



FBK
Grant Thornton

Interstate Bank

Report on Review of Interim Condensed Financial Statements

for the nine-month period ended 30 September 2020

Moscow | 2020



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Report on Review of Interim Condensed Financial Information

To members of the Interstate Bank

Introduction

We have reviewed the accompanying interim condensed financial information of the Interstate Bank, which comprises the interim statement of financial position as of 30 September 2020 and the related interim statement of comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period then ended, as well as selected explanatory notes to the interim condensed financial information.

The management is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with International Accounting Standard (IAS) 34 «Interim Financial Reporting». Our responsibility is to express a conclusion on this interim condensed 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 condensed 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 condensed financial information of the Interstate Bank as of 30 September 2020 and for the nine-month period then ended is not prepared, in all material respects, in accordance with the International Accounting Standard (IAS) 34 «Interim Financial Reporting».

President of FBK, LLC

S.M. Shapiguzov

On the basis of the Articles of Association
(audit qualification certificate № 01-001230, ORNZ
21606043397)

Engagement Partner on the
review resulting in this report of
review

A. A. Terekhina
Auditor's Qualification Certificate No. 03-000653 dated
14 May, 2014, ORNZ 21806021441

Date of the report of review
23 October 2020

Audit entity

Name:

Interstate Bank

Place of business:

15 Shukhova St., Moscow, 115162

Official registration:

The Interstate Bank was registered by the Moscow Registration Chamber on 24 March 1994, Certificate No. 030.977. Registration number in the Russian Federation: 2639-«МГ».

Auditor

Name:

Limited Liability Company Finansovye Bukhgalterskie Konsultanty (FBK LLC)

Place of business:

44/1, 2AB, Myasnitskaya St, Moscow, 101990, Russian Federation

Official registration:

State Registration Certificate series IO3 3 No. 484.583 ПП issued by Moscow Registration Chamber on 15 November 1993.

The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under primary state registration number (OGRN) 1027700058286.

Membership in a self-regulatory auditor organization:

Self-regulatory organization of auditors Association "Sodruzhestvo".

Number in the register of audit organizations registered with the self-regulatory audit organization:

Certificate of membership in the Self-regulatory organization of auditors Association "Sodruzhestvo" No. 7198, principal number of registration entry (ORNZ) – 11506030481.

Interim statement of comprehensive income

	Note	30 September 2020 (unaudited)	30 September 2019 (unaudited)
Interest income	5	565,523	596,883
Interest expenses	5	(3,825)	(2,284)
Net interest income		561,698	594,599
Change in allowance for expected credit losses on interest-bearing assets		342	890
Net interest income after allowance for expected credit losses		562,040	595,489
Gains less losses arising from transactions with financial assets		(86)	(515)
Gains less losses arising from operations with foreign currency and derivative financial instruments		11,539	9,277
Gains less losses from revaluation of foreign currency		11,505	(8,335)
Fee and commission income	6	2,440	11,251
Fee and commission expense	6	(2,881)	(10,606)
Other operating income		1,162	2,509
Operating expenses	7	(303,061)	(279,542)
Profit before tax		282,658	319,528
Income tax		(831)	(659)
NET PROFIT		281,827	318,869
Other comprehensive income			
Change in the fair value of financial assets through other comprehensive income		(2,277)	208,331
Total other comprehensive income		(2,277)	208,331
COMPREHENSIVE INCOME		279,550	527,200

Signed on 23 October 2020.

President

I. G. Souvorov

Chief Accountant

L. K. Razdevilova

The notes on Pages 9 to 17 constitute an integral part of these financial statements.

Interim statement of financial position

	Note	30 September 2020 (unaudited)	31 December 2019
<i>ASSETS</i>			
Cash and cash equivalents	8	831,575	514,318
Due from financial institutions	9	4,873,525	6,879,124
Loans and advances to customers		4,922	6,754
Financial assets at fair value through other comprehensive income	10	6,694,656	6,462,421
Fixed assets and intangible assets		48,000	49,894
Right-of-use assets		908	2,654
Other assets		25,376	23,509
Total assets		12,478,962	13,938,674
<i>LIABILITIES</i>			
Due to financial institutions	11	1,346,687	1,593,530
Due to customers	12	4,157,290	5,647,429
Lease liabilities		983	2,809
Other liabilities		33,491	10,905
Total liabilities		5,538,451	7,254,673
<i>EQUITY</i>			
Authorized capital / Paid-in shares	13	212,086	212,086
Shares in authorized capital reacquired from members	13	(1,100)	(1,100)
Revaluation reserve for financial assets at fair value through other comprehensive income		281,345	283,622
Other equity instruments		2,052,230	2,052,230
Retained earnings		4,395,950	4,137,163
Total equity		6,940,511	6,684,001
Total liabilities and equity		12,478,962	13,938,674

Signed on 23 October 2020.

President

I. G. Souvorov

Chief Accountant

L. K. Razdevilova

The notes on Pages 9 to 17 constitute an integral part of these financial statements.

Interim statement of changes in equity

	Authorized capital / Paid- in shares	Shares in authorized capital reacquired from members	Revaluation reserve for financial assets at fair value through other comprehensive income	Other equity instruments	Retained earnings	Total equity
Balance as of 1 January 2019	212,086	(1,100)	(60,879)	2,052,230	3,756,359	5,958,696
Comprehensive income for the period ended 30 September 2019 (unaudited)	-	-	208,331	-	318,869	527,200
Amounts paid on perpetual subordinated debt (unaudited)	-	-	-	-	(23,019)	(23,019)
Balance as of 30 September 2019 (unaudited)	212,086	(1,100)	147,452	2,052,230	4,052,209	6,462,877
Balance as of 1 January 2020	212,086	(1,100)	283,622	2,052,230	4,137,163	6,684,001
Comprehensive income for the period ended 30 September 2020 (unaudited)	-	-	(2,277)	-	281,827	279,550
Amounts paid on perpetual subordinated debt (unaudited)	-	-	-	-	(23,040)	(23,040)
Balance as of 30 September 2020 (unaudited)	212,086	(1,100)	281,345	2,052,230	4,395,950	6,940,511

Signed on 23 October 2020.

President

I. G. Souvorov

Chief Accountant

L. K. Razdevilova

The notes on Pages 9 to 17 constitute an integral part of these financial statements.

Interim statement of cash flows

	30 September 2020 (unaudited)	30 September 2019 (unaudited)
<i>Cash flows from operating activities</i>		
Interest received	538,737	567,636
Interest paid	(3,684)	(1,902)
Fees and commissions received	2,440	11,251
Fees and commissions paid	(2,881)	(10,606)
Gains arising from operations with foreign currency and derivative financial instruments	11,539	9,277
Other operating income	317	322
Operating expenses paid	(293,999)	(272,529)
Interest expenses paid on the lease liabilities	(141)	(382)
Cash flows received from operating activities before changes in operating assets and liabilities	252,328	303,067
Net (increase) / decrease in due from financial institutions	2,002,449	900,729
Net (increase) / decrease in loans and advances to customers	1,832	4,291
Net (increase) / decrease in other assets	(1,867)	(427)
Net increase / (decrease) in due to financial institutions	(246,843)	(32,082)
Net increase / (decrease) in due to customers	(1,490,139)	73,798
Net increase / (decrease) in other liabilities	(252)	(278)
Net cash received from operating activities	517,508	1,249,098
<i>Cash flows from investing activities</i>		
Purchase of financial assets at fair value through other comprehensive income	(895,124)	(1,543,117)
Proceeds from disposal of financial assets at fair value through other comprehensive income	690,059	271,500
Dividends received from investment securities	300	300
Purchase of fixed assets and intangible assets	(5,035)	(7,108)
Proceeds from disposal of fixed assets	440	1,888
Net cash (used in) investing activities	(209,360)	(1,276,537)
<i>Cash flows from financing activities</i>		
Repayment of lease liabilities	(2,409)	(2,130)
Net cash (used in) financing activities	(2,409)	(2,130)
Effect of exchange rate changes on cash and cash equivalents	11,518	(8,335)
Net (decrease) / increase in cash and cash equivalents	317,257	(37,904)
Cash and cash equivalents at the beginning of the reporting period	514,318	690,662
Cash and cash equivalents at the end of the reporting period	831,575	652,758

Signed on 23 October 2020.

President

I. G. Souvorov

Chief Accountant

L. K. Razdevilova

The notes on Pages 9 to 17 constitute an integral part of these financial statements.

Notes to Financial Statements

1 Principal Activities

The Interstate Bank (hereinafter, the Bank) was established in 1993.

The Bank is an international settlement and financial institution that exists and operates in accordance with the provisions of international public law. The Bank operates in the states that are parties to the Agreement on Foundation of the Interstate Bank dated 22 January 1993 (hereinafter, the Agreement), on the basis of agreements with the governments and central (national) banks of these states.

The Bank's members are: the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Republic of Moldova, the Russian Federation, the Republic of Tajikistan, and Turkmenistan.

Pursuant to the Agreement, the Bank's main functions are:

- arrangement of multilateral interstate settlements in trade and other operations;
- provision of assistance for the effective and reliable functioning of payment systems in all member states;
- provision of short-term loans to central (national) banks;
- research and analysis of the economies of the states that are parties to the Agreement, development of recommendations and proposals for the central (national) banks regarding the coordination of their monetary and foreign exchange policies;
- other banking operations consistent with the Bank's objectives and goals arising out of the Agreement and the Bank's Charter.

The Bank operates in the Russian Federation as a financial institution in accordance with the Agreement between the Government of the Russian Federation and the Interstate Bank on the Terms of the Interstate Bank's Presence in the Russian Federation dated 30 July 1996 and in accordance with the Agreement between the Bank and the Central Bank of the Russian Federation "On the Procedure for and Rules of Conducting Banking Activities by the Interstate Bank in the Territory of the Russian Federation" dated 2 December 1996. Pursuant to these agreements, the Bank is exempt from taxes, duties and other mandatory charges payable within the Russian Federation and is authorized to engage in banking activities in the Russian Federation without a license from the Bank of Russia. In accordance with the Agreement between the Bank and the Central Bank of the Russian Federation "On the Procedure for and Rules of Conducting Banking Activities by the Interstate Bank in the Territory of the Russian Federation" dated 2 December 1996, the Bank is not subject to certain requirements of the Russian Federation federal laws "On the Central Bank of the Russian Federation (the Bank of Russia)" and "On Banks and Banking Activity", in particular, with regard to the provisions concerning banking regulation and banking supervision.

In accordance with the Agreement between the Bank and the Central Bank of the Russian Federation of 2 December 1996, the Bank is authorized to buy and sell government securities and precious metals, engage in deposit banking; issue guarantees and sureties, perform transactions with financial instruments, open accounts with Russian and foreign financial institutions and conduct other banking operations that are not prohibited under Russian law.

The Bank has no branches in the Russian Federation or abroad. The Bank has representative offices in the Republic of Armenia, the Republic of Belarus and the Kyrgyz Republic.

The following are the main types of banking transactions conducted: settlement transactions, foreign exchange operations and transactions with securities.

The supreme governing body is the Bank's Council chaired by Ms. Ksenia Yudaeva, First Deputy Governor of the Bank of Russia.

The Bank's principal place of business is Moscow.

The Bank's headquarters are at: 15 Shukhova St., Moscow 115162, Russian Federation.

The credit ratings assigned to the Bank are as follows: BB+ with a stable outlook from the international rating agency Fitch Ratings; BBB+ with a stable outlook under international scale and AA(RU) with a stable outlook under national scale from ACRA.

2 The Bank's Economic Environment

Being an international organization, the Bank operates primarily in the Russian Federation.

Since the beginning of 2020 the COVID-19 pandemic had spread all over the world affecting global economy.

Following the above, since March 2020 the economic environment in the Russian Federation has experienced significant changes, namely:

- drop in the manufacturing output and activity reduction in many industries as a result of limitations introduced by the government in response to the COVID-19 pandemic;
- implementation of the government support measures for individuals and business due to the COVID-19 pandemic outbreak;
- high volatility and reduction of oil prices and stock market indices;
- a substantial decline of activity in the stock and derivative markets;
- a significant depreciation of the Russian Ruble against major foreign currencies, high volatility of the foreign exchange market.

The above changes in the economic environment did not have significant impact on the Bank's operations and financial position as at the reporting date. The Management is taking all necessary measures to ensure sustainability of the Bank's business.

3 Basis of Preparation

These interim condensed financial statements of the Bank have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* and cover the nine-month period ended 30 September 2020. No audit has been conducted on these interim condensed financial statements.

The Bank maintains accounting procedures in the currency of the Russian Federation and keeps accounting records in accordance with the requirements of Russian law. These interim condensed financial statements have been prepared on the basis of the said accounting records, subject to adjustments necessary to bring them in line with all the material aspects of the IFRS and IAS.

The financial statements are presented in the Russian Federation currency (RUB), which is the Bank's functional currency and the presentation currency. Unless otherwise stated, figures in the financial statements are provided in thousands of Russian rubles.

The following are new and revised standards and interpretations that have been issued and effective as of 1 January 2020.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments clarify that profit or loss shall be recognized in full should the assets transferred to an associate or joint venture constitute a business as defined in IFRS 3 Business Combinations. Profit or loss from sale or contribution of assets that do not constitute a business shall be recognized only within the limits of the investor's non-ownership interest in the associate or joint venture.

The amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The Bank does not expect these amendments to have any material impact on the Bank's financial statements.

Amendments to IFRS 3 Business Combinations

The amendments clarify the requirement to a corporate acquisition made to determine whether it is of a business or a group of assets. The new amendment to IFRS 3 is a change only to Appendix A with defined terms and the application guidance; the new illustrative examples are introduced as well.

The amendments are applied prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period with earlier application permitted.

The Bank does not expect these amendments to have any material impact on the Bank's financial statements.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The International Accounting Standards Board issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework). The Conceptual Framework is a basis for developing IFRS Standards, it also provides guidance for the IASB when developing Standards. While IFRSs take precedence over the Framework, it is fundamental that the IASB has a comprehensive framework to ensure that the Standards are conceptually consistent, that the interests of users of financial reports are observed and that similar transactions are treated the same way. The Conceptual Framework also assists the entities to develop consistent accounting policies for areas that are not covered by a standard.

Summary of changes:

- filling gaps in guidance on measurement;
- extensive clarifications of qualitative characteristics of useful financial information;
- more coherent set of concepts for recognition and measurement of elements in financial statements;
- improved definitions of assets and liabilities;
- the revised criteria for including assets and liabilities in financial statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted

The Bank does not expect these amendments to have any material impact on the Bank's financial statements.

Amendments to IAS 1 Presentation of Financial Statements

The International Accounting Standards Board (Board) has published narrow-scope amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*. Both documents deal with accounting policy disclosures.

IAS 1 requires to disclose material accounting policies but does not provide for any relevant definition. The amendments state that information about an accounting policy is material if, when considered together with other information included in a company's financial statements, it can influence financial statement users' decisions about the company.

The amendments are applied prospectively for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

The Bank does not expect these amendments to have any material impact on the Bank's financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendment replaces the definition of 'material' in IAS 8 with the definition of 'material' in IAS 1. The amendments ensure that the definition of 'material' is consistent across all IFRS Standards and *Conceptual Framework for Financial Reporting*.

The Board has revised the definition of accounting estimates, stating that

- a) accounting estimates are monetary items in financial statements subject to estimation uncertainty;
- b) as a result of the above – the valuation techniques are used in applying an accounting policy for such items;
- c) an entity may need to use judgement or assumptions in its accounting estimates.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The Bank does not expect these amendments to have any material impact on the Bank's financial statements.

The following are new and revised standards and interpretations that have been issued but are not yet effective.

The below standards, amendments and interpretations which are not yet effective and are not applied earlier in these financial statements will or might have an impact on future financial statements of the Bank.

IFRS 17 Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2021). The new standard establishes the principles of recognition, valuation, presentation and disclosure of insurance policies and replaces IFRS 4 *Insurance Contracts*. This standard provides for a general model modified under insurance contracts with direct participation components described as variable premium contracts.

The general model is presented in simplified form, subject to certain criteria, through the valuation of liabilities for the remaining insurance coverage, employing the insurance premium distribution approach. The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows, and will separately measure the value of such uncertainty; the model considers market interest rates and the impact of insurance holder options and guarantees. Profit from insurance policy sales is deferred to future periods in a separate liability component on day one and aggregated into groups of insurance contracts; it is then recognized systematically in the profit and loss statement during the period in which insurers provide insurance coverage, adjusting for changes in assumptions regarding future insurance coverage.

The standard is applied retrospectively, except where this is not feasible, whereby a modified retrospective or fair value approach is applied.

The Bank does not expect these amendments to have any material impact on the Bank's financial statements.

Amendments to IAS 1 Presentation of Financial Statements

The amendment to IAS 1 *Presentation of Financial Statements* refers to the requirements to classify debt and other liabilities as current or non-current.

The amendments are applied for annual reporting periods beginning on or after 1 January 2022.

The Bank does not expect these amendments to have any material impact on the Bank's financial statements.

Annual Improvements to IFRSs 2018-2020, published by IASB in May 2019.

Amendments to IFRS 9 Financial Instruments ("10 per cent test" for derecognition of financial liabilities)

In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different, applying criteria of 10 per cent.

Amendments to IAS 41 Agriculture (taxation in fair value measurements)

The Board proposes to remove the requirement in paragraph 22 of IAS 41 *Agriculture* to exclude cash flows for taxation when measuring fair value applying IAS 41.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The proposed amendment is to extend the exemption permitted by paragraph D16(a) of IFRS 1 to measure cumulative translation differences in the financial statements of a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent.

The draft amendment proposes to require a subsidiary that elects to apply paragraph D16(a) of IFRS 1 *First-time Adoption of International Financial Reporting Standards* to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs. This exemption is provided so that a subsidiary would not have to keep two parallel sets of accounting records based on different dates of transition to IFRSs. This proposed amendment would also apply to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The Bank does not expect these amendments to have any material impact on the Bank's financial statements.

4 Principles of Accounting Policies

The accounting policies and methods of computation used in preparing these interim condensed financial statements are consistent with the accounting policies and methods used and described in the Bank's annual financial statements for the year ended 31 December 2019, except for the changes related to the adoption of new and/or revised standards and interpretations as of 1 January 2020. These standards do not have any material impact on the Bank's interim condensed financial statements.

5 Interest Income and Expenses

Interest income and expenses were as follows.

	For the 9 months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
<i>Interest income on assets measured at amortized cost</i>		
Due from financial institutions	211,398	267,428
Loans to customers	174	338
Total interest income on financial assets measured at amortized cost	211,572	267,766
<i>Interest income on assets at fair value through other comprehensive income</i>		
On financial assets held for profit or for sale	353,951	329,117
Total interest income on financial assets at fair value through other comprehensive income	353,951	329,117
Total interest income	565,523	596,883
<i>Interest expenses on liabilities at amortized cost</i>		
Due to financial institutions	(3,684)	(1,902)
Lease liabilities	(141)	(382)
Total interest expenses on liabilities at amortized cost	(3,825)	(2,284)
Total interest expenses	(3,825)	(2,284)
Net interest income	561,698	594,599

6 Fee and Commission Income and Expenses

Fee and commission income and expenses were as follows.

	For the 9 months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
<i>Fee and commission income</i>		
Cash and settlement transactions	2,110	10,951
Other fee and commission income	330	300
Total fee and commission income	2,440	11,251
<i>Fee and commission expense</i>		
Money transfer services, including services of payment and settlement systems	(57)	(72)
Cash and settlement services and account maintenance	(1,204)	(9,267)
Custody services	(1,426)	(1,130)
Transactions with foreign currency	(2)	(4)
Other fee and commission expenses	(192)	(133)
Total fee and commission expenses	(2,881)	(10,606)
Total fee and commission income and expenses	(441)	645

7 Operating Expenses

Operating expenses were as follows.

	For the 9 months ended 30 September	
	2020 (unaudited)	2019 (unaudited)
Staff costs	234,997	203,618
Depreciation	6,929	6,428
Right-of-use asset depreciation	2,384	2,475
Intellectual property license fees	732	1,134
Communications services	9,708	10,995
Expenses related to fixed assets (maintenance, repairs, disposal)	6,071	9,525
Professional services	15,972	13,275
Advertising and marketing	19	361
Hospitality expenses	171	688
Travel expenses	614	8,132
Security expenses	6,196	5,677
Inventory write-off	2,417	2,286
Insurance	1,592	1,755
Membership fees	3,139	2,814
Data processing payment electronic systems	7,002	6,137
Other operating expenses	5,118	4,242
Total operating expenses	303,061	279,542

8 Cash and cash equivalents

	30 September 2020 (unaudited)	31 December 2019
Cash	101,448	33,179
Cash balances with the Bank of Russia	78,957	58,036
Balances in correspondent accounts	651,170	423,103
Total cash and cash equivalents	831,575	514,318

Balances in correspondent accounts are recorded at amortized cost calculated in accordance with IFRS 9.

9 Due from financial institutions

Funds due from financial institutions are represented by loans (deposits) provided by the Bank to counterparty banks.

	30 September 2020 (unaudited)	31 December 2019
Interbank term loans and deposits	4,842,305	6,768,103
Other funds due from financial institutions	31,257	111,400
Total due from financial institutions before allowance for expected credit losses	4,873,562	6,879,503
Allowance for expected credit losses	(37)	(379)
Total due from financial institutions	4,873,525	6,879,124

Other funds due from financial institutions includes balances on NOSTRO accounts.

Funds due from financial institutions are not secured.

Below is information about the credit quality of due from financial institutions at 30 September 2020 (unaudited).

	Interbank term loans and deposits	Other funds due from financial institutions	Total due from financial institutions
<i>Due from financial institutions:</i>			
- (with the top 20 Russian banks)	3,750,000	19,967	3,769,967
- (with other Russian banks)	1,000,000	-	1,000,000
- (with other banks)	92,305	11,290	103,595
Total due from financial institutions before allowance for expected credit losses	4,842,305	31,257	4,873,562
Allowance for expected credit losses	(28)	(9)	(37)
Total due from financial institutions	4,842,277	31,248	4,873,525

Below is information about the credit quality of due from financial institutions at 31 December 2019.

	Interbank term loans and deposits	Other funds due from financial institutions	Total due from financial institutions
<i>Due from financial institutions:</i>			
- (with the top 20 Russian banks)	5,302,042	18,375	5,320,417
- (with other Russian banks)	1,271,452	-	1,271,452
- (with other banks)	194,609	93,025	287,634
Total due from financial institutions before allowance for expected credit losses	6,768,103	111,400	6,879,503
Allowance for expected credit losses	(87)	(292)	(379)
Total due from financial institutions	6,768,016	111,108	6,879,124

The Bank did not place any funds at below-market rates in 2019 and 2020.

10 Financial assets at fair value through other comprehensive income

	30 September 2020 (unaudited)	31 December 2019
<i>Debt financial assets</i>		
Federal bonds of the Russian Federation (OFZ)	2,567,720	3,072,827
Debt securities of other issuers	4,126,936	3,389,594
Total financial assets at fair value through other comprehensive income before allowance for expected credit losses	6,694,656	6,462,421
Allowance for expected credit losses	-	-
Total financial assets at fair value through other comprehensive income	6,694,656	6,462,421

In 2020, the Bank did not invest any funds in financial assets at fair value through other comprehensive income at below-market rates.

The portfolio of federal bonds of the Russian Federation (OFZ) as of 30 September 2020 includes nine issues (2019: ten issues) with the total nominal value of 2,380,141 thousand rubles (2019: 2,870,942 thousand rubles).

As of 30 September 2020, the coupon rate on these bonds is between 6.38% and 7.95%, payable two to four times a year (2019: between 6.50% and 8.73%).

The portfolio of debt securities from other issuers includes bonds issued by Russian residents with the long-term credit rating of at least BB+ according to Standard and Poor's and (or) at least a similar rating according to Fitch Ratings, with the total nominal value of 3,899,385 thousand rubles (2019: 3,236,385 thousand rubles).

As of 30 September 2020, the coupon rate on these bonds is between 6.0% and 9.15%, payable two to four times a year (2019: 6.0% to 9.15%).

11 Due to financial institutions

	30 September 2020 (unaudited)	31 December 2019
Correspondent accounts of other banks	1,346,687	1,593,530
Total due to financial institutions	1,346,687	1,593,530

During 2020, the Bank did not receive any funds from financial institutions at above-market rates.

12 Due to customers

	30 September 2020 (unaudited)	31 December 2019
<i>Accounts of non-government legal entities</i>		
Current and settlement accounts	4,130,536	5,632,549
Total accounts of non-government legal entities	4,130,536	5,632,549
<i>Accounts of individuals</i>		
Current and demand accounts	26,754	14,880
Total accounts of individuals	26,754	14,880
Total due to customers	4,157,290	5,647,429

A breakdown of due to customers by industry is given below:

	30 September 2020 (unaudited)		31 December 2019	
	Amount	%	Amount	%
International and public organizations	4,079,085	98.1%	5,600,626	99.2%
Individuals	26,754	0.7%	14,880	0.2%
Manufacturing	25,534	0.6%	10,972	0.2%
Trade and services	17,042	0.4%	9,555	0.2%
Transport	8,787	0.2%	5,123	0.1%
Oil, gas and chemical enterprises	66	0.0%	6,247	0.1%
Other	19	0.0%	12	0.0%
Finance and investments	3	0.0%	14	0.0%
Total due to customers	4,157,290	100.0%	5,647,429	100.0%

In 2019 and 2020 the Bank did not receive any funds from customer at above-market rates.

13 Authorized Capital

	30 September 2020 (unaudited)			31 December 2019		
	Nominal value	Inflation- adjusted value	Acquisition cost	Nominal value	Inflation- adjusted value	Acquisition cost
Shares	20,000	212,086		20,000	212,086	
Shares in authorized capital repurchased from members			(1,100)			(1,100)
Total authorized capital	20,000	212,086	(1,100)	20,000	212,086	(1,100)

The Bank was founded by the parties to the Agreement on Foundation of the Interstate Bank signed on 22 January 1993 by the heads of the following member states: the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Republic of Moldova, the Russian Federation, the Republic of Tajikistan, Turkmenistan, the Republic of Uzbekistan, and Ukraine.

Votes in the Council of the Bank, its supreme governing body, are distributed among the Bank's members as follows:

Russian Federation – 50% of the total votes; other members – in proportion to the share of each state in the total mutual foreign trade turnover for 1990.

14 Fair Value of Financial Instruments

Fair value is the amount of compensation in an arm's length transaction with an asset or a liability between knowledgeable, willing parties. The best evidence of fair value is the price of a financial instrument quoted on the market.

The estimated fair value of financial instruments was calculated by the Bank based on existing market data (if available) and appropriate valuation techniques. However, professional judgment needs to be used when interpreting market data to determine fair value. Although the Russian Federation has been assigned investment ratings, the country's economy is still characterized by certain specifics typical of developing countries, and its economic conditions continue to restrict the volume of trading on financial markets. Market quotations can be outdated or can reflect sales at low prices and thus cannot be indicative of the fair value of financial instruments. When determining the fair value of financial instruments, the management uses all available market data.

Financial instruments measured at fair value

As of 30 September 2020, financial assets held for profit or for sale are recorded at fair value. Fair value is calculated on the basis of observable quoted active market prices (Level 1) except financial assets for amount of RUB 681,626, for which fair value is calculated on the basis of observable quoted non-active market prices (Level 2).

Financial instruments not measured at fair value but for which the fair value is disclosed

The management believes that, as of 30 September 2020, the fair value of each class of financial assets and liabilities recognized at amortized cost (cash and cash equivalents, due from financial institutions, loans and advances to customers, due to financial institutions, and due to customers) did not differ materially from their respective carrying amounts.

15 Effect of Estimates and Judgements on Recognized Assets and Liabilities

The Bank makes estimates in judgements that affect recognized amounts of assets and liabilities in the next financial year. Estimates and judgments are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses of loans and receivables

The Bank regularly reviews its loan portfolios to assess impairment. In determining whether impairment losses need to be recognized in the statement of profit and loss, the Bank makes professional judgements as to whether there is any objective evidence that the estimated future cash flows for the loan portfolio will decrease before such a decrease can be identified with an individual loan in that portfolio. Such evidence may include data indicating changes in the creditworthiness of the Bank's borrower and national or local economic conditions causing a reduction in the value of the Bank's assets. The Bank uses estimates based both on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used to estimate the amounts and timing of cash flows are reviewed regularly in order to reduce the difference between loss estimates and actual impairment losses.

Initial recognition of related party transactions

In the course of its operations, the Bank enters into related party transactions. In accordance with IFRS 9, financial instruments must be initially recognized at fair value. If there is no active market for such transactions, professional judgments are used in order to determine whether transactions are priced at market or non-market interest rates. The judgment is based on pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Going concern principle

The Bank has prepared these interim condensed financial statements on a going concern basis considering the impact of the COVID-19 pandemic on its financial position.

The Bank believes that significant uncertainty due to the COVID-19 pandemic and increased volatility of Russian and global markets might influence its going concern assessment. Due to unanticipated further change in the situation it is currently impossible to assess the quantitative impact of such developments on the Bank's financial position with reliability and accuracy.

To assess the above impact the Bank used revised data for its financial plans adjusting original forecasts.

When making its judgements, the Bank considered the support measures introduced both by the Government and the Central Bank of Russia and which are effective as of the reporting date.

The Bank believes that it will be able to continue as a going concern despite the significant estimation uncertainty.

Critical Judgments and Estimates

The management makes certain judgements, estimates and assumptions that affect the amounts of assets, liabilities, income and expenses recognised in the interim condensed financial statements.

The judgements, estimates and assumptions in the interim condensed financial statements, including the most significant areas of estimation uncertainty were adjusted due to the changes in the economic environment.

The actual results could differ from judgements, estimates and assumptions, made by the management and may not coincide with the estimated results.

Signed on 23 October 2020.

President

I. G. Souvorov

Chief Accountant

L. K. Razdevilova

