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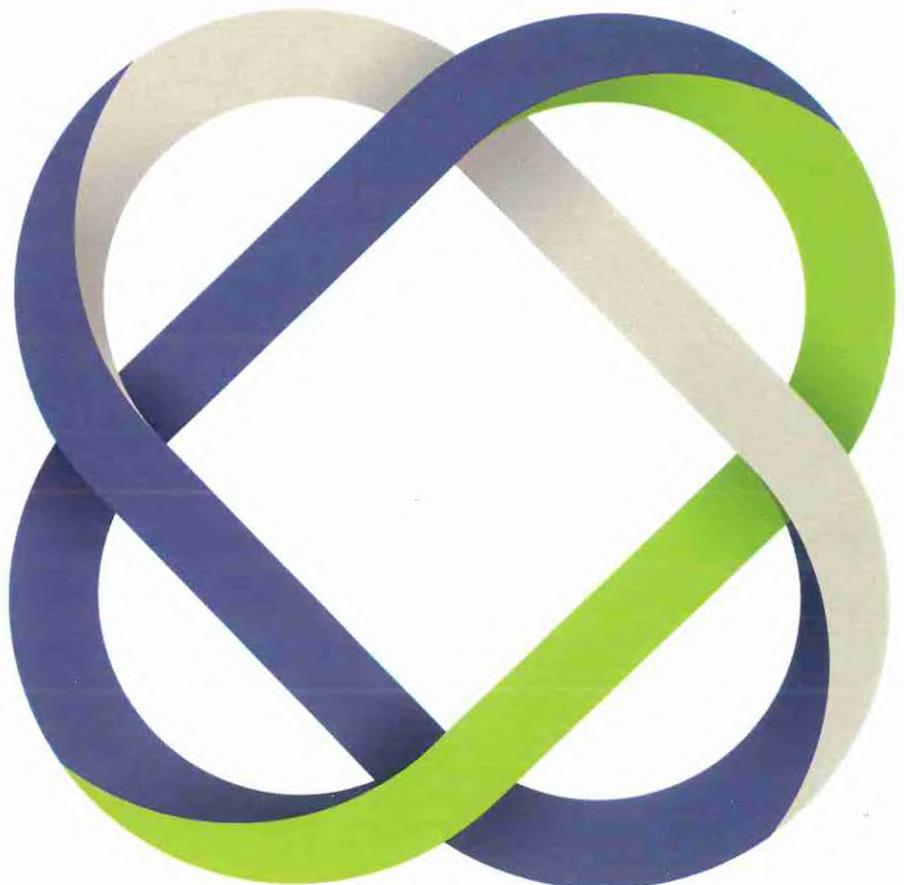
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MARITIME BANK (Joint-Stock Company)

IFRS Financial Statements and Independent Auditor's Report

for the year ended 31 December 2019

Moscow | 2019



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Independent Auditor's Report [Translation from Russian original]

To the shareholders of MARITIME BANK

(Joint-Stock Company)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of MARITIME BANK (Joint-Stock Company) (hereinafter – MARITIME BANK (JSC), the Bank), which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements as at 31 December 2019, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of MARITIME BANK (JSC) as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the audited entity in accordance with the Rules of Independence of the Auditors and Audit Organizations and the Code of Professional Ethics of the Auditors, which are in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion on the reliability of the financial statements, we draw attention to Note 35 to the financial statements, which discloses the information that the current economic and geopolitical situation, which has had an effect on the Russian economy and, among other things, comprised slowdowns, currency instability, drops in stock exchange markets and increased financial burden on consumers, and measures to prevent the spread of coronavirus may result in non-performance of obligations to the Bank by some borrowers. In the future, their solvency may turn out to depend on the measures to support the economy and the financial sector amidst the coronavirus pandemic, implemented by the Government of the Russian Federation and the Central Bank of Russia.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowances for Expected Credit Losses — Note 8 Loans and Advances to Customers of the Notes to the Financial Statements of MARITIME BANK (JSC) for the Year Ended 31 December 2019

Indicators of impairment are identified and allowances for expected credit losses are estimated by applying subjective judgement of management, using various assumptions and analysing factors, each of which may affect impairment of the loan portfolio. Due to the uncertainty inherent to impairment assessment we believe that this is a key audit matter.

The Bank has a material portfolio of loans to customers. Credit risk on loans provided to customers is assessed in accordance with the Accounting Policies approved in the Bank pursuant to IFRS and the Calculation Methods for Allowance for Expected Credit Losses pursuant to IFRS (hereinafter referred to as the “Methods”) by applying professional judgment of the Bank’s management using subjective assumptions.

In accordance with IFRS 9 *Financial Instruments*, for making allowance for financial instruments, the Bank uses the expected credit loss model, which key principle is to timely record any change in financial instruments’ credit quality subject to the current and forecast information. The volume of the expected credit losses recognised as allowance for expected credit losses depends on the extent of a change in credit quality since initial recognition of a financial instrument.

Stage 1 includes financial instruments recognised before the reporting date without a significant increase in credit risk and indicators of impairment and financial instruments with low credit risk.

Stage 2 includes financial instruments with a significant increase in credit risk but without indicators of impairment.

Stage 3 includes financial instruments bearing at least one indicator of impairment.

If there has been no significant increase in credit risk since initial recognition, the allowance is measured based on 12-month expected credit losses.

If there has been a significant increase in credit risk or an indicator of impairment since initial recognition, the allowance is measured based on lifetime expected credit losses.

In respect of this key audit matter our audit procedures included:

- Evaluation of the internal documents, methods, and models used by the Bank to estimate impairment of financial instruments to check whether they comply with IFRS 9 *Financial Instruments*;
- Testing (on a sample basis) individually assessed loans for compliance with the provisions of internal documents;
- Checking the calculation of the allowances (on a sample basis) for individually impaired loans, including reasonableness and correctness of the assumptions used;
- Evaluation of the adequacy of the disclosures made by the Bank in the notes to the financial statements in terms of the models used to estimate expected credit losses and the approaches used to create such models.



- a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the audited entity's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the audited entity;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the audited entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the audited entity to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with members of the Board of Directors of the audited entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide members of the Board of Directors of the audited entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with members of the Board of Directors of the audited entity, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Audit According to the Requirements of Federal Law No. 395-I dated 2 December 1990 "On Banks and Banking Activities"

Management of the Bank is responsible for compliance by the Bank with the mandatory requirements set by the Bank of Russia as well as for internal control and organisation of risk management systems of the Bank to meet the requirements set by the Bank of Russia to the systems like this.

According to Article 42 of Federal Law No. 395-I dated 2 December 1990 "On banks and banking activities" during the audit of the financial statements for 2019 we verified whether:

- the Bank was in compliance with the mandatory requirements set by the Bank of Russia as at 1 January 2020;
- internal control and organisation of risk management systems of the Bank were in compliance with the requirements set by the Bank of Russia to the systems like this.



The said audit was limited to such procedures selected based on our judgement as requests, analysis, document examination, comparison of requirements, order and methodologies approved by the Bank with the ones set by the Bank of Russia as well as restatement and comparison of amounts and other information.

The audit has established the following:

1) as for meeting by the Bank the mandatory requirements set by the Bank of Russia:

- values of the Bank's mandatory ratios set by the Bank of Russia as of 1 January 2020 were within the limits set by the Bank of Russia.

During the audit, methodological defects were detected preventing the Bank from timely identification of transactions between economically related borrowers.

We did not conduct any procedures as to accounting records of the Bank other than procedures we believed were necessary for the purpose of expressing our opinion on whether the financial statements of the Bank presented fairly, in all material respects, its financial position as of 1 January 2020, financial performance and cash flows for 2019 in accordance with International Financial Reporting Standards;

2) as for compliance of internal control and organisation of risk management systems of the Bank with the requirements set by the Bank of Russia to the systems like this:

a) in accordance with the requirements and recommendations of the Bank of Russia as at 1 January 2020 the internal audit service of the Bank reported to the Board of Directors of the Bank, the risk management departments of the Bank did not report to the departments assuming the respective risks, the chiefs of the internal audit service and the risk management departments of the Bank met the qualifications set by the Bank of Russia;

b) as at 1 January 2020 the effective internal documents of the Bank indicating the methodologies for identification and management of credit, market, operational, liquidity, concentration, interest risks of the bank portfolio relevant for the Bank, methodologies for stress-testing were approved by the empowered bodies of the Bank in accordance with the requirements and recommendations of the Bank of Russia;

c) as at 1 January 2020 the Bank had the reporting system for credit, market, operational, liquidity, concentration, interest risks of the bank portfolio relevant for the Bank as well as for the equity of the Bank;

d) frequency and order of reports prepared by the risk management departments and the internal audit service of the Bank during 2019 as to management of credit, market, operational, liquidity, concentration, interest risks of the bank portfolio were in compliance with the Bank's internal documents; the said reports comprised the results of observation of efficiency measurement of the Bank's respective methodologies conducted by the Bank's risk management departments and the internal audit service as well as recommendations to improve them;

e) as at 1 January 2020 the powers of the Board of Directors of the Bank and its executive bodies comprised control over the Bank's compliance with risk limits and capital adequacy set by the Bank's internal documents. For the purpose of control over efficiency of risk management procedures applied in the Bank and order of their application during 2019 the Board of Directors of the Bank and its executive bodies discussed on a regular basis reports prepared by the risk management departments of the Bank and the internal audit service, and dealt with the offered measures to remove defects.

At the same time, methodological defects concerning identification of economically related borrowers detected during the audit of the financial statements may be indicative some deficiencies in the Bank's internal control.

The procedures in respect of internal control and organisation of risk management systems of the Bank have been conducted only to verify whether internal control and organisation of risk management systems of the Bank are in compliance with the requirements set by the Bank of Russia to the systems like this.

President of FBK, LLC



S. M. Shapiguzov
 On the basis of the Charter,
 audit qualification certificate 01-001230,
 registration number 21606043397

Engagement partner
 on the audit resulting in this independent
 auditor's report

A. A. Aleksandrova
 audit qualification certificate 01-000912,
 registration number 21606041665

Date of Auditor's Report
 30 April 2020

Audited entity

Name:

MARITIME BANK (Joint-Stock Company).

Address of the legal entity within its location:

1 Varshavskoye shosse, Bldg 1-2, Moscow,
 117105, Russian Federation.

State registration:

The registration entry was made in the Unified State Register of Legal Entities on 24 December 2002 under primary state registration number (OGRN) 1027700568224.

Registered by the Central Bank of Russia on 29 March 1989, general banking licence No. 77 dated 23 May 2017.

Auditor

Name:

FBK, LLC

Address of the legal entity within its location:

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

State registration:

Registered by the Moscow Registration Chamber on 15 November 1993, registration number 484.583.

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

Membership in a self-regulatory organization of auditors:

Member of the Self-regulatory organization of auditors Association "Sodruzhestvo".

Primary number of registration entry in the register of auditors and audit organizations of the self-regulatory organization of auditors 11506030481.

<i>(in thousands of Russian Roubles)</i>	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	5	745,183	1,077,165
Mandatory cash balances with the Bank of Russia		298,418	258,609
Trading securities	6	444,915	-
Due from other banks	7	4,649,977	15,982
Loans and advances to customers	8	7,324,422	7,466,588
Investment securities at fair value through other comprehensive income	9	159,228	3,755,050
Investment securities at amortised cost	9	249,607	-
Investment property	10	926,309	924,269
Premises, equipment and intangible assets	11	642,309	646,299
Right-of-use assets	12	30,527	-
Other financial assets	13	130,068	67
Other assets	14	102,608	318,320
Current tax assets		8,636	-
Deferred tax asset	26	326,942	279,392
TOTAL ASSETS		16,039,149	14,741,741
LIABILITIES			
Due to other banks	15	-	72,029
Customer accounts	16	13,626,421	12,251,768
Debt securities in issue	17	22,985	58,667
Lease liabilities	12	37,802	-
Other financial liabilities	18	20,823	11,159
Other liabilities	19	120,709	177,970
TOTAL LIABILITIES		13,828,740	12,571,593
EQUITY			
Share capital	20	1,755,956	1,755,956
Share premium	20	620,904	620,904
Additional contribution of a shareholder		200,000	200,000
Revaluation reserve for premises		133,331	137,579
Revaluation reserve for investment securities at fair value through other comprehensive income		3,056	13,663
Accrued deficit		(502,838)	(557,954)
TOTAL EQUITY		2,210,409	2,170,148
TOTAL EQUITY AND LIABILITIES		16,039,149	14,741,741

A.B. Gilts
Chairman of the Management Board

29 April 2020

E.V. Antonenko
Chief Accountant



MARITIME BANK (Joint-Stock Company)
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2019

UNOFFICIAL TRANSLATION

<i>(in thousands of Russian Roubles)</i>	Note	2019	2018
Interest income calculated using effective interest rate	23	1,325,408	1,367,108
Interest expense	23	(608,585)	(508,636)
Net interest income		716,823	858,472
Allowance for credit losses on cash and cash equivalents, due from other banks and loans and advances to customers	5, 8	(306,707)	(304,914)
Net interest income after allowance for credit losses on cash and cash equivalents, due from other banks and loans and advances to customers		410,116	553,558
Gains less losses from transactions in trading securities		12,343	-
Gains less losses from transactions in investment securities		48,631	(47,768)
Gains less losses from trading in foreign currencies		14,244	179,648
Foreign exchange translation gains less losses		51,315	(132,004)
Fee and commission income	24	255,461	231,892
Fee and commission expense	24	(56,291)	(45,265)
Allowance for credit losses on investment securities at amortised cost		(32,119)	-
Impairment allowance for other assets and contingent liabilities	14, 31	12,723	32,714
Gains from claim assignment	8	214,059	238,859
Gains from sale of collateral obtained into ownership for non-payment		190	50,228
Investment property revaluation		2,040	40,130
Other operating income		258,287	22,854
Operating income		1,190,999	1,124,846
Administrative and other operating expenses	25	(1,167,610)	(922,122)
Profit before taxation		23,389	202,724
Income tax recovery/(expenses)	26	26,632	(35,436)
Profit for the year		50,021	167,288

The notes set out on pages 15 to 86 form an integral part of these financial statements.



MARITIME BANK (Joint-Stock Company)
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2019

<i>(in thousands of Russian Roubles)</i>	Note	2019	2018
Other comprehensive income			
Items that might not be reclassified subsequently to profit or loss			
Revaluation of premises and equipment	11	1,059	61,760
Income tax relating to items that might not be subsequently reclassified	26	(212)	(12,352)
Items that might be reclassified subsequently to profit or loss			
Gains less losses from revaluation of investment securities at fair value through other comprehensive income		(6,860)	11,494
Gains less losses carried forward to profit or loss as a result of disposal of investment securities at fair value through other comprehensive income		(6,399)	-
Income tax relating to items that might be subsequently reclassified	26	2,652	(2,299)
Other comprehensive (expense)/income for the year		(9,760)	58,603
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		40,261	225,891


A.B. Gilts
Chairman of the Management Board

29 April 2020




E.V. Antonenko
Chief Accountant



The notes set out on pages 15 to 86 form an integral part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2019

	Share capital	Share premium	Additional contribution of a shareholder	Revaluation reserve for premises	Revaluation reserve for investment securities at fair value through other comprehensive income	Retained earnings/ (Accrued deficit)	Total
<i>(in thousands of Russian Roubles)</i>							
Balance as at 1 January 2018 restated in accordance with IFRS 9	1,755,956	620,904	200,000	91,437	4,468	(728,508)	1,944,257
Profit for the reporting period	-	-	-	-	-	167,288	167,288
Other comprehensive income	-	-	-	49,408	9,195	-	58,603
Total comprehensive income for 2018	-	-	-	49,408	9,195	167,288	225,891
Transfer of depreciation of the revaluation reserve for premises to retained earnings	-	-	-	(3,266)	-	3,266	-
Balance as at 31 December 2018	1,755,956	620,904	200,000	137,579	13,663	(557,954)	2,170,148



MARITIME BANK (Joint-Stock Company)

Statement of Changes in Equity for the year ended 31 December 2019

	Share capital	Share premium	Additional contribution of a shareholder	Revaluation reserve for premises	Revaluation reserve for investment securities at fair value through other comprehensive income	Retained earnings/ (Accrued deficit)	Total
<i>(in thousands of Russian Roubles)</i>							
Balance as at 1 January 2019	1,755,956	620,904	200,000	137,579	13,663	(557,954)	2,170,148
Profit for the reporting period	-	-	-	-	-	50,021	50,021
Other comprehensive (expense)/income	-	-	-	847	(10,607)	-	(9,760)
Total comprehensive income/(expense) for 2019	-	-	-	847	(10,607)	50,021	40,261
Transfer of depreciation of the revaluation reserve for premises to retained earnings	-	-	-	(5,095)	-	5,095	-
Balance as at 31 December 2019	1,755,956	620,904	200,000	133,331	3,056	(502,838)	2,210,409


A.B. Gilts
Chairman of the Management Board

29 April 2020




E.V. Antonenko
Chief Accountant



The notes set out on pages 15 to 86 form an integral part of these financial statements.

MARITIME BANK (Joint-Stock Company)
Statement of Cash Flows for the year ended 31 December 2019

UNOFFICIAL TRANSLATION

<i>(in thousands of Russian Roubles)</i>	Note	2019	2018
Cash flows from operating activities			
Interest received		1,381,984	1,461,035
Interest paid		(590,113)	(553,184)
Gains less losses from transactions in trading securities		(81)	-
Gains less losses from trading in foreign currencies		14,244	179,648
Fees and commissions received		255,461	231,892
Fees and commissions paid		(56,291)	(45,265)
Other operating income		244,784	22,855
Administrative and other operating expenses		(1,109,424)	(907,810)
Gains from sale of loans	8	214,058	238,859
Income tax paid		(27,115)	(51,831)
Cash flows from operating activities before changes in operating assets and liabilities		327,507	576,199
Net (increase)/decrease in operating assets			
Mandatory cash balances with the Bank of Russia		(39,809)	(17,101)
Due from other banks		(4,638,070)	1,112,740
Loans and advances to customers		(410,293)	(1,404,644)
Trading securities		(432,491)	-
Other financial assets		(130,001)	-
Other assets		(47,009)	211,271
Net increase/(decrease) in operating liabilities			
Due from other banks		(72,006)	72,028
Customer accounts		1,720,706	1,213,064
Debt securities in issue		(35,682)	(29,088)
Other financial liabilities		9,664	222
Other liabilities		203,244	(204,602)
Net cash flow from operating activities		(3,544,240)	1,530,089
Cash flows from investing activities			
Acquisition of investment securities at fair value through other comprehensive income		(4,505,501)	(8,744,219)
Proceeds from disposal and redemption of investment securities at fair value through other comprehensive income		8,079,890	7,127,834
Acquisition of investment securities at amortised cost		(254,347)	-
Acquisition of premises and equipment	11	(17,342)	(12,286)
Proceeds from disposal of premises and equipment		2,210	-
Acquisition of intangible assets	11	(18,791)	(12,668)
Net cash flow from investing activities		3,286,119	(1,641,339)
Cash flows from financing activities			
Cash outflow on lease liabilities		(24,442)	-
Net cash flow from financing activities		(24,442)	-

The notes set out on pages 15 to 86 form an integral part of these financial statements.



MARITIME BANK (Joint-Stock Company)
Statement of Cash Flows for the year ended 31 December 2019

UNOFFICIAL TRANSLATION

<i>(in thousands of Russian Roubles)</i>	Note	2019	2018
Effect of exchange rate changes on cash and cash equivalents		(49,972)	76,919
Allowance for cash and cash equivalents		(622)	-
Net change in cash and cash equivalents		(333,157)	(34,331)
Cash and cash equivalents at the beginning of the year	5	1,078,340	1,112,671
Cash and cash equivalents at the end of the period	5	745,183	1,078,340

A.B. Gilts
Chairman of the Management Board

E.V. Antonenko
Chief Accountant

29 April 2020



The notes set out on pages 15 to 86 form an integral part of these financial statements.

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2019 for MARITIME BANK (Joint-Stock Company) (the "Bank").

The Bank was established on 17 February 1989 on a unit basis by the decision of founders and registered by the State Bank of the USSR on 29 March 1989. On 19 August 1992, the Bank was reorganized as an open joint-stock company and on 11 May 2017 — as a joint-stock company.

As at 31 December 2019 and at 31 December 2018, the main shareholder of the Bank is LLC Agency of TEK Investments and Development which owns 99.84% of the Bank (2018: 99.84%). The ultimate beneficiary of the Bank is S.V. Generalov (100%) (2018: S.V. Generalov (100%)).

Principal activity. The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank operates subject to General Banking Licence issued by the Central Bank of the Russian Federation ("the Bank of Russia") on 23 May 2017. In addition, the Bank has licenses for transactions with securities (broker, dealer and depository activities) issued by the Federal Financial Markets Service and a license for operations with precious metals issued by the Bank of Russia.

The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law #177-FZ "Deposits of individuals insurance in the banks of the Russian Federation" dated 23 December 2003. The State Deposit Insurance Scheme guarantees repayment of 100% of individual deposits up to RUB 1,400 thousand per individual in case of the withdrawal of a licence of a bank or a moratorium on payments imposed by the Bank of Russia. To calculate the compensation, foreign currency denominated deposits are restated at the exchange rate set by the Central Bank of the Russian Federation at the date of the insured event, and the amounts due to banks from depositors are deducted from the deposit amount.

The Bank has four (31 December 2018: four) branches in Saint Petersburg, Kaliningrad, Vladivostok and Novorossiysk and four (31 December 2018: four) operational offices in Murmansk, Volgograd and Nakhodka. As at 31 December 2019, the Bank had 328 employees (31 December 2018: 321 employees).

In December 2019, the international rating agency Moody's Investors Service reaffirmed long-term ratings of MARITIME BANK (JSC) for deposits in the national and foreign currencies at B3 with a "stable" outlook.

In May 2019, the Analytical Credit Rating Agency (ACRA) assigned a credit rating of B+ (RU) to MARITIME BANK (JSC), with a stable outlook.

Registered address and place of business. Legal and actual address of the Bank: Varshavskoye shosse, 1, bld. 1-2, Moscow, Russian Federation, 117105.

The Bank's principal places of business are Moscow, Saint Petersburg, Kaliningrad, Vladivostok, Novorossiysk, Volgograd, Nakhodka, Leningrad Region, Murmansk Region, Kaliningrad Region and Moscow Region.

2 Operating environment of the Bank**General characteristics**

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government and the Bank of Russia.

The sanctions against Russia imposed by some countries have a negative impact on the Russian economy. Interest rates in Russian roubles remain high. The combination of the above resulted in reduced access to capital, a higher cost of capital, and increased uncertainty regarding economic growth, which could negatively affect the Bank's future financial position, results of operations and business prospects. Management of the Bank believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

The key rate of the Central Bank of the Russian Federation decreased from 7.75% (since 17 December 2018) to 6.00% (since 10 February 2020).

Inflation

Russia continues to experience relatively high levels of inflation. The inflation indices for the last five years are given in the table below:

Year ended	Inflation for the period
31 December 2019	3.0%
31 December 2018	4.3%
31 December 2017	2.1%
31 December 2016	5.4%
31 December 2015	12.9%

Currency transactions

Foreign currencies, in particular the US Dollar and EUR, play a significant role in the underlying economics of many business transactions in the Russian Federation. The table below shows the CBR exchange rates of RUB relative to USD and EUR:

Date	USD	EUR
31 December 2019	61.9057	69.3406
31 December 2018	69.4706	79.4605
31 December 2017	57.6002	68.8668
31 December 2016	60.6569	63.8111
31 December 2015	72.8827	79.6927

3 Basis of presentation

General principles. These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS). The Bank maintains its accounting records in accordance with the applicable legislation of the Russian Federation. These financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS. The financial statements of the Bank, except for the information on cash flows, have been prepared on an accrual basis.

Functional currency and presentation currency. These financial statements are presented in the national currency of the Russian Federation being the functional currency and the presentation currency of the Bank. All amounts in these financial statements have been rounded off to the nearest thousand roubles unless otherwise indicated.

Estimates and assumptions. The Bank 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 assumptions 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. Management also makes certain judgements and estimates in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a material adjustment to the carrying amount of assets and liabilities within the next financial year include:



Impairment loss on loans and advances to customers. The Bank regularly tests its loan portfolio for impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Valuation of owner-occupied premises. Premises of the Bank are stated at fair value. In the course of the valuation of real estate the independent appraiser used the cost, income and market approaches.

Going concern. These financial statements reflect the Bank management's current assessment of the impact of the Russian business environment on the operations and the financial position of the Bank. The future economic development of the Russian Federation is largely dependent upon the effectiveness of measures undertaken by the RF Government and other factors, including regulatory and political developments which are beyond the Bank's control. The Bank's management cannot predict the impact of the above factors on the financial position of the Bank in future.

These financial statements were prepared on a going concern assumption.

For prompt management of the liquidity risk the Bank regularly monitors external factors, which could influence the Bank's liquidity level, and forecasts cash flows. For the medium- and long-term liquidity risk management the Bank analyses maturity mismatches of assets and liabilities. To reduce its risk exposure the Bank sets liquidity gap limits.

To maintain the required liquidity level the Bank has a possibility to attract additional funds from the Bank of Russia and in the interbank lending market. Diversification of liquidity sources enables the Bank to minimise its dependence on any particular source and ensure full satisfaction of its liabilities. A sufficient current liquidity cushion accumulated by the Bank and the available sources of additional funding allow the Bank to continue its operations as a going concern in the long term.

The impact of the information on coronavirus (COVID-19) on the Bank is disclosed in Note 35 *Events after the reporting period*.

Changes in accounting policies.

The accounting principles accepted in preparation of these financial statements for the year ended 31 December 2019 are consistent with the principles used in preparation of the Bank's financial statements for the year ended 31 December 2018, except for application of new standards described below since 1 January 2019. Nature and effect of these changes are disclosed below. The Bank did not early apply standards, interpretations or amendments to them that were issued but were not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*.

The Bank applied IFRS 16 *Leases* issued on 13 January 2016 from the effective date being 1 January 2019.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the inception of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 cancels the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. The Bank applied this standard using a modified retrospective method without restating comparative figures. The Bank recognised right-of-use assets in the amount of RUB 65,628 thousand as well as the relevant lease liability as at 1 January 2019.

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Reconciliation of the contractual operating lease commitments and the lease liability recognised under IFRS 16 is shown below:

<i>(in thousands of Russian Roubles)</i>	1 January 2019
Operating lease commitments as at 31 December 2018	24,358
Adjustments to the amount of lease payments:	
Future lease payments for the term of an option to extend the lease if the lessee is reasonably certain to exercise that option	56,828
Practical expedient: low-value underlying asset	(7,358)
Future lease payments accepted for IFRS 16	73,828
Effect of discounting	(8,672)
Lease liabilities under IFRS 16	65,156
Previously paid advances and non-refundable security deposits under agreements	472
Right-of-use assets under IFRS 16	65,628

The following amendments to the standards became applicable for the Bank from 1 January 2019, but did not have any material effect on the Bank.

- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- *Prepayment Features with Negative Compensation* — Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2015–2017 Cycle — Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).



4 Summary of significant accounting policies

Financial instruments — key measurement terms. Financial instruments are carried at fair value or amortised cost depending on their classification. These measurement methods are described below.

Fair value measurement

The Bank measures financial instruments at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVTOCI) and non-financial assets, such as buildings and investment property, at fair value at each reporting date. Fair value of financial instruments at amortised cost is disclosed in Note 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for this asset or liability; or
- ▶ In the absence of a principal market, in the most advantageous market for this asset or liability.

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

The Bank uses such valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is recognised or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

Initial recognition

Date of recognition

A regular way purchase or sale of financial assets and liabilities is recognised on the trade date, i. e., on the date that the Bank commits itself to purchase or sell an asset or a liability. A regular way purchase or sale includes a purchase or sale of financial assets and liabilities under a contract whose terms require delivery of the assets and liabilities within the time frame established generally by regulation or convention in the marketplace concerned.

Initial Measurement

Securities, derivative and other financial instruments at FVTPL are initially recognised at fair value. All other financial instruments are initially carried at fair value, including transaction costs. Fair value at initial recognition is best evidenced by the transaction price.

A gain or loss at initial recognition is only recognised if there is a difference between the fair value and the transaction price, which can be evidenced by other observable current market transactions with the same instrument or by a valuation technique which inputs include only data from observable markets.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Incremental costs are those that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and stock exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs. A purchase or sale of financial assets to be delivered within the time frame established by regulation or market convention (regular way purchase and sale) are recorded at the transaction date, i. e. on the date that the Bank commits itself to purchase or sell a financial asset. All other acquisition transactions are recognised when the Bank becomes a party to the contract for this financial instrument.

Measurement categories of financial assets and liabilities

The Bank classifies all its financial assets based on the business model for managing assets and contractual terms of assets as measured at:

- ▶ Amortised cost;
- ▶ FVTOCI;
- ▶ FVTPL.

The Bank classifies and measures derivatives and instruments held for trading at FVTPL. The Bank may, at its sole discretion, classify financial instruments as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial liabilities, other than commitments to provide loans and financial guarantees, are measured at amortised cost or at FVTPL if they are held for trading and are derivatives or, at the entity's discretion, are classified as measured at fair value.

Due from other banks, loan and advances to customers, investment securities measured at amortised cost

The Bank measures amounts due from other banks, loans and advances to customers, and other financial investments at amortised cost only if both of the following conditions are met:

- ▶ The asset is held within a business model whose objective is to hold assets to collect contractual cash flows;
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

These terms are more detailed below.

Business model assessment

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

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

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

The business model assessment is based on reasonably expected scenarios without taking so-called "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's expectations, the Bank does not change the classification of the

remaining financial assets held within that business model, but further takes such information into consideration, when assessing newly originated or newly purchased financial assets.

Solely payments of principal and interest on the principal amount outstanding test (SPPI test)

As a second step of the classification process, the Bank assesses the contractual terms of the financial asset to identify whether the contractual cash flows on the asset are solely payments of principal and interest on the principal amount outstanding (so-called "SPPI test").

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

The most significant elements of interest within a loan agreement are usually the consideration for the time value of money and credit risk. For the SPPI test, the Bank applies judgement and analyses relevant factors such as the currency, in which the financial asset is denominated, and the period, for which the interest rate is set.

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

Debt instruments at FVTOCI

Pursuant to IFRS 9, the Bank measures debt instruments at FVTOCI only if both of the following conditions are met:

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

Debt instruments at FVTOCI are subsequently measured at fair value, and gains or losses resulting from changes in the fair value are recognised within other comprehensive income. Interest income and foreign exchange gains and losses are recognised within profit or loss in the same manner as for financial assets measured at amortised cost. At derecognition, cumulative gains or losses previously recognised within other comprehensive income are reclassified from other comprehensive income to profit or loss.

Expected credit losses for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remain to be measured at fair value. Instead, an amount equal to the allowance for expected losses that would arise if the asset was measured at amortised cost is recognised within other comprehensive income as an accumulated impairment, with a relevant charge to profit or loss. The accumulated loss recognised within other comprehensive income is reclassified to profit and loss at derecognition of the asset.

Financial Guarantees and Loan Commitments

The Bank issues financial guarantees and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value being the premium received. After initial recognition, the Bank measures its liability under each guarantee at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of comprehensive income and allowance for expected credit losses.

Loan commitments and letters of credits are contractual commitments, under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to a customer. Similar to financial guarantees, the requirements to expected credit losses assessment apply to these commitments.



Performance Guarantees

Performance guarantees are contracts providing compensation if the other party fails to perform the contractual duty. Performance guarantees do not pass credit risk. The risk under the contract with the performance guarantee is a possibility of non-performance of the contractual duty by the other party. Accordingly, performance guarantees are not financial instruments and, therefore, do not fall within the scope of IFRS 9.

Reclassification of financial assets and liabilities. The Bank does not reclassify financial assets after their initial recognition, except for exceptional circumstances, where the Bank changes the business model for managing financial assets. The reclassification has a prospective effect and takes place from the beginning of the first reporting period after the business model change. Financial liabilities are never reclassified. In 2019, the Bank did not reclassify financial assets or liabilities.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, balances with the Bank of Russia, balances on correspondent accounts in other banks and settlements with currency and stock exchanges. Funds restricted on origination are excluded from cash and cash equivalents. (Note 5).

Mandatory cash balances with the Bank of Russia. Mandatory cash balances with the Bank of Russia are carried at amortised cost and represent non-interest-bearing mandatory reserve deposits which are not available to finance the Bank's day-to-day operations. Hence, they are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

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

If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Offsetting of financial instruments. A financial asset and a financial liability are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. A right to offset shall not be conditioned on any future event and shall be legally enforceable in all following cases:

- ▶ In the ordinary course of business;
- ▶ In case of a default; and
- ▶ In the event of insolvency or bankruptcy of an entity or any of its counterparties.

These conditions are not generally met for master netting agreements, and the relevant assets and liabilities are recorded on a gross basis in the statement of financial position.

Renegotiated loans. Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

Starting from 1 January 2018, the Bank derecognises a financial asset, such as a loan to a customer, when the contractual terms have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, before an impairment loss was recognised. At initial recognition, loans are classified as Stage 1 to estimate expected credit losses, except as the originated loan is considered a POCI asset. When assessing whether a loan to a customer should be derecognised or not, the Bank, among other things, considers the following factors:

- ▶ Change in currency of the loan;
- ▶ Change in counterparty;

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Auditor's report

- ▶ Whether the modification results in the fact that the instrument no longer meets the SPPI test criteria.

If the modification does not result in a significant change in the cash flows, such modification does not result in derecognition. Based on changes in the cash flows discounted at the original effective interest rate, the Bank recognises modification gains or losses that are reported as a percentage of revenues calculated using the effective interest rate in the statement of comprehensive income before the impairment loss is recognised.

For modifications not resulting in derecognition, the Bank also reassesses whether there is a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset is classified as credit-impaired as a result of modification, it will remain in Stage 3 for a minimum 6-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest should be made during at least half of the probation period in accordance with the modified payment schedule.

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar instrument) on the transferred asset, the extent of the Bank’s continuing involvement is the amount of the transferred asset that the Bank may repurchase, except the case of a written put option (including a cash-settled option or similar instrument) on an asset at fair value. In this case, the extent of the Bank’s continuing involvement is determined as the lower of the fair value of the transferred asset and the option exercise price.

Write-offs. Financial assets are written off either partially or in entirety only when the Bank no longer expects their value to be recovered. If the amount to be written off is higher than the accumulated impairment allowance, the difference is first recorded as an increase in the allowance, which is then applied to the gross carrying amount. Any subsequent recoveries are charged to credit loss expenses. Writing off relates to derecognition.

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognised and the new liability is recorded recognising the difference in the carrying amounts within profit or loss.

Investment property. Investment property is property held by the Bank to earn rentals or for capital appreciation or both, rather than for: (a) use in the Bank’s ordinary course of business or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property is initially recognised at acquisition cost and subsequently recognised at acquisition cost or remeasured at fair value based on its market value. As at 31 December 2019 the market value of the Bank's investment property is obtained from valuation of an independent appraiser, who holds a recognised and relevant professional qualification and who has professional experience in valuation of property of similar location and category. The basis used for the appraisal was fair value. Changes in the fair value of investment property are recorded in profit or loss in the statement of profit or loss and other comprehensive income and presented separately. Initial direct costs incurred by lessors under an operating lease contract shall be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

If the investment property is used by the Bank for its own operating activities, it is reclassified to premises and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Premises and equipment. Except for premises, these are stated at acquisition cost, restated to the equivalent purchasing power of the Russian Rouble as at 31 December 2002 for assets acquired prior to 1 January 2003 less accumulated depreciation and impairment allowance, where required (Note 11).

Premises of the Bank are recorded at the fair value subject to revaluation to market value on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises and equipment being revalued.

The revaluation reserve for premises included in other comprehensive is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Bank.

In the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Premises have been revalued to market value as at 31 December 2019. Revaluation is based on the report of an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of property of similar location and category. The basis used for the appraisal was fair value.

Management has updated the carrying amount of the premises measured in accordance with the revaluation model at the end of the reporting period using market-based evidence and is satisfied that sufficient market-based evidence of fair value is available to support the updated fair values.

Construction in progress is carried at cost less impairment allowance where required. Upon completion, assets are transferred to the respective category of premises and equipment at their carrying amount at transfer. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recorded for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with the carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Construction in progress is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their following estimated useful lives:



	Useful life, years
Premises	32
Technical systems of premises, including power supply	5
Office equipment	4
Computer equipment	2.5
Other equipment	5

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date (Note 11).

Intangible assets. Intangible assets of the Bank have a determined useful life and mainly include trade mark (service mark), licenses and software. Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use this software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are carried as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software (e.g. its maintenance) are expensed when incurred. The trade mark is amortised on a straight-line basis over expected useful life of 10 years. Licenses and software are amortised on a straight-line basis over 5 years. (Note 11).

Accounting for leases in which the Bank acts as a lessee, since 1 January 2019. The Bank leases office premises, equipment and cars. The Bank recognises leases as right-of-use assets and related liabilities at the date on which the underlying asset is made available for the Bank's use. Each lease payment is allocated between the liability and financial expenses. Financial expenses are carried to profit or loss over the lease term to ensure a constant interest rate on the remaining balance of the liability for each period. A right-of-use asset recognised at initial cost is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Liabilities arising under a lease are initially measured at present value. Lease liabilities comprise the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts receivable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising this option.

Lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the incremental borrowing rate shall be used, since it is the rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value in a similar economic environment on similar terms and conditions.

Right-of-use assets are measured at cost, which comprises:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date of the lease, less any lease incentives;
- Any initial direct costs;
- Costs of restoring works.

As an exception, the Bank accounts for short-term leases and low-value leases recognising lease payments as expenses on a straight-line basis.

When determining the lease term, the Bank's management considers all facts and circumstances that

create an economic incentive to exercise the option to extend the lease, or not to exercise the option to terminate the lease. Options to extend the lease (or period of time after the period for exercise of options to terminate the lease) are included in the lease term only if the lease is reasonably certain to be extended (or not to be terminated).

The lease term is reassessed in case of a significant event or significant change in circumstances that affects such assessment and is within the control of the lessee.

Accounting for operating leases in which the Bank acts as a lessee, before 1 January 2019.

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

The lease that is embedded in other contracts is separated if (a) performance of the contract involves using a specific asset or assets and (b) the contract provides for transfer of rights to use the asset.

Accounting for leases in which the Bank acts as a lessor. When assets are leased out under operating lease, the lease payments receivable are recognised as lease income on a straight-line basis over the lease term.

Accounting for finance leases in which the Bank acts as a lessee, before 1 January 2019. Where the Bank is a lessor and all the risks and rewards incidental to ownership are transferred to the Bank, the assets leased are recognised as premises and equipment at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is carried partly to repay the liability and partly to financial expenses to ensure a constant interest rate for the remaining balance of the finance lease liability. The relevant lease liabilities less future financial expenses are included in other borrowed funds. Interest expenses are recorded in profit or loss for the year over the lease term using the effective interest method. Assets acquired under a finance lease are depreciated over their useful life or, if the Bank is not reasonably certain to obtain the ownership right by the time the lease term expires, over a shorter lease term.

Impairment of non-financial assets. Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the higher of their fair value less costs of disposal and their value in use. Costs of disposal are the costs attributable to the disposal of an asset tested for impairment, excluding finance costs. Value in use of an asset tested for impairment is the present value of the future cash flows expected to be derived by the Bank from the use of an asset and its subsequent disposal. If there is no evidence of impairment of an asset tested for impairment, its recoverable amount is not determined. The Bank assesses indications of possible impairment using internal and external data sources.

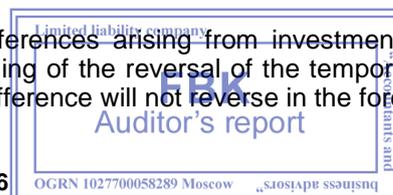
All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

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

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

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



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

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the Bank's tax positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events. And it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Share capital. Ordinary shares, dividends on which declared by the General Meeting of Shareholders, are classified as equity (Note 20). The share capital contributed before 1 January 2003 is restated for the effects of inflation. The share capital contributed after the above date is stated at cost.

Share premium. Share premium represents the excess of contributions to the share capital over the nominal value of the shares issued.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations (Note 21).

Income and expenses recognition. Revenue is recognised to the extent that it is highly probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised in the consolidated financial statements:

Interest and similar revenue and expense

The Bank calculates interest income from debt financial assets at amortised cost or at FVTOCI applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired financial assets. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

For a financial asset that becomes credit-impaired, the Bank calculates interest income by applying the effective interest rate to the net amortised cost of this financial asset. If a default on a financial asset is liquidated, and it is no longer credit-impaired, the Bank turns to calculating interest income based on gross amount.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income applying the effective interest rate adjusted for credit risk to the amortised cost of the financial asset. The effective interest rate adjusted for credit risk is the rate that, at initial recognition, discounts estimated future cash flows (including credit losses) to the amortised cost of POCI assets.

Interest income from all financial assets at FVTPL is recognised using the contractual interest rate within "Other interest income" item in the statement of comprehensive income.

Fee and commission income

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



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

Fee income from providing transaction services. Fees and commissions earned for negotiating or participating in the negotiation of a transaction for a third party, for example, where the Bank's binding duty is the arrangement of acquisition of shares or other securities or purchase or sale of businesses, are recognised on completion of such transaction. Fees and commissions (or components thereof) that are linked to certain binding duties are recognised after meeting the relevant criteria. If the contract provides for variable consideration, fee and commission income is recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Loyalty programs

The Bank offers several loyalty programs. Accounting for such programs varies, depending on who is identified as a customer and what role of the Bank (agent or principal) is under the contract. For programs based on points, the Bank usually recognises a liability with regard to accumulated points that are expected to be used by customers, which is reversed within profit or loss as the points expire. Cashback on plastic bank cards reduces fee and commission income.

Dividend income. Revenue is recognised when the Bank's right to receive the payment is established.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates, i.e. the currency of the Russian Federation — the Russian Rouble.

Monetary assets and liabilities are translated into Russian Roubles at the official exchange rate of the Bank of Russia at the end of the respective reporting period. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities into the Russian roubles at year-end official exchange rates of the Bank of Russia are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity instruments. Effects of exchange rate differences on the fair value of equity securities are recorded as part of the fair value revaluation gain or loss.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Staff costs and related contributions. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Bank shall report separately in its financial statements information about an operating segment that meets any of the following quantitative thresholds:

- its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments;
- the absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of:



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

- the combined reported profit of all operating segments that did not report a loss in the reporting period; and
- the combined reported loss of all operating segments that reported a loss in the reporting period;
- its assets are 10 per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.

As the information is available from management reporting and can differ from the IFRS financial statements, reconciliations shall be made and reasons for such differences disclosed:

- the total of the reportable segments' revenues to the Bank's revenue;
- the total of the reportable segments' measures of profit or loss to the Bank's profit or loss before income tax expense (recovery) and discontinued operations. However, if the Bank allocates to reportable segments items such as income tax expense (recovery), the Bank may reconcile the total of the segments' measures of profit or loss to the Bank's profit or loss after those items;
- the total of the reportable segments' assets to the Bank's assets;
- the total of the reportable segments' liabilities to the Bank's liabilities;
- the total of the reportable segments' amounts for every other material item of information disclosed to the corresponding amount for the Bank.

5 Cash and cash equivalents

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
Cash balances with the Bank of Russia, other than mandatory reserve deposits	266,421	195,213
Correspondent accounts with other banks	243,122	306,872
Cash on hand	216,075	418,210
Settlements with currency and stock exchanges	21,362	158,045
Total cash and cash equivalents before allowance for expected credit losses	746,980	1,078,340
Less: allowance for expected credit losses	(1,797)	(1,175)
Total cash and cash equivalents	745,183	1,077,165

All cash equivalent balances are classified as Stage 1. Analysis of changes in allowances for expected credit losses for the year is given below:

<i>(in thousands of Russian Roubles)</i>	Correspondent accounts with other banks
Allowance for expected credit losses as of 01 January 2019	1,175
Newly originated or purchased assets	25
Changes in expected credit losses	597
Allowance for expected credit losses as of 31 December 2019	1,797

As at 31 December 2019 and 31 December 2018, the Bank had no cash balances above 10% of the Bank's capital.

The Bank analyses cash and cash equivalents quality based on Moody's Investors Service ratings. If an issuer does not have this type of rating, the Bank uses ratings of Fitch Ratings or S&P Global Ratings, reconciling them to the rating categories through an adjustment table.

Geographical, currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 29.

Refer to Note 32 for the fair value of each class of cash and cash equivalents.

6 Trading securities

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
Corporate bonds	444,915	-
Total trading securities	444,915	-

Corporate bonds are presented by RUB-denominated interest-bearing securities issued by a large Russian company. Corporate bonds in the Bank's portfolio as at 31 December 2019 had the maturity in March 2028 and the coupon yield of 8.5% (2018: nil).

As at 31 December 2019 and 31 December 2018, the Bank had no pledged trading securities sold under repurchase agreements.

The fair value of trading securities is measured based on market quoted prices.

Trading securities are carried at fair value, which is also reflected by write-offs due to credit risk. As trading securities are carried at fair value based on observable market data, the Bank does not separately analyse or monitor impairment indicators of these securities.

The Bank analyses trading securities based on Moody's Investors Service ratings. If an issuer does not have this type of rating the Bank uses ratings of Fitch Ratings or S&P Global Ratings, reconciling them to the rating categories through an adjustment table.

Analysis by credit quality of trading debt securities as at 31 December 2019 is as follows (2018: nil):

<i>(in thousands of Russian Roubles)</i>	Corporate bonds
<i>Neither past due nor impaired</i>	
- Baa2 rated	444,915
Total trading securities	444,915

Geographical, currency, maturity and interest rate analyses of trading securities are disclosed in Note 29.

Refer to Note 32 for fair value of each class of trading securities.

7 Due from other banks

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
Repo agreements with other banks	3,882,201	-
Due from the Bank of Russia	450,000	-
Loans and deposits with other banks	320,116	15,982
Total due from other banks before allowance for expected credit losses	4,652,317	15,982
Less: allowance for expected credit losses	(2,340)	-
Total due from other banks	4,649,977	15,982

All balances due from other banks are classified as Stage 1. Analysis of changes in allowances for expected credit losses for the year is given below:

<i>(in thousands of Russian Roubles)</i>	Loans and deposits with other banks
Allowance for expected credit losses as of 01 January 2019	-
Newly originated or purchased assets	2,340
Allowance for expected credit losses as of 31 December 2019	2,340

As at 31 December 2019, amounts due from other banks amounting to RUB 3,882,201 thousand were actually collateralised with securities purchased under reverse repo agreements at fair value amounting to RUB 3,942,786 thousand, of which the Bank was entitled to sell or repawn securities for RUB 3,942,786 thousand.

Amounts due from other banks are not collateralised.

The Bank analyses the credit quality of due from other banks based on Moody's Investors Service ratings. If an issuer does not have this type of rating the Bank uses ratings of Fitch Ratings or S&P Global Ratings, reconciling them to the rating categories through an adjustment table.

As of 31 December 2019, amounts due from other banks in the total amount of RUB 4,652,317 thousand (2018: RUB 15,982 thousand) are current and non-impaired.

The primary factor that the Bank considers in determining whether amounts due from other banks are impaired is their overdue status. As a result, the Bank presents above an ageing analysis of discounted promissory notes of credit institutions that are individually determined to be impaired.

The Bank does not have renegotiated balances representing the carrying amount of due from other banks that would otherwise be past due, whose terms have been renegotiated.

As at 31 December 2019 the Bank had cash balances above 10% of the Bank's capital with 2 counterparty banks. The total amount of such balances was RUB 4,182,201 thousand, or 89.9% of the total due from other banks (2018: nil).

Geographical, currency, maturity and interest rate analyses of due from other banks are disclosed in Note 29.

Refer to Note 32 for the fair value of each class of due from other banks.

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019****8 Loans and advances to customers**

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
Corporate loans	8,234,383	8,534,005
Loans to individuals	169,899	236,062
Total loans and advances to customers before allowance for expected credit losses	8,404,282	8,770,067
Less: allowance for expected credit losses	(1,079,860)	(1,303,479)
Total loans and advances to customers	7,324,422	7,466,588

Corporate loans comprise loans to legal entities. Loans are granted for current needs (working capital financing, acquisition, repair, modernization of movable property and real estate, portfolio investments in securities, expansion and consolidation of business, etc.). Loans are provided for periods of up to 5 years depending on the borrowers' risk assessment. Commercial lending also includes overdraft lending and export-import transactions. The repayment source is cash flow from current operating or financial activities of the borrower.

Loans to individuals are issued for housing acquisition, construction and reconstruction of real estate, mortgages, consumer loans and overdrafts.

As at 31 December 2019, loans and advances to customers in the amount of RUB 14,690 thousand (2018: RUB 50,899 thousand) are secured with the Bank's own promissory notes with the collateral value of RUB 20,450 thousand (2018: RUB 47,900 thousand) (Note 17).

Allowance for expected credit losses. Analysis of changes in allowances for ECLs for the year ended 31 December 2019 is as follows:

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of 01 January 2019	489,254	137,042	574,994	1,201,290
Newly originated or purchased assets and effect of other gross carrying amount increases	150,935	4,139	9,885	164,959
Assets repaid and effect of other gross carrying amount decreases	(188,083)	(9,130)	(804)	(198,017)
Assets sold	(7,601)	-	(385,255)	(392,856)
Reclassification to Stage 1	18,435	(18,435)	-	-
Reclassification to Stage 2	(15,655)	15,655	-	-
Reclassification to Stage 3	(161,023)	(109,477)	270,500	-
Net revaluation of loss allowance	33,104	(8,835)	311,963	336,232
Written-off amounts	-	-	(133,160)	(133,160)
Allowance for expected credit losses as of 31 December 2019	319,366	10,959	648,123	978,448



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Loans to individuals	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of 01 January 2019	122	138	101,929	102,189
Newly originated or purchased assets and effect of other gross carrying amount increases	58	-	330	388
Assets repaid and effect of other gross carrying amount decreases	(25)	-	(2)	(27)
Assets sold	-	-	(1,348)	(1,348)
Reclassification to Stage 1	4	-	(4)	-
Reclassification to Stage 3	-	(138)	138	-
Net revaluation of loss allowance	(80)	-	290	210
Allowance for expected credit losses as of 31 December 2019	79	-	101,333	101,412

Analysis of changes in allowances for ECLs for the year ended 31 December 2018 is as follows:

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of 01 January 2018	725,462	-	1,513,695	2,239,157
Newly originated or purchased assets and effect of other gross carrying amount increases	262,630	25,333	9,781	297,744
Assets repaid and effect of other gross carrying amount decreases	(218,593)	-	(2,221)	(220,814)
Assets sold	-	-	(940,885)	(940,885)
Reclassification to Stage 2	(111,709)	111,709	-	-
Reclassification to Stage 3	(308,470)	-	308,470	-
Net revaluation of impairment allowance	139,934	-	90,155	230,089
Written-off amounts	-	-	(404,001)	(404,001)
Allowance for expected credit losses as of 31 December 2018	489,254	137,042	574,994	1,201,290

Individuals	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of 01 January 2018	3,205	-	103,399	106,604
Newly originated or purchased assets and effect of other gross carrying amount increases	36	-	-	36
Assets repaid and effect of other gross carrying amount decreases	(889)	-	(255)	(1,144)
Reclassification to Stage 2	(138)	138	-	-
Reclassification to Stage 3	(207)	-	207	-
Net revaluation of impairment allowance	(1,885)	-	(287)	(2,172)
Written-off amounts	-	-	(1,135)	(1,135)
Allowance for expected credit losses as of 31 December 2018	122	138	101,929	102,189

Allowances for loans sold in the amount of RUB 394,204 thousand (2018: RUB 940,885 thousand) relate to loans for which there was an assignment of claim. The statement of profit or loss and other comprehensive income reflects gains from sale of loans of RUB 214,059 thousand (2018: RUB 238,859 thousand).



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Analysis of changes in the gross carrying amount of loans and advances to customers for the year ended 31 December 2019 is as follows:

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	7,133,665	810,772	589,568	8,534,005
Newly originated or purchased assets and effect of other gross carrying amount increases	5,771,767	80,147	46,248	5,898,162
Assets repaid and effect of other gross carrying amount decreases	(5,198,070)	(256,098)	(18,108)	(5,472,276)
Assets sold	(152,014)	-	(385,255)	(537,269)
Reclassification to Stage 1	199,947	(199,947)	-	-
Reclassification to Stage 2	(154,196)	154,196	-	-
Reclassification to Stage 3	(166,662)	(383,114)	549,776	-
Written-off amounts	-	-	(133,160)	(133,160)
Exchange differences	(55,079)	-	-	(55,079)
Gross carrying amount as at 31 December 2019	7,379,358	205,956	649,069	8,234,383

Individuals	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	129,769	301	105,992	236,062
Newly originated or purchased assets and effect of other gross carrying amount increases	41,123	-	780	41,903
Assets repaid and effect of other gross carrying amount decreases	(48,667)	-	(1,157)	(49,824)
Assets sold	(52,948)	-	(2,247)	(55,195)
Reclassification to Stage 1	2,336	-	(2,336)	-
Reclassification to Stage 3	-	(301)	301	-
Exchange differences	(3,047)	-	-	(3,047)
Gross carrying amount as at 31 December 2019	68,566	-	101,333	169,899

Analysis of changes in epy gross carrying amount of loans and advances to customers for the year ended 31 December 2018 is as follows:

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	6,921,812	-	1,513,694	8,435,506
Newly originated or purchased assets and effect of other gross carrying amount increases	5,910,744	459,807	9,781	6,380,332
Assets repaid and effect of other gross carrying amount decreases	(4,828,982)	-	(2,221)	(4,831,203)
Assets sold	-	-	(1,142,067)	(1,142,067)
Reclassification to Stage 2	(350,965)	350,965	-	-
Reclassification to Stage 3	(614,382)	-	614,382	-
Written-off amounts	-	-	(404,001)	(404,001)
Exchange differences	95,438	-	-	95,438
Gross carrying amount as at 31 December 2018	7,133,665	810,772	589,568	8,534,005



<i>Individuals</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	160,515	-	103,399	263,914
Newly originated or purchased assets and effect of other gross carrying amount increases	55,974	-	283	56,257
Assets repaid and effect of other gross carrying amount decreases	(92,990)	-	(478)	(93,468)
Reclassification to Stage 2	(301)	301	-	-
Reclassification to Stage 3	(3,922)	-	3,922	-
Written-off amounts	-	-	(1,135)	(1,135)
Exchange differences	10,493	-	-	10,493
Gross carrying amount as at 31 December 2018	129,769	301	105,992	236,062

Modified and restructured loans and advances to customers. The Bank derecognises a financial asset, when the contractual terms have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, before an impairment loss is recognised. At initial recognition, loans are classified as Stage 1 for estimating expected credit losses, except when the originated loan is considered a POCI asset.

If the modification does not result in a significant change in the cash flows, such modification does not result in derecognition. Based on changes in the cash flows discounted at the original effective interest rate, the Bank recognises modification gains or losses before the impairment loss is recognised.

The table below shows renegotiated Stage 2 and Stage 3 assets and the relevant losses incurred by the Bank during 2019 and 2018.

	2019	2018
Loans to customers modified during the period		
Amortised cost before modification	165,324	294,107
Net modification loss/gain	(14,109)	(75,940)

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Loan portfolio quality. Analysis by credit quality of loans outstanding as at 31 December 2019 is as follows:

Corporate loans	Stage 1	Stage 2	Stage 3	Total
<i>Past due nor impaired loans</i>				
- Large borrowers	4,486,379	-	-	4,486,379
- Loans to medium size entities	1,716,968	166,075	-	1,883,043
- Small borrowers	1,176,012	32,910	95	1,209,017
Total neither past due nor impaired loans	7,379,359	198,985	95	7,578,439
<i>Past due but not impaired loans</i>				
- 31 to 90 days overdue	-	6,969	-	6,969
Total past due but not impaired loans	-	6,969	-	6,969
<i>Individually impaired loans</i>				
- 181 to 365 days overdue	-	-	474,990	474,990
- over 365 days overdue	-	-	173,985	173,985
Total individually impaired loans	-	-	648,975	648,975
Total corporate loans (before allowance for expected credit losses)	7,379,359	205,954	649,070	8,234,383
Less: allowance for expected credit losses	(319,366)	(10,959)	(648,123)	(978,448)
Total corporate loans	7,059,993	194,995	947	7,255,935

Loans to individuals	Stage 1	Stage 2	Stage 3	Total
<i>Neither past due nor impaired loans, which impairment is assessed on the portfolio basis</i>				
- Small borrowers	68,566	-	-	68,566
Total neither past due nor impaired loans, which impairment is assessed on the portfolio basis	68,566	-	-	68,566
<i>Cumulatively impaired loans</i>				
- 91 to 180 days overdue	-	-	330	330
- over 365 days overdue	-	-	101,003	101,003
Total cumulatively impaired loans	-	-	101,333	101,333
Total loans to individuals (before allowance for expected credit losses)	68,566	-	101,333	169,899
Less: allowance for expected credit losses	(79)	-	(101,333)	(101,412)
Total loans to individuals	68,487	-	-	68,487



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Analysis by credit quality of loans outstanding as at 31 December 2018 is as follows:

Corporate loans	Stage 1	Stage 2	Stage 3	Total
<i>Past due nor impaired loans</i>				
- Large borrowers	2,895,078	399,821	-	3,294,899
- Loans to medium size entities	2,496,882	259,933	-	2,756,815
- Small borrowers	1,741,705	57,744	-	1,799,449
Total neither past due nor impaired loans	7,133,665	717,498	-	7,851,163
<i>Past due but not impaired loans</i>				
- less than 30 days overdue	-	93,274	-	93,274
Total past due but not impaired loans	-	93,274	-	93,274
<i>Individually impaired loans</i>				
- without delays in payment	-	-	91	91
- less than 30 days overdue	-	-	43,752	43,752
- 31 to 90 days overdue	-	-	9,781	9,781
- 91 to 180 days overdue	-	-	27,441	27,441
- 181 to 365 days overdue	-	-	135,178	135,178
- over 365 days overdue	-	-	373,325	373,325
Total individually impaired loans	-	-	589,568	589,568
Total corporate loans (before allowance for expected credit losses)	7,133,665	810,772	589,568	8,534,005
Less: allowance for expected credit losses	(489,254)	(137,042)	(574,994)	(1,201,290)
Total corporate loans	6,644,411	673,730	14,574	7,332,715

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Loans to individuals	Stage 1	Stage 2	Stage 3	Total
<i>Neither past due nor impaired loans, which impairment is assessed individually</i>				
- Small borrowers	14,155	-	-	14,155
Total neither past due nor impaired loans, which impairment is assessed individually	14,155	-	-	14,155
<i>Neither past due nor impaired loans, which impairment is assessed on the portfolio basis</i>				
- Small borrowers	115,614	-	-	115,614
Total neither past due nor impaired loans, which impairment is assessed on the portfolio basis	115,614	-	-	115,614
<i>Past due but not impaired loans, which impairment is assessed on the portfolio basis</i>				
- - 31 to 90 days overdue	-	301	-	301
Total past due but not impaired loans, which impairment is assessed on the portfolio basis	-	301	-	301
<i>Cumulatively impaired loans</i>				
- without delays in payment	-	-	4,069	4,069
- 181 to 365 days overdue	-	-	201	201
- over 365 days overdue	-	-	101,722	101,722
Total cumulatively impaired loans	-	-	105,992	105,992
Total loans to individuals (before allowance for expected credit losses)	129,769	301	105,992	236,062
Less: allowance for expected credit losses	(122)	(138)	(101,929)	(102,189)
Total loans to individuals	129,647	163	4,063	133,873

Neither past due nor impaired loans include three classes: loans to large borrowers, loans to medium size entities and loans to small entities. Loans to borrowers with outstanding loan amount above RUB 170,000 thousand as at 31 December 2019 (2018: RUB 170,000 thousand) are recognised as loans to large borrowers. Loans to borrowers or a group of related borrowers with outstanding loan amount from RUB 70,000 to RUB 170,000 thousand (2018: from RUB 70,000 to RUB 170,000 thousand) are recognised as loans to medium size entities. Loans to borrowers or a group of related borrowers with outstanding loan amount below RUB 70,000 thousand (2018: below RUB 70,000 thousand) are recognised as loans to small borrowers.



Loan security. As a rule, the Bank requires collateral or guarantees for loans to legal entities. Acceptable collateral includes real estate, securities (within the Bank's risk limits for such securities), promissory notes of the Bank, transport and production equipment, inventory, certain contract rights and certain personal property. Guarantees can be provided by controlling shareholders (or other controlling persons), government entities, banks and other solvent legal entities (all within risk limits for such guarantees) as collateral. A guarantor (surety) is evaluated as to a credit risk on the same basis as the borrower itself. The Bank assesses the collateral value based on an internal expert valuation performed by the Bank's specialists, an independent appraiser's valuation or on the basis of discounted carrying amount of the collateral. In accordance with the Bank's policy, the value of collateral for loans to legal entities should cover the principal and interest on loan accrued for a period of at least three months. Borrowers must insure the collateral or make an additional payment to the Bank reflecting the increase in credit risk.

The Bank provided uncollateralised loans or partially collateralised loans to major borrowers or borrowers associated with the lowest level of risk. These loans were provided to the clients with stable financial position and good credit history with the Bank for the last three years.

The Bank usually requires collateral and/or guarantees for loans to individuals. Acceptable collateral for loans includes real estate, personal property, government and the Bank's securities, motor vehicles and other liquid assets. The Bank accepts guarantees and sureties from its clients, both individuals and legal entities as collateral for loans to individuals. According to the Bank's policy, the value of collateral or the amount of guarantee must cover the principal and interest on the loan for a period of at least a year. The Bank determines the value of collateral based on internal or independent valuation. The discounted carrying amount of the pledged property can be also a basis for its valuation. Individual guarantors (sureties) are evaluated as to a credit risk on the same basis as the borrower itself.

Collateral held by the Bank for past due loans, assessed for impairment on a collective basis, is similar to collateral received for other loans (see description above). According to the Bank's assessment the fair value of collateral received for past due loans, assessed for impairment on a collective basis, to individuals exceeds the carrying amount of such loans.

The fair value of collateral for past due individually impaired loans as at 31 December 2019 and 31 December 2018 was estimated by the Bank's Credit Department using its internal methodology.

The actual net realisable value of collateral may differ from the value disclosed in the financial statements due to potential difficulties during the foreclosure which cannot be predicted.

Information about collateral for loans and advances to customers as at 31 December 2019 is as follows:

<i>(in thousands of Russian Roubles)</i>	Corporate loans	Loans to individuals	Total
Unsecured loans and advances to customers	2,311,964	33,165	2,345,129
Loans and advances to customers collateralised by:			
- surety of legal entities and individuals	1,545,509	8,772	1,554,281
- non-residential real estate (including vessels)	2,072,388	2,726	2,075,114
- goods in turnover	659,836	-	659,836
- vehicles	374,322	2,769	377,091
- equipment	271,075	-	271,075
- residential real estate	19,655	6,365	26,020
- promissory notes of the Bank	-	14,690	14,690
- equity interest	1,186	-	1,186
Total loans and advances to customers	7,255,935	68,487	7,324,422

Information about collateral for loans and advances to customers as at 31 December 2018 is as follows:

<i>(in thousands of Russian Roubles)</i>	Corporate loans	Loans to individuals	Total
Unsecured loans and advances to customers	2,245,968	53,881	2,299,849
Loans and advances to customers collateralised by:			
- surety of legal entities and individuals	2,192,048	9,168	2,201,216
- non-residential real estate (including vessels)	1,532,314	12,636	1,544,950
- goods in turnover	651,416	-	651,416
- vehicles	369,370	970	370,349
- equipment	271,171	-	271,171
- residential real estate	36,225	40,513	76,738
- promissory notes of the Bank	34,195	16,704	50,899
Total loans and advances to customers	7,332,716	133,872	7,466,588

The disclosure above represents the lower of the carrying amount of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying amount of loans was allocated based on liquidity of the assets taken as collateral.

Neither past due nor impaired, but renegotiated loans represent the carrying amount of loans that would otherwise be past due or impaired whose terms have been renegotiated. Past due but not impaired loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due. The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying amount of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying amount of the asset ("under-collateralised assets").

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

The effect of collateral as at 31 December 2019:

	Over-collateralised loans and advances to customers		Under-collateralised loans and advances to customers	
	Carrying amount of the assets	Fair value of the collateral	Carrying amount of the assets	Fair value of the collateral
<i>(in thousands of Russian Roubles)</i>				
Corporate loans	4,937,181	22,173,243	3,297,202	418,436
Loans to individuals	30,328	126,254	139,571	23,696
Total	4,967,509	22,299,497	3,436,773	442,132

The effect of collateral as at 31 December 2018:

	Over-collateralised loans and advances to customers		Under-collateralised loans and advances to customers	
	Carrying amount of the assets	Fair value of the collateral	Carrying amount of the assets	Fair value of the collateral
<i>(in thousands of Russian Roubles)</i>				
Corporate loans	5,130,359	20,597,501	3,403,646	615,886
Loans to individuals	73,249	431,706	162,813	26,485
Total	5,203,608	21,029,207	3,566,459	642,371

The fair value of collateral represented by residential and non-residential real estate at the end of the reporting period approximated its market value. The fair value of other collateral was determined by the Bank's Credit Department based on its internal methodology and considering location of the assets accepted as collateral.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for ECL.

The Bank did not use collateral or other credit enhancements of the credit quality of expected credit losses on loans and advances to customers in Stage 3 as at 31 December 2019.

If there was no collateral or other credit enhancements, expected credit losses on loans and advances to customers in Stage 3 as at 31 December 2018 would be greater by:

	31 December 2018
<i>(in thousands of Russian Roubles)</i>	
Corporate loans	-
Loans to individuals	3,696
Total	3,696



Concentration of loans and advances to customers. Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>(in thousands of Russian Roubles)</i>	31 December 2019		31 December 2018	
	Amount	%	Amount	%
Trade	2,442,659	29.1	2,668,965	30.5
Cargo transport service	1,238,419	14.7	1,426,893	16.3
Construction	1,145,700	13.6	877,769	10.0
Manufacturing	1,073,040	12.8	1,132,297	12.9
Transport and communication	518,745	6.2	281,846	3.2
Infrastructure construction	474,219	5.6	695,072	7.9
Shipbuilding	260,958	3.1	80,761	0.9
Consultancy	257,011	3.1	160,643	1.8
Processing of raw materials and metals	253,331	3.0	-	-
Individuals	169,899	2.0	236,061	2.7
Energy supply	159,271	1.9	119,645	1.4
Lease of non-residential property	70,539	0.8	617,998	7.0
Extraction of ores and sands of precious metals	-	-	207,711	2.4
Other	340,491	4.1	264,405	3.0
Total loans and advances to customers (before allowance for expected credit losses)	8,404,282	100.0	8,770,066	100.0

As at 31 December 2019 the Bank had 7 borrowers (2018: 6 borrowers) with the total amount of loans outstanding above 10% of the Bank's capital. The gross amount of these loans was RUB 2,292,449 thousand or 27.3% of the total amount of loans and advances to customers before allowance for expected credit losses (2018: RUB 1,916,847 thousand or 21.9% of the total amount of loans and advances to customers before allowance for expected credit losses).

Refer to Note 32 for the fair value of each class of loans and advances to customers.

Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 29. The information on related party transactions is disclosed in Note 34.

9 Investment securities

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
Investment securities at fair value through other comprehensive income		
Municipal bonds	159,228	-
Russian Federation bonds (OFZ)	-	1,632,590
Corporate Eurobonds	-	1,318,019
Bonds of the Bank of Russia	-	804,441
Total investment securities at fair value through other comprehensive income	159,228	3,755,050
Investment securities at amortised cost		
Eurobonds issued by the Russian Federation	138,975	-
Municipal bonds	75,077	-
Russian Federation bonds (OFZ)	35,555	-
Corporate Eurobonds	43,749	11,630
Less: allowance for expected credit losses	(43,749)	(11,630)
Total investment securities at amortised cost	249,607	-
Total investment securities	408,835	3,755,050

Investment securities at fair value through other comprehensive income:

Municipal bonds are presented by RUB-denominated interest-bearing securities issued by the Ministry of Economy and Finance of Moscow Region. Municipal bonds in the Bank's portfolio as at 31 December 2019 had the maturity in December 2022 and the coupon yield of 7.5% per annum (2018: nil).

Russian Federation bonds (OFZ) are RUB-denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ in the Bank's portfolio as at 31 December 2018 had the maturities from December 2022 to March 2033 and the coupon yield from 6.9% to 8.5% per annum depending on the issue.

Corporate Eurobonds are presented by interest-bearing securities denominated in USD and EUR issued by large Russian commercial banks and companies. Corporate Eurobonds in the Bank's portfolio as at 31 December 2018 had the maturities from March 2019 to November 2023 and the coupon yield from 3.125% to 9.25% per annum depending on the issue.

Bonds of the Bank of Russia in the Bank's portfolio as at 31 December 2018 had the maturities from February to March 2019 and the coupon yield from 7.25% to 7.5% per annum depending on the issue.



Investment securities at amortised cost:

Eurobonds issued by the Russian Federation are EUR-denominated government securities issued by the Ministry of Finance of the Russian Federation. Eurobonds issued by the Russian Federation in the Bank's portfolio as at 31 December 2019 had the maturity in December 2025 and the coupon yield of 2.88% per annum (2018: nil).

Municipal bonds are presented by RUB-denominated interest-bearing securities issued by the Ministry of Economy and Finance of Moscow Region. Municipal bonds in the Bank's portfolio as at 31 December 2019 had the maturity in December 2022 and the coupon yield of 7.5% per annum (2018: nil).

Russian Federation bonds (OFZ) are RUB-denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ in the Bank's portfolio as at 31 December 2019 had the maturity in April 2021 and the coupon yield 7.6% of per annum (2018: nil).

Corporate Eurobonds in the amount of RUB 43,749 thousand (2018: RUB 11,630 thousand) are represented by RUB-denominated securities issued by a Russian company. These bonds in the Bank's portfolio as at 31 December 2019 are considered as past due for more than 180 days (2018: such bonds had the maturity in June 2019 and the coupon yield of 9.9% per annum).

As at 31 December 2019 and 31 December 2018, the Bank had no pledged investment securities sold under repurchase agreements.

Investment securities are not collateralised.

For traded investments, the fair value is determined by reference to the current market value at the close of business on 31 December 2019 and 31 December 2018.

The primary factor that the Bank considers in determining whether an investment security is impaired is its overdue status or the existence of overdue payments under earlier issues of securities.

With regard to securities at fair value based on observable market data, the Bank does not analyse or monitor individual impairment indicators.

The Bank analyses investment securities based on Moody's Investors Service ratings. If an issuer does not have this type of rating the Bank uses ratings of Fitch Ratings or S&P Global Ratings, reconciling them to the rating categories through an adjustment table.

Analysis by credit quality of investment securities as at 31 December 2019 is as follows:

<i>(in thousands of Russian Roubles)</i>	Municipal bonds	Eurobonds issued by the Russian Federation	Russian Federation bonds (OFZ)	Total
<i>Neither past due nor impaired</i>				
- Baa3 rated	234,305	138,975	35,555	408,835
Total investment securities	234,305	138,975	35,555	408,835



Analysis by credit quality of investment securities as at 31 December 2018 is as follows:

<i>(in thousands of Russian Roubles)</i>	Russian Federation bonds (OFZ)	Corporate Eurobonds	Bonds of the Bank of Russia	Total
<i>Neither past due nor impaired</i>				
- Baa2 rated	1,632,590	-	804,441	2,437,031
- Baa3 rated	-	774,549	-	774,549
- Ba1 rated	-	543,470	-	543,470
Total investment securities	1,632,590	1,318,019	804,441	3,755,050

Refer to Note 32 for the disclosure of the fair value of each class of investment securities.

Geographical, currency, maturity and interest rate analyses of investment securities are disclosed in Note 29.

10 Investment property

Information on changes in the fair value of investment property is given below:

<i>(in thousands of Russian Roubles)</i>	2019	2018
Cost at 1 January	924,269	884,139
Revaluation	2,040	40,130
Cost at 31 December	926,309	924,269

As at 31 December 2019 and 31 December 2018, investment property is represented by the plots of land located in Leningrad Region.

As at 31 December 2019, the fair value of plots of land is based on the valuation by a certified independent appraiser.

There were no direct operating expenses and rental income relating to investment property during 2019 and 2018.



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019****11 Premises, equipment and intangible assets**

	Note	Premises	Technical systems of premises including power supply	Office and computer equipment	Total premises and equipment	Intangible assets	Total
<i>(in thousands of Russian Roubles)</i>							
Cost or valuation as at 31 December 2017		547,653	36,318	84,142	668,113	23,811	691,924
Accumulated depreciation and amortisation		-	(27,184)	(63,055)	(90,239)	(6,062)	(96,301)
Carrying amount as at 31 December 2017		547,653	9,134	21,087	577,874	17,749	595,623
Additions		-	93	12,192	12,285	12,668	24,953
Revaluation	19	61,760	-	-	61,760	-	61,760
Disposals		-	-	(1,761)	(1,761)	-	(1,761)
Depreciation and amortisation	22	(20,313)	(1,018)	(9,962)	(31,293)	(4,744)	(36,037)
Disposals - accumulated depreciation and amortisation		-	-	1,761	1,761	-	1,761
Carrying amount as at 31 December 2018		589,100	8,209	23,317	620,626	25,673	646,299
Cost or valuation as at 31 December 2018		589,100	36,411	94,573	720,084	36,479	756,563
Accumulated depreciation and amortisation		-	(28,202)	(71,256)	(99,458)	(10,806)	(110,264)
Carrying amount as at 31 December 2018		589,100	8,209	23,317	620,626	25,673	646,299
Additions		-	-	17,342	17,342	18,791	36,133
Revaluation	19	1,059	-	-	1,059	-	1,059
Disposals		-	-	(8,957)	(8,957)	-	(8,957)
Depreciation and amortisation	22	(22,693)	(898)	(9,265)	(32,856)	(7,707)	(40,563)
Disposals - accumulated depreciation and amortisation		-	-	8,338	8,338	-	8,338
Carrying amount as at 31 December 2019		567,466	7,311	30,775	605,552	36,757	642,309
Cost or valuation as at 31 December 2019		567,466	36,411	102,958	706,835	55,270	762,105
Accumulated depreciation and amortisation		-	(29,100)	(72,183)	(101,283)	(18,513)	(119,796)
Carrying amount as at 31 December 2019		567,466	7,311	30,775	605,552	36,757	642,309

Premises were revalued to market value as at 31 December 2019 and 31 December 2018. Revaluation is based on the report of an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in the valuation of property of similar location and category. The basis used for the appraisal was fair value. Fair value was estimated using appropriate valuation techniques and market prices. Revaluation surplus on premises for 2019 was RUB 1,059 thousand (2018: RUB 61,760 thousand). Tax effect recorded directly in other comprehensive income is disclosed in Note 26.



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Had the premises been appraised using the cost model, the net book value would have included:

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
Initial cost	515,984	515,984
Accumulated depreciation and impairment	(118,707)	(99,597)
Net book value	397,277	416,387

12 Right-of-use assets and lease liabilities

The Bank leases out office premises and water transport. Leases are as a rule concluded for a fixed term and may provide for extension.

Before 31 December 2019, lease of premises and equipment related to either finance or operating leases. Since 1 January 2019, leases have been recognised as right-of-use assets and the relevant liability as at the date the relevant asset subject to lease is received by the Bank for use.

Analysis of right-of-use assets by the class of assets subject to lease is as follows.

<i>(in thousands of Russian Roubles)</i>	Premises	Lease liabilities
Carrying amount as at 1 January 2019	65,628	65,156
Additions	472	457
Revaluation	(7,787)	(7,787)
Depreciation	(27,786)	-
Interest expense	-	4,418
Lease payments	-	(24,442)
Carrying amount as at 31 December 2019	30,527	37,802

13 Other financial assets

Other financial assets comprise the following:

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
Funds contributed to share capitals of entities	130,068	67
Total other financial assets	130,068	67

Funds contributed to share capitals of entities in the amount of RUB 130,001 thousand (2018: nil) represent the Bank's investments in the share capital of the Analytical Credit Rating Agency (JSC (hereinafter "ACRA (JSC)"))

The Bank does not acquire control over governance and has no material effect on the activities of ACRA (JSC) with its interest in the share capital of ACRA (JSC) being 3.7%.

The Bank has no control over ACRA (JSC) and has no powers over the investee to influence the income of ACRA (JSC).

Refer to Note 32 for the disclosure of the fair value of each class of other financial assets.

Geographical, currency, maturity and interest rate analyses of other financial assets are disclosed in Note 29.



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019****14 Other assets**

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
Cash on hand deficit	97,860	97,924
Collateral obtained into ownership for non-payment	76,400	77,455
Settlements on agreements of assignment of claims	76,101	76,101
Prepayment for goods and services	16,061	196,140
Outstanding credit card settlements	4,814	7,133
Outstanding tax settlements (other than on income tax)	2,588	3,304
Precious metals in coins	2,456	2,486
Security deposit paid with the stock exchange	-	30,000
Fee due for issuance of a bank guarantee	-	1,214
Other	5,195	6,859
Less: allowance for expected credit losses	(178,867)	(180,296)
Total other assets	102,608	318,320

Movements in the allowance for expected credit losses during 2019 and 2018 are as follows:

<i>(in thousands of Russian Roubles)</i>	2019	2018
Allowance for expected credit losses as at 1 January	180,296	184,767
Movements in allowance for expected credit losses during the year	(789)	(2,236)
Other assets written off during the year as uncollectible	(640)	(2,235)
Allowance for expected credit losses as at 31 December	178,867	180,296

15 Due to other banks

<i>(in thousands of Russian Roubles)</i>	31 December 2018
Other amounts due to credit institutions	72,029
Total Due to other banks	72,029

The information on the fair value of each of due to other banks' categories is presented in Note 32.

Geographical, currency, maturity and interest rate analyses of due from other banks are disclosed in Note 29.



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019****16 Customer accounts**

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
State and public organisations		
- Current/settlement accounts	356,244	103,889
- Term deposits	-	1,212
Legal entities		
- Current/settlement accounts	2,337,165	1,923,941
- Term deposits	4,305,887	4,327,924
Individuals		
- Current/demand accounts	716,337	543,688
- Term deposits	5,910,788	5,351,114
Total customer accounts	13,626,421	12,251,768

Economic sector concentrations within customer accounts are as follows:

<i>(in thousands of Russian Roubles)</i>	31 December 2019		31 December 2018	
	Amount	%	Amount	%
Individuals	6,627,125	48.6	5,894,802	48.1
Fishing	3,063,159	22.5	3,313,148	27.0
Trade	904,656	6.6	836,581	6.8
Services	668,246	4.9	443,894	3.6
Transport	534,807	3.9	495,540	4.0
Finance	505,215	3.7	226,938	1.9
Construction	321,484	2.4	240,148	2.0
Manufacturing	259,134	1.9	267,571	2.2
Real estate	75,656	0.6	40,064	0.3
Other	666,939	4.9	493,082	4.0
Total customer accounts	13,626,421	100.0	12,251,768	100.0

As at 31 December 2019, the Bank had cash balances of 5 customers (2018: 3 customers) above 10% of the Bank's capital. The aggregate amount of these balances was RUB 2,292,310 thousand or 16.8% of total customer accounts (2018: RUB 2,517,165 thousand or 20.5% of total customer accounts).

Refer to Note 32 for the disclosure of the fair value of each class of customer accounts.

Geographical, currency, maturity and interest rate analyses of customer accounts are disclosed in Note 29.

17 Debt securities in issue

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
Promissory notes	22,985	58,667
Total debt securities in issue	22,985	58,667

Promissory notes being discount promissory notes issued by the Bank are denominated in Russian Roubles and Euro (2018: in Russian Roubles and Euro).

As at 31 December 2019, loans and advances to customers in the amount of RUB 14,690 thousand (2018: RUB 50,899 thousand) are secured with the Bank's own promissory notes with the collateral value of RUB 20,450 thousand (2018: RUB 47,900 thousand) (Note 8).

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Refer to Note 32 for the disclosure of the fair value of each class of debt securities in issue.

Geographical, currency, maturity and interest rate analyses of promissory notes issued are disclosed in Note 29.

18 Other financial liabilities

Other financial liabilities comprise the following:

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
Deferred fees on bank guarantees	20,823	11,159
Total other financial liabilities	20,823	11,159

Refer to Note 32 for the disclosure of the fair value of each class of other financial liabilities.

Geographical, currency, maturity and interest rate analyses of other financial liabilities are disclosed in Note 29.

19 Other liabilities

Other liabilities comprise the following:

<i>(in thousands of Russian Roubles)</i>	Note	31 December 2019	31 December 2018
Accrued employee benefit costs		38,136	26,188
Provision for contingent liabilities	31	29,235	47,282
Taxes payable other than income tax		15,268	32,908
Settlements with Deposit Insurance Agency		13,992	8,568
Provision for future expenses		10,348	243
Amounts payable		7,835	26,045
Liabilities on transfer of balances from closed settlement accounts		426	1,469
Liabilities under claim assignment agreements		-	28,894
Other		5,469	6,373
Total Other liabilities		120,709	177,970

As at 31 December 2019, provisions for future expenses includes a provision for legal proceedings in the amount of RUB 10,022 thousand (2018: nil).

The provision is formed due to the presentation of claims by third parties against the Bank, namely, with regard to legal relations arising out of the bank deposit agreement. The customer challenged the legality of funds debiting by the Bank from the deposit account under the Resolution of the Directorate of the Federal Bailiffs Service.

The expected period for disposal of associated economic benefits is by 1 June 2020. During the specified period, it is expected that funds will be debited from the Bank's correspondent account under the Writ of Execution presented.

There are no events that could influence the amount of the Bank's liabilities under the writ of execution. The amount may not change.



20 Share capital and share premium

<i>(in thousands of Russian Roubles), except for number of shares</i>	31 December 2019		31 December 2018	
	Number of outstanding shares	Nominal value	Number of outstanding shares	Nominal value
Ordinary shares	15,713,254	1,755,956	15,713,254	1,755,956
Total share capital		1,755,956	-	1,755,956

The total authorised number of ordinary shares is 15,713 thousand shares (2018:15,713 thousand shares) with a par value of RUB 111.75 per share (2018: RUB 111.75 per share).

Share premium is the amount by which the contributions to the capital exceed the nominal value of shares issued. As at 31 December 2019, share premium amounted to RUB 620,904 thousand (2018: RUB 620,904).

21 Retained earnings

In accordance with the Russian legislation, the Bank distributes earnings as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The Bank's uncovered losses and funds recognised in the financial statements under Russian Accounting Rules as at 31 December 2019 are RUB 429,896 thousand (2018: RUB 473,658 thousand).

Uncovered losses reflected in the Bank's Russian statutory records include a reserve fund in the amount of RUB 256,486 thousand (2018: RUB 256,486 thousand) that represents funds provided, as required by the regulations of the Russian Federation, in respect of the Bank's general banking risks, including future losses and other unforeseen risks or contingent liabilities.



22 Other comprehensive income recognised in equity

An analysis of other comprehensive income by item for each component of equity is as follows:

	Note	Revaluation reserve for premises	Revaluation reserve for investment securities at fair value through other comprehensive income	Total
Year ended 31 December 2018				
Revaluation of investment securities at fair value through other comprehensive income		-	11,494	11,494
Revaluation of premises and equipment	11	61,760	-	61,760
Income tax recorded directly in other comprehensive income	26	(12,352)	(2,299)	(14,651)
Total other comprehensive income		49,408	9,195	58,603
Year ended 31 December 2019				
Revaluation of investment securities at fair value through other comprehensive income		-	(6,860)	(6,860)
Revaluation carried forward to profit or loss as a result of disposal of investment securities at fair value through other comprehensive income		-	(6,399)	(6,399)
Revaluation of premises and equipment	11	1,059	-	1,059
Income tax recorded directly in other comprehensive income	26	(212)	2,652	2,440
Total other comprehensive (expense)/income		847	(10,607)	(9,760)

23 Interest income and expense

<i>(in thousands of Russian Roubles)</i>	2019	2018
Interest income calculated using effective interest rate		
Loans and advances to customers	1,097,542	1,194,188
Investment securities at fair value through other comprehensive income	131,364	148,599
Loans and deposits with other banks	50,567	24,159
Investment securities at amortised cost	36,339	-
Correspondent accounts with other banks	271	162
Other interest income		
Trading securities	9,325	-
Total interest income	1,325,408	1,367,108
Interest expense		
Term deposits of individuals	388,615	378,415
Term deposits of legal entities	183,920	111,224
Current and settlement accounts	15,736	10,194
Due to other banks	10,689	6,795
Promissory notes issued	5,156	1,737
Operating lease commitments	4,418	-
Due to the Bank of Russia	51	-
Other borrowed funds	-	271
Total interest expense	608,585	508,636
Net interest income	716,823	858,472

Interest income on impaired financial assets is RUB 197,884 thousand (2018: RUB 249,711 thousand) and is recorded within loans to customers (Note 8).

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019****24 Fee and commission income and expense**

<i>(in thousands of Russian Roubles)</i>	2019	2018
Fee and commission income		
Settlement transactions	132,575	108,043
Guarantees issued	72,895	81,348
Currency control	45,249	39,503
Cash transactions	3,044	2,562
Other	1,698	436
Total fee and commission income	255,461	231,892
Fee and commission expense		
Settlement transactions	24,774	13,598
Plastic cards	15,397	15,918
Services of depository	7,157	4,303
Cost of attracting new customers for the Bank under agency agreements	6,886	9,254
Delivery and accompanying of cash	2,073	2,187
Other	4	5
Total fee and commission expense	56,291	45,265
Net fee and commission income	199,170	186,627

25 Administrative and other operating expenses

<i>(in thousands of Russian Roubles)</i>	2019	2018
Staff costs	575,489	496,709
Expenses associated with operation and maintenance of property obtained into ownership for non-payment	81,446	74,489
Mandatory insurance of deposits	52,854	121,456
Depreciation of premises and equipment and amortisation of intangible assets	40,562	36,037
Taxes other than income tax	30,769	31,863
Amortisation of right-of-use assets	27,786	-
Expense on property disposal	18,489	16,561
Other costs of premises and equipment	17,196	15,609
Advertising and marketing services	16,846	4,905
Software maintenance expenses	10,284	9,361
Communication, telecommunication and information system services	9,989	8,824
Security services	8,032	7,675
Professional services	5,322	18,556
Expense on support of issue and servicing of bank cards	3,762	4,504
Insurance	1,216	462
Short-term lease and low-value lease	1,121	-
Operating lease expense	-	25,443
Other	266,447	49,668
Total administrative and other operating expenses	1,167,610	922,122



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019****26 Income tax**

Income tax (recovery)/expense comprises the following components:

<i>(in thousands of Russian Roubles)</i>	2019	2018
Current income tax expense	18,478	22,553
Deferred income tax expenses	(45,110)	12,883
Income tax (recovery)/expense for the year	(26,632)	35,436

The current income tax rate applicable to the majority of the Bank's 2019 profit is 20.0% (2018: 20.0%). A reconciliation between the expected and the actual taxation charge is provided below:

<i>(in thousands of Russian Roubles)</i>	2019	2018
Profit before taxation	23,389	202,724
Theoretical tax charge/(recovery) at statutory rate (2019: 20.0%; 2018: 20.0%)	4,678	40,545
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible (income)/expenses	(25,151)	2,409
- Income on government securities taxed at different rates	(6,159)	(7,518)
Income tax (recovery)/expense for the year	(26,632)	35,436



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20.0% (2018: 20.0%).

<i>(in thousands of Russian Roubles)</i>	31 December 2018	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	31 December 2019
Tax effect of deductible/ (taxable) temporary differences				
Loans and advances to customers	76,130	(36,112)	-	40,018
Investment securities at FVTOCI	(3,416)	-	2,652	(764)
Revaluation of investment securities at FVTOCI at the applicable foreign exchange rate	(6,075)	1,467	-	(4,608)
Allowance for investment securities at amortised cost	(16,836)	6,424	-	(10,412)
Premises and equipment	(8,833)	3,125	-	(5,708)
Revaluation of premises and equipment	(34,397)	1,274	(212)	(33,335)
Investment property	(97,090)	(408)	-	(97,498)
Trading securities	-	639	-	639
Other liabilities	8,568	(16,518)	-	(7,950)
Other assets	38,444	(31,507)	-	6,937
Right-of-use assets and lease liabilities	-	1,552	-	1,552
Tax loss according to the Russian legislation	322,897	115,174	-	438,071
Net deferred tax assets	279,392	45,110	2,440	326,942

<i>(in thousands of Russian Roubles)</i>	31 December 2017	Credited/ (charged) to profit or loss	Within retained earnings (IFRS 9)	Credited/ (charged) to other comprehensive income	31 December 2018
Tax effect of deductible/ (taxable) temporary differences					
Loans and advances to customers	23,731	37,546	14,853	-	76,130
Investment securities at FVTOCI	(1,117)	-	-	(2,299)	(3,416)
Revaluation of investment securities at FVTOCI at the applicable foreign exchange rate	1,027	(7,102)	-	-	(6,075)
Allowance for investment securities at amortised cost	2,326	(19,162)	-	-	(16,836)
Premises and equipment	(10,625)	1,792	-	-	(8,833)
Revaluation of premises and equipment	(22,861)	816	-	(12,352)	(34,397)
Investment property	(89,064)	(8,026)	-	-	(97,090)
Other liabilities	12,538	(19,522)	15,552	-	8,568
Other assets	37,669	775	-	-	38,444
Tax loss according to the Russian legislation	322,897	-	-	-	322,897
Net deferred tax assets	276,521	(12,883)	30,405	(14,651)	279,392

As at 31 December 2019, a tax loss of RUB 2,190,358 thousand (2018: RUB 2,190,358 thousand) is reflected in the Bank's statutory tax records prepared in accordance with the Russian legislation. Under the current Russian tax legislation, organisations can utilise the tax loss carryforwards against the profits of future reporting periods.

27 Dividends

<i>(in thousands of Russian Roubles)</i>	2019	2018
Dividends payable as at 1 January	-	450
Dividends unclaimed	-	(450)
Dividends payable as at 31 December	-	-

28 Segment analysis

The Bank has identified the following operating segments in its activities:

Main banking operations. This segment includes operations of the Bank's head office and branches. This segment provides a full range of services for acceptance of deposits and issuance of loans to corporate clients, individuals, small- and medium-size businesses, and private entrepreneurs, as well as other banking services such as rendering of settlement and cash services, money transfers, currency exchange services, servicing of debit and credit cards of individuals.

Treasury operations. This segment includes operations of the Bank's head office, such as stock exchange and money market operations, trading and brokerage services on the securities and foreign exchange markets, including 'repo' deals, transactions with derivatives, liquidity management operations, raising and origination of loans, centralized risk management activities through borrowings, issues of debt securities, investing in liquid assets such as short-term placements.

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Segment assets and liabilities comprise operating assets and liabilities of the Bank, being the majority of the Bank's assets and liabilities but exclude such items as taxation, other borrowings and some other items as stated below.

The operating segments' financial statements and results of operation are prepared on the basis of the Bank's accounting policy in compliance with the International Financial Reporting Standards.

Segment information on main reportable segments of the Bank as at 31 December 2019 is disclosed in the table below:

	Banking operations	Treasury operations	Non allocated	Total
ASSETS				
Cash and cash equivalents	723,821	21,362	-	745,183
Mandatory cash balances with the Bank of Russia	-	-	298,418	298,418
Trading securities	-	444,915	-	444,915
Due from other banks	-	4,649,977	-	4,649,977
Loans and advances to customers	7,324,422	-	-	7,324,422
Investment securities at fair value through other comprehensive income	-	159,228	-	159,228
Investment securities at amortised cost	-	249,607	-	249,607
Investment property	-	-	926,309	926,309
Premises, equipment and intangible assets	-	-	642,309	642,309
Right-of-use assets	-	-	30,527	30,527
Other financial assets	-	-	130,068	130,068
Other assets	76,400	-	26,208	102,608
Current tax assets	-	-	8,636	8,636
Deferred tax asset	-	-	326,942	326,942
Total assets	8,124,643	5,525,089	2,389,417	16,039,149
LIABILITIES				
Customer accounts	13,626,421	-	-	13,626,421
Debt securities in issue	-	22,985	-	22,985
Lease liabilities	-	-	37,802	37,802
Other financial liabilities	20,823	-	-	20,823
Other liabilities	-	-	120,709	120,709
Total liabilities	13,647,244	22,985	158,511	13,828,740

Segment information on main reportable segments of the Bank as at 31 December 2018 is disclosed in the table below:

	Banking operations	Treasury operations	Non allocated	Total
ASSETS				
Cash and cash equivalents	919,120	158,045	-	1,077,165
Mandatory cash balances with the Bank of Russia	-	-	258,609	258,609
Due from other banks	-	15,982	-	15,982
Loans and advances to customers	7,466,588	-	-	7,466,588
Investment securities at fair value through other comprehensive income	-	3,755,050	-	3,755,050
Investment property	-	-	924,269	924,269
Premises, equipment and intangible assets	-	-	646,299	646,299
Other financial assets	-	-	67	67
Other assets	78,669	30,000	209,651	318,320
Deferred tax asset	-	-	279,392	279,392

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Total assets	8,464,377	3,959,077	2,318,287	14,741,741
LIABILITIES				
Due to other banks	-	72,029	-	72,029
Customer accounts	12,251,768	-	-	12,251,768
Debt securities in issue	-	58,667	-	58,667
Other financial liabilities	11,159	-	-	11,159
Other liabilities	-	28,894	149,076	177,970
Total liabilities	12,262,927	159,590	149,076	12,571,593



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

The table below shows a breakdown of statement of profit or loss and other comprehensive income of the Bank by operating segments for the year ended 31 December 2019:

	Banking operations	Treasury operations	Non allocated	Total
Net interest income	552,868	163,955	-	716,823
Impairment allowance for interest-bearing assets	(299,318)	-	-	(299,318)
Gains less losses from transactions with financial assets and liabilities	-	242,914	2,230	245,144
Gains less losses from trading in foreign currencies	-	14,244	-	14,244
Foreign exchange translation gains less losses	-	-	51,315	51,315
Fee and commission income	75,939	179,522	-	255,461
Fee and commission expenses	(47,057)	(9,234)	-	(56,291)
Impairment allowance for other assets and credit-related contingencies	-	-	5,334	5,334
Other operating income	258,287	-	-	258,287
Operating expenses	(1,093,163)	(3,762)	(70,685)	(1,167,610)
Income tax expense	-	-	26,632	26,632
NET PROFIT/(LOSS)	(552,444)	587,639	14,826	50,021
Other comprehensive income/(expense) components	-	-	(9,760)	(9,760)
COMPREHENSIVE INCOME/(EXPENSE)	(552,444)	587,639	5,066	40,261



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

The table below shows a breakdown of statement of profit or loss and other comprehensive income of the Bank by operating segments for the year ended 31 December 2018:

	Banking operations	Treasury operations	Non allocated	Total
Net interest income	694,517	163,955	-	858,472
Impairment allowance for interest-bearing assets	(304,914)	-	-	(304,914)
Gains less losses from transactions with financial assets and liabilities	-	191,091	90,358	281,449
Gains less losses from trading in foreign currencies	-	179,648	-	179,648
Foreign exchange translation gains less losses	-	-	(132,004)	(132,004)
Fee and commission income	83,910	147,982	-	231,892
Fee and commission expenses	(38,770)	(6,495)	-	(45,265)
Impairment allowance for other assets and credit-related contingencies	-	-	32,714	32,714
Other operating income	22,854	-	-	22,854
Operating expenses	(855,674)	(4,504)	(61,944)	(922,122)
Income tax expense	-	-	(35,436)	(35,436)
NET PROFIT/(LOSS)	(398,077)	671,677	(106,312)	167,288
Other comprehensive income components	-	-	58,603	58,603
COMPREHENSIVE INCOME/(EXPENSE)	(398,077)	671,677	(47,709)	225,891

29 Financial risk management

The risk management function within the Bank is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and equity risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. Assessment of assumed risk is also a basis for optimal allocation of risk-weighted capital, pricing of transactions and performance measurement. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

The Bank's Management Board sets the Bank's general risk policy as well as specific policies for managing each type of major risk. Proposals on setting limits for consideration of the Management Board are prepared by a risk-controlling department. The risk-controlling department operates separately from business departments involved in operations creating exposure.

Credit risk. The Bank assumes credit risk, i.e. a risk of the Bank's losses due to a debtor's non-performance or improper (untimely or incomplete) performance of its financial liabilities to the Bank in accordance with the terms and conditions of the agreement.

Credit risk is the main risk inherent in the Bank's activities, since lending transactions are the Bank's key priority.

The most material source of credit risk for the Bank is loans to legal entities. There is also a credit risk in dealing with other financial instruments, including interbank transactions, settlements with counterparties and loans to individuals.

The main objective of credit risk management is to maintain the credit risk assumed by the Bank at an optimal level for the Bank that does not threaten the Bank's financial stability and the interests of its creditors/depositors, which is determined based on the adequacy of assumed risks to the nature and scale of the Bank's activities, subject to the Risk and Capital Management Strategy, the Bank's Development Strategy and the Bank's Financial Plan for the next financial year.

The Bank adheres to the loan portfolio's moderate growth policy maintaining the optimal level of correlation between the profitability of lending transactions and the credit risk assumed by the Bank.

The credit risk management procedures used in the Bank take into account market, operational (including legal) risks as well as liquidity risk associated with credit risk and cross-effect of these risks.

The main credit risk management principles are:

- Maintenance of the planned profit and optimal correlation between the profitability of lending transactions and the credit risk assumed by the Bank;
- Minimization of doubtful, non-performing and uncollectible loans in the Bank's loan portfolio;
- Use of advanced techniques and tools for credit risk management; lending process standardisation;
- Control over lending process quality in branches;
- Compliance with the Russian legislation, including regulatory documents of the Bank of Russia.
- Neutrality, specificity and accuracy of credit risk assessment, use of reliable statistical information;
- Independence of the Bank's structural departments assessing and controlling the credit risk level from the Bank's structural departments initiating transactions with credit risk.
 - In order to limit the level of credit risk assumed by the Bank and ensure the capital adequacy to cover it, the Upper Level Limits and the Lower Level Limits for credit risk are set within the limit system in place in the Bank developed in accordance with the Risk and Capital Management Strategy.
 - The Upper Level Limits for credit risk (including a counterparty risk and a concentration risk in part of the credit risk) and their signal values are set to control risk appetite. The specified limits and their signal values are approved by the Bank's Board of Directors and are valid until the date of their revision (confirmation).
 - The Lower Level Limits for credit risk include limits in place in the Bank not classified as the Upper Level Limits.
 - The Lower Level Limits for an individual borrower/customer are set upon a decision of the Bank's Credit Committee (or upon a decision of the Bank's employees authorized for standard credit products) and are fixed in the relevant minutes of the meeting of the Credit Committee (the Bank's employees authorized for standard credit products) in the form of specific loan amounts/drawdown (debt) limit/guarantees and any other credit products approved for provision to the borrower/customer.
 - The Lower Level Limits with regard to a concentration risk in part of credit risk (including a limit for a group of related borrowers/customers, limit by type of economic activities of borrowers/customers, etc.) are set under the Regulation on Concentration Risk Management in MARITIME BANK (JSC).
 - Other Lower Level Limits with regard to a credit risk may be set upon a decision of the Bank's Management Board/Credit Committee in case it is necessary to additionally control the credit risk level.
 - The set Lower Level Limits with regard to a credit risk and their signal values are mandatory for the Bank's structural departments making transactions that carry a credit risk.
 - Compliance with the set Lower Level Limits with regard to a credit risk is monitored by the Risk Department.
 - The Bank develops and applies credit risk reduction methods as well as residual risk control procedures.

In order to determine the Bank's exposure to residual risk, the Risk Department conducts a monthly analysis of the current status and value of the collateral portfolio using data on taken collateral, which is stored in the Bank's automated banking system and downloaded in the form of a special report.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies for contingent liabilities as it does for balance sheet financial instruments, including approvals of transaction, risk mitigating limits and monitoring procedures.

Market risk. The Bank assumes a market risk, i. e. a risk of the Bank's losses due to adverse change in the market value of financial instruments and derivatives as well as of foreign exchange and/or precious metals rates.

Market risk is of a macroeconomic nature and includes interest rate risk, currency risk, equity risk, commodity risk and residual risk:

- *Interest rate risk* is a risk of financial losses (damages) due to adverse change in interest rates for the Bank's assets, liabilities and off-balance instruments. Interest rate risk is minimized, among other things, due to monitoring of changes in interest rates for financial instruments, adoption of timely management decisions, and setting limits;

- *Equity risk* is a risk of losses incurred due to adverse changes in market quoted prices on listed securities: securities and derivatives sensitive to a change in the current (fair) value of equity securities, forward transactions with equity securities, securities convertible into equity securities. Equity risk is minimized, among other things, due to dealing, mainly, with high liquid securities with low duration, included in the Lombard List of the Bank of Russia, thorough selection of issuers, setting limits for issuers/securities issues, diversification of the securities portfolio;
- *Commodity risk* is a market risk of commodities, including precious metals (except for gold) and derivative financial instruments sensitive to changes in commodity prices;
- *Currency risk* is a risk of losses due to adverse change in foreign exchange and precious metal rates for positions held by the Bank in foreign currencies or precious metals. Currency risk is minimized, among other things, due to monitoring and analysis of currency markets, diversification of transactions by currency type, structural balance of assets and liabilities in the same currency, control over net foreign exchange position, generation of counterclaims and liabilities in a foreign currency, setting limits for certain transactions with foreign currency, hedging of net foreign exchange positions;
- *Residual risk* is a risk remaining after the protection measures are taken to ensure debt collectability. Residual risk may be expressed in the probability of loss of, or damage to, the collateral or inability to sell the collateral taken, refusal to pay or deferral of payment under independent guarantees as well as in the use of unduly prepared documents.

Market risk is managed through its subtypes: interest rate, equity, currency and commodity risks. When managing a market risk, the Bank takes into account its exposure to a residual risk as well as to a concentration risk and a liquidity risk, which result from transactions with financial instruments and are expressed in the difficulty (impossibility) to open (change) or close large positions in the trading portfolio at market quoted prices.

The main objective of market risk management is to maintain the market risk at an optimal level for the Bank that does not threaten the Bank's financial stability and the interests of its creditors/depositors, which is determined based on the adequacy of risks assumed to the nature and scale of the Bank's activities, subject to the Bank's Development Strategy and the Bank's Financial Plan for the next financial year.

Currency risk. In its activities, the Bank adheres to the strategy of minimizing the currency risk, among other things, due to monitoring and analysis of currency markets, diversification of transactions by currency type, structural balance of assets and liabilities in the same currency, control over net foreign exchange position, generation of counterclaims and liabilities in a foreign currency, setting limits for certain transactions with foreign currency, hedging of net foreign exchange positions.

The Bank makes transactions with foreign currency assets/liabilities that do not result in a material change in net foreign exchange positions (hereinafter the "net FX position") in individual foreign currencies as well as in aggregate net FX position. Foreign exchange positions are opened in the minimum quantity for the minimum period. Total currency risk is determined by the Bank's net FX position.

In order to limit the currency risk, the Bank set the Lower Level Limits with regard to the net FX positions based on the Strategy. The Treasury Department exercises daily operating control over compliance with the Lower Level Limits set to limit the currency risk. If necessary, the responsible employee of the Treasury Department takes actions aimed at adjusting the Bank's net FX position. Compliance with the Lower Level Limits set to limit the currency risk is followed up by the Risk Department according to the procedure set forth in the Risk and Capital Management Strategy

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 31 December 2019 and 31 December 2018.



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

(in thousands of Russian Roubles)	As at 31 December 2019			As at 31 December 2018			
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position	
RUB	11,297,414	(11,217,304)	80,110	RUB	10,053,293	(9,174,070)	879,223
USD	2,186,611	(2,152,949)	33,662	USD	1,723,161	(2,715,295)	(992,134)
EUR	499,621	(323,887)	175,734	EUR	762,656	(472,824)	289,832
Other	18,172	(13,891)	4,281	Other	34,351	(31,434)	2,917
Total	14,001,818	(13,708,031)	293,787	Total	12,573,461	(12,393,623)	179,838

Financial derivative instruments presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Bank's gross exposure.

Amounts disclosed in respect of derivatives represent the fair value, at the reporting date, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered by the Bank to give rise to any material currency risk.

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

The following table presents movements of financial result and capital due to possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant. Reasonably possible changes for each currency were estimated based on the analysis of historical data on utmost exchange rate fluctuations for December 2019:



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

<i>(in thousands of Russian Roubles)</i>	As at 31 December 2019	
	Impact on profit before taxation	Impact on comprehensive income
US Dollar strengthening by 20%	6,732	5,386
US Dollar weakening by 20%	(6,732)	(5,386)
Euro strengthening by 20%	35,147	28,118
Euro weakening by 20%	(35,147)	(28,118)

The following table presents movements of financial result and comprehensive income due to possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant. Reasonably possible changes were estimated based on the analysis of historical data on daily exchange rate fluctuations for December 2018:

<i>(in thousands of Russian Roubles)</i>	As at 31 December 2018	
	Impact on profit before taxation	Impact on comprehensive income
US Dollar strengthening by 20%	(198,427)	(158,741)
US Dollar weakening by 20%	198,427	158,741
Euro strengthening by 20%	57,966	46,373
Euro weakening by 20%	(57,966)	(46,373)

The Bank issued loans and advances to customers in foreign currency. Movements in foreign currency exchange rates may negatively affect the ability of borrowers to repay loans, which will in turn increase the probability of loan loss. To reduce the currency risk the Bank may take a decision on possible conversion of currency loans of individuals into Russian Roubles at their request.

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements of interest rates arise.

In its activities, the Bank adheres to the strategy of controlling the level of interest rate risk on the banking portfolio, among other things, due to monitoring and forecasting changes in interest rates on instruments, adoption of timely decisions, correlation of interest rates for transactions with assets and liabilities, setting Upper Level Limits and Lower Level Limits with regard to interest rate risk on the banking portfolio, making REPO transactions.



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

The table below summarises the Bank's general exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

<i>(in thousands of Russian Roubles)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Interest free	Total
31 December 2019						
Total financial assets	5,543,097	3,102,451	2,410,664	1,894,360	1,051,246	14,001,818
Total financial liabilities	2,664,964	4,299,533	1,826,131	1,964,276	2,953,127	13,708,031
Net interest rate gap as at 31 December 2019						
	2,878,133	(1,197,082)	584,533	(69,916)	(1,901,881)	293,787
Cumulative net interest rate gap as at 31 December 2019						
	2,878,133	1,681,051	2,265,584	2,195,668	293,787	
31 December 2018						
Total financial assets	4,237,795	2,694,652	3,146,148	1,276,898	1,217,969	12,573,462
Total financial liabilities	3,786,826	3,223,924	1,474,635	1,518,842	2,389,396	12,393,623
Net interest rate gap as at 31 December 2018						
	450,969	(529,272)	1,671,513	(241,944)	(1,171,427)	179,839
Cumulative net interest rate gap as at 31 December 2018						
	450,969	(78,303)	1,593,210	1,351,266	179,839	

The assets and liabilities of the Bank are mostly presented by the instruments with the fixed interest rate. The table below shows analysis of the Bank's exposure to interest rate risk as at the reporting date in case of interest rate fluctuations.

Interest rate risk management is aimed at minimising net gap established by analysis of assets and liabilities sensitive to interest rate changes. Depending on the amount of net gap, the Bank's Treasury Department takes decision to issue or attract resources at certain rates for a certain period in order to minimise potential losses as a result of movements in market interest rate.

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

The Bank monitors interest rates of its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel of the Bank:

% p.a.	2019				2018			
	RUB	USD	EUR	Other	RUB	USD	EUR	Other
Assets								
Trading securities	8.50%	-	-	-	-	-	-	-
Due from other banks	-	-	-	-	-	-	-	-
Loans and advances to customers	12.43%	6.50%	6.88%	-	13.37%	8.17%	7.88%	-
Investment securities at fair value through other comprehensive income	7.50%	-	-	-	7.60%	6.27%	3.62%	-
Investment securities at amortised cost	7.55%	-	2.88%	-	-	-	-	-
Liabilities								
Due to other banks	-	-	-	-	7.25%	-	-	-
Customer accounts								
- Current/settlement accounts of individuals	0.01%	0.01%	0.01%	-	0.01%	0.01%	0.01%	-
- term deposits of legal entities	6.00%	1.95%	0.5%	-	6.61%	2.37%	0.27%	-
- term deposits of individuals	7.08%	0.54%	0.07%	-	7.03%	0.52%	0.21%	-

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency.

Equity risk. The Bank has limited exposure to equity price risk. The Assets and Liability Management Committee monitors and authorises equity transactions. In 2019 and 2018 the Bank did not perform equity transactions.

The Bank is exposed to prepayment risk through providing fixed rate loans, including mortgage loans, which give the borrower the right to early repay the loans. The Bank's current year profit (loss) and equity at the current reporting date are not significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans to customers.



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

The geographical concentration of the Bank's financial assets and liabilities as at 31 December 2019 is set out below:

<i>(in thousands of Russian Roubles)</i>	Russia	OECD countries	Other countries	Total
Assets				
Cash and cash equivalents	629,744	115,439	-	745,183
Trading securities	444,915			444,915
Due from other banks	4,649,977	-	-	4,649,977
Loans and advances to customers	7,324,422	-	-	7,324,422
Investment securities at fair value through other comprehensive income	159,228	-	-	159,228
Investment securities at amortised cost	249,607	-	-	249,607
Other financial assets	130,068	-	-	130,068
Total financial assets	13,587,961	115,439	-	13,703,400
Liabilities				
Due to other banks	-	-	-	-
Customer accounts	13,610,640	5,514	10,267	13,626,421
Debt securities in issue	22,985	-	-	22,985
Lease liabilities	37,802			37,802
Other financial liabilities	20,823	-	-	20,823
Total financial liabilities	13,692,250	5,514	10,267	13,708,031
Net balance sheet position	(104,289)	109,925	(10,267)	(4,631)
Credit related commitments	3,534,071	-	-	3,534,071

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

The geographical concentration of the Bank's financial assets and liabilities as at 31 December 2018 is set out below:

<i>(in thousands of Russian Roubles)</i>	Russia	OECD countries	Other countries	Total
Assets				
Cash and cash equivalents	960,362	116,803	-	1,077,165
Due from other banks	15,982	-	-	15,982
Loans and advances to customers	7,466,588	-	-	7,466,588
Investment securities at fair value through other comprehensive income	3,755,050	-	-	3,755,050
Other financial assets	67	-	-	67
Total financial assets	12,198,049	116,803	-	12,314,852
Liabilities				
Due to other banks	72,029	-	-	72,029
Customer accounts	12,238,656	6,026	7,086	12,251,768
Debt securities in issue	58,667	-	-	58,667
Other financial liabilities	11,159	-	-	11,159
Total financial liabilities	12,380,511	6,026	7,086	12,393,623
Net balance sheet position	(182,462)	110,777	(7,086)	(78,771)
Credit related commitments	2,808,931	-	-	2,808,931

Liquidity risk. Liquidity risk is a risk of losses due to the Bank's inability to ensure performance of its obligations in full, among other things, as a result of unbalanced financial assets and liabilities of the Bank (including due to untimely performance of financial liabilities by one or several counterparties of the Bank), and/or an unforeseen need for immediate and one-off discharge by the Bank of its financial liabilities.

Liquidity risk management procedures comprise its various forms in the Bank:

- Risk of mismatch between the amounts and dates of cash receipts and withdrawals (incoming and outgoing cash flows);
- Risk of unforeseen liquidity requirements, i. e. consequences that unforeseen events in the future may require more resources than expected;
- Market liquidity risk is the probability of losses when selling assets or due to the inability to close the existing position because of insufficient market liquidity or insufficient trading quantities;
- Funding risk, i. e. a risk associated with potential changes in the cost of funding (own and market credit spread) influencing the Bank's future income.

The main objective of liquidity risk management is to maintain such risk at an optimal level for the Bank that does not threaten the Bank's financial stability and the interests of its creditors/depositors, which is determined based on the adequacy of risks assumed to the nature and scale of the Bank's activities, subject to the Bank's Development Strategy and the Bank's Financial Plan for the next financial year.

Liquidity risk is managed on an ongoing basis by the Management Bodies, Collegial Working Bodies (committees) and structural departments of the Bank.

The Bank's liquidity management requires analysis of the level of liquid assets necessary to settle liabilities when due; access to various funding sources; availability of plans in case of funding problems and control over compliance of the balance sheet liquidity ratios with the statutory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the Bank of Russia.



These ratios are:

- Instant liquidity ratio (H2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 43.4% at 31 December 2019 (2018: 114.5%)
- Current liquidity ratio (H3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 111.2% at 31 December 2019 (2018: 70.0%)
- Long-term liquidity ratio (H4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The ratio was 22.5% at 31 December 2019 (2018: 38.6%)

In order to manage a funding risk, the Bank acquires securities included in the Lombard List of the Bank of Russia and, therefore, if these securities cannot be sold in the open market, the Bank has an opportunity to obtain cash through REPO transactions against collateral of these securities.

The table below shows liabilities by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, prices specified in deliverable forward agreements to purchase financial assets for cash, contractual amounts to be exchanged under gross settled currency swaps, and gross loan commitments. Such undiscounted cash flows differ from the amounts included in the statement of financial position because the carrying amount is based on discounted cash flows. Net settled derivatives are included at the net amounts expected to be paid.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the reporting date.

The analysis of financial liabilities based on the contractual undiscounted cash flows as at 31 December 2019 is as follows:

<i>(in thousands of Russian Roubles)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	5,572,700	4,385,837	1,938,798	2,063,640	4,440	13,965,415
Debt securities in issue	135	2,138	1,046	19,666	-	22,985
Lease liabilities	1,945	10,202	12,296	13,359	-	37,802
Other financial liabilities	20,823	-	-	-	-	20,823
Total potential future payments under financial liabilities						
	5,595,603	4,398,177	1,952,140	2,096,665	4,440	14,047,025

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

The analysis of financial liabilities based on the contractual undiscounted cash flows as at 31 December 2018 is as follows:

<i>(in thousands of Russian Roubles)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Total
Liabilities					
Due to other banks	72,158	-	-	-	72,158
Customer accounts	6,109,573	3,271,384	1,592,388	1,631,433	12,604,778
Debt securities in issue	609	37,166	5,617	15,275	58,667
Other financial liabilities	11,159	-	-	-	11,159
Total potential future payments under financial liabilities	6,193,499	3,308,550	1,598,005	1,646,708	12,746,762

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with the Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest at rates of term deposits.

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors expected and contractual maturities summarised as follows as at 31 December 2019:

<i>(in thousands of Russian Roubles)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 12 months	Total
Assets					
Cash and cash equivalents	745,183	-	-	-	745,183
Mandatory cash balances with the Bank of Russia	298,418	-	-	-	298,418
Trading securities	444,915	-	-	-	444,915
Due from other banks	4,649,977	-	-	-	4,649,977
Loans and advances to customers	166,554	3,102,451	2,410,664	1,644,753	7,324,422
Investment securities at fair value through other comprehensive income	159,228	-	-	-	159,228
Investment securities at amortised cost	-	-	-	249,607	249,607
Other financial assets	130,068	-	-	-	130,068
Total financial assets	6,594,343	3,102,451	2,410,664	1,894,360	14,001,818
Liabilities					
Due to other banks	-	-	-	-	-
Customer accounts	5,559,331	4,297,395	1,825,085	1,944,610	13,626,421
Debt securities in issue	135	2,138	1,046	19,666	22,985
Lease liabilities	1,945	10,202	12,296	13,359	37,802
Other financial liabilities	20,823	-	-	-	20,823
Total financial liabilities	5,582,234	4,309,735	1,838,427	1,977,635	13,708,031
Liquidity gap arising from financial instruments	1,012,109	(1,207,284)	572,237	(83,275)	293,787
Cumulative liquidity gap as at 31 December 2019	1,012,109	(195,175)	377,062	293,787	

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Remaining expected and contractual maturities as at 31 December 2018 are summarised as follows:

<i>(in thousands of Russian Roubles)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 12 months	Total
Assets					
Cash and cash equivalents	1,077,165	-	-	-	1,077,165
Mandatory cash balances with the Bank of Russia	258,609	-	-	-	258,609
Due from other banks	15,982	-	-	-	15,982
Loans and advances to customers	348,891	2,694,652	3,146,148	1,276,898	7,466,589
Investment securities at fair value through other comprehensive income	3,755,050	-	-	-	3,755,050
Other financial assets	67	-	-	-	67
Total financial assets	5,455,764	2,694,652	3,146,148	1,276,898	12,573,462
Liabilities					
Due to other banks	72,029	-	-	-	72,029
Customer accounts	6,092,425	3,186,758	1,469,018	1,503,567	12,251,768
Debt securities in issue	609	37,166	5,617	15,275	58,667
Other financial liabilities	11,159	-	-	-	11,159
Total financial liabilities	6,176,222	3,223,924	1,474,635	1,518,842	12,393,623
Liquidity gap arising from financial instruments	(720,458)	(529,272)	1,671,513	(241,944)	179,839
Cumulative liquidity gap as at 31 December 2018	(720,458)	(1,249,730)	421,783	179,839	

The portfolio of investment securities at FVTOCI as at 31 December 2019 and 31 December 2018 is classified by contractual maturity except for the instruments included in the Lombard List of the Bank of Russia and Eurobonds of issuers whose liabilities are included in the Lombard List of the Bank of Russia. The securities included in the above list are recognised not only as highly marketable liquidity instruments but also as the instruments providing immediate access to the monetary funds of the Bank of Russia via lombard credit transactions or REPO transactions. Financial assets available for sale included in the Lombard List of the Bank of Russia and the above Eurobonds as at 31 December 2019 and 31 December 2018 are recorded within "On demand and less than one month" in these financial statements.

The Bank classifies customer accounts based on their contractual maturity. Expected maturities for the customer accounts usually exceed the contractual maturities. The portfolio of financial assets available for sale also includes liquid securities, which could be converted into cash in a short time period.

Management believes that matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under these

commitments. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Operational risk is risk to incur losses due to discrepancy and defects in the Bank's internal management, failure in informational and other systems or due to effect of external events on the Bank's activities.

Operational risk, among other things, comprise:

Legal risk is a risk of the Bank's losses resulted from the effect of various internal and external factors.

The Bank considers the following factors as internal factors of a legal risk:

- Non-compliance with the legislation of the Russian Federation and the terms and conditions of the concluded contracts;
- Inconsistency of the Bank's internal documents with the legislation of the Russian Federation;
- Work resulting in errors of law in the Bank's activities due to the actions of the Bank's employees and/or management bodies;
- Insufficient elaboration by the Bank of legal matters when preparing and implementing types of banking transactions new for the Bank.

The Bank considers the following factors as external factors of a legal risk:

- Imperfect legal system (contradictory legislation, absence of legal provisions on regulation of individual matters arising during the Bank's activities);
- Violation of the legislation of the Russian Federation by the Bank's customers and counterparties;
- Impossibility to foresee future changes in the legislation.

In its activities, the Bank adheres to the strategy of minimizing operational risk, among other things, due to periodical checks for compliance of the Bank's activities with the requirements of the legislation and regulatory authorities, setting of a clear procedure for authorizing transactions, segregation of duties, setting of occupational hierarchy and segregation of powers and responsibility, setting and verification of qualifications at employment, advanced training, quality control of equipment operation, generation of backup copies of electronic information, multi-level monitoring of business process effectiveness.

Operational risk is managed on an ongoing basis by the Management Bodies, Collegial Working Bodies (committees) and structural departments of the Bank

In order to limit the level of operational risk assumed by the Bank and ensure the capital adequacy to cover it, the Upper Level Limit and the Lower Level Limits for such risk are set within the limit system in place in the Bank developed in accordance with the Risk and Capital Management Strategy.

The Upper Level Limit for operational risk and its signal value is set to control risk appetite. The specified limits and their signal values are approved by the Bank's Board of Directors and are valid until the date of their revision (confirmation).

The Lower Level Limits and their signal values are set, among other things, with regard to key risk indicators

Compliance with the set limits for key risk indicators (their signal values) and any other set Lower Level Limits with regard to the operational risk (their signal values) is monitored by the Risk Department.

Reputational risk. Reputational risk is a risk of the Bank's losses incurred due to the public opinion existing as a result of violations in the Bank's operation.

The source of higher reputational risk is sensitive information on the Bank's activities and financial position.

In its operation, the Bank adheres to a strategy of minimising the reputational risk, including by:

- Accurate performance by the Bank of its current obligations;
- Enhancement of the reliable Bank image for customers (counterparties), creation of a friendly Bank image through continuous improvement of the service quality and range of offered banking products;
- Advertising and PR events in the mass media, participation in industry exhibitions to raise awareness of the Bank;



- Monitoring of the information on the Bank, its employees, shareholders and affiliates in the mass media;
- Appraisal of business reputation of its counterparties when the Bank participates in investment, loan and other projects;
- Compliance with the know your employee principle ensuring certain testing standards upon entry into employment at the Bank.

One of the factors of low risk is the Bank's strategic customers being its partners, with whom it shared experience in effective and long-term cooperation.

Strategic risk. Strategic risk is a risk of the Bank's losses due to the errors (deficiencies) made in the course of making decisions determining the Bank's development strategy (strategic management) and expressed in neglecting or insufficient accounting of potential hazards, which may threaten the Bank's activities, improper or ill-founded determination of prospects for the activities, where the Bank may obtain advantages over its competitors, unavailability or insufficient availability of necessary (financial, material and technical, human) resources and organizational measures (managerial decisions) that should facilitate achievement of the Bank's strategic objectives.

In its activities, the Bank minimises the strategic risk, including through use of planning system, including preparation of strategic development plan, current and operating plans, monitoring of their fulfilment and analysis of factors affecting such fulfilment.

The Bank's strategic development plans adopted should be mandatorily monitored on a regular basis and, if necessary, adjusted to the changing external and internal factors.

30 Management of capital

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the Bank of Russia, (ii) to safeguard the Bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio equal to 8.0% (2018: 8.0%) in accordance with prudential supervision requirements of the Bank of Russia. The amount of capital that the Bank managed as at 31 December 2019 totalled RUB 1,914,171 thousand (2018: RUB 1,946,311 thousand). Compliance with capital adequacy ratios set by the Bank of Russia is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chairman of the Management Board and Chief Accountant in order to present them to the Bank of Russia.

Under the current capital requirements set by the Bank of Russia banks have to maintain the ratio of regulatory capital to risk weighted assets H1.0 ("statutory capital ratio") above the prescribed minimum level.

The table below shows the regulatory capital based on the Bank's reports prepared according to the requirements of the Russian legislation (Basel III):

	31 December 2019	31 December 2018
Core capital	1,709,639	1,707,732
Additional capital	204,532	238,579
Total regulatory capital	1,914,171	1,946,311

The level of capital adequacy ratios as at 31 December 2019 and 31 December 2018 is presented in the table below:



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
Base capital adequacy ratio (H1.1)	10.6%	10.8%
Allowable value (H1.1)	not less than 4.5%	not less than 4.5%
Key capital adequacy ratio (H1.2)	10.6%	10.8%
Allowable value (H1.2)	not less than 6.0%	not less than 6.0%
Equity (capital) adequacy ratio (H1.0)	11.6%	12.2%
Allowable value (H1.0)	not less than 8.0%	not less than 8.0%

Also, in accordance with existing requirements to capital set by the Bank of Russia the Bank cannot exceed the maximum exposure per one borrower or a group of related borrowers (H6), which is set as a percentage of the Bank's capital. The level of capital adequacy ratio as at 31 December 2019 and 31 December 2018 is presented in the table below:

	31 December 2019	31 December 2018
Maximum risk per one borrower or a group of related borrowers (H6)	21.6%	20.7%
Allowable value (H6)	Not more than 25.0%	Not more than 25.0%

31 Contingencies and commitments

Legal proceedings. In the normal course of business, lawsuits and claims against the Bank are received. Management believes that probable obligations (if any) arising from such lawsuits or claims will not have a significant negative effect on financial position or performance of the Bank in the future. Based on its own estimate, management of the Bank believes that legal proceedings on them will not result in significant losses for the Bank. As at 31 December 2019, the Bank formed a provision for future expenses on legal proceedings in the amount of RUB 10,022 thousand (2018: nil) (Note 19).



Tax legislation. Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2019, management believes it follows proper interpretation of the respective legislation and the Bank's view of tax, currency and customs issues will be supported by regulatory bodies.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific creditworthiness standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

<i>(in thousands of Russian Roubles)</i>	31 December 2019	31 December 2018
Guarantees issued	2,141,782	1,606,071
Undrawn credit lines	828,829	618,473
Unused limits on bank guarantee issue	592,695	631,669
Less: impairment allowance for credit related commitments	(29,235)	(47,282)
Total credit related commitments	3,534,071	2,808,931

Analysis of changes in expected credit losses for the year ended 31 December 2019 is summarised as follows:

<i>Guarantees issued, undrawn credit lines</i>	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of 01 January 2019	47,255	-	27	47,282
New guarantees and credit lines and effect of other value increases	12,338	204	-	12,542
Guarantees and credit lines derecognised and effect of other value decreases	(21,686)	-	(7)	(21,693)
Guarantees sold	(6,113)	-	-	(6,113)
Reclassification to Stage 1	6	-	(6)	-
Net revaluation of impairment allowance	(2,769)	-	(14)	(2,783)
Allowance for expected credit losses as of 31 December 2019	29,031	204	-	29,235

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

Analysis of changes in expected credit losses for the year ended 31 December 2018 is summarised as follows:

Guarantees issued, undrawn credit lines	Stage 1	Stage 3	Total
Allowance for expected credit losses as of 01 January 2018	77,740	20	77,760
Net revaluation of impairment allowance	(30,485)	7	(30,478)
Allowance for expected credit losses as of 31 December 2018	47,255	27	47,282

The total outstanding contractual amount of undrawn credit lines and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Assets pledged and restricted

Restricted assets of the Bank include mandatory cash balances with the Bank of Russia of RUB 258,609 thousand and represent mandatory reserve deposits with the Bank of Russia which are not available to finance the Bank's day-to-day operations.

32 Fair value of financial instruments**(a) Fair value of financial instruments carried at amortised cost.**

In accordance with the IFRS fair value hierarchy, all of the Bank's financial instruments carried at amortised cost as at 31 December 2019 and 31 December 2018 belong to Level 3.

The fair value of financial instruments carried at amortised cost is as follows:

<i>(in thousands of Russian Roubles)</i>	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	745,183	745,183	1,077,165	1,077,165
Due from other banks	4,649,977	4,649,977	15,982	15,982
Loans and advances to customers	7,324,422	7,324,422	7,466,588	7,466,588
Other financial assets	130,068	130,068	67	67
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	12,849,650	12,849,650	8,559,802	8,559,802



MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>(in thousands of Russian Roubles)</i>				
FINANCIAL LIABILITIES				
Due to other banks	-	-	72,029	72,029
Customer accounts	13,626,421	13,626,421	12,251,768	12,251,768
Debt securities in issue	22,985	22,985	58,667	58,667
Lease liabilities	37,802	37,802	-	-
Other financial liabilities	20,823	20,823	11,159	11,159
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	13,708,031	13,708,031	12,393,623	12,393,623

Below are methods and assumptions used in determining the fair value of financial instruments which are not carried in the financial statements at fair value.

Due from other banks. The estimated fair value of fixed interest-bearing placements is based on discounted cash flows using prevailing money market interest rates for instruments with similar credit risk and maturity. The management believes that the fair values of due from other banks as at 31 December 2019 and 31 December 2018 do not materially differ from respective carrying amounts. This is primarily due to the short-term nature of investments and the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates (range of interest rates on 31 December 2019 varies depending on the currency and maturity of the instrument).

Loans to customers. Loans to customers are reported net of impairment allowance. The estimated fair value of loans to customers represents the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates. The management believes that the fair values of loans to customers as at 31 December 2019 and 31 December 2018 do not materially differ from respective carrying amounts. This is primarily due to the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates (range of interest rates on 31 December 2019 varies depending on the currency and maturity of the instrument).

Due to other banks. The fair value of due to other banks maturing in less than one month approximates the carrying amount due to their relatively short-term maturity. The fair value of due to other banks maturing in more than 1 month is the present value of the estimated future cash flows discounted at the respective year-end market rates. According to the Bank, fair values of due to other banks as at 31 December 2019 and 31 December 2018 do not materially differ from their respective carrying amounts. This is primarily due to their short-term nature and the existing practice to renegotiate interest rates to reflect current market conditions (range of interest rates on 31 December 2019 varies depending on the currency and maturity of the instrument).

Customer accounts. The estimated fair value of liabilities with no stated maturity are amounts repayable on demand. The estimated fair value of fixed interest-bearing placements and other borrowings without a quoted market price is based on discounted cash flows using interest rates for debts with similar maturity. The Bank believes that the fair values of customer accounts as at 31 December 2019 and 31 December 2018 do not materially differ from respective carrying amounts. This is primarily due to the existing practice to renegotiate interest rates to reflect current market conditions. So, interest on most balances is accrued at rates approximating market interest rates, (range of interest rates on 31 December 2019 varies depending on the currency and maturity of the instrument).

Debt securities in issue. The fair value of fixed interest-bearing financial liabilities carried at amortised cost is determined by comparing the market interest rates at initial recognition of these instruments with current market rates on similar financial instruments. The estimated fair value of fixed interest-bearing debt securities in issue is based on discounted cash flows using money market interest rates for debt instruments with similar credit risk and maturity (range of interest rates on 31 December 2019 varies depending on the currency and maturity of the instrument).

(b) Analysis by fair value hierarchy of financial assets carried at fair value.

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is

MARITIME BANK (Joint-Stock Company)**Notes to the Financial Statements for the year ended 31 December 2019**

a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

In accordance with the IFRS fair value hierarchy all Bank's financial assets as at 31 December 2019 and 31 December 2018 belong to Level 1, since quoted prices in an active market are used for their measurement:

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>(in thousands of Russian Roubles)</i>				
FINANCIAL ASSETS				
Trading securities	444,915	444,915	-	-
Investment securities at fair value through other comprehensive income	159,228	159,228	3,755,050	3,755,050
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	604,143	604,143	3,755,050	3,755,050

(c) The methods and assumptions applied in determining fair values

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Bank uses different valuation techniques. The fair value of floating rate derivative instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

(d) Fair value of non-financial assets

In accordance with the IFRS fair value hierarchy, all of the Bank's non-financial instruments carried at fair value as at 31 December 2019 and 31 December 2018 belong to Level 3.

The fair value of investment property and the category "premises" of the Bank's premises and equipment was determined using the method described in the accounting policies. The valuation was performed by an independent appraiser who applied different adjustment factors to market prices of items comparable to investment property, land and premises of the Bank under valuation in order to derive the market value of the items being valued. The adjustment factors comprise factors for the quality of the property, its location and environment, transport accessibility and other individual physical characteristics, approximating the used analogues to property under valuation. Data on the value of investment property and premises and equipment in the category "land and premises" are approved by the Bank's financial director who considers the relevance of inputs used for valuation purpose and the results obtained, using various valuation methods and techniques. The approved valuation results are reported by the financial director to the Bank's management.

As at 31 December 2019, if the adjustment factor increases by 10%, the cost of investment property will increase by RUB 92,630 thousand (2018: RUB 92,427 thousand) and the cost of premises and equipment (buildings) will increase by RUB 56,747 thousand (2018: RUB 58,910 thousand). If the adjustment factor decreases by 10%, the cost of investment property will decrease by RUB 92,630 thousand (2018: RUB 92,427 thousand) and the cost of premises and equipment (land and premises) will decrease by RUB 56,747 thousand (2018: RUB 58,910 thousand). These adjustments may cause a 6.8% (2018: 7.0%) change in capital, which will not have a significant impact on capital adequacy.

Below is reconciliation of opening and closing balances of assets carried at fair value which are classified in Level 3 of the fair value hierarchy:

<i>(In thousands of Russian Roubles)</i>	31 December 2018	Depreciation (Note 23)	Revaluation (Notes 10 and 11)	31 December 2019
Investment property	924,269	-	2,040	926,309
Premises and equipment (premises and land)	589,100	(22,693)	1,059	567,466

In 2019 and 2018 there were no transfers of financial instruments between the levels of the fair value hierarchy.

33 Presentation of financial instruments by measurement category

In accordance with IFRS 9 *Financial Instruments*, the Bank classifies its financial assets into the following categories: at amortised cost and at fair value through other comprehensive income (FVTOCI). The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2019:

	Financial assets at amortised cost	Financial assets at FVTPL	Financial assets at FVTOCI	Total
<i>(in thousands of Russian Roubles)</i>				
FINANCIAL ASSETS				
Cash and cash equivalents	745,183	-	-	745,183
- Cash on hand	216,075	-	-	216,075
- Correspondent accounts with other banks	243,122	-	-	243,122
- Cash balances with the Bank of Russia, other than mandatory reserve deposits	266,421	-	-	266,421
- Settlements with currency and stock exchanges	21,362	-	-	21,362
- Less: allowance for expected credit losses	(1,797)	-	-	(1,797)
Trading securities	-	444,915	-	444,915
Due from other banks	4,649,977	-	-	4,649,977
- Repo agreements with other banks	3,882,201	-	-	3,882,201
- Due from the Bank of Russia	450,000	-	-	450,000
- Loans and deposits with other banks	320,116	-	-	320,116
- Less: allowance for expected credit losses	(2,340)	-	-	(2,340)
Loans and advances to customers	7,324,422	-	-	7,324,422
- Corporate loans	8,234,383	-	-	8,234,383
- Loans to individuals	169,899	-	-	169,899
- Less: allowance for expected credit losses	(1,079,860)	-	-	(1,079,860)
Investment securities at fair value through other comprehensive income	-	-	159,228	159,228
- Municipal bonds	-	-	159,228	159,228
Investment securities at amortised cost	249,607	-	-	249,607
- Eurobonds issued by the Russian Federation	138,975	-	-	138,975
- Municipal bonds	75,077	-	-	75,077
- Russian Federation bonds (OFZ)	35,555	-	-	35,555
- Corporate Eurobonds	43,749	-	-	43,749
- Less: allowance for expected credit losses	(43,749)	-	-	(43,749)
Other financial assets	130,068	-	-	130,068
Total financial assets	13,099,257	444,915	159,228	13,703,400
Non-financial assets				2,335,749
Total assets				16,039,149

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The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2018:

<i>(in thousands of Russian Roubles)</i>	Financial assets measured at amortised cost	Financial assets at FVTOCI	Total
FINANCIAL ASSETS			
Cash and cash equivalents	1,077,165	-	1,077,165
- Cash on hand	418,210	-	418,210
- Correspondent accounts with other banks	306,872	-	306,872
- Cash balances with the Bank of Russia, other than mandatory reserve deposits	195,213	-	195,213
- Settlements with currency and stock exchanges	158,045	-	158,045
- Less: allowance for expected credit losses	(1,175)	-	(1,175)
Due from other banks	15,982	-	15,982
- Loans and deposits with other banks	15,982	-	15,982
Loans and advances to customers	7,466,588	-	7,466,588
- Corporate loans	8,534,005	-	8,534,005
- Loans to individuals	236,062	-	236,062
- Less: allowance for expected credit losses	(1,303,479)	-	(1,303,479)
Investment securities at fair value through other comprehensive income	-	3,755,050	3,755,050
- Russian Federation bonds (OFZ)	-	1,632,590	1,632,590
- Corporate Eurobonds	-	1,318,019	1,318,019
- Bonds of the Bank of Russia	-	804,441	804,441
Other financial assets	67	-	67
Total financial assets	8,559,802	3,755,050	12,314,852
Non-financial assets			2,426,889
Total assets			14,741,741

As at 31 December 2019 and 31 December 2018, all of the Bank's financial liabilities except for derivatives were carried at amortised cost.

34 Related party transactions

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

Transactions with related parties are entered into in the normal course of business with the Bank's significant shareholders, ultimate beneficiaries, directors and companies with which the Bank has significant shareholders in common. These transactions included settlements, loans, deposit taking, guarantees, trade finance and foreign currency transactions.

Other related parties of the Bank include individuals who can exercise influence over the Bank in making decisions on executing transactions with risk, including the principal terms of the transaction.

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As at 31 December 2019, the outstanding balances with related parties were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Gross amount of loans and advances to customers	-	-	535	81,315
Customer accounts	-	878	72,312	22,848

The income and expense items with related parties for 2019 were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Interest income	-	-	150	8,363
Gains less losses from trading in foreign currencies	-	-	2,226	530
Fee and commission income	-	26	184	831
Other operating income	-	-	399	74,931

As at 31 December 2019, other rights and obligations arising from transactions with related parties were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Other contingent obligations	-	-	6,661	27,415

Aggregate amounts lent to and repaid by related parties during 2019 and changes in customer accounts of related parties are as follows:

	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>			
Change lent to related parties during the year	-	(506)	81,090
Changes in customer accounts of related parties during the year	(3,863)	57,486	3,191

As at 31 December 2018, the outstanding balances with related parties were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Gross amount of loans and advances to customers	-	-	1,041	225
Customer accounts	-	4,741	14,826	19,657



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The income and expense items with related parties for 2018 were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Interest income	-	-	130	14,406
Gains less losses from trading in foreign currencies	-	-	955	2,876
Fee and commission income	-	27	-	2,180
Other operating income	-	-	6,975	5,745

As at 31 December 2018, other rights and obligations arising from transactions with related parties were as follows:

	Shareholders	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>				
Other contingent obligations	-	-	6,623	2,728

Aggregate amounts lent to and repaid by related parties during 2018 and changes in customer accounts of related parties are as follows:

	Entities under common control	Key management personnel	Other related parties
<i>(in thousands of Russian Roubles)</i>			
Change lent to related parties during the year	-	297	(345)
Changes in customer accounts of related parties during the year	562	1,205	(146,292)

Remuneration of key management personnel is presented below:

<i>(in thousands of Russian Roubles)</i>	2019		2018	
	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits:</i>				
- Salaries	59,861	4,420	69,301	-
- Short-term bonuses	18,030	-	16,447	-
- Benefits in-kind	11	-	10	-
- Payments based on the decision of the shareholders' meeting	7,747	4,828	3,990	2,931
- Payments as agreed by the parties	-	-	885	-
Total	85,649	9,248	90,633	2,931

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.



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In 2019 contributions to the Pension Fund of the Russian Federation in respect of related parties for the compensation of the Bank's key management personnel amounted to RUB 15,672 thousand (2018: RUB 8,279 thousand).

35 Events after the reporting period

In March 2020, there were two events that may be classified as material non-adjusting events after the reporting date:

- ▶ Outbreak of the new coronavirus disease (COVID-2019) spread as at 5 April 2020 in 204 countries of the world. In order to prevent the disease from spreading in the Russian Federation, a number of preventive measures were taken, among other things, the non-working days regime from 30 March to 3 April 2020 was announced and later extended until 30 April 2020, a self-quarantine regime for citizens was introduced, which actually resulted in a halt in the operations of the entire economic sectors. Small and medium-sized businesses operating in the following areas: non-food retail, transport (car and air transportation, airports business), culture, leisure and entertainment, physical education and sports, tourism and hotel industry, catering, consumer services, educational organizations (further education organizations, non-governmental educational institutions) are expected to suffer from the spread of COVID-2019 to a greater extent;
- ▶ Global drop in stock markets that began on 9 March 2020, caused by the spread of the coronavirus disease (COVID-2019), drop in demand for crude oil and absence of a new agreement for cutting oil production between OPEC+ countries. The drop in the Moscow Exchange Index and the RTS Index was accompanied by a material depreciation of the Russian rouble against the main world currencies. For instance, the exchange rate of the Russian rouble against the US dollar during 19 March 2020 reached 81.9725 Russian roubles per 1 US dollar (depreciation by more than 30% as compared to the beginning of 2020). At the same time, as at 5 April 2020, after stabilization measures were taken by a number of developed and developing countries, the main stock indices were observed to moderately recover and the exchange rate of the Russian rouble against the US dollar became stable amounting to 76–80 Russian roubles per 1 US dollar.

The current economic and geopolitical situation, which has had an effect on the Russian economy and, among other things, comprised slowdowns, currency instability, drops in stock exchange markets and increased financial burden on consumers, and measures to prevent the spread of coronavirus may result in non-performance of obligations to the Bank by some borrowers. In the future, their solvency may turn out to depend on the measures to support the economy and the financial sector amidst the coronavirus pandemic, implemented by the Government and the Central Bank of Russia.

The Bank's management assessed the effect of the Russian rouble's depreciation and the decrease in market quoted prices in the securities market on the Bank and concluded that, up to the date of these financial statements, the Bank continued to comply with all regulatory requirements, including capital adequacy, to meet the requirements of the Central Bank of the Russian Federation.

Management will continue to closely monitor the potential impact of these events and will take all possible measures to mitigate any potential consequences for the Bank.


 A.B. Gilts
 Chairman of the Management Board


 E.V. Antonenko
 Chief Accountant

MARITIME BANK (JSC)
 Moscow
 29 April 2020

