for:

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

*The Credit Committee* is responsible for:

- ▶ Review and approval of limits for finance lease contracts;
- ▶ Determination and approval of the terms of leasing products;
- ▶ Determination of categories of credit risks.

*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 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.

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.

(in thousands of Russian roubles, unless otherwise stated)

## 23 Financial risk management (continued)

### Risk management strategy (continued)

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 expected credit losses – in the Note 7.

### Impairment

The Group has been recording the allowance for expected 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.

The allowance for expected 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.

*(in thousands of Russian roubles, unless otherwise stated)*

## 23 Financial risk management (continued)

### Credit risk (continued)

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, 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.

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. For example, financial instruments will be assigned to Stage 3 if the Group unilaterally terminates at its initiative one or more transactions with a counterparty irrespective of the period of overdue. Financial instruments with a sign of fraud are also recognised as Stage 3.

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.

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 (a base case, an upside and a downside), weighted by probability. Each scenario is assigned by a weight based on a combination of statistical analysis and expert judgment regarding the range of possible outcomes represented by the scenarios. Current data and expected changes in macroeconomic variables are used as forecast information. In its ECL macroeconomic model, 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.

Movements in the allowance for expected credit losses for net investment in leases by Stages are disclosed in Note 7.

### Liquidity risk

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

(in thousands of Russian roubles, unless otherwise stated)

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

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

The maturity analysis of assets and liabilities as at 30 September 2020 is as follows:

	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years / not stated maturity</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	3,541,094	-	-	-	-	<b>3,541,094</b>
Net investment in leases after allowance for expected credit losses	4,688,077	18,330,280	17,202,409	38,324,497	1,912	<b>78,547,175</b>
Assets purchased and advances to suppliers for lease operations	1,472,063	133,587	-	-	-	<b>1,605,650</b>
Debtors on leasing activity	-	63,377	-	-	-	<b>63,377</b>
Current income tax prepayment	11,840	-	-	-	-	<b>11,840</b>
VAT recoverable	329,845	-	-	-	-	<b>329,845</b>
Property and equipment and right-of-use assets	-	-	-	-	1,468,019	<b>1,468,019</b>
Other assets	361,952	1,023,789	90,398	39,381	46,627	<b>1,562,147</b>
<b>Total assets</b>	<b>10,404,871</b>	<b>19,551,033</b>	<b>17,292,807</b>	<b>38,363,878</b>	<b>1,516,558</b>	<b>87,129,147</b>
<b>Liabilities</b>						
Derivative financial instruments	4,557	29,527	19,889	6,089	-	<b>60,062</b>
Advances received from lessees	2,179,554	229,041	-	-	-	<b>2,408,595</b>
Borrowings	1,199,028	7,679,984	9,853,557	21,961,463	-	<b>40,694,032</b>
Bonds issued	327,238	1,749,299	6,013,734	6,842,921	8,339,715	<b>23,272,907</b>
Lease liabilities	17,853	97,561	129,614	414,097	-	<b>659,125</b>
Current income tax payable	163,447	-	-	-	-	<b>163,447</b>
Deferred income tax liabilities	-	-	-	-	1,895,409	<b>1,895,409</b>
VAT payable	37,683	75,367	-	-	-	<b>113,050</b>
Other liabilities	1,202,856	134,889	419,450	622,023	8	<b>2,379,226</b>
<b>Total liabilities</b>	<b>5,132,216</b>	<b>9,995,668</b>	<b>16,436,244</b>	<b>29,846,593</b>	<b>10,235,132</b>	<b>71,645,853</b>
<b>Net position</b>	<b>5,272,655</b>	<b>9,555,365</b>	<b>856,563</b>	<b>8,517,285</b>	<b>(8,718,574)</b>	<b>15,483,294</b>
<b>Cumulative liquidity position</b>	<b>5,272,655</b>	<b>14,828,020</b>	<b>15,684,583</b>	<b>24,201,868</b>	<b>15,483,294</b>	

As at 30 September 2020 bonds issued totalling RUB 8,339,715 thousand with maturity over 5 years can be repaid earlier at the specified put option exercise dates in the amount of RUB 1,496,794 thousand in the period from 1 to 6 months, in the amount of RUB 598,903 thousand in the period from 6 to 12 months and in the amount of RUB 6,244,018 thousand in the period from 12 months to 5 years.

As at 30 September 2020 bonds issued totalling RUB 598,903 thousand with maturity from 12 months to 5 years can be repaid earlier at the specified put option exercise dates in the period from 6 to 12 months.

As at 30 September 2020 the unused limit on credit lines amounted to RUB 21,807,750 thousand.

(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 2019 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>
<b>Assets</b>						
Cash and cash equivalents	2,762,117	–	–	–	–	<b>2,762,117</b>
Deposits in banks	–	49,703	–	–	–	<b>49,703</b>
Net investment in leases after allowance for expected credit losses	3,879,077	17,039,578	15,943,018	34,701,292	253	<b>71,563,218</b>
Assets purchased and advances to suppliers for lease operations	853,007	164,268	–	–	–	<b>1,017,275</b>
Debtors on leasing activity	–	36,377	–	–	–	<b>36,377</b>
Current income tax prepayment	5,954	–	–	–	–	<b>5,954</b>
VAT recoverable	831,354	–	–	–	–	<b>831,354</b>
Property and equipment and right-of-use assets	–	–	–	–	1,639,718	<b>1,639,718</b>
Other assets	358,660	946,261	117,243	30,617	62,905	<b>1,515,686</b>
<b>Total assets</b>	<b>8,690,169</b>	<b>18,236,187</b>	<b>16,060,261</b>	<b>34,731,909</b>	<b>1,702,876</b>	<b>79,421,402</b>
<b>Liabilities</b>						
Advances received from lessees	1,851,324	358,127	–	–	–	<b>2,209,451</b>
Borrowings	1,148,588	5,872,757	7,632,939	23,401,354	–	<b>38,055,638</b>
Bonds issued	–	287,664	2,494,912	8,333,347	8,954,283	<b>20,070,206</b>
Lease liabilities	16,457	88,960	111,877	603,290	1,816	<b>822,400</b>
Current income tax payable	198,205	–	–	–	–	<b>198,205</b>
Deferred income tax liabilities	–	–	–	–	1,500,803	<b>1,500,803</b>
VAT payable	30,504	61,009	–	–	–	<b>91,513</b>
Other liabilities	912,072	779,343	87,192	763,810	–	<b>2,542,417</b>
<b>Total liabilities</b>	<b>4,157,150</b>	<b>7,447,860</b>	<b>10,326,920</b>	<b>33,101,801</b>	<b>10,456,902</b>	<b>65,490,633</b>
<b>Net position</b>	<b>4,533,019</b>	<b>10,788,327</b>	<b>5,733,341</b>	<b>1,630,108</b>	<b>(8,754,026)</b>	<b>13,930,769</b>
<b>Cumulative liquidity position</b>	<b>4,533,019</b>	<b>15,321,346</b>	<b>21,054,687</b>	<b>22,684,795</b>	<b>13,930,769</b>	

As at 31 December 2019 bonds issued totalling RUB 8,954,283 thousand with maturity over 5 years can be repaid earlier at the specified put option exercise dates in the amount of RUB 2,494,912 thousand in the period from 6 to 12 months and in the amount of RUB 6,459,371 thousand in the period from 12 months to 5 years.

As at 31 December 2019 the unused limit on credit lines amounted to RUB 5,000,000 thousand.

The table below shows financial liabilities as at 30 September 2020 and 31 December 2019 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 current exchange rate at the end of the reporting period.

(in thousands of Russian roubles, unless otherwise stated)

## 23 Financial risk management (continued)

### Liquidity risk (continued)

The undiscounted maturity analysis of financial liabilities as at 30 September 2020 is as follows:

	<b><i>Demand and less than 1 month</i></b>	<b><i>From 1 to 6 months</i></b>	<b><i>From 6 to 12 months</i></b>	<b><i>From 12 months to 5 years</i></b>	<b><i>Over 5 years</i></b>	<b><i>Total</i></b>
Derivative financial instruments	4,561	29,912	20,591	6,291	–	<b>61,355</b>
Advances received from lessees	2,179,554	229,041	–	–	–	<b>2,408,595</b>
Borrowings	1,281,678	8,871,220	10,924,303	23,329,870	–	<b>44,407,071</b>
Bonds issued	333,275	3,648,889	8,253,417	13,261,071	–	<b>25,496,652</b>
Lease liabilities	23,489	123,388	154,743	447,956	–	<b>749,576</b>
Other financial liabilities	1,144,703	44,462	646	–	–	<b>1,189,811</b>
<b>Total potential future payments for financial liabilities</b>	<b>4,967,260</b>	<b>12,946,912</b>	<b>19,353,700</b>	<b>37,045,188</b>	<b>–</b>	<b>74,313,060</b>

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

	<b><i>Demand and less than 1 month</i></b>	<b><i>From 1 to 6 months</i></b>	<b><i>From 6 to 12 months</i></b>	<b><i>From 12 months to 5 years</i></b>	<b><i>Over 5 years</i></b>	<b><i>Total</i></b>
Advances received from lessees	1,851,324	358,127	–	–	–	<b>2,209,451</b>
Borrowings	1,219,543	7,229,272	8,961,963	25,354,699	–	<b>42,765,477</b>
Bonds issued	–	901,345	5,672,095	16,272,479	–	<b>22,845,919</b>
Lease liabilities	23,488	121,914	146,297	677,269	1,840	<b>970,808</b>
Other financial liabilities	868,003	1,899	–	–	–	<b>869,902</b>
<b>Total potential future payments for financial liabilities</b>	<b>3,962,358</b>	<b>8,612,557</b>	<b>14,780,355</b>	<b>42,304,447</b>	<b>1,840</b>	<b>69,661,557</b>

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

The Group has a significant liquidity surplus, as financial assets exceed financial liabilities at all maturities.

### Geographical risk

All assets and liabilities relate to Russian entities.

### 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 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.

(in thousands of Russian roubles, unless otherwise stated)

## 23 Financial risk management (continued)

### Market risk (continued)

As at 30 September 2020 and 31 December 2019 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 2020 and 31 December 2019 the Group complied with this contractual obligation.

As at 30 September 2020, the Group operates in the Russian Federation, make settlements primarily in Russian roubles, has no significant foreign currency positions in financial assets and financial liabilities and is not exposed to significant currency risk.

The table below summarises exposure to foreign currency exchange rate risk as at 31 December 2019:

	<b>RUB</b>	<b>USD</b>	<b>EUR</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	2,761,636	20	461	<b>2,762,117</b>
Deposits in banks	49,703	–	–	<b>49,703</b>
Net investment in leases after allowance for expected credit losses	71,561,006	–	2,212	<b>71,563,218</b>
Debtors on leasing activity	36,377	–	–	<b>36,377</b>
Other financial assets	541,207	–	–	<b>541,207</b>
<b>Total financial assets</b>	<b>74,949,929</b>	<b>20</b>	<b>2,673</b>	<b>74,952,622</b>
<b>Financial liabilities</b>				
Advances received from lessees	2,208,527	891	33	<b>2,209,451</b>
Borrowings	38,055,638	–	–	<b>38,055,638</b>
Bonds issued	20,070,206	–	–	<b>20,070,206</b>
Lease liabilities	822,400	–	–	<b>822,400</b>
Other financial liabilities	868,889	924	89	<b>869,902</b>
<b>Total financial liabilities</b>	<b>62,025,660</b>	<b>1,815</b>	<b>122</b>	<b>62,027,597</b>
<b>Net position</b>	<b>12,924,269</b>	<b>(1,795)</b>	<b>2,551</b>	

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:

	<b>31 December 2019</b>		
	<b>Change in currency rate, in %</b>	<b>Impact on profit before tax, gain/(loss)</b>	<b>Impact on net profit and equity, gain/(loss)</b>
USD	13.00	(233)	(186)
USD	(11.00)	197	158
EUR	13.00	332	266
EUR	(11.00)	(281)	(225)

A strengthening of the rouble against the above currencies at 31 December 2019 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 a mismatch in the timing of the revision of the rates on net investment in leases and interest-bearing financial liabilities.

*(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 interest-bearing financial assets and interest-bearing financial liabilities as at 30 September 2020 is following:

	<b><i>Impact on profit before tax, gain/(loss)</i></b>	<b><i>Impact on net profit and equity, gain/(loss)</i></b>
100 bps parallel rise	117,318	93,854
100 bps parallel fall	(117,318)	(93,854)

The sensitivity of profit and loss to changes in market interest rates (with other factors unchanged) calculated for interest-bearing financial assets and interest-bearing financial liabilities as at 31 December 2019 is following:

	<b><i>Impact on profit before tax, gain/(loss)</i></b>	<b><i>Impact on net profit and equity, gain/(loss)</i></b>
100 bps parallel rise	105,167	84,133
100 bps parallel fall	(105,167)	(84,133)

The main risk, which is managed using derivative financial instruments, is interest rate risk on floating rate financial instruments. Interest rate risk on floating rate financial instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt liabilities with floating interest rates.

The Group classifies floating rate debt as a hedged item and derivative financial instruments as a hedging instrument. There is an economic relationship between the hedged items and the hedging instruments as the terms of interest rate swap match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of interest rate swap are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- ▶ Differences in the timing of the cash flows of the hedged items and the hedging instruments.
- ▶ Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments.
- ▶ The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.
- ▶ Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

**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.



*(in thousands of Russian roubles, unless otherwise stated)*

## 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 2020 is equity attributable to equity holders of the Group of RUB 15,483,294 thousand (31 December 2019: RUB 13,930,769 thousand), which is in compliance with covenants under loan agreements.

## 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 2020 is not materially different from their carrying values, except for the following financial assets and liabilities:

	<b>Total carrying amount</b>	<b>Fair value</b>
Net investment in leases after allowance for expected credit losses	78,547,175	79,781,055
Borrowings	40,694,032	41,044,943
Bonds issued	23,272,907	23,738,342

Management believes that the fair value of its financial assets and financial liabilities as at 31 December 2019 is not materially different from their carrying values, except for the following financial assets and liabilities:

	<b>Total carrying amount</b>	<b>Fair value</b>
Net investment in leases after allowance for expected credit losses	71,563,218	72,434,131
Borrowings	38,055,638	38,666,478
Bonds issued	20,070,206	20,579,779

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. Fair value of financial instruments is estimated by discounting future cash flows using external data such as interest rates currently available on financial instruments with similar conditions, credit risk and maturity.

*(in thousands of Russian roubles, unless otherwise stated)***25 Fair value estimation (continued)****Fair value hierarchy (continued)**

- ▶ 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. Fair value of financial instruments is estimated by discounting future cash flows using internal non-observable data on the rates of placement of similar instruments.

As at 30 September 2020 and 31 December 2019 main financial instruments that are not carried at fair value are classified to the levels of fair value hierarchy as follows:

- ▶ Cash and cash equivalents are classified in Level 1.
- ▶ Deposits in banks, Derivative financial instruments and Borrowings are classified in Level 2.
- ▶ Net investment in leases after allowance for expected credit losses, Debtors on leasing activity, Other financial assets and Other financial liabilities are classified in Level 3.
- ▶ Bonds issued as at 30 September 2020 are classified in Level 1 (31 December 2019: at fair value of RUB 18,669,553 thousand are classified in Level 1, RUB 1,910,226 thousand are classified in Level 2).

**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 2020			31 December 2019		
	Carrying value	Fair value	Unrecognised gains/(losses)	Carrying value	Fair value	Unrecognised gains/(losses)
<b>Financial assets</b>						
Cash and cash equivalents	3,541,094	3,541,094	–	2,762,117	2,762,117	–
Deposits in banks	–	–	–	49,703	49,703	–
Net investment in leases after allowance for expected credit losses	78,547,175	79,781,055	1,233,880	71,563,218	72,434,131	870,913
Debtors on leasing activity	63,377	63,377	–	36,377	36,377	–
Other financial assets	455,774	455,774	–	541,207	541,207	–
<b>Financial liabilities</b>						
Derivative financial instruments	60,062	60,062	–	–	–	–
Borrowings	40,694,032	41,044,943	(350,911)	38,055,638	38,666,478	(610,840)
Bonds issued	23,272,907	23,738,342	(465,435)	20,070,206	20,579,779	(509,573)
Other financial liabilities	1,189,811	1,189,811	–	869,902	869,902	–
<b>Total unrecognised change in fair value</b>			<b>417,534</b>			<b>(249,500)</b>

**Valuation techniques and assumptions**

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities that are not measured at fair value in the statement of financial position.

(in thousands of Russian roubles, unless otherwise stated)

## 25 Fair value estimation (continued)

### Valuation techniques and assumptions (continued)

*Assets for which fair value approximates carrying value*

For financial assets and financial liabilities that are liquid or having a short term maturity it is assumed that the carrying amounts approximate to their fair value.

*Financial assets and financial liabilities carried at amortised cost*

Fair value of net investments in leases after allowance for expected credit losses is estimated by discounting future cash flows using internal non-observable data on the rates of placement of net investments in leases.

Fair value of borrowings is estimated by discounting future cash flows using external data currently available on financial instruments with similar conditions, credit risk and maturity.

Fair value of bonds issued, classified as level 2 in the hierarchy, is estimated using observable data on financial instruments with similar conditions, credit risk and maturity in the markets that are not considered active.

## 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 provision for possible legal claims payments of RUB 124,684 thousand (Note 15) in these condensed interim consolidated financial statements as at 30 September 2020 (31 December 2019: RUB 87,654 thousand).

### 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.

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

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, penalties and fines in respect of income and expenses on transactions recognised as controlled in accordance with transfer pricing rules, where the transaction price differs from the market price and the Group's companies are not able to justify the price level in controlled transactions. Management believes that the Group fully complies with transfer pricing rules, and controlled transaction prices are consistent with market prices.

As at 30 September 2020 and 31 December 2019 management believes that its interpretation of the tax, currency and customs legislation as applied to the Group is appropriate.

(in thousands of Russian roubles, unless otherwise stated)

**26 Contingencies and commitments (continued)****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 2020 and 31 December 2019.

**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 as at 30 September 2020 and 31 December 2019 are as follows:

	<i>For the nine months ended</i>					
	<b>30 September 2020</b>			<b>30 September 2019</b>		
	<i>Entities under common control or significant influence</i>			<i>Entities under common control or significant influence</i>		
	<i>Share-holders</i>	<i>Key management</i>		<i>Share-holders</i>	<i>Key management</i>	
Interest income	–	19,915	–	–	20,420	125
Interest expense	–	(379,597)	–	(17,320)	(302,766)	–
Other income, net	–	685,942	93	–	630,013	44
Other expense, net	–	–	–	–	(45)	–
Changes in allowance for expected credit losses on leasing assets	–	304	–	–	(164)	8
Changes in allowance for expected credit losses on other assets	–	(6)	–	–	7	–
Staff expenses	–	(28,306)	(542,331)	–	(26,162)	(492,431)
Other operating expense	–	(13,120)	(978)	–	(16,210)	–
Other non-operating income	–	6,491	–	–	5,642	–

	<b>30 September 2020</b>			<b>31 December 2019</b>		
	<i>Entities under common control or significant influence</i>			<i>Entities under common control or significant influence</i>		
	<i>Share-holders</i>	<i>Key management</i>		<i>Share-holders</i>	<i>Key management</i>	
Net investment in leases after allowance for expected credit losses	–	137,072	–	–	169,425	–
Other assets	–	72,901	–	–	58,152	–
Advances received from lessees	–	–	–	–	1,533	–
Bonds issued	–	6,292,873	–	–	3,588,578	–
Lease liabilities	–	621,954	–	–	777,663	–
Other liabilities	–	1,837	505,967	–	2,428	985,501

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.

(in thousands of Russian roubles, unless otherwise stated)

**28 Changes in liabilities arising from financing activities**

	<b>Borrowings</b>	<b>Bonds issued</b>	<b>Lease liabilities</b>	<b>Total liabilities from financing activities</b>
<b>Carrying amount at 31 December 2018</b>	<b>31,975,769</b>	<b>13,893,996</b>	–	<b>45,869,765</b>
Proceeds from raising/issue	13,651,595	6,396,137	–	<b>20,047,732</b>
Effect of transition to IFRS 16	–	–	1,000,072	<b>1,000,072</b>
Recognition/derecognition	–	–	597	<b>597</b>
Redemption	(8,211,261)	(4,648,170)	(136,887)	<b>(12,996,318)</b>
Other	30,522	(87,770)	–	<b>(57,248)</b>
<b>Carrying amount at 30 September 2019</b>	<b>37,446,625</b>	<b>15,554,193</b>	<b>863,782</b>	<b>53,864,600</b>
<b>Carrying amount at 31 December 2019</b>	<b>38,055,638</b>	<b>20,070,206</b>	<b>822,400</b>	<b>58,948,244</b>
Proceeds from raising/issue	18,891,750	3,090,192	–	<b>21,981,942</b>
Recognition/derecognition	–	–	(6,879)	<b>(6,879)</b>
Redemption	(16,188,135)	(180,671)	(156,396)	<b>(16,525,202)</b>
Other	(65,221)	293,180	–	<b>227,959</b>
<b>Carrying amount at 30 September 2020</b>	<b>40,694,032</b>	<b>23,272,907</b>	<b>659,125</b>	<b>64,626,064</b>

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 Events after the reporting date**

During the period after 30 September 2020 until the date of issue of these condensed interim consolidated financial statements the Group obtained borrowings to finance its current operations in the total amount of RUB 11,008,250 thousand, including borrowings from the international financial organisation The Black Sea Trade and Development Bank (BSTDB) with maturities in September-November 2023.