Tatneft Group

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

AS OF AND FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018

Contents

Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors of PJSC Tatneft:

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC Tatneft and its subsidiaries (the "Group") as of 30 September 2018 and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated interim condensed financial statements 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 consolidated interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

30 November 2018
Moscow, Russian Federation

M.E. Timchenko, certified auditor (licence no. 01-000267), AO PricewaterhouseCoopers Audit

Audited entity: PJSC Tatneft

State registration certificate № 632, issued by Ministry of Finance of the Republic of Tatarstan on 21 January 1994

Certificate of inclusion in the Unified State Register of Legal Entities issued on 18 July 2002 under registration № 1021601623702

423450, Russian Federation, Republic of Tatarstan, Almetyevsk , Lenina str., 75

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations

Consolidated Interim Condensed Statement of Financial Position (Unaudited)

(in million of Russian Rubles)

	Note	30 September 2018	31 December 2017
Assets			
Cash and cash equivalents	4	97,005	42,797
Banking: Mandatory reserve deposits with CB RF		1,803	1,916
Accounts receivable, net	5	101,535	61,598
Banking: Loans to customers	6	39,875	44,495
Other short-term financial assets	7	57,429	68,925
Inventories	8	42,992	39,318
Prepaid expenses and other current assets	9	22,545	23,123
Prepaid income tax		711	1,027
Banking: Non-current assets held for sale		2,311	2,182
Total current assets		**366,206**	**285,381**
Long-term accounts receivable, net	5	3,154	3,439
Banking: Loans to customers	6	104,405	106,488
Other long-term financial assets	7	61,978	52,364
Investments in associates and joint ventures		655	658
Property, plant and equipment, net		691,529	651,460
Deferred income tax assets		3,520	1,502
Other long-term assets		6,253	6,162
Total non-current assets		**871,494**	**822,073**
Total assets		**1,237,700**	**1,107,454**
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	11	6,555	39,916
Accounts payable and accrued liabilities	12	40,684	41,529
Dividends payable	13	68,865	6,032
Banking: Other financial liabilities at fair value through profit and loss		244	-
Banking: Due to banks and CB RF		27,969	27,971
Banking: Customer accounts		164,276	158,436
Taxes payable	10	46,141	27,806
Income tax payable		5,327	3,563
Other short-term liabilities		471	1,043
Total current liabilities		**360,532**	**306,296**
Long-term debt, net of current portion	11	10,470	6,896
Banking: Due to banks and CB RF		4,554	5,669
Banking: Customer accounts		425	478
Decommissioning provision, net of current portion		40,041	38,017
Deferred income tax liability		31,336	27,323
Other long-term liabilities		3,567	4,046
Total non-current liabilities		**90,393**	**82,429**
Total liabilities		**450,925**	**388,725**
Shareholders' equity			
Preferred shares (authorized and issued at 30 September 2018 and 31 December 2017 – 147,508,500 shares; nominal value at 30 September 2018 and 31 December 2017 – RR 1.00)		746	746
Common shares (authorized and issued at 30 September 2018 and 31 December 2017 – 2,178,690,700 shares; nominal value at 30 September 2018 and 31 December 2017 – RR 1.00)		11,021	11,021
Additional paid-in capital		84,437	84,437
Accumulated other comprehensive income		772	1,652
Retained earnings		695,550	624,254
Less: Common shares held in treasury, at cost (75,483,000 shares at 30 September 2018 and 31 December 2017, respectively)		(10,251)	(10,251)
Total Group shareholders' equity		**782,275**	**711,859**
Non-controlling interest		**4,500**	**6,870**
Total shareholders' equity		**786,775**	**718,729**
Total liabilities and equity		**1,237,700**	**1,107,454**

Approved for issue and signed on behalf of the Board of Directors on 30 November 2018

Voskoboinikov V.A.
Director of International Reporting

TATNEFT
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
(in million of Russian Rubles)

		Three months ended 30 September:		Nine months ended 30 September:	
	Note	**2018**	**2017**	**2018**	**2017**
Sales and other operating revenues on non-banking activities, net	17	**252,824**	**169,172**	**675,157**	**486,151**
Costs and other deductions on non-banking activities					
Operating expenses		(33,901)	(32,537)	(92,333)	(89,549)
Purchased oil and refined products		(18,420)	(17,399)	(56,226)	(52,114)
Exploration		(177)	(278)	(522)	(880)
Transportation		(8,411)	(8,918)	(27,303)	(26,777)
Selling, general and administrative		(12,328)	(11,874)	(37,455)	(36,008)
Depreciation, depletion and amortization	17	(9,106)	(6,731)	(22,405)	(18,826)
Loss on impairments of property, plant and equipment and other assets		(1,295)	(7,832)	(4,508)	(7,982)
Taxes other than income taxes	10	(82,485)	(45,981)	(215,765)	(138,212)
Maintenance of social infrastructure and transfer of social assets		(1,583)	(1,375)	(4,220)	(3,703)
Total costs and other deductions on non-banking activities		**(167,706)**	**(132,925)**	**(460,737)**	**(374,051)**
Gain on disposals of interests in subsidiaries and associates, net		6	-	94	17
Other operating expenses, net		(187)	(184)	(312)	(243)
Operating profit on non-banking activities		**84,937**	**36,063**	**214,202**	**111,874**
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities					
Interest, fee and commission income	14,15	5,648	6,695	17,308	24,770
Interest, fee and commission expense	14,15	(2,536)	(3,742)	(8,417)	(11,603)
Provision for loan impairment	6	(446)	(3,396)	(1,531)	(7,329)
Operating expenses		(2,046)	(1,409)	(6,385)	(5,176)
Gain/(loss) arising from dealing in foreign currencies, net		62	(130)	(93)	(201)
Other operating (expense)/income, net		(484)	493	(127)	763
Total net interest, fee and commission and other operating income and gains/(losses) on banking activities		**198**	**(1,489)**	**755**	**1,224**
Other income/(expenses)					
Foreign exchange gain/(loss), net	16	2,758	(377)	6,000	(1,661)
Interest income on non-banking activities	16	1,662	1,411	3,827	5,419
Interest expense on non-banking activities, net of amounts capitalized	16	(797)	(730)	(2,358)	(2,289)
Share of results of associates and joint ventures		5	(24)	(12)	52
Total other income		**3,628**	**280**	**7,457**	**1,521**
Profit before income tax		**88,763**	**34,854**	**222,414**	**114,619**

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Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
(in million of Russian Rubles)

	Note	Three months ended 30 September: 2018	2017	Nine months ended 30 September: 2018	2017
Income tax					
Current income tax expense		(17,655)	(7,785)	(44,423)	(24,475)
Deferred income tax expense		(2,117)	(1,461)	(4,051)	(2,163)
Total income tax expense	10	**(19,772)**	**(9,246)**	**(48,474)**	**(26,638)**
Profit for the period		**68,991**	**25,608**	**173,940**	**87,981**
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustments		(787)	(210)	(685)	336
Loss on debt financial assets at fair value through other comprehensive income, net		(156)	-	(230)	-
Unrealized holding gain/(loss) on available-for-sale securities (for comparatives only)		-	273	-	(202)
Items that will not be reclassified to profit or loss:					
Loss on investments in equity financial assets at fair value through other comprehensive income, net		(61)	-	(68)	-
Actuarial (loss)/gain on employee benefit plans		(57)	-	103	63
Other comprehensive (expense)/income		**(1,061)**	**63**	**(880)**	**197**
Total comprehensive income for the period		**67,930**	**25,671**	**173,060**	**88,178**
Profit/(loss) attributable to:					
- Group shareholders		68,922	27,056	174,096	88,796
- Non-controlling interest		69	(1,448)	(156)	(815)
		68,991	**25,608**	**173,940**	**87,981**
Total comprehensive income/(loss) attributable to:					
- Group shareholders		67,861	27,119	173,216	88,993
- Non-controlling interest		69	(1,448)	(156)	(815)
		67,930	**25,671**	**173,060**	**88,178**
Basic and diluted earnings per share (RR)					
Common		30.64	12.03	77.36	39.46
Preferred		30.33	11.87	77.06	39.30
Weighted average shares outstanding (million of shares)					
Common		2,103	2,103	2,103	2,103
Preferred		148	148	148	148

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Consolidated Interim Condensed Statement of Changes in Equity (Unaudited)
(in million of Russian Rubles)

	Attributable to Group shareholders										Non-controlling interest	Total equity
	Number of shares (thousands)	Share capital	Additional paid-in capital	Treasury shares	Actuarial (loss)/gain on employee benefit plans	Foreign currency translation adjustments	Unrealized holding gain/(loss) on available-for-sale securities (for comparatives only)	Gain/(loss) on financial assets at fair value through other comprehensive income, net	Retained earnings	Total shareholders' equity		
Balance at 1 January 2017	**2,250,718**	**11,767**	**85,224**	**(10,250)**	**(1,621)**	**1,201**	**1,713**	**-**	**615,477**	**703,511**	**5,393**	**708,904**
Profit/(loss) for the nine months	-	-	-	-	-	-	-	-	88,796	88,796	(815)	87,981
Other comprehensive income/(loss) for the nine months	-	-	-	-	63	336	(202)	-	-	197	-	197
Total comprehensive income/(loss) for the nine months	**-**	**-**	**-**	**-**	**63**	**336**	**(202)**	**-**	**88,796**	**88,993**	**(815)**	**88,178**
Treasury shares	(2)	-	-	(1)	-	-	-		-	(1)	-	(1)
- Acquisitions	(92)	-	-	(32)	-	-	-		-	(32)	-	(32)
- Disposals	90	-	-	31	-	-	-		-	31	-	31
Business combinations	-	-	-	-	-	-	-		-	-	101	101
Acquisition of non-controlling interest in subsidiaries	-	-	(787)	-	-	-	-		-	(787)	787	-
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-	-	-		-	-	5	5
Dividends declared (Note 13)	-	-	-	-	-	-	-	-	(51,522)	(51,522)	(14)	(51,536)
Balance at 30 September 2017	**2,250,716**	**11,767**	**84,437**	**(10,251)**	**(1,558)**	**1,537**	**1,511**	**-**	**652,751**	**740,194**	**5,457**	**745,651**
Balance at 31 December 2017	**2,250,716**	**11,767**	**84,437**	**(10,251)**	**(1,871)**	**1,677**	**1,846**	**-**	**624,254**	**711,859**	**6,870**	**718,729**
Effect of initial application of IFRS 9 (Note 3)	-	-	-	-	-	-	(1,846)	1,846	(6,959)	(6,959)	(2,048)	(9,007)
Restated balance at 1 January 2018	**2,250,716**	**11,767**	**84,437**	**(10,251)**	**(1,871)**	**1,677**	**-**	**1,846**	**617,295**	**704,900**	**4,822**	**709,722**
Profit/(loss) for the nine months	-	-	-	-	-	-	-	-	174,096	174,096	(156)	173,940
Other comprehensive income/(loss) for the nine months	-	-	-	-	103	(685)	-	(298)	-	(880)	-	(880)
Total comprehensive income/(loss) for the nine months	**-**	**-**	**-**	**-**	**103**	**(685)**	**-**	**(298)**	**174,096**	**173,216**	**(156)**	**173,060**
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	(165)	(165)
Dividends declared (Note 13)	-	-	-	-	-	-	-	-	(95,841)	(95,841)	(1)	(95,842)
Balance at 30 September 2018	**2,250,716**	**11,767**	**84,437**	**(10,251)**	**(1,768)**	**992**	**-**	**1,548**	**695,550**	**782,275**	**4,500**	**786,775**

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

(in million of Russian Rubles)

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Operating activities		
Profit for the period	173,940	87,981
Adjustments:		
Net interest, fee and commission and other operating income and gains on banking activities	(755)	(1,224)
Depreciation, depletion and amortization	22,405	18,826
Income tax expense	48,474	26,638
Loss on impairments of property, plant and equipment, other assets and disposals of interest in subsidiaries and associates	4,414	7,965
Effects of foreign exchange	1,029	(468)
Share of results of associates and joint ventures	12	(52)
Change in provision for impairment of accounts receivable	1,020	998
Interest income on non-banking activities	(3,827)	(5,419)
Interest expense on non-banking activities, net of amounts capitalized	2,358	2,289
Other	(1,233)	750
Changes in operational working capital, excluding cash:		
Accounts receivable	(41,247)	(2,802)
Inventories	(3,253)	(3,812)
Prepaid expenses and other current assets	682	4,552
Financial assets at fair value through profit or loss	(242)	(35)
Accounts payable and accrued liabilities	969	(4,643)
Notes payable	(51)	-
Taxes payable	18,308	3,248
Other non-current assets	(94)	90
Net cash provided by non-banking operating activities before income tax and interest	**222,909**	**134,882**
Net interest, fee and commission and other operating income and gains on banking activities	755	1,224
Adjustments:		
Provision for loan impairment	1,531	7,329
(Recovery)/provision for losses on credit related commitments	(389)	623
Change in fair value of financial assets through profit or loss	617	97
Other	187	(4,693)
Changes in operational working capital on banking activities, excluding cash:		
Mandatory reserve deposits with CB RF	113	14
Due from banks	(168)	6,888
Loans to customers	(7,100)	15,252
Due to banks and CB RF	(1,449)	6,371
Customers' accounts	1,342	(9,044)
Debt securities issued	(2,021)	(481)
Financial assets at fair value through profit or loss	3,727	1,847
Other assets and liabilities	-	(393)
Net cash provided by banking operating activities before income tax	**(2,855)**	**25,034**
Income taxes paid	(42,343)	(26,813)
Interest paid on non-banking activities	(351)	(213)
Interest received on non-banking activities	3,637	5,013
Net cash provided by operating activities	**180,997**	**137,903**

TATNEFT
Consolidated Interim Condensed Statement of Cash Flows (Unaudited)
(in million of Russian Rubles)

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Investing activities		
Additions to property, plant and equipment	(67,172)	(59,668)
Proceeds from disposal of property, plant and equipment	201	745
Net cash outflow on acquisition of subsidiaries	(438)	(3,089)
Cash inflow from disposal of subsidiaries and associates, net of disposed cash	20	32
Purchase of available-for-sale financial assets (for comparatives only)	-	(18,156)
Purchase of financial assets at fair value through other comprehensive income	(11,471)	-
Purchase of held to maturity investments (for comparatives only)	-	(44,026)
Purchase of financial assets at amortised cost	(16,734)	-
Proceeds from disposal of available-for-sale financial assets (for comparatives only)	-	14,243
Proceeds from disposal of financial assets at fair value through other comprehensive income	21,660	-
Proceeds from redemption of held to maturity investments (for comparatives only)	-	3,519
Proceeds from redemption of financial assets at amortised cost	31,853	-
Proceeds from sale of non-current assets held for sale	257	2,207
Purchase of investments in associates and joint ventures	(15)	(44)
Proceeds from redemption of bank deposits	440	32,310
Placement of bank deposits	(20,724)	(993)
Proceeds from redemption of loans and notes receivable	696	926
Issuance of loans and notes receivable	(3,652)	(958)
Change in restricted cash	-	3
Net cash used in investing activities	**(65,079)**	**(72,949)**
Financing activities		
Proceeds from issuance of debt from non-banking activities	25,270	1,668
Repayment of debt from non-banking activities	(48,132)	(3,317)
Issuance of bonds	184	3,808
Redemption of bonds	(5,540)	(22,725)
Proceeds from subordinated debt	-	194
Repayment of subordinated debt	(1,358)	
Dividends paid to shareholders	(33,007)	(51,454)
Dividends paid to non-controlling shareholders	(1)	(14)
Purchase of treasury shares	-	(32)
Proceeds from sale of treasury shares	-	31
Proceeds from issuance of shares by subsidiaries	-	17
Net cash used in financing activities	**(62,584)**	**(71,824)**
Net change in cash and cash equivalents	**53,334**	**(6,870)**
Effect of foreign exchange on cash and cash equivalents	874	(395)
Cash and cash equivalents at the beginning of the period	42,797	77,106
Cash and cash equivalents at the end of the period	**97,005**	**69,841**

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

Note 1: Organisation

PJSC Tatneft (the "Company") and its subsidiaries (jointly referred to as "the Group") are engaged in crude oil exploration, development and production principally in the Republic of Tatarstan ("Tatarstan"), a republic within the Russian Federation. The Group also engages in refining and marketing of crude oil, refined products as well as production and marketing of petrochemicals and since October 2016, with acquisition of the controlling interest in ZENIT Banking Group (Bank ZENIT) the Group is also engaged in banking activities.

The Company was incorporated as an open joint stock company effective 1 January 1994 (the "privatization date") pursuant to the approval of the State Property Management Committee of the Republic of Tatarstan (the "Government"). All assets and liabilities previously managed by the production association Tatneft, Bugulminsky Mechanical Plant, Menzelinsky Exploratory Drilling Department and Bavlinsky Drilling Department were transferred to the Company at their book value at the privatization date in accordance with Decree No. 1403 on Privatization and Restructuring of Enterprises and Corporations into Joint-Stock Companies. Such transfers were considered transfers between entities under common control at the privatization date, and were recorded at book value.

The Group does not have an ultimate controlling party.

As of 30 September 2018 and 31 December 2017 the government of Tatarstan controls about 36% of the Company's voting stock. Tatarstan also holds a "Golden Share", a special governmental right, in the Company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and one representative to the Revision Committee of the Company as well as to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization of the Company and "major" and "interested party" transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government also controls or exercises significant influence over a number of the Group's suppliers and contractors.

The Company is domiciled in the Russian Federation. The address of its registered office is Lenina St., 75, Almetyevsk, Republic of Tatarstan, Russian Federation.

Note 2: Basis of presentation

The consolidated interim condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The consolidated interim condensed financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated interim condensed financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Company omitted disclosures which would substantially duplicate the disclosures contained in its 2017 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition except for changes disclosed below. Management believes that the disclosures are adequate to make the information presented not misleading if these consolidated interim condensed financial statements are read in conjunction with the Group's 2017 audited consolidated financial statements and the notes related thereto. In the opinion of the Group's management, the unaudited consolidated interim condensed financial statements and notes thereto reflect the known adjustments, all of which are of a normal and recurring nature, necessary to fairly state the Group's financial position, results of operations and cash flows for the interim periods.

The entities of the Group maintain their accounting records and prepare their statutory financial statements principally in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAR"), and applicable accounting and reporting standards of countries outside the Russian Federation. A number of entities of the Group prepare their financial statements in accordance with IFRS. The accompanying consolidated interim condensed financial statements have been prepared from these accounting records and adjusted as necessary to comply with IFRS. The principal differences between RAR and IFRS relate to: (1) valuation (including indexation for the effect of hyperinflation in the Russian Federation through 2002) and depreciation of property, plant and equipment; (2) foreign currency translation; (3) deferred income taxes; (4) valuation allowances for unrecoverable assets; (5) consolidation; (6) share based payment; (7) accounting for oil and gas properties; (8) recognition and disclosure of guarantees, contingencies and commitments; (9) accounting for decommissioning provision; (10) pensions and other post retirement benefits and (11) business combinations and goodwill.

Note 2: Basis of presentation (continued)

The accounting policies adopted are consistent with those of the previous financial year except for the effect of new standards adopted from 1 January 2018 or another indicated date, as described below, also changes were made for purpose of segment earnings disclosure.

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual profit or loss.

The following new standards were adopted by the Group starting from the annual period beginning on 1 January 2018:

IFRS 9, Financial Instruments. The standard introduces new requirements for classification and measurement of financial instruments, impairment, and hedge accounting. As the Group does not apply hedge accounting, the main changes relevant to the Group impacted its accounting policies for classification and impairment of financial instruments. The main new accounting policy in relation of financial instruments is described below:

Financial assets – classification, initial recognition and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: those to be measured subsequently at amortised cost (AC), those to be measured at fair value through profit or loss (FVTPL), and those to be measured at fair value through other comprehensive income (FVOCI).

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Following the initial recognition, an expected credit loss allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an accounting loss being recognised immediately after the asset is initially recognised.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The classification and subsequent measurement of debt financial assets depends on:

1) the Group's business model for managing the asset; and

2) the cash flow characteristics of the asset.

Classification for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (the criterion of «only payments of principal and interest on the outstanding principal amount of» (SPPI).

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is:

i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",); or

ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell");

iii) if neither of i) and ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed.

Note 2: Basis of presentation (continued)

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (the SPPI test). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – impairment – credit loss allowance for expected credit loss (ECL). The Group assesses on a forward-looking basis the ECL for debt instruments measured at AC and FVOCI and for the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and and recognises credit loss allowance at each reporting date.

ECL allowance is assessed as the total of credit losses that are expected to be incurred over the whole lifetime of an asset (lifetime ECL), if the credit risk for this financial asset has significantly increased after its initial recognition. Otherwise, the ECL allowance will be estimated in the amount equal to expected credit losses for 12 months. 12-month ECLs are a part of the lifetime ECLs and represent ECLs incurred as a result of events of default on a financial instrument that are possible during 12 months after the reporting date. Lifetime ECLs and 12-month ECLs are calculated on an individual or collective basis depending on the nature of the financial instrument portfolio.

The Group has established a policy for assessment a significant increase in credit risk on a financial instrument at the end of each reporting period from its initial recognition by analysing the changes in risk of default over the remaining lifetime of the financial instrument. The Group applies a “three stage” model for impairment in accordance with IFRS 9, based on changes in credit quality since initial recognition:

- **Stage 1**: At initial recognition of a financial instruments the Group recognises impairment provision in the amount of 12-month ECLs. Stage 1 also includes financial instruments without any significant increase in credit risk since initial recognition. Stage 1 also incorporates financial instruments, for which credit risk decreased to such extent that they have been transferred from Stage 2. 12-month ECLs are recognised for such assets with interest income calculated on the basis of the asset’s gross carrying value.
- **Stage 2**: Stage 2 includes financial instruments with a significant increase in credit risk since initial recognition. Stage 2 also includes financial instruments, for which credit risk decreased to such extent that they have been transferred from Stage 3. The Group recognises impairment provision equal to lifetime ECLs for such assets with interest income calculated on the basis of the asset’s gross carrying value.
- **Stage 3**: Stage 3 includes financial instruments with objective impairment indicators identified at the reporting date (credit-impaired assets). The Group recognises impairment provision equal to lifetime ECLs for such assets with interest income calculated on the basis of the asset’s net book value given the effect of the discounted cash flows on financial instruments.

IFRS 9 establishes specific rules for assessing of loss allowances and recognising interest income on purchased and originated assets that were credit-impaired already at initial recognition (purchased or originated credit-impaired financial assets, or POCI assets). Such assets are carried at fair value at initial recognition. The effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments. For financial assets that are purchased or originated credit-impaired, the ECL is always measured as a lifetime ECL. ECL allowance is recognised or recovered only if there are subsequent significant changes in expected credit losses and to the extent that the amount of ECLs has changed.

For all trade receivables the Group applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics, type of products or services and the days past due. The Group calculates expected loss rates for trade receivables based on historical data which are a reasonable approximation of current loss rates.

Note 2: Basis of presentation (continued)

Financial assets – an assessment of stages and default identification process. An assessment is performed at each reporting date to identify a significant increase in credit risk since initial recognition of a financial instrument. Such assessment is performed on the basis of qualitative and quantitative information:

- Quantitative assessment is performed on the basis of a change in risk of default arising over the expected lifetime of a financial asset.
- Qualitative assessment implies that a number of factors are important for assessing significant increase in credit risk (restructuring indicative of problems, establishing favourable schedule for repaying loan interest and principal, significant changes in expected results of operations and behaviour of a borrower and other material changes).

Financial assets move from Stage 1 to Stage 2 if there is one or a combination of the following factors:

- financial assets are over 30 days overdue;
- credit rating deteriorates;
- there are early warning indicators of an increase in credit risk; a need to change previously agreed on terms of the agreement to create more favourable environment for a customer due to his inability to meet current liabilities because of the customer's financial position; full or partial refinancing of the current debt which would not be required if the client did not experience financial difficulties;
- a customer has no rating at the reporting date;
- information on future changes in assets that may result in credit losses not considered in the rating systems is identified (e.g. military conflicts in the region that may have a significant impact on future credit quality).

A default is recognised if one or a combination of the following events occur:

- financial assets are over 90 days overdue (a rebuttable presumption);
- a default rating is assigned;
- restructuring indicative of problems is undertaken;
- a favourable schedule for repaying interest and principal with payments to be made at the end of the term is granted.

Financial liabilities – classification and subsequent measurement – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for:

- financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition;
- financial guarantee contracts and loan commitments.

IFRS 15, Revenue from Contracts with Customers. Revenues represent the fair value of consideration received or receivable for the sale of goods and services in the normal course of business, net of discounts, export duties, value-added tax and excise.

The Group's business activities include sales of crude oil and refined products, sales of tires and petrochemical raw materials. Revenues are recognized at a point in time when control over such products has transferred to a customer, which refers to ability to direct the use of, and obtain substantially all of the remaining benefits from the products. Transfer occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The Group considers indicators that customer has obtained control of an asset, which include, but are not limited to the following: the Group has a present right to payment for the products; the Group has transferred physical possession of the products; the customer has legal title to the products; the customer has the significant risks and rewards of ownership of the products; the customer has accepted the products. Not all of the indicators need to be met for management to conclude that control has transferred and revenue could be recognized. Management uses judgement to determine whether factors collectively indicate that the customer has obtained control.

When the consideration includes a variable amount, minimum amounts must be recognized that are not at significant risk of reversal. The sales price is determined on a provisional basis, and the fair value of the final sales price adjustment is re-estimated continuously with changes in fair value recognized as an adjustment to revenue.

Note 2: Basis of presentation (continued)

The Group operates a chain of own petrol (gas) stations selling refined products. Revenue from the sale of products is recognized when a group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the fuel. Since no right of return, no refund liability recognized.

The Group recognizes revenue from electricity sales upon delivery of electricity during the period. Revenue is recognized in an amount that reflects the consideration to which the Group is expected to be entitled in exchange for the transfer of goods or services promised to the customer. Revenue transactions under free bilateral contracts are shown net of related purchases of equivalent electricity volumes which the market participant is obliged to make in accordance with the industry regulations.

Revenues from providing services are recognized in the period in which the services are rendered.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. No significant element of financing is deemed present as the sales are made with short-term credit terms consistent with market practice. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

Use of estimates in the preparation of financial statements. The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements that have the most significant effect on the amounts recognized in the consolidated interim condensed financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

- Estimation of oil and gas reserves;
- Useful life of property, plant and equipment;
- Decommissioning provisions;
- Impairment of property, plant and equipment;
- Impairment of loans to customers on banking activities (for comparatives only);
- Impairment of other loans (for comparatives only);
- Impairment of available-for-sale equity investments (for comparatives only);
- Held-to-maturity financial assets (for comparatives only);
- Accounting of investments in JSC «National Non-State Pension Fund»;
- Financial instruments fair value estimation.

In preparing these consolidated interim condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, with the exception of changes in estimates that are required in determining the provision for income taxes and following new accounting estimates:

- **ECL measurement.** Calculation and measurement of ECLs is an area of significant judgement, and implies methodology, models and data inputs. The following components of ECL calculation have the major impact on credit loss allowance for ECLs: default definition, significant increase in credit risk (SICR), probability of default (PD), exposure at default (EAD), loss given default (LGD), macromodels and scenario analysis for credit impaired loans. The Group regularly reviews and validates models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Note 2: Basis of presentation (continued)

The ECL calculation technique involves the use of the following key parameters:

Probability of default (PD). This parameter reflects the estimated probability that a default will occur during a certain period of time. The default may occur only at a certain point in time within the considered period provided that the financial asset has not been derecognised before and such asset is still included in the portfolio.

Exposure at default (EAD). This parameter reflects the estimated risk at the date of default in future after considering the expected changes in risk after the reporting date, including repayment of principal and interest as scheduled in the contracts or at any other time, expected credit line drawdowns and amounts of interest accrued on overdue payments. For off-balance sheet items (guarantees issued, letters of credit, unused credit lines), the total amount of exposure is equal to the risk before credit conversion factors (CCF). The credit conversion factor represents a proportion of the current unused amount which will be utilised within 12 months before the default (applied to off-balance sheet items).

Loss given default (LGD). This parameter reflects the estimated amount of loss arising in case of default at a certain point in time. Since this parameter is affected by the macroeconomic environment, the level of loss at default is actually dependent on the period of time. Depending on the available information on the level of loss, different LGD models are applied. If there is sufficient information on the level of loss, this parameter is estimated by comparing EAD to discounted cash flows (Workout LGD). If such information is limited external data can be used (Implied Market LGD).

- **SICR.** In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the expected life of a financial instrument at the reporting date with the risk of default at the date of initial recognition. IFRS 9 requires an assessment of relative increases in credit risk rather than the identification of a specific level of credit risk at the reporting date. In this assessment, the Group considers a range of indicators: including behavioural indicators based on historical information as well as reasonable and supportable forward looking information available without undue cost and effort. The most significant judgments include: identifying behavioural indicators of increases in credit risk prior to delinquency and incorporating appropriate forward looking information into the assessment, either at an individual instrument, or on a portfolio level.

- **Determining business model and applying SPPI test.** In determining the appropriate measurement category for debt financial instruments, the Group applies two assessments: the business model assessment for managing the assets and the SPPI test based on contractual cash flows characteristics on initial recognition. The business model assessment is determined on a certain level of aggregation and the Group was required to apply judgement to determine the level at which business model condition is applied.

Functional and Presentation Currency. The presentation currency of the Group is the Russian Ruble.

Management has determined the functional currency for each consolidated subsidiary of the Group, except for major subsidiaries located outside of the Russian Federation, is the Russian Ruble because the majority of Group revenues, costs, property and equipment purchased, debt and trade liabilities are either priced, incurred, payable or otherwise measured in Russian Rubles. Accordingly, transactions and balances not already measured in Russian Rubles (primarily US Dollars) have been re-measured into Russian Rubles in accordance with the relevant provisions of IAS 21 “The Effects of Changes in Foreign Exchange Rates”.

For operations of major subsidiaries located outside of the Russian Federation, that primarily use US Dollar as the functional currency, adjustments resulting from translating foreign functional currency assets and liabilities into Russian Rubles are recorded in a separate component of shareholders’ equity entitled foreign currency translation adjustments. Revenues, expenses and cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

The official rate of exchange, as published by the Central Bank of Russian Federation (“CB RF”), of the Russian Ruble (“RR”) to the US Dollar (“US $”) at 30 September 2018 and 31 December 2017 was RR 65.59 and RR 57.60 to US $, respectively. Average rate of exchange for the nine months ended 30 September 2018 and 2017 were RR 61.44 and RR 58.33 per US $, respectively.

(in million of Russian Rubles)

Note 3: Adoption of new or revised standards and interpretations

Adoption of IFRS 9. The Group has adopted IFRS 9, *Financial Instruments*, with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities at the date of initial application in the opening retained earnings of the current period. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

Details of the specific IFRS 9 accounting policies applied in the current period are described in Note 2.

The impact of the IFRS 9 adoption on the Group is disclosed below:

	Measurement category IAS 39					Measurement category IFRS 9	
				Remeasurement			
Financial assets	**Category**	**Amount**	**Reclassification**	**ECL**	**Other**	**Category**	**Amount**
Cash and cash equivalents							
Cash on hand and in banks	Loans and receivables	29,219	-	-	-	Amortized cost	29,219
Term deposits	Loans and receivables	11,906	-	-	-	Amortized cost	11,906
Due from banks	Loans and receivables	1,672	-	-	-	Amortized cost	1,672
Banking: Mandatory reserve deposits with CB RF	Loans and receivables	1,916	-	-	-	Amortized cost	1,916
Accounts receivable							
Trade receivables	Loans and receivables	59,075	-	-	-	Amortized cost	59,075
Other financial receivables	Loans and receivables	5,771	-	(54)	-	Amortized cost	5,717
Banking: Loans to customers	Loans and receivables	150,983	(15,316)	(6,834)	-	Amortized cost	128,833
Banking: Loans to customers	Loans and receivables	-	15,316	-	(717)	FVTPL	14,599
Other financial assets							
Bank deposits	Loans and receivables	302	-	-	-	Amortized cost	302
Due from banks	Loans and receivables	1,183	-	-	-	Amortized cost	1,183
REPO with banks	Loans and receivables	459	-	-	-	Amortized cost	459
Notes receivable	Loans and receivables	456	-	-	-	Amortized cost	456
Loans to employees	Loans and receivables	1,558	-	(354)	-	Amortized cost	1,204
Other loans	Loans and receivables	11,321	-	(1,569)	-	Amortized cost	9,752
Held-for-trading financial assets	FVTPL	8,501	(1,028)	-	9	FVTPL	7,482
Held-for-trading financial assets	FVTPL	-	1,510	-	-	FVOCI	1,510
Available-for-sale financial assets	Available-for-sale	41,705	(482)	(193)	-	FVOCI	41,030
Held to maturity financial assets	Held-to-maturity	55,805	(854)	(201)	-	Amortized cost	54,750
Held to maturity financial assets	Held-to-maturity	-	854	-	(153)	FVTPL	701

(in million of Russian Rubles)

Note 3: Adoption of new or revised standards and interpretations (continued)

The following table reconciles the prior period's closing provision for impairment measured in accordance with incurred loss model under IAS 39 to the new credit loss allowance measured in accordance with expected loss model under IFRS 9 at 1 January 2018:

	Measurement category		Provision for impairment under IAS 39 or IAS 37 at 31 December 2017	Effect		Credit loss allowance under IFRS 9 at 1 January 2018
	IAS 39	IFRS 9		Remeasu-rement	Reclassi-fication	
Accounts receivable						
Trade receivables	Loans and receivables	Amortized cost	(1,676)	-	-	(1,676)
Other financial receivables	Loans and receivables	Amortized cost	(2,419)	(54)	-	(2,473)
Banking: Loans to customers	Loans and receivables	Amortized cost	(4,925)	(6,834)	-	(11,759)
Banking: Loans to customers	Loans and receivables	FVTPL	(2,357)	-	2,357	-
Other financial assets						
Bank deposits	Loans and receivables	Amortized cost	(5,547)	-	-	(5,547)
Notes receivable	Loans and receivables	Amortized cost	(318)	-	-	(318)
Loans to employees	Loans and receivables	Amortized cost	(1,420)	(354)	-	(1,774)
Other loans	Loans and receivables	Amortized cost	(7,894)	(1,569)	-	(9,463)
Available-for-sale financial assets	Available-for-sale	FVOCI	-	(193)	-	(193)
Held to maturity financial assets	Held-to-maturity	Amortized cost	-	(201)	-	(201)
Credit related commitments			(248)	(710)	-	(958)
Total			**(26,804)**	**(9,915)**	**2,357**	**(34,362)**

The effect of the transition to IFRS 9 on equity is as follows:

Opening equity balance under IAS 39 at 31 December 2017	**718,729**
Recognition of ECL under IFRS 9 for financial assets at AC	(9,012)
Recognition of ECL under IFRS 9 for for financial assets at FVOCI	(193)
Recognition of ECL under IFRS 9 for credit related commitments	(710)
Remeasurement of loans and advances at FVTPL	(717)
Other remeasurement	(144)
Deferred tax	1,769
Total effect of initial application of IFRS 9	**(9,007)**
Including attributable to non-controlling interest	(2,048)
Revised opening balance under IFRS 9 at 1 January 2018	**709,722**

Adoption of IFRS 15. The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. In accordance with the transition provisions in IFRS 15, the Group has elected simplified transition method with the effect of transition to be recognised as at 1 January 2018. The Group applies IFRS 15 retrospectively only to contracts that are not completed at the date of initial application. An impact on the Group’s consolidated financial statements from the adoption of the new standard on 1 January 2018 is not significant and therefore no adjustments are need to made to the amounts recognized in the balance sheet at the date of initial application (1 January 2018). The Group has recognized no additional contract assets or contract liabilities.

(in million of Russian Rubles)

Note 3: Adoption of new or revised standards and interpretations (continued)

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Certain new standards, interpretations and amendments to standards have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted. The full list of such standards, interpretations and amendments to standards was disclosed in the consolidated financial statements as of and for the year ended 31 December 2017.

Following new standards, amendments and interpretations to existing standards have been issued since the Group published its last annual consolidated financial statements:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

The Group is currently assessing the impact of new standards on its consolidated interim condensed financial statements.

Note 4: Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 30 September 2018	**At 31 December 2017**
Cash on hand and in banks	25,241	29,219
Term deposits with original maturity of less than three months	58,447	11,906
Due from banks	13,317	1,672
Total cash and cash equivalents	**97,005**	**42,797**

Term deposits with original maturity of less than three months represent deposits placed in banks in the course of non-banking activities. Due from banks represent deposits with original maturities of less than three months placed in the course of banking activities in banks other than those that are part of the Group. The estimated fair value of cash and cash equivalents approximates their carrying value (Note 20).

(in million of Russian Rubles)

Note 5: Accounts receivable

Short-term and long-term accounts receivable comprise the following:

	At 30 September 2018	At 31 December 2017
Short-term accounts receivable:		
Trade receivables	100,572	58,696
Other financial receivables	3,973	5,025
Other non-financial receivables	201	191
Less credit loss allowance	(3,211)	(2,314)
Total short-term accounts receivable	**101,535**	**61,598**
Long-term accounts receivable:		
Trade receivables	1,752	2,055
Other financial receivables	3,211	3,165
Less credit loss allowance	(1,809)	(1,781)
Total long-term accounts receivable	**3,154**	**3,439**
Total trade and other receivables	**104,689**	**65,037**

The estimated fair value of short-term and long-term accounts receivable approximates their carrying value (Note 20).

Note 6: Banking: Loans to customers

	At 30 September 2018	At 31 December 2017
Loans to legal entities	105,109	122,699
Loans to individuals	38,819	35,566
Loans to customers at AC before impairment	**143,928**	**158,265**
Credit loss allowance	(13,290)	(7,282)
Total loans to customers at AC	**130,638**	**150,983**
Loans to customers at FVTPL	13,642	-
Total loans to customers	**144,280**	**150,983**
Less: long term loans at FVTPL	(13,642)	-
Less: long term loans at AC	(97,832)	(112,579)
Less: credit loss allowance for long term loans	7,069	6,091
Total short term loans to customers and current portion of long term loans to customers at AC	**39,875**	**44,495**

As at 30 September 2018 and 31 December 2017 the Group granted loans to 20 and 17 customers totalling RR 52,345 million and RR 50,314 million respectively, which individually exceeded 5% of the Bank ZENIT equity.

As at 30 September 2018 and 31 December 2017, the total amount of pledged loans to legal entities is RR 2,128 million and RR 3,297 million and loans to individuals is RR 5,710 million and RR 5,985 million respectively. The loans are pledged against the funds accounted within Due to banks and CB RF.

(in million of Russian Rubles)

Note 6: Banking: Loans to customers (continued)

The analysis of changes in credit loss allowance for the nine months ended 30 September 2018 is presented in the table below:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2018	**(10,605)**	**(1,154)**	**(11,759)**
Net provision for credit loss allowance during the period	(1,147)	(384)	(1,531)
Credit loss allowance as at 30 September 2018	**(11,752)**	**(1,538)**	**(13,290)**

Movements in the provision for loan impairment during the nine months ended 30 September 2017 are as follows:

	Loans to legal entities	Loans to individuals	Total
Provision for loan impairment at 1 January 2017	**(1,030)**	**(137)**	**(1,167)**
Net provision charge for loan impairment during the period	(6,867)	(462)	(7,329)
Loans and advances to customers written off during the period	106	19	125
Cession	1,102	32	1,134
FX translation	168	-	168
Provision for loan impairment as at 30 September 2017	**(6,521)**	**(548)**	**(7,069)**

Loans and advances to legal entities which due to transition to IFRS 9 were reclassified at fair value through profit or loss, at 1 January 2018 amounted to RR 14,599 million (31 December 2017: these loans were measured at amortised cost, their carrying amount being RR 17,673 million before impairment provision, the provision amounting to RR 2,357 million). The fair value of loans and advances to customers, including a breakdown by fair value hierarchy level, is disclosed in Note 20. Information on related party balances is disclosed in Note 18.

(in million of Russian Rubles)

Note 7: Other financial assets

Other short-term financial assets comprise the following as at 30 September 2018:

	At 30 September 2018
Financial assets at AC	
Notes receivable	387
Other loans (net of credit loss allowance of RR 237 million as of 30 September 2018)	3,724
Bank deposits (net of credit loss allowance of RR 5,544 million as of 30 September 2018)	20,874
Due from banks	1,308
REPO with banks	619
Securities held by the Group (net of credit loss allowance of RR 54 million as of 30 September 2018):	8,760
Russian government and municipal debt securities	262
Corporate debt securities	8,498
Securities pledged under sale and repurchase agreements (net of credit loss allowance of RR 89 million as of 30 September 2018):	15,108
Russian government and municipal debt securities	1,311
Corporate debt securities	13,797
Financial assets at FVTPL	
Securities held by the Group:	4,657
Russian government and municipal debt securities	269
Corporate debt securities	3,195
Corporate shares	139
Derivatives	1,054
Financial assets at FVOCI	
Securities held by the Group (net of credit loss allowance of RR 2 million as of 30 September 2018):	1,992
Russian government and municipal debt securities	290
Corporate debt securities	1,500
Corporate shares	202
Total short-term financial assets	**57,429**

(in million of Russian Rubles)

Note 7: Other financial assets (continued)

Other short-term financial assets comprise the following as at 31 December 2017:

	At 31 December 2017
Loans and receivables	
Notes receivable	1
Loans	455
Bank deposits (net of provision for impairment of RR 5,547 million as at 31 December 2017)	2
Due from banks	956
REPO with banks	459
Held-for-trading financial assets	
Securities held by the Group:	6,006
Russian government and municipal debt securities	1,564
Corporate debt securities	4,265
Corporate shares	177
Securities pledged under sale and repurchase agreements:	2,495
Russian government and municipal debt securities	1,022
Corporate debt securities	1,473
Available-for-sale financial assets	
Securities held by the Group:	6,680
Russian government and municipal debt securities	12
Corporate debt securities	6,668
Securities pledged under sale and repurchase agreements:	3,976
Russian government and municipal debt securities	1,052
Corporate debt securities	2,924
Held to maturity investments	
Securities held by the Group:	32,362
Russian government and municipal debt securities	238
Corporate debt securities	32,124
Securities pledged under sale and repurchase agreements:	15,533
Russian government and municipal debt securities	2,191
Corporate debt securities	13,342
Total short-term financial assets	**68,925**

(in million of Russian Rubles)

Note 7: Other financial assets (continued)

Other long-term financial assets comprise the following as at 30 September 2018:

	At 30 September 2018
Financial assets at AC	
Notes receivable (net of credit loss allowance of RR 318 million as of 30 September 2018)	320
Loans to employees (net of credit loss allowance of RR 1,778 million as of 30 September 2018)	1,067
Other loans (net of credit loss allowance of RR 14,279 million as of 30 September 2018)	11,937
Bank deposits	300
Due from banks	28
Securities held by the Group (net of credit loss allowance of RR 124 million as of 30 September 2018):	16,670
Russian government and municipal debt securities	4,560
Corporate debt securities	12,110
Financial assets at FVTPL	
Securities held by the Group:	728
Corporate shares	728
Financial assets at FVOCI	
Securities held by the Group (net of credit loss allowance of RR 247 million as of 30 September 2018):	30,928
Russian government and municipal debt securities	63
Corporate shares	12,250
Corporate debt securities	5,633
Investment fund units	12,982
Total long-term financial assets	**61,978**

Other long-term financial assets comprise the following as at 31 December 2017:

	At 31 December 2017
Loans and receivables	
Notes receivable (net of provision for impairment of RR 318 million as at 31 December 2017)	455
Loans to employees (net of provision for impairment RR 1,420 million as at 31 December 2017)	1,558
Other loans (net of provision for impairment of RR 7,894 million as at 31 December 2017)	10,866
Bank deposits	300
Due from banks	227
Available-for-sale financial assets	
Securities held by the Group:	31,049
Corporate shares	12,824
Russian government and municipal debt securities	1,711
Corporate debt securities	3,558
Investment fund units	12,956
Held to maturity investments	
Securities held by the Group:	7,909
Russian government and municipal debt securities	3,732
Corporate debt securities	4,177
Total long-term financial assets	**52,364**

The fair value of financial assets and valuation techniques used are disclosed in Note 20.

(in million of Russian Rubles)

Note 7: Other financial assets (continued)

Corporate bonds consist of Russian Ruble, US Dollar and Euro denominated bonds and Eurobonds issued by Russian banks and companies.

Federal loan bonds consist of Russian Ruble denominated government securities issued by the Ministry of Finance of the Russian Federation, which are commonly referred to as “OFZ” and Russian Federation Eurobonds.

Municipal bonds consist of Russian Ruble denominated bonds issued by regional and municipal authorities of the Russian Federation.

Corporate shares at FVTPL include quoted shares of Russian companies and banks. At 30 September 2018 unquoted securities at FVOCI include investment in AK BARS Bank ordinary shares (17.24%) in the amount of RR 7,300 million. At 31 December 2017 investment in AK BARS Bank ordinary shares was included to available-for-sale financial assets.

Investment fund units are solely presented with investment in closed mutual investment rental fund AK BARS – Gorizont. The main assets of this fund are the land plots located in Tatarstan Republic. The Group does not exercise significant influence over this investment and therefore accounts for it as a financial assets at FVOCI (2017: available-for-sale investment).

As at 30 September 2018 and 31 December 2017 RR 12,880 million and RR 19,757 million of due to banks was received under sale and repurchase agreements, fair value of securities pledged amounts to RR 14,423 million and RR 22,004 million.

Note 8: Inventories

	At 30 September 2018	At 31 December 2017
Materials and supplies	12,700	13,692
Crude oil	10,782	8,745
Refined oil products	10,561	12,541
Petrochemical supplies and finished goods	8,949	4,340
Total inventories	**42,992**	**39,318**

Note 9: Prepaid expenses and other current assets

Prepaid expenses and other current assets are as follows:

	At 30 September 2018	At 31 December 2017
Prepaid export duties	3,692	3,003
VAT recoverable	5,942	6,817
Advances	10,062	10,534
Prepaid transportation expenses	1,613	1,247
Other	1,236	1,522
Prepaid expenses and other current assets	**22,545**	**23,123**

(in million of Russian Rubles)

Note 10: Taxes

Income tax expense comprises the following:

	Three months ended 30 September:		Nine months ended 30 September:	
	2018	**2017**	**2018**	**2017**
Current income tax expense	(17,655)	(7,785)	(44,423)	(24,475)
Deferred income tax expense	(2,117)	(1,461)	(4,051)	(2,163)
Income tax expense for the period	**(19,772)**	**(9,246)**	**(48,474)**	**(26,638)**

Presented below is reconciliation between the provision for income taxes and taxes determined by applying the statutory tax rate 20% (for the year ended 31 December 2017: 20%) to profit before income tax:

	Three months ended 30 September:		Nine months ended 30 September:	
	2018	**2017**	**2018**	**2017**
Profit before income tax	88,763	34,854	222,414	114,619
Theoretical income tax expense at statutory rate	(17,753)	(6,971)	(44,483)	(22,924)
Increase due to:				
Non-deductible expenses, net	(1,683)	(2,238)	(3,714)	(3,509)
Deferred tax assets write-off	(451)	-	(451)	(489)
Other	115	(37)	174	284
Income tax expense	**(19,772)**	**(9,246)**	**(48,474)**	**(26,638)**

The Group is subject to a number of taxes other than income taxes, which are detailed as follows:

	Three months ended 30 September:		Nine months ended 30 September:	
	2018	**2017**	**2018**	**2017**
Mineral extraction tax	80,551	44,111	209,521	132,601
Property tax	1,498	1,399	5,020	4,255
Other	436	471	1,224	1,356
Total taxes other than income taxes	**82,485**	**45,981**	**215,765**	**138,212**

At 30 September 2018 and 31 December 2017 taxes payable were as follows:

	At 30 September 2018	**At 31 December 2017**
Mineral extraction tax	29,432	20,030
Value Added Tax on goods sold	9,953	2,789
Export duties	2,156	1,344
Property tax	1,384	774
Other	3,216	2,869
Total taxes payable	**46,141**	**27,806**

(in million of Russian Rubles)

Note 11: Debt

	At 30 September 2018	At 31 December 2017
Short-term debt		
Bonds issued	331	6,836
Subordinated debt	2,166	-
Debt securities issued	1,341	3,330
US $75 mln 2011 credit facility	-	1,508
US $144.5 mln 2011 credit facility	-	2,917
EUR 55 mln 2013 credit facility	-	2,364
RR 40,000 million 2017 credit facility	-	20,955
Other debt	1,161	2,006
Total short-term debt	**4,999**	**39,916**
Current portion of long-term debt	1,556	-
Total short-term debt, including current portion of long-term debt	**6,555**	**39,916**
Long-term debt		
US $75 mln 2011 credit facility	1,542	-
US $144.5 mln 2011 credit facility	3,045	-
EUR 55 mln 2013 credit facility	2,457	-
Bonds issued	2,113	906
Subordinated debt	1,371	4,492
Debt securities issued	67	98
Other debt	1,431	1,400
Total long-term debt	**12,026**	**6,896**
Less: current portion of long-term debt	(1,556)	-
Total long-term debt, net of current portion	**10,470**	**6,896**

Credit facilities. In November 2011, TANECO entered into a US $75 million credit facility with equal semi-annual repayments during ten years. The loan was arranged by Nordea Bank AB (Publ), Société Générale and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.1% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

In November 2011, TANECO entered into a US $144.5 million credit facility with equal semi-annual repayments during ten years with the first repayment date on 15 May, 2014. The loan was arranged by Société Générale, Sumitomo Mitsui Banking Corporation Europe Limited and the Bank of Tokyo-Mitsubishi UFJ LTD. The loan bears interest at LIBOR plus 1.25% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

In May 2013, TANECO entered into a Euro 55 million credit facility with equal semi-annual repayment during ten years. The loan was arranged by The Royal Bank of Scotland plc and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.5% per annum. In accordance with credit facility terms repayment of the debt is performed in USD. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios. In May 2016 this credit facility was assigned to Citibank Europe plc, UK Branch with credit facility details remaining.

In December 2017 the Company entered into revolving credit facility with differentiated interest rates for up to RR 40,000 million. The credit facility is arranged by Sberbank and expires in 2020. In December 2017 the Company received a loan under this credit facility at rates ranging from 6.91% to 7.44% which was fully repaid in February 2018. In March 2018 the Company received a new loan under this credit facility at rate 6,60 % per annum which was fully repaid in April 2018.

Bonds issued. At 30 September 2018 and 31 December 2017 bonds issued are bonds denominated in Russian Rubles issued by Bank ZENIT that mature between 2018 and 2025. At 30 September 2018 and 31 December 2017 the annual coupon rates on these securities range from 7.5% to 8.5% and 8.5% to 10.75% respectively. The majority of bonds allow early repurchase at the request of the bond holder as set in the respective offering documents. In addition, the issuer at any time with the consent of the bond holder, may purchase/repay the bonds early with the possibility of subsequently placing the bonds in the market. Such purchase/repayment of the bonds does not constitute an early redemption.

(in million of Russian Rubles)

Note 11: Debt (continued)

Subordinated debt. At 30 September 2018 and 31 December 2017 subordinated debt is presented with two and three subordinated loans raised by Bank ZENIT, respectively. Subordinated loans bear interest at rates ranging from 6.5% to 9.5% and mature from 2019 to 2024 at 30 September 2018 and 31 December 2017.

The Group is obliged to comply with certain financial covenants in relation to subordinated loan maturing in December 2024 bearing an interest rate of 9.5%. At 30 September 2018 the Group did not perform an assessment of compliance to these covenants since the obligation to calculate them is provided on a semi-annual basis. At 30 June 2018 the Group was in compliance with these covenants.

In September 2015, Bank ZENIT received five subordinated loans totalling RR 9,933 million from the Deposit Insurance Agency (DIA) within the Russian Federation Government programme for additional capitalisation of Russian banks. Under the terms of these subordinated loan agreements the DIA paid these loans by securities (OFZ of five series), that should be returned by Bank ZENIT to the DIA upon maturity of the subordinated loans. These subordinated loans have maturity dates from January 2025 to November 2034 and the interest rate of coupon of OFZ plus 1% p.a. In accordance with IFRS 9 and IAS 39 if securities are lent under an agreement that provides for their return to the transferor, they continue to be recognised by the transferor and are not recorded on the recipient's balance sheet because the transferor retains substantially all the risks and rewards of ownership. Accordingly, the obligation to return the securities should not be recognised in the statement of financial position. Therefore, this interim consolidated financial information does not include OFZ and subordinated loans received by Bank ZENIT within the government programme for additional capitalisation of Russian banks. In accordance with the Bank of Russia's Regulation No. 395-P these subordinated loans are accounted for within Bank ZENIT's additional capital to calculate its capital adequacy levels.

Debt securities issued. At 30 September 2018 and at 31 December 2017 debt securities are promissory notes issued by Bank ZENIT at a discount to nominal value and interest bearing promissory notes denominated in Russian Rubles and US Dollars. Maturity dates of these promissory notes vary from 2018 to 2028.

As at 30 September 2018 and 31 December 2017 non-interest-bearing promissory notes of the aggregate nominal value of RR 554 million and RR 505 million respectively were issued by the Group for settlement purposes and mature primarily on demand.

Note 12: Accounts payable and accrued liabilities

	At 30 September 2018	At 31 December 2017
Trade payables	24,633	22,366
Other payables	1,602	3,400
Total financial liabilities within trade and other payables	**26,235**	**25,766**
Salaries and wages payable	3,873	3,374
Advances received from customers	6,284	8,003
Current portion of decommissioning provisions	64	64
Other accounts payable and accrued liabilities	4,228	4,322
Total non-financial liabilities	**14,449**	**15,763**
Accounts payable and accrued liabilities	**40,684**	**41,529**

The fair value of each class of financial liabilities included in short-term trade and other payables at 30 September 2018 and 31 December 2017 is presented in Note 20.

Note 13: Dividends payable

In September 28, 2018 the shareholders of the Company approved the payment of interim dividends for the six months ended 30 June 2018 in amount of RR 30.27 per preference and ordinary share. Dividends will be paid in the fourth quarter of 2018.

(in million of Russian Rubles)

Note 13: Dividends payable (continued)

In June 2018 the shareholders of the Company approved the payment of dividends for the year ended 31 December 2017 in amount of RR 39.94 per preference and ordinary share with the consideration of earlier paid interim dividends for the nine months ended 30 September 2017 in the amount of RR 27.78 per preference and ordinary share. Dividends were paid in the third quarter of 2018.

In June 2017 the shareholders of the Company approved the payment of dividends for the year ended 31 December 2016 in amount of RR 22.81 per preference and ordinary share. Dividends were paid in the third quarter of 2017.

Note 14: Interest income and expense on banking activity

	Three months ended 30 September:		Nine months ended 30 September:	
	2018	**2017**	**2018**	**2017**
Interest income				
Loans to customers	3,661	4,500	11,622	18,647
Due from banks	125	393	377	1,540
Financial assets at AC	650	-	1,715	-
Held to maturity investments (for comparatives only)	-	490	-	813
Correspondent accounts	8	11	19	30
Financial assets held-for-trading (for comparatives only)	-	129	-	392
Financial assets at FVTPL	85	-	282	-
Available for sale financial assets (for comparatives only)	-	231	-	746
Financial assets at FVOCI	114	-	598	-
Total interest income on banking activity	**4,643**	**5,754**	**14,613**	**22,168**
Interest expense				
Term deposits of individuals	(1,048)	(1,099)	(3,210)	(4,115)
Term deposits of legal entities	(517)	(628)	(1,642)	(2,214)
RUR-denominated bonds issued	(81)	(1,240)	(635)	(2,303)
Subordinated debt	(98)	(24)	(407)	(833)
Term placements of banks	(434)	(352)	(1,561)	(1,165)
Debt securities issued	(15)	(100)	(50)	(159)
Total interest expense on banking activity	**(2,193)**	**(3,443)**	**(7,505)**	**(10,789)**
Net interest income on banking activity	**2,450**	**2,311**	**7,108**	**11,379**

(in million of Russian Rubles)

Note 15: Fee and commission income and expense on banking activity

	Three months ended 30 September:		Nine months ended 30 September:	
	2018	**2017**	**2018**	**2017**
Settlement transactions	589	528	1,623	1,458
Cash transactions	309	166	487	440
Operations with foreign currencies	102	107	296	295
Guarantees issued	86	75	166	210
Transactions with securities	8	5	18	17
Asset management	2	2	7	9
Other	(91)	58	98	173
Total fee and commission income on banking activity	**1,005**	**941**	**2,695**	**2,602**
Settlement transactions	(227)	(220)	(628)	(588)
Cash transactions	(123)	(32)	(126)	(93)
Transactions with securities	(9)	(13)	(27)	(41)
Operations with foreign currencies	(6)	(5)	(18)	(16)
Commission on guarantees received	(3)	(1)	(8)	(6)
Other	25	(28)	(105)	(70)
Total fee and commission expense on banking activity	**(343)**	**(299)**	**(912)**	**(814)**
Net fee and commission income on banking activity	**662**	**642**	**1,783**	**1,788**

Note 16: Other income and expenses

Interest income on non-banking activities comprises the following:

	Three months ended 30 September:		Nine months ended 30 September:	
	2018	**2017**	**2018**	**2017**
Interest income from loans and receivables (for comparatives only)	-	1,364	-	5,226
Interest income from financial assets at AC	1,610	-	3,608	-
Unwinding of the present value discount of long-term financial assets	52	47	219	193
Total interest income on non-banking activities	**1,662**	**1,411**	**3,827**	**5,419**

Interest expense on non-banking activities comprises the following:

	Three months ended 30 September:		Nine months ended 30 September:	
	2018	**2017**	**2018**	**2017**
Bank loans	(107)	(68)	(288)	(290)
Unwinding of the present value discount of decommissioning provision	(674)	(649)	(2,024)	(1,947)
Unwinding of the present value discount of long-term financial assets and liabilities	(16)	(13)	(46)	(52)
Total interest expenses on non-banking activities recognized in profit or loss	**(797)**	**(730)**	**(2,358)**	**(2,289)**

For the nine months ended 30 September 2018 the Group recognized RR 17,805 million and RR 11,805 million foreign exchange gains and losses respectively in the consolidated interim condensed statement of profit or loss and other comprehensive income (for the nine months ended 30 September 2017: RR 10,924 million and RR 12,585 million, respectively).

Note 16: Other income and expenses (continued)

For the three months ended 30 September 2018 the Group recognized RR 7,782 million and RR 5,024 million foreign exchange gains and losses respectively in the consolidated interim condensed statement of profit or loss and other comprehensive income (for the three months ended 30 September 2017: RR 1,930 million and RR 2,307 million, respectively).

Note 17: Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Board of Directors and the Management Committee and for which discrete financial information is available.

Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

The Group's business activities are conducted predominantly through four main operating segments:

- Exploration and production consists of exploration, development, extraction and sale of own crude oil. Intersegment sales consist of transfer of crude oil to refinery and other goods and services provided to other operating segments,
- Refining and marketing comprises purchases and sales of crude oil and refined products from third parties, own refining activities and retailing operations,
- Petrochemical products include production and sales of tires and petrochemical raw materials and refined products, which are used in production of tires,
- Banking segment includes operations of Banking Group ZENIT.

Other sales include revenues from ancillary services provided by the specialized subdivisions and subsidiaries of the Group, such as sales of oilfield equipment, revenues from the sale of auxiliary petrochemical related services and materials as well as other business activities, which do not constitute reportable business segments.

The Group evaluates performance of its reportable operating segments and allocates resources based on segment earnings, defined as profit before income taxes and non-controlling interest not including interest income, expense, and gains from equity investments, other income (expenses) and foreign exchange loss or gain. Intersegment sales are at prices that approximate market. Group financing (including interest expense and interest income) and income taxes are managed on a Group basis and are not allocated to operating segments.

For the three months ended 30 September 2018, revenues of RR 31,552 million or 12% of the Group's total sales and operating revenues are derived from one external customer.

For the nine months ended 30 September 2018, revenue of RR 82,800 million or 12% of the Group's total sales and operating revenues are derived from one external customer.

For the three months ended 30 September 2017, there were no sales and other operating revenues from external customers, which equals or exceeds 10% of the Group's total sales and operating revenues.

For the nine months ended 30 September 2017, revenue of RR 55,717 million or 11% and RR 52,331 million or 11% of the Group's total sales and operating revenues are derived from two external customers, respectively.

These revenues represent sales of crude oil and are attributable to the exploration and production segment.

Management does not believe the Group is dependent on any particular customer.

(in million of Russian Rubles)

Note 17: Segment information (continued)

Segment sales and other operating revenues. Reportable operating segment sales and other operating revenues are stated in the following table:

	Three months ended 30 September:		Nine months ended 30 September:	
	2018	2017	2018	2017
Exploration and production				
Domestic own crude oil	53,419	19,846	138,691	65,750
CIS own crude oil	7,786	5,242	21,362	14,821
Non – CIS own crude oil	72,791	57,650	191,390	180,038
Other	1,245	1,329	3,925	3,536
Intersegment sales	51,186	30,435	138,635	76,763
Total exploration and production	**186,427**	**114,502**	**494,003**	**340,908**
Refining and marketing				
Domestic sales				
Crude oil purchased for resale	-	-	-	417
Refined products	50,821	34,745	121,920	92,575
Total Domestic sales	50,821	34,745	121,920	92,992
CIS sales				
Refined products	3,573	2,897	15,004	6,200
Total CIS sales[(1)]	3,573	2,897	15,004	6,200
Non – CIS sales				
Crude oil purchased for resale	2,161	1,280	5,768	4,888
Refined products	41,258	26,709	124,587	68,986
Total Non – CIS sales[(2)]	43,419	27,989	130,355	73,874
Other	2,384	2,465	6,154	5,902
Intersegment sales	226	213	755	760
Total refining and marketing	**100,423**	**68,309**	**274,188**	**179,728**
Petrochemicals				
Tires - domestic sales	9,227	10,280	24,086	24,574
Tires - CIS sales	2,862	2,494	6,952	6,117
Tires - non-CIS sales	1,135	693	2,592	1,586
Petrochemical products and other	1,087	808	2,996	2,082
Intersegment sales	270	248	728	697
Total petrochemicals	**14,581**	**14,523**	**37,354**	**35,056**
Banking				
Interest income	4,643	5,754	14,613	22,168
Fee and commission income	1,005	941	2,695	2,602
Total banking	**5,648**	**6,695**	**17,308**	**24,770**
Total segment sales	**307,079**	**204,029**	**822,853**	**580,462**
Corporate and other sales	3,075	2,734	9,730	8,679
Elimination of intersegment sales	(51,682)	(30,896)	(140,118)	(78,220)
Total sales and other operating revenues	**258,472**	**175,867**	**692,465**	**510,921**

[(1)] - CIS is an abbreviation for Commonwealth of Independent States (excluding the Russian Federation).
[(2)] - Non-CIS sales of crude oil and refined products are mainly made to Germany, Switzerland, the Netherlands and the United Kingdom based traders and Poland based refineries.

(in million of Russian Rubles)

Note 17: Segment information (continued)

Segment earnings

	Three months ended 30 September:		Nine months ended 30 September:	
	2018	**2017**	**2018**	**2017**
Segment earnings				
Exploration and production	78,754	42,252	206,020	126,058
Refining and marketing	11,983	5,599	28,251	7,174
Petrochemicals	1,313	1,469	2,640	2,002
Banking	674	(1,753)	687	(421)
Total segment earnings	**92,724**	**47,567**	**237,598**	**134,813**
Corporate and other	(7,589)	(12,993)	(22,641)	(21,715)
Other income, net	3,628	280	7,457	1,521
Profit before income tax	**88,763**	**34,854**	**222,414**	**114,619**

For the three and nine months ended 30 September 2018 and 30 September 2017 corporate and other loss includes loss on impairments of financial assets, charity, maintenance of social infrastructure and transfer of social assets.

From the 1 January 2018 Tatneft Group includes Head Office administrative expenses in the corporate and other loss. For the prior periods administrative expenses were included in the Exploration and Production segment results. Management believes that changes made meet the criteria of relevant and reliable information. Changes made are disclosed retrospectively in the consolidated interim condensed financial statements.

Segment assets

	At 30 September 2018	At 31 December 2017
Assets		
Exploration and production	389,583	340,525
Refining and marketing	393,251	366,804
Petrochemicals	34,761	26,820
Banking	245,225	251,444
Corporate and other	174,880	121,861
Total assets	**1,237,700**	**1,107,454**

As of 30 September 2018 corporate and other includes RR 28,556 million of property, plant and equipment, RR 24,959 million of securities at FVOCI, RR 3,792 million of debt securities at AC and RR 79,621 million of bank deposits at AC.

As of 31 December 2017 corporate and other includes RR 29,981 million of property, plant and equipment, RR 23,556 million of available-for-sale investments, RR 23,994 million of investments held to maturity and RR 12,208 million of bank deposits.

Within due to banks as at 30 September 2018 and 31 December 2017 are RR 29,278 million and RR 16,514 million of correspondent accounts and term deposits from 5 and 3 Russian banks, which individually exceeded 5% of the Bank ZENIT equity.

Within customer accounts at 30 September 2018 and 31 December 2017 are RR 44,507 million and RR 8,171 million of current/settlement accounts and term deposits from 17 and 3 customers, which individually exceeded 5% of the Bank ZENIT equity.

The Group’s assets and operations are primarily located and conducted in the Russian Federation.

(in million of Russian Rubles)

Note 17: Segment information (continued)

Segment depreciation, depletion and amortisation and additions to property, plant and equipment

	Three months ended 30 September:		Nine months ended 30 September:	
	2018	**2017**	**2018**	**2017**
Depreciation, depletion and amortization				
Exploration and production	4,107	3,967	11,670	10,242
Refining and marketing	4,219	2,114	8,393	6,648
Petrochemicals	444	451	1,415	1,330
Banking	146	106	285	185
Corporate and other	190	93	642	421
Total segment depreciation, depletion and amortization	**9,106**	**6,731**	**22,405**	**18,826**
Additions to property, plant and equipment				
Exploration and production	10,517	7,478	31,195	23,719
Refining and marketing	10,593	10,366	28,436	28,309
Petrochemicals	504	498	880	1,506
Banking	227	13	258	51
Corporate and other	1,302	2,554	3,337	6,671
Total additions to property, plant and equipment	**23,143**	**20,909**	**64,106**	**60,256**

Note 18: Related party transactions

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

Transactions are entered into in the normal course of business with associates, joint ventures, government related companies, key management personnel and other related parties. These transactions include sales and purchases of refined products, purchases of electricity, transportation services and banking transactions. The Group enters into transactions with related parties based on market or regulated prices.

Associates, joint ventures and other related parties

The amounts of transactions for each period with associates, joint ventures and other related parties are as follows:

	Three months ended 30 September:		Nine months ended 30 September:	
	2018	**2017**	**2018**	**2017**
Revenues and income				
Sales of refined products	6	4	15	8
Other sales	78	56	156	184
Interest income	58	51	235	153
Costs and expenses				
Other services	239	185	629	700
Other purchases	152	180	412	409

(in million of Russian Rubles)

Note 18: Related party transactions (continued)

At 30 September 2018 and 31 December 2017 the outstanding balances with associates, joint ventures and other related parties were as follows:

	At 30 September 2018	At 31 December 2017
Assets		
Accounts receivable, net	229	534
Banking: Loans to customers	280	20
Other financial assets		
Notes receivable	248	-
Other loans receivable	186	-
Prepaid expenses and other current assets	461	553
Due from related parties short-term	**1,404**	**1,107**
Long-term accounts receivable	281	280
Loans to customers	-	21
Other financial assets		
Available-for-sale (for comparatives only)	-	3,400
Securities at FVOCI	3,453	-
Other loans receivable	1,127	2,443
Due from related parties long-term	**4,861**	**6,144**
Liabilities		
Accounts payable and accrued liabilities	(80)	(169)
Customer accounts	(1,719)	(1,711)
Due to related parties short-term	**(1,799)**	**(1,880)**
Banking: Customer accounts	-	(165)
Due to related parties long-term	**-**	**(165)**

At 30 September 2018 and 31 December 2017 key management personnel customer accounts in Bank ZENIT amounted to RR 27,397 million and RR 26,312 million, respectively.

(in million of Russian Rubles)

Note 18: Related party transactions (continued)

Russian Government bodies and state organizations

At 30 September 2018 and 31 December 2017 the outstanding balances with Russian Government bodies and state organizations were as follows:

	At 30 September 2018	At 31 December 2017
Assets		
Cash and cash equivalents	34,889	12,678
Banking: Mandatory reserve deposits with CB RF	1,803	1,916
Accounts receivable	1,762	2,306
Banking: Loans to customers	4,429	2,415
Other financial assets		
Bank deposits	8,125	1
Available-for-sale (for comparatives only)	-	8,006
Securities at FVOCI	404	-
Held to maturity (for comparatives only)	-	37,795
Securities at AC	13,342	-
Trading securities (for comparatives only)	-	5,095
Securities at FVTPL	3,149	-
Other loans receivable	116	120
Prepaid expenses and other current assets	6,624	6,579
Due from related parties short-term	**74,643**	**76,911**
Long-term accounts receivable	1,189	1,086
Loans to customers	7,003	1,991
Other financial assets		
Available-for-sale (for comparatives only)	-	10,680
Securities at FVOCI	9,654	-
Held to maturity (for comparatives only)	-	6,781
Securities at AC	9,199	-
Other loans receivable	126	174
Advances for construction	4,217	3,510
Due from related parties long-term	**31,388**	**24,222**
Liabilities		
Accounts payable and accrued liabilities	(1,297)	(873)
Banking: Due to banks and CB RF	(7,439)	(4,771)
Banking: Customer accounts	(5,997)	(2,418)
Debt		
Other debt	(3,118)	(21,580)
Due to related parties short-term	**(17,851)**	**(29,642)**
Debt		
Subordinated debt	-	(2,141)
Other debt	-	(13)
Banking: Due to banks and CB RF	(2,214)	(2,055)
Due to related parties long-term	**(2,214)**	**(4,209)**

(in million of Russian Rubles)

Note 18: Related party transactions (continued)

The amounts of transactions for each period with Government bodies and state organizations are as follows:

	Three months ended 30 September:		Nine months ended 30 September:	
	2018	**2017**	**2018**	**2017**
Sales of crude oil	1,132	-	1,132	-
Sales of refined products	3,559	3,442	10,138	8,247
Other sales	1,121	1,206	3,439	3,322
Interest income	1,226	1,330	3,423	3,682
Interest expense	262	328	795	1,180
Purchases of refined products	9,476	7,845	23,996	25,406
Purchases of electricity	4,219	3,544	12,028	10,639
Purchases of transportation services	5,819	6,689	16,706	20,486
Other services	1,083	989	3,386	3,100
Other purchases	176	156	607	1,041

Note 19: Contingencies and commitments

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. Tax, currency and customs legislation is sometimes subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The Russian economy showed signs of recovery in 2018, after the economic downturn of 2016 and 2017. The Russian economy is negatively impacted by a fluctuation of oil prices and ongoing political tensions.

The ongoing uncertainty and volatility of the financial markets and other risks could have significant negative effects on the Russian financial and corporate sectors. Management determined provisions for impairment by considering the economic situation and outlook at the end of the reporting period. These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

Capital commitments. As of 30 September 2018 and 31 December 2017 the Group has outstanding capital commitments of approximately RR 40,638 million and RR 42,758 million, respectively, mainly for the construction of the TANECO refinery complex and superviscous oil fields facilities construction. These commitments are expected to be paid between 2018 and 2020.

Management believes the Group's current and long-term capital expenditures program can be funded through cash flows generated from existing operations as well as lines of credit available to the Company. The TANECO refinery project has been funded from the Company's cash flow with the support of the bank facilities (Note 11).

Management believes the Company has the ability to obtain syndicated loans and other financings as needed to continue funding the TANECO refinery project, refinance any maturing debts as well as finance business acquisitions and other transactions that may arise in the future.

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	At 30 September 2018	At 31 December 2017
Less than one year	81	160
More than one year and less than five years	109	97
More than five years	22	45
Total operating lease commitments	**212**	**302**

(in million of Russian Rubles)

Note 19: Contingencies and commitments (continued)

Credit related commitments. The credit related commitments comprise loan commitments, letters of credit and guarantees. The contractual commitments represent the value at risk should the contract be fully drawn upon, the client defaults, and the value of any existing collateral becomes worthless. In general, certain part of Group's import letters of credit are collateralised with cash deposits or collateral pledged to the Group and accordingly the Group normally assumes minimal risk.

Outstanding credit related commitments are as follows:

	At 30 September 2018	**At 31 December 2017**
Loan commitments	25,933	26,421
Guarantees issued	17,590	14,525
Import letters of credit	499	1,676
Total credit related commitments before allowance	**44,022**	**42,622**
Less: allowance for credit related commitment allowance	(563)	(66)
Less: client funds held as security for guarantees issued	(46)	(658)
Less: client funds held as security for import letter of credit	(61)	(250)
Total credit related commitments	**43,352**	**41,648**

Assets pledged and restricted. The Group had the following assets pledged as collateral:

	At 30 September 2018		**At 31 December2017**	
	Asset pledged	**Related liability**	**Asset pledged**	**Related liability**
Assets pledged as collateral for agreements with banks (including CB RF)	7,838	3,575	9,293	8,157
Total	**7,838**	**3,575**	**9,293**	**8,157**

At 30 September 2018 due from other banks balances of RR 542 million (31 December 2017: RR 5 million) are placed as a cover for letters of credit. At 30 September 2018 mandatory cash balances with the CB RF for a total of RR 1,803 million (31 December 2017: RR 1,916 million) represent mandatory reserve deposits which are not available to finance the Group’s day to day operations.

Taxation. The Russian tax legislation is subject to varying interpretations and changes which can occur frequently. Management’s interpretation of the legislation, as applied to the transactions and activities, may be challenged by the tax authorities. The tax authorities may take a different position in their interpretation of the legislation, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), with certain specific features. This legislation allows tax authorities to assess additional taxes for controllable transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such prices could be challenged. Management believes that its pricing policy is arm’s length and it has implemented internal processes to be in compliance with the new transfer pricing legislation. The Group believes that its interpretation of the new legislation is appropriate and the Group’s tax position will be sustained.

Environmental contingencies. The Group, through its predecessor entities, has operated in Tatarstan for many years without developed environmental laws, regulations and the Group’s policies. Environmental regulations and their enforcement are currently being considered in the Russian Federation and the Group is monitoring its potential obligations related thereto. The outcome of environmental liabilities under proposed or any future environmental legislation cannot reasonably be estimated at present, but could be material. Under existing legislation, however, management believes that there are no probable liabilities, which would have a material adverse effect on the operating results or financial position of the Group.

Note 19: Contingencies and commitments (continued)

Legal contingencies. The Group is subject to various lawsuits and claims arising in the ordinary course of business. The outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present. In the case of all known contingencies the Group accrues a liability when the loss is probable and the amount is reasonably estimable. Based on currently available information, management believes that it is remote that future costs related to known contingent liability exposures would have a material adverse impact on the Group's consolidated financial statements.

Social commitments. The Group contributes significantly to the maintenance of local infrastructure and the welfare of its employees within Tatarstan, which includes contributions towards the construction, development and maintenance of housing, hospitals and transport services, recreation and other social needs. Such funding is periodically determined by the Board of Directors after consultation with governmental authorities and recorded as expenditures when incurred.

Transportation of crude oil. The Group transports substantially all of the crude oil that it sells in export and local markets through trunk pipelines in Russia that are controlled by Transneft, the state-owned monopoly owner and operator of Russia's trunk crude oil pipelines. The Group's crude oil is blended in the Transneft pipeline system with other crude oil of varying qualities to produce an export blend commonly referred to as Urals. There is currently no equalization scheme for differences in crude oil quality within the Transneft pipeline system and the implementation of any such scheme or the impact of it on the Group's business is not currently determinable.

Ukrtatnafta. In May 2008, Tatneft commenced international arbitration against Ukraine on the basis of the agreement between the Government of the Russian Federation and the Cabinet of Ministries of Ukraine on the Encouragement and Mutual Protection of Investments of 27 November 1998 ("Russia-Ukraine BIT") in connection with the forcible takeover of Ukrtatnafta and seizure of shares of the Group in Ukrtatnafta. In July 2014 the arbitral tribunal issued the award holding Ukraine liable for violation of the Russia-Ukraine BIT and required Ukraine to pay Tatneft US$ 112 million plus interest. Ukraine filed a request for annulment of the award in the Court of Appeal in Paris, France (seat of arbitration), which on 29 November 2016 rejected the request for annulment. In March 2017 Ukraine filed a cassation appeal against the Paris Court of Appeal decision of 29 November 2016 rejecting its request for annulment. Tatneft filed a motion with the Court of Cassation to exclude Ukraine's cassation appeal from the Cassation Court docket without prejudice due to Ukraine's failure to perform the decision of the Court of Appeal requiring Ukraine to compensate Tatneft's legal expenses in relation to the appeal and commence performance of the tribunal's award. On 9 November 2017, Tatneft's motion was granted.

At this time, it is not clear whether and when the cassation appeal will be heard. Filing of the cassation appeal does not preclude Tatneft from commencing enforcement of the award. Accordingly, Tatneft has commenced recognition and enforcement procedures in relation to this arbitration award in the USA, England and the Russian Federation. In March 2017, Tatneft filed a petition to recognize and enforce the award in the U.S. District Court for the District of Columbia, which is now pending and is subject to various procedural actions by Tatneft and Ukraine. On 19 March 2018, the U.S. District Court for the District of Columbia denied Ukraine's challenge to the U.S. court's jurisdiction, Ukraine's motion to stay the enforcement proceedings pending the outcome of the French proceedings and Ukraine's motion for jurisdictional discovery. On 17 April 2018, Ukraine appealed this decision to the United States Court of Appeals for the District of Columbia Circuit; the District Court has stayed proceedings on Ukraine's remaining objections to enforcement of the award in the United States pending this appeal which is scheduled to be heard on 28 November 2018.

In April 2017, Tatneft filed an application for recognition of the award and permission to enforce the award in the High Court of England and Wales. In May 2017, the High Court approved Tatneft's application to enforce the award, however the order granting Tatneft's application and the enforcement procedure are subject to challenge by Ukraine. Ukraine challenged the jurisdiction of the English courts to consider Tatneft's petition for recognition and enforcement of the award and a hearing on this threshold issue was held in the High Court of England and Wales in June 2018. On 13 July 2018, the High Court rejected Ukraine's challenge to jurisdiction in its entirety. Ukraine was granted the permission to appeal the High Court's judgment to the Court of Appeals solely on one ground while all other grounds were rejected). The appeal is scheduled for hearing in May 2019. Any remaining objections of Ukraine to recognition and enforcement in England and Wales are stayed pending the appeal.

Note 19: Contingencies and commitments (continued)

On 27 June 2017 the Arbitration Court of the City of Moscow terminated the proceedings in relation to Tatneft's application for recognition and enforcement of the award due to Ukraine's alleged jurisdictional immunity and lack of effective jurisdiction of the Arbitration Court of the City of Moscow to consider the application. On 22 August 2017, the Arbitration Court of the Moscow District overturned this ruling. Tatneft's petition for enforcement of the award was returned to the Arbitration Court of the City of Moscow for further consideration. Several hearings took place in 2017-2018. On 22 June 2018 the Arbitration Court of the City of Moscow transferred the case for consideration by the Arbitration Court of Stavropol Region because Ukraine's property was identified in that region. Tatneft appealed this ruling to the Arbitration Court of the Moscow District. On 2 August 2018, the Arbitration Court of the Moscow District upheld the ruling of the Arbitration Court of the City of Moscow. Tatneft's application is now being considered by the Arbitration Court of Stavropol Region.

On 23 March 2016 Tatneft commenced court proceedings in England against Gennady Bogolyubov, Igor Kolomoisky, Alexander Yaroslavsky and Pavel Ovcharenko. Tatneft alleges that in 2009 those individuals fraudulently diverted to themselves sums owed to Tatneft for oil it had supplied to Kremenchug refinery (Ukrtatnafta). Tatneft claims damages of US$ 334.1 million plus interest. On 8 November 2016, the High Court refused the claim. On 23 November 2016, Tatneft requested from the Court of Appeals permission to appeal the judgement of 8 November 2016. Tatneft's appeal was heard by the Court of Appeals at the end of July 2017. On October 18 the Court of Appeals found that Tatneft's claim should not have been dismissed by the High Court and that the case may proceed to trial. The trial has been listed for autumn 2020.

Libya. As a result of the political situation in Libya, in February 2011 the Group had to entirely suspend its operations in that country and evacuate all its personnel. In February 2013 the Group started the process of resuming its activities in Libya, including the return of its personnel to a branch in Tripoli and recommencement of some exploration activities. Due to the deterioration of security situation in Libya in the second half of 2014 the Group had to suspend all of its operations and announced a force-majeure under the Exploration and Production Sharing Agreements, acknowledged by the National Oil Company, which is continuing as of the date of this consolidated interim condensed financial statements. The Group is constantly monitoring the security and political situation in Libya, and plans to resume its operations once the conditions permit to do so.

As of 30 September 2018 the Group had approximately RR 5,752 million of assets associated with its Libyan operations of which RR 5,539 million is related to capitalized exploration costs, RR 210 million of inventories and RR 3 million of cash. As of 31 December 2017 the Group had approximately RR 5,759 million of assets associated with its Libyan operations of which RR 5,545 million is related to capitalized exploration costs, RR 210 million of inventories and RR 4 million of cash.

Note 20: Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The estimated fair values of financial instruments are determined with reference to various market information and other valuation techniques as considered appropriate.

The different levels of fair value hierarchy have been defined as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that Group has the ability to assess at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability. These inputs reflect the Group‘s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

(in million of Russian Rubles)

Note 20: Fair values (continued)

Recurring fair value measurements

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

				At 30 September 2018
		Fair value		
	Level 1	Level 2	Level 3	**Carrying value**
Banking: Loans to customers at FVTPL	-	-	13,642	13,642
Financial assets at FVTPL	3,339	1,878	168	5,385
Financial assets at FVOCI	8,000	8,931	15,989	32,920
Investment property	-	-	934	934
Banking: Other financial liabilities at FVTPL	(244)	-	-	(244)
Total	**11,095**	**10,809**	**30,733**	**52,637**

				At 31 December 2017
		Fair value		
	Level 1	Level 2	Level 3	**Carrying value**
Held-for-trading financial assets	8,096	-	405	8,501
Available-for-sale financial assets	16,944	8,998	15,763	41,705
Investment property	-	-	871	871
Total	**25,040**	**8,998**	**17,039**	**51,077**

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 and Level 3 measurements at 30 September 2018

	Fair value hierarchy	**Valuation technique and key input data**
Banking: Loans to customers at FVTPL	Level 3	Discounted cash flow models adjusted at credit risk
Financial assets at FVOCI	Level 2, Level 3	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach / Publicly available information, comparable market prices/ discounted cash flow models adjusted at credit risk
Financial assets at FVTPL	Level 2, Level 3	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach / Publicly available information, comparable market prices / discounted cash flow models adjusted at credit risk
Investment property	Level 3	Market data on comparable objects adjusted in case of differences from similar objects

(in million of Russian Rubles)

Note 20: Fair values (continued)

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 and Level 3 measurements at 31 December 2017:

	Fair value hierarchy	Valuation technique and key input data
Held-for-trading financial assets	Level 2, Level 3	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach / Publicly available information, comparable market prices
Available-for-sale financial assets	Level 2, Level 3	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach / Publicly available information, comparable market prices
Investment property	Level 3	Market data on comparable objects adjusted in case of differences from similar objects

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the nine months ended 30 September 2018 (31 December 2017: none).

There have been no transfers between Level 1, Level 2 and Level 3 during the period.

Non-recurring fair value measurements

The Group has written down its non-current assets held for sale to fair value less costs to sell. The fair value of non-current assets held for sale at 31 December 2017 was based on valuations made on this date by an independent appraiser. The valuation was based on market data on prices for transactions with similar properties. The fair value belongs to Level 3. At 30 September 2018, the Group did not perform fair valuation of its non-current assets.

(in million of Russian Rubles)

Note 20: Fair values (continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

	At 30 September 2018				At 31 December 2017			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Assets								
Cash and cash equivalents								
Cash on hand and in banks	5,622	19,619	-	25,241	6,587	22,632	-	29,219
Term deposits	-	58,447	-	58,447	-	11,906	-	11,906
Due from banks	-	13,317	-	13,317	-	1,672	-	1,672
Banking: Mandatory reserve deposits with CB RF	1,803	-	-	1,803	1,916	-	-	1,916
Accounts receivable								
Trade receivables	-	-	100,353	100,353	-	-	59,075	59,075
Other financial receivables	-	711	3,424	4,135	-	788	4,983	5,771
Banking: Loans to customers at AC	-	-	132,908	130,638	-	-	-	-
Banking: Loans to customers (for comparatives only)	-	-	-	-	-	-	150,983	150,983
Other financial assets								
Bank deposits	-	21,174	-	21,174	-	302	-	302
Due from banks	-	1,336	-	1,336	-	1,183	-	1,183
REPO with banks	-	619	-	619	-	459	-	459
Notes receivable	-	-	707	707	-	-	456	456
Loans to employees	-	-	1,067	1,067	-	-	1,558	1,558
Other loans	-	-	15,661	15,661	-	-	11,321	11,321
Held to maturity investments (for comparatives only)	-	-	-	-	55,805	-	-	55,805
Securities at AC	38,115	2,038	-	40,538	-	-	-	-
Total financial assets	**45,540**	**117,261**	**254,120**	**415,036**	**64,308**	**38,942**	**228,376**	**331,626**
Liabilities								
Trade and other financial payables								
Trade payables	-	-	24,633	24,633	-	-	22,366	22,366
Dividend payable	-	-	68,865	68,865	-	-	6,032	6,032
Other payables	-	-	1,602	1,602	-	-	3,400	3,400
Debt								
Bonds issued	1,200	1,277	-	2,444	7,742	-	-	7,742
Subordinated debt	-	3,603	-	3,537	-	4,492	-	4,492
Debt securities issued	-	1,379	-	1,408	-	3,428	-	3,428
Credit facilities	-	-	7,044	7,044	-	-	27,744	27,744
Other debt	-	-	2,592	2,592	-	-	3,406	3,406
Banking: Due to banks and CB RF	1,069	31,258	-	32,523	1,054	32,437	-	33,640
Banking: Customer accounts	-	164,503	-	164,701	-	158,914	-	158,914
Other short-term liabilities	-	-	-	-	-	-	256	256
Total financial liabilities	**2,269**	**202,020**	**104,736**	**309,349**	**8,796**	**199,271**	**63,204**	**271,420**

Note 20: Fair values (continued)

The carrying amounts of financial assets and liabilities carried at amortized cost approximates their fair values. The fair values in Level 2 fair value hierarchy were estimated using the discounted contractual cash flows and observable interest rates for identical instruments. The fair values in Level 3 fair value hierarchy were estimated using the discounted cash flows and observable interest rates for similar instruments with adjustment to credit risk and maturity.

Note 21: Subsequent events

In November 2018 the Board of Directors recommended to approve interim dividends on the preference and ordinary shares for the nine months ended 30 September 2018 in the amount of RR 52.53 per preference and ordinary share with the consideration of earlier paid interim dividends for the six months ended 30 June 2018 in the amount of RR 30.27 per preference and ordinary share. Total amount of dividends recommended for approval represents in aggregate about 75% of net income of PJSC Tatneft under Russian Accounting Standards for corresponding period. The decision on payment of interim dividends will be taken by the extraordinary shareholders meeting on 21 December 2018.