

Report on Review of Interim Financial Information of  
*Sovcombank PJSC and its subsidiaries*  
for the six-month period ended 30 June 2021

*August 2021*

# 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 comprehensive income for the six months ended 30 June 2021, the interim consolidated statement of financial position as at 30 June 2021, the interim condensed consolidated statement of cash flows and interim consolidated statement of changes in equity for the six months then ended, and notes to the interim condensed consolidated financial statements (interim financial information).

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

### *Scope of review*

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

### *Conclusion*

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



G.A. Shinin  
Partner  
Ernst & Young LLC

30 August 2021

### *Details of the 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-regulatory organization of auditors Association "Sodruzhestvo".  
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

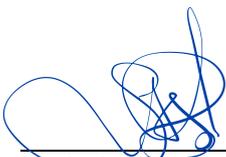
## Interim consolidated statement of comprehensive income for the six months ended 30 June 2021

	Note	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2021 RUB MM	2020 RUB MM	2021 RUB MM	2020 RUB MM
Interest income calculated using EIR method	4	37,891	24,790	65,736	49,022
Other interest income	4	7,966	8,297	15,417	15,107
Interest expense	4	(15,304)	(13,585)	(28,201)	(25,986)
Obligatory deposit insurance		(722)	(261)	(1,302)	(1,025)
<b>Net interest income</b>		<b>29,831</b>	<b>19,241</b>	<b>51,650</b>	<b>37,118</b>
Allowances for credit losses	14, 17, 18, 28	(4,769)	(5,981)	(7,250)	(11,497)
Allowance for credit losses on acquired loan portfolio of Vostochny Commercial Bank PJSC	17, 34	(3,674)	-	(3,674)	-
<b>Net interest income after allowance for credit losses</b>		<b>21,388</b>	<b>13,260</b>	<b>40,726</b>	<b>25,621</b>
Fee and commission income	5	11,532	6,873	19,591	14,692
Fee and commission expense		(2,299)	(1,750)	(4,798)	(3,552)
<b>Net fee and commission income</b>		<b>9,233</b>	<b>5,123</b>	<b>14,793</b>	<b>11,140</b>
Net gain/(loss) on financial instruments at FVPL	15	(31)	22,258	(5,796)	(8,332)
Net gain on derecognition of financial assets at amortized cost	17	484	56	1,769	242
Net gain/(loss) on derecognition of financial assets at FVOCI		(432)	28	(295)	29
Net gain/(loss) on foreign exchange and transactions with precious metals and derivative financial instruments	6	2,364	(3,162)	4,645	4,151
Other impairment and provisions	11	143	(170)	(9)	(808)
Share of profit of joint ventures		-	5	-	6
Other operating income	7	3,632	125	4,625	762
<b>Operating income</b>		<b>36,781</b>	<b>37,523</b>	<b>60,458</b>	<b>32,811</b>
Revenue and other gains from other non-banking business	8	3,694	1,502	7,044	2,747
Cost and other losses from other non-banking business	8	(3,312)	(1,259)	(5,720)	(2,447)
<b>Net gain from other non-banking business</b>		<b>382</b>	<b>243</b>	<b>1,324</b>	<b>300</b>
Revaluation of buildings and investment property		(2)	-	(2)	-
Personnel expenses	9	(10,041)	(6,722)	(17,473)	(12,531)
Other general and administrative expenses	10	(7,242)	(4,029)	(12,375)	(8,267)
<b>Profit before income tax expense</b>		<b>19,878</b>	<b>27,015</b>	<b>31,932</b>	<b>12,313</b>
Income tax expense	12	(3,489)	(5,416)	(5,728)	(2,462)
<b>Profit for the reporting period</b>		<b>16,389</b>	<b>21,599</b>	<b>26,204</b>	<b>9,851</b>
<b>Profit for the reporting period attributable to:</b>					
- shareholders of the Bank		16,280	21,476	25,988	9,651
- non-controlling interests		109	123	216	200
<b>Basic and diluted earnings per ordinary share attributable to the Bank's shareholders (RUB per share)</b>	27	<b>0.83</b>	<b>1.10</b>	<b>1.32</b>	<b>0.47</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		(148)	1,919	(4,893)	502
Change in allowance for expected credit losses on debt instruments at FVOCI, net of tax		(121)	32	(43)	71
<i>Other comprehensive income not to be reclassified subsequently to profit or loss</i>					
Net losses on investment securities at FVOCI, net of tax		362	-	362	-
Revaluation of buildings, net of tax		-	(4)	-	(4)
<b>Other comprehensive income/(loss), net of tax</b>		<b>93</b>	<b>1,947</b>	<b>(4,574)</b>	<b>569</b>
<b>Total comprehensive income</b>		<b>16,482</b>	<b>23,546</b>	<b>21,630</b>	<b>10,420</b>
<b>Comprehensive income attributable to:</b>					
- shareholders of the Bank		16,373	23,423	21,414	10,220
- non-controlling interests		109	123	216	200

Approved on 30 August 2021

  
Mr. Dmitry Gusev  
Chairman of the Management Board

  
Mr. Dmitry Baryshnikov  
Financial Director

  
Mr. Andrei Osnos  
Managing Director

The interim consolidated statement of comprehensive income is to be read in conjunction with Notes 1 to 37 to, and forming an integral part of, the interim condensed consolidated financial statements.

**Interim consolidated statement of financial position****as at 30 June 2021**

	<b>Note</b>	<b>30 June 2021 (unaudited) RUB MM</b>	<b>31 December 2020 RUB MM</b>
<b>Assets</b>			
Cash and cash equivalents	13	185,307	148,886
Mandatory cash balances with the CBR		11,799	7,559
Placements with banks and bank bonds at amortized cost			
- held by the Group	14	46,979	41,993
- pledged under repo	14	7,756	9,122
Financial instruments at FVPL			
- held by the Group	15	236,634	229,395
- pledged under repo	15	112,064	135,258
Financial instruments at FVOCI			
- held by the Group	18	168,167	154,847
- pledged under repo	18	14,177	1,651
Loans to customers and corporate bonds at amortized cost			
- held by the Group	17	974,470	697,268
- pledged under repo	17	23,245	13,844
Change in the fair value of hedged assets	16	279	1,335
Investments in associates		686	646
Investment property		3,247	102
Property and equipment and intangible assets		15,786	10,895
Right-of-use assets	20	6,187	3,789
Goodwill		3,494	1,662
Current income tax asset		824	96
Deferred tax asset		6,774	532
Other assets	26	36,297	24,480
<b>Total assets</b>		<b>1,854,172</b>	<b>1,483,360</b>
<b>Liabilities</b>			
Due to the CBR	21	2,535	1,802
Due to banks	22	202,571	154,579
Due to customers	19	1,253,163	998,593
Debt securities issued	23	54,770	37,757
Other borrowed funds	24	23,755	21,880
Deferred tax liability		3,137	2,706
Current income tax payable		127	632
Subordinated debt	25	29,182	29,765
Other liabilities	26	78,026	47,357
<b>Total liabilities</b>		<b>1,647,266</b>	<b>1,295,071</b>
<b>Equity</b>			
Share capital	27	1,969	1,969
Treasury shares	27	(5,211)	(5,211)
Other capital contributions		25,770	25,842
Reserves for financial instruments at FVOCI		(3,594)	980
Perpetual subordinated bonds	27	25,679	26,216
Revaluation reserve for buildings		452	452
Retained earnings		153,541	136,011
<b>Total equity attributable to shareholders of the Bank</b>		<b>198,606</b>	<b>186,259</b>
Non-controlling interests		8,300	2,030
<b>Total equity</b>		<b>206,906</b>	<b>188,289</b>
<b>Total equity and liabilities</b>		<b>1,854,172</b>	<b>1,483,360</b>

Approved on 30 August 2021



Mr. Dmitry Gusev  
Chairman of the Management Board



Mr. Dmitry Baryshnikov  
Financial Director



Mr. Andrei Osnos  
Managing Director

The interim consolidated statement of financial position is to be read in conjunction with Notes 1 to 37 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 2021**

	<i>Note</i>	<i>For the six months ended 30 June (unaudited)</i>	
		<i>2021 RUB MM</i>	<i>2020 RUB MM</i>
Cash flows from operating activities before changes in operating assets and liabilities		42,324	17,176
Increase in operating assets		(223,386)	(327,759)
Increase in operating liabilities		160,084	288,025
<b>Net cash flows from operating activities before income tax</b>		<b>(20,978)</b>	<b>(22,558)</b>
Income tax paid		(5,715)	(5,506)
<b>Cash flows from operating activities</b>		<b>(26,693)</b>	<b>(28,064)</b>
<b>Cash flows from investing activities</b>		<b>54,363</b>	<b>18,168</b>
<b>Cash flows from financing activities</b>		<b>10,204</b>	<b>17,744</b>
<b>Net increase in cash and cash equivalents</b>		<b>37,874</b>	<b>7,848</b>
Effect of exchange rate changes on cash and cash equivalents		(1,453)	4,364
Cash and cash equivalents at the beginning of the period		148,886	107,761
<b>Cash and cash equivalents at the end of the period</b>	13	<b>185,307</b>	<b>119,973</b>

*The interim condensed consolidated statement of cash flows is to be read in conjunction with Notes 1 to 37 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 2021**

	Share capital RUB MM	Treasury shares	Other capital contributions RUB MM	Revaluation reserve for property RUB MM	Reserves 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 interest RUB MM	Total equity RUB MM
<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 27)	-	-	-	-	-	-	-	-	(150)	(150)
Perpetual subordinated bonds issued (Note 27)	-	-	-	-	-	18,808	-	18,808	-	18,808
Perpetual subordinated bonds purchased (Note 27)	-	-	-	-	-	(3,357)	-	(3,357)	-	(3,357)
Revaluation of perpetual subordinated bonds (Note 27)	-	-	-	-	-	3,174	(3,174)	-	-	-
Interest on perpetual subordinated bonds (Note 27)	-	-	-	-	-	-	(923)	(923)	-	(923)
Tax effect recognized in respect of perpetual subordinated bonds	-	-	-	-	-	-	89	89	-	89
Purchase of ordinary shares (Note 27)	-	(5,211)	-	-	-	-	-	(5,211)	-	(5,211)
Share-based payments (Note 30)	-	-	186	-	-	-	-	186	-	186
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	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>
<b>As at 1 January 2021</b>	<b>1,969</b>	<b>(5,211)</b>	<b>25,842</b>	<b>452</b>	<b>980</b>	<b>26,216</b>	<b>136,011</b>	<b>186,259</b>	<b>2,030</b>	<b>188,289</b>
Net profit for the period	-	-	-	-	-	-	25,988	25,988	216	26,204
Other comprehensive income for the period	-	-	-	-	(4,574)	-	-	(4,574)	-	(4,574)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,574)</b>	<b>-</b>	<b>25,988</b>	<b>21,414</b>	<b>216</b>	<b>21,630</b>
Dividends (Note 27)	-	-	-	-	-	-	(6,567)	(6,567)	(198)	(6,765)
Revaluation of perpetual subordinated bonds (Note 27)	-	-	-	-	-	(537)	537	-	-	-
Interest on perpetual subordinated bonds (Note 27)	-	-	-	-	-	-	(1,053)	(1,053)	-	(1,053)
Tax effect recognized in respect of perpetual subordinated bonds	-	-	-	-	-	-	(90)	(90)	-	(90)
Share-based payments (Note 30)	-	-	(72)	-	-	-	-	(72)	-	(72)
Acquisition of business	-	-	-	-	-	-	-	-	6,252	6,252
Put options for non-controlling interests (Note 37)	-	-	-	-	-	-	(1,285)	(1,285)	-	(1,285)
<b>As at 30 June 2021 (unaudited)</b>	<b>1,969</b>	<b>(5,211)</b>	<b>25,770</b>	<b>452</b>	<b>(3,594)</b>	<b>25,679</b>	<b>153,541</b>	<b>198,606</b>	<b>8,300</b>	<b>206,906</b>

The interim consolidated statement of changes in equity is to be read in conjunction with Notes 1 to 37 to, and forming an integral part of, the interim condensed consolidated financial statements.

## 1. Introduction

### 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 36 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 depositary 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 operates primarily in the Russian Federation.

The Group includes a digital public procurement platform comprising [www.rts-tender.ru](http://www.rts-tender.ru), an online platform for public procurement. The Group is one of the largest federal operators of electronic trading for government customers (44-FZ), state-owned companies (223-FZ) and commercial enterprises. The Group helps 671 thousand companies, mainly small and medium-sized businesses, to sell their goods and services through this electronic trading.

The Group includes Sovcombank Insurance JSC (former name: Liberty Insurance), which purchased Sovcombank from Liberty Mutual in 2020, and Sovcombank Life JSC (former name: MetLife JSC), which purchased Sovcombank from MetLife, Inc. in 2021 (Note 34).

Starting from 2017, the Group has been developing the “Halva” project. Halva is a next-generation digital platform that enables 7.1 million retail customers to buy goods and services from 208 thousand operating partner stores of the Group, paying for these goods and services in equal installments for 2-12 months with no interest and commission charged. Halva enables partner stores to attract new customers, ensures significantly greater loyalty of existing ones and growth in their sales due to an increase in both customer traffic and average spend.

As at 30 June 2021, the Group has 2,942 offices located in 1,037 cities and towns across 77 constituent entities of the Russian Federation (31 December 2020: 2,334 offices located in 988 cities and towns across 76 constituent entities of the Russian Federation).

As at 30 June 2021, the Group’s customers can withdraw and deposit cash through 5,659 ATMs and cash-in terminals (31 December 2020: 4,363 ATMs and cash-in terminals).

As at 30 June 2021, the Group serves 11.9 million customers: 11.1 million borrowers, 0.6 million depositors, and 0.2 million corporate customers (31 December 2020: 8.5 million customers: 7.8 million borrowers, 0.5 million depositors, and 0.2 million corporate customers).

As at 30 June 2021, the Bank has 24,466 employees (31 December 2020: 16,905 employees).

## 1. Background (continued)

### Shareholders

<i>Shareholders</i>	<b>Ownership, % 30 June 2021</b>	<b>Ownership, % 31 December 2020</b>
Sovco Capital Partners S.à r.l.	86.5%	86.5%
Other beneficiaries	10.1%	10.1%
Treasury shares	3.4%	3.4%
<b>Total ownership</b>	<b>100%</b>	<b>100%</b>

As at 30 June 2021 and 31 December 2020, no single beneficiary owner ultimately controls the Group (Note 27).

Sovco Capital Partners S.à r.l. (former name: Sovco Capital Partners B.V.), a holding company registered in Luxembourg, is owned by a group of Russian individuals, including the key members of management and the Supervisory Board of the Bank, but is not controlled by any ultimate beneficial owner. In 2021, the company changed its country of registration from the Kingdom of the Netherlands to the Grand Duchy of Luxembourg.

On 15 June 2021, shareholders of Sovco Capital Partners S.à r.l. approved the transfer of the registered office from Luxembourg to the Russian Federation. The full name of the Company: Sovco Capital Partners International Joint-Stock Company. As at the date of the financial statements, the Company is awaiting legal registration in the Russian Federation.

Sovco Capital Partners S.à r.l. is a tax resident of the Russian Federation since 1 January 2016.

The composition of other beneficiaries is presented in the table below:

<i>Other beneficiaries</i>	<b>Ownership, % 30 June 2021</b>	<b>Ownership, % 31 December 2020</b>
Public Investment Fund	3.3%	3.3%
Russia-China Investment Fund	2.0%	2.0%
Russian Direct Investment Fund	1.3%	1.3%
Russia-Japan Investment Fund	1.3%	1.3%
Qatar Investment Authority	1.0%	1.0%
SBI Holdings, Inc.	0.5%	0.5%
Other	0.7%	0.7%
<b>Total ownership</b>	<b>10.1%</b>	<b>10.1%</b>

A short description of other beneficiaries is presented below:

- ▶ Public Investment Fund (“PIF”) is a sovereign fund of the Kingdom of Saudi Arabia. The sole owner of PIF is the government of the Kingdom of Saudi Arabia represented by the Ministry of Finance 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 sole owner of CIC is the government of the People’s Republic of China represented by the State Council of the People’s Republic of China.
- ▶ The Russian Direct Investment Fund is a sovereign investment fund of the Russian Federation. The sole shareholder the Russian Direct Investment Fund is the government of the Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo).
- ▶ Russia-Japan Investment Fund is a fund established by Japan Bank for International Cooperation (“JBIC”) and RDIF. The sole owner of JBIC is the government of Japan represented by Japan’s Cabinet of Ministers.
- ▶ Qatar Investment Authority (“QIA”) is a sovereign wealth fund of the Government of Qatar. The sole owner of QIA is the Government of Qatar.
- ▶ SBI Holdings, Inc. is a public investment company headquartered in Tokyo, Japan.
- ▶ “Other” represent Middle-Eastern sovereign funds.

## 1. Background (continued)

### 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 owners of the Bank)
- ▶ Aleksey Fisun (one of the ultimate owners of the Bank)
- ▶ Dmitry Khotimskiy (Chief Investment Director of the Bank)
- ▶ Sergey Khotimskiy (First Deputy Chairman of the Bank's Management Board).

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

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

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

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 changes 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.

### Effect of the COVID-19 pandemic

Due to the rapid spread of the COVID-19 pandemic in early 2020 the Russian Government have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the supply chain, demand for goods and services, as well as the scale of business activity in general. The pandemic itself as well as measures for its consequences' minimization influence the business of the entities in a wide range of industries. Since March 2020, significant volatility in public capital markets in numerous sectors of economy, stock, currency and commodity markets exists, including a decrease in oil prices and a decrease in RUB to USD and EUR foreign exchange rates.

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

## 1. Background (continued)

### Effect of the COVID-19 pandemic (continued)

In 2020, Sovcombank implemented its own programs to support retail borrowers affected by the COVID-19 pandemic and was involved in a number of government programs to support the population as well as small and medium-sized businesses. Sovcombank's programs to support the population mainly include a decrease in mandatory minimum regular payments on loans secured by immovable property or vehicles. Government support programs for small and medium-sized businesses comprise issue of the government subsidized loans mainly to the Bank's current customers.

Quantitative and qualitative effects of COVID-19 are 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.

During the first six months of 2021, the Group improved its forecast of the effect of a macroeconomic adjustment on expected credit losses. The improvement was due to the fact that calculations were based on relevant macroeconomic projections demonstrating positive trends as compared to the previous year forecasts, including in connection with the stabilization of the situation with COVID-19.

## 2. Basis of preparation

### General

These interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The Group prepares these financial statements on a going concern basis.

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 consolidated financial statements as at 31 December 2020.

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

### 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 2020.

#### *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2*

In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2* to address the accounting issues which arise upon the replacement of an interbank offered rate (IBOR) with a risk-free rate (RFR).

These amendments include a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

The Group is currently negotiating with counterparties about the terms of transition to new risk-free rates. During the first six months of 2021, there were no significant effects of the interest rate benchmark reform on the Group's financial statements.

### 3. Segment information

The Group has three operating segments:

- ▶ **Retail banking (“Retail”)**: providing banking services to low-income and medium-income retail customers, individual entrepreneurs and small businesses residing or located primarily in small towns. These services include mortgage, car and consumer lending, issuance of interest-free loans for the purchase of goods through the national installment cards “Halva” platform, placement of deposits and providing the Group’s customers of access to insurance products of both third-party insurance companies and insurance companies of the Group.
- ▶ **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, factoring services, 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 portfolio of securities; managing capital, risk and liquidity of the Group; foreign exchange and derivative transactions and other transactions, including those related to non-banking business, except for insurance services.

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 2021 (unaudited)</i>				
	<i>Retail RUB MM</i>	<i>CB RUB MM</i>	<i>Treasury RUB MM</i>	<i>Adjustments RUB MM</i>	<i>Total RUB MM</i>
<b>Revenue</b>					
Interest income	41,820	16,755	22,578	–	<b>81,153</b>
Fee and commission income	13,755	5,683	153	–	<b>19,591</b>
Net gain on derecognition of financial assets at amortized cost	–	–	1,769	–	<b>1,769</b>
Net gain on foreign exchange and transactions with precious metals and derivative financial instruments	(12)	810	3,847	–	<b>4,645</b>
Other operating income	17	202	4,404	–	<b>4,623</b>
Revenue and other gains from other non- banking business	6,084	–	960	–	<b>7,044</b>
Inter-segment revenue	2,877	6,388	–	(9,265)	–
<b>Total revenue</b>	<b>64,541</b>	<b>29,838</b>	<b>33,711</b>	<b>(9,265)</b>	<b>118,825</b>
<b>Expenses</b>					
Interest expense	(10,305)	(10,920)	(6,976)	–	<b>(28,201)</b>
Obligatory deposit insurance	(1,147)	(155)	–	–	<b>(1,302)</b>
Fee and commission expense	(3,828)	(322)	(648)	–	<b>(4,798)</b>
Allowances for credit losses	(7,966)	(5,045)	2,087	–	<b>(10,924)</b>
Net loss on financial instruments at FVPL	(266)	(433)	(5,097)	–	<b>(5,796)</b>
Net loss on derecognition of financial assets at FVOCI	–	–	(295)	–	<b>(295)</b>
Other impairment and provisions	–	441	(450)	–	<b>(9)</b>
Personnel expenses	(11,016)	(4,265)	(2,192)	–	<b>(17,473)</b>
Other expenses	(7,749)	(1,255)	(3,371)	–	<b>(12,375)</b>
Cost and other losses from other non-banking business	(4,917)	–	(803)	–	<b>(5,720)</b>
Inter-segment expenses	–	–	(9,265)	9,265	–
<b>Total expenses</b>	<b>(47,194)</b>	<b>(21,954)</b>	<b>(27,010)</b>	<b>9,265</b>	<b>(86,893)</b>
<b>Segment results</b>	<b>17,347</b>	<b>7,884</b>	<b>6,701</b>	<b>–</b>	<b>31,932</b>
Income tax expense					<b>(5,728)</b>
<b>Profit for the reporting period</b>					<b>26,204</b>

**3. Segment information (continued)**

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

### 3. Segment information (continued)

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

	<b>30 June 2021</b> <b>(unaudited)</b>			
	<b>Retail</b> <b>RUB MM</b>	<b>CB</b> <b>RUB MM</b>	<b>Treasury</b> <b>RUB MM</b>	<b>Total</b> <b>RUB MM</b>
<b>Segment assets</b>				
Cash and cash equivalents	46,941	39,312	99,054	<b>185,307</b>
Mandatory cash balances with the CBR	4,447	7,352	–	<b>11,799</b>
Placements with banks	1,972	26,909	15,666	<b>44,547</b>
Bank bonds at amortized cost	–	–	10,188	<b>10,188</b>
Financial instruments at FVPL	6,176	17,460	325,062	<b>348,698</b>
Financial instruments at FVOCI	21,563	–	160,781	<b>182,344</b>
Loans to customers at amortized cost	431,911	526,193	3,979	<b>962,083</b>
Corporate bonds at amortized cost	191	–	35,441	<b>35,632</b>
Change in the fair value of hedged assets	–	–	279	<b>279</b>
Investments in associates	–	–	686	<b>686</b>
Investment property	–	3,247	–	<b>3,247</b>
Property and equipment and intangible assets	11,490	2,249	2,047	<b>15,786</b>
Right-of-use assets	357	–	5,830	<b>6,187</b>
Goodwill	–	2,418	1,076	<b>3,494</b>
Current income tax asset	170	–	654	<b>824</b>
Deferred tax asset	232	–	6,542	<b>6,774</b>
Other assets	9,042	21,147	6,108	<b>36,297</b>
	<b>534,492</b>	<b>646,287</b>	<b>673,393</b>	<b>1,854,172</b>
<b>Segment liabilities</b>				
Due to the CBR	–	2,266	269	<b>2,535</b>
Due to banks	–	16,102	186,469	<b>202,571</b>
Due to customers	535,426	717,717	20	<b>1,253,163</b>
Debt securities issued	–	893	53,877	<b>54,770</b>
Other borrowed funds	–	–	23,755	<b>23,755</b>
Deferred tax liability	71	–	3,066	<b>3,137</b>
Current income tax payable	31	–	96	<b>127</b>
Subordinated debt	–	–	29,182	<b>29,182</b>
Other liabilities	28,543	11,154	38,329	<b>78,026</b>
	<b>564,071</b>	<b>748,132</b>	<b>335,063</b>	<b>1,647,266</b>

### 3. Segment information (continued)

	<b>31 December 2020</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	20,440	26,658	101,788	148,886
Mandatory cash balances with the CBR	2,855	4,704	–	7,559
Placements with banks	1,265	13,968	25,106	40,339
Bank bonds at amortized cost	–	–	10,776	10,776
Financial instruments at FVPL	1,470	12,983	350,200	364,653
Financial instruments at FVOCI	1,334	–	155,164	156,498
Loans to customers at amortized cost	298,038	346,939	387	645,364
Corporate bonds at amortized cost	278	–	65,470	65,748
Change in the fair value of hedged assets	–	–	1,335	1,335
Investments in associates	–	–	646	646
Investment property	–	102	–	102
Property and equipment and intangible assets	6,307	1,889	2,699	10,895
Right-of-use assets	39	–	3,750	3,789
Goodwill	–	585	1,077	1,662
Current income tax asset	–	–	96	96
Deferred tax asset	232	–	300	532
Other assets	4,775	9,878	9,827	24,480
	<b>337,033</b>	<b>417,706</b>	<b>728,621</b>	<b>1,483,360</b>
<b>Segment liabilities</b>				
Due to the CBR	–	1,016	786	1,802
Due to banks	–	12,734	141,845	154,579
Due to customers	409,910	570,631	18,052	998,593
Debt securities issued	–	993	36,764	37,757
Other borrowed funds	–	–	21,880	21,880
Deferred tax liability	–	–	2,706	2,706
Current income tax payable	12	–	620	632
Subordinated debt	–	–	29,765	29,765
Other liabilities	5,395	8,226	33,736	47,357
	<b>415,317</b>	<b>593,600</b>	<b>286,154</b>	<b>1,295,071</b>

The Retail balance sheet items consist of assets and liabilities directly related to the Group's retail segment, including.

- ▶ Financial instruments at FVPL and financial instruments at FVOCI comprise investments of the Group's insurance companies in highly liquid securities
- ▶ Other liabilities mainly comprise insurance provisions, i.e. outstanding claim provisions and provisions for unearned premiums of Sovcombank Insurance JSC and Sovcombank Life JSC (2020: Sovcombank Insurance JSC).

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
- ▶ Financial instruments at FVPL: issuers' bonds for which the Group acted as an underwriter
- ▶ Goodwill: goodwill recorded on the Group's balance sheet due to acquisition of online platform for public procurement RTS-Tender and RTS-Holding, as well as Economy Development Center JSC, an operator of the B2B-Center e-trade platform (Note 34)
- ▶ Other assets: cost of purchased precious metals in own or third-party vaults, fully covered by third-party insurance from loss
- ▶ Debt securities issued: interest-bearing and discount promissory notes issued by the Group.

### 3. Segment information (continued)

The Treasury balance sheet items included the following:

- ▶ Cash and cash equivalents: short-term repo transactions with Russian and foreign banks and Moscow Exchange Group
- ▶ Placements with banks: collateral for derivative financial instruments, correspondent accounts
- ▶ Property and equipment and intangible assets, deferred tax asset: intangible assets and deferred tax assets received by the Group due to business combination
- ▶ Due to banks: mainly funds raised under repo transactions with Russian and foreign banks and Moscow Exchange Group
- ▶ Due to customers: amounts due under repo agreements
- ▶ Debt securities issued: bonds issued by the Group
- ▶ Other borrowed funds: a loan issued by the DIA to Sovcombank for the financial rehabilitation of Express-Volga Bank JSC (Note 24)
- ▶ Other liabilities: liabilities under derivative financial instruments, including currency contracts, currency and interest rate swaps, and other derivative financial instruments recorded at fair value.

### 4. Net interest income

	<i>For the three months ended 30 June (unaudited)</i>		<i>For the six months ended 30 June (unaudited)</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>	<i>RUB MM</i>
<b>Interest income calculated using EIR method</b>				
Retail loans:	23,548	14,106	40,133	28,104
<i>Consumer loans</i>	5,375	4,477	10,931	9,114
<i>Installment cards</i>	9,657	3,542	14,278	6,513
<i>Car loans</i>	4,351	3,573	8,052	7,474
<i>Mortgage loans</i>	4,165	2,514	6,872	5,003
Corporate loans	9,087	6,093	15,889	11,339
Financial instruments at FVOCI	3,089	2,037	5,616	4,607
Placements with banks and financial institutions	1,286	276	2,316	752
Corporate bonds at amortized cost	730	1,981	1,483	3,673
Bank bonds at amortized cost	151	297	299	547
<b>Total interest income calculated using EIR method</b>	<b>37,891</b>	<b>24,790</b>	<b>65,736</b>	<b>49,022</b>
<b>Other interest income</b>				
Financial instruments at FVPL	6,106	6,586	12,211	11,028
Net gain on foreign currency swaps	1,344	1,315	2,187	3,275
Finance leases	516	396	1,019	804
<b>Total other interest income</b>	<b>7,966</b>	<b>8,297</b>	<b>15,417</b>	<b>15,107</b>
<b>Total interest income</b>	<b>45,857</b>	<b>33,087</b>	<b>81,153</b>	<b>64,129</b>
<b>Interest expense</b>				
Due to customers				
Individuals:				
- Term deposits	(5,854)	(5,656)	(10,585)	(11,680)
- Current accounts and demand deposits	(419)	(443)	(787)	(753)
Legal entities:				
- Term deposits	(5,773)	(2,921)	(9,628)	(5,963)
- Current accounts and demand deposits	(48)	(185)	(164)	(406)
- Amounts payable under repo	-	(19)	-	(98)
Due to banks	(1,089)	(2,403)	(2,384)	(3,345)
Other borrowed funds	(765)	(706)	(1,939)	(1,392)
Promissory notes and bonds issued	(654)	(490)	(1,385)	(871)
Subordinated debt	(547)	(659)	(1,079)	(1,253)
Lease liabilities	(155)	(103)	(250)	(225)
<b>Total interest expense</b>	<b>(15,304)</b>	<b>(13,585)</b>	<b>(28,201)</b>	<b>(25,986)</b>
Obligatory deposit insurance	(722)	(261)	(1,302)	(1,025)
<b>Net interest income</b>	<b>29,831</b>	<b>19,241</b>	<b>51,650</b>	<b>37,118</b>

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

Interest income on installment cards calculated using the EIR method includes fees from partner companies of the Halva program. For the six months of 2021, this income was RUB 1,221 MM (six months of 2020: RUB 952 MM).

“Finance lease” of “Other interest income” includes income received by the Group under lease agreements of Sovcombank Leasing LLC and Sovcom Leasing LLC.

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” installment card per month
- ▶ The customer is a participant of the financial protection program.

Accumulated MRG fees has been RUB 6.2 BN since the start of sales of this service. The major part of these fees will be recognized as interest income in the future periods following the assessment of payments to customers.

**5. Fee and commission income**

	<i>For the three months ended 30 June (unaudited)</i>		<i>For the six months ended 30 June (unaudited)</i>	
	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>
Financial protection program	3,584	2,600	5,939	5,634
Bank cards operations	3,316	1,306	5,809	3,195
Bank guarantees	1,375	896	2,434	1,751
Settlement operations	1,502	782	2,368	1,581
Electronic trading platforms	795	662	1,470	1,272
Securities underwriting	173	120	360	270
Lending operations	92	129	220	168
Currency control	120	106	218	210
Agent fee for selling insurance products	41	99	123	345
Cash operations	60	33	89	74
Other	474	140	561	192
	<b>11,532</b>	<b>6,873</b>	<b>19,591</b>	<b>14,692</b>

For the six months of 2021, bank card operations, among others, include fee and commission income of RUB 2,982 MM (six months of 2020: RUB 1,699 MM) from signing up holders of the “Halva” installment card and other bank cards for voluntary accident insurance plans.

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

	<i>For the three months ended 30 June (unaudited)</i>		<i>For the six months ended 30 June (unaudited)</i>	
	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>
Dealing	2,982	82	3,144	(3,699)
Net gain on derivative financial instruments	4,567	9,381	4,829	4,874
Foreign exchange differences	(5,185)	(12,625)	(3,328)	2,976
	<b>2,364</b>	<b>(3,162)</b>	<b>4,645</b>	<b>4,151</b>

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

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 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, total return 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. For the six months of 2021, foreign exchange differences also included currency revaluation of financial instruments at FVPL denominated in foreign currency and revaluation of precious metals in the amount of RUB (1,771) MM (six months of 2020: RUB 17,332 MM).

## 7. Other operating income

	<i>For the three months ended 30 June (unaudited)</i>		<i>For the six months ended 30 June (unaudited)</i>	
	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>
Bargain purchase gain (Note 34)	2,624	–	3,253	432
Gain on sale of subsidiaries	394	–	394	–
Disposal of foreclosed assets	99	56	358	139
Disposal of property and equipment	91	3	94	12
Income from operating sublease	43	19	60	32
Penalties received	33	–	45	–
Operations on electronic trading platforms	16	–	22	–
Gain on derecognition of leases	15	47	17	77
Other	317	–	382	70
	<b>3,632</b>	<b>125</b>	<b>4,625</b>	<b>762</b>

Bargain purchase gain for the six months of 2021 is a difference between the fair value of net assets of Sovcombank Life JSC and Vostochny Commercial Bank PJSC (six months of 2020: Sovcombank Insurance JSC and Volga-Caspian Joint-Stock Bank JSC) and the cash paid by the Group as at the date of the acquisition of the entity. More details are provided in Note 34.

## 8. Other non-banking activities

	<i>For the three months ended 30 June (unaudited)</i>		<i>For the six months ended 30 June (unaudited)</i>	
	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>
Revenue and other gains from insurance services	3,201	1,100	6,087	1,883
Revenue and other gains from software implementation and support services	382	401	736	697
Gains from Halva automatic parcel terminals	111	–	221	–
Revenue and other gains from ATM maintenance services	–	1	–	167
<b>Revenue and other gains from other non-banking activities</b>	<b>3,694</b>	<b>1,502</b>	<b>7,044</b>	<b>2,747</b>
Cost and other losses from insurance services	(2,886)	(917)	(4,917)	(1,588)
Cost and other losses from software implementation and support services	(426)	(342)	(803)	(683)
Cost and other losses from ATM maintenance services	–	–	–	(176)
<b>Cost and other losses from other non-banking activities</b>	<b>(3,312)</b>	<b>(1,259)</b>	<b>(5,720)</b>	<b>(2,447)</b>
<b>Net profit from other non-banking activities</b>	<b>382</b>	<b>243</b>	<b>1,324</b>	<b>300</b>

## 8. Other non-banking activities (continued)

Other non-banking activities mainly consist of services provided by the Group's insurance companies: Sovcombank Insurance JSC and Sovcombank Life JSC (in 2020: Sovcombank Insurance JSC). Software implementation and support is carried out by GMCS Management LLC. In 2020, ATMs were serviced by BTE LLC, which was sold by the Group to a third party in April 2020.

"Cost and other expenses from insurance activities" mainly includes incurred insurance losses, acquisition and other insurance expenses.

## 9. Personnel expenses

	<i>For the three months ended 30 June (unaudited)</i>		<i>For the six months ended 30 June (unaudited)</i>	
	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>
Payroll, including bonuses	(8,000)	(5,309)	(13,765)	(9,898)
Payroll-related taxes	(2,041)	(1,413)	(3,708)	(2,633)
	<b>(10,041)</b>	<b>(6,722)</b>	<b>(17,473)</b>	<b>(12,531)</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 three months ended 30 June (unaudited)</i>		<i>For the six months ended 30 June (unaudited)</i>	
	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>
Advertising and marketing	(1,510)	(527)	(2,788)	(1,202)
Professional services and cash replenishment services	(964)	(704)	(1,673)	(1,380)
Depreciation of right-of-use assets	(680)	(526)	(1,244)	(1,071)
Software support	(689)	(362)	(1,115)	(671)
Telecommunication and postal services	(518)	(355)	(907)	(740)
Amortization of intangible assets	(375)	(353)	(733)	(697)
Maintenance of property and equipment	(508)	(154)	(732)	(376)
Inventory	(415)	(217)	(713)	(563)
Transport and business travel	(295)	(162)	(489)	(367)
Depreciation of property and equipment	(223)	(146)	(375)	(284)
Leases	(221)	(99)	(354)	(220)
Taxes other than income tax	(196)	(45)	(219)	(67)
Security	(99)	(66)	(172)	(141)
Property insurance	(72)	(48)	(114)	(93)
Other	(477)	(265)	(747)	(395)
	<b>(7,242)</b>	<b>(4,029)</b>	<b>(12,375)</b>	<b>(8,267)</b>

**11. Other impairment and provisions**

	<i>For the three months ended 30 June (unaudited)</i>		<i>For the six months ended 30 June (unaudited)</i>	
	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>
Contingencies	47	(21)	316	(137)
Foreclosed assets	30	(14)	66	(51)
Litigations	115	(114)	(4)	(216)
Impairment of investments in associates	-	(28)	-	(63)
Impairment of goodwill	-	(34)	-	(34)
Other assets	(49)	41	(387)	(307)
	<b>143</b>	<b>(170)</b>	<b>(9)</b>	<b>(808)</b>

Reversal of provisions for contingencies relates to decrease of the portfolio of non-financial bank guarantees primarily issued to suppliers in accordance with Federal Laws No. 44-FZ and No. 223-FZ. The portion of non-financial bank guarantees amounted to RUB 213,451 MM as at 30 June 2021 (31 December 2020: RUB 174,480 MM) (Note 28).

Provisions for litigations relate to the following lawsuits:

- ▶ Initiated by individuals seeking refunds for fees and commissions
- ▶ Initiated by beneficiaries of bank guarantees issued by the Bank.

Provisions for other assets mainly relate to the accounts receivable arising from the Group's payments to beneficiaries of bank guarantees under non-financial bank guarantees.

Movements in other provisions for the six months ended 30 June 2021 and 2020 are as follows:

	<i>Provision for other assets RUB MM</i>	<i>Provision for litigations RUB MM</i>	<i>Provision for contingencies RUB MM</i>	<i>Impairment of investments in associates RUB MM</i>	<i>Provision for foreclosed assets RUB MM</i>	<i>Total RUB MM</i>
<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>
Charge/(reversal)	307	216	137	63	51	774
Write-off	(328)	-	-	-	-	(328)
Settlement of liabilities	-	(346)	-	-	-	(346)
Effect of business combination	-	-	-	-	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>
<b>As at 1 January 2021</b>	<b>1,133</b>	<b>385</b>	<b>3,737</b>	<b>-</b>	<b>297</b>	<b>5,552</b>
Charge/(reversal)	387	4	(316)	-	(66)	9
Write-off	(356)	-	-	-	-	(356)
Settlement of liabilities	-	(302)	-	-	-	(302)
Effect of business combination	-	1,743	1,797	-	-	3,540
<b>As at 30 June 2021 (unaudited)</b>	<b>1,164</b>	<b>1,830</b>	<b>5,218</b>	<b>-</b>	<b>231</b>	<b>8,443</b>

A reversal of provisions for contingencies of RUB 316 MM for the six months of 2021 reflects the Group's projections for losses on the portfolio of non-financial bank guarantees. The Group calculates the projections based on statistical data and on an individual basis.

**12. Income tax expense**

	<i>For the three months ended 30 June (unaudited)</i>		<i>For the six months ended 30 June (unaudited)</i>	
	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>	<i>2021 RUB MM</i>	<i>2020 RUB MM</i>
Current income tax	(2,934)	(1,259)	(4,884)	(1,321)
Origination of temporary differences	(555)	(4,157)	(844)	(1,141)
	<b>(3,489)</b>	<b>(5,416)</b>	<b>(5,728)</b>	<b>(2,462)</b>

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

**13. Cash and cash equivalents**

Cash comprises:

	<i>30 June 2021 (unaudited) RUB MM</i>	<i>31 December 2020 RUB MM</i>
Short-term deposits and reverse repo transactions with banks and financial institutions maturing in less than 90 days	94,073	767
Due from the CBR	53,296	98,965
Cash on hand	20,619	14,606
Nostro accounts with banks and financial institutions	16,060	28,523
Short-term deposits with OECD banks maturing in less than 90 days	108	4,354
Nostro accounts with OECD banks	1,151	1,671
	<b>185,307</b>	<b>148,886</b>

As at 30 June 2021, short-term deposits and reverse repo transactions with Russian banks and financial institutions maturing in less than 90 days primarily include transactions with Moscow Exchange Group. The increase was due to the placement of temporarily available cash of the Group.

Cash on hand includes cash in ATMs and in transit.

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

	<i>30 June 2021 (unaudited) RUB MM</i>	<i>31 December 2020 RUB MM</i>
Term deposits with banks	28,059	15,346
Collateral for derivative financial instruments and repo	13,086	20,600
Bank bonds and Eurobonds pledged under repo	7,777	9,148
Term deposits with OECD banks	3,645	4,505
Bank bonds and Eurobonds held by the Group	2,434	1,662
<b>Total placements with banks and bank bonds at amortized cost</b>	<b>55,001</b>	<b>51,261</b>
Less: allowance for impairment	(266)	(146)
<b>Placements with banks and bank bonds at amortized cost, net</b>	<b>54,735</b>	<b>51,115</b>

As at 30 June 2021 and 31 December 2020, all bank bonds and Eurobonds at amortized cost were included into Stage 1. Allowance for ECL amounted to RUB 23 MM and RUB 34 MM, respectively.

#### 14. Placements with banks and bank bonds at amortized cost (continued)

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 2021 (unaudited) RUB MM</b>	<b>31 December 2020 RUB MM</b>
<b>Russian bank bonds at amortized cost</b>		
Issuers with credit rating from BBB+ to BBB-	6,019	6,416
Issuers with credit rating from BB+ to BB-	4,192	4,394
<b>Total bonds at amortized cost</b>	<b>10,211</b>	<b>10,810</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 credit ratings from several international rating agencies, only the highest rating is taken into account:

	<b>30 June 2021 (unaudited) RUB MM</b>	<b>31 December 2020 RUB MM</b>
<b>Placements with banks</b>		
Banks with credit rating from AA+ to AA-	4,012	7,690
Banks with credit rating from A+ to A-	11,943	13,755
Banks with credit rating from BBB+ to BBB-	2,344	4,887
Banks with credit rating from BB+ to BB-	16,780	8,476
Banks with credit rating from B+ to B-	9,206	5,643
Unrated banks	505	-
<b>Total placements with banks</b>	<b>44,790</b>	<b>40,451</b>

Banks unrated by international rating agencies are rated by the Russian rating agencies.

#### 15. Financial instruments at FVPL

	<b>30 June 2021 (unaudited) RUB MM</b>	<b>31 December 2020 RUB MM</b>
<b>Held by the Group</b>		
Corporate bonds and Eurobonds	115,652	110,012
Bonds and Eurobonds of companies with state participation	88,049	77,335
Russian subfederal and municipal bonds	13,055	21,515
Derivative financial instruments	7,513	3,610
Corporate shares and units	5,369	8,367
Shares of companies with state participation	4,191	4,692
Eurobonds of the Russian Federation	1,612	2,586
Foreign government bonds and Eurobonds	1,134	1,225
Russian State bonds (OFZ)	59	53
<b>Total financial instruments at FVPL held by the Group</b>	<b>236,634</b>	<b>229,395</b>
<b>Pledged under repo</b>		
Bonds and Eurobonds of companies with state participation	66,186	88,212
Corporate bonds and Eurobonds	40,766	42,556
Russian subfederal and municipal bonds	5,111	4,483
Shares of companies with state participation	1	7
<b>Total financial instruments at FVPL pledged under repo</b>	<b>112,064</b>	<b>135,258</b>
<b>Total financial instruments at FVPL</b>	<b>348,698</b>	<b>364,653</b>

Units of RUB 4,951 MM (31 December 2020: RUB 7,916 MM) represent a seed investment in a mutual investment fund Sovcom USD High Yield Fund registered in Ireland and regulated by the Central Bank of Ireland.

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

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 securities and derivatives portfolios. Losses on transactions with derivatives at FVPL for the six months of 2021 amounted to RUB (5,796) MM (six months of 2020: RUB (8,332) MM).

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

	<b>30 June 2021</b> <b>(unaudited)</b> <b>RUB MM</b>	<b>31 December</b> <b>2020</b> <b>RUB MM</b>
<b>Securities at FVPL</b>		
Issuers with credit rating from AA+ to AA-	1,827	1,879
Issuers with credit rating from A+ to A-	1,539	1,463
Issuers with credit rating from BBB+ to BBB-	111,195	136,345
Issuers with credit rating from BB+ to BB-	161,257	138,707
Issuers with credit rating from B+ to B-	34,153	38,577
Issuers with credit rating from CC to CCC	33	763
Unrated issuers	31,181	43,309
<b>Total securities at FVPL</b>	<b>341,185</b>	<b>361,043</b>
<b>Derivative financial instruments</b>		
Counterparties with credit rating from AA+ to AA-	1,733	702
Counterparties with credit rating from A+ to A-	4,084	1,940
Counterparties with credit rating from BBB+ to BBB-	1,367	316
Counterparties with credit rating from BB+ to BB-	60	43
Counterparties with credit rating from B+ to B-	28	123
Unrated counterparties	241	486
<b>Total derivative financial instruments</b>	<b>7,513</b>	<b>3,610</b>
<b>Total financial instruments at FVPL</b>	<b>348,698</b>	<b>364,653</b>

Issuers not rated by international rating agencies were assigned the following ratings by the Russian rating agencies (using the national scale):

	<b>30 June 2021</b> <b>(unaudited)</b>				<b>31 December 2020</b>			
	<i>Corporate shares and bonds of companies with state participation</i>	<i>Russian subfederal and municipal bonds</i>	<i>Investments and in mutual investment fund</i>	<i>Total</i>	<i>Corporate shares and bonds of companies with state participation</i>	<i>Russian subfederal and municipal bonds</i>	<i>Investments and in mutual investment fund</i>	<i>Total</i>
Issuers with credit rating from AA+ to AA-	8,256	246	-	<b>8,502</b>	13,712	259	-	<b>13,971</b>
Issuers with credit rating from A+ to A-	4,952	733	-	<b>5,685</b>	2,266	953	-	<b>3,219</b>
Issuers with credit rating from BBB+ to BBB-	742	7,121	-	<b>7,863</b>	780	7,529	-	<b>8,309</b>
Issuers with credit rating from BB+ to BB-	2	416	-	<b>418</b>	12	582	-	<b>594</b>
Unrated issuers	799	2,963	4,951	<b>8,713</b>	6,235	3,065	7,916	<b>17,216</b>
	<b>14,751</b>	<b>11,479</b>	<b>4,951</b>	<b>31,181</b>	<b>23,005</b>	<b>12,388</b>	<b>7,916</b>	<b>43,309</b>

As at 30 June 2021, maturities of bonds at FVPL were within the following range: July 2021 – December 2049 and perpetual bonds (31 December 2020: February 2021 – December 2049 and perpetual bonds).

The coupon rates were from 1.3% to 12.8% for USD-denominated debt securities, from 3.1% to 6.1% for EUR denominated debt securities, 9.5% for GBP-denominated debt securities, and from 2.0% to 16.0% for RUB denominated debt securities (31 December 2020: from 1.7% to 12.8% for USD-denominated debt securities, 5.2% for EUR-denominated debt securities, from 7.5% to 9.5% for GBP-denominated debt securities, and from 2.0% to 16.0% for RUB-denominated debt securities).

## 15. Financial instruments at FVPL (continued)

As at 30 June 2021, the share of the largest corporate issuer, a company with state participation, in the aggregate portfolio of securities at FVPL was 15.4%. The maturities of this issuer's bonds ranged from March 2024 to April 2041 and the Group also invested in perpetual bonds; coupon rate was ranged from 6.6% to 9.9% (31 December 2020: the share of the largest issuer was 15.6%, maturities of this issuer's bonds ranged from June 2024 to April 2041 and the Group also invested in perpetual bonds; coupon rate ranged from 6.6% to 9.9%).

### Derivative financial instruments

The Group manages interest and currency risks using 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 2021 (unaudited)			31 December 2020		
	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	164,805	1,015	11,058	168,308	1,213	15,273
Interest rate swaps – Russian counterparties	86,387	202	1,153	43,938	4	1,405
Cross currency interest rate swaps – foreign counterparties	17,626	1,001	149	21,707	205	572
Cross currency interest rate swaps – Russian counterparties	7,991	450	–	19,543	200	1,261
Currency swaps – foreign counterparties	17,287	108	80	29,016	363	68
Currency swaps – Russian counterparties	125,816	746	223	14,079	150	119
Currency forwards and options – foreign counterparties	3,023	3	2	9	1	–
Currency forwards and options – Russian counterparties	13,235	195	24	15,034	261	20
Credit default swaps – foreign counterparties	11,218	11	958	16,031	50	1,783
Total return swaps – foreign counterparties	17,728	2,834	2	38,767	190	135
Precious metals contracts – foreign counterparties	21,456	325	9	5,583	11	14
Precious metals contracts – Russian counterparties	7,702	15	453	5,140	9	63
Securities and indices contracts – foreign counterparties	8,669	608	–	10,603	775	–
Securities and indices contracts – Russian counterparties	–	–	–	2,252	178	392
<b>Total derivative assets or liabilities</b>	<b>502,943</b>	<b>7,513</b>	<b>14,111</b>	<b>390,010</b>	<b>3,610</b>	<b>21,105</b>

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

The Group applies 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 2021, 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 10,211 MM and RUB 19,016 MM, respectively (31 December 2020: RUB 10,810 MM and RUB 44,671 MM, respectively). During the six months of 2021, 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 2021, their nominal value was RUB 45,279 MM, average maturity is 3.1 years (31 December 2020: RUB 63,896 MM and 3.7 years).

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

As at 30 June 2021, the effect of applying the hedge amounted to RUB 279 MM and was recognized within "Change in the fair value of hedged assets" in the consolidated statement of financial position (31 December 2020: RUB 1,335 MM). For the six months ended 30 June 2021, the revaluation of the hedged item recognized within "Net loss on financial instruments at FVPL" in the interim consolidated statement of comprehensive income was RUB (1,056) MM (for the six months ended 30 June 2021: RUB 4,126 MM).

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 be ineffective 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 2021 and 31 December 2020 is presented in the table below:

	<b>30 June 2021 (unaudited)</b>		<b>31 December 2020</b>		<b>Item of the statement of financial position</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>	
Interest rate swaps	45,279	(1,547)	63,896	(3,353)	Financial instruments at FVPL

The effect of the hedging instrument on the statement of financial position as at 30 June 2021 and 31 December 2020 is presented in the table below:

	<b>30 June 2021 (unaudited)</b>		<b>31 December 2020</b>		<b>Item of the statement of financial position</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>	
Corporate bonds at amortized cost	19,016	186	44,671	1,151	Loans to customers and bonds at amortized cost
Bank bonds at amortized cost	10,211	93	10,810	184	Placements with banks and bank bonds at amortized cost
	<b>29,227</b>	<b>279</b>	<b>55,481</b>	<b>1,335</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 2021</b> <b>(unaudited)</b> <b>RUB MM</b>	<b>31 December</b> <b>2020</b> <b>RUB MM</b>
<b>Retail loans</b>		
Installment cards	125,009	60,915
Car loans	120,783	108,886
Mortgage loans	120,618	82,445
Consumer loans	88,129	68,547
<b>Total retail loans</b>	<b>454,539</b>	<b>320,793</b>
<b>Corporate loans and bonds at amortized cost</b>		
Corporate loans	421,453	262,058
Loans to small businesses and other loans to customers*	115,402	85,775
Corporate bonds and Eurobonds	17,847	34,556
Bonds and Eurobonds of companies with state participation	11,144	22,938
Loans to constituent entities and municipalities of the Russian Federation	8,839	8,806
Eurobonds of the Russian Federation	3,740	3,828
Russian subfederal and municipal bonds	3,044	4,636
<b>Total corporate loans and bonds at amortized cost</b>	<b>581,469</b>	<b>422,597</b>
<b>Total loans to customers and bonds at amortized cost</b>	<b>1,036,008</b>	<b>743,390</b>
Less: allowance for loan impairment	(38,293)	(32,278)
<b>Loans to customers and bonds at amortized cost, net</b>	<b>997,715</b>	<b>711,112</b>

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

Installment cards allow customers to pay for goods over two to thirty-six months in installments. 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 plans provided to the customer. The customer repays loan principal in even installments during the installment period. If necessary, customers may receive additional services, for which fees may be charged. 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 by decision of the Bank unilaterally and at any time.

As at 30 June 2021, installment and credit cards comprised receivables from customers in the amount of RUB 67,168 MM ("Halva" installment cards) and RUB 57,841 MM (credit cards) (31 December 2020: RUB 58,840 MM and RUB 2,075 MM, respectively). The "Halva" card portfolio includes receivables totaling RUB 6,892 MM from customers who joined Sovcombank upon purchase of the "Sovest" business in Q3 2020. The total number of "Halva" installment cards issued is 7.1 million, the number of valid cards on 30 June 2021 – 6.1 million. The credit card portfolio was acquired by Sovcombank in the course of mergers and acquisitions, including business combination with Vostochny Commercial Bank PJSC. Credit cards of Vostochny Commercial Bank PJSC will be transferred to Sovcombank for servicing on the terms of the Halva installment card.

As at 30 June 2021, the Group entered into contracts with 53.4 thousand legal entities operating 208 thousand operating retail and online stores (31 December 2020: 55,2 thousand legal entities operating 199 thousand retail and online stores) to enable their customers to pay by installments with "Halva" cards. Fees and commissions received from the partners under the "Halva" program are recorded in interest income calculated using the EIR method (Note 4).

Car loans are special-purpose loans to finance a purchase of a new car, which is subsequently pledged as collateral for the loan, or loans secured by a car already owned by a borrower.

As at 30 June 2021, mortgage loans include due from customers in the amount of RUB 72,973 MM on loans issued for the purchase of residential housing (31 December 2020: RUB 54,654 MM) and in the amount of RUB 47,645 MM on loans secured by the pledge of already owned real estate and residential housing (31 December 2020: RUB 27,791 MM).

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

A decrease in investments in corporate bonds at amortized cost as at 30 June 2021 as compared with 31 December 2020 was due to the redemption of bonds by the issuer and due to the sale of bonds upon revision of the Group's securities portfolio management strategy.

For the six months of 2021, the Group recognized net gain from the derecognition of bonds at amortized cost (corporate bonds, bonds of companies with state participation, Russian subfederal and municipal bonds, bank bonds) of RUB 1,769 MM (for the six months of 2020: RUB 242 MM). This gain resulted from the sale of bonds after the revision of the Group's securities portfolio management strategy.

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

As at 30 June 2021, the carrying amount of loans issued to the ten largest borrowers was RUB 200,057 MM representing 34.4% of corporate loans and bonds at amortized cost portfolio or 10.8% of the Group's total assets. As at 31 December 2020, the carrying amount of loans issued to the ten largest borrowers was RUB 145,424 MM representing 34.4% of corporate loans and bonds at amortized cost portfolio or 9.8% of the Group's total assets. As at 30 June 2021, the Group recorded a provision for impairment of loans issued to the Group's ten largest borrowers in the amount of RUB 1,913 MM (31 December 2020: RUB 1,260 MM).

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 2021 (unaudited) RUB MM</b>	<b>31 December 2020 RUB MM</b>
<b>Bonds at amortized cost</b>		
Issuers with credit rating from BBB+ to BBB-	14,112	17,624
Issuers with credit rating from BB+ to BB-	16,511	41,656
Issuers with credit rating from B+ to B-	1	4
Unrated issuers	5,151	6,674
<b>Total bonds at amortized cost</b>	<b>35,775</b>	<b>65,958</b>

Issuers not rated by international rating agencies were assigned the following ratings by the Russian rating agencies (using the national scale):

	<b>30 June 2021 (unaudited)</b>			<b>31 December 2020</b>		
	<i>Corporate bonds and bonds of companies with state participation</i>	<i>Russian subfederal and municipal bonds</i>	<i>Total</i>	<i>Corporate bonds and bonds of companies with state participation</i>	<i>Russian subfederal and municipal bonds</i>	<i>Total</i>
<b>Bonds at amortized cost</b>						
Issuers with credit rating from A+ to A-	2,107	-	2,107	2,753	841	3,594
Issuers with credit rating from BB+ to BB-	-	363	363	-	369	369
Issuers unrated by Russian rating agencies	-	2,681	2,681	-	2,711	2,711
	<b>2,107</b>	<b>3,044</b>	<b>5,151</b>	<b>2,753</b>	<b>3,921</b>	<b>6,674</b>

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

The tables below show the movements of allowances for ECL on retail loans for the six months ended 30 June 2021 (unaudited).

	<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>
<b>Consumer loans</b>					
Balance as at 1 January 2021	3,064	702	4,566	-	8,332
Transfers to Stage 2	(55)	55	-	-	-
Transfers to Stage 3	(127)	(552)	679	-	-
Charge/(reversal) for the period	1,090	564	1,708	(785)	2,577
Write-offs	-	-	(3,374)	-	(3,374)
Recovery of write-offs*	-	-	185	855	1,040
<b>Balance as at 30 June 2021</b>	<b>3,972</b>	<b>769</b>	<b>3,764</b>	<b>70</b>	<b>8,575</b>
<b>Car loans</b>					
Balance as at 1 January 2021	2,005	348	2,482	-	4,835
Transfers to Stage 2	(14)	14	-	-	-
Transfers to Stage 3	(22)	(171)	193	-	-
Charge/(reversal) for the period	(561)	62	17	28	(454)
Write-offs	-	-	(1,265)	-	(1,265)
Recovery of write-offs*	-	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>1,408</b>	<b>253</b>	<b>1,427</b>	<b>28</b>	<b>3,116</b>

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

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

<i>Mortgage 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>
Balance as at 1 January 2021	1,437	256	1,759	–	3,452
Transfers to Stage 2	(17)	17	–	–	–
Transfers to Stage 3	(27)	(72)	99	–	–
Charge/(reversal) for the period	214	29	(158)	(375)	(290)
Write-offs	–	–	(353)	–	(353)
Recovery of write-offs	–	–	–	389	389
<b>Balance as at 30 June 2021</b>	<b>1,607</b>	<b>230</b>	<b>1,347</b>	<b>14</b>	<b>3,198</b>

<i>Installment cards</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 2021	2,827	306	2,949	132	6,214
Transfers to Stage 2	(23)	23	–	–	–
Transfers to Stage 3	(90)	(183)	273	–	–
Charge/(reversal) for the period	4,071	143	1,481	425	6,120
Write-offs	–	–	(2,096)	–	(2,096)
Recovery of write-offs	–	–	–	–	–
<b>Balance as at 30 June 2021</b>	<b>6,785</b>	<b>289</b>	<b>2,607</b>	<b>557</b>	<b>10,238</b>

The tables below show the analysis of movements of allowances for ECL on corporate loans and bonds at amortized cost for the six months ended 30 June 2021 (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>
Balance as at 1 January 2021	4,972	377	903	8	6,260
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–
Charge/(reversal) for the period	2,735	(293)	(357)	231	2,316
Write-offs	–	–	(66)	–	(66)
Recovery of write-offs	–	–	–	–	–
<b>Balance as at 30 June 2021</b>	<b>7,707</b>	<b>84</b>	<b>480</b>	<b>239</b>	<b>8,510</b>

**Bonds at amortized cost  
(subfederal and municipal bonds, Eurobonds of  
the Russian Federation, corporate bonds and  
bonds of companies with 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>
Balance as at 1 January 2021	210	–	–	210
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Charge/(reversal) for the period	(67)	–	–	(67)
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
<b>Balance as at 30 June 2021</b>	<b>143</b>	<b>–</b>	<b>–</b>	<b>143</b>

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

	<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 2021	46	–	–	46
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Charge/(reversal) for the period	64	–	–	64
Write-offs	–	–	–	–
Recovery of write-offs	–	–	–	–
<b>Balance as at 30 June 2021</b>	<b>110</b>	<b>–</b>	<b>–</b>	<b>110</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 small businesses and 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 2021	1,521	474	934	–	2,929
Transfers to Stage 2	(3)	3	–	–	–
Transfers to Stage 3	(11)	(300)	311	–	–
Charge/(reversal) for the period	1,059	(173)	1,074	174	2,134
Write-offs	–	–	(660)	–	(660)
Recovery of write-offs	–	–	–	–	–
<b>Balance as at 30 June 2021</b>	<b>2,566</b>	<b>4</b>	<b>1,659</b>	<b>174</b>	<b>4,403</b>

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

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

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

<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>
Balance as at 1 January 2020	1,271	359	1,842	3,472
Transfers to Stage 2	(32)	32	–	–
Transfers to Stage 3	(27)	(271)	298	–
Charge/(reversal) for the period	196	851	1,351	2,398
Write-offs	–	–	(1,195)	(1,195)
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>

<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>
Balance as at 1 January 2020	816	198	1,501	2,515
Transfers to Stage 2	(38)	38	–	–
Transfers to Stage 3	(35)	(89)	124	–
Charge/(reversal) for the period	94	500	636	1,230
Write-offs	–	–	(457)	(457)
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>
Balance as at 1 January 2020	1,149	219	1,265	2,633
Transfers to Stage 2	(26)	26	–	–
Transfers to Stage 3	(45)	(200)	245	–
Charge/(reversal) for the period	512	475	1,655	2,642
Write-offs	–	–	(890)	(890)
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>

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

The tables below show the analysis of movements of 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	-	-
Charge/(reversal) 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 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	-	-	-	-
Charge/(reversal) 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>

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

	<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>43</b>	<b>-</b>	<b>-</b>	<b>43</b>
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Charge/(reversal) for the period	(12)	-	-	<b>(12)</b>
Write-offs	-	-	-	-
Recovery of write-offs	-	-	-	-
<b>Balance as at 30 June 2020</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>31</b>

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

	<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>811</b>	<b>471</b>	<b>1,128</b>	<b>90</b>	<b>2,500</b>
Transfers to Stage 2	(6)	6	-	-	-
Transfers to Stage 3	(2)	(98)	100	-	-
Charge/(reversal) for the period	358	92	(20)	(56)	<b>374</b>
Write-offs	-	-	(760)	(5)	<b>(765)</b>
Recovery of write-offs	-	-	515	-	<b>515</b>
<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>

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

### Credit quality of retail loans

In accordance with the requirements of clause B5.5.1 of IFRS 9, in 2020 the Group transferred a part of outstanding loans to individuals and small and medium businesses from Stage 1 to Stage 2. These amounts are presented in the Not overdue category of Stage 2.

The table below provides an information on the credit quality of retail loans as at 30 June 2021 (unaudited):

	<i>Stage 1</i> <i>RUB MM</i>	<i>Stage 2</i> <i>RUB MM</i>	<i>Stage 3</i> <i>RUB MM</i>	<i>POCI assets*</i> <i>RUB MM</i>	<i>Total</i> <i>RUB MM</i>
<b>Consumer loans</b>					
- Not overdue	77,207	369	38	78	<b>77,692</b>
- Overdue less than 30 days	3,097	-	51	33	<b>3,181</b>
- Overdue from 30 to 89 days	90	1,443	198	26	<b>1,757</b>
- Overdue from 90 to 179 days	-	-	2,059	-	<b>2,059</b>
- Overdue from 180 to 360 days	-	-	3,198	242	<b>3,440</b>
<b>Total consumer loans</b>	<b>80,394</b>	<b>1,812</b>	<b>5,544</b>	<b>379</b>	<b>88,129</b>
Allowance for impairment	(3,972)	(769)	(3,764)	(70)	<b>(8,575)</b>
<b>Consumer loans, net</b>	<b>76,422</b>	<b>1,043</b>	<b>1,780</b>	<b>309</b>	<b>79,554</b>
<b>Installment cards</b>					
- Not overdue	112,515	467	19	-	<b>113,001</b>
- Overdue less than 30 days	4,452	-	28	-	<b>4,480</b>
- Overdue from 30 to 89 days	1,150	673	341	-	<b>2,164</b>
- Overdue from 90 to 179 days	-	-	1,241	-	<b>1,241</b>
- Overdue from 180 to 360 days	-	-	1,957	2,166	<b>4,123</b>
<b>Total installment cards</b>	<b>118,117</b>	<b>1,140</b>	<b>3,586</b>	<b>2,166</b>	<b>125,009</b>
Allowance for impairment	(6,785)	(289)	(2,607)	(557)	<b>(10,238)</b>
<b>Installment cards, net</b>	<b>111,332</b>	<b>851</b>	<b>979</b>	<b>1,609</b>	<b>114,771</b>
<b>Mortgage loans</b>					
- Not overdue	111,496	350	360	2	<b>112,208</b>
- Overdue less than 30 days	3,595	-	76	-	<b>3,671</b>
- Overdue from 30 to 89 days	223	603	35	-	<b>861</b>
- Overdue from 90 to 179 days	-	-	536	-	<b>536</b>
- Overdue from 180 to 360 days	-	-	601	1,227	<b>1,828</b>
Overdue more than 360 days	-	-	1,514	-	<b>1,514</b>
<b>Total mortgage loans</b>	<b>115,314</b>	<b>953</b>	<b>3,122</b>	<b>1,229</b>	<b>120,618</b>
Allowance for impairment	(1,607)	(230)	(1,347)	(14)	<b>(3,198)</b>
<b>Mortgage loans, net</b>	<b>113,707</b>	<b>723</b>	<b>1,775</b>	<b>1,215</b>	<b>117,420</b>
<b>Car loans</b>					
- Not overdue	114,528	814	105	2	<b>115,449</b>
- Overdue less than 30 days	2,689	-	54	-	<b>2,743</b>
- Overdue from 30 to 89 days	2	698	62	-	<b>762</b>
- Overdue from 90 to 179 days	-	-	697	-	<b>697</b>
- Overdue from 180 to 360 days	-	-	1,102	30	<b>1,132</b>
<b>Total car loans</b>	<b>117,219</b>	<b>1,512</b>	<b>2,020</b>	<b>32</b>	<b>120,783</b>
Allowance for impairment	(1,408)	(253)	(1,427)	(28)	<b>(3,116)</b>
<b>Car loans, net</b>	<b>115,811</b>	<b>1,259</b>	<b>593</b>	<b>4</b>	<b>117,667</b>
<b>Total retail loans</b>	<b>431,044</b>	<b>5,417</b>	<b>14,272</b>	<b>3,806</b>	<b>454,539</b>
Allowance for impairment	(13,772)	(1,541)	(9,145)	(669)	<b>(25,127)</b>
<b>Retail loans, net</b>	<b>417,272</b>	<b>3,876</b>	<b>5,127</b>	<b>3,137</b>	<b>429,412</b>

\* As at 30 June 2021, POCI loans (purchased or originated credit-impaired) mostly include loans issued by Vostochny Commercial Bank PJSC, which were at Stage 3 or in POCI assets as at the date of the business combination.

**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 2020:

	<i>Stage 1</i> <i>RUB MM</i>	<i>Stage 2</i> <i>RUB MM</i>	<i>Stage 3</i> <i>RUB MM</i>	<i>POCI assets</i> <i>RUB MM</i>	<i>Total</i> <i>RUB MM</i>
<b>Consumer loans</b>					
- Not overdue	58,613	435	55	-	<b>59,103</b>
- Overdue less than 30 days	1,863	-	71	-	<b>1,934</b>
- Overdue from 30 to 89 days	-	1,269	274	-	<b>1,543</b>
- Overdue from 90 to 179 days	-	-	1,748	-	<b>1,748</b>
- Overdue from 180 to 360 days	-	-	4,219	-	<b>4,219</b>
<b>Total consumer loans</b>	<b>60,476</b>	<b>1,704</b>	<b>6,367</b>	-	<b>68,547</b>
Allowance for impairment	(3,064)	(702)	(4,566)	-	<b>(8,332)</b>
<b>Consumer loans, net</b>	<b>57,412</b>	<b>1,002</b>	<b>1,801</b>	-	<b>60,215</b>
<b>Installment cards</b>					
- Not overdue	54,591	370	37	-	<b>54,998</b>
- Overdue less than 30 days	1,220	-	32	-	<b>1,252</b>
- Overdue from 30 to 89 days	-	622	337	-	<b>959</b>
- Overdue from 90 to 179 days	-	-	1,151	47	<b>1,198</b>
- Overdue from 180 to 360 days	-	-	2,369	139	<b>2,508</b>
<b>Total installment cards</b>	<b>55,811</b>	<b>992</b>	<b>3,926</b>	<b>186</b>	<b>60,915</b>
Allowance for impairment	(2,827)	(306)	(2,949)	(132)	<b>(6,214)</b>
<b>Installment cards, net</b>	<b>52,984</b>	<b>686</b>	<b>977</b>	<b>54</b>	<b>54,701</b>
<b>Mortgage loans</b>					
- Not overdue	75,970	325	750	-	<b>77,045</b>
- Overdue less than 30 days	1,472	-	131	-	<b>1,603</b>
- Overdue from 30 to 89 days	-	593	116	-	<b>709</b>
- Overdue from 90 to 179 days	-	-	547	-	<b>547</b>
- Overdue from 180 to 360 days	-	-	1,231	-	<b>1,231</b>
Overdue more than 360 days	-	-	1,310	-	<b>1,310</b>
<b>Total mortgage loans</b>	<b>77,442</b>	<b>918</b>	<b>4,085</b>	-	<b>82,445</b>
Allowance for impairment	(1,437)	(256)	(1,759)	-	<b>(3,452)</b>
<b>Mortgage loans, net</b>	<b>76,005</b>	<b>662</b>	<b>2,326</b>	-	<b>78,993</b>
<b>Car loans</b>					
- Not overdue	102,356	870	165	-	<b>103,391</b>
- Overdue less than 30 days	1,684	-	64	-	<b>1,748</b>
- Overdue from 30 to 89 days	-	748	136	-	<b>884</b>
- Overdue from 90 to 179 days	-	-	840	-	<b>840</b>
- Overdue from 180 to 360 days	-	-	2,023	-	<b>2,023</b>
<b>Total car loans</b>	<b>104,040</b>	<b>1,618</b>	<b>3,228</b>	-	<b>108,886</b>
Allowance for impairment	(2,005)	(348)	(2,482)	-	<b>(4,835)</b>
<b>Car loans, net</b>	<b>102,035</b>	<b>1,270</b>	<b>746</b>	-	<b>104,051</b>
<b>Total retail loans</b>	<b>297,769</b>	<b>5,232</b>	<b>17,606</b>	<b>186</b>	<b>320,793</b>
Allowance for impairment	(9,333)	(1,612)	(11,756)	(132)	<b>(22,833)</b>
<b>Retail loans, net</b>	<b>288,436</b>	<b>3,620</b>	<b>5,850</b>	<b>54</b>	<b>297,960</b>

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

The tables below provide information on the credit quality of corporate loans and bonds at amortized cost as at 30 June 2021 (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	533,710	2,020	859	726	<b>537,315</b>
- Overdue less than 30 days	3,484	-	29	86	<b>3,599</b>
- Overdue from 30 to 89 days	98	312	297	204	<b>911</b>
- Overdue from 90 to 179 days	-	-	491	64	<b>555</b>
- Overdue from 180 to 360 days	-	-	880	314	<b>1,194</b>
- Overdue more than 360 days	-	-	1,559	561	<b>2,120</b>
<b>Total corporate loans</b>	<b>537,292</b>	<b>2,332</b>	<b>4,115</b>	<b>1,955</b>	<b>545,694</b>
Allowance for impairment	(10,383)	(88)	(2,139)	(413)	<b>(13,023)</b>
<b>Corporate loans, net</b>	<b>526,909</b>	<b>2,244</b>	<b>1,976</b>	<b>1,542</b>	<b>532,671</b>

\* As at 30 June 2021, POCI loans (purchased or originated credit-impaired) mostly include loans issued by Vostochny Commercial Bank PJSC, which were at Stage 3 or in POCI assets as at the date of the business combination.

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

	<b>Stage 1 RUB MM</b>	<b>Total RUB MM</b>
- Not overdue	35,775	<b>35,775</b>
<b>Total bonds at amortized cost</b>	<b>35,775</b>	<b>35,775</b>
Allowance for impairment	(143)	<b>(143)</b>
<b>Bonds at amortized cost, net</b>	<b>35,632</b>	<b>35,632</b>

The tables below provide information on the credit quality of corporate loans and corporate bonds at amortized cost as at 31 December 2020:

<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	347,629	4,563	279	6	<b>352,477</b>
- Overdue less than 30 days	1,490	-	33	-	<b>1,523</b>
- Overdue from 30 to 89 days	-	243	221	-	<b>464</b>
- Overdue from 90 to 179 days	-	-	319	-	<b>319</b>
- Overdue from 180 to 360 days	-	-	1,027	-	<b>1,027</b>
- Overdue more than 360 days	-	-	822	7	<b>829</b>
<b>Total corporate loans</b>	<b>349,119</b>	<b>4,806</b>	<b>2,701</b>	<b>13</b>	<b>356,639</b>
Allowance for impairment	(6,539)	(851)	(1,837)	(8)	<b>(9,235)</b>
<b>Corporate loans, net</b>	<b>342,580</b>	<b>3,955</b>	<b>864</b>	<b>5</b>	<b>347,404</b>

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

	<b>Stage 1 RUB MM</b>	<b>Total RUB MM</b>
- Not overdue	65,958	<b>65,958</b>
<b>Total corporate bonds at amortized cost</b>	<b>65,958</b>	<b>65,958</b>
Allowance for impairment	(210)	<b>(210)</b>
<b>Corporate bonds at amortized cost, net</b>	<b>65,748</b>	<b>65,748</b>

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

As at 30 June 2021 and 31 December 2020, the Group's assets at FVOCI mostly included shares of the Russian companies and/or their foreign holdings, operating in the field of finance or information technology, as well as Russian rating agency.

	<b>30 June 2021</b> <i>(unaudited)</i> <b>RUB MM</b>	<b>31 December</b> <b>2020</b> <b>RUB MM</b>
Shares	2,121	634
	<b>2,121</b>	<b>634</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.

**Debt securities at FVOCI**

	<b>30 June 2021</b> <i>(unaudited)</i> <b>RUB MM</b>	<b>31 December</b> <b>2020</b> <b>RUB MM</b>
<b>Held by the Group</b>		
Russian State bonds (OFZ)	93,324	62,297
Bonds of companies with state participation	68,704	87,903
Eurobonds of the Russian Federation	1,988	1,836
Corporate bonds and Eurobonds	1,112	1,747
Russian subfederal and municipal bonds	918	430
<b>Total debt securities at FVOCI held by the Group</b>	<b>166,046</b>	<b>154,213</b>
<b>Pledged under repo</b>		
Corporate bonds and Eurobonds	9,208	1,651
Bonds of companies with state participation	3,957	-
Russian subfederal and municipal bonds	743	-
Russian State bonds (OFZ)	269	-
<b>Total debt securities at FVOCI pledged under repo</b>	<b>14,177</b>	<b>1,651</b>
<b>Total debt securities at FVOCI</b>	<b>180,223</b>	<b>155,864</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 2021</b> <i>(unaudited)</i> <b>RUB MM</b>	<b>31 December</b> <b>2020</b> <b>RUB MM</b>
<b>Debt securities at FVOCI</b>		
Issuers with credit rating from BBB+ to BBB-	169,691	152,420
Issuers with credit rating from BB+ to BB-	9,784	2,414
Issuers with credit rating from B+ to B-	-	356
Unrated issuers	748	674
	<b>180,223</b>	<b>155,864</b>

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

Issuers not rated by international rating agencies were assigned the following ratings by the Russian rating agencies (using the national scale):

<i>Securities at FVOCI</i>	<i>30 June 2021 (unaudited)</i>			<i>31 December 2020</i>		
	<i>Corporate bonds and bonds of companies with state participation</i>	<i>Russian subfederal and municipal bonds</i>	<i>Total</i>	<i>Corporate bonds and bonds of companies with state participation</i>	<i>Russian subfederal and municipal bonds</i>	<i>Total</i>
Issuers with credit rating from AA+ to AA-	393	63	456	424	-	424
Issuers with credit rating from A+ to A-	-	242	242	-	250	250
Issuers with credit rating from BBB+ to BBB-	-	50	50	-	-	-
	<b>393</b>	<b>355</b>	<b>748</b>	<b>424</b>	<b>250</b>	<b>674</b>

As at 30 June 2021, the share of the largest corporate issuer, a company with state participation, in the aggregate portfolio of securities at FVOCI was 38.1%. The maturities of bonds of this issuer ranged from May 2049 to February 2051 and the coupon rates ranged from 5.9% to 9.3% (31 December 2020: the share of the largest issuer was 56.4%; the maturities of bonds of this issuer ranged from May 2049 to February 2051 and the coupon rates ranged from 5.9% to 10.3%).

Analysis of the credit risk of debt securities at FVOCI, for which the allowance for ECL is recognized on the basis of the credit risk level, as at 30 June 2021 and 31 December 2020 is presented in the tables below:

<i>Debt securities at FVOCI as at 30 June 2021 (unaudited)</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
- Not overdue	185,416	-	-	185,416
<b>Total at amortized cost</b>	<b>185,416</b>	<b>-</b>	<b>-</b>	<b>185,416</b>
Allowance for credit losses	(162)	-	-	(162)
Fair value adjustment from the measurement at amortized cost to the measurement at fair value	(5,031)	-	-	(5,031)
<b>Total at fair value</b>	<b>180,223</b>	<b>-</b>	<b>-</b>	<b>180,223</b>

<i>Debt securities at FVOCI as at 31 December 2020</i>	<i>Stage 1 RUB MM</i>	<i>Stage 2 RUB MM</i>	<i>Stage 3 RUB MM</i>	<i>Total RUB MM</i>
- Not overdue	154,994	-	-	154,994
<b>Total at amortized cost</b>	<b>154,994</b>	<b>-</b>	<b>-</b>	<b>154,994</b>
Allowance for credit losses	(215)	-	-	(215)
Fair value adjustment from the measurement at amortized cost to the measurement at fair value	1,085	-	-	1,085
<b>Total at fair value</b>	<b>155,864</b>	<b>-</b>	<b>-</b>	<b>155,864</b>

**19. Due to customers**

	<b>30 June 2021</b> <b>(unaudited)</b> <b>RUB MM</b>	<b>31 December</b> <b>2020</b> <b>RUB MM</b>
<b>Individuals</b>		
Term deposits	476,970	392,154
Current accounts and demand deposits	132,440	80,502
<b>Legal entities</b>		
Term deposits	490,027	359,950
Current accounts and demand deposits	153,726	147,954
Amounts payable under repo	–	18,033
	<b>1,253,163</b>	<b>998,593</b>

As at 30 June 2021, “Current accounts and demand deposits of individuals” include balances placed by customers on escrow accounts opened under Federal Law No. 214-FZ of 30 December 2004 *On Participation in Shared Construction of Apartment Buildings and Other Objects Real Estate and on Amendments to Some Legislative Acts of the Russian Federation*, for a total amount of RUB 19,450 MM (31 December 2020: RUB 11,823 MM).

As at 30 June 2021 and 31 December 2020, the ten largest customers of the Group placed the total of RUB 256,974 MM and RUB 197,507 MM current accounts and term deposits, or 20.5% and 19.8% of total due to customers, respectively.

As at 30 June 2021 and 31 December 2020, the Group had no customer balances accounting for more than 10% of total due to customers.

**20. Right-of-use assets**

The table below presents the carrying amount of right-of-use assets and their movements as at 30 June 2021 (unaudited):

	<b>Right-of-use assets</b>		
	<b>Buildings</b> <b>RUB MM</b>	<b>Office equipment</b> <b>RUB MM</b>	<b>Total</b> <b>RUB MM</b>
<b>As at 1 January 2021</b>	<b>3,782</b>	<b>7</b>	<b>3,789</b>
Additions	761	–	761
Lease modifications	1,904	–	1,904
<i>Including due to revision of lease terms</i>	1,289	–	1,289
Effect of business combination	1229	–	1229
Disposals	(246)	(6)	(252)
Depreciation charge	(1,243)	(1)	(1,244)
<b>As at 30 June 2021 (unaudited)</b>	<b>6,187</b>	<b>–</b>	<b>6,187</b>

The table below presents the carrying amount of right-of-use assets and their movements as at 31 December 2020:

	<b>Right-of-use assets</b>		
	<b>Buildings</b> <b>RUB MM</b>	<b>Office equipment</b> <b>RUB MM</b>	<b>Total</b> <b>RUB MM</b>
<b>As at 1 January 2020</b>	<b>5,408</b>	<b>–</b>	<b>5,408</b>
Additions	638	–	638
Effect of business combination	272	7	279
Lease modifications	74	–	74
Disposals	(493)	–	(493)
Depreciation charge	(2,117)	–	(2,117)
<b>As at 31 December 2020</b>	<b>3,782</b>	<b>7</b>	<b>3,789</b>

According to the Group’s schedule for revision of lease terms, on 1 January 2021, a regular review of the lease terms of some items was conducted. As a result, the Group recorded a lease modification in the amount of RUB 1,289 MM.

**21. Due to the CBR**

	<b>30 June 2021</b> <i>(unaudited)</i> <b>RUB MM</b>	<b>31 December</b> <b>2020</b> <b>RUB MM</b>
Other loans	2,266	1,802
Repo with the CBR	269	-
	<b>2,535</b>	<b>1,802</b>

Other loans are unsecured loans from the CBR received under specialized refinancing mechanisms aimed at supporting lending to small and medium-sized businesses, as well as loans secured by the guarantee of the Federal Corporation for the Development of Small and Medium-Sized Businesses.

**22. Due to banks**

	<b>30 June 2021</b> <i>(unaudited)</i> <b>RUB MM</b>	<b>31 December</b> <b>2020</b> <b>RUB MM</b>
Repo with banks	137,630	115,674
Deposits	55,605	38,236
Collateral for derivative financial instruments	5,336	312
LORO accounts	4,000	357
	<b>202,571</b>	<b>154,579</b>

LORO account balances include balances held by banks and non-bank credit institutions.

As at 30 June 2021 and 31 December 2020, the Group pledged the following securities as collateral for repos with the CBR, banks and legal entities:

	<b>30 June 2021</b> <i>(unaudited)</i>		<b>31 December 2020</b>	
	<b>Repo with the CBR</b>	<b>Repo with banks</b>	<b>Repo with legal entities</b>	<b>Repo with banks</b>
	<b>RUB MM</b>	<b>RUB MM</b>	<b>RUB MM</b>	<b>RUB MM</b>
<b>Financial instruments at FVPL pledged under repo</b>				
Bonds and Eurobonds of companies with state participation	-	66,186	3,819	84,393
Corporate bonds and Eurobonds	-	40,766	15,026	27,530
Russian subfederal and municipal bonds	-	5,111	-	4,483
Shares of companies with state participation	-	1	-	7
<b>Total carrying amount</b>	<b>-</b>	<b>112,064</b>	<b>18,845</b>	<b>116,413</b>
<b>Loans to customers and corporate bonds at amortized cost, pledged under repo</b>				
Corporate bonds and Eurobonds	-	11,967	998	5,386
Bonds and Eurobonds of companies with state participation	-	7,538	1,793	1,126
Eurobonds of the Russian Federation	-	3,740	-	3,828
Russian subfederal and municipal bonds	-	-	-	713
<b>Total carrying amount</b>	<b>-</b>	<b>23,245</b>	<b>2,791</b>	<b>11,053</b>
<b>Debt securities at FVOCI pledged under repo</b>				
Corporate bonds and Eurobonds	-	9,208	1,030	621
Bonds and Eurobonds of companies with state participation	-	3,957	-	-
Russian subfederal and municipal bonds	-	743	-	-
Russian State bonds (OFZ)	269	-	-	-
<b>Total carrying amount</b>	<b>269</b>	<b>13,908</b>	<b>1,030</b>	<b>621</b>
<b>Placements with banks and bank bonds at amortized cost, pledged under repo</b>				
Corporate bonds and Eurobonds	-	4,174	917	2,085
Bonds and Eurobonds of companies with state participation	-	3,582	-	6,120
<b>Total carrying amount</b>	<b>-</b>	<b>7,756</b>	<b>917</b>	<b>8,205</b>
<b>Related liabilities</b>	<b>269</b>	<b>137,630</b>	<b>18,033</b>	<b>115,674</b>

As at 30 June 2021, repo with banks in the table above also included securities at amortized cost and respective liabilities of RUB 3,961 MM that relate to securities sold simultaneously with TRS transactions (31 December 2020: securities at FVPL, amortized cost and FVOCI totaling RUB 17,687 MM).

## 23. Debt securities issued

	<b>30 June 2021 (unaudited) RUB MM</b>	<b>31 December 2020 RUB MM</b>
Bonds	53,877	36,764
Promissory notes	893	993
	<b>54,770</b>	<b>37,757</b>

### Bonds issued

<b>ISIN code</b>	<b>Currency</b>	<b>Interest rate</b>	<b>Issue date</b>	<b>Offer/redemption rate</b>	<b>30 June 2021 (unaudited), RUB MM</b>	<b>31 December 2020 RUB MM</b>
XS2291914971	USD	3.40%	26 January 2021	26 January 2025	21,436	–
RU000A102G01	RUB	6.00%	8 December 2020	7 December 2021	10,032	10,038
RU000A101MB5	RUB	6.20%	29 April 2020	31 October 2022	4,718	4,672
RU000A100DZ5	RUB	6.60%	30 May 2019	31 May 2022	4,550	9,781
RU000A101XE6	RUB	6.60%	21 July 2020	18 July 2023	3,856	3,028
RU000A101PP8	RUB	6.50%	25 May 2020	22 May 2023	3,125	3,803
RU000A0JWPA7	RUB	8.50%	5 August 2016	30 July 2021	1,972	1,934
RU000A102QQ2	RUB	6.20%	8 February 2021	5 February 2024	1,210	–
RU000A1021E8	RUB	9.00%	18 August 2020	15 January 2022	1,014	1,028
RU000A102GW1	RUB	6.50%	11 December 2020	8 December 2023	739	370
RU000A0ZZZN8	RUB	10.35%	25 December 2018	21 December 2021	715	1,267
RU000A101376	RUB	7.50%	22 November 2019	18 November 2022	357	404
RU000A0ZYJR6	RUB	6.90%	7 December 2017	6 June 2023	153	439
					<b>53,877</b>	<b>36,764</b>

In January 2021, Sovcombank placed social Eurobonds Sovcombank-25 (ISIN: XS2291914971) of USD 300 MM bearing a coupon rate of 3.4% and maturing in 2025. As at 30 June 2021, the carrying amount of the Sovcombank-25 bonds was RUB 21,436 MM. The purpose of the issue of social bonds was to finance the portfolio of Halva installment cards. Sustainalytics issued an independent opinion on Halva as a social project. On 29 January 2021, by the decision of the Moscow Exchange, the issue of social bonds was included in the Social Bonds Segment of the Sustainable Development Sector of the Exchange. Trading of social bonds on the Moscow Exchange began on 1 February 2021.

In February 2021, Sovcombank Leasing LLC issued RUB-denominated bonds SovcmL P04 (state registration No. 4B02-04-00303-R-001P), bearing a coupon rate of 6.2% and maturing in three years. As at 30 June 2021, the carrying amount of the SovcmL P04 bonds was RUB 1,210 MM.

## 24. Other borrowed funds

On 21 September 2015, Sovcombank won an open tender to run the financial rehabilitation of Express-Volga Bank (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 2021, the Group pledged the rights of claim on loans to individuals and corporate customers totaling RUB 46,261 MM (31 December 2020: RUB 46,207 MM) as a collateral for the DIA loan.

From date of issuance of the DIA loan to 30 June 2021, Sovcombank repaid a part of the DIA loan totaling RUB 10,001 MM. This was due to the fact that Probusinessbank OJSC (the parent bank of EVB, hereinafter, "PBB") settled part of its liabilities related to EVB as a result of bankruptcy procedures carried out by the DIA in respect of Probusinessbank OJSC. Subsequently, Sovcombank repaid the respective amount to the DIA.

## 24. Other borrowed funds (continued)

The DIA loan was issued to Sovcombank at the rate of 0.51% per annum, i.e. significantly below the market rate. According to IFRS 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 2021, the carrying amount of the DIA loan of RUB 23,754 MM (31 December 2020: RUB 21,879 MM) was recorded within "Other borrowed funds".

	<b>30 June 2021</b> <i>(unaudited)</i> <b>RUB MM</b>	<b>31 December</b> <b>2020</b> <b>RUB MM</b>
DIA loan	23,754	21,879
Other borrowed funds	1	1
	<b>23,755</b>	<b>21,880</b>

## 25. Subordinated debt

<b>Type</b>	<b>Principal loan currency, MM</b>	<b>Currency</b>	<b>Counter- party</b>	<b>Interest rate</b>	<b>Issue date</b>	<b>Maturity date</b>	<b>30 June 2021</b> <i>(unaudited),</i> <b>RUB MM</b>	<b>31 December</b> <b>2020</b> <b>RUB MM</b>
Eurobonds	300	USD	–	8.00%	7 October 2019	7 April 2030	21,971	22,443
SKIB bonds S01	414	RUB	–	14.50%	10 March 2017	25 February 2028	433	432
Bonds 2V03	2	USD	–	8.25%	7 March 2018	21 February 2029	123	125
Loan	1,255	RUB	DIA	7.01%	27 April 2015	29 November 2034	1,363	1,369
Loan	1,255	RUB	DIA	6.74%	27 April 2015	28 April 2032	1,343	1,359
Loan	1,255	RUB	DIA	6.57%	27 April 2015	26 September 2029	1,333	1,361
Loan	1,255	RUB	DIA	6.45%	27 April 2015	24 February 2027	1,313	1,345
Loan	1,255	RUB	DIA	6.37%	27 April 2015	22 January 2025	1,303	1,331
							<b>29,182</b>	<b>29,765</b>

### Term subordinated bonds issued

In October 2019, Sovcombank placed 10.5-year T2 subordinated Eurobonds of USD 300 MM bearing a coupon rate of 8.0% p.a. (ISIN: REGS XS2010043656 / 144a US84605LAA44). A call option is provided in respect of the bonds in 5.5 years.

In March 2017 the Group issued RUB-denominated subordinated bonds SKIB S01 with a coupon rate of 14.5% p.a. and maturing in 11 years. The CBR approved conversion of the subordinated SKIB bonds S01 to the Bank's additional paid-in capital to calculate ratios (tier 2 capital).

In March 2018, the Bank placed 11-year subordinated bonds series 2B03 of USD 150 MM with a coupon rate of 8.25% p.a. (state registration number 41400963B of 22 January 2018). The Bank approved conversion of the subordinated bonds 2B03 to the Bank's additional paid-in capital to calculate ratios (Tier 2 capital).

### Subordinated loans received

In 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"). Sovcombank and Rosevrobank were included in the list of banks approved by the Board of Directors of the DIA to participate in the Anti-crisis Plan.

In April 2015, the DIA provided Sovcombank with five RUB 1,255 MM tranches of a subordinated loan in the form of 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 (Tier 2 capital). Sovcombank sold securities received, and therefore as at 30 June 2021 and 31 December 2020, its subordinated debt is recorded as liabilities at fair value.

In 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) (Tier 2 capital). The subordinated loan is not shown in the Group balance sheet because in accordance with IFRS 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 109 MM as at 30 June 2021 (31 December 2020: RUB 108 MM).

## 26. Other assets and other liabilities

### Other assets

	<b>30 June 2021</b> <b>(unaudited)</b> <b>RUB MM</b>	<b>31 December</b> <b>2020</b> <b>RUB MM</b>
<b>Other financial assets</b>		
Receivables under financial protection programs	4,264	2,890
Claims for the delivery of cash and securities	1,908	4,620
Receivables from cash settlement services	631	567
Other financial assets at FVPL	569	701
Receivables under state subsidy programs	199	1,046
Other financial assets	164	72
<b>Total other financial assets</b>	<b>7,735</b>	<b>9,896</b>
Less: allowance for impairment of other financial assets (Note 11)	(748)	(931)
<b>Total other financial assets, net</b>	<b>6,987</b>	<b>8,965</b>
<b>Other non-financial assets</b>		
Precious metals	20,579	9,848
Foreclosed assets	2,415	739
Other prepayments	1,467	1,027
VAT receivable (leasing operations)	846	518
Prepayments for advertising services	832	1,661
Prepayments to leasing equipment suppliers	539	156
Prepaid taxes other than VAT and income tax	143	80
Equipment purchased for leasing purposes	67	51
Settlements with employees	13	42
Other	302	276
<b>Total other non-financial assets</b>	<b>27,203</b>	<b>14,398</b>
Less: allowance for impairment of other non-financial assets (Note 11)	(647)	(499)
<b>Total other non-financial assets, net</b>	<b>26,556</b>	<b>13,899</b>
<b>Insurance assets</b>	<b>2,754</b>	<b>1,616</b>
<b>Total other assets</b>	<b>36,297</b>	<b>24,480</b>

Receivables under the financial protection program include financial protection commissions of the “Loan to the card” product.

Claims for the delivery of cash and securities include accrued income from the sale of goods and services by the Group’s companies, outstanding settlements under securities sale and purchase transactions and assignment agreements. As at 31 December 2020, this item reflected an advance payment for the acquisition of a stake in LLC “Center for Economic Development” in the amount of RUB 2.7 BN (Note 34).

Receivables from cash settlement services include short-term receivables from legal entities in fees and commissions for payments from and to their accounts.

Receivables from state subsidy programs comprise amounts due from the Ministry of Industry and Trade of the Russian Federation for subsidized car loan programs. Sovcombank participates in the subsidized car loan program implemented by the Decree No. 364 of the Government of the Russian Federation *Concerning Subsidies to Russian Credit Institutions from the Federal Budget to Compensate for a Shortfall in Income under Car Loans Issued by Russian Credit Institutions to Individuals in 2015-17 and to Compensate for a Shortfall in Income from Car Loans to Individuals Issued in 2018-20* of 16 April 2015.

Other financial assets at FVPL represent advances paid under contracts for the purchase and sale of precious metals in gold bullion.

As at 30 June 2021, the allowance for impairment of other financial assets is mainly formed of the following:

- ▶ Provisions for fees and commissions for cash settlement services amounting to RUB 626 MM (31 December 2020: RUB 567 MM)
- ▶ Provisions for assignment agreements amounting to RUB 136 MM (31 December 2020: RUB 141 MM).

Precious metals reflect cost of purchased precious metals in own or third-party vaults and fully insured by third parties against the loss.

**26. Other assets and other liabilities (continued)****Other assets (continued)**

Other prepayments mainly include advances to suppliers of goods and services, excluding advances for advertising services and leasing equipment.

Insurance assets comprise insurance receivables, acquisition costs and subrogation assets of Sovcombank Insurance JSC and IC Sovcombank Life JSC.

**Other liabilities**

	<b>30 June 2021</b> <b>(unaudited)</b> <b>RUB MM</b>	<b>31 December</b> <b>2020</b> <b>RUB MM</b>
<b>Other financial liabilities</b>		
Derivative financial liabilities (Note 15)	14,111	21,105
Lease liabilities	6,496	4,142
Payables to personnel	5,843	3,661
Payables to suppliers	3,383	1,700
Allowance for credit losses (Note 28)	2,559	1,508
Put options for non-controlling interests	1,285	–
Dividends accrued	1,255	–
Settlements on currency conversion transactions	374	564
Deferred fees and commissions on credit-related commitments	64	62
Settlements on transactions with securities	49	3
<b>Total other financial liabilities</b>	<b>35,419</b>	<b>32,745</b>
<b>Other non-financial liabilities</b>		
Provisions for non-financial contingencies (Note 28)	5,090	3,470
Deferred fees and commissions on non-financial contingencies	3,576	2,649
Provision for other operations	1,200	–
Taxes payable other than VAT and income tax	1,123	805
VAT payable	1,050	769
Accrued expenses on obligatory deposit insurance	722	545
Provision for legal proceedings (Note 29)	630	385
Advances received from lessees	514	419
Provision for pre-trial proceedings (Note 28)	128	267
Other non-financial liabilities	576	112
<b>Total other non-financial liabilities</b>	<b>14,609</b>	<b>9,421</b>
<b>Insurance liabilities</b>		
Insurance reserves	27,203	5,072
Insurance and reinsurance payables	795	119
<b>Total insurance liabilities</b>	<b>27,998</b>	<b>5,191</b>
<b>Total other liabilities</b>	<b>78,026</b>	<b>47,357</b>

Insurance reserves include reserves for losses and reserves of unearned premiums of Sovcombank Insurance JSC and Sovcombank Life JSC (2020: Sovcombank Insurance JSC). The increase of insurance reserves in the six months of 2021 is mainly due to Sovcombank's acquisition of an interest in Sovcombank Life JSC (Note 34).

**27. Equity**

As at 30 June 2021 and 31 December 2020, the Bank's share capital was RUB 1,969 MM.

As at 30 June 2021 and 31 December 2020, the total number of authorized ordinary shares with a nominal value of RUB 0.1 each was 19,694,045,875, including 675,000,002 treasury shares. As at 30 June 2021 and 31 December 2020, the number of shares in issue was 19,019,045,873.

On 10 March 2020, Sovcombank's shareholders decided to issue 5 billion additional ordinary shares with a nominal value of RUB 0.1 each for listing at the Moscow Exchange, if the Bank decides to go public in the future.

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.

**27. Equity (continued)**

For the six months of 2021, Sovcombank paid dividends totaling RUB 5,311 MM or RUB 0.28 per share (for the six months of 2020: no dividends were paid).

In June 2021, the general shareholders' meeting of Sovcombank decided to pay dividends of RUB 1,255 MM, or RUB 0.07 per share. The full amount of dividends was paid in cash in July 2021.

For the six months of 2021, dividends paid by the Group to non-controlling shareholders totaled RUB 198 MM (for the six months of 2020: RUB 150 MM).

**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:

	<i>For the six months ended 30 June (unaudited)</i>	
	<b>2021</b>	<b>2020</b>
	<b>RUB MM</b>	<b>RUB MM</b>
<b>Profit for the period attributable to the Bank's shareholders</b>	<b>25,988</b>	<b>9,651</b>
Less: interest accrued on perpetual subordinated bonds	(839)	(730)
<b>Profit attributable to ordinary shareholders of the Bank</b>	<b>25,149</b>	<b>8,921</b>
Weighted average number of ordinary shares in issue (billion)	19.0	19.2
<b>Basic and diluted earnings per ordinary share attributable to the Bank's shareholders (RUB per share)</b>	<b>1.32</b>	<b>0.47</b>

**Perpetual subordinated bonds issued**

Sovcombank placed two issues of perpetual subordinated bonds.

In March 2018, the Bank placed perpetual subordinated bonds, series 1B02 (ISIN: RU000A0ZYX28), for USD 100 MM. In March 2020, Sovcombank early repaid a part of the issue in the amount of USD 43.2 MM (RUB 3.4 BN at the exchange rate as at the repayment date).

The coupon rate for coupons 1-11 under series 1B02 perpetual subordinated bonds is set at 8.75% p.a. The coupon rates for further coupons are determined using the formula:

$$C_k = R + m + 100 \text{ b.p.}, \text{ where:}$$

$C_k$  is a coupon interest rate for the k-th coupons

R is a rate for 7-year U.S. treasury bonds maturing one (1) working day prior to the date on which a new coupon rate is determined

m equals to 900 basis points.

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

The Bank of Russia approved the inclusion of both issues to the Bank's additional capital (Tier 1 capital).

Since perpetual subordinated bonds meet the criteria of the capital component in accordance with IAS 32 *Financial Instruments: Presentation*, the Group classified them as equity.

## 27. Equity (continued)

### Earnings per share (continued)

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.

IFRS classifies interest payments related to perpetual subordinated bonds as dividends on the grounds that the Bank may unilaterally halt interest payments. Interest on perpetual subordinated bonds paid by Sovcombank during the six months of 2021 amounted to RUB 1,061 MM (during the six months of 2020: RUB 925 MM).

## 28. 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 broken down by category are as follows:

<b>Contractual amount*</b>	<b>30 June 2021 (unaudited) RUB MM</b>	<b>31 December 2020 RUB MM</b>
Loan and credit line commitments	383,653	529,542
Bank guarantees	249,005	194,571
Commitments to issue bank guarantees	126,249	103,064
	<b>758,907</b>	<b>827,177</b>
Provisions for non-financial commitments	(5,090)	(3,470)
Allowance for credit losses	(2,559)	(1,508)
Provisions for pre-trial proceedings	(128)	(267)
	<b>(7,777)</b>	<b>(5,245)</b>

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

As at 30 June 2021, 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 213,451 MM in total (31 December 2020: RUB 174,480 MM).

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*, under which the Group received claims but has not yet effected payment to the beneficiary under the bank guarantee.

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

<b>Amount</b>	<b>30 June 2021 (unaudited) RUB MM</b>	<b>30 June 2021 (unaudited) number</b>	<b>31 December 2020 RUB MM</b>	<b>31 December 2020 number</b>
Less than RUB 0.5 MM	7,197	90,950	9,325	122,216
RUB 0.5 MM – RUB 1 MM	3,973	5,517	4,754	6,613
RUB 1 MM – RUB 10 MM	28,608	9,462	27,436	9,594
RUB 10 MM – RUB 100 MM	71,510	2,409	59,454	1,979
More than RUB 100 MM	102,163	423	73,511	325
	<b>213,451</b>	<b>108,761</b>	<b>174,480</b>	<b>140,727</b>

General commitments to issue loans not always result in actual cash outflow, as such commitments may be cancelled 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.

**28. 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 2021 (unaudited):

<i>Financial guarantees</i>	<b>Stage 1 RUB MM</b>	<b>Total RUB MM</b>
<b>Balance as at 1 January 2021</b>	<b>249</b>	<b>249</b>
Charge for the period	292	292
<b>Balance as at 30 June 2021 (Note 26)</b>	<b>541</b>	<b>541</b>

<i>Loan commitments</i>	<b>Stage 1 RUB MM</b>	<b>Total RUB MM</b>
<b>Balance as at 1 January 2021</b>	<b>1,259</b>	<b>1,259</b>
Charge for the period	298	298
Acquisitions through business combinations	461	461
<b>Balance as at 30 June 2021 (Note 26)</b>	<b>2,018</b>	<b>2,018</b>

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>	<b>Stage 1 RUB MM</b>	<b>Total RUB MM</b>
<b>Balance as at 1 January 2020</b>	<b>226</b>	<b>226</b>
Charge for the period	32	32
Acquisitions through business combinations	8	8
<b>Balance as at 30 June 2020</b>	<b>266</b>	<b>266</b>

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

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

In August 2015, the CBR revoked the banking license of Probusinessbank OJSC ("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 Express-Volga Bank ("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. After the merger of Express-Volga Bank JSC, the legal successor in all litigations was replaced with Sovcombank PJSC.

## 29. Contingencies (continued)

### Litigations related to Express-Volga Bank JSC (continued)

In November 2016, Sovcombank won an open auction organized by the DIA to acquire shares of 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 Bank Poidem! JSC to management of this bank. In November 2017, minority creditors of Probusinessbank challenged the sale of shares of Bank Poidem! JSC via 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. In January 2021, the Moscow Arbitration Court satisfied the claims of the minority creditors. Sovcombank and DIA believe that the ruling is not in line with actual circumstances of the case and have filed appeals. During its sessions held on 22 June 2021, the court of appeal decided to commission a forensic expert investigation and proceedings have been suspended pending the receipt of an expert opinion. The Group's management believes that the economic effect in case of the unfavorable outcome will be insignificant as currently Sovcombank is not the owner of Bank Poidem! JSC's shares. Based on the above, the Group did not make a provision for this claim.

### 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 position 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 2021.

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.

**30. 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):

	<i>For the three months ended 30 June</i> <i>(unaudited)</i>		<i>For the six months ended 30 June</i> <i>(unaudited)</i>	
	<i>2021</i> <i>RUB MM</i>	<i>2020</i> <i>RUB MM</i>	<i>2021</i> <i>RUB MM</i>	<i>2020</i> <i>RUB MM</i>
Members of the Supervisory Board	179	165	356	455
Management Board	344	256	588	480
Options program (income)/expense	43	186	(72)	186
	<b>566</b>	<b>607</b>	<b>872</b>	<b>1,121</b>

As part of the option program for executives approved in 2019, the Group entered into option agreements with certain participants on 13 April 2020. The number of shares participating in the option program is 622.5 million.

The Group considers 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. In the first quarter of 2021, the Group adjusted expenses related to the implementation of the options program due to the change in the expected option execution date. For the six months of 2021, recognized income amounted to RUB 72 MM and was recorded as personnel expenses (Note 9).

Outstanding balances with related parties as at 30 June 2021 (unaudited) were as follows:

	<i>SCP S.à r.l.<sup>(1)</sup></i> <i>RUB MM</i>	<i>JV<sup>(2)</sup></i> <i>RUB MM</i>	<i>KMP<sup>(3)</sup></i> <i>RUB MM</i>	<i>AC<sup>(4)</sup></i> <i>RUB MM</i>	<i>Other<sup>(5)</sup></i> <i>RUB MM</i>	<i>Total</i> <i>RUB MM</i>
<b>Loans</b>	<b>2,469</b>	–	<b>294</b>	<b>2,074</b>	<b>1,493</b>	<b>6,330</b>
Allowance for impairment	–	–	(2)	(127)	(12)	(141)
<b>Loans, net</b>	<b>2,469</b>	–	<b>292</b>	<b>1,947</b>	<b>1,481</b>	<b>6,189</b>
<b>Term deposits with banks</b>	–	–	–	–	<b>505</b>	<b>505</b>
Allowance for impairment	–	–	–	–	(1)	(1)
<b>Term deposits with banks, net</b>	–	–	–	–	<b>504</b>	<b>504</b>
Deposits	–	–	1,093	–	2,243	<b>3,336</b>
Current accounts	31	–	1,027	37	2,171	<b>3,266</b>
Other liabilities	–	–	1,591	–	–	<b>1,591</b>
Commitments and guarantees issued	3,723	–	295	95	949	<b>5,062</b>
Commitments and guarantees received	–	–	469	741	2,810	<b>4,020</b>

Outstanding balances with related parties as at 31 December 2020 were as follows:

	<i>SCP S.à r.l.<sup>(1)</sup></i> <i>RUB MM</i>	<i>JV<sup>(2)</sup></i> <i>RUB MM</i>	<i>KMP<sup>(3)</sup></i> <i>RUB MM</i>	<i>AC<sup>(4)</sup></i> <i>RUB MM</i>	<i>Other<sup>(5)</sup></i> <i>RUB MM</i>	<i>Total</i> <i>RUB MM</i>
<b>Loans</b>	<b>349</b>	–	<b>421</b>	<b>340</b>	<b>1,450</b>	<b>2,560</b>
Allowance for impairment	–	–	(1)	(3)	(9)	(13)
<b>Loans, net</b>	<b>349</b>	–	<b>420</b>	<b>337</b>	<b>1,441</b>	<b>2,547</b>
Deposits	–	–	1,200	–	3,798	<b>4,998</b>
Current accounts	106	–	663	2	1,602	<b>2,373</b>
Other liabilities	–	–	1,092	–	–	<b>1,092</b>
Commitments and guarantees issued	6,151	–	313	89	949	<b>7,502</b>
Commitments and guarantees received	–	–	753	1,510	2,617	<b>4,880</b>

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

The Group performs all transactions with related parties on an arm's length basis, with approval (if necessary) by credit committees comprising of the largest shareholders.

The following table presents related party transactions recorded in the interim consolidated statement of comprehensive income for the six months ended 30 June 2021 (unaudited):

	<b>SCP S.à r.l.<sup>(1)</sup></b>	<b>JV<sup>(2)</sup></b>	<b>KMP<sup>(3)</sup></b>	<b>AC<sup>(4)</sup></b>	<b>Other<sup>(5)</sup></b>	<b>Total</b>
	<b>RUB MM</b>	<b>RUB MM</b>	<b>RUB MM</b>	<b>RUB MM</b>	<b>RUB MM</b>	<b>RUB MM</b>
Interest income	20	–	13	51	48	<b>132</b>
Interest income on term deposits with banks	–	–	–	–	5	<b>5</b>
Interest expense on deposits	–	–	(10)	–	(59)	<b>(69)</b>
Allowances for credit losses	–	–	(1)	(124)	(3)	<b>(128)</b>
Allowances for credit losses on term deposits with banks	–	–	–	–	(1)	<b>(1)</b>
Fee and commission income	–	–	2	1	12	<b>15</b>
Gains less losses from foreign currencies	3	–	–	–	1	<b>4</b>
General and administrative expenses	–	–	(15)	(1)	(3)	<b>(19)</b>
Other income	–	–	–	3	–	<b>3</b>

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

(1) SCP S.à r.l. 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. It included CTB LLC until November 2020.

(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 the Group conducted purchase and sale of own issued securities with Sovco Capital Partners S.à r.l. These transactions were performed at arm's length.

**31. 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.

### 31. Fair value (continued)

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: techniques for which all inputs, which have a significant effect on the recorded fair value are observable, either directly or indirectly
- ▶ Level 3: techniques using inputs that have a significant effect on the recorded fair value, which 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.

<i>As at 30 June 2021 (unaudited)</i>	<i>Fair value measurement using</i>			<i>Total RUB MM</i>
	<i>Quoted prices in active markets (Level 1) RUB MM</i>	<i>Significant observable inputs (Level 2) RUB MM</i>	<i>Significant unobservable inputs (Level 3) RUB MM</i>	
<b>Assets measured at fair value</b>				
Financial instruments at FVPL	222,235	124,993	1,470	<b>348,698</b>
Financial instruments at FVOCI	116,692	3,163	62,489	<b>182,344</b>
Investment property	–	–	3,247	<b>3,247</b>
Property and equipment and intangible assets (land and buildings)	–	–	7,941	<b>7,941</b>
Other financial assets	–	569	–	<b>569</b>
Other non-financial assets	20,579	–	–	<b>20,579</b>
<b>Liabilities measured at fair value</b>				
Subordinated debt	6,655	–	–	<b>6,655</b>
Due to customers	–	7,191	–	<b>7,191</b>
Derivative financial liabilities	–	14,111	–	<b>14,111</b>

<i>As at 31 December 2020</i>	<i>Fair value measurement using</i>			<i>Total RUB MM</i>
	<i>Quoted prices in active markets (Level 1) RUB MM</i>	<i>Significant observable inputs (Level 2) RUB MM</i>	<i>Significant unobservable inputs (Level 3) RUB MM</i>	
<b>Assets measured at fair value</b>				
Financial instruments at FVPL	232,166	130,983	1,504	<b>364,653</b>
Financial instruments at FVOCI	68,541	424	87,533	<b>156,498</b>
Investment property	–	–	102	<b>102</b>
Property and equipment and intangible assets (land and buildings)	–	–	3,539	<b>3,539</b>
Other financial assets	–	701	–	<b>701</b>
Other non-financial assets	9,848	–	–	<b>9,848</b>
<b>Liabilities measured at fair value</b>				
Subordinated debt	6,765	–	–	<b>6,765</b>
Due to customers	–	9,365	–	<b>9,365</b>
Derivative financial liabilities	–	21,105	–	<b>21,105</b>

Trade 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.

**31. 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 2021 (unaudited):

	As at 1 January 2021 RUB MM	Gains/(losses) recorded in the statement of profit or loss RUB MM	Gains/(losses) recorded in other comprehen- sive income RUB MM	Business combinations RUB MM	Acquisitions RUB MM	Sales RUB MM	Settlements RUB MM	Transfers from other items RUB MM	Transfers to other items RUB MM	Transfers from Level 1 and Level 2 RUB MM	Transfers to Level 1 and Level 2 RUB MM	As at 30 June 2021 RUB MM
<b>Financial assets</b>												
Financial instruments at FVPL	1,504	13	-	2	-	(6)	(43)	-	-	-	-	1,470
Financial instruments at FVOCI	87,533	2,269	(710)	-	506	-	(19,117)	671	(143)	1	(8,521)	62,489
<b>Total Level 3 financial assets</b>	<b>89,037</b>	<b>2,282</b>	<b>(710)</b>	<b>2</b>	<b>506</b>	<b>(6)</b>	<b>(19,160)</b>	<b>671</b>	<b>(143)</b>	<b>1</b>	<b>(8,521)</b>	<b>63,959</b>

Gains of RUB 2,269 MM on Level 3 financial instruments at FVOCI recorded in the statement of profit or loss for the six months of 2021 are generally represented by gains of RUB 2,322 MM in Interest income.

During the six months of 2021, the Group transferred debt securities at FVOCI issued by the company with Russian state participation and rated as BBB by the Fitch international rating agency from Level 3 to Level 1 of the fair value hierarchy. The carrying amount of the transferred debt securities totaled RUB 8,521 MM. This transfer was due to the fact that the debt securities became actively traded during the period, and their fair values were consequently determined using quoted prices in an active market.

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 the end of 2020:

	As at 1 January 2020 RUB MM	Gains/(losses) recorded in the statement of profit or loss RUB MM	Gains/(losses) recorded in other comprehen- sive income RUB MM	Acquisitions RUB MM	Sales RUB MM	Settlements RUB MM	Transfers from Level 1 and Level 2 RUB MM	As at 31 December 2020 RUB MM
<b>Financial assets</b>								
Financial instruments at FVPL	-	(1,468)	-	1,555	(163)	(41)	1,621	1,504
Financial instruments at FVOCI	1,021	3,535	2,573	143	(600)	(32,192)	113,053	87,533
<b>Total Level 3 financial assets</b>	<b>1,021</b>	<b>2,067</b>	<b>2,573</b>	<b>1,698</b>	<b>(763)</b>	<b>(32,233)</b>	<b>114,674</b>	<b>89,037</b>

Losses of RUB (1,468) MM on Level 3 financial instruments at FVPL recorded in the statement of profit or loss for 2020 are generally represented by losses of RUB (1,574) MM in net loss on financial instruments at FVPL.

Gains of RUB 3,535 MM on Level 3 financial instruments at FVOCI recorded in the statement of profit or loss for 2020 are generally represented by gains of RUB 3,457 MM in interest income.

In 2020, the Group transferred certain financial assets at FVPL from Level 2 to Level 3 of the fair value hierarchy. The carrying amount of the transferred financial assets totaled RUB 1,621 MM. The reason for the transfer is that inputs for assessment models ceased being observable on the market, which has led to a change in the method used to determine fair value.

In 2020, the Group transferred debt securities at FVOCI issued by the company with Russian state participation and rated as BBB by the Fitch international rating agency from Level 2 to Level 3 of the fair value hierarchy. The carrying amount of the transferred debt securities totaled RUB 113,053 MM. The transfer resulted from the fact that the inputs used in the model were unobservable as at the reporting date.

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

	For the six months ended 30 June 2021 (unaudited)			For the year ended 31 December 2020		
	Realized gains/(losses) RUB MM	Unrealized gains/(losses) RUB MM	Total RUB MM	Realized gains/(losses) RUB MM	Unrealized gains/(losses) RUB MM	Total RUB MM
	Total gains/(losses) recognized in profit or loss for the period	3,278	(996)	2,282	4,621	(2,554)

### 31. 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 2021 (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	1,470	Discounted cash flows	Operational risk probability	0% to 0.2%
<b>Financial instruments at FVOCI</b>				
<i>Debt securities</i>				
Finance	60,368	Discounted cash flows based on parametric repayment models	Conditional prepayment ratio/ zero-volatility spread	21.4% to 25.9% From -10 b.p. to +10 b.p.
<i>Equity securities</i>				
Finance	1,630	Net asset value	Net assets	Not applicable
IT	380	Net asset value	Net assets	Not applicable
Rating agencies	111	Net asset value	Net assets	Not applicable
<b>Investment property</b>	3,247	Market and income approach	Discount for sale	10%
<b>Property and equipment and intangible assets (land and buildings)</b>	7,941	Market and income approach	Discount for sale	10%
<b>31 December 2020</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	5	Discounted cash flows	Credit risk of the issuer	1% to 2%
Finance	1,500	Discounted cash flows	Operational risk probability	0% to 0.2%
<b>Financial instruments at FVOCI</b>				
<i>Debt securities</i>				
Finance	86,899	Discounted cash flows based on parametric repayment models	Conditional prepayment ratio/ zero-volatility spread	14.7% to 23.7% From -10 b.p. to +10 b.p.
<i>Equity securities</i>				
IT	523	Net asset value	Net assets	Not applicable
Rating agencies	111	Net asset value	Net assets	Not applicable
<b>Investment property</b>	102	Market and income approach	Discount for sale	10%
<b>Property and equipment and intangible assets (land and buildings)</b>	3,539	Market and income approach	Discount for sale	10%

**31. 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 (continued)**

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

	<b>30 June 2021</b> <i>(unaudited)</i>		<b>31 December 2020</b>	
	<b>Carrying amount</b> <b>RUB MM</b>	<b>Effect of reasonably possible alternative assumptions</b>	<b>Carrying amount</b> <b>RUB MM</b>	<b>Effect of reasonably possible alternative assumptions</b>
<b>Financial instruments at FVPL</b>				
Finance	1,470	From RUB (16) MM to RUB 10 MM	1,505	From RUB (14) MM to RUB 14 MM
<b>Financial instruments at FVOCI</b>				
<i>Debt securities</i>				
Finance	60,368	From RUB (278) MM to RUB (19) MM	86,899	From RUB (337) MM to RUB 503 MM

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

**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 2021 and during 2020:

	<b>Six months ended</b> <b>30 June 2021</b> <i>(unaudited)</i>	<b>2020</b>
	<b>RUB MM</b>	<b>RUB MM</b>
<b>Financial instruments at FVPL</b>		
Russian subfederal and municipal bonds	6,726	5,570
Bonds of companies with state participation	6,683	1,206
Corporate bonds	3,858	9,383
	<b>17,267</b>	<b>16,159</b>
<b>Financial instruments at FVOCI</b>		
Russian State bonds (OFZ)	500	-
Russian subfederal and municipal bonds	200	-
Bonds of companies with state participation	115	-
	<b>815</b>	<b>-</b>

Financial assets were transferred from Level 1 to Level 2 as they ceased to be actively traded during the period. Their fair values were determined using valuation techniques based on observable market inputs.

	<b>Six months ended</b> <b>30 June 2021</b> <i>(unaudited)</i>	<b>2020</b>
	<b>RUB MM</b>	<b>RUB MM</b>
<b>Financial instruments at FVPL</b>		
Bonds of companies with state participation	4,763	362
Corporate bonds	973	2,931
Russian State bonds (OFZ)	52	-
Russian subfederal and municipal bonds	15	-
	<b>5,803</b>	<b>3,293</b>
<b>Financial instruments at FVOCI</b>		
Russian subfederal and municipal bonds	-	101
	<b>-</b>	<b>101</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.

**31. Fair value (continued)****Fair value of financial assets and liabilities not carried at fair value**

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial 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 2021</b> <i>(unaudited)</i>			<b>31 December 2020</b>		
	<b>Carrying amount</b> <i>RUB MM</i>	<b>Fair value</b> <i>RUB MM</i>	<b>Unrecognized gain/(loss)</b> <i>RUB MM</i>	<b>Carrying amount</b> <i>RUB MM</i>	<b>Fair value</b> <i>RUB MM</i>	<b>Unrecognized gain/(loss)</b> <i>RUB MM</i>
<b>Financial assets</b>						
Cash and cash equivalents	185,307	185,307	–	148,886	148,886	–
Mandatory cash balances with the CBR	11,799	11,799	–	7,559	7,559	–
Placements with banks and bank bonds at amortized cost	54,735	55,049	314	51,115	51,648	533
Loans to customers and corporate bonds at amortized cost	997,715	999,774	2,059	711,112	723,552	12,440
Other assets	6,418	6,418	–	8,264	8,264	–
<b>Financial liabilities</b>						
Due to the CBR	2,535	2,535	–	1,802	1,802	–
Due to banks	202,571	202,744	(173)	154,579	154,839	(260)
Due to customers	1,253,163	1,253,416	(253)	998,593	999,817	(1,224)
Debt securities issued	54,770	54,806	(36)	37,757	38,066	(309)
Other borrowed funds	23,755	27,769	(4,014)	21,880	26,903	(5,023)
Subordinated debt	22,527	24,535	(2,008)	23,000	24,792	(1,792)
Other liabilities	21,308	21,308	–	11,640	11,640	–
<b>Total unrecognized change in fair value</b>			<b>(4,111)</b>			<b>4,365</b>

## 32. Currency analysis

The table below shows the breakdown of assets and liabilities by currency as at 30 June 2021 (unaudited):

	<i>RUB and other currencies RUB MM</i>	<i>USD RUB MM</i>	<i>EUR RUB MM</i>	<i>Total RUB MM</i>
<b>Assets</b>				
Cash and cash equivalents	160,631	14,118	10,558	<b>185,307</b>
Mandatory cash balances with the CBR	11,799	–	–	<b>11,799</b>
Placements with banks and bank bonds at amortized cost:				
- held by the Group	11,828	24,819	10,332	<b>46,979</b>
- pledged under repo	–	7,756	–	<b>7,756</b>
Financial instruments at FVPL:				
- held by the Group	151,891	72,967	11,776	<b>236,634</b>
- pledged under repo	37,964	74,100	–	<b>112,064</b>
Financial instruments at FVOCI:				
- held by the Group	165,802	658	1,707	<b>168,167</b>
- pledged under repo	6,045	8,132	–	<b>14,177</b>
Loans to customers and bonds at amortized cost	796,679	159,894	41,142	<b>997,715</b>
Change in the fair value of hedged assets	–	279	–	<b>279</b>
Investments in associates	686	–	–	<b>686</b>
Investment property	3,247	–	–	<b>3,247</b>
Property and equipment and intangible assets	15,786	–	–	<b>15,786</b>
Right-of-use assets	6,187	–	–	<b>6,187</b>
Goodwill	3,494	–	–	<b>3,494</b>
Current income tax asset	824	–	–	<b>824</b>
Deferred tax asset	6,774	–	–	<b>6,774</b>
Other assets	35,619	497	181	<b>36,297</b>
<b>Total assets</b>	<b>1,415,256</b>	<b>363,220</b>	<b>75,696</b>	<b>1,854,172</b>
<b>Liabilities</b>				
Due to the CBR	2,535	–	–	<b>2,535</b>
Due to banks	47,633	153,600	1,338	<b>202,571</b>
Due to customers	1,128,059	81,187	43,917	<b>1,253,163</b>
Debt securities issued	33,202	21,567	1	<b>54,770</b>
Other borrowed funds	23,755	–	–	<b>23,755</b>
Deferred tax liability	3,137	–	–	<b>3,137</b>
Current income tax payable	127	–	–	<b>127</b>
Subordinated debt	7,088	22,094	–	<b>29,182</b>
Other liabilities	64,109	13,828	89	<b>78,026</b>
<b>Total liabilities</b>	<b>1,309,645</b>	<b>292,276</b>	<b>45,345</b>	<b>1,647,266</b>
<b>Net balance sheet position as at 30 June 2021</b>	<b>105,611</b>	<b>70,944</b>	<b>30,351</b>	<b>206,906</b>
Net off-balance sheet position as at 30 June 2021	60,813	(31,676)	(29,137)	–
<b>Net position as at 30 June 2021</b>	<b>166,424</b>	<b>39,268</b>	<b>1,214</b>	<b>206,906</b>
Perpetual subordinated bonds	–	30,788	–	<b>30,788</b>
<b>Net position, including perpetual subordinated bonds, as at 30 June 2021</b>	<b>166,424</b>	<b>8,480</b>	<b>1,214</b>	<b>176,118</b>
<b>Credit-related commitments</b>	<b>506,583</b>	<b>30,747</b>	<b>8,126</b>	<b>545,456</b>

### 32. Currency analysis (continued)

The table below shows the breakdown of assets and liabilities by currency as at 31 December 2020:

	<i>RUB and other currencies RUB MM</i>	<i>USD RUB MM</i>	<i>EUR RUB MM</i>	<i>Total RUB MM</i>
<b>Assets</b>				
Cash and cash equivalents	119,450	8,214	21,222	148,886
Mandatory cash balances with the CBR	7,559	–	–	7,559
Placements with banks and bank bonds at amortized cost:				
- held by the Group	5,305	28,226	8,462	41,993
- pledged under repo	–	9,122	–	9,122
Financial instruments at FVPL:				
- held by the Group	109,404	117,411	2,580	229,395
- pledged under repo	87,395	47,863	–	135,258
Financial instruments at FVOCI:				
- held by the Group	152,044	967	1,836	154,847
- pledged under repo	–	1,651	–	1,651
Loans to customers and corporate bonds at amortized cost	545,556	124,163	41,393	711,112
Change in the fair value of hedged assets	–	1,335	–	1,335
Investments in associates	646	–	–	646
Investment property	102	–	–	102
Property and equipment and intangible assets	10,895	–	–	10,895
Right-of-use assets	3,789	–	–	3,789
Goodwill	1,662	–	–	1,662
Current income tax asset	96	–	–	96
Deferred tax asset	532	–	–	532
Other assets	23,612	813	55	24,480
<b>Total assets</b>	<b>1,068,047</b>	<b>339,765</b>	<b>75,548</b>	<b>1,483,360</b>
<b>Liabilities</b>				
Due to the CBR	1,802	–	–	1,802
Due to banks	85,620	68,031	928	154,579
Due to customers	850,009	112,509	36,075	998,593
Debt securities issued	37,673	83	1	37,757
Other borrowed funds	21,880	–	–	21,880
Deferred tax liability	2,706	–	–	2,706
Current income tax payable	632	–	–	632
Subordinated debt	7,197	22,568	–	29,765
Other liabilities	27,529	19,595	233	47,357
<b>Total liabilities</b>	<b>1,035,048</b>	<b>222,786</b>	<b>37,237</b>	<b>1,295,071</b>
<b>Net balance sheet position as at 31 December 2020</b>	<b>32,999</b>	<b>116,979</b>	<b>38,311</b>	<b>188,289</b>
Net off-balance sheet position as at 31 December 2020	116,786	(78,253)	(38,533)	–
<b>Net position as at 31 December 2020</b>	<b>149,785</b>	<b>38,726</b>	<b>(222)</b>	<b>188,289</b>
Perpetual subordinated bonds	–	26,216	–	26,216
<b>Net position, including perpetual subordinated bonds, as at 31 December 2020</b>	<b>149,785</b>	<b>12,510</b>	<b>(222)</b>	<b>162,073</b>
<b>Credit-related commitments</b>	<b>532,373</b>	<b>112,145</b>	<b>8,179</b>	<b>652,697</b>

The net off-balance sheet position in Russian rubles is calculated as a balance of off-balance assets and liabilities denominated in foreign currencies.

### 33. Assets structure by industry

The following table presents distribution of assets by industry as at 30 June 2021 (unaudited):

	<b>Securities at FVPL (Note 15)</b>	<b>Placements with banks (Note 14)</b>	<b>Bank bonds at amortized cost (Note 14)</b>	<b>Loans to customers (Note 17)</b>	<b>Bonds at amortized cost (Note 17)</b>	<b>Bonds at FVOCI (Note 18)</b>	<b>Total</b>	<b>%</b>
Individuals	-	-	-	454,539	-	-	<b>454,539</b>	28.2%
Government and municipal institutions	20,971	-	-	8,839	6,784	97,242	<b>133,836</b>	8.3%
State financial development institutions	12,619	-	-	38,034	-	69,031	<b>119,684</b>	7.4%
Small enterprises and other customers	-	-	-	115,402	-	-	<b>115,402</b>	7.2%
Banks	52,011	44,790	10,211	-	-	-	<b>107,012</b>	6.7%
Transport	58,439	-	-	22,794	2,484	571	<b>84,288</b>	5.2%
Mining	12,622	-	-	55,440	-	377	<b>68,439</b>	4.3%
Trade	5,331	-	-	59,667	-	-	<b>64,998</b>	4.0%
Leasing	51,950	-	-	5,555	4,415	503	<b>62,423</b>	3.9%
Energy	11,028	-	-	43,120	-	393	<b>54,541</b>	3.4%
Metallurgy	15,688	-	-	33,080	5,714	-	<b>54,482</b>	3.4%
Construction	9,578	-	-	35,610	2,735	-	<b>47,923</b>	3.0%
Manufacturing	14,013	-	-	23,306	6,881	1,009	<b>45,209</b>	2.8%
Petrochemicals	25,086	-	-	9,167	6,212	1,572	<b>42,037</b>	2.6%
Other financial institutions	6,580	-	-	25,964	-	288	<b>32,832</b>	2.0%
Infrastructure	20,156	-	-	2,073	-	7,124	<b>29,353</b>	1.8%
Commercial real estate	409	-	-	22,870	-	-	<b>23,279</b>	1.5%
Agriculture and food processing	9,926	-	-	3,019	-	342	<b>13,287</b>	0.8%
Residential real estate	516	-	-	11,539	-	-	<b>12,055</b>	0.7%
Telecommunications	5,574	-	-	5,162	-	1,189	<b>11,925</b>	0.7%
Chemical and pharmaceutical industry	3,180	-	-	7,032	-	-	<b>10,212</b>	0.6%
Diversified holdings	2,002	-	-	5,000	550	582	<b>8,134</b>	0.5%
Services	671	-	-	4,354	-	-	<b>5,025</b>	0.3%
IT	750	-	-	2,713	-	-	<b>3,463</b>	0.2%
Insurance	2,013	-	-	-	-	-	<b>2,013</b>	0.1%
Other sectors	72	-	-	5,954	-	-	<b>6,026</b>	0.4%
	<b>341,185</b>	<b>44,790</b>	<b>10,211</b>	<b>1,000,233</b>	<b>35,775</b>	<b>180,223</b>	<b>1,612,417</b>	<b>100.0%</b>

**33. Assets structure by industry (continued)**

The following table presents distribution of assets by industry as at 31 December 2020 (restated):

	<b>Securities at FVPL (Note 15)</b>	<b>Placements with banks (Note 14)</b>	<b>Bank bonds at amortized cost (Note 14)</b>	<b>Loans to customers (Note 17)</b>	<b>Bonds at amortized cost (Note 17)</b>	<b>Bonds at FVOCI (Note 18)</b>	<b>Total</b>	<b>%</b>
Individuals	-	-	-	320,793	-	-	320,793	24.5%
State financial development institutions	14,048	-	-	37,742	75	87,903	139,768	10.7%
Government and municipal institutions	29,863	-	-	8,806	8,464	64,563	111,696	8.5%
Banks	36,751	40,451	10,810	-	-	-	88,012	6.7%
Small enterprises and other customers	-	-	-	85,775	-	-	85,775	6.5%
Transport	61,869	-	-	11,630	9,411	-	82,910	6.3%
Mining	22,520	-	-	38,979	6,369	384	68,252	5.2%
Leasing	47,801	-	-	3,442	8,174	-	59,417	4.5%
Manufacturing	15,275	-	-	24,685	7,010	2,234	49,204	3.7%
Petrochemicals	33,527	-	-	9,313	6,363	-	49,203	3.7%
Trade	11,523	-	-	25,356	-	-	36,879	2.8%
Energy	13,226	-	-	21,972	145	424	35,767	2.7%
Metallurgy	8,813	-	-	19,803	6,934	-	35,550	2.7%
Infrastructure	16,973	-	-	1,895	7,905	-	26,773	2.0%
Construction	8,305	-	-	9,036	4,385	-	21,726	1.7%
Other financial institutions	8,868	-	-	8,955	-	-	17,823	1.4%
Chemical and pharmaceutical industry	3,990	-	-	11,122	-	-	15,112	1.2%
Services	3,174	-	-	9,774	-	-	12,948	1.0%
Agriculture and food processing	11,151	-	-	1,285	-	356	12,792	1.0%
Commercial real estate	1,590	-	-	10,413	-	-	12,003	0.9%
Telecommunications	7,430	-	-	3,204	-	-	10,634	0.8%
Residential real estate	552	-	-	8,059	-	-	8,611	0.7%
Diversified holdings	1,589	-	-	101	723	-	2,413	0.2%
IT	364	-	-	1,817	-	-	2,181	0.2%
Insurance	1,841	-	-	-	-	-	1,841	0.1%
Other sectors	-	-	-	3,475	-	-	3,475	0.3%
	<b>361,043</b>	<b>40,451</b>	<b>10,810</b>	<b>677,432</b>	<b>65,958</b>	<b>155,864</b>	<b>1,311,558</b>	<b>100.0%</b>

In 2021, the Group revised its industry structure to better present the business of its counterparties. Comparatives as at 31 December 2020 have been retrospectively revised to ensure comparability.

**34. Business combinations****Acquisition of Sovcombank Life JSC**

On 26 January 2021 (the "Acquisition Date"), Sovcombank acquired 100% of shares in MetLife Insurance Company JSC, a Russian subsidiary of MetLife, Inc. (NYSE: MET), a major global insurance company.

In January 2021, MetLife Insurance Company JSC changed its name to Sovcombank Life JSC.

**34. Business combinations (continued)****Acquisition of Sovcombank Life JSC (continued)**

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

	<b>RUB MM</b>
<b>Assets</b>	
Cash and cash equivalents	1,265
Investment securities at FVOCI	22,388
Insurance, co-insurance and reinsurance receivables	587
Property and equipment	98
Intangible assets	59
Current income tax assets	176
Deferred acquisition costs	163
Other assets	423
<b>Total assets</b>	<b>25,159</b>
<b>Liabilities</b>	
Provisions for life insurance contracts classified as insurance contracts	18,389
Non-life insurance provisions	1,179
Insurance, co-insurance and reinsurance payables	631
Deferred tax liabilities	243
Other payables and other liabilities	189
<b>Total liabilities</b>	<b>20,631</b>
<b>Identifiable net assets</b>	<b>4,528</b>
	<b>RUB MM</b>
Cash paid on acquisition	3,899
Fair value of identifiable net assets of the company as at the date of business combination	(4,528)
<b>Bargain purchase gain (Note 7)</b>	<b>629</b>

The Group recognized the gain from the bargain purchase of Sovcombank Life JSC in the consolidated income statement as part of other operating income, as the fair value of the identifiable net assets of Sovcombank Life JSC exceeded the value of the cash paid. Gain from the bargain purchase as at the acquisition date amounted to RUB 629 MM, which is in line with the current market situation.

From the date of acquisition, the contribution of Sovcombank Life JSC to the Group's profit for the six months ended 30 June 2021 amounted to RUB 403 MM, interest income – RUB 766 MM and non-interest income – RUB 114 MM.

**Acquisition of Vostochny Commercial Bank PJSC**

On 8 April 2021 (the "acquisition date"), Sovcombank closed the deal to purchase 88.1% in Vostochny Commercial Bank PJSC (hereinafter, "Vostochny") from its key shareholders. A mandatory offer to purchase the remaining shares from the non-controlling shareholders was also made.

The acquisition of Vostochny is aimed at strengthening Sovcombank's positions in the Far East of the Russian Federation.

In April 2021, Sovcombank increased Vostochny's capital by RUB 3 BN using its own funds. This enabled Vostochny to comply with all capital ratios, including mark-ups recommended by the Bank of Russia.

**34. Business combinations (continued)****Acquisition of Vostochny Commercial Bank PJSC (continued)**

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

	<u>RUB MM</u>
<b>Assets</b>	
Cash and cash equivalents	11,666
Mandatory cash balances with the CBR	1,005
Placements with banks	24,420
Financial instruments at FVPL	299
Financial instruments at FVOCI	32,172
Loans to customers	87,736
Investments in associates	168
Investment property	3,218
Property and equipment	4,824
Right-of-use assets	1,159
Deferred tax assets	5,716
Other assets	4,758
<b>Total assets</b>	<u><b>177,141</b></u>
<b>Liabilities</b>	
Amounts due to banks	8,160
Amounts due to customers	142,295
Other borrowed funds	286
Debt securities issued	24
Other liabilities	8,142
<b>Total liabilities</b>	<u><b>158,907</b></u>
<b>Identifiable net assets</b>	<u><b>18,234</b></u>

	<u>RUB MM</u>
Cash paid on acquisition	8,729
Fair value of identifiable net assets of the company as at the date of business combination	(18,234)
Non-controlling interests	6,881
<b>Bargain purchase gain (Note 7)</b>	<u><b>2,624</b></u>

The Group recognized the gain from the bargain purchase of Vostochny Commercial Bank PJSC in the consolidated statement of profit or loss as part of other operating income, as the fair value of the identifiable net assets of Vostochny Commercial Bank PJSC exceeded the value of consideration paid. The bargain purchase gain as at the acquisition date amounted to RUB 2,624 MM, which is in line with the current market situation.

In addition to the gain from the bargain purchase in the amount of RUB 2,624 MM the Group's comprehensive income was impacted by the following effects from the business combination:

- ▶ comprehensive income of Vostochny Commercial Bank PJSC for the 2nd quarter of 2021 in the amount of RUB 1,309 MM,
- ▶ allowances for ECL on the acquired loan portfolio of Vostochny Commercial Bank PJSC in the amount of RUB (3,674) MM.

As at the date of business combination, the contractual amount of loans to customers before deduction of allowances for Vostochny ECL was RUB 127,616 MM.

"Non-controlling interests" consists of 11.9% interest held by non-controlling shareholders and Vostochny's perpetual subordinated debt.

The Group has decided to measure the non-controlling interests in Vostochny Commercial Bank PJSC at fair value. Fair value of 11.9% of non-controlling interests in Vostochny Commercial Bank PJSC in the amount of RUB 1,285 MM was measured based on a mandatory offer to buy out the remaining shares from non-controlling shareholders.

Perpetual subordinated debt represents perpetual subordinated bonds with a fair value of RUB 5,596 MM as at the date of business combination. The fair value measurement of perpetual subordinated bonds is based on market price transactions between independent parties.

**34. Business combinations (continued)****Acquisition of Vostochny Commercial Bank PJSC (continued)**

In other liabilities of Vostochny Commercial Bank PJSC within the framework of the preliminary allocation of purchase price, the Group recognized RUB 0.5 BN reserves for legal claims. The Group is currently analyzing the possible consequences and assessing the likelihood of a potential outcome on these issues. The amount may be revised in the future.

From the date of acquisition, the contribution of Vostochny Commercial Bank PJSC to the Group's profit for the six months ended 30 June 2021 amounted to RUB 1,037 MM, interest income – RUB 7,601 MM and non-interest income – RUB 578 MM.

**Acquisition of Economy Development Center JSC**

In April 2021, RTS-Tender LLC, a subsidiary of the Group, closed the deal to purchase 100% of shares of Economy Development Center JSC.

Economy Development Center JSC ("EDC") is a Russian company operating the B2B-Center e-trade platform, a leader in the commercial e-procurement segment. The platform's clients comprise major Russian private companies from various industries, which can use the platform to announce procurement biddings.

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

	<b><i>RUB MM</i></b>
<b>Assets</b>	
Cash and cash equivalents	772
Deferred income tax assets	30
Intangible assets	651
Other assets	61
<b>Total assets</b>	<b>1,514</b>
<b>Liabilities</b>	
Amounts due to customers	39
Other payables and other liabilities	451
<b>Total liabilities</b>	<b>490</b>
<b>Identifiable net assets</b>	<b>1,024</b>
	<b><i>RUB MM</i></b>
Cash paid on acquisition	2,857
Fair value of identifiable net assets of the company as at the date of business combination	(1,024)
<b>Goodwill arising on acquisition</b>	<b>1,833</b>

From the date of acquisition, the contribution of Economy Development Center JSC to the Group's profit and non-interest income for the six months ended 30 June 2021 amounted to RUB 100 MM and RUB 336 MM, respectively.

If the business combination had taken place at the beginning of the year, the Group's profit for the six months of 2021 would be RUB 27,459 MM, interest income – RUB 87,938 MM, and non-interest income – RUB 23,063 MM.

**35. 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.

### 35. Capital adequacy (continued)

#### Capital adequacy ratio set by the CBR

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). Systemically important credit institutions (SICIs) are subject to tighter regulatory requirements of the Bank of Russia, including a higher conservation buffer and systemic importance surcharge. Since Sovcombank was included in the list of SICIs, the minimum capital adequacy ratio was set at 11.5% starting from 1 January 2021.

As at 30 June 2021 and 31 December 2020, the Bank's capital adequacy ratio calculated in accordance with the above requirements exceeded the statutory minimum established by the CBR, i.e. more than 11.5% and 8.0% respectively.

#### Capital adequacy ratio under the Basel Capital Accord

As at 30 June 2021 and 31 December 2020, 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, 6.0% for tier 1 capital and 8.0% for equity capital.

To determine the amount of credit risk when calculating the capital adequacy ratio, the standardized Basel III approach is used, except for derivative financial instruments, loan and credit line commitments, RUB-denominated receivables from the Russian Federation, federal executive bodies, the CBR, constituent entities and municipalities of the Russian Federation and the integrated development institution, which are subject to the requirements of the national regulator (Instruction No. 199-I of the CBR *On Prudential Ratios and Surcharges on the Capital Adequacy Ratios of Banks with General Licenses* of 29 November 2019 ("Instruction No. 199-I")) for credit risk calculation.

The calculation of the Group's capital adequacy ratio in accordance with Basel III requirements subject to the above assumptions as at 30 June 2021 and 31 December 2020 is provided below.

	<b>30 June 2021 (unaudited) RUB MM</b>	<b>31 December 2020 RUB MM</b>
Core capital	165,448	154,455
Additional capital	25,679	26,216
<b>Tier 1 capital</b>	<b>191,127</b>	<b>180,671</b>
Tier 2 capital	29,026	29,603
<b>Total equity</b>	<b>220,153</b>	<b>210,274</b>
<b>Risk-weighted assets</b>		
Credit risk	1,362,886	1,075,670
Operational risk	138,307	138,307
Market risk	112,829	130,833
<b>Total risk-weighted assets</b>	<b>1,614,022</b>	<b>1,344,810</b>
Tier 1 core capital adequacy ratio	10.3%	11.5%
Tier 1 capital adequacy ratio	11.8%	13.4%
Total capital adequacy ratio	13.6%	15.6%

**36. 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 2021 and 31 December 2020:

	<i>Relationship</i>	<i>Voting rights</i>	
		<i>30 June 2021 (unaudited)</i>	<i>31 December 2020</i>
Sovcombank Securities Limited (former 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%
USM LLC	Subsidiary	100.0%	100.0%
Sovcombank Leasing LLC	Subsidiary	100.0%	100.0%
Tsifrovye Tekhnologii Budushego LLC	Subsidiary	100.0%	100.0%
Sovcombank Life JSC	Subsidiary	100.0%	–
Sovcombank Technologies LLC	Subsidiary	100.0%	–
Septem Capital LLC	Subsidiary	100.0%	74.9%
Sovcombank Asset Management LLC	Subsidiary	100.0%	–
Sovcombank Insurance JSC	Subsidiary	99.9%	99.9%
Vostochny Commercial Bank PJSC	Subsidiary	88.1%	–
RTS-Holding JSC	Subsidiary	52.2%	52.2%
RTS-Tender LLC	Subsidiary	52.2%	52.2%
Economy Development Center JSC	Subsidiary	52.2%	–
Kostromskoy Zavod Avtokomponentov JSC	Associate	48.3%	40.1%
Aviatsionnye Tekhnologii Svyazi LLC	Associate	25.0%	25.0%
Cbonds.ru LLC	Associate	24.9%	24.9%
Eurasian Bank JSC	Subsidiary	–	100.0%
Oney Bank LLC	Subsidiary	–	100.0%
Saint Petersburg Exchange PJSC	Associate (as at 31 December 2020)	n/a	3.3%

**Establishment of Sovcombank Technologies LLC**

In February 2021, Sovcombank formed Sovcombank Technologies LLC. The purpose of the company is to provide IT services to all companies within the Group.

**Sale of Oney Bank LLC**

In May 2021, Sovcombank and Ozon, a leading multi-category e-commerce platform, signed an agreement on the sale of 100% of shares in Oney Bank LLC by Sovcombank to Ozon for RUB 615 MM.

The deal was closed after receiving the CBR's approval.

**Increase of share in Septem Capital LLC to 100%**

On 4 May 2021, Sovcombank increased its share in Septem Capital LLC to 100%

Septem Capital LLC has been a member of Sovcombank Group since 2019. In December 2019, Sovcombank purchased a 50.1% interest in Septem Capital LLC and increased its share to 74.99% a year later.

**Merger with Eurasian Bank JSC**

On 29 April 2021, the Bank's General Shareholders' Meeting decided on merging with Eurasian Bank JSC in order to simplify the Group's structure and cut its costs. All legal rights and obligations of Eurasian Bank JSC were transferred to Sovcombank. The merger had no effect on the consolidated financial performance.

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

### Acquisition of Sovcombank Asset Management LLC

On 26 May 2021, Sovcombank closed the deal to acquire 100% of shares of Vostochny Capital Management Company LLC from Commercial Bank Modulbank JSC. After the acquisition of the company, a rebranding was performed, and its new name is Sovcombank Asset Management LLC.

The acquisition of Sovcombank Asset Management LLC did not have any significant impact on the consolidated financial statements of the Group.

Sovcombank plans to use the acquiree to develop its asset management business, including the establishment of mutual funds, trust management of assets of customers and institutional investors.

## 37. Subsequent events

### Acquisition of National Factoring Company (factoring group)

In July 2021, Sovcombank closed the deal to acquire NFC GC (LLC) from Financial Corporation NIKoil (LLC) for RUB 4,151 MM.

Following the integration:

- ▶ Bank NFC JSC within Sovcombank Group plans to increase business growth rates and improve the quality of its services and factoring products
- ▶ NFC-Premium will become part of Sovcom Factoring, allowing the combined company to hit the top five factoring companies in the country.

The Group is assessing the allocation of acquisition costs to the net assets of NFC GC (LLC).

### Increase of share in Vostochny Commercial Bank PJSC to 99.8%

In August 2021, Sovcombank repurchased 11.7% shares of Vostochny Commercial Bank PJSC from non-controlling shareholders for RUB 1,285 MM under a mandatory offer, thus increasing its stake in the bank to 99.8%.