

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

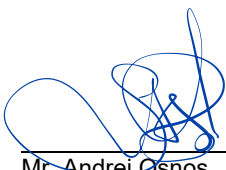
for the six months ended 30 June 2021

| | 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) |
| Net interest income | | 29,831 | 19,241 | 51,650 | 37,118 |
| 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) | – |
| Net interest income after allowance for credit losses | | 21,388 | 13,260 | 40,726 | 25,621 |
| 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) |
| Net fee and commission income | | 9,233 | 5,123 | 14,793 | 11,140 |
| 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 |
| Operating income | | 36,781 | 37,523 | 60,458 | 32,811 |
| 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) |
| Net gain from other non-banking business | | 382 | 243 | 1,324 | 300 |
| 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) |
| Profit before income tax expense | | 19,878 | 27,015 | 31,932 | 12,313 |
| Income tax expense | 12 | (3,489) | (5,416) | (5,728) | (2,462) |
| Profit for the reporting period | | 16,389 | 21,599 | 26,204 | 9,851 |
| Profit for the reporting period attributable to: | | | | | |
| - shareholders of the Bank | | 16,280 | 21,476 | 25,988 | 9,651 |
| - non-controlling interests | | 109 | 123 | 216 | 200 |
| Basic and diluted earnings per ordinary share attributable to the Bank's shareholders (RUB per share) | 27 | 0.83 | 1.10 | 1.32 | 0.47 |
| Other comprehensive income | | | | | |
| <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) |
| Other comprehensive income/(loss), net of tax | | 93 | 1,947 | (4,574) | 569 |
| Total comprehensive income | | 16,482 | 23,546 | 21,630 | 10,420 |
| Comprehensive income attributable to: | | | | | |
| - 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**

| | Note | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|--|-------------|--|--|
| Assets | | | |
| 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 |
| Total assets | | 1,854,172 | 1,483,360 |
| Liabilities | | | |
| 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 |
| Total liabilities | | 1,647,266 | 1,295,071 |
| Equity | | | |
| 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 |
| Total equity attributable to shareholders of the Bank | | 198,606 | 186,259 |
| Non-controlling interests | | 8,300 | 2,030 |
| Total equity | | 206,906 | 188,289 |
| Total equity and liabilities | | 1,854,172 | 1,483,360 |

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 |
| Net cash flows from operating activities before income tax | | (20,978) | (22,558) |
| Income tax paid | | (5,715) | (5,506) |
| Cash flows from operating activities | | (26,693) | (28,064) |
| Cash flows from investing activities | | 54,363 | 18,168 |
| Cash flows from financing activities | | 10,204 | 17,744 |
| Net increase in cash and cash equivalents | | 37,874 | 7,848 |
| 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 |
| Cash and cash equivalents at the end of the period | 13 | 185,307 | 119,973 |

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 |
|--|----------------------------|--------------------|---|--|--|---|--------------------------------|--|---|---------------------------|
| As at 1 January 2020 | 1,969 | - | 25,082 | 404 | (161) | 6,191 | 103,568 | 137,053 | 2,031 | 139,084 |
| Net profit for the period | - | - | - | - | - | - | 9,651 | 9,651 | 200 | 9,851 |
| Other comprehensive income for the period | - | - | - | (4) | 573 | - | - | 569 | - | 569 |
| Total comprehensive income | - | - | - | (4) | 573 | - | 9,651 | 10,220 | 200 | 10,420 |
| 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 |
| As at 30 June 2020 (unaudited) | 1,969 | (5,211) | 25,268 | 400 | 412 | 24,816 | 109,211 | 156,865 | 2,232 | 159,097 |
| As at 1 January 2021 | 1,969 | (5,211) | 25,842 | 452 | 980 | 26,216 | 136,011 | 186,259 | 2,030 | 188,289 |
| Net profit for the period | - | - | - | - | - | - | 25,988 | 25,988 | 216 | 26,204 |
| Other comprehensive income for the period | - | - | - | - | (4,574) | - | - | (4,574) | - | (4,574) |
| Total comprehensive income | - | - | - | - | (4,574) | - | 25,988 | 21,414 | 216 | 21,630 |
| 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) |
| As at 30 June 2021 (unaudited) | 1,969 | (5,211) | 25,770 | 452 | (3,594) | 25,679 | 153,541 | 198,606 | 8,300 | 206,906 |

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, 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**

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

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:

| Other beneficiaries | Ownership, % 30 June 2021 | Ownership, % 31 December 2020 |
|--------------------------------|--|--|
| 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% |
| Total ownership | 10.1% | 10.1% |

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

3. Segment information (continued)

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

3. Segment information (continued)

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

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

3. Segment information (continued)

| | 31 December 2020 | | | |
|--|--------------------------|----------------------|----------------------------|-------------------------|
| | Retail RUB MM | CB RUB MM | Treasury RUB MM | Total RUB MM |
| Segment assets | | | | |
| 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 |
| | 337,033 | 417,706 | 728,621 | 1,483,360 |
| Segment liabilities | | | | |
| 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 |
| | 415,317 | 593,600 | 286,154 | 1,295,071 |

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 RUB MM</i> | <i>2020 RUB MM</i> | <i>2021 RUB MM</i> | <i>2020 RUB MM</i> |
| Interest income calculated using EIR method | | | | |
| Retail loans: | 23,548 | 14,106 | 40,133 | 28,104 |
| Consumer loans | 5,375 | 4,477 | 10,931 | 9,114 |
| Installment cards | 9,657 | 3,542 | 14,278 | 6,513 |
| Car loans | 4,351 | 3,573 | 8,052 | 7,474 |
| Mortgage loans | 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 |
| Total interest income calculated using EIR method | 37,891 | 24,790 | 65,736 | 49,022 |
| Other interest income | | | | |
| 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 |
| Total other interest income | 7,966 | 8,297 | 15,417 | 15,107 |
| Total interest income | 45,857 | 33,087 | 81,153 | 64,129 |
| Interest expense | | | | |
| 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) |
| Total interest expense | (15,304) | (13,585) | (28,201) | (25,986) |
| Obligatory deposit insurance | (722) | (261) | (1,302) | (1,025) |
| Net interest income | 29,831 | 19,241 | 51,650 | 37,118 |

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 |
| | 11,532 | 6,873 | 19,591 | 14,692 |

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 |
| | 2,364 | (3,162) | 4,645 | 4,151 |

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 |
| | 3,632 | 125 | 4,625 | 762 |

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 |
| Revenue and other gains from other non-banking activities | 3,694 | 1,502 | 7,044 | 2,747 |
| 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) |
| Cost and other losses from other non-banking activities | (3,312) | (1,259) | (5,720) | (2,447) |
| Net profit from other non-banking activities | 382 | 243 | 1,324 | 300 |

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) |
| | (10,041) | (6,722) | (17,473) | (12,531) |

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) |
| | (7,242) | (4,029) | (12,375) | (8,267) |

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) |
| | 143 | (170) | (9) | (808) |

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> |
|---|--|---|---|---|---|-------------------------|
| As at 1 January 2020 | 1,230 | 827 | 2,754 | 407 | 137 | 5,355 |
| Charge/(reversal) | 307 | 216 | 137 | 63 | 51 | 774 |
| Write-off | (328) | – | – | – | – | (328) |
| Settlement of liabilities | – | (346) | – | – | – | (346) |
| Effect of business combination | – | – | – | – | 58 | 58 |
| As at 30 June 2020 (unaudited) | 1,209 | 697 | 2,891 | 470 | 246 | 5,513 |
| As at 1 January 2021 | 1,133 | 385 | 3,737 | – | 297 | 5,552 |
| 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 |
| As at 30 June 2021 (unaudited) | 1,164 | 1,830 | 5,218 | – | 231 | 8,443 |

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) |
| | (3,489) | (5,416) | (5,728) | (2,462) |

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 |
| | 185,307 | 148,886 |

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 |
| Total placements with banks and bank bonds at amortized cost | 55,001 | 51,261 |
| Less: allowance for impairment | (266) | (146) |
| Placements with banks and bank bonds at amortized cost, net | 54,735 | 51,115 |

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:

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|--|--|--|
| Russian bank bonds at amortized cost | | |
| Issuers with credit rating from BBB+ to BBB- | 6,019 | 6,416 |
| Issuers with credit rating from BB+ to BB- | 4,192 | 4,394 |
| Total bonds at amortized cost | 10,211 | 10,810 |

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:

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|--|--|--|
| Placements with banks | | |
| 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 | – |
| Total placements with banks | 44,790 | 40,451 |

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

15. Financial instruments at FVPL

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|---|--|--|
| Held by the Group | | |
| 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 |
| Total financial instruments at FVPL held by the Group | 236,634 | 229,395 |
| Pledged under repo | | |
| 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 |
| Total financial instruments at FVPL pledged under repo | 112,064 | 135,258 |
| Total financial instruments at FVPL | 348,698 | 364,653 |

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:

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|---|--|--|
| Securities at FVPL | | |
| 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 |
| Total securities at FVPL | 341,185 | 361,043 |
| Derivative financial instruments | | |
| 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 |
| Total derivative financial instruments | 7,513 | 3,610 |
| Total financial instruments at FVPL | 348,698 | 364,653 |

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

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

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 |
| Total derivative assets or liabilities | 502,943 | 7,513 | 14,111 | 390,010 | 3,610 | 21,105 |

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:

| | 30 June 2021 (unaudited) | | 31 December 2020 | | Item of the statement of financial position |
|---------------------|-------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|--|
| | Nominal value RUB MM | Carrying amount RUB MM | Nominal value RUB MM | Carrying amount RUB MM | |
| 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:

| | 30 June 2021 (unaudited) | | 31 December 2020 | | Item of the statement of financial position |
|--------------------------------------|---------------------------------------|--|---------------------------------------|--|--|
| | Carrying amount RUB MM | Accumulated fair value adjustments RUB MM | Carrying amount RUB MM | Accumulated fair value adjustments RUB MM | |
| Corporate bonds at amortized cost | 19,016 | 186 | 44,671 | 1,151 | Loans to customers and bonds at amortized cost Placements with banks and bank bonds at amortized cost |
| Bank bonds at amortized cost | 10,211 | 93 | 10,810 | 184 | |
| | 29,227 | 279 | 55,481 | 1,335 | |

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

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|--|--|--|
| Retail loans | | |
| Installment cards | 125,009 | 60,915 |
| Car loans | 120,783 | 108,886 |
| Mortgage loans | 120,618 | 82,445 |
| Consumer loans | 88,129 | 68,547 |
| Total retail loans | 454,539 | 320,793 |
| Corporate loans and bonds at amortized cost | | |
| 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 |
| Total corporate loans and bonds at amortized cost | 581,469 | 422,597 |
| Total loans to customers and bonds at amortized cost | 1,036,008 | 743,390 |
| Less: allowance for loan impairment | (38,293) | (32,278) |
| Loans to customers and bonds at amortized cost, net | 997,715 | 711,112 |

* 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:

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|--|--|--|
| Bonds at amortized cost | | |
| 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 |
| Total bonds at amortized cost | 35,775 | 65,958 |

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

| | 30 June 2021 (unaudited) | | | 31 December 2020 | | |
|--|--|---|--------------|--|---|--------------|
| | <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> |
| Bonds at amortized cost | | | | | | |
| 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 |
| | 2,107 | 3,044 | 5,151 | 2,753 | 3,921 | 6,674 |

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).

| Consumer loans | Stage 1 RUB MM | Stage 2 RUB MM | Stage 3 RUB MM | POCI assets RUB MM | Total RUB MM |
|-----------------------------------|---------------------------|---------------------------|---------------------------|-------------------------------|-------------------------|
| 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 |
| Balance as at 30 June 2021 | 3,972 | 769 | 3,764 | 70 | 8,575 |
| Car loans | Stage 1 RUB MM | Stage 2 RUB MM | Stage 3 RUB MM | POCI assets RUB MM | Total RUB MM |
| 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* | – | – | – | – | – |
| Balance as at 30 June 2021 | 1,408 | 253 | 1,427 | 28 | 3,116 |

* 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 |
| Balance as at 30 June 2021 | 1,607 | 230 | 1,347 | 14 | 3,198 |

| <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 | – | – | – | – | – |
| Balance as at 30 June 2021 | 6,785 | 289 | 2,607 | 557 | 10,238 |

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 | – | – | – | – | – |
| Balance as at 30 June 2021 | 7,707 | 84 | 480 | 239 | 8,510 |

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 | – | – | – | – |
| Balance as at 30 June 2021 | 143 | – | – | 143 |

**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 | – | – | – | – |
| Balance as at 30 June 2021 | 110 | – | – | 110 |

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 | – | – | – | – | – |
| Balance as at 30 June 2021 | 2,566 | 4 | 1,659 | 174 | 4,403 |

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 |
| Balance as at 30 June 2020 | 2,248 | 1,255 | 3,799 | 7,302 |

* 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 | – | – | – | – |
| Balance as at 30 June 2020 | 1,408 | 971 | 2,296 | 4,675 |

| <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 | – | – | – | – |
| Balance as at 30 June 2020 | 837 | 647 | 1,804 | 3,288 |

| <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 | – | – | – | – |
| Balance as at 30 June 2020 | 1,590 | 520 | 2,275 | 4,385 |

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).

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

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

| | Stage 1 RUB MM | Stage 2 RUB MM | Stage 3 RUB MM | Total RUB MM |
|-----------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| Balance as at 1 January 2020 | 425 | – | – | 425 |
| Transfers to Stage 2 | – | – | – | – |
| Transfers to Stage 3 | – | – | – | – |
| Charge/(reversal) for the period | (98) | – | – | (98) |
| Write-offs | – | – | – | – |
| Recovery of write-offs | – | – | – | – |
| Balance as at 30 June 2020 | 327 | – | – | 327 |

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

| | Stage 1 RUB MM | Stage 2 RUB MM | Stage 3 RUB MM | Total RUB MM |
|-----------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| Balance as at 1 January 2020 | 43 | – | – | 43 |
| Transfers to Stage 2 | – | – | – | – |
| Transfers to Stage 3 | – | – | – | – |
| Charge/(reversal) for the period | (12) | – | – | (12) |
| Write-offs | – | – | – | – |
| Recovery of write-offs | – | – | – | – |
| Balance as at 30 June 2020 | 31 | – | – | 31 |

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

| | Stage 1 RUB MM | Stage 2 RUB MM | Stage 3 RUB MM | POCI assets RUB MM | Total RUB MM |
|-----------------------------------|---------------------------|---------------------------|---------------------------|-------------------------------|-------------------------|
| Balance as at 1 January 2020 | 811 | 471 | 1,128 | 90 | 2,500 |
| Transfers to Stage 2 | (6) | 6 | – | – | – |
| Transfers to Stage 3 | (2) | (98) | 100 | – | – |
| Charge/(reversal) for the period | 358 | 92 | (20) | (56) | 374 |
| Write-offs | – | – | (760) | (5) | (765) |
| Recovery of write-offs | – | – | 515 | – | 515 |
| Balance as at 30 June 2020 | 1,161 | 471 | 963 | 29 | 2,624 |

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):

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

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

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):

| Corporate loans | Stage 1 RUB MM | Stage 2 RUB MM | Stage 3 RUB MM | POCI assets* RUB MM | Total RUB MM |
|--------------------------------|---------------------------|---------------------------|---------------------------|--------------------------------|-------------------------|
| - Not overdue | 533,710 | 2,020 | 859 | 726 | 537,315 |
| - Overdue less than 30 days | 3,484 | – | 29 | 86 | 3,599 |
| - Overdue from 30 to 89 days | 98 | 312 | 297 | 204 | 911 |
| - Overdue from 90 to 179 days | – | – | 491 | 64 | 555 |
| - Overdue from 180 to 360 days | – | – | 880 | 314 | 1,194 |
| - Overdue more than 360 days | – | – | 1,559 | 561 | 2,120 |
| Total corporate loans | 537,292 | 2,332 | 4,115 | 1,955 | 545,694 |
| Allowance for impairment | (10,383) | (88) | (2,139) | (413) | (13,023) |
| Corporate loans, net | 526,909 | 2,244 | 1,976 | 1,542 | 532,671 |

* 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*)

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

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

| Corporate loans | Stage 1 RUB MM | Stage 2 RUB MM | Stage 3 RUB MM | POCI assets RUB MM | Total RUB MM |
|--------------------------------|---------------------------|---------------------------|---------------------------|-------------------------------|-------------------------|
| - Not overdue | 347,629 | 4,563 | 279 | 6 | 352,477 |
| - Overdue less than 30 days | 1,490 | – | 33 | – | 1,523 |
| - Overdue from 30 to 89 days | – | 243 | 221 | – | 464 |
| - Overdue from 90 to 179 days | – | – | 319 | – | 319 |
| - Overdue from 180 to 360 days | – | – | 1,027 | – | 1,027 |
| - Overdue more than 360 days | – | – | 822 | 7 | 829 |
| Total corporate loans | 349,119 | 4,806 | 2,701 | 13 | 356,639 |
| Allowance for impairment | (6,539) | (851) | (1,837) | (8) | (9,235) |
| Corporate loans, net | 342,580 | 3,955 | 864 | 5 | 347,404 |

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

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

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.

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|--------|--|--|
| Shares | 2,121 | 634 |
| | 2,121 | 634 |

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

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|--|--|--|
| Held by the Group | | |
| 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 |
| Total debt securities at FVOCI held by the Group | 166,046 | 154,213 |
| Pledged under repo | | |
| 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 | – |
| Total debt securities at FVOCI pledged under repo | 14,177 | 1,651 |
| Total debt securities at FVOCI | 180,223 | 155,864 |

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:

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|--|--|--|
| Debt securities at FVOCI | | |
| 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 |
| | 180,223 | 155,864 |

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 | – | – | – |
| | 393 | 355 | 748 | 424 | 250 | 674 |

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 |
| Total at amortized cost | 185,416 | – | – | 185,416 |
| 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) |
| Total at fair value | 180,223 | – | – | 180,223 |

| <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 |
| Total at amortized cost | 154,994 | – | – | 154,994 |
| 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 |
| Total at fair value | 155,864 | – | – | 155,864 |

19. Due to customers

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

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):

| | Right-of-use assets | | |
|---|-----------------------------|------------------------------------|-------------------------|
| | Buildings RUB MM | Office equipment RUB MM | Total RUB MM |
| As at 1 January 2021 | 3,782 | 7 | 3,789 |
| 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) |
| As at 30 June 2021 (unaudited) | 6,187 | – | 6,187 |

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

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

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

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|-------------------|--|--|
| Other loans | 2,266 | 1,802 |
| Repo with the CBR | 269 | – |
| | 2,535 | 1,802 |

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

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|---|--|--|
| 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 |
| | 202,571 | 154,579 |

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:

| | 30 June 2021 (unaudited) | | 31 December 2020 | |
|---|---|---------------------------------------|--|---------------------------------------|
| | Repo with the CBR RUB MM | Repo with banks RUB MM | Repo with legal entities RUB MM | Repo with banks RUB MM |
| Financial instruments at FVPL pledged under repo | | | | |
| 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 |
| Total carrying amount | – | 112,064 | 18,845 | 116,413 |
| Loans to customers and corporate bonds at amortized cost, pledged under repo | | | | |
| 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 |
| Total carrying amount | – | 23,245 | 2,791 | 11,053 |
| Debt securities at FVOCI pledged under repo | | | | |
| 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 | – | – | – |
| Total carrying amount | 269 | 13,908 | 1,030 | 621 |
| Placements with banks and bank bonds at amortized cost, pledged under repo | | | | |
| Corporate bonds and Eurobonds | – | 4,174 | 917 | 2,085 |
| Bonds and Eurobonds of companies with state participation | – | 3,582 | – | 6,120 |
| Total carrying amount | – | 7,756 | 917 | 8,205 |
| Related liabilities | 269 | 137,630 | 18,033 | 115,674 |

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

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

Bonds issued

| ISIN code | Currency | Interest rate | Issue date | Offer/redemption rate | 30 June 2021 (unaudited), RUB MM | 31 December 2020 RUB MM |
|------------------|-----------------|----------------------|-------------------|------------------------------|---|--|
| 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 |
| | | | | | 53,877 | 36,764 |

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".

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|----------------------|---------------------------------------|-------------------------------|
| DIA loan | 23,754 | 21,879 |
| Other borrowed funds | 1 | 1 |
| | 23,755 | 21,880 |

25. Subordinated debt

| Type | Principal loan currency, MM | Currency | Counter- party | Interest rate | Issue date | Maturity date | 30 June 2021 (unaudited), RUB MM | 31 December 2020 RUB MM |
|----------------|-----------------------------------|----------|-------------------|------------------|----------------|-------------------|--|-------------------------------|
| 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 |
| | | | | | | | 29,182 | 29,765 |

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**

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|--|--|--|
| Other financial assets | | |
| 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 |
| Total other financial assets | 7,735 | 9,896 |
| Less: allowance for impairment of other financial assets (Note 11) | (748) | (931) |
| Total other financial assets, net | 6,987 | 8,965 |
| Other non-financial assets | | |
| 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 |
| Total other non-financial assets | 27,203 | 14,398 |
| Less: allowance for impairment of other non-financial assets (Note 11) | (647) | (499) |
| Total other non-financial assets, net | 26,556 | 13,899 |
| Insurance assets | 2,754 | 1,616 |
| Total other assets | 36,297 | 24,480 |

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

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|--|--|--|
| Other financial liabilities | | |
| 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 |
| Total other financial liabilities | 35,419 | 32,745 |
| Other non-financial liabilities | | |
| 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 |
| Total other non-financial liabilities | 14,609 | 9,421 |
| Insurance liabilities | | |
| Insurance reserves | 27,203 | 5,072 |
| Insurance and reinsurance payables | 795 | 119 |
| Total insurance liabilities | 27,998 | 5,191 |
| Total other liabilities | 78,026 | 47,357 |

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

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:

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

* 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.

| | 30 June 2021 (unaudited) RUB MM | 30 June 2021 (unaudited) number | 31 December 2020 RUB MM | 31 December 2020 number |
|------------------------|--|--|--|--|
| Amount | | | | |
| 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 |
| | 213,451 | 108,761 | 174,480 | 140,727 |

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

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

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

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

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

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 |
| | 566 | 607 | 872 | 1,121 |

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

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

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

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):

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

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):

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

(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.

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

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

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 |
|---------------------------------------|--------------------------------------|--|---|------------------------------------|------------------------|-----------------|-----------------------|---|---------------------------------------|--|--|------------------------------------|
| Financial assets | | | | | | | | | | | | |
| 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 |
| Total Level 3 financial assets | 89,037 | 2,282 | (710) | 2 | 506 | (6) | (19,160) | 671 | (143) | 1 | (8,521) | 63,959 |

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 |
|---------------------------------------|--------------------------------------|--|---|------------------------|-----------------|-----------------------|--|--|
| Financial assets | | | | | | | | |
| 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 |
| Total Level 3 financial assets | 1,021 | 2,067 | 2,573 | 1,698 | (763) | (32,233) | 114,674 | 89,037 |

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) | 2,067 |

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:

| 30 June 2021 (unaudited) | Carrying amount RUB MM | Valuation technique | Unobservable inputs | Range (weighted average value) |
|--|---------------------------------------|--|--|---|
| Financial instruments at FVPL | | | | |
| Finance | 1,470 | Discounted cash flows | Operational risk probability | 0% to 0.2% |
| Financial instruments at FVOCI | | | | |
| <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 |
| Investment property | 3,247 | Market and income approach | Discount for sale | 10% |
| Property and equipment and intangible assets (land and buildings) | 7,941 | Market and income approach | Discount for sale | 10% |
| 31 December 2020 | Carrying amount RUB MM | Valuation technique | Unobservable inputs | Range (weighted average value) |
| Financial instruments at FVPL | | | | |
| 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% |
| Financial instruments at FVOCI | | | | |
| <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 |
| Investment property | 102 | Market and income approach | Discount for sale | 10% |
| Property and equipment and intangible assets (land and buildings) | 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:

| | 30 June 2021 (unaudited) | | 31 December 2020 | |
|---------------------------------------|---|--|-----------------------------------|--|
| | Carrying amount RUB MM | Effect of reasonably possible alternative assumptions | Carrying amount RUB MM | Effect of reasonably possible alternative assumptions |
| Financial instruments at FVPL | | | | |
| Finance | 1,470 | From RUB (16) MM to RUB 10 MM | 1,505 | From RUB (14) MM to RUB 14 MM |
| Financial instruments at FVOCI | | | | |
| <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:

| | Six months ended 30 June 2021 (unaudited) RUB MM | 2020 RUB MM |
|--|---|------------------------|
| Financial instruments at FVPL | | |
| 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 |
| Total transfers from Level 1 to Level 2 | 17,267 | 16,159 |
| Financial instruments at FVOCI | | |
| Russian State bonds (OFZ) | 500 | – |
| Russian subfederal and municipal bonds | 200 | – |
| Bonds of companies with state participation | 115 | – |
| Total transfers from Level 1 to Level 2 | 815 | – |

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.

| | Six months ended 30 June 2021 (unaudited) RUB MM | 2020 RUB MM |
|--|---|------------------------|
| Financial instruments at FVPL | | |
| 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 | – |
| Total transfers from Level 2 to Level 1 | 5,803 | 3,293 |
| Financial instruments at FVOCI | | |
| Russian subfederal and municipal bonds | – | 101 |
| Total transfers from Level 2 to Level 1 | – | 101 |

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.

| | 30 June 2021 (unaudited) | | | 31 December 2020 | | |
|--|---|------------------------------|--|---------------------------------------|------------------------------|--|
| | Carrying amount RUB MM | Fair value RUB MM | Unrecognized gain/(loss) RUB MM | Carrying amount RUB MM | Fair value RUB MM | Unrecognized gain/(loss) RUB MM |
| Financial assets | | | | | | |
| 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 | – |
| Financial liabilities | | | | | | |
| 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 | – |
| Total unrecognized change in fair value | | | (4,111) | | | 4,365 |

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

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> |
|---|---|------------------------------|------------------------------|--------------------------------|
| Assets | | | | |
| 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 |
| Total assets | 1,068,047 | 339,765 | 75,548 | 1,483,360 |
| Liabilities | | | | |
| 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 |
| Total liabilities | 1,035,048 | 222,786 | 37,237 | 1,295,071 |
| Net balance sheet position as at 31 December 2020 | 32,999 | 116,979 | 38,311 | 188,289 |
| Net off-balance sheet position as at 31 December 2020 | 116,786 | (78,253) | (38,533) | – |
| Net position as at 31 December 2020 | 149,785 | 38,726 | (222) | 188,289 |
| Perpetual subordinated bonds | – | 26,216 | – | 26,216 |
| Net position, including perpetual subordinated bonds, as at 31 December 2020 | 149,785 | 12,510 | (222) | 162,073 |
| Credit-related commitments | 532,373 | 112,145 | 8,179 | 652,697 |

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):

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

33. Assets structure by industry (continued)

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

| | Securities at FVPL (Note 15) | Placements with banks (Note 14) | Bank bonds at amortized cost (Note 14) | Loans to customers (Note 17) | Bonds at amortized cost (Note 17) | Bonds at FVOCI (Note 18) | Total | % |
|--|---|--|---|---|--|---|------------------|---------------|
| 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% |
| | 361,043 | 40,451 | 10,810 | 677,432 | 65,958 | 155,864 | 1,311,558 | 100.0% |

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:

| | <i>RUB MM</i> |
|---|----------------------|
| Assets | |
| 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 |
| Total assets | 25,159 |
| Liabilities | |
| 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 |
| Total liabilities | 20,631 |
| Identifiable net assets | 4,528 |
| | <i>RUB MM</i> |
| Cash paid on acquisition | 3,899 |
| Fair value of identifiable net assets of the company as at the date of business combination | (4,528) |
| Bargain purchase gain (Note 7) | 629 |

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:

| | <i>RUB MM</i> |
|--------------------------------------|----------------------|
| Assets | |
| 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 |
| Total assets | 177,141 |
| Liabilities | |
| Amounts due to banks | 8,160 |
| Amounts due to customers | 142,295 |
| Other borrowed funds | 286 |
| Debt securities issued | 24 |
| Other liabilities | 8,142 |
| Total liabilities | 158,907 |
| Identifiable net assets | 18,234 |

| | <i>RUB MM</i> |
|---|----------------------|
| 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 |
| Bargain purchase gain (Note 7) | 2,624 |

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:

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

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.

| | 30 June 2021 (unaudited) RUB MM | 31 December 2020 RUB MM |
|------------------------------------|--|--|
| Core capital | 165,448 | 154,455 |
| Additional capital | 25,679 | 26,216 |
| Tier 1 capital | 191,127 | 180,671 |
| Tier 2 capital | 29,026 | 29,603 |
| Total equity | 220,153 | 210,274 |
| Risk-weighted assets | | |
| Credit risk | 1,362,886 | 1,075,670 |
| Operational risk | 138,307 | 138,307 |
| Market risk | 112,829 | 130,833 |
| Total risk-weighted assets | 1,614,022 | 1,344,810 |
| 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 Buduschego 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%.