

Report on review of interim financial information of  
*Sovcombank PJSC and its subsidiaries*  
for the six months ended 30 June 2020

*July 2020*

Report on review of interim financial information of  
Sovcombank PJSC and its subsidiaries

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## Report on review of interim financial information

To the Supervisory Board of Sovcombank PJSC

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Sovcombank PJSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2020, the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes ("interim financial information").

Management of Sovcombank PJSC is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of review*

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

### *Conclusion*

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



G.A. Shinin  
Partner  
Ernst & Young LLC

31 July 2020

### *Details of the audited entity*

Name: Sovcombank PJSC  
Record made in the State Register of Legal Entities on 1 September 2014, State Registration Number 1144400000425.  
Address: Russia 156000, Kostroma, prospect Tekstilshchikov, 46.

### *Details of the auditor*

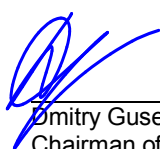
Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.  
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
Ernst & Young LLC is a member of Self-regulated organization of auditors Association "Sodruzhestvo".  
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

# Interim consolidated statement of comprehensive income

## for the six months ended 30 June 2020

	Notes	For the six months ended 30 June (unaudited)	
		2020 RUB MM	2019 RUB MM
Interest income calculated using EIR method	4	49,022	36,519
Other interest income	4	15,107	12,776
Interest expense	4	(25,986)	(21,893)
Obligatory deposit insurance		(1,025)	(1,254)
<b>Net interest income</b>		<b>37,118</b>	<b>26,148</b>
Allowances for credit losses	14, 17, 18, 27	(11,497)	(3,401)
<b>Net interest income after allowance for credit losses</b>		<b>25,621</b>	<b>22,747</b>
Fee and commission income	5	14,692	15,208
Fee and commission expense		(3,552)	(3,461)
<b>Net fee and commission income</b>		<b>11,140</b>	<b>11,747</b>
Net (loss)/gain on financial instruments at FVPL	15	(8,332)	1,220
Net gain on derecognition of financial assets at amortized cost		242	209
Net gain/(loss) on derecognition of financial assets at FVOCI		29	-
Net gain on foreign exchange and transactions with precious metals and derivative financial instruments	6	4,151	997
Other impairment and provisions	11	(808)	(2,296)
Share of profit of joint ventures		6	126
Other operating income	7	762	551
<b>Operating income</b>		<b>32,811</b>	<b>35,301</b>
Revenue and other gains from other non-banking business	8	2,747	1,098
Cost and other losses from other non-banking business	8	(2,447)	(1,190)
<b>Net loss from other non-banking business</b>		<b>300</b>	<b>(92)</b>
Personnel expenses	9	(12,531)	(11,483)
Other general and administrative expenses	10	(8,267)	(7,500)
<b>Profit before income tax expense</b>		<b>12,313</b>	<b>16,226</b>
Income tax expense	12	(2,462)	(3,237)
<b>Profit for the period</b>		<b>9,851</b>	<b>12,989</b>
<b>Profit for the period attributable to:</b>			
- shareholders of the Bank		9,651	12,825
- non-controlling interests		200	164
<b>Basic and diluted earnings per ordinary share attributable to the Bank's shareholders (RUB per share)</b>	26	<b>0.47</b>	<b>0.66</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified subsequently to profit or loss when specific conditions are met</i>			
Net change in the fair value of debt instruments at FVOCI, net of tax		502	-
Change in the allowance for expected credit losses on debt instruments at FVOCI, net of tax		71	-
<i>Other comprehensive income not to be reclassified subsequently to profit or loss</i>			
Revaluation of buildings, net of tax		(4)	(2)
<b>Other comprehensive income, net of tax</b>		<b>569</b>	<b>(2)</b>
<b>Total comprehensive income</b>		<b>10,420</b>	<b>12,987</b>
<b>Comprehensive income attributable to:</b>			
- shareholders of the Bank		10,220	12,823
- non-controlling interests		200	164

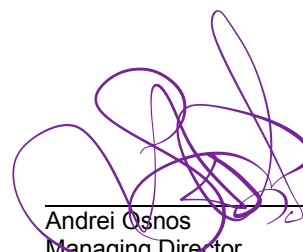
Approved on 31 July 2020



Dmitry Gusev  
Chairman of the Management Board



Dmitry Baryshnikov  
Financial Director



Andrei Osnos  
Managing Director

The interim consolidated statement of comprehensive income is to be read in conjunction with Notes 1 to 35 to, and forming an integral part of, the interim condensed consolidated financial statements.


**Interim consolidated statement of financial position****as at 30 June 2020**

	<b>Notes</b>	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
<b>Assets</b>			
Cash and cash equivalents	13	119,973	107,761
Mandatory cash balances with the CBR		7,051	6,447
Placements with banks and bank bonds at amortized cost			
- held by the Group	14	43,429	25,326
- pledged under repo	14	8,251	10,535
Financial instruments at FVPL			
- held by the Group	15	303,197	191,906
- pledged under repo	15	200,683	57,696
Financial instruments at FVOCI			
- held by the Group	18	12,282	77,229
- pledged under repo	18	93,465	36,218
Loans to customers and bonds at amortized cost			
- held by the Group	17	612,981	548,933
- pledged under repo	17	65,039	36,287
Change in the fair value of hedged assets	16	3,431	(695)
Investments in associates		653	631
Investments in joint ventures		418	243
Investment property		53	53
Property and equipment and intangible assets		10,695	10,918
Right-of-use assets		4,349	5,408
Goodwill		1,662	1,742
Current income tax asset		2,351	27
Deferred tax asset		878	895
Other assets	25	16,402	17,634
<b>Total assets</b>		<b>1,507,243</b>	<b>1,135,194</b>
<b>Liabilities</b>			
Due to the CBR		769	785
Due to banks	20	367,053	125,121
Due to customers	21	854,372	774,038
Debt securities issued	22	29,733	18,662
Other borrowed funds	23	20,500	19,227
Deferred tax liability		1,140	56
Current income tax payable		29	2,309
Subordinated debt	24	28,706	26,362
Other liabilities	25	45,844	29,550
<b>Total liabilities</b>		<b>1,348,146</b>	<b>996,110</b>
<b>Equity</b>			
Share capital	26	1,969	1,969
Treasury shares	26	(5,211)	-
Other capital contributions		25,268	25,082
Reserves for financial instruments at FVOCI		412	(161)
Perpetual subordinated bonds	26	24,816	6,191
Revaluation reserve for buildings		400	404
Retained earnings		109,211	103,568
<b>Total equity attributable to shareholders of the Bank</b>		<b>156,865</b>	<b>137,053</b>
Non-controlling interests		2,232	2,031
<b>Total equity</b>		<b>159,097</b>	<b>139,084</b>
<b>Total equity and liabilities</b>		<b>1,507,243</b>	<b>1,135,194</b>

Approved on 31 July 2020

  
 Dmitry Gusev  
 Chairman of the Management Board

  
 Dmitry Baryshnikov  
 Financial Director

  
 Andrei Osnos  
 Managing Director

The interim consolidated statement of financial position is to be read in conjunction with Notes 1 to 35 to, and forming an integral part of, the interim condensed consolidated financial statements.

**Interim condensed consolidated statement of cash flows**  
**for the six months ended 30 June 2020**

	<i>Notes</i>	<i>For the six months ended 30 June (unaudited)</i>	
		<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Cash flows from operating activities before changes in operating assets and liabilities		17,176	25,218
(Increase)/decrease in operating assets		(327,759)	(13,811)
Increase in operating liabilities		288,025	8,320
<b>Net cash flows from operating activities before income tax</b>		<b>(22,558)</b>	<b>19,727</b>
Income tax paid		(5,506)	(4,724)
<b>Cash flows from operating activities</b>		<b>(28,064)</b>	<b>15,003</b>
<b>Cash flows from investing activities</b>		<b>18,168</b>	<b>23,018</b>
<b>Cash flows from financing activities</b>		<b>17,744</b>	<b>6,568</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,848</b>	<b>44,589</b>
Effect of exchange rate changes on cash and cash equivalents		4,364	(2,930)
Cash and cash equivalents at the beginning of the period		107,761	109,817
<b>Cash and cash equivalents at the end of the period</b>	13	<b>119,973</b>	<b>151,476</b>

*The interim condensed consolidated statement of cash flows is to be read in conjunction with Notes 1 to 35 to, and forming an integral part of, the interim condensed consolidated financial statements.*

**Interim consolidated statement of changes in equity  
for the six months ended 30 June 2020**

	Share capital RUB MM	Treasury shares RUB MM	Other capital contributions RUB MM	Revaluation reserve for property RUB MM	Provisions for financial instruments at FVOCI RUB MM	Perpetual subordinated debt RUB MM	Retained earnings RUB MM	Total equity attributable to shareholders of the Bank RUB MM	Non- controlling interests RUB MM	Total equity RUB MM
<b>As at 1 January 2019</b>	<b>1,871</b>	<b>–</b>	<b>19,100</b>	<b>349</b>	<b>(133)</b>	<b>6,975</b>	<b>83,896</b>	<b>112,058</b>	<b>1,978</b>	<b>114,036</b>
Net profit for the period	–	–	–	–	–	–	12,825	12,825	164	12,989
Other comprehensive income for the period	–	–	–	(2)	–	–	–	(2)	–	(2)
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>–</b>	<b>12,825</b>	<b>12,823</b>	<b>164</b>	<b>12,987</b>
Dividends (Note 26)	–	–	–	–	–	–	(5,750)	(5,750)	(192)	(5,942)
Perpetual subordinated bonds purchased	–	–	–	–	–	(172)	–	(172)	–	(172)
Previously purchased perpetual subordinated bonds sold	–	–	–	–	–	172	–	172	–	172
Revaluation of perpetual subordinated bonds	–	–	–	–	–	(667)	667	–	–	–
Interest on perpetual subordinated bonds	–	–	–	–	–	–	(265)	(265)	–	(265)
Tax effect recognized in respect of perpetual subordinated bonds	–	–	–	–	–	–	(80)	(80)	–	(80)
Issue of ordinary shares (Note 26)	98	–	5,982	–	–	–	–	6,080	–	6,080
<b>As at 30 June 2019 (unaudited)</b>	<b>1,969</b>	<b>–</b>	<b>25,082</b>	<b>347</b>	<b>(133)</b>	<b>6,308</b>	<b>91,293</b>	<b>124,866</b>	<b>1,950</b>	<b>126,816</b>
<b>As at 1 January 2020</b>	<b>1,969</b>	<b>–</b>	<b>25,082</b>	<b>404</b>	<b>(161)</b>	<b>6,191</b>	<b>103,568</b>	<b>137,053</b>	<b>2,031</b>	<b>139,084</b>
Net profit for the period	–	–	–	–	–	–	9,651	9,651	200	9,851
Other comprehensive income for the period	–	–	–	(4)	573	–	–	569	–	569
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4)</b>	<b>573</b>	<b>–</b>	<b>9,651</b>	<b>10,220</b>	<b>200</b>	<b>10,420</b>
Dividends (Note 26)	–	–	–	–	–	–	–	–	(150)	(150)
Perpetual subordinated bonds issued	–	–	–	–	–	18,808	–	18,808	–	18,808
Perpetual subordinated bonds purchased	–	–	–	–	–	(3,357)	–	(3,357)	–	(3,357)
Revaluation of perpetual subordinated bonds	–	–	–	–	–	3,174	(3,174)	–	–	–
Interest on perpetual subordinated bonds	–	–	–	–	–	–	(923)	(923)	–	(923)
Tax effect recognized in respect of perpetual subordinated bonds	–	–	–	–	–	–	89	89	–	89
Purchase of treasury shares (Note 26)	–	(5,211)	–	–	–	–	–	(5,211)	–	(5,211)
Option Program expenses (Note 29)	–	–	186	–	–	–	–	186	–	186
Acquisition of a subsidiary (Note 32)	–	–	–	–	–	–	–	–	151	151
<b>As at 30 June 2020 (unaudited)</b>	<b>1,969</b>	<b>(5,211)</b>	<b>25,268</b>	<b>400</b>	<b>412</b>	<b>24,816</b>	<b>109,211</b>	<b>156,865</b>	<b>2,232</b>	<b>159,097</b>

The interim consolidated statement of changes in equity is to be read in conjunction with Notes 1 to 35 to, and forming an integral part of, the interim condensed consolidated financial statements.



## 1. Background

### Principal activities

These interim condensed consolidated financial statements include the financial statements of Public Joint-Stock Company ("PJSC") Sovcombank (the "Bank" or "Sovcombank") and its subsidiaries (together referred to as the "Group" or "Sovcombank Group"). Note 34 lists principal subsidiaries included in these interim condensed consolidated financial statements of Sovcombank Group.

Sovcombank, the parent company of the Group, was established in 1990 as Buoycombank in Buoy, Kostroma Region, Russian Federation. The current major ultimate beneficial owners acquired the Bank, renamed it into Sovcombank and relocated its head office to the city of Kostroma in 2002. In September 2014, the Bank changed its legal form from limited liability company to open joint-stock company. In December 2014, the Bank changed its legal form from an open joint-stock company to a public joint-stock company. These reorganizations, first into the open joint-stock company and then into the public joint-stock company, had no effect on the principal activities of the Bank or its shareholder structure.

The Bank's registered legal address is 46, prospect Tekstilshchikov, Kostroma, 156000, Russia. Sovcombank operates under a general banking license No. 963 issued by the Central Bank of the Russian Federation (the "CBR" or the "Bank of Russia") on 27 November 1990. The Bank holds brokerage, dealership and depository licenses of a professional securities market participant issued by the Federal Securities Market Commission (FSMC) on 27 January 2009. The Bank is a member of the deposit insurance system managed by the State Corporation Deposit Insurance Agency (the "DIA") since 15 September 2005.

The Group's principal business activity is retail, corporate and investment banking services. These include accepting term deposits and issuing commercial loans denominated in Russian rubles and foreign currencies; providing financial services, including investment banking services; dealing with securities, derivative financial instruments and precious metals. The Group includes a digital public procurement platform comprising [www.rts-tender.ru](http://www.rts-tender.ru), an online platform for public procurement, and [www.fintender.ru](http://www.fintender.ru), an online platform that provides bank guarantees. The digital platform enables access to public procurement for 559 thousand companies, mostly small and medium businesses. The Group operates primarily in the Russian Federation.

The Group has 2,233 offices located in 953 cities and towns across 76 constituent entities of the Russian Federation (31 December 2019: 2,500 offices located in 1,043 cities and towns across 76 constituent entities of the Russian Federation).

The Group's customers can withdraw and deposit cash through 4,377 ATMs and cash-in terminals (31 December 2019: 4,822 ATMs and cash-in terminals).

The Group serves 7.1 million customers: 6.3 million borrowers, 0.6 million depositors, and 0.2 million corporate customers (31 December 2019: 6.5 million customers: 5.8 million borrowers, 0.5 million depositors, and 0.2 million corporate customers).

The Bank has 15,811 employees (31 December 2019: 15,664 employees).

### Shareholders

<i><b>Shareholders</b></i>	<i><b>Ownership, % 30 June 2020</b></i>	<i><b>Ownership, % 31 December 2019</b></i>
Sovco Capital Partners B.V.	86.5%	87.1%
Other beneficiaries	10.1%	12.9%
Treasury shares	3.4%	–

No single beneficiary owner ultimately controls the Group as at 30 June 2020 and 31 December 2019 (Note 26).

A group of Russian businessmen, including the key members of Sovcombank management and the Supervisory Board of the Bank, owns Sovco Capital Partners B.V., a holding company registered in the Netherlands, which is not controlled by any ultimate beneficial owner.

Sovco Capital Partners B.V. is a tax resident of the Russian Federation since 1 January 2016.

**1. Background (continued)****Shareholders (continued)**

Distribution of other beneficiaries is presented in the table below:

<i><b>Other beneficiaries</b></i>	<i><b>Ownership, % 30 June 2020</b></i>	<i><b>Ownership, % 31 December 2019</b></i>
Public Investment Fund	3.3%	3.4%
Russia-China Investment Fund	2.0%	2.1%
Russian Direct Investment Fund	1.3%	1.8%
Russia-Japan Investment Fund	1.3%	1.4%
Qatar Investment Authority	1.0%	1.0%
SBI Holdings, Inc.	0.5%	0.5%
Ilya Brodskiy	–	1.8%
Andrey Suzdaltsev	–	0.6%
Other	0.7%	0.3%
<b>Total ownership</b>	<b>10.1%</b>	<b>12.9%</b>

A short description of other beneficiaries is presented below:

- ▶ Public Investment Fund is a sovereign fund of the Kingdom of Saudi Arabia.
- ▶ Russia-China Investment Fund (“RCIF”) is a fund of China Investment Corporation (“CIC”) and the Russian Direct Investment Fund (“RDIF”). RDIF is a sovereign investment fund of the Russian Federation. CIC is a sovereign wealth fund of the People's Republic of China.
- ▶ The Russian Direct Investment Fund is a sovereign fund of the Russian Federation.
- ▶ Russia-Japan Investment Fund is a fund established of Japan Bank for International Cooperation (“JBIC”) and RDIF. JBIC is wholly owned by the Government of Japan.
- ▶ Qatar Investment Authority is a sovereign wealth fund of the Government of Qatar.
- ▶ SBI Holdings, Inc. is a public investment company headquartered in Tokyo, Japan.
- ▶ Ilya Brodskiy and Andrey Suzdaltsev are co-founders of Rosevrobank JSB.
- ▶ “Other” represent Middle Eastern sovereign funds.

In the first quarter of 2020 the Group repurchased 675,000,002 ordinary shares of Sovcombank PJSC from its shareholders for RUB 5,211 MM, which accounts for 3.4% of the Group's share capital. The majority of the repurchased shares previously belonged to Ilya Brodskiy and Andrey Suzdaltsev, who became shareholders of Sovco Capital Partners B.V.

**Corporate governance**

The Bank's Supervisory Board comprises eleven persons:

- ▶ Mikhail Kuchment (Chairman of the Bank's Supervisory Board);
- ▶ Anatoly Braverman (First Deputy General Director of RDIF);
- ▶ Ilya Brodskiy (President of the Bank);
- ▶ Nikolai Varma (an independent director);
- ▶ Joel Lautier (an independent director);
- ▶ Regina von Flemming (an independent director);
- ▶ Dmitry Gusev (Chairman of the Bank's Management Board);
- ▶ Mikhail Klyukin (one of the ultimate beneficial owners of the Bank);
- ▶ Aleksey Fisun (one of the ultimate beneficial owners of the Bank);
- ▶ Dmitry Khotimskiy (Chief Investment Director of the Bank);
- ▶ Sergey Khotimskiy (First Deputy Chairman of the Bank's Management Board).

## 1. Background (continued)

### Corporate governance (continued)

Dmitry Khotimskiy, Sergey Khotimskiy, Dmitry Gusev and Ilya Brodskiy are ultimate beneficial owners of the Bank, hold management positions in the Bank and participate in the daily Group's operating management.

Mikhail Kuchment, Mikhail Klyukin and Aleksey Fisun are the Bank's ultimate beneficial owners but are not employed by and are not directly involved in the operating management of the Bank.

Anatoly Braverman, Nikolai Varma, Joel Lautier and Regina von Flemming are not employed by and are not directly involved in the operating management of the Bank.

Ya Li, the Investment Director of RCIF, is the supervisor to the Bank's Supervisory Board.

### Operating environment

The Group operates predominantly in the Russian Federation. Russia continues to carry out economic reforms and to develop its legal, tax and regulatory frameworks.

The Russian economy demonstrates a strong correlation to changes in oil and other commodities prices and to a limited extent is affected by economic sanctions imposed on Russia by a number of countries. The combination of these factors may have a negative impact on the Group's future financial position, results of operations and business prospects. The Russian Government and the Bank of Russia have taken consistent and effective measures in response to a decline in energy prices. The floating official Russian ruble exchange rate, inflation targeting and active support of the financial sector lowered the inflation rate and relatively stabilized the Russian economy.

Management believes that it is taking all appropriate measures to support the sustainability of the Group's business in the current circumstances.

### The effect of COVID-19 pandemic

At the beginning of 2020, due to the spread of the COVID-19 pandemic, the Government of the Russian Federation implemented virus outbreak control measures, including travel restrictions, quarantine, closure of enterprises and institutions, and closure of certain regions. These measures affected the supply system, the demand for goods and services, and business activity in general. The pandemic itself and measures to mitigate its consequences affect operations across various industries. Since March 2020, stock exchange, currency and commodity markets were volatile, oil prices declined and the Russian ruble depreciated against the US dollar and euro.

In 2020, the Government and the Bank of Russia introduced economic support measures to prevent significant deterioration of Russian economy due to the outbreak of COVID-19. These measures include, among others, preferential loans to entities operating in affected areas and to affected individuals, repayment holiday and relief of certain regulatory restrictions aimed at supporting the financial sector and its ability to provide funds and assist clients in preventing deficit of liquidity following the measures to stop the spread of COVID-19.

Quantitative and qualitative effects of COVID-19 presented in Notes 15 and 17. Meanwhile the Group continues assessing the effect of the pandemic and the changes in micro- and macroeconomic conditions on its business, financial position and financial performance.

## 2. Basis of preparation

### General

These interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

These interim condensed consolidated financial statements are presented in millions of Russian rubles ("RUB MM"), unless otherwise indicated.

## 2. Basis of preparation (continued)

### Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as at 1 January 2020, noted below.

The below interpretations, amendments and improvements to the standards became effective from 1 January 2020 but had no significant effect on the interim condensed consolidated financial statements of the Group:

- ▶ *Amendments to the Conceptual Framework for Financial Reporting* (issued on 29 March 2018 and are effective for annual reporting periods beginning on or after 1 January 2020);
- ▶ *Definition of a Business*: amendments to IFRS 3 (issued on 22 October 2018 and are effective for acquisitions for annual reporting periods beginning on or after 1 January 2020);
- ▶ *Definition of Material*: amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and become effective for annual periods beginning on or after 1 January 2020);
- ▶ Amendment to IFRS 16 – “COVID-19-related rent concessions”, which exempts lessees from the need to assess whether the rental concessions associated with COVID-19 pandemic are lease modifications.

The amendments had not any significant effect on the Group's financial statements since the Group's current practice was in line with these amendments at their introduction.

## 3. Segment information

The Group has three operating segments:

- ▶ **Retail banking (“Retail”)**: providing banking services to low-income retail customers, individual entrepreneurs and small businesses located primarily in small towns. These services include mortgage, car and consumer lending, issuance of installment cards, placement of deposits, provision of access to a wide range of insurance products of Sovcombank Insurance JSC (before April 2020 – Liberty Insurance JSC) and third-party insurance companies.
- ▶ **Corporate banking (“CB”)**: rendering banking services, mainly to medium-sized and major Russian corporations, state-owned enterprises and constituent entities of the Russian Federation, as well as small and medium enterprises. These services include the issuance of loans, arrangement of bond issues, trade financing, transactions with precious metals, placement of deposits, as well as settlement and cash services. CB also enables small and medium-sized businesses and individual entrepreneurs to engage in public procurement via the Group's digital platform.
- ▶ **Treasury and capital management (“Treasury”)**: managing the fixed income portfolio; capital, risks and liquidity of the Group; foreign exchange and derivative transactions.

**3. Segment information (continued)**

The Group's management monitors operating results of each segment separately to make decisions on the allocation of resources and performance assessment.

<i>For the six months ended 30 June 2020 (unaudited)</i>					
	<i>Retail</i>	<i>CB</i>	<i>Treasury</i>	<i>Adjustments</i>	<i>Total</i>
	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>
<b>Revenue</b>					
Interest income	28,633	13,369	22,127	–	64,129
Fee and commission income	9,614	4,549	529	–	14,692
Net gain on derecognition of financial assets at amortized cost	–	–	242	–	242
Net gain on foreign exchange and transactions with precious metals	3	1,031	3,117	–	4,151
Net gain on derecognition of financial assets at FVOCI	29	–	–	–	29
Other operating income	77	3	688	–	768
Revenue and other gains on other non-banking business	1,925	–	822	–	2,747
Inter-segment revenue	4,002	2,313	–	(6,315)	–
<b>Total revenue</b>	<b>44,283</b>	<b>21,265</b>	<b>27,525</b>	<b>(6,315)</b>	<b>86,758</b>
<b>Expenses</b>					
Interest expense	(11,184)	(8,140)	(6,662)	–	(25,986)
Obligatory deposit insurance	(880)	(145)	–	–	(1,025)
Fee and commission expense	(2,760)	(369)	(423)	–	(3,552)
Allowances for credit losses	(9,297)	(2,612)	412	–	(11,497)
Net loss on financial instruments at FVPL	(18)	859	(9,173)	–	(8,332)
Other impairment and provisions	–	79	(887)	–	(808)
Personnel expenses	(7,589)	(3,457)	(1,485)	–	(12,531)
Other expenses	(4,994)	(970)	(2,303)	–	(8,267)
Cost and other losses from other non-banking business	(1,588)	–	(859)	–	(2,447)
Inter-segment expenses	–	–	(6,315)	6,315	–
<b>Total expenses</b>	<b>(38,310)</b>	<b>(14,755)</b>	<b>(27,695)</b>	<b>6,315</b>	<b>(74,445)</b>
<b>Segment results</b>	<b>5,973</b>	<b>6,510</b>	<b>(170)</b>	<b>–</b>	<b>12,313</b>
Income tax expense					(2,462)
<b>Profit for the period</b>					<b>9,851</b>

<i>For the six months ended 30 June 2019 (unaudited)</i>					
	<i>Retail</i>	<i>CB</i>	<i>Treasury</i>	<i>Adjustments</i>	<i>Total</i>
	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>
<b>Revenue</b>					
Interest income	20,513	9,119	19,663	–	49,295
Fee and commission income	11,132	3,971	105	–	15,208
Net gain on financial instruments at FVPL	–	147	1,073	–	1,220
Net gain on derecognition of financial assets at amortized cost	–	–	209	–	209
Net gain on foreign exchange and transactions with precious metals	–	543	454	–	997
Other operating income	–	19	658	–	677
Revenue and other income from other non-banking business	–	–	1,098	–	1,098
Inter-segment revenue	5,269	3,127	–	(8,396)	–
<b>Total revenue</b>	<b>36,914</b>	<b>16,926</b>	<b>23,260</b>	<b>(8,396)</b>	<b>68,704</b>
<b>Expenses</b>					
Interest expense	(12,217)	(6,351)	(3,325)	–	(21,893)
Obligatory deposit insurance	(1,089)	(165)	–	–	(1,254)
Fee and commission expense	(3,144)	(157)	(160)	–	(3,461)
Allowances for credit losses	(2,819)	(8)	(574)	–	(3,401)
Other impairment and provisions	–	(1,800)	(496)	–	(2,296)
Personnel expenses	(7,192)	(2,791)	(1,500)	–	(11,483)
Cost and other losses from non-banking business	–	–	(1,190)	–	(1,190)
Other expenses	(5,167)	(933)	(1,400)	–	(7,500)
Inter-segment expenses	–	–	(8,396)	8,396	–
<b>Total expenses</b>	<b>(31,628)</b>	<b>(12,205)</b>	<b>(17,041)</b>	<b>8,396</b>	<b>(52,478)</b>
<b>Segment results</b>	<b>5,286</b>	<b>4,721</b>	<b>6,219</b>	<b>–</b>	<b>16,226</b>
Income tax expense					(3,237)
<b>Profit for the period</b>					<b>12,989</b>

**3. Segment information (continued)**

Assets and liabilities of the Group's operating segments are presented in the table below:

	<b>30 June 2020 (unaudited)</b>			
	<b>Retail RUB MM</b>	<b>CB RUB MM</b>	<b>Treasury RUB MM</b>	<b>Total RUB MM</b>
<b>Segment assets</b>				
Cash and cash equivalents	19,833	26,265	73,875	119,973
Mandatory cash balances with the CBR	2,907	4,144	–	7,051
Placements with banks	855	11,914	21,853	34,622
Bank bonds at amortized cost	–	–	17,058	17,058
Financial instruments at FVPL	468	70,803	432,609	503,880
Investment securities at FVOCI	669	–	105,078	105,747
Loans to customers at amortized cost	266,516	289,290	5,117	560,923
Corporate bonds at amortized cost	690	–	116,407	117,097
Change in the fair value of hedged assets	–	–	3,431	3,431
Investments in associates	–	–	653	653
Investments in joint ventures	–	–	418	418
Investment property	–	53	–	53
Property and equipment and intangible assets	4,791	2,528	3,376	10,695
Right-of-use assets	98	–	4,251	4,349
Goodwill	585	–	1,077	1,662
Current income tax asset	–	–	2,351	2,351
Deferred tax asset	287	–	591	878
Other assets	4,964	4,832	6,606	16,402
	<b>302,663</b>	<b>409,829</b>	<b>794,751</b>	<b>1,507,243</b>
<b>Segment liabilities</b>				
Due to the CBR	–	695	74	769
Due to banks	–	27,358	339,695	367,053
Due to customers	412,503	435,270	6,599	854,372
Debt securities issued	–	2,335	27,398	29,733
Other borrowed funds	–	–	20,500	20,500
Deferred tax liability	–	–	1,140	1,140
Current income tax payable	1	–	28	29
Subordinated debt	–	–	28,706	28,706
Other liabilities	3,849	6,655	35,340	45,844
	<b>416,353</b>	<b>472,313</b>	<b>459,480</b>	<b>1,348,146</b>
	<b>31 December 2019</b>			
	<b>Retail RUB MM</b>	<b>CB RUB MM</b>	<b>Treasury RUB MM</b>	<b>Total RUB MM</b>
<b>Segment assets</b>				
Cash and cash equivalents	19,528	15,756	72,477	107,761
Mandatory cash balances with the CBR	2,794	3,653	–	6,447
Placements with banks	–	10,978	6,134	17,112
Bank bonds at amortized cost	–	–	18,749	18,749
Financial instruments at FVPL	–	22,489	227,113	249,602
Financial instruments at FVOCI	–	–	113,447	113,447
Loans to customers at amortized cost	261,290	209,339	2,396	473,025
Corporate bonds at amortized cost	–	–	112,195	112,195
Change in the fair value of hedged assets	–	–	(695)	(695)
Investments in associates	–	–	631	631
Investments in joint ventures	–	–	243	243
Investment property	–	53	–	53
Property and equipment and intangible assets	4,567	2,395	3,956	10,918
Right-of-use assets	–	–	5,408	5,408
Goodwill	–	585	1,157	1,742
Current income tax asset	–	–	27	27
Deferred tax asset	–	–	895	895
Other assets	1,604	12,974	3,056	17,634
	<b>289,783</b>	<b>278,222</b>	<b>567,189</b>	<b>1,135,194</b>
<b>Segment liabilities</b>				
Due to the CBR	–	785	–	785
Due to banks	–	20,615	104,506	125,121
Due to customers	402,905	347,998	23,135	774,038
Debt securities issued	–	2,990	15,672	18,662
Other borrowed funds	–	–	19,227	19,227
Deferred tax liability	–	–	56	56
Current income tax payable	–	–	2,309	2,309
Subordinated debt	–	–	26,362	26,362
Other liabilities	–	6,221	23,329	29,550
	<b>402,905</b>	<b>378,609</b>	<b>214,596</b>	<b>996,110</b>

### 3. Segment information (continued)

The Retail balance sheet items included assets and liabilities directly related to the Group's retail segment.

The CB balance sheet items include:

- ▶ Cash and cash equivalents: security deposits placed with Moscow Exchange Group;
- ▶ Obligatory reserve with the CBR: mandatory cash balances with the CBR to secure the Bank's liabilities to the corporate customers;
- ▶ Placements with banks: collateral for derivative financial instruments (derivatives) concluded with CB customers that is placed with the banks;
- ▶ Goodwill: goodwill recorded on the Group's balance sheet due to acquisition of online platform for public procurement RTS-Tender and RTS-Holding;
- ▶ Debt securities issued: interest-bearing and discount promissory notes issued by the Group.

The Treasury balance sheet items included the following:

- ▶ Cash and cash equivalents: short-term repo transactions with Russian and foreign banks, as well as with Moscow Exchange Group;
- ▶ Placements with banks: collateral for derivative financial instruments, correspondent accounts;
- ▶ Loans to customers at amortized cost: loans issued as part of mezzanine lending;
- ▶ Property and equipment and intangible assets, deferred tax asset: intangible assets and deferred tax assets received by the Group due to business combination;
- ▶ Other borrowed funds: the loan issued by the DIA to Sovcombank for the financial rehabilitation of Express-Volga Bank JSC.

### 4. Net interest income

	<i>For the six months ended 30 June (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
<b>Interest income calculated using EIR method</b>		
Retail loans	28,104	20,436
Consumer loans	9,114	6,903
Car loans	7,474	6,247
Mortgage loans	5,003	4,495
Installment cards	6,513	2,791
Corporate loans	11,339	9,795
Financial instruments at FVOCI	4,607	–
Corporate bonds at amortized cost	3,673	4,915
Placements with banks and financial institutions	752	603
Bank bonds at amortized cost	547	770
<b>Total interest income calculated using EIR method</b>	<b>49,022</b>	<b>36,519</b>
<b>Other interest income</b>		
Financial instruments at FVPL	11,028	9,272
Net gains on foreign currency swaps	3,275	3,504
Finance leases	804	–
<b>Total other interest income</b>	<b>15,107</b>	<b>12,776</b>
<b>Total interest income</b>	<b>64,129</b>	<b>49,295</b>
<b>Interest expense</b>		
Due to customers		
<i>Individuals</i>		
Term deposits	(11,680)	(11,786)
Current accounts and demand deposits	(753)	(1,325)
<i>Legal entities</i>		
Term deposits	(5,963)	(4,563)
Current accounts and demand deposits	(406)	(335)
Amounts payable under repo	(98)	–
Due to banks	(3,345)	(1,531)
Other borrowed funds	(1,392)	(1,205)
Subordinated debt	(1,253)	(462)
Promissory notes and bonds issued	(871)	(395)
Lease liabilities	(225)	(291)
<b>Total interest expense</b>	<b>(25,986)</b>	<b>(21,893)</b>
Obligatory deposit insurance	(1,025)	(1,254)
<b>Net interest income</b>	<b>37,118</b>	<b>26,148</b>

**4. Net interest income (continued)**

Interest income calculated using the EIR method on installment cards includes fees from partner companies of the Halva program. For the six months of 2020, this income amounted to RUB 952 MM (six months of 2019: RUB 623 MM).

From June 2019, holders of Halva cards may choose how to settle the outstanding amount: either with minimum payments or with installments as per the agreement between the bank and a Halva partner company. If a client selects the minimum payment option, the bank extends customer's installment period and reduces her monthly payments while her credit history remains positive. Changes in the installment terms are subject to monthly interests recognized as interest income calculated by the EIR method. For the six months of 2020, interest income from customers who chose the minimum payment option totaled RUB 2,772 MM (six months of 2019: RUB 9 MM).

Interest expense on other borrowed funds relates to the loan provided by the DIA for the financial rehabilitation of Express-Volga Bank JSC ("EVB") in September 2015.

Sovcombank's retail customers purchase the Minimum Rate Guarantee (MRG) service to reduce the interest rate on existing loans provided that the customers meet the following conditions:

- ▶ The loan is not overdue;
- ▶ The loan is not prepaid in full or in part;
- ▶ At least one purchase with the Halva card per month;
- ▶ The customer is a participant of the financial protection program.

The total amount of MRG fees accumulated since the start of sales of this service is RUB 4.1 BN. Significant part of these fees will be recognized as interest income in future periods following the assessment of payments to customers.

**5. Fee and commission income**

<i>For the six months ended 30 June (unaudited)</i>		
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Financial protection program	5,634	5,686
Card operations	3,195	4,258
Issuance of bank guarantees	1,751	1,389
Settlement operations	1,581	1,535
Income from electronic trading platforms	1,272	1,101
Agent fee for selling insurance products	345	292
Securities underwriting	270	258
Currency control	210	239
Lending operations	168	284
Cash operations	74	94
Other	192	72
	<b>14,692</b>	<b>15,208</b>

For the six months of 2020, Card operations, among others, include fee and commission income of RUB 1,537 MM (six months of 2019: RUB 2,247 MM) from signing up card customers for voluntary accident insurance plans.

**6. Net gain on foreign exchange and transactions with precious metals and derivative financial instruments**

<i>For the six months ended 30 June (unaudited)</i>		
	<i>2020 RUB MM</i>	<i>2019 (restated) RUB MM</i>
Dealing	(3,699)	(3,295)
Net gain on transactions with derivative financial instruments and precious metals	4,874	11,062
Foreign exchange differences	2,976	(6,770)
	<b>4,151</b>	<b>997</b>



## 6. Net gain on foreign exchange and transactions with precious metals and derivative financial instruments (continued)

In its Other interest income, the Group recognizes net gain on swap transactions with the exchange (Note 4). In Q4 2019, the Group changed its approach to recording net gain on swap transactions with the Moscow exchange. The following reclassifications were made to comparatives for Q2 2019 to conform with the current presentation:

	<i>As previously reported RUB MM</i>	<i>Adjustment due to change in presentation RUB MM</i>	<i>Adjusted amount RUB MM</i>
Dealing	7,311	(10,606)	(3,295)
Foreign exchange differences	(17,376)	10,606	(6,770)

Dealing represents a financial result from exchange-traded foreign currency contracts entered into by the Group in order to hedge long and short foreign currency positions to comply with the regulatory requirements.

Net gain on transactions with derivative financial instruments represent a financial result from OTC transactions with the period exceeding 2 business days (currency and cross currency interest rate swaps, currency forwards and options, credit default swaps and contracts with precious metals and securities).

Foreign exchange differences represent a financial result from the revaluation of net assets and liabilities denominated in foreign currencies and precious metals.

## 7. Other operating income

	<i>For the six months ended 30 June (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Bargain purchase gain (Note 32)	432	–
Disposal of foreclosed assets	139	187
Gain on derecognition of leases	77	–
Income from operating sublease	32	18
Other	82	346
	<b>762</b>	<b>551</b>

Bargain purchase gain is a difference between the fair value of net assets of Sovcombank Insurance JSC (Liberty Insurance JSC before April 2020) and VKABANK JSC, and the investments at the date of the acquisition of control over these entities by the Group. Control over Sovcombank Insurance JSC and VKABANK was acquired in the first quarter of 2020. See Note 32 for details.

## 8. Other non-banking activity

	<i>For the six months ended 30 June (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Revenue and other gains from insurance services	1,883	–
Revenue and other gains from software implementation and support services	697	614
Revenue and other gains from ATM maintenance services	167	484
<b>Revenue and other gains from other non-banking business</b>	<b>2,747</b>	<b>1,098</b>
Cost and other losses from insurance services	(1,588)	–
Cost and other losses from software implementation and support services	(683)	(762)
Cost and other losses from ATM maintenance services	(176)	(428)
<b>Cost and other losses from other non-banking business</b>	<b>(2,447)</b>	<b>(1,190)</b>
<b>Net (loss)/gains from other non-banking activity</b>	<b>300</b>	<b>(92)</b>

**9. Personnel expenses**

	<i>For the six months ended 30 June (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Payroll, including bonuses	(9,898)	(9,113)
Payroll-related taxes	(2,633)	(2,370)
	<b>(12,531)</b>	<b>(11,483)</b>

The Group has no liabilities to pension funds except for those stipulated by the Russian legislation. The Russian legislation obliges employers to make mandatory contributions to social security funds calculated based on the amount of salary. These contributions are included in payroll-related taxes for respective periods.

**10. Other general and administrative expenses**

	<i>For the six months ended 30 June (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Professional and cash collection services	(1,380)	(922)
Advertising and marketing	(1,202)	(1,390)
Depreciation of right-of-use assets	(1,071)	(1,001)
Telecommunication and postal services	(740)	(690)
Amortization of intangible assets	(697)	(752)
Software support	(671)	(459)
Inventory	(563)	(331)
Maintenance of property and equipment	(376)	(419)
Transport and business travel	(367)	(468)
Depreciation of property and equipment	(284)	(244)
Leases	(220)	(115)
Security	(141)	(157)
Property insurance	(93)	(67)
Taxes other than income tax	(67)	(110)
Other	(395)	(375)
	<b>(8,267)</b>	<b>(7,500)</b>

**11. Other impairment and provisions**

	<i>For the six months ended 30 June (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Litigations	(216)	(486)
Contingencies	(137)	(957)
Impairment of investments in associates	(63)	–
Foreclosed assets	(51)	(29)
Goodwill impairment	(34)	(300)
Other assets	(307)	(524)
	<b>(808)</b>	<b>(2,296)</b>

The provisions for litigations relate to the litigations initiated by Probusinessbank's creditors against its bankruptcy administrator, a representative of the Deposit Insurance Agency, with regard to certain transactions relating to the period before the date on which Probusinessbank was declared bankrupt by the arbitration court; by individuals regarding reimbursement of paid fees and insurance contributions, and by beneficiaries regarding the Sovcombank's rejection to make payments under bank guarantees.

The provisions for contingencies relate to the credit risk on the portfolio of non-financial bank guarantees primarily issued to suppliers in accordance with Federal Laws No. 44-FZ and No. 223-FZ.

**11. Other impairment and provisions (continued)**

Movements in other provisions for the six months ended 30 June 2020 and 2019 are as follows:

	<i>Provision for other assets RUB MM</i>	<i>Provision for litigations RUB MM</i>	<i>Provision for contin- gencies RUB MM</i>	<i>Impairment of investments in associates RUB MM</i>	<i>Provisions for foreclosed assets RUB MM</i>	<i>Total RUB MM</i>
<b>As at 1 January 2019</b>	<b>681</b>	<b>1,165</b>	<b>1,544</b>	<b>407</b>	<b>44</b>	<b>3,841</b>
Increase/(decrease)	980	780	957	–	29	2,746
Write-off	(456)	–	–	–	–	(456)
Write-off due to settlement	–	(294)	–	–	–	(294)
Settlement of liabilities	–	(80)	–	–	(3)	(83)
<b>As at 30 June 2019 (unaudited)</b>	<b>1,205</b>	<b>1,571</b>	<b>2,501</b>	<b>407</b>	<b>70</b>	<b>5,754</b>
<b>As at 1 January 2020</b>	<b>1,230</b>	<b>827</b>	<b>2,754</b>	<b>407</b>	<b>137</b>	<b>5,355</b>
Increase/(decrease)	307	216	137	63	51	774
Write-off	(328)	–	–	–	–	(328)
Settlement of liabilities	–	(346)	–	–	–	(346)
Business combination effect	–	–	–	–	58	58
<b>As at 30 June 2020 (unaudited)</b>	<b>1,209</b>	<b>697</b>	<b>2,891</b>	<b>470</b>	<b>246</b>	<b>5,513</b>

A increase in provisions for contingencies by RUB 137 MM for the six months of 2020 reflects the Group's projections of losses on bank guarantees calculated based on statistical data and on an individual basis.

**12. Income tax expense**

	<i>For the six months ended 30 June (unaudited)</i>	
	<i>2020 RUB MM</i>	<i>2019 RUB MM</i>
Current income tax	(1,321)	(6,677)
Origination of temporary differences	(1,141)	3,440
	<b>(2,462)</b>	<b>(3,237)</b>

The current general income tax rate for legal entities in the Russian Federation is 20%.

**13. Cash and cash equivalents**

	<i>30 June 2020 (unaudited) RUB MM</i>	<i>31 December 2019 RUB MM</i>
Due from the CBR	79,029	50,913
Nostro accounts with Russian banks and financial institutions	20,304	40,703
Cash on hand	17,585	10,511
Short-term deposits and reverse repo transactions with Russian banks and financial institutions maturing in less than 90 days	1,638	4,462
Nostro accounts with OECD banks	1,157	945
Short-term deposits with OECD banks maturing in less than 90 days	260	227
<b>Total cash and cash equivalents</b>	<b>119,973</b>	<b>107,761</b>

As at 30 June 2020, short-term deposits and reverse repo transactions with Russian banks and financial institutions maturing in less than 90 days primarily include transactions with the National Settlement Depository, a company of the Moscow Exchange Group, which has BBB credit rating assigned by Fitch.

Cash on hand includes cash in ATMs and in transit.

**14. Placements with banks and bank bonds at amortized cost**

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
Collateral for derivative financial instruments and repo	23,583	7,076
Term deposits with banks	10,454	9,574
Bank bonds and Eurobonds held by the Group	8,831	8,232
Bank bonds and Eurobonds pledged under repo	8,267	10,562
Repo	666	584
<b>Total placements with banks and bank bonds at amortized cost</b>	<b>51,801</b>	<b>36,028</b>
Less: allowance for impairment	(121)	(167)
<b>Placements with banks and bank bonds at amortized cost, net</b>	<b>51,680</b>	<b>35,861</b>

As at 30 June 2020 and 31 December 2019, all bank bonds at amortized cost were included into Stage 1 impairment group and allowance for ECL amounted to RUB 40 MM and RUB 45 MM, respectively.

The breakdown of Russian bank bonds at amortized cost by long-term issuer credit rating assigned by international rating agencies (S&P, Fitch or Moody's) is presented in the table below. If a security or an issuer has credit ratings from several international rating agencies, only the highest rating is taken into account:

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
<b>Russian bank bonds at amortized cost</b>		
Banks with credit rating from A+ to A-	–	1,028
Banks with credit rating from BBB+ to BBB-	10,019	8,884
Banks with credit rating from BB+ to BB-	7,079	8,882
<b>Total bank bonds at amortized cost</b>	<b>17,098</b>	<b>18,794</b>

The breakdown of placements with banks by long-term credit rating assigned by international rating agencies (S&P, Fitch or Moody's) is presented in the table below. If a bank has different credit ratings from several international rating agencies, only the highest rating is taken into account:

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
<b>Placements with banks</b>		
Banks with credit rating from AA+ to AA-	2,324	464
Banks with credit rating from A+ to A-	17,436	6,243
Banks with credit rating from BBB+ to BBB-	5,307	953
Banks with credit rating from BB+ to BB-	7,507	6,578
Banks with credit rating from BBB+ to BBB-	2,129	1,966
Unrated banks	–	1,030
<b>Total placements with banks</b>	<b>34,703</b>	<b>17,234</b>

**15. Financial instruments at FVPL**

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
<b>Held by the Group</b>		
Corporate bonds and Eurobonds	153,045	99,309
Bonds and Eurobonds of companies with Russian state participation	96,902	55,640
Russian subfederal and municipal bonds	16,787	30,664
Russian state bonds (OFZ)	14,833	1
Corporate shares and units	7,203	98
Derivative financial instruments	4,764	2,419
Shares of companies with Russian state participation	4,272	2,265
Foreign government bonds and Eurobonds	2,973	1,122
Eurobonds of the Russian Federation	2,418	388
<b>Total financial instruments at FVPL held by the Group</b>	<b>303,197</b>	<b>191,906</b>
<b>Pledged under repo</b>		
Bonds and Eurobonds of companies with Russian state participation	80,514	24,306
Corporate bonds and Eurobonds	62,667	33,160
Russian state bonds (OFZ)	42,939	–
Russian subfederal and municipal bonds	13,892	–
Foreign government bonds	597	230
Shares of companies with Russian state participation	74	–
<b>Total financial instruments at FVPL pledged under repo</b>	<b>200,683</b>	<b>57,696</b>
<b>Total financial instruments at FVPL</b>	<b>503,880</b>	<b>249,602</b>

Since the beginning of COVID-19 pandemic in March 2020, stock exchange, currency and commodity markets were volatile. A decrease in the fair value of financial instruments resulted in negative revaluation of security and derivative portfolios. Losses on transactions with derivatives at FVPL for the six months of 2020 amounted to RUB (8,332) MM.

**Securities at FVPL**

The table below presents a breakdown of securities at FVPL by industry:

	<b>30 June 2020 (unaudited)</b>		<b>31 December 2019</b>	
	<b>RUB MM</b>	<b>%</b>	<b>RUB MM</b>	<b>%</b>
Government and municipal institutions	94,438	18.8%	32,405	13.1%
Transport and infrastructure	75,974	15.1%	38,759	15.7%
Banks	47,185	9.5%	29,757	12.0%
Leasing	47,046	9.4%	29,793	12.1%
Petrochemicals	46,046	9.2%	11,699	4.7%
Mining	36,998	7.4%	17,435	7.1%
Energy	23,178	4.6%	8,244	3.3%
Trade	19,058	3.8%	6,355	2.6%
Metallurgy	18,189	3.6%	14,657	5.9%
Manufacturing	16,476	3.4%	8,304	3.4%
Other financial institutions	13,417	2.7%	3,728	1.5%
Agriculture and food processing	12,344	2.5%	9,015	3.7%
State financial development institutions	11,956	2.4%	9,737	3.9%
Chemical and pharmaceutical industry	8,760	1.8%	6,827	2.8%
Telecommunications	8,322	1.7%	6,758	2.7%
Construction and development	7,013	1.5%	7,710	3.1%
Services	6,537	1.3%	2,126	0.9%
Diversified holdings	3,844	0.8%	2,540	1.0%
Commercial real estate	1,875	0.4%	1,334	0.5%
Residential real estate	460	0.1%	–	–
	<b>499,116</b>	<b>100.0%</b>	<b>247,183</b>	<b>100.0%</b>

**15. Financial instruments at FVPL (continued)****Securities at FVPL (continued)**

The table below presents a breakdown of securities at FVPL by long-term issuer credit rating assigned by rating agencies S&P, Fitch or Moody's. If a security or an issuer has credit ratings from several international rating agencies, only the highest rating is taken into account:

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
<b>Securities at FVPL</b>		
Issuers with credit rating from AA+ to AA-	1,413	–
Issuers with credit rating from A+ to A-	3,074	487
Issuers with credit rating from BBB+ to BBB-	212,918	59,534
Issuers with credit rating from BB+ to BB-	198,720	146,562
Issuers with credit rating from B+ to B-	44,493	20,561
Issuers with credit rating below B-	299	–
Unrated issuers	38,199	20,039
<b>Total securities at FVPL</b>	<b>499,116</b>	<b>247,183</b>

Issuers not rated by international rating agencies were assigned the following ratings of the Russian rating agencies:

	<b>30 June 2020 (unaudited)</b>				<b>31 December 2019</b>		
	<b>Corporate bonds and bonds of companies with Russian state parti- cipation</b>	<b>Russian subfederal and municipal bonds</b>	<b>Investments in mutual investment fund</b>	<b>Total</b>	<b>Corporate bonds and bonds of companies with Russian state parti- cipation</b>	<b>Russian subfederal and municipal bonds</b>	<b>Total</b>
<b>Securities at FVPL</b>							
Issuers with credit rating from AA+ to AA-	11,675	374	–	12,049	6,785	–	6,785
Issuers with credit rating from A+ to A-	1,469	2,044	–	3,513	1,025	1,654	2,679
Issuers with credit rating from BBB+ to BBB-	5,417	4,177	–	9,594	733	4,178	4,911
Issuers with credit rating from BB+ to BB-	–	1,257	–	1,257	–	1,279	1,279
Unrated issuers	1,045	3,671	7,070	11,786	–	4,385	4,385
	<b>19,606</b>	<b>11,523</b>	<b>7,070</b>	<b>38,199</b>	<b>8,543</b>	<b>11,496</b>	<b>20,039</b>

As at 30 June 2020, maturities of these securities were within the following range: September 2020 – May 2060 (31 December 2019: February 2020 – June 2047).

The coupon rates were from 3.0% to 12.8% for USD-denominated debt securities, from 3.0% to 5.2% for EUR-denominated debt securities, from 7.5% to 9.5% for GBP-denominated debt securities, and from 2.0% to 14.3% for RUB-denominated debt securities (31 December 2019: ranged from 4.0% to 11.0% for USD-denominated debt securities, from 2.6% to 5.2% for EUR-denominated debt securities, 7.5% for GBP-denominated debt securities, and from 2.0% to 14.3% for RUB-denominated debt securities).

As at 30 June 2020, the share of the largest corporate issuer, a company with Russian state participation, in the aggregate portfolio of securities at FVPL was 9.5%. The maturity of bonds of this issuer ranged from June 2024 to April 2041; the coupon rate ranged from 6.6% to 9.9% (31 December 2019: the share of the largest issuer was 8.6%, the maturity ranged from October 2020 to January 2034; the coupon rate ranged from 4.9% to 11.1%).

**15. Financial instruments at FVPL (continued)****Derivative financial instruments**

The Group manages interest and currency risks with derivative financial instruments.

The Group recognizes derivative financial instruments, including foreign currency contracts, currency and interest rate swaps, as well as other derivative financial instruments at fair value. The fair values of derivative financial instruments recorded as assets or liabilities, and their notional amounts representing the amount of the transaction underlying the derivative financial instrument, are shown in the table below.

	30 June 2020 (unaudited)			31 December 2019		
	Notional amount RUB MM	Fair value		Notional amount RUB MM	Fair value	
		Asset RUB MM	Liability RUB MM		Asset RUB MM	Liability RUB MM
Interest rate swaps – foreign counterparties	152,634	1,300	16,714	135,078	798	5,970
Interest rate swaps – Russian counterparties	34,976	–	1,496	30,953	231	–
Cross currency interest rate swaps – foreign counterparties	21,507	1,183	64	2,422	22	15
Cross currency interest rate swaps – Russian counterparties	19,543	934	–	–	–	–
Currency swaps – Russian counterparties	54,660	36	341	7,884	3	89
Currency swaps – foreign counterparties	60,991	131	330	16,704	100	49
Currency forwards and options – foreign counterparties	9	–	–	114	–	–
Currency forwards and options – Russian counterparties	9,598	234	59	2,936	68	3
Credit default swaps – foreign counterparties	14,690	190	2,382	6,810	290	361
Precious metals contracts – foreign counterparties	7,355	3	239	11,692	17	148
Precious metals contracts – Russian counterparties	4,374	257	12	2,200	44	3
Securities and indices contracts – foreign counterparties	9,032	319	–	6,973	846	–
Securities and indices contracts – Russian counterparties	1,888	177	149	139	–	–
<b>Total derivative assets or liabilities</b>	<b>391,257</b>	<b>4,764</b>	<b>21,786</b>	<b>223,905</b>	<b>2,419</b>	<b>6,638</b>

**16. Fair value hedge of the portfolio of bonds at amortized cost**

From 1 August 2019, the Group applied the hedge accounting of the fair value of the portfolio of bonds measured at amortized cost under IAS 39. Hedging is required to reduce the volatility of bond portfolio fair value due to changes in the interest rates. The Group hedges its interest rate risk. Fixed interest rates of bonds denominated in US dollars are hedged by floating USD Libor 3m rates through the interest rate swaps. An interest component has a significant weight in estimating the fair value of bonds.

The Group hedges the portfolio of bonds measured at amortized cost and denominated in US dollars. As at 30 June 2020, the carrying amounts of hedged bonds included in “Placements with banks and bank bonds at amortized cost” (Note 14) and “Loans to customers and bonds at amortized cost” (Note 17) were RUB 17,098 MM and RUB 84,889 MM, respectively (31 December 2019: RUB 17,766 MM and RUB 78,871 MM, respectively). In the first half of 2020, the Group did not identify new hedged items.

To hedge, the Group applies USD-denominated interest rate swaps (IRS) exchanging fixed interest rates for floating interest rates; the Group applies USD Libor 3m rate. As at 30 June 2020, their nominal value was RUB 94,477 MM, average maturity is 4.3 years (31 December 2019: RUB 86,167 MM and 4.8 years).

As at 30 June 2020, the effect of applying the hedge amounted to RUB 3,431 MM and was recognized within “Change in the fair value of hedged assets” in the consolidated statement of financial position (31 December 2019: RUB (695) MM). For the six months ended 30 June 2020, revaluation of the hedging object amounted to RUB 4,126 MM and was recognized within “Net gain/(loss) on financial instruments at FVPL” in the consolidated statement of comprehensive income.

**16. Fair value hedge of the portfolio of bonds at amortized cost (continued)**

To assess the effectiveness of a hedge, the Group compares changes in the fair value of hedging instruments with the changes in the fair value of the hedged items arising from the hedged risks. The Group may confirm efficiency of hedge by comparing values less accrued interest income and expense and less accrued interest income and expense together with excluding the effect of revaluation at the commencement of hedge accounting.

A hedge may not be effective due to the following factors:

- ▶ Difference between timing of cash flows associated with the hedged item and the hedging instrument;
- ▶ Credit risk of the counterparties that have different effect on changes in the fair value of the hedged item and the hedging instrument.

The effect of the hedging instrument on the statement of financial position as at 30 June 2020 and 31 December 2019 is presented in the table below:

	<b>30 June 2020 (unaudited)</b>		<b>31 December 2019</b>		
	<b>Nominal value RUB MM</b>	<b>Carrying amount RUB MM</b>	<b>Nominal value RUB MM</b>	<b>Carrying amount RUB MM</b>	<b>Item of the statement of financial position</b>
Interest rate swaps	94,477	(6,468)	86,167	(1,984)	Financial instruments at FVPL

The effect of the hedged item on the statement of financial position as at 30 June 2020 and 31 December 2019 is presented in the table below:

	<b>30 June 2020 (unaudited)</b>		<b>31 December 2019</b>		
	<b>Carrying amount RUB MM</b>	<b>Accumulated fair value adjustments RUB MM</b>	<b>Carrying amount RUB MM</b>	<b>Accumulated fair value adjustments RUB MM</b>	<b>Item of the statement of financial position</b>
Corporate bonds at amortized cost	84,889	3,096	78,871	(556)	Loans to customers and bonds at amortized cost
Bank bonds at amortized cost	17,098	335	17,766	(139)	Placements with banks and bank bonds at amortized cost
	<b>101,987</b>	<b>3,431</b>	<b>96,637</b>	<b>(695)</b>	

Ineffectiveness of the hedge recognized in the statement of profit or loss for the period was insignificant.

**17. Loans to customers and bonds at amortized cost**

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
<b>Retail loans</b>		
Car loans	104,008	101,943
Mortgage loans	70,524	68,046
Consumer loans	63,412	60,947
Installment cards	47,279	43,206
<b>Total retail loans</b>	<b>285,223</b>	<b>274,142</b>
<b>Corporate loans and bonds at amortized cost</b>		
Corporate loans	240,917	160,286
Corporate bonds and Eurobonds	67,796	62,539
Loans to small businesses and other loans to customers*	57,915	53,876
Bonds and Eurobonds of companies with Russian state participation	33,804	35,055
Russian subfederal and municipal bonds	12,191	11,803
Loans to constituent entities and municipalities of the Russian Federation	6,090	7,205
Eurobonds of the Russian Federation	3,633	3,223
<b>Total corporate loans and bonds at amortized cost</b>	<b>422,346</b>	<b>333,987</b>
<b>Total loans to customers and bonds at amortized cost</b>	<b>707,569</b>	<b>608,129</b>
Less: allowance for impairment	(29,549)	(22,909)
<b>Loans to customers and bonds at amortized cost, net</b>	<b>678,020</b>	<b>585,220</b>

\* This group also includes retail loans issued on individual terms, not exceeding RUB 200 MM.



**17. Loans to customers and bonds at amortized cost (continued)**

Car loans are loans to purchase a car, which is subsequently pledged as collateral for this loan, or loans secured by a car already owned by a borrower.

Mortgage loans mainly include loans secured by residential property already owned by a borrower.

Consumer loans mainly include general-purpose cash advances on universal debit or installment cards issued by the Bank.

Installment cards ("Halva cards") allow customers to pay for goods in installments during two to thirty six months. In general, the Bank does not accrue interest on loans to customers but receives income in the form of fees from the partner stores. The fee depends on the installment terms provided to the customer. The customer repays loan principal in even installments during the installment period. Customers may receive additional services related to installment cards. The Bank may charge fees and commissions for these services. Fees and commissions received are recorded in interest income calculated using the EIR method. The Bank sets limits on installment cards depending on the assessment of customers' creditworthiness. These limits may be increased or decreased at a sole discretion of the Bank.

As at 30 June 2020, credit and installment cards comprised receivables from customers in the amount of RUB 44,807 MM (31 December 2019: 40,353 MM) in respect of Halva cards and RUB 2,472 MM (31 December 2019: 2,853 MM) in respect of credit cards. The total number of Halva cards issued is 5.5 million. Credit card receivables were mainly acquired with the banks purchased by Sovcombank earlier.

The Group entered into contracts with 51.4 thousand legal entities operating 190.3 thousand retail and online stores to enable their customers to pay by installments with Halva cards. Fees and commissions received from the partners of the Halva program are recorded in interest income calculated using the EIR method (Note 4).

The breakdown of bonds at amortized cost by long-term issuer credit rating assigned by international rating agencies (S&P, Fitch or Moody's) is presented in the table below. If a security or an issuer has credit ratings from several international rating agencies, only the highest rating is taken into account:

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
<b>Bonds at amortized cost</b>		
Issuers with credit rating from BBB+ to BBB-	26,166	25,806
Issuers with credit rating from BB+ to BB-	63,275	69,556
Issuers with credit rating from B+ to B-	13,742	1,238
Unrated issuers	14,241	16,020
<b>Total bonds at amortized cost</b>	<b>117,424</b>	<b>112,620</b>

Issuers not rated by international rating agencies were assigned the following ratings of the Russian rating agencies:

	<b>30 June 2020 (unaudited)</b>			<b>31 December 2019</b>		
	<b>Corporate bonds and bonds of companies with Russian state parti- cipation</b>	<b>Russian subfederal and municipal bonds</b>	<b>Total</b>	<b>Corporate bonds and bonds of companies with Russian state parti- cipation</b>	<b>Russian subfederal and municipal bonds</b>	<b>Total</b>
<b>Bonds at amortized cost</b>						
Issuers with credit rating from AA+ to AA-	1,801	–	1,801	1,802	–	1,802
Issuers with credit rating from A+ to A-	–	1,288	1,288	–	945	945
Issuers with credit rating from BBB+ to BBB-	2,753	4,643	7,396	3,396	4,626	8,022
Issuers with credit rating from BB+ to BB-	–	647	647	–	658	658
Issuers unrated by Russian rating agencies	–	3,109	3,109	1,458	3,135	4,593
	<b>4,554</b>	<b>9,687</b>	<b>14,241</b>	<b>6,656</b>	<b>9,364</b>	<b>16,020</b>

**17. Loans to customers and bonds at amortized cost (continued)****Analysis of corporate loans and bonds at amortized cost by industry**

Corporate loans were provided to companies operating in the following industries:

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
Manufacturing	49,617	28,851
State financial development institutions	37,781	38,087
Petrochemicals	30,409	9,533
Trade	23,234	14,162
Transport and infrastructure	19,006	16,745
Mining	16,439	7,799
Commercial real estate	13,524	11,459
Residential real estate	7,733	4,350
Chemical and pharmaceutical industry	7,548	1,480
Metallurgy	6,409	4,211
Leasing	5,686	3,591
Other financial institutions	5,515	1,320
Construction and development	5,324	3,102
Services	5,026	5,366
Energy	2,816	2,693
Telecommunications	2,596	2,665
Agriculture and food processing	491	3,371
Other	1,763	1,501
	<b>240,917</b>	<b>160,286</b>

Corporate bonds were issued by Russian and foreign issuers operating in the following industries:

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
Metallurgy	24,113	22,123
Mining	18,693	16,628
Transport and infrastructure	10,116	9,042
Manufacturing	6,196	5,482
Construction and development	3,951	4,891
Leasing	3,828	3,829
Diversified holdings	481	480
Agriculture and food processing	346	–
Telecommunications	72	64
	<b>67,796</b>	<b>62,539</b>

**Allowance for impairment of loans to customers and bonds at amortized cost**

The tables below show the analysis of movements in allowances for ECL on retail loans for the six months ended 30 June 2020 (unaudited).

<b>Consumer loans</b>	<b>Stage 1 RUB MM</b>	<b>Stage 2 RUB MM</b>	<b>Stage 3 RUB MM</b>	<b>Total RUB MM</b>
<b>Balance as at 1 January 2020</b>	<b>1,965</b>	<b>508</b>	<b>3,163</b>	<b>5,636</b>
Transfers to Stage 2	(70)	70	–	–
Transfers to Stage 3	(87)	(453)	540	–
Increase/(decrease) for the period	440	1,130	1,332	<b>2,902</b>
Write-offs	–	–	(1,470)	<b>(1,470)</b>
Recovery of write-offs*	–	–	234	<b>234</b>
<b>Balance as at 30 June 2020</b>	<b>2,248</b>	<b>1,255</b>	<b>3,799</b>	<b>7,302</b>

**17. Loans to customers and bonds at amortized cost (continued)****Allowance for impairment of loans to customers and bonds at amortized cost (continued)**

<i>Car loans</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
<b>Balance as at 1 January 2020</b>	<b>1,271</b>	<b>359</b>	<b>1,842</b>	<b>3,472</b>
Transfers to Stage 2	(32)	32	–	–
Transfers to Stage 3	(27)	(271)	298	–
Increase/(decrease) for the period	196	851	1,351	<b>2,398</b>
Write-offs	–	–	(1,195)	<b>(1,195)</b>
Recovery of write-offs	–	–	–	–
<b>Balance as at 30 June 2020</b>	<b>1,408</b>	<b>971</b>	<b>2,296</b>	<b>4,675</b>

\* Recovery of write-offs is the results of the Group's collection of past due receivables previously derecognized.

<i>Mortgage loans</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
<b>Balance as at 1 January 2020</b>	<b>816</b>	<b>198</b>	<b>1,501</b>	<b>2,515</b>
Transfers to Stage 2	(38)	38	–	–
Transfers to Stage 3	(35)	(89)	124	–
Increase/(decrease) for the period	94	500	636	<b>1,230</b>
Write-offs	–	–	(457)	<b>(457)</b>
Recovery of write-offs	–	–	–	–
<b>Balance as at 30 June 2020</b>	<b>837</b>	<b>647</b>	<b>1,804</b>	<b>3,288</b>

<i>Installment cards</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
<b>Balance as at 1 January 2020</b>	<b>1,149</b>	<b>219</b>	<b>1,265</b>	<b>2,633</b>
Transfers to Stage 2	(26)	26	–	–
Transfers to Stage 3	(45)	(200)	245	–
Increase/(decrease) for the period	512	475	1,655	<b>2,642</b>
Write-offs	–	–	(890)	<b>(890)</b>
Recovery of write-offs	–	–	–	–
<b>Balance as at 30 June 2020</b>	<b>1,590</b>	<b>520</b>	<b>2,275</b>	<b>4,385</b>

The tables below show the analysis of movements in allowances for ECL on corporate loans and bonds at amortized cost for the six months ended 30 June 2020 (unaudited).

<i>Corporate loans</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>POCI assets RUB MM</i>	<i>Total RUB MM</i>
<b>Balance as at 1 January 2020</b>	<b>1,786</b>	<b>63</b>	<b>3,357</b>	<b>479</b>	<b>5,685</b>
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	(8)	8	–	–
Increase/(decrease) for the period	631	490	286	415	<b>1,822</b>
Write-offs	–	–	(288)	(658)	<b>(946)</b>
Recovery of write-offs	–	–	356	–	<b>356</b>
<b>Balance as at 30 June 2020</b>	<b>2,417</b>	<b>545</b>	<b>3,719</b>	<b>236</b>	<b>6,917</b>

***Bonds at amortized cost (subfederal and municipal bonds, Eurobonds of the Russian Federation, corporate bonds and bonds of companies with Russian state participation)***

	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
<b>Balance as at 1 January 2020</b>	<b>425</b>	<b>–</b>	<b>–</b>	<b>425</b>
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Increase/(decrease) for the period	(98)	–	–	<b>(98)</b>
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
<b>Balance as at 30 June 2020</b>	<b>327</b>	<b>–</b>	<b>–</b>	<b>327</b>

**17. Loans to customers and bonds at amortized cost (continued)****Allowance for impairment of loans to customers and bonds at amortized cost (continued)**

<i>Loans to constituent entities and municipalities of the Russian Federation</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2020	43	–	–	43
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Increase/(decrease) for the period	(12)	–	–	(12)
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
<b>Balance as at 30 June 2020</b>	<b>31</b>	<b>–</b>	<b>–</b>	<b>31</b>

<i>Loans to small businesses and other loans to customers</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>POCI assets RUB MM</i>	<i>Total RUB MM</i>
Balance as at 1 January 2020	811	471	1,128	90	2,500
Transfers to Stage 2	(6)	6	–	–	–
Transfers to Stage 3	(2)	(98)	100	–	–
Increase/(decrease) for the period	358	92	(20)	(56)	374
Write-offs	–	–	(760)	(5)	(765)
Recovery of write-offs	–	–	515	–	515
<b>Balance as at 30 June 2020</b>	<b>1,161</b>	<b>471</b>	<b>963</b>	<b>29</b>	<b>2,624</b>

The tables below show the analysis of movements in allowances for ECL on retail loans for the six months ended 30 June 2019 (unaudited).

<i>Consumer loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance as at 1 January 2019	1,691	381	2,413	4,485
Transfers to Stage 2	(27)	27	–	–
Transfers to Stage 3	(44)	(305)	349	–
Increase/(decrease) for the period	120	417	411	948
Write-offs	–	–	(1,185)	(1,185)
Unwinding of discount	–	–	–	–
Recovery of write-offs	–	–	596	596
<b>Balance as at 30 June 2019</b>	<b>1,740</b>	<b>520</b>	<b>2,584</b>	<b>4,844</b>

<i>Car loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance as at 1 January 2019	1,209	354	1,390	2,953
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	(27)	(259)	286	–
Increase/(decrease) for the period	(35)	418	662	1,045
Write-offs	–	–	(832)	(832)
Unwinding of discount	–	–	–	–
Recovery of write-offs	–	–	12	12
<b>Balance as at 30 June 2019</b>	<b>1,147</b>	<b>513</b>	<b>1,518</b>	<b>3,178</b>

<i>Mortgage loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance as at 1 January 2019	676	159	1,111	1,946
Transfers to Stage 2	(6)	6	–	–
Transfers to Stage 3	(24)	(100)	124	–
Increase/(decrease) for the period	(7)	155	225	373
Write-offs	–	–	(85)	(85)
Unwinding of discount	–	–	–	–
Recovery of write-offs	–	–	133	133
<b>Balance as at 30 June 2019</b>	<b>639</b>	<b>220</b>	<b>1,508</b>	<b>2,367</b>

**17. Loans to customers and bonds at amortized cost (continued)****Allowance for impairment of loans to customers and bonds at amortized cost (continued)**

<i>Installment cards</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Balance as at 1 January 2019</b>	<b>839</b>	<b>64</b>	<b>356</b>	<b>1,259</b>
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	(18)	(48)	66	–
Increase/(decrease) for the period	81	165	258	<b>504</b>
Write-offs	–	–	(166)	<b>(166)</b>
Unwinding of discount	–	–	–	–
Recovery of write-offs	–	–	3	<b>3</b>
<b>Balance as at 30 June 2019</b>	<b>902</b>	<b>181</b>	<b>517</b>	<b>1,600</b>

The tables below show the analysis of movements in allowances for ECL on corporate loans and bonds at amortized cost for the six months ended 30 June 2019 (unaudited).

<i>Corporate loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI assets</i>	<i>Total</i>
<b>Balance as at 1 January 2019</b>	<b>1,588</b>	<b>27</b>	<b>2,123</b>	<b>271</b>	<b>4,009</b>
Transfers to Stage 2	(114)	114	–	–	–
Transfers to Stage 3	–	–	–	–	–
Increase/(decrease) for the period	283	(87)	370	(11)	<b>555</b>
Write-offs	–	–	–	–	–
Recovery of write-offs	–	–	–	–	–
<b>Balance as at 30 June 2019</b>	<b>1,757</b>	<b>54</b>	<b>2,493</b>	<b>260</b>	<b>4,564</b>

***Bonds at amortized cost (subfederal and municipal bonds, Eurobonds of the Russian Federation, corporate bonds and bonds of companies with Russian state participation)***

	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
<b>Balance as at 1 January 2019</b>	<b>912</b>	<b>–</b>	<b>–</b>	<b>912</b>
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Increase/(decrease) for the period	(325)	–	–	<b>(325)</b>
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
<b>Balance as at 30 June 2019</b>	<b>587</b>	<b>–</b>	<b>–</b>	<b>587</b>

***Loans to constituent entities and municipalities of the Russian Federation***

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Balance as at 30 June 2019</b>	<b>42</b>	<b>–</b>	<b>–</b>	<b>42</b>
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Increase/(decrease) for the period	(12)	–	–	<b>(12)</b>
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
<b>Balance as at 30 June 2019</b>	<b>30</b>	<b>–</b>	<b>–</b>	<b>30</b>

***Loans to small businesses and other loans to customers***

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI assets</i>	<i>Total</i>
<b>Balance as at 1 January 2019</b>	<b>694</b>	<b>–</b>	<b>541</b>	<b>105</b>	<b>1,340</b>
Transfers to Stage 2	(20)	20	–	–	–
Transfers to Stage 3	(58)	(6)	64	–	–
Increase/(decrease) for the period	(28)	139	688	21	<b>820</b>
Write-offs	–	–	(325)	–	<b>(325)</b>
Recovery of write-offs	–	–	117	–	<b>117</b>
<b>Balance as at 30 June 2019</b>	<b>588</b>	<b>153</b>	<b>1,085</b>	<b>126</b>	<b>1,952</b>

**17. Loans to customers and bonds at amortized cost (continued)****Credit quality of retail loans**

The table below provides information on the credit quality of retail loans as at 30 June 2020 (unaudited):

	<b>Stage 1 RUB MM</b>	<b>Stage 2 RUB MM</b>	<b>Stage 3 RUB MM</b>	<b>Total RUB MM</b>
<b>Consumer loans</b>				
- Not overdue	50,913	2,035	11	<b>52,959</b>
- Overdue less than 30 days	2,774	3	14	<b>2,791</b>
- Overdue from 30 to 89 days	-	2,451	121	<b>2,572</b>
- Overdue from 90 to 179 days	-	-	2,144	<b>2,144</b>
- Overdue from 180 to 360 days	-	-	2,946	<b>2,946</b>
<b>Total consumer loans</b>	<b>53,687</b>	<b>4,489</b>	<b>5,236</b>	<b>63,412</b>
Allowance for impairment	(2,248)	(1,255)	(3,799)	<b>(7,302)</b>
<b>Consumer loans, net</b>	<b>51,439</b>	<b>3,234</b>	<b>1,437</b>	<b>56,110</b>
<b>Installment cards</b>				
- Not overdue	40,067	1,527	7	<b>41,601</b>
- Overdue less than 30 days	1,497	-	4	<b>1,501</b>
- Overdue from 30 to 89 days	-	1,198	75	<b>1,273</b>
- Overdue from 90 to 179 days	-	-	1,276	<b>1,276</b>
- Overdue from 180 to 360 days	-	-	1,628	<b>1,628</b>
<b>Total installment cards</b>	<b>41,564</b>	<b>2,725</b>	<b>2,990</b>	<b>47,279</b>
Allowance for impairment	(1,590)	(520)	(2,275)	<b>(4,385)</b>
<b>Installment cards, net</b>	<b>39,974</b>	<b>2,205</b>	<b>715</b>	<b>42,894</b>
<b>Mortgage loans</b>				
- Not overdue	60,602	1,278	202	<b>62,082</b>
- Overdue less than 30 days	2,641	-	49	<b>2,690</b>
- Overdue from 30 to 89 days	-	1,898	117	<b>2,015</b>
- Overdue from 90 to 179 days	-	-	1,305	<b>1,305</b>
- Overdue from 180 to 360 days	-	-	889	<b>889</b>
Overdue more than 360 days	-	-	1,543	<b>1,543</b>
<b>Total mortgage loans</b>	<b>63,243</b>	<b>3,176</b>	<b>4,105</b>	<b>70,524</b>
Allowance for impairment	(837)	(647)	(1,804)	<b>(3,288)</b>
<b>Mortgage loans, net</b>	<b>62,406</b>	<b>2,529</b>	<b>2,301</b>	<b>67,236</b>
<b>Car loans</b>				
- Not overdue	91,656	4,224	29	<b>95,909</b>
- Overdue less than 30 days	3,116	-	22	<b>3,138</b>
- Overdue from 30 to 89 days	-	2,028	100	<b>2,128</b>
- Overdue from 90 to 179 days	-	-	1,315	<b>1,315</b>
- Overdue from 180 to 360 days	-	-	1,518	<b>1,518</b>
<b>Total car loans</b>	<b>94,772</b>	<b>6,252</b>	<b>2,984</b>	<b>104,008</b>
Allowance for impairment	(1,408)	(971)	(2,296)	<b>(4,675)</b>
<b>Car loans, net</b>	<b>93,364</b>	<b>5,281</b>	<b>688</b>	<b>99,333</b>
<b>Total retail loans</b>	<b>253,266</b>	<b>16,642</b>	<b>15,315</b>	<b>285,223</b>
Allowance for impairment	(6,083)	(3,393)	(10,174)	<b>(19,650)</b>
<b>Retail loans, net</b>	<b>247,183</b>	<b>13,249</b>	<b>5,141</b>	<b>265,573</b>

As at 30 June 2020, the Group updated the forecast information used in the ECL assessment models, including forecast macroeconomic indicators. In addition, in accordance with the requirements of IFRS 9 B5.5.1, the Group also transferred a portion of outstanding loans to individuals and small and medium businesses to Stage 2. These amounts are presented in the Not overdue category of Stage 2.

**17. Loans to customers and bonds at amortized cost (continued)****Credit quality of retail loans (continued)**

The table below provides information on the credit quality of retail loans as at 31 December 2019:

	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
<b>Consumer loans</b>				
- Not overdue	53,806	–	35	<b>53,841</b>
- Overdue less than 30 days	1,672	–	45	<b>1,717</b>
- Overdue from 30 to 89 days	–	1,049	144	<b>1,193</b>
- Overdue from 90 to 179 days	–	–	1,527	<b>1,527</b>
- Overdue from 180 to 360 days	–	–	2,669	<b>2,669</b>
<b>Total consumer loans</b>	<b>55,478</b>	<b>1,049</b>	<b>4,420</b>	<b>60,947</b>
Allowance for impairment	(1,965)	(508)	(3,163)	<b>(5,636)</b>
<b>Consumer loans, net</b>	<b>53,513</b>	<b>541</b>	<b>1,257</b>	<b>55,311</b>
<b>Installment cards</b>				
- Not overdue	39,548	–	11	<b>39,559</b>
- Overdue less than 30 days	1,085	–	11	<b>1,096</b>
- Overdue from 30 to 89 days	–	560	200	<b>760</b>
- Overdue from 90 to 179 days	–	–	726	<b>726</b>
- Overdue from 180 to 360 days	–	–	1,065	<b>1,065</b>
<b>Total installment cards</b>	<b>40,633</b>	<b>560</b>	<b>2,013</b>	<b>43,206</b>
Allowance for impairment	(1,149)	(219)	(1,265)	<b>(2,633)</b>
<b>Installment cards, net</b>	<b>39,484</b>	<b>341</b>	<b>748</b>	<b>40,573</b>
<b>Mortgage loans</b>				
- Not overdue	62,348	–	321	<b>62,669</b>
- Overdue less than 30 days	1,700	–	74	<b>1,774</b>
- Overdue from 30 to 89 days	–	601	98	<b>699</b>
- Overdue from 90 to 179 days	–	–	673	<b>673</b>
- Overdue from 180 to 360 days	–	–	863	<b>863</b>
Overdue more than 360 days	–	–	1,368	<b>1,368</b>
<b>Total mortgage loans</b>	<b>64,048</b>	<b>601</b>	<b>3,397</b>	<b>68,046</b>
Allowance for impairment	(816)	(198)	(1,501)	<b>(2,515)</b>
<b>Mortgage loans, net</b>	<b>63,232</b>	<b>403</b>	<b>1,896</b>	<b>65,531</b>
<b>Car loans</b>				
- Not overdue	96,715	–	59	<b>96,774</b>
- Overdue less than 30 days	1,890	–	40	<b>1,930</b>
- Overdue from 30 to 89 days	–	827	98	<b>925</b>
- Overdue from 90 to 179 days	–	–	863	<b>863</b>
- Overdue from 180 to 360 days	–	–	1,451	<b>1,451</b>
<b>Total car loans</b>	<b>98,605</b>	<b>827</b>	<b>2,511</b>	<b>101,943</b>
Allowance for impairment	(1,271)	(359)	(1,842)	<b>(3,472)</b>
<b>Car loans, net</b>	<b>97,334</b>	<b>468</b>	<b>669</b>	<b>98,471</b>
<b>Total retail loans</b>	<b>258,764</b>	<b>3,037</b>	<b>12,341</b>	<b>274,142</b>
Allowance for impairment	(5,201)	(1,284)	(7,771)	<b>(14,256)</b>
<b>Retail loans, net</b>	<b>253,563</b>	<b>1,753</b>	<b>4,570</b>	<b>259,886</b>

**17. Loans to customers and bonds at amortized cost (continued)****Credit quality of corporate loans and bonds at amortized cost**

The tables below provides information on the credit quality of corporate loans and bonds at amortized cost as at 30 June 2020 (unaudited):

<b>Corporate loans</b>	<b>Stage 1 RUB MM</b>	<b>Stage 2 RUB MM</b>	<b>Stage 3 RUB MM</b>	<b>POCI assets* RUB MM</b>	<b>Total RUB MM</b>
- Not overdue	286,666	9,259	1,715	251	297,891
- Overdue less than 30 days	3,388	103	1	–	3,492
- Overdue from 30 to 89 days	–	47	377	–	424
- Overdue from 90 to 179 days	–	–	168	–	168
- Overdue from 180 to 360 days	–	–	979	–	979
- Overdue more than 360 days	–	–	1,949	19	1,968
<b>Total corporate loans</b>	<b>290,054</b>	<b>9,409</b>	<b>5,189</b>	<b>270</b>	<b>304,922</b>
Allowance for impairment	(3,609)	(1,016)	(4,682)	(265)	(9,572)
<b>Corporate loans, net</b>	<b>286,445</b>	<b>8,393</b>	<b>507</b>	<b>5</b>	<b>295,350</b>

**Bonds at amortized cost (subfederal and municipal bonds,  
Eurobonds of the Russian Federation, corporate bonds and  
bonds of companies with Russian state participation)**

	<b>Stage 1 RUB MM</b>	<b>Total RUB MM</b>
- Not overdue	117,424	117,424
<b>Total bonds at amortized cost</b>	<b>117,424</b>	<b>117,424</b>
Allowance for impairment	(327)	(327)
<b>Bonds at amortized cost, net</b>	<b>117,097</b>	<b>117,097</b>

The tables below provides information on the credit quality of corporate loans and bonds at amortized cost as at 31 December 2019:

<b>Corporate loans</b>	<b>Stage 1 RUB MM</b>	<b>Stage 2 RUB MM</b>	<b>Stage 3 RUB MM</b>	<b>POCI assets* RUB MM</b>	<b>Total RUB MM</b>
- Not overdue	208,146	6,190	1,635	821	216,792
- Overdue less than 30 days	599	–	–	–	599
- Overdue from 30 to 89 days	–	752	145	–	897
- Overdue from 90 to 179 days	–	–	591	–	591
- Overdue from 180 to 360 days	–	–	215	–	215
- Overdue more than 360 days	–	–	1,994	279	2,273
<b>Total corporate loans</b>	<b>208,745</b>	<b>6,942</b>	<b>4,580</b>	<b>1,100</b>	<b>221,367</b>
Allowance for impairment	(2,640)	(534)	(4,485)	(569)	(8,228)
<b>Corporate loans, net</b>	<b>206,105</b>	<b>6,408</b>	<b>95</b>	<b>531</b>	<b>213,139</b>

**Bonds at amortized cost (subfederal and municipal bonds,  
Eurobonds of the Russian Federation, corporate bonds and  
bonds of companies with Russian state participation)**

	<b>Stage 1 RUB MM</b>	<b>Total RUB MM</b>
- Not overdue	112,620	112,620
<b>Total bonds at amortized cost</b>	<b>112,620</b>	<b>112,620</b>
Allowance for impairment	(425)	(425)
<b>Bonds at amortized cost, net</b>	<b>112,195</b>	<b>112,195</b>



**18. Financial instruments at FVOCI****Equity securities at FVOCI**

As at 30 June 2020 and 31 December 2019, the Group's assets at FVOCI included shares of Russian companies and/or their foreign holdings.

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
Shares	491	491
Shares as part of mezzanine lending	130	530
	<b>621</b>	<b>1,021</b>

The Group at its own discretion classified certain investments in equity instruments as investments in equity instruments at FVOCI because these investments were not held for trading. These investments mostly include investments in Russian and foreign companies including investments in shares as part of mezzanine lending. Investments in shares as part of mezzanine lending represent a loan origination fee in form of a non-controlling interest in the borrower for provided by the Group financing to major Russian companies.

**Debt securities at FVOCI**

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
<b>Held by the Group</b>		
Bonds of companies with Russian state participation	10,826	76,208
Russian State bonds (OFZ)	835	–
<b>Total debt securities at FVOCI held by the Group</b>	<b>11,661</b>	<b>76,208</b>
<b>Pledged under repo</b>		
Bonds of companies with Russian state participation	93,465	36,218
<b>Total debt securities at FVOCI pledged under repo</b>	<b>93,465</b>	<b>36,218</b>
<b>Total debt securities at FVOCI</b>	<b>105,126</b>	<b>112,426</b>

The breakdown of bonds at FVOCI by industry is presented in the table below:

	<b>30 June 2020 (unaudited)</b>		<b>31 December 2019</b>	
	<b>RUB MM</b>	<b>%</b>	<b>RUB MM</b>	<b>%</b>
State financial development institutions	104,176	99.1%	112,324	99.9%
Government and municipal institutions	835	0.8%	–	–
Petrochemicals	115	0.1%	102	0.1%
	<b>105,126</b>	<b>100.0%</b>	<b>112,426</b>	<b>100.0%</b>

The table below presents a breakdown of debt securities at FVOCI by long-term issuer credit rating assigned by rating agencies S&P, Fitch or Moody's. If a security or an issuer has credit ratings from several international rating agencies, only the highest rating is taken into account:

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
<b>Debt securities at FVOCI</b>		
Issuers with credit rating from BBB+ to BBB-	105,126	112,426
	<b>105,126</b>	<b>112,426</b>

As at 30 June 2020, the share of the largest issuer, the company with the Russian state participation, in the aggregate portfolio of debt securities at FVOCI was 99.1%. The maturity of bonds of this issuer ranged from May 2049 to May 2050; the coupon rate ranged from 5.9% to 8.7% (31 December 2019: the share of the largest issuer was 99.9%, the maturity ranged from September 2049 to May 2050; the coupon rate ranged from 9.3% to 12.9%).

**18. Financial instruments at FVOCI (continued)****Debt securities at FVOCI (continued)**

Analysis of the credit risk on debt securities at FVOCI for which the allowance for ECL is recognized on the basis of the credit risk level as at 30 June 2020 and 31 December 2019 is presented in the table below:

<i><b>Debt securities at FVOCI as at 30 June 2020 (unaudited)</b></i>	<i><b>Stage 1 RUB MM</b></i>	<i><b>Stage 2 RUB MM</b></i>	<i><b>Stage 3 RUB MM</b></i>	<i><b>Total RUB MM</b></i>
- Not overdue	104,707	–	–	<b>104,707</b>
<b>Total at amortized cost</b>	<b>104,707</b>	<b>–</b>	<b>–</b>	<b>104,707</b>
Allowance for credit losses	(156)	–	–	<b>(156)</b>
Fair value adjustment from the measurement at amortized cost to the measurement at fair value	575	–	–	<b>575</b>
<b>Total at fair value</b>	<b>105,126</b>	<b>–</b>	<b>–</b>	<b>105,126</b>

<i><b>Debt securities at FVOCI as at 31 December 2019</b></i>	<i><b>Stage 1 RUB MM</b></i>	<i><b>Stage 2 RUB MM</b></i>	<i><b>Stage 3 RUB MM</b></i>	<i><b>Total RUB MM</b></i>
- Not overdue	112,546	–	–	<b>112,546</b>
<b>Total at amortized cost</b>	<b>112,546</b>	<b>–</b>	<b>–</b>	<b>112,546</b>
Allowance for credit losses	(67)	–	–	<b>(67)</b>
Fair value adjustment from the measurement at amortized cost to the measurement at fair value	(53)	–	–	<b>(53)</b>
<b>Total at fair value</b>	<b>112,426</b>	<b>–</b>	<b>–</b>	<b>112,426</b>

**19. Due to customers**

	<i><b>30 June 2020 (unaudited) RUB MM</b></i>	<i><b>31 December 2019 RUB MM</b></i>
<b>Individuals</b>		
Term deposits	399,408	399,209
Current accounts and demand deposits	58,047	52,794
<b>Legal entities</b>		
Term deposits	267,585	195,459
Current accounts and demand deposits	122,839	103,462
Amounts due under repo	6,493	23,114
	<b>854,372</b>	<b>774,038</b>

As at 30 June 2020, term deposits of legal entities included term transactions with minimum balances at current accounts ("MBT") for the total amount of RUB 62,527 MM (31 December 2019: RUB 65,187 MM).

As at 30 June 2020 and 31 December 2019, the Group had no customers whose balance with the bank accounted for more than 10% of the total due to customers.

**20. Due to the CBR**

	<i><b>30 June 2020 (unaudited) RUB MM</b></i>	<i><b>31 December 2019 RUB MM</b></i>
Loans secured by assets	769	785
	<b>769</b>	<b>785</b>

**21. Due to banks**

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
Repo with banks	338,631	97,743
Deposits	26,630	26,285
Collateral for derivative financial instruments	1,467	629
Loro accounts	325	464
	<b>367,053</b>	<b>125,121</b>

As at 30 June 2020 and 31 December 2019, the Group pledged the following securities as collateral for sale and repurchase agreements with legal entities, the CBR and banks:

	<b>30 June 2020 (unaudited)</b>		<b>31 December 2019</b>	
	<b>Repo with legal entities RUB MM</b>	<b>Repo with banks RUB MM</b>	<b>Repo with legal entities RUB MM</b>	<b>Repo with banks RUB MM</b>
<b>Financial instruments at FVPL pledged under repo</b>				
Bonds and Eurobonds of companies with Russian state participation	–	80,514	5,892	18,414
Corporate bonds and Eurobonds	7,438	55,229	20,912	12,248
Russian State bonds (OFZ)	–	42,939	–	–
Russian subfederal and municipal bonds	–	13,892	–	–
Foreign government bonds	–	597	–	230
Shares of companies with Russian state participation	73	1	–	–
<b>Total carrying amount</b>	<b>7,511</b>	<b>193,172</b>	<b>26,804</b>	<b>30,892</b>
<b>Loans to customers and bonds at amortized cost, pledged under repo</b>				
Corporate bonds and Eurobonds	722	35,532	–	21,985
Bonds and Eurobonds of companies with Russian state participation	–	21,098	–	11,079
Russian subfederal and municipal bonds	–	4,054	–	–
Eurobonds of the Russian Federation	–	3,633	–	3,223
<b>Total carrying amount</b>	<b>722</b>	<b>64,317</b>	<b>–</b>	<b>36,287</b>
<b>Debt securities at FVOCI</b>				
Bonds of companies with Russian state participation	–	93,465	–	36,218
<b>Total carrying amount</b>	<b>–</b>	<b>93,465</b>	<b>–</b>	<b>36,218</b>
<b>Placements with banks and bank bonds at amortized cost, pledged under repo</b>				
Bonds and Eurobonds of companies with Russian state participation	–	6,024	–	5,894
Corporate bonds and Eurobonds	–	2,227	–	4,641
<b>Total carrying amount</b>	<b>–</b>	<b>8,251</b>	<b>–</b>	<b>10,535</b>
<b>Related liabilities</b>	<b>6,493</b>	<b>338,631</b>	<b>23,114</b>	<b>97,743</b>

As at 30 June 2020, the amount of revaluation of securities pledged under repo with banks was partially covered by margin receivables for the amount of RUB 2,396 MM. presented in the Note "Placements with banks and bank bonds at amortized cost".

**22. Debt securities issued**

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
Bonds	27,398	15,672
Promissory notes	2,195	2,990
Savings certificates	140	–
	<b>29,733</b>	<b>18,662</b>

In April 2020, Sovcombank issued RUB-denominated bonds SovcomBOP2 (state registration No. 4B02-03-00963-B-001P) bearing a coupon rate of 7.75% and maturing in 10 years. As at 30 June 2020, the carrying amount of the SovcomBOP2 bonds was RUB 11,694 MM.

In May 2020, Sovcombank issued RUB-denominated bonds SovcmFIZL2 (state registration No. 4B02-04-00963-B-001P) bearing a coupon rate of 6.5% and maturing in 3 years. As at 30 June 2020, the carrying amount of the SovcmFIZL2 bonds was RUB 890 MM.

**23. Other borrowed funds**

On 21 September 2015, Sovcombank won an open tender for the financial rehabilitation of EVB.

On 23 September 2015, the DIA provided Sovcombank with a loan of RUB 49,850 MM bearing an interest rate of 0.51% and maturing on 23 September 2025 (the "DIA loan"). The DIA provided the DIA loan to Sovcombank to enable the financial rehabilitation of EVB in accordance with the financial rehabilitation plan approved by the CBR on 12 August 2015.

As at 30 June 2020, the Group pledged the rights of claim on loans to individuals and corporate customers totaling RUB 45,312 MM (31 December 2019: RUB 45,243 MM) as a collateral for the DIA loan.

The DIA carries out bankruptcy procedures in respect of Probusinessbank OJSC ("Probusinessbank", the parent bank of EVB) and repays its liabilities to the creditors of Probusinessbank, including EVB, with the recovered funds. According to the DIA loan agreement, Sovcombank then repays the respective amount to the DIA. From date of issuance of the DIA loan to 30 June 2020, Sovcombank repaid a part of the DIA loan totaling RUB 9,008 MM. As at 30 June 2020, the actual debt under the DIA loan totaled RUB 40,842 MM.

The DIA loan was issued to Sovcombank at the rate of 0.51% per annum, significantly below the market interest rate. According to IAS 9, loans issued with interest rates other than the market interest rates are measured at fair value at the date of issuance. The fair value equals the future interest payments and principal debt discounted with the market interest rate. As at the date of issuance of the DIA loan, the market interest rate for similar loans provided to Sovcombank was 14.9%. As at 30 June 2020, the carrying amount of the DIA loan of RUB 20,499 MM (31 December 2019: RUB 19,225 MM) was recorded within "Other borrowed funds."

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
DIA loan	20,499	19,225
Other borrowed funds	1	2
	<b>20,500</b>	<b>19,227</b>

**24. Subordinated debt**

<i>Type</i>	<i>Principal, loan currency, MM</i>	<i>Currency</i>	<i>Counter- party</i>	<i>Interest rate</i>	<i>Issue date</i>	<i>Maturity date</i>	<i>30 June 2020 (unaudited) RUB MM</i>	<i>31 December 2019 RUB MM</i>
Subordinated bonds	300	USD	–	8.00%	7 October 2019	7 April 2030	21,244	18,794
Subordinated loan	1,255	RUB		8.55%	27 April 2015	26 September 2029	1,388	1,413
Subordinated loan	1,255	RUB	DIA	8.48%	27 April 2015	28 April 2032	1,399	1,419
Subordinated loan	1,255	RUB	DIA	8.38%	27 April 2015	29 November 2034	1,397	1,405
Subordinated loan	1,255	RUB	DIA	8.64%	27 April 2015	24 February 2027	1,370	1,396
Subordinated loan	1,255	RUB	DIA	8.75%	27 April 2015	22 January 2025	1,357	1,380
Subordinated bonds	413	RUB	–	14.50%	10 March 2017	25 February 2028	432	–
Subordinated bonds	2	USD	–	8.25%	07 March 2018	21 February 2029	119	555
							<b>28,706</b>	<b>26,362</b>

**Term subordinated bonds issued**

On 7 March 2018, the Bank placed 11-years subordinated bonds series 2V03 of USD 150 MM with a coupon rate of 8.25% p.a. (State Registration Number 41400963V of 22 January 2018). On 26 March 2018, the CBR approved the request to convert subordinated bonds series 2V03 to the Bank's additional paid-in capital.

For the six months of 2020, the Group repurchased subordinated bonds series 2V03 for RUB 501 MM. The total amount of subordinated bonds owned by third parties is RUB 119 MM (see the table above).

On 7 October 2019, Sovcombank placed 10.5-year subordinated Eurobonds of USD 300 MM bearing a coupon rate of 8% p.a. (ISIN: REGS XS2010043656 / 144a US84605LAA44). In 5.5 years, a call option is provided in respect of the bonds. Fitch assigned a BB rating to the issue.

**Participation of Sovcombank and Rosevrobank in the anti-crisis plan of the Russian Government**

On 27 January 2015, the Russian Government issued Decision No. 98-r approving the *Plan of Priority Measures to Ensure Sustainable Development of the Economy and Social Stability in 2015* (the "Anti-crisis Plan"). On 23 January 2015, the Board of Directors of the DIA approved a list of banks, including Sovcombank and Rosevrobank, selected to participate in the Anti-crisis Plan.

On 27 April 2015, the DIA provided the Bank with five tranches of a subordinated loan totaling RUB 6,275 MM in the form of coupon-bearing federal loan bonds issued by the Ministry of Finance of the Russian Federation (OFZ). These tranches have maturities of 12 to 19 years.

The CBR confirmed that the Bank might include this subordinated loan for the calculation of the Bank's capital adequacy ratio. Sovcombank sold securities received and therefore as at 30 June 2020 and 31 December 2019, its subordinated debt is recorded as liabilities at fair value.

On 20 May 2016, the DIA provided to Rosevrobank five tranches of a subordinated loan totaling RUB 100 MM in the form of OFZ issued by the Ministry of Finance of the Russian Federation. These tranches have maturities of 9 to 18 years.

The CBR confirmed that the Bank might include this subordinated loan in the capital of the Bank (as successor of Rosevrobank). The subordinated loan is not shown in the Group balance sheet because in accordance with IAS 9 it is classified as securities borrowed and for this reason the subordinated loan is recorded as an off-balance sheet liability at fair value of RUB 111 MM as at 30 June 2020 (31 December 2019: RUB 112 MM).

**25. Other assets and other liabilities****Other assets**

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
<b>Other financial assets</b>		
Delivery of cash and securities	5,402	2,014
Accounts receivable under financial protection programs	1,102	–
Cash settlement services	507	425
Other financial assets at FVPL	430	628
Other financial assets	97	27
<b>Total other financial assets</b>	<b>7,538</b>	<b>3,094</b>
Less: allowance for impairment of other financial assets	(1,119)	(971)
<b>Total other financial assets, net</b>	<b>6,419</b>	<b>2,123</b>
<b>Other non-financial assets</b>		
Precious metals	5,680	12,865
Equipment purchased for leasing purposes	817	261
Other prepayments	797	1,692
Foreclosed assets	564	495
VAT receivable (leasing operations)	304	226
Prepaid taxes other than VAT and income tax	65	45
Settlements with employees	2	38
Other	303	285
<b>Total other non-financial assets</b>	<b>8,532</b>	<b>15,907</b>
Less: allowance for impairment of other non-financial assets (Note 11)	(336)	(396)
<b>Total other non-financial assets, net</b>	<b>8,196</b>	<b>15,511</b>
Insurance assets	1,787	–
<b>Total other assets</b>	<b>16,402</b>	<b>17,634</b>

**Other liabilities**

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
<b>Other financial liabilities</b>		
Derivative financial liabilities (Note 15)	21,786	6,638
Allowance for credit losses (Note 27)	1,220	1,017
Lease liabilities	4,589	5,562
Payables to personnel	4,052	3,495
Payables to suppliers	1,810	2,143
Deferred fees and commissions on credit-related commitments	462	101
Settlements on currency conversion transactions	361	175
Settlements on transactions with securities	70	124
Accrued dividends	–	2,200
<b>Total other financial liabilities</b>	<b>34,350</b>	<b>21,455</b>
<b>Other non-financial liabilities</b>		
Provisions for non-financial contingencies (Note 27)	2,499	2,412
Deferred fees and commissions on non-financial contingencies	1,700	1,874
Taxes payable other than VAT and income tax	979	651
Provision for litigations (Note 28)	697	827
Advances received from lessees	844	701
Accrued expenses on obligatory deposit insurance	260	721
Provision for pre-trial proceedings (Note 27)	392	342
VAT payable	398	410
Other non-financial liabilities	143	157
<b>Total other non-financial liabilities</b>	<b>7,912</b>	<b>8,095</b>
<b>Insurance liabilities</b>		
Insurance reserves	3,337	–
Insurance and reinsurance payables	245	–
<b>Total insurance liabilities</b>	<b>3,582</b>	<b>–</b>
<b>Total other liabilities</b>	<b>45,844</b>	<b>29,550</b>

## 26. Equity

As at 30 June 2020 and 31 December 2019, the Bank's share capital was RUB 1,969 MM.

As at 30 June 2020 and 31 December 2019, the total number of authorized ordinary shares with a nominal value of RUB 0.1 each was 19,694,045,875.

The Bank's share capital was contributed by the shareholders in Russian rubles. The shareholders are entitled to dividends and any capital distribution in Russian rubles.

In March 2019, Sovcombank placed 979,078,325 ordinary registered book-entry shares for the total amount of RUB 6,080 MM (558 million shares for RUB 6.218 each and 421 million shares for USD 0.095 each) with a consortium of investors (Note 1).

In Q1 2020, the Group purchased 675,000,002 ordinary shares of Sovcombank from minority shareholders for RUB 5,211 MM, which is 3.4% of the Group's share capital. Most repurchased shares had been held by Ilya Brodskiy and Andrey Suzdaltsev, who became shareholders of Sovco Capital Partners B.V. The repurchase resulted in reduction of shareholding interests in the Group as follows: Sovco Capital Partners B.V. – from 87.1% to 86.5%, other beneficiaries – from 12.9% to 10.1% (Note 1).

Sovcombank did not pay dividends for the six months of 2020 (six months of 2019: RUB 4,000 MM, or RUB 0.2 per share).

In June 2019, the general shareholders' meeting of Sovcombank decided to pay dividends of RUB 1,750 MM, or RUB 0.1 per share. The full amount of dividends was paid in cash in July 2019.

The total dividends paid by the Group to non-controlling shareholders for the six months of 2020 amounted to RUB 150 MM (six months of 2019: RUB 192 million).

### Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares. According to IAS 33, in order to calculate profit attributable to ordinary shareholders of the Bank, the Bank should adjust profit for the year attributable to the Bank's shareholders for interest accrued on perpetual subordinated bonds.

In April 2020 Sovcombank entered into options with senior executives to purchase the Bank's shares, which could potentially have a dilutive effect when calculating earnings per share. At the reporting date, the effect of dilution from these options was immaterial and diluted earnings per share equal basic earnings per share.

Basic and diluted earnings per ordinary share attributable to the Bank's shareholders are calculated in the table below:

	<b>Six months ended 30 June (unaudited)</b>	
	<b>2020 RUB MM</b>	<b>2019 RUB MM</b>
<b>Profit for the period attributable to the Bank's shareholders</b>	<b>9,651</b>	<b>12,825</b>
Less: interest accrued on perpetual subordinated bonds	(730)	(225)
<b>Profit attributable to ordinary shareholders of the Bank</b>	<b>8,921</b>	<b>12,600</b>
Weighted average number of ordinary shares in issue (billion)	19.2	19.1
<b>Basic and diluted earnings per ordinary share attributable to the Bank's shareholders (RUB per share)</b>	<b>0.47</b>	<b>0.66</b>

### Perpetual subordinated bonds issued

On 6 February 2020, Sovcombank placed perpetual subordinated Eurobonds of USD 300 MM (RUB 18.9 BN at the exchange rate at the date of placement) bearing a coupon rate of 7.75% p.a. (ISIN: REGS XS2113968148 / 144a US84605LAB27).

On 6 March 2020, the CBR approved the Bank's request to convert subordinated bonds to its additional capital.

As this instrument meets the criterion of the capital component in accordance with IAS 32 *Financial Instruments: Presentation*, the Group classified the perpetual subordinated bonds as equity.

The Group records USD-denominated perpetual subordinated bonds in Russian rubles at the CBR exchange rates at the placement date and recognizes the effect of currency translation within retained earnings.

**26. Equity (continued)****Perpetual subordinated bonds issued (continued)**

On 30 March 2020, Sovcombank early repaid a portion of perpetual subordinated bonds series 1V02 for USD 43.2 MM (RUB 3.4 BN at the exchange rate ruling at the repayment date).

IFRS classifies interest payments related to perpetual subordinated bonds as dividends on the grounds that the Bank may unilaterally halt interest payments. For the six months ended 30 June 2020, Sovcombank paid interest of RUB 925 MM on the perpetual subordinated bonds (six months ended 30 June 2019: RUB 265 MM).

**27. Commitments**

The Group has outstanding commitments to extend credit facilities in the form of approved loans, credit and installment card limits and overdraft facilities.

The Group provides bank guarantees, which form the contractual limits of liabilities and generally extend for a period of up to one year.

The commitments by category were as follows:

<b>Contractual amount*</b>	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
Loan and credit line commitments	404,217	217,736
Bank guarantees	148,471	143,466
Commitments to issue bank guarantees	94,891	80,947
	<b>647,579</b>	<b>442,149</b>
Provisions for non-financial commitments	(2,499)	(2,413)
Allowance for credit losses	(1,220)	(1,016)
Provisions for pre-trial proceedings	(392)	(341)
	<b>(4,111)</b>	<b>(3,770)</b>

\* The contractual amounts shown in the table assume that commitments will be settled in full.

Provisions for pre-trial proceedings represent provisions for the portfolio of non-financial bank guarantees primarily issued to suppliers in accordance with Federal Law No. 44-FZ, *On the Contract System for the Procurement of Goods, Work and Services for Public and Municipal Needs*, and Federal Law No. 223-FZ, *On Purchases of Goods, Work and Services by Certain Types of Legal Entities*. The Group makes such provisions when it receives a claim from a beneficiary of the bank guarantee but has not yet made a payment.

As at 30 June 2020, the bank guarantees included non-financial guarantees (including those issued by the Group to small and medium-sized businesses in accordance with Federal Laws No. 44-FZ and No. 223-FZ) of RUB 134,018 MM in total (31 December 2019: RUB 125,015 MM).

The table below shows a breakdown of the guarantees by amount issued.

<b>Amount</b>	<b>30 June 2020 (unaudited) RUB MM</b>	<b>30 June 2020 (unaudited) number</b>	<b>31 December 2019 RUB MM</b>	<b>31 December 2019 Number</b>
Less than RUB 0.5 MM	6,778	89,674	10,313	132,059
RUB 0.5 MM – RUB 1 MM	3,321	4,631	4,677	6,491
RUB 1 MM RUB – 10 MM	18,309	6,325	20,675	7,615
RUB 10 MM RUB – 100 MM	46,922	1,497	40,445	1,279
More than RUB 100 MM	58,688	250	48,905	223
	<b>134,018</b>	<b>102,377</b>	<b>125,015</b>	<b>147,667</b>

Contractual commitments to issue loans not always result in actual cash outflow, as such commitments may be annulled or may expire without actual funding being provided. In addition, the majority of the Group's loan agreements provide that the Group at its sole discretion may unilaterally refuse to extend a loan.



**27. Commitments (continued)**

The tables below show the analysis of movements in the allowances for ECL under financial guarantees and loan and credit line commitments for the six months ended 30 June 2020 (unaudited):

<i>Financial guarantees</i>	<i>Stage 1 RUB MM</i>	<i>Total RUB MM</i>
<b>Balance as at 1 January 2020</b>	<b>234</b>	<b>234</b>
Increase for the period	32	32
<b>Balance as at 30 June 2020</b>	<b>266</b>	<b>266</b>

<i>Loan commitments</i>	<i>Stage 1 RUB MM</i>	<i>Total RUB MM</i>
<b>Balance as at 1 January 2020</b>	<b>790</b>	<b>790</b>
Increase for the period	164	164
<b>Balance as at 30 June 2020</b>	<b>954</b>	<b>954</b>

**28. Contingencies****Litigations related to Express-Volga Bank JSC**

In August 2015, the CBR revoked the banking license of Probusinessbank. In September 2015, Sovcombank won an open tender and became an investor for the financial rehabilitation of EVB, a subsidiary of Probusinessbank. In September 2015, the DIA included EVB, the Bank's subsidiary at that date, into the register of Probusinessbank's creditors. In October 2015, the Moscow Arbitration Court declared Probusinessbank bankrupt. The minority creditors of Probusinessbank initiated several litigations concerning its bankruptcy.

In November 2019, the bankruptcy administrator of Probusinessbank and the minority creditors filed a claim to the Moscow Arbitration Court seeking to apply the consequences of the void transaction on the transfer of RUB 625 MM to EVB from Probusinessbank in the form of repayment of interest for the use of cash in the amount of approximately RUB 210 MM. On 31 January 2020, the Moscow Arbitration Court issued ruling on the repayment of interest by EVB for the use of cash in the amount of RUB 209 MM. On 17 June 2020, the Ninth Arbitration Court of Appeal ruled to leave the previous decision in force. The Group is preparing a cassation appeal against this ruling of the Arbitration Court. Due to appealing the procedural determinations and limitation of court operations during the pandemic, the consideration of the bankruptcy administrator's petition is put off until 27 August 2020. The Group created a provision of RUB 210 MM which, according to the group management, will cover all possible risks.

In November 2016, Sovcombank won an open auction organized by the DIA to acquire shares of a bank "Poidem!" JSC, previously a member of Probusinessbank group. The funds raised as a result of the auction went into Probusinessbank's insolvency estate and were subsequently allocated to all its creditors. In December 2016, Sovcombank signed an agreement to sell 100% of shares of "Poidem!" JSC to the management of this bank. In November 2017, minority creditors of Probusinessbank challenged the sale of shares of "Poidem!" JSC via an auction to Sovcombank. In March 2018, the Moscow Arbitration Court upheld the auction results. The decision of the Moscow Arbitration Court was upheld by the appeal court (in May 2018) and the cassation court (in July 2018). In February 2019, the Supreme Court of the Russian Federation satisfied the claim of minority creditors, canceled all judicial acts of the appeal court and the cassation court and referred the case to the first instance court for retrial, indicating that a thorough examination of evidence presented by the parties was necessary. Due to appealing, the procedural determinations and limitation of court operations during the pandemic, the case was postponed until 20 August 2020. The Group's management believes that the economic effect in case of the unfavourable outcome will be insignificant as currently Sovcombank is not the owner of "Poidem!" JSC's shares. Based on these grounds, the Group did not make a provision for this claim.

In November 2015, the Moscow Arbitration Court initiated a proceeding in bankruptcy of Life Factoring Company LLC ("Life FC"), one of the subsidiaries of EVB, that were a part of Life Financial Group ("Life FG", parent bank of the group – Probusinessbank). A supervision procedure was commenced, following the results of which Life FC was declared a bankrupt and bankruptcy proceedings were commenced in September 2016. In November 2019, the bankruptcy administrator filed a petition to enforce the vicarious liability of the former CEO of the company. However, in December 2019, minority creditors filed a petition to enforce the vicarious liability all member banks of the company, that were a part of Life FG, including EVB. Currently, the total amount claimed is RUB 3.5 BN. Due to limitation of court operations during the pandemic, the case was postponed until 6 August 2020. According to the Group's management, claims to EVB are frivolous and, considering the specifics of the management structure of Life FC, court practice in similar cases and in cases with participation of defendants and creditors under this proceeding, the probability of enforcing the vicarious liability of EVB, as well as the probability of financial losses are assessed by the Group as low. Based on these grounds, the Group did not make a provision for this claim.

**28. Contingencies (continued)****Tax contingencies**

Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant state authorities. The tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of the Group that were challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review for a period of three calendar years immediately preceding the year in which the decision to conduct a tax audit is taken. Under certain circumstances, audits may cover earlier periods.

The tax legislation prohibits taxpayers to reduce tax base as a result of distortion of facts with regard to business operations and taxable activities or due to operations with a primary objective of non-payment or underpayment of taxes. As there is no well-established practice for applying the above provisions, there is uncertainty regarding the procedure for application of the new rules and their possible interpretation by the Russian tax authorities with regard to VAT and income tax treatment of the Group's banking operations, services and other associated activities, as well as operations financial market operations, including purchase and sale of securities and other property rights.

It is possible that with the evolution of these rules and changes in the approach of the Russian tax authorities and/or courts to their interpretation and enforcement, additional taxes and related fines and penalties may be assessed, which could negatively impact the financial condition of the Group. The details of such contingent liabilities are not disclosed in the financial statements because of the uncertainty of the potential outcome in case of different interpretation of tax law by tax authorities. Management though believes that the Group's tax position is sustained and documented, therefore, management believes that its interpretation of the relevant legislation is appropriate as at 30 June 2020.

Russian transfer pricing legislation allows Russian tax authorities to apply tax base adjustments and impose additional income tax and VAT liabilities in respect of "controlled" transactions if the controlled transaction price differs from the market price. In the first half of 2020 the Group determined its tax liabilities arising from controlled transactions on the basis of actual transaction prices or by adjusting actual prices in accordance with transfer pricing rules (if applicable).

The Russian tax legislation contains norms determining the "tax residency" status in respect of foreign legal entities, "beneficiary owner", and the rules for taxation of retained earnings of controlled foreign companies in the Russian Federation. These norms result in an increase the administrative and, in some cases, tax burden on Russian taxpayers that have foreign subsidiaries and/or pay income from sources in the Russian Federation to foreign entities. There is uncertainty regarding the procedure for application of these norms, their possible interpretation by the Russian tax authorities and the effect on the amount of the tax liabilities of the Group.

Management of the Group believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

**29. Related party transactions**

IAS 24 *Related Party Disclosures* defines the parties as related if one party has an ability to control the other party or exercise significant influence over the other party in making operational and financial decisions. In considering each possible related party relationship, attention is directed to the substance of relationship, not merely the legal form.

The table below shows the total remuneration included in employee benefits (Note 9).

	<b>Six months ended 30 June (unaudited)</b>	
	<b>2020 RUB MM</b>	<b>2019 RUB MM</b>
Members of the Supervisory Board	455	335
Management Board	480	505
Options program expenses	186	–
	<b>1,121</b>	<b>840</b>

As part of the option program for executives approved in 2019, on 13 April the Group entered into option agreements with certain participants.

The Group regards the Option Program as a transaction with equity-settled share-based payments. As at the date of provision, fair values of option agreements were calculated using the Black-Scholes model. Expenses related to the Option Program implementation recognized for the six months of 2020 totaled RUB 186 MM and were recorded as personnel expenses (Note 9).

**29. Related party transactions (continued)**

Outstanding balances with related parties as at 30 June 2020 were as follows (unaudited):

	<b>SCP B.V.<sup>(1)</sup></b> <b>RUB MM</b>	<b>JV<sup>(2)</sup></b> <b>RUB MM</b>	<b>KMP<sup>(3)</sup></b> <b>RUB MM</b>	<b>AC<sup>(4)</sup></b> <b>RUB MM</b>	<b>Other<sup>(5)</sup></b> <b>RUB MM</b>	<b>Total</b> <b>RUB MM</b>
<b>Loans</b>	<b>90</b>	<b>–</b>	<b>231</b>	<b>282</b>	<b>2,494</b>	<b>3,097</b>
Allowance for impairment	–	–	(2)	(3)	(1,496)	(1,501)
<b>Loans, net</b>	<b>90</b>	<b>–</b>	<b>229</b>	<b>279</b>	<b>998</b>	<b>1,596</b>
Deposits	–	115	995	–	1,056	2,166
Current accounts	130	6	729	5	3,165	4,035
Other liabilities	–	–	1,041	–	–	1,041
Commitments and guarantees issued	6,410	–	183	101	1,123	7,817
Commitments and guarantees received	–	–	215	313	9,271	9,799

Outstanding balances with related parties as at 31 December 2019 were as follows:

	<b>SCP B.V.<sup>(1)</sup></b> <b>RUB MM</b>	<b>JV<sup>(2)</sup></b> <b>RUB MM</b>	<b>KMP<sup>(3)</sup></b> <b>RUB MM</b>	<b>AC<sup>(4)</sup></b> <b>RUB MM</b>	<b>Other<sup>(5)</sup></b> <b>RUB MM</b>	<b>Total</b> <b>RUB MM</b>
<b>Loans</b>	<b>–</b>	<b>–</b>	<b>276</b>	<b>102</b>	<b>2,362</b>	<b>2,740</b>
Allowance for impairment	–	–	(5)	(1)	(1,464)	(1,470)
<b>Loans, net</b>	<b>–</b>	<b>–</b>	<b>271</b>	<b>101</b>	<b>898</b>	<b>1,270</b>
Deposits	–	15	1,114	–	463	1,592
Current accounts	72	6	408	9	1,707	2,202
Other liabilities	–	–	673	–	–	673
Commitments and guarantees issued	–	–	151	299	816	1,266
Commitments and guarantees received	–	–	215	613	8,998	9,826

The following table presents related party transactions recorded in the interim consolidated statement of comprehensive income for the six months ended 30 June 2020 (unaudited):

	<b>SCP B.V.<sup>(1)</sup></b> <b>RUB MM</b>	<b>JV<sup>(2)</sup></b> <b>RUB MM</b>	<b>KMP<sup>(3)</sup></b> <b>RUB MM</b>	<b>AC<sup>(4)</sup></b> <b>RUB MM</b>	<b>Other<sup>(5)</sup></b> <b>RUB MM</b>	<b>Total</b> <b>RUB MM</b>
Interest income	60	–	13	13	83	169
Interest expense on deposits	–	(5)	(19)	–	(19)	(43)
Credit loss expense	–	–	3	(2)	(32)	(31)
Fee and commission income	1	–	1	1	6	9
Gains less losses from foreign currencies	115	–	29	–	5	149
General and administrative expenses	–	–	(7)	(3)	–	(10)

The following table presents related party transactions recorded in the interim consolidated statement of comprehensive income for the six months ended 30 June 2019 (unaudited):

	<b>SCP B.V.<sup>(1)</sup></b> <b>RUB MM</b>	<b>JV<sup>(2)</sup></b> <b>RUB MM</b>	<b>KMP<sup>(3)</sup></b> <b>RUB MM</b>	<b>AC<sup>(4)</sup></b> <b>RUB MM</b>	<b>Other<sup>(5)</sup></b> <b>RUB MM</b>	<b>Total</b> <b>RUB MM</b>
Interest income	–	18	31	10	368	427
Interest income on financial instruments at FVPL	34	78	–	–	–	112
Interest expense on deposits	–	(3)	(21)	–	(12)	(36)
Credit loss expense	–	(6)	(3)	–	(393)	(402)
Fee and commission income	1	36	1	3	5	46
Gains less losses from foreign currencies	(94)	–	–	–	(4)	(98)
General and administrative expenses	–	(4)	(5)	–	–	(9)

(1) SCP B.V. is Sovco Capital Partners B.V., the major shareholder of the Group with ownership of 86.5% (Note 1).

(2) Joint ventures (JVs) are companies where the Group is engaged in joint operations and have equal shares (50/50) with the partners in a JV. As at 30 June 2020 JV includes CTB LLC (as at 30 June 2019: Sollers-Finance LLC and CTB LLC).

(3) Key management personnel (KMP) are those with responsibility for planning, directing and controlling the activities of the Group. Key management personnel of the Group are members of the Management Board and the Supervisory Board.

(4) Associate companies (AC) are entities, in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

(5) Other related parties (Other) mainly comprise companies under control of the key management personnel.

During the six months of 2020 and 2019, the Group also conducted purchase and sale of own issued securities with Sovco Capital Partners B.V. These transactions were performed at arm's length.

**30. Fair value**

IAS 7 *Financial Instruments: Disclosures* requires the Group to make the following disclosure of the estimated fair value of financial instruments. Fair value is defined as the amount for which a financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction other than in forced sale or liquidation. As no readily available market exists for a large part of the Group's financial instruments (specifically extended loans) at which such financial assets would be traded on a regular basis, judgment is necessary in arriving at fair value based on current economic conditions and the specific risks attributable to a given instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value, that are not based on observable market data..

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<b>As at 30 June 2020</b> <b>(unaudited)</b>	<b>Fair value measurement using</b>			<b>Total</b> <b>RUB MM</b>
	<b>Quoted prices in active markets (Level 1) RUB MM</b>	<b>Significant observable inputs (Level 2) RUB MM</b>	<b>Significant unobservable inputs (Level 3) RUB MM</b>	
<b>Assets measured at fair value</b>				
Financial instruments at FVPL	416,687	86,868	325	<b>503,880</b>
Financial instruments at FVOCI	631	7,344	97,772	<b>105,747</b>
Investment property	–	–	53	<b>53</b>
Property and equipment and intangible assets (land and buildings)	–	–	3,695	<b>3,695</b>
Other financial assets	–	430	–	<b>430</b>
Other non-financial assets	5,680	–	–	<b>5,680</b>
<b>Liabilities measured at fair value</b>				
Subordinated debt	6,911	–	–	<b>6,911</b>
Derivative financial liabilities	–	21,786	–	<b>21,786</b>

<b>As at 31 December 2019</b>	<b>Fair value measurement using</b>			<b>Total</b> <b>RUB MM</b>
	<b>Quoted prices in active markets (Level 1) RUB MM</b>	<b>Significant observable inputs (Level 2) RUB MM</b>	<b>Significant unobservable inputs (Level 3) RUB MM</b>	
<b>Assets measured at fair value</b>				
Financial instruments at FVPL	197,185	52,417	–	<b>249,602</b>
Financial instruments at FVOCI	103	112,323	1,021	<b>113,447</b>
Investment property	–	–	53	<b>53</b>
Property and equipment and intangible assets (land and buildings)	–	–	3,480	<b>3,480</b>
Other financial assets	–	628	–	<b>628</b>
Other non-financial assets	12,865	–	–	<b>12,865</b>
<b>Liabilities measured at fair value</b>				
Subordinated debt	7,013	–	–	<b>7,013</b>
Derivative financial liabilities	–	6,638	–	<b>6,638</b>

Trading securities valued using valuation techniques primarily consist of equity and debt securities for which no market quotations are available. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and country in which the investee operates.

**30. Fair value (continued)****Movements in Level 3 financial instruments measured at fair value**

The following table shows a reconciliation of the opening and closing balances of Level 3 financial assets and liabilities which are recorded at fair value as at 30 June 2020 (unaudited):

	<i>As at 1 January 2020</i>	<i>Gains/ (losses) recorded in the state- ment of profit or loss</i>	<i>Gains/ (losses) recorded in other comp- rehensive income</i>	<i>Acquisi- tions</i>	<i>Sales</i>	<i>Settlements</i>	<i>Transfers from Level 1 and Level 2</i>	<i>As at 30 June 2020</i>
	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>
<b>Financial assets</b>								
Financial instruments at FVPL	-	(1,213)	-	1,555	-	(17)	-	325
Financial instruments at FVOCI	1,021	1,959	2,421	-	(364)	(9,995)	102,730	97,772
<b>Total Level 3 financial assets</b>	<b>1,021</b>	<b>746</b>	<b>2,421</b>	<b>1,555</b>	<b>(364)</b>	<b>(10,012)</b>	<b>102,730</b>	<b>98,097</b>

In the first half of 2020, the Group transferred debt securities at FVOCI issued by the company with Russian state participation and rated as BBB by international rating agencies from Level 2 to Level 3 of the fair value hierarchy. The carrying amount of the transferred debt securities totaled RUB 102,730 MM. The transfer resulted from the fact that, as at the reporting date, the inputs used in the model were unobservable.

The following table shows a reconciliation of the 2019 opening and closing balances of Level 3 financial assets and liabilities which are recorded at fair value:

	<i>As at 1 January 2019</i>	<i>Gains/ (losses) recorded in the state- ment of profit or loss</i>	<i>Gains/ (losses) recorded in other comp- rehensive income</i>	<i>Acquisi- tions</i>	<i>Sales</i>	<i>Settlements</i>	<i>Transfers to other items</i>	<i>Transfers to Level 1 and Level 2</i>	<i>As at 31 December 2019</i>
	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>
<b>Financial assets</b>									
Financial instruments at FVPL	1,674	(77)	-	-	-	(31)	-	(1,566)	-
Financial instruments at FVOCI	691	(50)	-	380	-	-	-	-	1,021
Other financial assets	883	-	-	-	-	-	(883)	-	-
<b>Total Level 3 financial assets</b>	<b>3,248</b>	<b>(127)</b>	<b>-</b>	<b>380</b>	<b>-</b>	<b>(31)</b>	<b>(883)</b>	<b>(1,566)</b>	<b>1,021</b>

Gains or losses on Level 3 financial instruments included in profit or loss for the period comprise:

	<i>For the six months ended 30 June 2020 (unaudited)</i>			<i>For the year ended 31 December 2019</i>		
	<i>Realized gains/ (losses)</i>	<i>Unrealized gains/ (losses)</i>	<i>Total</i>	<i>Realized gains/ (losses)</i>	<i>Unrealized gains/ (losses)</i>	<i>Total</i>
	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>
Total gains/(losses) recognized in profit or loss for the period	2,074	(1,328)	746	31	(158)	(127)

**30. Fair value (continued)****Effect of changes in significant unobservable inputs on the measurement of financial instruments categorized within Level 3 of the fair value hierarchy**

The following table shows quantitative information about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

<b>30 June 2020 (unaudited)</b>	<b>Carrying amount RUB MM</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Range (weighted average value)</b>
<b>Financial instruments at FVPL</b>				
Finance	325	Discounted cash flows	Credit risk of the borrower	81%
<b>Financial instruments at FVOCI</b>				
<i>Debt securities</i>				
Finance	97,151	Discounted cash flows based on parametric repayment models	Conditional prepayment date	From 30.2% to 18.9%
			Option premium	0.26%
<i>Equity securities</i>				
IT	380	Net assets	Net assets	Not applicable
Electronics	130	Most recent market transaction price	Most recent market transaction price	Not applicable
Rating agencies	111	Net assets	Net assets	Not applicable
<b>Investment property</b>	53	Market and income approach	Discount for sale	10%
<b>Property and equipment and intangible assets (land and buildings)</b>	3,695	Market and income approach	Discount for sale	10%
<b>31 December 2019</b>	<b>Carrying amount RUB MM</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Range (weighted average value)</b>
<b>Financial instruments at FVOCI</b>				
<i>Equity securities</i>				
Energy	400	Net assets	Net assets	Not applicable
IT	380	Net assets	Net assets	Not applicable
Electronics	130	Most recent market transaction price	Most recent market transaction price	Not applicable
Rating agencies	111	Net assets	Net assets	Not applicable
<b>Investment property</b>	53	Market and income approach	Discount for sale	10%
<b>Property and equipment and intangible assets (land and buildings)</b>	3,480	Market and income approach	Discount for sale	10%

The table below shows the effect of reasonably possible alternative assumptions on the fair value of Level 3 instruments:

	<b>30 June 2020 (unaudited)</b>		<b>31 December 2019</b>	
	<b>Carrying amount RUB MM</b>	<b>Effect of reasonably possible alternative assumptions</b>	<b>Carrying amount RUB MM</b>	<b>Effect of reasonably possible alternative assumptions</b>
<b>Financial instruments at FVPL</b>				
Finance	325	From RUB (325) MM to RUB 16 MM	–	–
<b>Financial instruments at FVOCI</b>				
<i>Debt securities</i>				
Finance	97,151	From RUB (294) MM to RUB 606 MM	–	–

The effect of reasonably possible alternative assumptions on the fair value of Level 3 financial instruments at FVOCI is insignificant.

**30. Fair value (continued)****Transfers between Level 1 and Level 2**

The following tables show transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets measured at fair value during the six months ended 30 June 2020 and the year 2019:

	<b>Six months ended 30 June 2020 (unaudited) RUB MM</b>	<b>2019 RUB MM</b>
<b>Financial instruments at FVPL</b>		
Corporate bonds	4,945	953
Russian subfederal and municipal bonds	4,627	487
Bonds of companies with Russian state participation	412	9,107
<b>Total transfers from Level 1 to Level 2</b>	<b>9,984</b>	<b>10,547</b>

The Group transferred financial assets from Level 1 to Level 2 as they ceased to be actively traded. The Group estimated their fair values through valuation techniques using observable market inputs.

	<b>Six months ended 30 June 2020 (unaudited) RUB MM</b>	<b>2019 RUB MM</b>
<b>Financial instruments at FVPL</b>		
Bonds of companies with Russian state participation	18,971	1,737
Corporate bonds	2,251	9,274
Russian subfederal and municipal bonds	370	10,562
Corporate shares	–	98
<b>Total transfers from Level 2 to Level 1</b>	<b>21,592</b>	<b>21,671</b>

Transfers from Level 2 to Level 1 were due to the fact that they became actively traded during the period and fair values were consequently determined using quoted prices in an active market.

**Fair values of financial assets and liabilities not carried at fair value**

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets and liabilities that are not carried at fair value in the interim consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<b>30 June 2020 (unaudited)</b>			<b>31 December 2019</b>		
	<b>Carrying amount RUB MM</b>	<b>Fair value RUB MM</b>	<b>Unrecognized gain/(loss) RUB MM</b>	<b>Carrying amount RUB MM</b>	<b>Fair value RUB MM</b>	<b>Unrecognized gain/(loss) RUB MM</b>
<b>Financial assets</b>						
Cash and cash equivalents	119,973	119,973	–	107,761	107,761	–
Mandatory cash balances with the CBR	7,051	7,051	–	6,447	6,447	–
Placements with banks and bank bonds at amortized cost	51,680	52,702	1,022	35,861	36,930	1,069
Loans to customers and bonds at amortized cost	678,020	693,353	15,333	585,220	596,691	11,471
Other assets	5,989	5,989	–	1,495	1,495	–
<b>Financial liabilities</b>						
Due to the CBR	769	769	–	785	785	–
Due to banks	367,053	367,265	(212)	125,121	124,999	122
Due to customers	854,372	855,432	(1,060)	774,038	775,822	(1,784)
Debt securities issued	29,733	30,226	(493)	18,662	19,068	(406)
Other borrowed funds	20,500	25,861	(5,361)	19,227	23,706	(4,479)
Subordinated debt	21,795	22,290	(495)	19,349	20,303	(954)
Other liabilities	12,564	12,564	–	14,817	14,817	–
<b>Total unrecognized change in fair value</b>			<b>8,734</b>			<b>5,039</b>

**31. Currency analysis**

The table below shows the breakdown of assets and liabilities by currency as at 30 June 2020 (unaudited):

	<i><b>RUB and other currencies RUB MM</b></i>	<i><b>USD RUB MM</b></i>	<i><b>EUR RUB MM</b></i>	<i><b>Total RUB MM</b></i>
<b>Assets</b>				
Cash and cash equivalents	95,087	9,013	15,873	<b>119,973</b>
Mandatory cash balances with the CBR	7,051	–	–	<b>7,051</b>
Placements with banks and bank bonds at amortized cost:				
- held by the Group	4,272	33,442	5,715	<b>43,429</b>
- pledged under repo	–	8,251	–	<b>8,251</b>
Financial instruments at FVPL				
- held by the Group	146,231	154,270	2,696	<b>303,197</b>
- pledged under repo	125,578	69,371	5,734	<b>200,683</b>
Financial instruments at FVOCI				
- held by the Group	12,282	–	–	<b>12,282</b>
- pledged under repo	93,350	115	–	<b>93,465</b>
Loans to customers and bonds at amortized cost	526,161	132,644	19,215	<b>678,020</b>
Change in the fair value of hedged assets	–	3,431	–	<b>3,431</b>
Investments in associates	653	–	–	<b>653</b>
Investments in joint ventures	418	–	–	<b>418</b>
Investment property	53	–	–	<b>53</b>
Property and equipment and intangible assets	10,695	–	–	<b>10,695</b>
Right-of-use assets	4,349	–	–	<b>4,349</b>
Goodwill	1,662	–	–	<b>1,662</b>
Current income tax asset	2,351	–	–	<b>2,351</b>
Deferred tax asset	878	–	–	<b>878</b>
Other assets	16,020	294	88	<b>16,402</b>
<b>Total assets</b>	<b>1,047,091</b>	<b>410,831</b>	<b>49,321</b>	<b>1,507,243</b>
<b>Liabilities</b>				
Due to the CBR	769	–	–	<b>769</b>
Due to banks	236,969	125,163	4,921	<b>367,053</b>
Due to customers	734,150	90,737	29,485	<b>854,372</b>
Debt securities issued	29,633	78	22	<b>29,733</b>
Other borrowed funds	20,500	–	–	<b>20,500</b>
Deferred tax liability	1,140	–	–	<b>1,140</b>
Current income tax payable	29	–	–	<b>29</b>
Subordinated debt	7,343	21,363	–	<b>28,706</b>
Other liabilities	23,184	21,859	801	<b>45,844</b>
<b>Total liabilities</b>	<b>1,053,717</b>	<b>259,200</b>	<b>35,229</b>	<b>1,348,146</b>
<b>Net balance sheet position as at 30 June 2020</b>	<b>(6,626)</b>	<b>151,631</b>	<b>14,092</b>	<b>159,097</b>
Net off-balance sheet position as at 30 June 2020	145,727	(129,351)	(16,376)	–
<b>Net position as at 30 June 2020</b>	<b>139,101</b>	<b>22,280</b>	<b>(2,284)</b>	<b>159,097</b>
Perpetual subordinated bonds	–	24,816	–	<b>24,816</b>
<b>Net position, including perpetual subordinated bonds, as at 30 June 2020</b>	<b>139,101</b>	<b>(2,536)</b>	<b>(2,284)</b>	<b>134,281</b>
<b>Credit-related commitments</b>	<b>415,938</b>	<b>93,341</b>	<b>4,282</b>	<b>513,561</b>

Placements with banks and bank bonds at amortized cost in the table above include bank bonds at amortized cost denominated in USD for RUB 17,058 MM.

Loans to customers and bonds at amortized cost in the table above include bonds at amortized cost denominated in RUB, USD and GBP for RUB 27,439 MM, RUB 88,236 MM and RUB 1,422 MM, respectively.



**31. Currency analysis (continued)**

The table below shows the breakdown of assets and liabilities by currency as at 31 December 2019:

	<i><b>RUB and other currencies RUB MM</b></i>	<i><b>USD RUB MM</b></i>	<i><b>EUR RUB MM</b></i>	<i><b>Total RUB MM</b></i>
<b>Assets</b>				
Cash and cash equivalents	73,310	3,276	31,175	<b>107,761</b>
Mandatory cash balances with the CBR	6,447	–	–	<b>6,447</b>
Placements with banks and bank bonds at amortized cost:				
- held by the Group	2,078	20,912	2,336	<b>25,326</b>
- pledged under repo	1,028	9,507	–	<b>10,535</b>
Financial instruments at FVPL				
- held by the Group	88,647	100,119	3,140	<b>191,906</b>
- pledged under repo	19,237	38,459	–	<b>57,696</b>
Financial instruments at FVOCI				
- held by the Group	77,127	102	–	<b>77,229</b>
- pledged under repo	36,218	–	–	<b>36,218</b>
Loans to customers and bonds at amortized cost	463,642	107,183	14,395	<b>585,220</b>
Change in the fair value of hedged assets	–	(695)	–	<b>(695)</b>
Investments in associates	631	–	–	<b>631</b>
Investments in joint ventures	243	–	–	<b>243</b>
Investment property	53	–	–	<b>53</b>
Property and equipment and intangible assets	10,918	–	–	<b>10,918</b>
Right-of-use assets	5,408	–	–	<b>5,408</b>
Goodwill	1,742	–	–	<b>1,742</b>
Current income tax asset	27	–	–	<b>27</b>
Deferred tax asset	895	–	–	<b>895</b>
Other assets	16,470	550	614	<b>17,634</b>
<b>Total assets</b>	<b>804,121</b>	<b>279,413</b>	<b>51,660</b>	<b>1,135,194</b>
<b>Liabilities</b>				
Due to the CBR	785	–	–	<b>785</b>
Due to banks	53,442	67,508	4,171	<b>125,121</b>
Due to customers	661,297	85,367	27,374	<b>774,038</b>
Debt securities issued	18,534	109	19	<b>18,662</b>
Other borrowed funds	19,227	–	–	<b>19,227</b>
Deferred tax liability	56	–	–	<b>56</b>
Current income tax payable	2,309	–	–	<b>2,309</b>
Subordinated debt	7,013	19,349	–	<b>26,362</b>
Other liabilities	21,594	7,350	606	<b>29,550</b>
<b>Total liabilities</b>	<b>784,257</b>	<b>179,683</b>	<b>32,170</b>	<b>996,110</b>
<b>Net balance sheet position as at 31 December 2019</b>	<b>19,864</b>	<b>99,730</b>	<b>19,490</b>	<b>139,084</b>
Net off-balance sheet position as at 31 December 2019	109,663	(90,859)	(18,804)	<b>–</b>
<b>Net position as at 31 December 2019</b>	<b>129,527</b>	<b>8,871</b>	<b>686</b>	<b>139,084</b>
Perpetual subordinated bonds	–	6,191	–	<b>6,191</b>
<b>Net position, including perpetual subordinated bonds, as at 31 December 2019</b>	<b>129,527</b>	<b>2,680</b>	<b>686</b>	<b>132,893</b>
<b>Credit-related commitments</b>	<b>287,439</b>	<b>28,213</b>	<b>1,482</b>	<b>317,134</b>

Placements with banks and bank bonds at amortized cost in the table above include bank bonds at amortized cost denominated in RUB and USD for RUB 1,029 MM and RUB 17,720 MM, respectively.

Loans to customers and bonds at amortized cost in the table above include bonds at amortized cost denominated in RUB, USD and GBP for RUB 29,007 MM, RUB 81,845 MM and RUB 1,346 MM, respectively.

**32. Business combinations****Acquisition of Liberty Insurance JSC**

On 23 December 2019, Sovcombank and Liberty Mutual Group (USA) signed a binding agreement. On 10 February 2020, Sovcombank declared the completion of the transaction to purchase 99.9% of shares in Liberty Insurance JSC ("Liberty Insurance") for RUB 1,393 MM. The deal was closed after Sovcombank received regulatory approvals by the Federal Antimonopoly Service and the Bank of Russia in January-February 2020.

On 3 April 2020, the company was renamed into Sovcombank Insurance JSC. The Group's management believes that there are significant synergies between Sovcombank and the acquiree in terms of motor insurance, car loans to individuals and car leases to legal entities. Acquisition of the insurance company will further diversify sources of income of the Group.

The preliminary fair value of identifiable net assets and liabilities of the company as at the acquisition date was as follows:

	<i><b>RUB MM</b></i>
<b>Assets</b>	
Cash and cash equivalents	366
Deposits with banks	940
Insurance receivables	739
Financial assets at FVPL	1
Financial assets at FVOCI	1,833
Subrogation asset	191
Property and equipment and intangible assets	368
Deferred tax asset	282
Deferred acquisition costs	839
Other assets	356
<b>Total assets</b>	<b>5,915</b>
<b>Liabilities</b>	
Provision for unearned premiums	2,699
Outstanding claims provision	857
Insurance payables	320
Lease liabilities	125
Other payables and other liabilities	357
<b>Total liabilities</b>	<b>4,358</b>
<b>Identifiable net assets</b>	<b>1,557</b>
	<i><b>RUB MM</b></i>
Cash paid on acquisition	1,393
Fair value of identifiable net assets of the company as at the date of business combination	(1,557)
Non-controlling interests	2
<b>Bargain purchase gain (Note 7)</b>	<b>162</b>

**Acquisition of VCABANK JSC**

In Q4 2019 and Q1 2020, Sovcombank purchased a controlling stake in VCABANK JSC ("VCA") in stages. VCA is a small regional bank in the city of Astrakhan on the south of Russia. VCA acquisition is aimed at strengthening Sovcombank's position in Astrakhan Region.

**32. Business combinations (continued)****Acquisition of VCABANK JSC (continued)**

Preliminary fair value of identifiable net assets and liabilities of the bank as at the acquisition date was as follows:

	<b>RUB MM</b>
<b>Assets</b>	
Cash and cash equivalents	730
Mandatory cash balances with the CBR	35
Securities	169
Loans to customers	773
Buildings and equipment	253
Intangible assets	2
Right-of-use assets	1
Other assets	43
<b>Total assets</b>	<b>2,006</b>
<b>Liabilities</b>	
Due to customers	800
Deferred tax liabilities	43
Other liabilities	14
<b>Total liabilities</b>	<b>857</b>
<b>Identifiable net assets</b>	<b>1,149</b>
	<b>RUB MM</b>
Cash paid on acquisition	629
Fair value of the Group's share as at the date of business combination	145
Fair value of identifiable net assets of the bank as at the date of business combination	(1,149)
Non-controlling interests	105
<b>Bargain purchase gain (Note 7)</b>	<b>270</b>

**33. Capital adequacy**

To mitigate risks inherent in the Group's activities, the Group manages its capital in accordance with the Russian legislation and requirements of the CBR at the level of each bank within the Group.

The Group monitors its capital adequacy based on the principles stipulated in the Basel Capital Accord, as well as ratios established by the CBR.

The primary objective of capital management is monitoring compliance with the requirements of the CBR and maintenance of robust credit ratings and capital performance.

**The CBR's capital adequacy ratio**

According to the requirements of the CBR, banks must maintain a capital adequacy ratio of 8.0% of risk-weighted assets, computed based on Russian Accounting Standards (the ratio is calculated based on the statutory financial statements prepared in accordance with Russian accounting standards).

As at 30 June 2020 and 31 December 2019, the Bank's capital adequacy ratio calculated in accordance with the above requirements exceeded the statutory minimum established by the CBR.

**Capital adequacy ratio under Basel Capital Accord**

As at 30 June 2020 and 31 December 2019, capital adequacy ratio was calculated in accordance with the requirements of the Basel Committee on Banking Supervision – Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems dated December 2010 (updated in June 2011) ("Basel III").

Basel III sets minimal capital adequacy ratios at 4.5% for Tier 1 common capital adequacy ratio, 6.0% for Tier 1 capital adequacy ratio and 8.0% for Total capital adequacy ratio.

**33. Capital adequacy (continued)****Capital adequacy ratio under Basel Capital Accord (continued)**

To determine the amount of credit risk when calculating capital adequacy ratio, a standardized Basel III approach is used except for derivative financial instruments and loan and credit line commitments, which are subject to the requirements of the national regulator (Instruction No. 180-I of the CBR On Prudential Ratios of Banks of 28 June 2017).

The table below shows calculations of the Group's capital adequacy ratio according to the requirements of Basel III as at 30 June 2020 and 31 December 2019.

	<b>30 June 2020 (unaudited) RUB MM</b>	<b>31 December 2019 RUB MM</b>
Common capital	125,993	124,349
Additional capital	24,816	6,191
<b>Tier 1 capital</b>	<b>150,809</b>	<b>130,540</b>
Tier 2 capital	28,817	26,474
<b>Total equity</b>	<b>179,626</b>	<b>157,014</b>
<b>Risk-weighted assets</b>		
Credit risk	1,211,942	874,924
Operational risk	112,675	112,675
Market risk	106,788	77,725
<b>Total risk-weighted assets</b>	<b>1,431,405</b>	<b>1,065,324</b>
Tier 1 common capital adequacy ratio	8.8%	11.7%
Tier 1 capital adequacy ratio	10.5%	12.3%
Total capital adequacy ratio	12.5%	14.7%

**34. Principal consolidated subsidiaries, associates and joint ventures**

The table below shows the list of the principal consolidated subsidiaries, associates and joint ventures of the Group as at 30 June 2020 and 31 December 2019:

		<b>Voting rights</b>	
	<b>Relationship</b>	<b>30 June 2020 (unaudited)</b>	<b>31 December 2019</b>
Komana Holdings LLC	Subsidiary	100.0%	100.0%
Mobilnye Platezhi LLC	Subsidiary	100.0%	100.0%
Sovcomcard LLC	Subsidiary	100.0%	100.0%
GMCS Management LLC	Subsidiary	100.0%	100.0%
Fintender JSC	Subsidiary	100.0%	100.0%
Sovcom Leasing LLC	Subsidiary	100.0%	100.0%
Sovcom Factoring LLC	Subsidiary	100.0%	100.0%
Torgovy Dom LLC	Subsidiary	100.0%	100.0%
Sovcombank Leasing LLC	Subsidiary	100.0%	100.0%
Sovcombank Insurance JSC (Note 32)	Subsidiary	99.9%	–
VKABANK JSC (Note 32)	Subsidiary	93.5%	24.8%
Septem Capital LLC	Subsidiary	50.1%	50.1%
RTS-Holding JSC	Subsidiary	50.0%	50.0%
RTS-Tender LLC	Subsidiary	50.0%	50.0%
Tsifrovye Tekhnologii Buduschego LLC	Joint venture	50.0%	50.0%
Kostromskoy Zavod Avtokomponentov JSC	Associate	40.1%	40.1%
Aviatsionnye Tekhnologii Svyazi LLC	Associate	25.0%	25.0%
Cbonds.ru LLC	Associate	24.9%	24.9%
Saint-Petersburg Exchange PJSC	Associate	3.3%	–
CentrFinLeasing LLC	Subsidiary	–	100.0%
Express-Volga Bank JSC	Subsidiary	–	100.0%
BTE LLC	Subsidiary	–	75.0%

### **34. Principal consolidated subsidiaries, associates and joint ventures (continued)**

#### **Merger of CentrFinLeasing LLC with Sovcom Leasing LLC**

In January 2020, the Group completed a merger of CentrFinLeasing LLC with Sovcom Leasing LLC to optimize costs and structure of the Group. All rights and obligations of the merged entity were transferred to Sovcom Leasing LLC.

#### **Merger of Express-Volga Bank JSC with Sovcombank PJSC**

On 20 March 2020, the general meeting of Sovcombank PJSC's shareholders decided to simplify structure and reduce costs of the Group through the merger with Express-Volga Bank JSC. The operational integration was finalized on 15 June 2020. All legal rights and obligations of Express-Volga Bank JSC were transferred to Sovcombank PJSC. The merger of Express-Volga Bank JSC did not have an effect on the consolidated financial results.

#### **Sale of BTE LLC**

In April 2020, the Group sold its share in BTE LLC to a third party. The financial result of the sale and elimination of BTE LLC from the consolidation perimeter was insignificant.

#### **Acquisition of Saint-Petersburg Exchange PJSC**

In January 2020, Sovcombank acquired 3.3% shares in Saint-Petersburg Exchange PJSC ("SPB") under an open subscription. In addition, Sovcombank concluded a two-year option contract with the Association of Financial Market Participants "Nonprofit Partnership for the Development of the RTS Financial Market" to purchase another 15.2% shares of SPB. Since, in addition to the option, Sovcombank has the right to be represented in the SPB's Board of Directors, the Group assesses its influence on SPB as significant and regards the investment as an investment in an associate.

### **35. Subsequent events**

#### **Purchase of Sovest project**

On 18 June 2020, Sovcombank, Qiwi bank and Qiwi plc ("Qiwi") announced a sale of Sovest installment card business (a competitor to Halva installment card) to Sovcombank. On 13 July 2020, Sovcombank closed the deal. As a result, Sovcombank acquired a portfolio of Sovest installment card with a carrying amount of RUB 8.2 BN for the consideration of RUB 5.6 BN. The scope of transaction includes all assets of Sovest project, with respective brands, Internet domains and other intellectual property rights.

#### **Placement of bonds**

In July 2020, Sovcombank Leasing LLC issued RUB-denominated bonds SovcmL P02 (stage registration No. 4B02-02-00303-R-001P) for RUB 2 BN, bearing a coupon rate of 6.6%, maturing in three years and with a principal subject to amortization.